

EFFECT OF CREDIT MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF DEPOSIT-TAKING SAVINGS AND CREDIT COOPERATIVE SOCIETIES: A CASE STUDY OF UASIN GISHU COUNTY FARMERS COOPERATIVE SOCIETIES

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Abstract: Credit management practices refer to the strategies and techniques used by individuals and businesses to effectively manage their credit activities. The purpose of the study was to investigate the effects of credit management practices on financial performance of deposit taking savings and credit cooperative societies a case study of Uasin Gishu farmers' cooperative society. The study was guided by the following research objectives: to determine the effect of credit policy on financial Performance of Deposit-Taking Savings and Credit Cooperative Societies in Uasin Gishu County; to determine the effect of credit evaluation on financial performance of deposit-taking Savings and Credit Cooperative Societies in Uasin Gishu County; to determine the effect of Credit Limits have an effect on financial performance of deposit-taking Savings and Credit Cooperative Societies in Uasin Gishu County; to determine the effect of loan terms and conditions have an effect on financial performance of Deposit-Taking Savings and Credit Cooperative Societies in Uasin Gishu County. The research design chosen for this study is a descriptive survey. The target population was Director, Manager, 10 credit control and 70 general employees. The researcher concluded that the credit policy of Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) can have a significant impact on their financial performance in Uasin Gishu County. Here is a conclusion summarizing the potential effects: The credit policy directly influences the quality of loans granted by SACCOs. A well-designed credit policy ensures proper assessment of borrowers' creditworthiness, reducing the risk of default. By implementing strict criteria for loan approval, SACCOs can minimize the number of non-performing loans, leading to improved financial performance. Credit evaluation impacts the cost of credit for SACCOs and borrowers. Through a thorough evaluation process, SACCOs can determine the appropriate interest rates and fees to charge based on the perceived risk. Accurate assessment helps SACCOs set fair and competitive rates, ensuring sustainable revenue generation while also providing affordable credit options to members. Credit limits play a crucial role in managing credit risk for SACCOs. By setting appropriate limits based on the borrower's creditworthiness, income, and collateral, SACCOs can control their exposure to potential defaults. The terms and conditions established by SACCOs directly impact the quality of their loan portfolio. By setting clear and stringent criteria for loan approval, such as minimum credit scores, income requirements, and collateral standards, SACCOs can ensure that loans are granted to creditworthy borrowers. This reduces the risk of default and improves the overall quality of the loan

portfolio, thereby enhancing the financial performance of the SACCO. In view of these conclusions, the following recommendations were made \SACCOS should establish well-defined and documented credit guidelines that outline the eligibility criteria for borrowers, loan terms and conditions, risk assessment procedures, and credit limits. This helps ensure consistency in credit decisions and reduces the risk of default. A thorough credit appraisal process should be in place to assess the creditworthiness of potential borrowers. This includes evaluating their financial standing, repayment capacity, collateral, and any other relevant factors. A rigorous appraisal process minimizes the risk of default and helps maintain a healthy loan portfolio. Diversify loan portfolio: SACCOS should aim to diversify their loan portfolio by offering different types of loans tailored to meet the varying needs of their members. This reduces concentration risk and improves the overall financial stability of the SACCOS. Effective credit evaluation practices ensure that loans are extended to creditworthy borrowers with a high likelihood of repayment

Keywords: Credit Policy; Credit Evaluation; Credit Limits; Loan Terms and Conditions.

1. INTRODUCTION

Credit management practices refer to the strategies and techniques used by individuals and businesses to effectively manage their credit activities. These practices are crucial for maintaining a healthy credit profile, minimizing financial risks, and ensuring timely payment of debts. Here are some common credit management practices: Credit Risk Management and Financial Performance of U.S. Credit Unions" by Desai et al. (2015): This study examined the relationship between credit risk management practices and the financial performance of credit unions in the United States. The authors found that credit unions with better credit risk management practices had higher profitability and lower levels of loan delinquency and charge-offs. Credit Union Capital Buffers and Mortgage Loan Performance" by Driscoll and Stavins (2017): This study investigated the impact of credit union capital buffers on mortgage loan performance. The results showed that credit unions with higher capital buffers had lower delinquency rates on mortgage loans, indicating the importance of adequate capital in credit risk management. Loan Portfolio Management and Profitability of Credit Unions" by Nkalu (2017): This study analyzed the relationship between loan portfolio management practices and the profitability of credit unions in the United States. The findings suggested that credit unions that implemented effective loan portfolio management strategies, such as proper loan underwriting and risk assessment, experienced higher profitability. The Impact of Loan Delinquency on Credit Union Insolvency" by Duffey and Witkowski (2016): This study explored the effects of loan delinquency on credit union insolvency risk. The results indicated that credit unions with higher loan delinquency rates were more likely to experience financial distress and insolvency (Aaron, 2015).

Research studies on credit management practices and their impact on the financial performance of financial institutions, including savings and credit cooperative societies, are commonly conducted worldwide to understand the dynamics of credit risk, default rates, and overall financial stability. Uganda has a significant presence of savings and credit cooperative societies (SACCOs) that play a crucial role in providing financial services to rural and underserved communities. The studies conducted in Uganda aim to understand the relationship between credit management practices and the financial performance of SACCOs. Here are a few examples of research conducted in Uganda: Credit Management Practices and Financial Performance of SACCOs in Uganda" by Enamu Andrew: This study examined the relationship between credit management practices (including loan appraisal, monitoring, and recovery techniques) and the financial performance of SACCOs in Uganda. The research analyzed data from multiple SACCOs to identify the key determinants of financial performance and provide insights into credit management practices (Armstrong, 2015).

Studies examining the effects of credit management practices on the financial performance of deposit-taking savings and credit cooperative societies (SACCOs) in Kenya have been conducted to understand the relationship between credit risk management and overall financial stability. While I don't have access to the latest studies, I can provide you with some general insights on the topic. Credit management practices play a crucial role in determining the financial performance of SACCOs in Kenya. Effective credit management helps SACCOs assess borrower creditworthiness, minimize credit risk, and ensure timely loan repayments, which are essential for maintaining financial stability and profitability. Research studies may examine the methods used by SACCOs to assess creditworthiness, such as credit scoring models, financial statement analysis, and collateral evaluation. The impact of robust credit risk assessment practices on reducing default rates and improving the overall financial performance of SACCOs may be investigated. Studies may explore the loan portfolio management practices employed by SACCOs, including loan diversification, loan concentration limits, and monitoring procedures. The effectiveness of these practices in maintaining a healthy loan portfolio and minimizing credit losses can be examined. Researchers may investigate the adequacy of provisioning and loan loss reserve practices in SACCOs (Bara, 2019).

This includes assessing whether SACCOs maintain sufficient provisions and reserves to absorb potential credit losses and evaluating the impact on their financial performance. The effectiveness of loan recovery strategies employed by SACCOs, such as debt collection techniques, loan restructuring options, and legal recourse, can be studied. Examining the impact of these strategies on reducing non-performing loans and improving the financial performance of SACCOs is a common research area. Studies may also assess the governance structure and risk management practices within SACCOs. This includes evaluating the role of boards of directors, internal controls, risk management frameworks, and credit committees in ensuring sound credit management practices and their impact on financial performance. To access specific studies on this topic, I recommend exploring academic databases, research institutions, or publications focused on finance, economics, or cooperative studies in Kenya. Additionally, contacting the Kenya Deposit Insurance Corporation (KDIC), the Association of Kenya SACCOs (AKS), or the Cooperative Bank of Kenya may provide insights into relevant research or reports on credit management practices in SACCOs (Danninger, 2019).

2. STATEMENT OF THE PROBLEM

The effects of credit management practices on the financial performance of deposit-taking savings and credit cooperative societies (SACCOs) in Uasin Gishu County may involve several challenges. Non-Performing Loans (NPLs): SACCOs may face challenges in managing their credit portfolios effectively, resulting in a high level of non-performing loans. NPLs can negatively impact the financial performance of SACCOs by reducing their income, increasing provisioning requirements, and putting strain on their liquidity. SACCOs may struggle with insufficient credit risk assessment procedures. If credit is extended to borrowers without proper evaluation of their creditworthiness, it can lead to a higher default rate and adversely affect the financial performance of the SACCOs. Lack of access to accurate and up-to-date credit information about potential borrowers may pose challenges to SACCOs in making informed credit decisions. This could result in granting credit to individuals with poor credit histories or limited repayment capacity, which may increase the risk of default (Gopaal,2017).

SACCOs may encounter difficulties in effectively recovering loans from defaulting borrowers. Inadequate loan recovery mechanisms, such as inefficient collection processes or legal challenges, can hinder the SACCOs' ability to recover their funds, leading to financial losses. Fluctuations in interest rates can impact the financial performance of SACCOs. If SACCOs have fixed-rate loans and face rising interest rates, they may experience reduced profitability or liquidity challenges. Conversely, if SACCOs have fixed-rate deposits and interest rates decline, their income may be adversely affected. Proper liquidity management is crucial for the financial performance of SACCOs. Insufficient liquidity can lead to difficulties in meeting member withdrawals, loan disbursements, and other financial obligations. Effective liquidity management practices, including maintaining an adequate reserve, can help mitigate this challenge. Compliance with regulatory requirements and reporting standards can be challenging for SACCOs. Failure to comply with regulations may result in penalties, reputational damage, or restrictions on operations, affecting their financial performance. SACCOs' financial performance can be influenced by broader economic and market conditions. Factors such as changes in interest rates, inflation, unemployment rates, or industry-specific challenges can impact the credit quality and repayment capacity of borrowers, affecting the SACCOs' financial performance (Harwood,2016).

Research Objective

- i. To determine the effect of credit policy on financial Performance of Deposit-Taking Savings and Credit Cooperative Societies in Uasin Gishu County.
- ii. To determine the effect of credit evaluation on financial performance of deposit-taking Savings and Credit Cooperative Societies in Uasin Gishu County.
- iii. To determine the effect of Credit Limits have an effect on financial performance of deposit-taking Savings and Credit Cooperative Societies in Uasin Gishu County.
- iv. To determine the effect of loan terms and conditions have an effect on financial performance of Deposit-Taking Savings and Credit Cooperative Societies in Uasin Gishu County.

Significance of the study

The study helps in comprehending the various credit management practices employed by SACCOs in Uasin Gishu County. It investigated how these practices are implemented, monitored, and evaluated in relation to the financial performance of the SACCOs. This knowledge is crucial for identifying the strengths and weaknesses of credit management systems.

The study assesses the financial performance of SACCOs in Uasin Gishu County. It examines key indicators such as profitability, liquidity, solvency, and efficiency, among others. By linking these indicators with credit management practices, the study provides insights into the impact of effective credit management on the financial health and stability of SACCOs.

Effective credit management practices play a vital role in managing credit risk within SACCOs. By investigating the relationship between credit management practices and financial performance, the study sheds light on how well SACCOs in Uasin Gishu County are managing credit risks. This information helps identify areas of improvement and enhances risk mitigation strategies.

The findings of the study can serve as a basis for policy recommendations to enhance credit management practices in SACCOs. Policymakers, regulators, and industry stakeholders can utilize the insights to develop guidelines, regulations, and training programs to strengthen credit management frameworks within SACCOs. Improved credit management practices can lead to better financial performance, reduced risk, and increased stability within the sector.

The study contributes to the existing body of knowledge on credit management practices and their impact on financial performance, specifically within the context of SACCOs in Uasin Gishu County. It adds to the academic literature and provides a reference for future research endeavors, both in the field of credit management and cooperative societies.

3. RESEARCH METHODOLOGY

Research Design

The research design chosen for this study is a descriptive survey. A survey research design is appropriate for this study because it allows for the collection of data from a large sample size. Additionally, the survey design enabled the researcher to gather data from different participants who hold varying views, opinions, and perspectives. The study relied on both quantitative and qualitative data analysis to provide a comprehensive understanding of the research problem.

Target Population

The target population for this study targeted credit cooperative societies in Uasin Gishu Co-operative Society Ltd: which consisted of Director, Manager, 10 credit control and 70 general employees. The collected data was analyzed using both descriptive and inferential statistics. Descriptive statistics such as frequencies, percentages, means, and standard deviations was used to summarize the data. Inferential statistics such as correlation and regression analysis was used to test the relationships between financial management practices and liquidity. The statistical package for social sciences (SPSS) software was used to analyze the data.

Table 3.1 Target Population

Target Population	Sample Size
Director	1
Manager	1
Credit Control	10
General Employees	70
Total	92

Description of Sample and Sampling Procedure

The study used a purposive sampling technique to select a sample of Uasin Gishu Co-operative Society Ltd: The selection of Uasin Gishu Co-operative Society Ltd. Data collection was done through structured questionnaires. The questionnaire comprised closed-ended questions and was used to collect data on credit management practices on financial performance. The collected data was analyzed using descriptive statistics such as mean, median, and standard deviation. The data analysis helped to determine the credit management practices on financial performance. Therefore, the researcher used census method since the target population is too small to calculate.

Description of Data Collection Instruments

The data collection instruments for this study included both primary and secondary sources. Primary data was collected using structured questionnaires to be administered at Uasin Gishu Co-operative Society Ltd. The questionnaires were designed to gather information on credit management practices on financial performance. Secondary data was obtained from the supermarkets' financial statements, annual reports, and other relevant literature sources.

Validity and Reliability of Research Instruments

To ensure the validity and reliability of research instruments, several measures were taken. Firstly, the questionnaires were designed using existing literature on gender characteristics and financial performance, ensuring that they are relevant and appropriate for the research objectives. To ensure reliability, the questionnaires were administered to a sample of Uasin Gishu Co-operative Society Ltd., with a two-week interval between the administrations. The results from the two administrations were compared to assess the consistency of responses. The internal consistency of the research instruments was assessed using Cronbach's alpha, with a value of 0.7 or higher indicating acceptable reliability.

Data Collection Procedures

The study adopted a cross-sectional survey design, where data was collected once from a selected sample of Uasin Gishu Co-operative Society Ltd. Uasin Gishu Co-operative Society Ltd was selected using a stratified random sampling technique based on their size and sales volume. The study used face-to-face interviews to administer the questionnaires to the supermarkets' managers or financial officers. Additionally, the study used a document analysis technique to collect secondary data from the supermarkets' financial statements and other relevant literature sources.

Data Analysis Techniques

The data collected was analyzed using descriptive and inferential statistics. Descriptive statistics will be used to analyze demographic information, gender characteristics, and effects of credit management practices on financial performance. Inferential statistics, including correlation analysis and regression analysis, was used to examine the relationship between credit management practices on financial performance. The statistical package for social sciences (SPSS) was used to analyze the data. The results of the study were presented using tables, charts, and graphs, and interpreted using statistical software and existing literature.

4. RESULTS

From the study 92 questionnaires were issued and out of this number, 92 questionnaires were received and were filled appropriately representing a response rate of 100%. This was deemed adequate for both the analysis and interpretation of the data and hence used in that regard. Mugenda and Mugenda (2009) stated that a response rate of 50% is adequate, 60% good and above 70% is rated as excellent. This is presented in Table 1.

Table 1: Response Rate

Category	Frequency	Percentage
Distributed	92	100 %
Returned	92	100%

4.1.2 Gender

The table shows the findings of gender which is indicated on Table 2

Table 2: Gender

Gender	Frequency	Percentage
Male	40	43%
Female	52	57%
Total	92	100%

The findings show the Gender of the participants, it shows that Male were 40(43%), Female were 52(57%), Female gender were the majority 52(57%)

4.1.3 Age

The findings indicated age of respondents as shown in table 3

Table 3 Age

Age Bracket	Frequency	Percentage
Below 20 years	10	11%
21-29 years	22	24%
30-39 years	30	32%
40-49 years	20	22%
50 years and above	10	11%
Total	92	100%

.It shows that Below 20 years 10(11%),21-29 years 22(24%),30-39 years 30(32%),40-49 years 20(22%),majority are of age 30-39 years 30(32%),and minority are of age below 20and 50 years and above 10(11%)

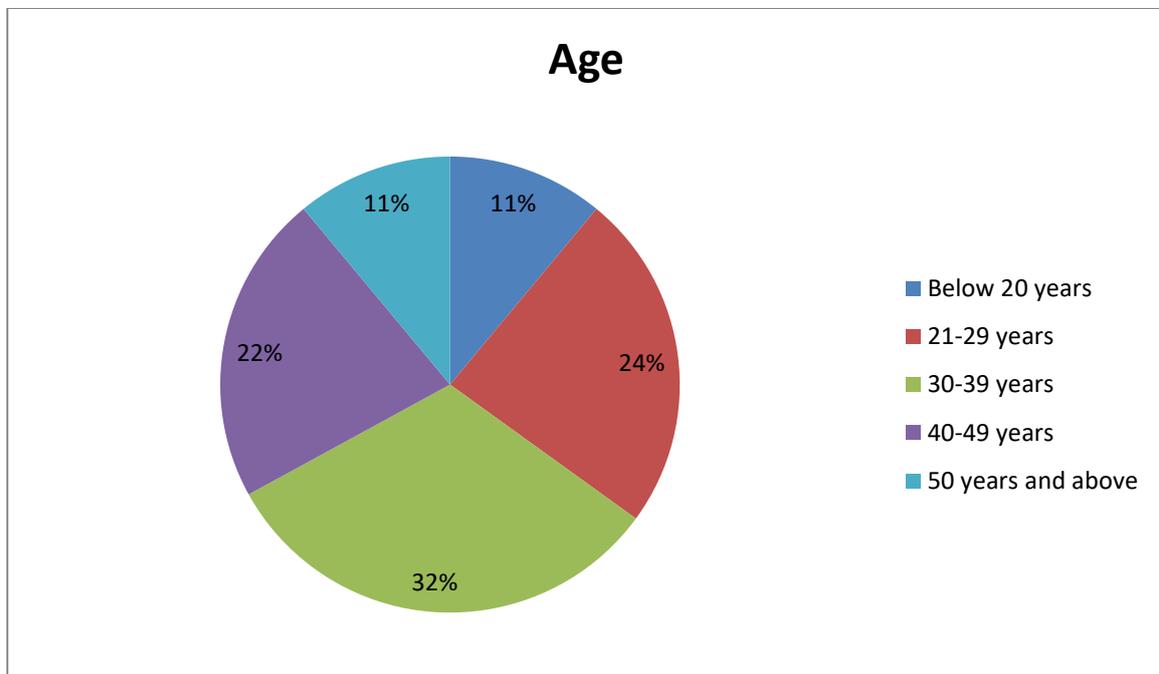


Figure 1: Age of Respondents

4.1.4 Length of existence of the SME in Uasin Gishu County

The findings indicated Length of existence of the SME in Uasin Gishu County

Table 4: Length of existence of the SME in Uasin Gishu County

Working period	Frequency	Percentage
0-5 years	39	42%
6 – 10 years	23	26%
11-15 years	16	17%
16-20 years	14	15%
Total	92	100%

The table shows the Length of existence of the SME Their existence period were as follows 0-5 years 39(42%) , 6 – 10 years 23(26%), 10 -15years 16(17%),16-20 years 14(15%) .Majority of the have worked for 0 -5 years 39(42%) ,,then minority were for 16-20 years 14(15%)

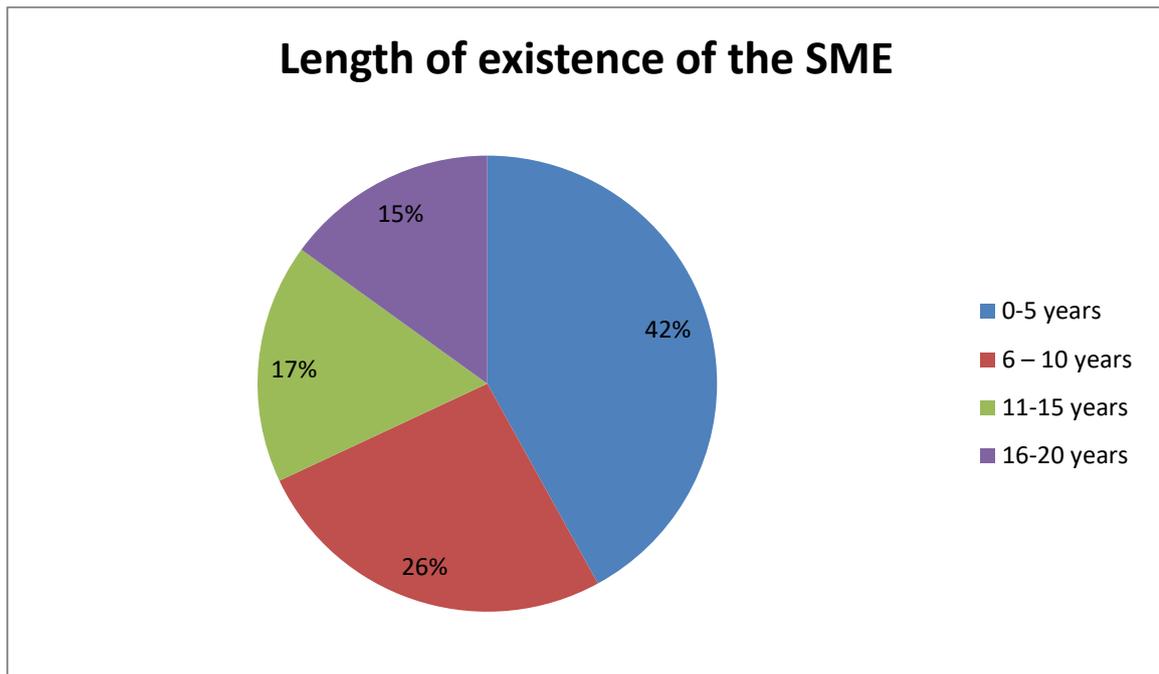


Figure 2: Length of existence of the SME in Uasin Gishu County

Discussion of Findings

Credit Policy affects financial Performance of Deposit Taking Savings

The findings indicated how Credit Policy affects financial Performance of Deposit Taking Savings

Table 5: Credit Policy affects financial Performance of Deposit Taking Savings

Statements	VE	E	ME	SE	IE	N
A credit policy should define the criteria for evaluating the creditworthiness of potential borrowers	43 47%	27 29%	5 5%	7 8%	10 11%	92 100
Credit limits is an important aspect of a credit policy. It involves determining the maximum amount of credit that can be extended to a customer or borrower based on their financial position and creditworthiness..	48 52%	22 24%	10 11%	7 8%	5 5%	92 100%
A credit policy should outline the terms and conditions under which credit will be extended, including the interest rate, repayment period, and any other applicable fees or charges.	25 27%	10 11%	5 5%	5 5%	47 51%	92 100%
The credit policy should specify the process for approving credit applications.	20 22%	41 45%	12 13%	13 14%	6 7%	92 100%
An effective credit policy includes provisions for ongoing monitoring of borrowers' credit performance	37 40%	23 25%	9 10%	10 11%	13 14%	92 100%

From the study it shows that A credit policy should define the criteria for evaluating the creditworthiness of potential borrowers' responses were as follows very effective 43(47%), effective 27(29%), moderately effective 5(5%), slightly effective 10(11%) and ineffective 10(11%)

Credit limits is an important aspect of a credit policy. It involves determining the maximum amount of credit that can be extended to a customer or borrower based on their financial position and creditworthiness were as follows 48(52%), effective 22(24%), moderately effective 10(11%), slightly effective 7(8%), ineffective 5(5%).

A credit policy should outline the terms and conditions under which credit will be extended, including the interest rate, repayment period, and any other applicable fees or charges were as follows very effective 25(27%), effective 10(11%), moderately effective 5(5%), slightly effective 5(5%), ineffective 47(51%).

The credit policy should specify the process for approving credit applications. Were as follows 20(22%), effective 41(45%), moderately effective 12(13%), slightly effective 13(14%), ineffective 6(7%).

An effective credit policy includes provisions for ongoing monitoring of borrowers' credit performance were as follows very effective 37(40%), effective 23(25%), moderately effective 9(10%), slightly effective 10(11%), ineffective 13(14%).

The findings conquer with the study done by Waita (2012) credit policy refers to the guidelines, rules, and procedures that SACCOs establish to govern their lending activities. It encompasses various aspects such as loan eligibility criteria, loan pricing, collateral requirements, loan terms and conditions, credit risk assessment procedures, and credit decision-making processes. Financial performance of SACCOs, as mentioned earlier, relates to their ability to generate profits, maintain financial stability, and manage risks effectively. It includes indicators such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), asset quality, liquidity, and capital adequacy. studies have examined the relationship between credit policy and financial performance in SACCOs. These studies aim to understand how different credit policy variables impact the financial performance indicators mentioned earlier. Some key findings from these studies include: Research has shown that credit policies that emphasize thorough credit risk assessment and prudent loan origination practices tend to lead to better loan portfolio quality. This means lower levels of non-performing loans (NPLs) and credit losses, resulting in improved financial performance (Waita, 2012).

Effects of Credit Evaluation on financial Performance of Deposit Taking Savings and Credit

The findings indicated to show the effects of Credit Evaluation on financial Performance of Deposit Taking Savings and Credit

Table 6: Effects of Credit Evaluation on financial Performance of Deposit Taking Savings and Credit

Statements	VE	E	ME	SE	IE	N
The leadership style of an organization plays a critical role in shaping its culture. Leaders set the tone for the organization's values, beliefs, and behaviors	28 30%	47 51%	12 13%	9 8%	4 4%	92 100%
The structure of an organization can impact its culture by influencing how communication flows, how decisions are made, and how work is organized	10 11%	23 25%	11 12%	29 32%	19 21%	92 100%
The diversity of employees in terms of their backgrounds, experiences, and perspectives can shape the culture of an organization.	36 39%	23 25%	11 12%	8 9%	14 15%	92 100%
The values and principles that an organization holds dear also shape its culture.	20 22%	27 29%	12 13%	22 24%	11 12%	92 100%

From the findings it shows the leadership style of an organization plays a critical role in shaping its culture. Leaders set the tone for the organization's values, beliefs, and behaviors the responses were as follows very effective 28(30%), effective 47(51%), moderately effective 12(13%), slightly effective 9(8%) and ineffective 4(4%)

The structure of an organization can impact its culture by influencing how communication flows, how decisions are made, and how work is organized the responses were as follows; very effective 10(11%), effective 23(25%), moderately effective 11(12%), slightly effective 29(32%) and ineffective 19(21%)

The diversity of employees in terms of their backgrounds, experiences, and perspectives can shape the culture of an organization responses were as follows: very effective 36(39%), effective 23(25%), moderately effective 11(12%), slightly effective 8(9%) and ineffective 14(15%)

The values and principles that an organization holds dear also shape its culture responses were as follows: very effective 20(22%), effective 27(29%), moderately effective 12(13%), slightly effective 22(24%) and ineffective 11(12%)

The findings agree with the study done by Shimko (2018), Credit limits refer to the maximum amount of credit that a borrower is allowed to obtain from a lender. Credit limits are established based on various factors, including the borrower's creditworthiness, income, collateral, and the lender's risk appetite. Financial performance indicators typically include profitability measures such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), as well as measures of credit risk, asset quality, liquidity, and capital adequacy. Several studies have examined the relationship between credit limits and financial performance across different industries. While the specific focus on deposit-taking

savings and credit cooperative societies (SACCOs) may be limited, the findings from these studies may offer insights into the broader effects of credit limits. Some general findings include Setting appropriate credit limits is crucial for maintaining a high-quality loan portfolio. Studies suggest that excessively high credit limits can increase the risk of default and lead to higher levels of non-performing loans (NPLs) and credit losses. On the other hand, overly conservative credit limits may restrict loan disbursements and limit revenue generation. Striking the right balance is important for maintaining a healthy loan portfolio and overall financial performance (Shimko,2018).

Credit Limits affects financial Performance of Deposit Taking Savings and Credit

The findings show that Credit Limits affects financial Performance of Deposit Taking Savings and Credit

Table 7: Credit Limits affects financial Performance of Deposit Taking Savings and Credit

Statement	VE	E	ME	SE	IE	N
A borrower's employment history and income stability play a crucial role in credit evaluation	16 17%	15 16%	36 40%	13 14%	12 13%	92 100%
The borrower's income and financial capacity are important factors in setting credit limits.	20 22%	30 33%	26 27%	10 11%	6 7%	92 100%
The borrower's payment history, including their record of timely payments, is taken into account when setting credit limits	13 14%	15 16%	14 15%	20 22%	30 33%	92% 100%
The borrower's income and financial capacity are important factors in setting credit limits.	7 8%	12 13%	17 18%	25 28%	30% 33%	92% 100%
A strong payment history demonstrates responsible credit management and can lead to higher credit limits.	10 11%	14 15%	15 16%	20 22%	33 36%	92 100%

From the finding it shows that A borrower's employment history and income stability play a crucial role in credit evaluation responses were as follows very effective 16(17%), effective 15(16%), moderately effective 36(40%), slightly effective 13(14%) and ineffective 12(13%).

The borrower's income and financial capacity are important factors in setting credit limits, very effective 20(22%), effective 30(33%), moderately effective 26(27%), slightly effective 10(11%) and ineffective 6(7%).

The borrower's payment history, including their record of timely payments, is taken into account when setting credit limits, very effective 13(14%), effective 15(16%), moderately effective 14(15%), slightly effective 20(22%) and ineffective 30(33%).

The borrower's income and financial capacity are important factors in setting credit limits very effective 7(8%), effective 12(13%), moderately effective 17(18%), slightly effective 25(28%) and ineffective 30(33%).

A strong payment history demonstrates responsible credit management and can lead to higher credit limits very effective 10(11%), effective 14(15%), moderately effective 15(16%), slightly effective 20(22%) and ineffective 33(36%).

The findings strongly agreed done by Sanya (2013) Credit limits help SACCOs manage the risk associated with lending. By setting appropriate credit limits, SACCOs can ensure that loans are extended to members who have the ability to repay them. A well-defined credit limit policy can contribute to maintaining a high-quality loan portfolio with a lower incidence of default and non-performing loans. The credit limits set by SACCOs can influence their profitability. If credit limits are too conservative or low, SACCOs may miss out on potential lending opportunities and revenue generation. Conversely, if credit limits are set too liberally or high, there may be an increased risk of default, which can negatively impact profitability. Striking the right balance is crucial to achieving sustainable profitability. Credit limits also affect the liquidity position of SACCOs. When SACCOs extend loans, they tie up funds that could otherwise be used for member withdrawals or other operational needs. Setting appropriate credit limits helps SACCOs manage their liquidity position effectively, ensuring they have sufficient funds to meet member demands while still facilitating lending activities. The credit limits established by SACCOs can influence member satisfaction and overall growth. If credit limits are too restrictive, members may feel limited in their ability to access credit and may seek alternative financial institutions. On the other hand, if credit limits are set appropriately and responsibly, members can access the credit they need, fostering member loyalty and potentially attracting new members.

Terms and Conditions affects financial Performance of Deposit-Taking Savings and Credit

The findings indicated that Terms and Conditions affects financial Performance of Deposit-Taking Savings and Credit

Table 8: Terms and Conditions affects financial Performance of Deposit-Taking Savings and Credit

Statement	VE	E	ME	SE	IE	N
The terms and conditions should clearly specify the payment terms, including the payment due date, accepted payment methods	10 11%	15 16%	17 18%	20 22%	30 43%	92 100%
If the agreement involves the delivery of goods or services, the terms and conditions should outline the obligations of each party regarding the timing, quantity, quality, and conditions of delivery or performance	15 16%	17 18%	10 11%	20 22%	30 43%	92 100%
The terms and conditions should state the agreed-upon pricing structure, any discounts or rebates applicable	8 9%	10 11%	9 10%	30 33%	35 38%	140% 100%
The terms and conditions should specify any warranties or guarantees provided by the seller or service provider regarding the quality, functionality, or performance of the goods or services.	12 13%	13 14%	15 16%	24 27%	28% 30%	140% 100%
If the agreement involves the transfer or licensing of intellectual property, the terms and conditions should address the ownership	7 8%	15 16%	16 17%	20 22%	34 37%	140 100%

From the finding The terms and conditions should clearly specify the payment terms, including the payment due date, accepted payment methods responses were as follows very effective 10(11%), effective 15(16%), moderately effective 17(18%), slightly effective 20(22%) and ineffective 33(43%).

If the agreement involves the delivery of goods or services, the terms and conditions should outline the obligations of each party regarding the timing, quantity, quality, and conditions of delivery or performance very effective 10(11%), effective 15(16%), moderately effective 17(18%), slightly effective 20(22%) and ineffective 30(43%).

The terms and conditions should state the agreed-upon pricing structure, any discounts or rebates applicable very effective 8(9%), effective 10(11%), moderately effective 9(10%), slightly effective 30(33%) and ineffective 35(38%).

If the agreement involves the transfer or licensing of intellectual property, the terms and conditions should address the ownership very effective 7(8%), effective 15(16%), moderately effective 16(17%), slightly effective 20(22%) and ineffective 34(37%).

The findings disagree with the study done by Scottm (2019). Terms and conditions refer to the contractual provisions and requirements associated with loans or financial products. They include aspects such as interest rates, repayment schedules, collateral requirements, fees and charges, grace periods, prepayment penalties, and other contractual obligations. Financial performance indicators typically include profitability measures such as return on assets (ROA), return on equity (ROE), net interest margin (NIM), as well as measures of credit risk, asset quality, liquidity, and capital adequacy. Studies have examined the relationship between terms and conditions and financial performance across various sectors, including banking and lending. While research specific to deposit-taking savings and credit cooperative societies (SACCOs) may be limited, the findings from these studies can provide insights into the broader effects of terms and conditions (Scottm, 2019).

Financial Performance of Deposit Taking Savings and Credit Cooperative Societies

The findings indicated that Financial Performance of Deposit Taking Savings and Credit Cooperative Societies

Table 9: Financial Performance of Deposit Taking Savings and Credit Cooperative Societies

Statements	VE	E	ME	SE	IE	N
Profitability Ratios Gross Profit Margin: (Gross Profit / Revenue)	28 30%	47 51%	12 13%	9 8%	4 4%	92 100%
Debt-to-Equity Ratio: Total Debt / Shareholders' Equity	10 11%	23 25%	11 12%	29 32%	19 21%	92 100%
Asset Turnover Ratio: Revenue / Average Total Assets	36 39%	23 25%	11 12%	8 9%	14 15%	92 100%
Price-to-Earnings Ratio (P/E Ratio): Market Price per Share / Earnings per Share	20 22%	27 29%	12 13%	22 24%	11 12%	92 100%

From the findings it shows Profitability Ratios Gross Profit Margin: (Gross Profit / Revenue) the responses were as follows very effective 28(30%), effective 47(51%), moderately effective 12(13%), slightly effective 9(8%) and ineffective 4(4%)

Debt-to-Equity Ratio: Total Debt / Shareholders' Equity the responses were as follows: very effective 10(11%), effective 23(25%), moderately effective 11(12%), slightly effective 29(32%) and ineffective 19(21%)

Asset Turnover Ratio: Revenue / Average Total Assets The responses were as follows very effective 36(39%), effective 23(25%), moderately effective 11(12%), slightly effective 8(9%) and ineffective 14(15%)

Price-to-Earnings Ratio (P/E Ratio): Market Price per Share / Earnings per Share responses were as follows: very effective 20(22%), effective 27(29%), moderately effective 12(13%), slightly effective 22(24%) and ineffective 11(12%)

The findings conquer with the study done by Danninger (2019). Studies have examined the profitability of SACCOs by analyzing indicators such as return on assets (ROA) and return on equity (ROE). Positive and stable profitability is crucial for the long-term sustainability of SACCOs. Researchers have looked into the quality of SACCOs' loan portfolios and assessed indicators such as non-performing loans (NPLs) and loan loss reserves. Lower NPL ratios indicate better asset quality and lower credit risk. Liquidity management is essential for SACCOs to meet member demands for withdrawals and disbursements. Studies have explored liquidity ratios, cash flow analysis, and the adequacy of liquid assets to cover short-term liabilities. SACCOs need to maintain adequate capital to absorb unexpected losses and comply with regulatory requirements. Studies have examined capital adequacy ratios, such as the capital-to-assets ratio and regulatory capital ratios. Efficiency ratios, such as cost-to-income ratio and operating expense ratio, have been used to assess the operational efficiency of SACCOs. Lower ratios indicate better cost management and operational effectiveness. Researchers have explored the impact of good governance practices and effective risk management systems on the financial performance of SACCOs. This includes examining board composition, risk assessment frameworks, and internal controls.

The credit policy of Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) can have a significant impact on their financial performance in Uasin Gishu County. Here is a conclusion summarizing the potential effects: The credit policy directly influences the quality of loans granted by SACCOs. A well-designed credit policy ensures proper assessment of borrowers' creditworthiness, reducing the risk of default. By implementing strict criteria for loan approval, SACCOs can minimize the number of non-performing loans, leading to improved financial performance.

A sound credit policy incorporates risk management measures to mitigate potential risks associated with lending activities. By setting appropriate loan limits, diversifying the loan portfolio, and monitoring the creditworthiness of borrowers, SACCOs can minimize credit risk. This, in turn, helps maintain the financial health of the institution. The credit policy affects the interest rates charged on loans. A well-designed policy allows SACCOs to set competitive interest rates that balance profitability and affordability for borrowers. Optimizing interest income contributes to the financial performance of SACCOs by increasing revenue streams. The credit policy influences the liquidity position of SACCOs. By establishing guidelines on loan disbursement and repayment terms, SACCOs can effectively manage their cash flow. Adequate liquidity management ensures the availability of funds to meet members' deposit withdrawals and operational expenses, contributing to a stable financial performance.

Credit evaluation plays a crucial role in assessing the creditworthiness of borrowers. Through diligent credit evaluation processes, SACCOs can identify reliable borrowers and minimize the risk of default. By ensuring that loans are extended to individuals or businesses with a high likelihood of repayment, SACCOs can maintain a high-quality loan portfolio, reducing the impact of non-performing loans on their financial performance. Effective credit evaluation contributes to risk management within SACCOs. By implementing comprehensive credit assessment procedures, including analyzing borrowers' financial history, collateral valuation, and repayment capacity, SACCOs can identify and mitigate potential risks. This reduces the chances of incurring losses due to defaults and enhances the overall financial stability of the institution.

Credit evaluation impacts the cost of credit for SACCOs and borrowers. Through a thorough evaluation process, SACCOs can determine the appropriate interest rates and fees to charge based on the perceived risk. Accurate assessment helps SACCOs set fair and competitive rates, ensuring sustainable revenue generation while also providing affordable credit options to members. This balance contributes to the financial performance of SACCOs and promotes borrower satisfaction and loyalty. Effective credit evaluation practices enable SACCOs to identify viable lending opportunities. By evaluating borrowers' creditworthiness and assessing market conditions, SACCOs can identify sectors or individuals with potential for loan growth. This allows SACCOs to expand their loan portfolio strategically, resulting in increased interest income and overall financial performance.: A robust credit evaluation process positively impacts member satisfaction and retention. By

thoroughly evaluating credit applications and making informed lending decisions, SACCOs can ensure that loans are granted fairly and transparently. This fosters trust and confidence among members, leading to increased satisfaction and long-term engagement. Satisfied members are more likely to continue their membership and utilize other financial services offered by the SACCO, positively impacting the financial performance of the institution.

Credit limits play a crucial role in managing credit risk for SACCOs. By setting appropriate limits based on the borrower's creditworthiness, income, and collateral, SACCOs can control their exposure to potential defaults. Implementing well-defined credit limits ensures that loans granted are within the financial capacity of borrowers, reducing the risk of non-performing loans and improving the overall financial health of the SACCO. Credit limits directly influence the composition and quality of the loan portfolio. Setting appropriate credit limits helps SACCOs maintain a diversified and balanced loan portfolio. By considering factors such as the borrower's income, repayment capacity, and existing debt obligations, SACCOs can ensure that loans granted are sustainable and align with the borrower's financial circumstances. This contributes to a healthier loan portfolio, minimizing the impact of defaults on the SACCO's financial performance.

The terms and conditions established by SACCOs directly impact the quality of their loan portfolio. By setting clear and stringent criteria for loan approval, such as minimum credit scores, income requirements, and collateral standards, SACCOs can ensure that loans are granted to creditworthy borrowers. This reduces the risk of default and improves the overall quality of the loan portfolio, thereby enhancing the financial performance of the SACCO.

5. CONCLUSION

The researcher concluded that the credit policy of Deposit-Taking Savings and Credit Cooperative Societies (SACCOs) can have a significant impact on their financial performance in Uasin Gishu County. Here is a conclusion summarizing the potential effects: The credit policy directly influences the quality of loans granted by SACCOs. A well-designed credit policy ensures proper assessment of borrowers' creditworthiness, reducing the risk of default. By implementing strict criteria for loan approval, SACCOs can minimize the number of non-performing loans, leading to improved financial performance.

A sound credit policy incorporates risk management measures to mitigate potential risks associated with lending activities. By setting appropriate loan limits, diversifying the loan portfolio, and monitoring the creditworthiness of borrowers, SACCOs can minimize credit risk. This, in turn, helps maintain the financial health of the institution. The credit policy affects the interest rates charged on loans. A well-designed policy allows SACCOs to set competitive interest rates that balance profitability and affordability for borrowers. Optimizing interest income contributes to the financial performance of SACCOs by increasing revenue streams. The credit policy influences the liquidity position of SACCOs. By establishing guidelines on loan disbursement and repayment terms, SACCOs can effectively manage their cash flow. Adequate liquidity management ensures the availability of funds to meet members' deposit withdrawals and operational expenses, contributing to a stable financial performance.

Credit evaluation plays a crucial role in assessing the creditworthiness of borrowers. Through diligent credit evaluation processes, SACCOs can identify reliable borrowers and minimize the risk of default. By ensuring that loans are extended to individuals or businesses with a high likelihood of repayment, SACCOs can maintain a high-quality loan portfolio, reducing the impact of non-performing loans on their financial performance. Effective credit evaluation contributes to risk management within SACCOs. By implementing comprehensive credit assessment procedures, including analyzing borrowers' financial history, collateral valuation, and repayment capacity, SACCOs can identify and mitigate potential risks. This reduces the chances of incurring losses due to defaults and enhances the overall financial stability of the institution.

Credit evaluation impacts the cost of credit for SACCOs and borrowers. Through a thorough evaluation process, SACCOs can determine the appropriate interest rates and fees to charge based on the perceived risk. Accurate assessment helps SACCOs set fair and competitive rates, ensuring sustainable revenue generation while also providing affordable credit options to members. This balance contributes to the financial performance of SACCOs and promotes borrower satisfaction and loyalty. Effective credit evaluation practices enable SACCOs to identify viable lending opportunities. By evaluating borrowers' creditworthiness and assessing market conditions, SACCOs can identify sectors or individuals with potential for loan growth. This allows SACCOs to expand their loan portfolio strategically, resulting in increased interest income and overall financial performance. A robust credit evaluation process positively impacts member satisfaction and retention. By thoroughly evaluating credit applications and making informed lending decisions, SACCOs can ensure that loans are granted fairly and transparently. This fosters trust and confidence among members, leading to increased satisfaction and

long-term engagement. Satisfied members are more likely to continue their membership and utilize other financial services offered by the SACCO, positively impacting the financial performance of the institution.

Credit limits play a crucial role in managing credit risk for SACCOs. By setting appropriate limits based on the borrower's creditworthiness, income, and collateral, SACCOs can control their exposure to potential defaults. Implementing well-defined credit limits ensures that loans granted are within the financial capacity of borrowers, reducing the risk of non-performing loans and improving the overall financial health of the SACCO. Credit limits directly influence the composition and quality of the loan portfolio. Setting appropriate credit limits helps SACCOs maintain a diversified and balanced loan portfolio. By considering factors such as the borrower's income, repayment capacity, and existing debt obligations, SACCOs can ensure that loans granted are sustainable and align with the borrower's financial circumstances. This contributes to a healthier loan portfolio, minimizing the impact of defaults on the SACCO's financial performance.

The terms and conditions established by SACCOs directly impact the quality of their loan portfolio. By setting clear and stringent criteria for loan approval, such as minimum credit scores, income requirements, and collateral standards, SACCOs can ensure that loans are granted to creditworthy borrowers. This reduces the risk of default and improves the overall quality of the loan portfolio, thereby enhancing the financial performance of the SACCO.

6. RECOMMENDATION FOR PRACTICE

SACCOS should establish well-defined and documented credit guidelines that outline the eligibility criteria for borrowers, loan terms and conditions, risk assessment procedures, and credit limits. This helps ensure consistency in credit decisions and reduces the risk of default.

A thorough credit appraisal process should be in place to assess the creditworthiness of potential borrowers. This includes evaluating their financial standing, repayment capacity, collateral, and any other relevant factors. A rigorous appraisal process minimizes the risk of default and helps maintain a healthy loan portfolio.

Diversify loan portfolio: SACCOS should aim to diversify their loan portfolio by offering different types of loans tailored to meet the varying needs of their members. This reduces concentration risk and improves the overall financial stability of the SACCOS.

Effective credit evaluation practices ensure that loans are extended to creditworthy borrowers with a high likelihood of repayment. By assessing the financial standing, credit history, and repayment capacity of potential borrowers, SACCOS can reduce the risk of default and maintain a higher quality loan portfolio. This leads to lower levels of non-performing loans and improves the overall financial health of the SACCOS.

Credit evaluation helps in identifying and assessing the risks associated with lending activities. By conducting comprehensive risk assessments, including analysis of collateral, cash flow projections, and creditworthiness, SACCOS can mitigate risks such as credit risk and liquidity risk. This proactive approach to risk management safeguards the SACCOS against potential financial losses and ensures a more stable financial performance.

Establishing appropriate credit limits requires a comprehensive risk assessment of borrowers. SACCOS should evaluate factors such as the borrower's creditworthiness, income stability, collateral value, and repayment capacity. By accurately assessing risk, SACCOS can set credit limits that align with the borrower's ability to repay, reducing the risk of default and improving financial performance.

Credit limits should be set in a way that ensures a balanced loan portfolio for SACCOS. A well-diversified portfolio minimizes concentration risk and reduces the impact of any potential defaults on the overall financial performance. Striking a balance between individual credit limits and the collective risk exposure of the SACCOS is crucial for maintaining stability and profitability.

It is essential for SACCOS to have clear and transparent terms and conditions for their financial products and services. Ambiguous or complicated terms can lead to misunderstandings and disputes, which can negatively impact the financial performance of the SACCOS. Clear and transparent terms help build trust with members and ensure smooth operations.

The interest rates charged by SACCOS on loans and provided on savings and deposits directly affect their financial performance. Setting appropriate interest rates that are competitive yet sufficient to cover operational costs and generate reasonable profits is crucial. Careful consideration of market conditions, cost of funds, and risk factors is necessary to strike the right balance and maintain profitability.

The repayment period for loans offered by SACCOS should be aligned with the needs and repayment capacity of borrowers. If the repayment period is too short, it may put excessive strain on borrowers and increase the risk of default. On the other hand, a very long repayment period can lead to delayed cash flows and negatively impact the SACCOS' liquidity. SACCOS should carefully consider the appropriate repayment period to ensure timely cash flows and minimize default risk.

Recommendation for future studies

The researcher suggested to conduct a comprehensive review of existing literature on credit management practices and their impact on financial performance in SACCOS or similar financial institutions. This will help the researcher to understand the existing knowledge, identify research gaps, and provide a theoretical foundation for your study.

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