THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Risk Management Practices and Organizational Performance of Deposit-taking SACCOs in Nairobi City County, Kenya

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Abstract:
An increase in the volume of corporate failures has made risk management to be considered integral to the performance of Savings and Credit Co-operative Societies (SACCOs) in Kenya, which have been investing over the years with the objective of maximizing their wealth. Towards this end, they employ various risk management techniques to mitigate risks they face in relation to their lending activities. The purpose of the study was to investigate the effect of risk management practices on the organizational performance of deposit-taking SACCOs in Kenya, which have been facing increased pressure from microfinance institutions, commercial banks and emerging digital financial platforms for customers. This study specifically focused on the effect of credit, liquidity, and market rate risk management practices. The research adopted a descriptive design that was grounded on the balance scorecard theory and the shiftability theory of liquidity. The study focused on 44 deposit-taking SACCOs located in Nairobi City County and collected both primary and secondary data. Data was analyzed using Statistical Package for Social Scientists (SPSS) program based on descriptive, correlational and least squares regression analysis. The findings were presented using various graphical representation tools such as charts and tables. Regression results revealed that credit risk management, liquidity risk and market risk management had a positive and significant effect on the organizational performance of deposit-taking SACCOs in Nairobi County. The study recommended that SACCOs should further enhance their strategic loan screening guidelines, develop stronger strategic partnerships with credit reference bureaus, and improve loan monitoring processes. The study also recommended that SACCOs should review its interest rate risk management strategies. Further, they should explore opportunities for product diversification to enhance their market share and competitiveness. Finally, it was recommended that SACCOs should adopt a dynamically strategic approach to risk management and regularly review their risk management strategies to ensure their relevance and effectiveness in the changing business and regulatory environment.

Keywords: *Credit risk, liquidity risk, market rate risk and organizational performance*

1. Introduction

Savings and Credit Co-operative Societies (SACCOs) are autonomous financial organizations comprised of people who have voluntarily joined together to tackle social, economic, and cultural challenges facing them through a jointly owned and democratically managed enterprise (Mbugua & Kinyua, 2020). SACCOs play important roles in providing financial services in both rural and urban areas to underprivileged populations. However, while their social responsibilities are highly valuable, they are also very risky. According to Elahi (2018), numerous indicators point to a future characterized by a high degree of volatility and increased exposure to financial risks. The rising uncertainties and risks make implementing risk management strategies crucial for the survival of any organization (Alfred, 2021).

The co-operative movement has been in existence for over one hundred and fifty years. The movement is an off-shoot of natural tendencies found in every society of human beings to pool together resources, whether intellectual or physical facilities, to speed up the attainment of economic or social ends (Elahi, 2018). Like other organizations, co-operatives are also faced with various forms of risks that need proper management for them to succeed in terms of performance (Bhatt, Ahmed, Iqbal & Ullah, 2023). Aykut (2016) affirms that principally, risk management techniques are those practices that firms use to mitigate, retain, transfer or share risks and reduce losses. Among SACCOs, risk management practices such as credit risk management and liquidity management are associated with good financial performance and improved identification, control and improved stability (Conti & Mauri, 2018).

Nyambere (2013) considered SACCOs, which are financial co-operatives, as significant players in the Kenyan financial industry due to their broad national network, as identified by Lagat, Mugo, and Otuya (2013). Ngetich and Muchemi (2017), in their study on SACCOs in Kirinyaga County, opine that the institutions need to adopt more dynamic leadership practices to help overcome challenges that may impact their performance. In another research, Riungu (2018) was of the opinion that risk-based internal audits measured in terms of risk evaluation, internal audit competence, risk-based planning as well as internal auditing standards have significant effects on the operational efficiency of deposit-making firms in Kenya.

Elsewhere, Kimani (2018) revealed that Credit risk management techniques used by SACCOs, credit risk scoring, credit monitoring and credit risk diversification have significant effects on SACCOs' performance by ensuring the SACCOs provide loans to borrowers with repayment capacity. SACCOs are important instruments in Kenya, contributing more than 40% of the country's economy and 30% of national savings and deposits, which rose to more than Sh600 billion in 2022 from Sh540.5 billion in 2021 (SASRA, 2022). Given the volume of funds they hold, it is important that they enact prudent risk management practices to protect shareholders' funds from mismanagement (SASRA, 2017).

Sound credit risk management is a critical activity in any organization, especially for those enterprises practicing it. It can be simply termed as a process for ensuring that clients pay for products or services delivered (Aykut, 2016). Kimotho and Gekara (2016) state that the credit management function encompasses all activities aimed at ensuring customers pay their invoices promptly and in adherence to the specified payment terms. Good credit management reinforces the organizational performance or liquidity position, making it a critical component of any business.

Liquidity risk pertains to a firm's inability to decrease its liabilities and increase its assets, and it is assessed by measuring liquid assets against deposits, according to Al-Khouri (2021). Effective management of liquidity risk is crucial in ensuring that a company can attend to its obligations as they arise, and it minimizes the likelihood of negative outcomes, as noted by Kumar and Yadav (2018). A bank must establish a robust framework for managing liquidity risk, which involves keeping enough cash on hand, including a reserve of high-quality, unencumbered liquid assets, to survive a variety of stressful situations, including those that cause the loss or impairment of both unsecured and secured financing sources, as observed by Makori, Munene, and Muturi (2019) and Lamberg and Valming (2019).

According to Owojori, Akintoye, and Adidu (2021), market risk occurs when a corporation suffers losses as a result of unfavorable changes in market prices brought on by variations in the values of investments in equity, fixed-income instruments, commodities, off-balance-sheet transactions, and currencies. Losses resulting from unfavorable changes in market rates and prices, such as commodities and equities prices, are what Othman and Ameer (2019) define as market risk (Othman & Ameer, 2019; Owojori, Akintoye & Adidu, 2021).

1.1. Statement of the Problem

SACCOs are important poverty alleviation tools in developing economies. In the past few years, SACCOs have grown significantly both in membership, assets and volume of loans extended to their members, exposing them to significant risks and massive fraud (Kigunda, 2018). Increased liquidity risks damaged consumer perspectives and contributed to reduced membership, according to Mang'unyi (2018), who also reported that liquidity challenges have increased financial constraints facing SACCOs. Kimani (2018) adds that poor credit risk management practices have increased the volume of non-performing loans in Kenya's credit institutions, reducing their returns. In 2018, for instance, eight SACCOs were deregistered due to failure to comply with prudential guidelines that call for SACCOs to maintain a capital adequacy ratio of 10% of total assets, 8% of deposits, 8% of capital to total assets and 15% of its savings deposits and short-term liabilities in liquid assets (Mbugua & Kinyua, 2020). Wenner et al. (2019) aver that insolvency risks arising from failure to properly manage credit risk, operational risk, and liquidity risk. This calls for effective risk management structures.

In Nigeria, Oji and Odi (2021) analyzed the association between risk management and ROE of microcredit firms and revealed that risk management indicators could explain up to 87 percent of ROE variance. Loan loss provision and credit diversification negatively affected the firms, while credit evaluation and credit limits improved ROE. Uganda (Patience, Moses, Bosco, & David, 2022) also ascertained that segregation of duties, independent checks and risk management improved the financial returns of Rukiga SACCOs. Locally, credit risk management is a crucial component of managing the loan portfolio of Kenyan SACCOs (Lagat, Mugo & Otuya, 2013). In the study by Ochieng (2021), liquidity and credit risk management were singled out as the most important RM practices. The above studies are informative but have not been able to conclusive link risk management practices to the organizational performance of DTS in Nairobi City County, having focused on banks, microcredit institutions and SACCOs in Europe. Moreover, they fail to account for the various MR practices employed by the SACCOs; hence, this study sought to bridge this gap.

1.2. Research Aims

The study purposed to investigate the effect of risk management practices on the organizational performance of deposit-taking SACCOs in Nairobi City County. Specifically, the research focused on:

- To determine the effect of credit risk management on the organizational performance of deposit-taking SACCOs in Nairobi City County.
- To examine the effect of liquidity risk management on the organizational performance of deposit-taking SACCOs in Nairobi City County.
- To establish the effect of market risk management on the organizational performance of deposit-taking SACCOs in Nairobi City County.

2. Literature Review

2.1. Agency Theory

The Agency Theory was developed by economists Michael C. Jensen and William H. Meckling in 1976. The Agency Theory is a theoretical framework in economics and organizational studies that examines the relationship between principals and agents (principals – shareholders and Agents - managers or employees) within an organization (Jensen & Meckling, 1972). The theory focuses on the challenges that arise when there is a separation of ownership and control, such as when shareholders hire managers to run a company. Since its development, the agency theory has been refined and expanded upon by many other scholars in economics, finance, and management. It has become a widely used framework for understanding the challenges and opportunities of corporate governance, executive compensation, and other issues related to the relationship between principals and agents in organizations (Clarke, 2004).

Agency costs, such as monitoring charges, bonding expenses, and residual loss, may result from this. To mitigate these costs, principals may use incentives such as performance-based pay, monitoring mechanisms, and contracts to align the interests of agents with their own. One of the key assumptions of agency theory is that agents are rational and self-interested and that they will act to maximize their own interests. This can lead to a principal-agent problem, where agents may engage in actions that benefit themselves at the expense of the principals (Jensen & Meckling, 1972). The theory may be used in this study to explain how different risk management strategies are employed by SACCOs to boost performance. The agency theory is crucial to this study since risk management techniques are effective in removing agency obstacles and issues. Systems to measure credit risk, market risk, and liquidity risk are a few parts of risk management methods that are beneficial in this respect.

2.2. Credit Risk Management and Organizational Performance

Aden and Brooke (2019) conducted research on the impact of credit risk management on financial institutions' profitability in the United Kingdom from 2010 to 2018. 345 financial institutions made up the study's population, and 115 of those were examined. Management effectiveness and liquidity management were used to gauge CRM, whereas ROA was used to gauge organizational success. In this study, secondary data were used, and inferential and descriptive statistics were used to examine it. They concluded that credit risk management had a significant impact on the financial institutions' operating results. The study used panel data, but the present study used data from primary research. Additionally, the current analysis solely pays attention to Nairobi County SACCOs that accept deposits. (Aden & Brooke, 2014)

Lagat, Mugo, and Otuya (2018) found a positive association between SACCOs' performance and effective risk management. The overall goal of this study was to investigate how credit risk management may affect SACCOs. A descriptive research approach and a sample of data from 41 SACCOs were used in the study. The study also discovered that credit risk management helped businesses by lowering the amount of non-performing loans and cash loss instances and raising SACCOs' return on assets. However, the study did not focus on deposit-taking SACCOs, which is what the current study addresses.

30 Kenya-based deposit-taking SACCOs served as the sample for Nyambere's (2018) study, which examined the influence of credit risk management on the organizational performance of deposit-taking SACCOs over the course of seven years, from 2010 to 2017. The financial performance of ROE was regressed on liquidity, earnings, managerial effectiveness, asset quality, and capital sufficiency. The findings showed that ROE was strongly correlated with every variable. However, the current analysis concentrated on the Nairobi City County SACCOs. Kithinji (2020) examined the Kenyan commercial banks' profitability and management of credit risk. The research aimed to review the relationship between commercial banks' profitability and their capacity to handle credit risk. For testing, the study gathered information on credit, loan amounts, and profit amounts for the years 2004 to 2018. Regression analysis for the study revealed that there was no correlation between the variables that were looked at, including profitability, credit levels, and advance levels. The study came to the conclusion that the loan levels and advances had no bearing on the profitability levels of commercial banks and that the remaining variables affected the profit levels. This research concentrated on credit risk control in commercial banks, while this study investigates credit risk management and the performance of DTS, highlighting a major knowledge gap in the findings.

2.3. Liquidity Risk Management and Organizational Performance

Research on the impact of credit risk management on the performance of businesses in Germany from 2010 to 2014 was undertaken by Lin (2015). 200 companies made up the study's sample out of a population of 500 enterprises. ROA was used to gauge company performance, whereas managerial effectiveness, firm size, and liquidity management were used to gauge CRM. In the study, secondary data was used, and inferential and descriptive statistics were used to examine it. According to the report, the profitability of German enterprises is significantly associated with their use of sophisticated liquidity management systems. The study concludes that the businesses' performance was not significantly impacted by the management of credit risks. The organizational performance of SACCOs in Kenya was the main subject of the current study.

Kabamba (2022) wanted to find out the impact of effective liquidity management on the growth of microfinance Institutions in Uganda. The study's main objective was to assess Uganda's MFIs' growth and liquidity management. The goal of the study was to identify the presence of a connection between liquidity and MFI growth in Uganda as well as between liquidity management measures and MFI expansion. The study's conclusions showed that if liquidity is properly managed, problems, including loss of public trust, high administrative costs, and business closure, may be avoided. According to the study, there was an association between effective liquidity management and institution growth. When liquidity is correctly managed, costs are kept to a minimum, which significantly boosts the growth of microfinance organizations. The present study investigates how risk management methods impact the performance of DTS in Kenya, whereas the previous study mainly focused on liquidity management. (Karagu & Okibo, 2014)

A study was conducted by Karagu and Okibo (2014) to determine the impact of fund theft, investment choices, loan defaults, and exit of members on SACCOs' organizational performance. For the year 2013, the sample size was 34

SACCOs registered under FOSA in Nairobi County, Kenya. Employees who worked for the different SACCOs were polled for their opinions in the study. The findings showed that the employees thought all four factors had a negative impact on organizational effectiveness. However, since the factors were never defined and none of them was statistically assessed, the study lacked accuracy. In the current study, the impact of liquidity risk management on DTS's organizational performance in Nairobi City County was statistically quantified.

2.4. Market Risk and Organizational Performance

A research study was conducted by Ebitu (2016) in Nigeria's Akwa-Ibom State to investigate marketing strategies and business performance. The overall goal of the study was to investigate the best marketing tactics that SMEs could use to increase their success in a highly competitive environment. The survey approach was utilized and 240 questionnaires were issued to SMEs across the state, achieving an eighty percent collection rate. According to the study results, the strategies of relationship marketing and product quality were found to have a significant effect on the profitability and market share among Nigeria's SMEs. While the current study focuses on risk management in DTS in Nairobi County, the previous study examined the marketing challenges and business performance of SMEs in Nigeria.

Ebitu, Ufot and Olom (2015) conducted a study on the relationship between marketing problems and the performance of selected enterprises (SMEs) in River State, Nigeria. Owners and managers of SMEs made up the research's study frame, while Calabar Metropolis was the study area. The study included a 150-person sample, and a structured questionnaire was used to gather the results. The study's key results included the following: There is a considerable correlation between SMEs' marketing issues and growth in their profit margin and sales volume. The study was not premised on SACCOs, which is the focus of the current study.

In Kenya, Nakuru Sub County, Njiru and Mengich (2016) conducted research on financial risk management and its implications on SACCOs' performance. The study used a descriptive research approach and has 15 SACCOs as its target population. Through the distribution of questionnaires, the study acquired primary data, which was then analyzed using SPSS. The study sought to explain whether risk identification methods, financial risk mitigating strategies and risk monitoring procedures had an influence on the performance of SACCOs in Nakuru. The study identified that financial risk management was positively correlated to the performance of SACCOs in the area under study. The study failed to examine how the various market risk management practices influence the organizational performance of SACCO, which is the focus of the current study.

2.5. Conceptual Framework

The conceptual framework shown in the figure below presents the hypothesized interaction between risk management practices and the organization performance of DTS in Nairobi City County.

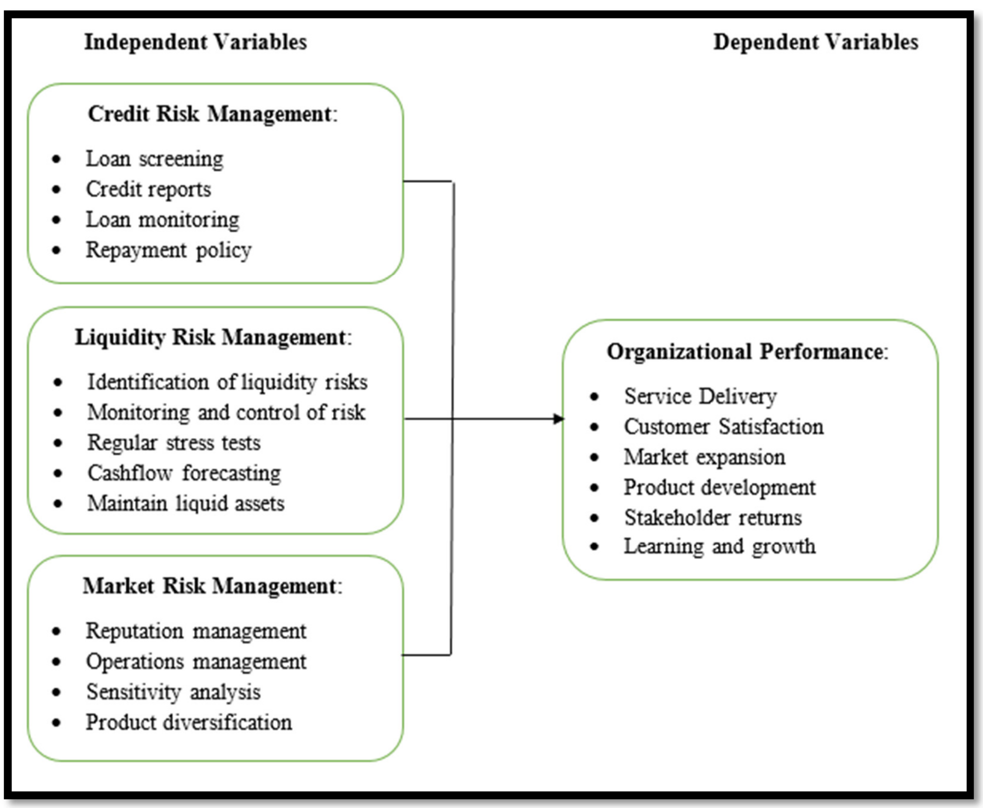

Figure 1: Conceptual Framework

3. Research Methodology

A research design is a plan adopted by a researcher to investigate, assess, and provide insights into research questions (Kothari, 2008). It helps in identifying the research problem and the steps to be followed to gather evidence to support the study hypotheses. The research design that was employed in this study is a descriptive research design. This research design facilitated comprehensive data collection and provided the most appropriate way of making the required recommendations for the study. This is because the descriptive research design comprehensively portrays the characteristics of social phenomena and determines the frequency of occurrence (Collis & Hussey, 2017). The target population of the study was 44 deposit-taking SACCOs registered and operating in Nairobi County. The finance managers, the credit managers and the marketing managers were surveyed.

The study applied a primary data collection technique using questionnaires composed of structured questions (Mitchell & Jolley, 2010). The questionnaire adopted a 5-point Likert Scale questionnaire with each of the research variables adopted within the research instrument. The research organized and cleaned the data collected and prepared it in Microsoft Excel before exporting it to SPSS 26 for further analysis. To understand the data, descriptive statistics such as measures of central tendency and dispersion were computed. The study further conducted an inferential analysis to determine the association between the research variables using both correlation and regression tests. Tables and figures were used to present the findings.

4. Research Findings and Discussion

4.1. Response Rate

The study sample respondents were drawn from the 44 deposit-taking SACCOs in Nairobi City County. A total of 99 participants are included in the sample for this survey. The research was able to obtain 83 responses representing 84% participation, with only 16% of the sample respondents not providing their responses between February and May 2023. This response rate was deemed sufficient for quantitative analysis and was adopted for this research.

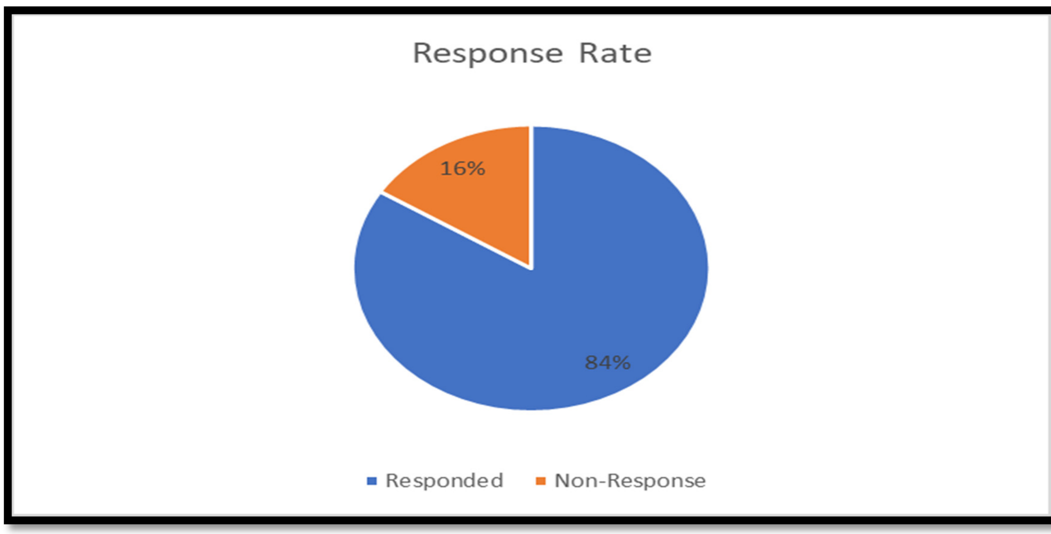

Figure 2: Response Rate
Source: Research Data (2023)

4.2. Demographic Profile of Participants

The research was interested in the biodemographic profile of the managers included in the survey and a summary of the findings obtained is shown in table 1 below.

		Frequency	Percent
Age of Respondents	Below 35	24	28.9
	36-45 years	40	48.2
	46-55 years	17	20.5
	56 and above	2	2.4
	Total	83	100.0
		Frequency	**Percent**
Gender of Respondents	Male	44	53.0
	Female	39	47.0
	Total	83	100.0
		Frequency	**Percent**
Education of Respondents	Diploma	10	12.0
	Graduate	52	62.6
	Post Graduate	21	25.3
	Total	83	100.0
		Frequency	**Percent**
Years in Organization	Less than 3 years	11	13.3
	3-5 years	22	26.5
	6-9 years	27	32.5
	Over 9 years	23	27.7
	Total	83	100.0
		Frequency	**Percent**
Position in organization	Finance manager	12	14.5
	Credit manager	30	36.1
	Marketing manager	41	49.4
	Total	83	100.0

Table 1: Summary of Demographic Characteristics
Source: Research Data (2023)

Results demonstrate that most of the participants were between 36-45 years (48%, n = 40), 21% (n= 17) were between 46-55 years of age, with 30% (n = 24) below the age of 35 years. The findings revealed there was diversity in the senior teams within the SACCOs, as shown by the various age categories represented. The analysis pointed out that 53% (n = 44) of the participants were male employees, with only 47% female staff at a senior level indicating gender equality was entrenched within the SACCOs. The study showed that 63% (n = 52) of respondents had a graduate degree, with 25% having a postgraduate degree which is an indicator of high educational competency among senior executives in the SACCOs.

4.3. Correlation Analysis

The research was interested in determining the direction of the relation between the independent variables and the performance of the SACCOs. Spearman rank correlation was adopted and the summary of the analysis is shown in table 2.

			Organizational Performance	Credit Risk	Liquidity Risk	Market Risk
Spearman's rho	Organizational Performance	Correlation Coefficient	1.000			
		Sig. (2-tailed)	.			
		N	83			
	Credit Risk	Correlation Coefficient	.287**	1.000		
		Sig. (2-tailed)	.009	.		
		N	83	83		
	Liquidity Risk	Correlation Coefficient	.239*	.211	1.000	
		Sig. (2-tailed)	.030	.056	.	
		N	83	83	83	
	Market Risk	Correlation Coefficient	.223*	-.049	-.146	1.000
		Sig. (2-tailed)	.043	.659	.188	.
		N	83	83	83	83

Table 2: Correlation Results
***. Correlation is significant at the 0.01 level (2-tailed)*
**. Correlation is significant at the 0.05 level (2-tailed)*
Source: Research Data (2023)

The findings on the first objective effect of credit risk management on the organizational performance revealed there was a weak positive and significant relation (r = .287**, sig = .009<.05). The second objective focused on the liquidity risk management effect on organizational performance and analysis confirmed a weak positive and significant relation (r = .239*, sig = .030<.05). Lastly, the study was interested in the effect of market risk management on organizational performance and the tests revealed there was a weak positive and significant relation (r = .223*, sig = .043<.05).

4.4. Regression Analysis

The research applied a multiple linear regression to estimate the magnitude of the influence of risk management strategies on the organizational performance of deposit-taking SACCOs. The findings are shown in this section.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.466[a]	.217	.176	2.14158	2.261
a. Predictors: (Constant), Market Risk, Credit Risk, Liquidity Risk					
b. Dependent Variable: Organization Performance					

Table 3: Regression Model Summary
Source: Research Data (2023)

The regression model above had an output of $R^2 = .217$, which showed that 21.7% of changes in the organizational performance of the deposit-taking SACCOs in Nairobi could be predicted by the risk management strategies employed.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	97.788	4	24.447	5.330	.001[b]
	Residual	353.151	77	4.586		
	Total	450.939	81			
a. Dependent Variable: Organizational Performance						
b. Predictors: (Constant), Market Risk, Credit Risk, Liquidity Risk						

Table 4: ANOVA Summary
Source: Research Data (2023)

The ANOVA results in table 4 were vital to the study as they determined the statistical significance of the regression model. The yielded results showed an F-calculated = 5.330, Sig = .001<.05, showing a positive and significant relationship between risk management strategies and the organizational performance of deposit-taking SACCOs in Nairobi County.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.232	4.150		3.670	.000
	Credit Risk	.197	.071	.284	2.764	.007
	Liquidity Risk	.225	.092	.255	2.437	.017
	Market Risk	.259	.099	.276	2.626	.010
a. Dependent Variable: Operational Performance						

Table 5: Regression Coefficients Summary
Source: Research Data (2023)

$Y = 15.232 +.197X_1 + .225X_2 + -.166X_3 + 259X_4 + 4.150$

Regarding the first objective, the study sought to determine the effect of credit risk management on the organizational performance of deposit-taking SACCOs in Nairobi City County. The regression coefficients yielded a (β_1 = .197, Sig = .007<.05), which implied that credit risk management had a positive and significant effect on the organizational performance. Changing the level of credit risk management by a unit will contribute to a .197 improvement in the performance of deposit-taking SACCOs in Nairobi City County. These findings were in line with Aden and Brooke (2019), who came to the conclusion that credit risk management had a significant impact on the financial institutions' operating results in the United Kingdom. Additionally, Lagat, Mugo, and Otuya (2018) found a positive association between SACCOs' performance and effective risk management, while Nyambere's (2018) study also found a strong relationship between credit risk management and the organizational performance of deposit-taking SACCOs in Kenya.

The analysis of the second objective focused on the effect of liquidity risk management on the organizational performance of deposit-taking SACCOs in Nairobi City County. The results of the regression coefficients showed (β_2 = .225, Sig = .017<.05), which signified that liquidity risk management had a positive and significant effect on the organization's performance. Changing the level of liquidity risk management by a unit will contribute to a .225 improvement in the performance of deposit-taking SACCOs in Nairobi City County. The findings on the second objective regarding liquidity risk management indicated a positive and significant effect on the organizational performance of deposit-taking SACCOs. The findings were supported by Lin (2019), who concluded that the performance of German enterprises is significantly associated with their use of complex liquidity management systems. Further, Kabamba (2022) found a positive and significant association between effective liquidity management and institution growth in Uganda, while Magambo (2018) discovered that the effective management of liquidity had a positive effect on SACCOs' performance.

The third objective was the effect of market risk management on the organizational performance of deposit-taking SACCOs in Nairobi City County. The results of the regression coefficients showed (β_4 = .259, Sig = .010<.05), which signified that market risk management had a positive and significant effect on the organization's performance. Changing the level of market risk management by a unit will contribute to a .259 improvement in the performance of deposit-taking SACCOs in Nairobi City County. Additionally, Ebitu (2016) revealed that market quality had a significant effect on the profitability and market share among Nigeria's SMEs, while Ebitu, Ufot & Olom (2015) found a considerable relationship between SMEs' marketing issues and growth in their profit margin and sales volume. The findings were also corroborated by Njiru and Mengich (2016), who identified that market risk management was positively related to the performance of SACCOs. The study findings were, however, not in line with a study by Njoroge (2015), who revealed that marketing tactics and technology-based marketing strategies do not positively affect the performance of SMEs.

5. Conclusions

Based on the findings of the study, it can be concluded that credit risk management practices have a positive and significant effect on the organizational performance of deposit-taking SACCOs in Nairobi City County. The findings revealed that SACCOs have established and implemented credit risk management practices to assess the creditworthiness of borrowers, monitor loan repayments, and mitigate credit risks. These practices reflect a proactive approach to managing credit risks and ensuring the overall health of the SACCOs' loan portfolios. Additionally, the positive and significant effect of credit risk management on organizational performance suggests that SACCOs that prioritize and effectively manage credit risks are more likely to achieve better financial performance, profitability, and sustainability.

The study findings concluded that liquidity risk management practices have a positive and significant effect on the organizational performance of deposit-taking SACCOs in Nairobi City County. These findings suggest that the SACCOs have established comprehensive strategies and guidelines for managing liquidity risks, including proactive measures to monitor liquidity, assess potential shortfalls, and maintain sufficient liquid assets. The results suggest that effective management of liquidity risks contributes to improved performance outcomes for these SACCOs.

Findings from the final objective concluded that market risk management practices have a positive and significant effect on the organizational performance of deposit-taking SACCOs. Based on the study findings, SACCOs have demonstrated a positive perception of their market risk management practices, including assessing brand recognition, monitoring reputation, employing risk management protocols, conducting SWOT analysis, and expanding product diversification, indicating a proactive approach to managing market risks within the SACCOs.

6. Recommendations

The study concludes that credit risk management had a positive and significant association with organizational performance. Based on this conclusion, the study recommended that SACCOs should enhance their credit risk management practices by implementing rigorous loan appraisal and assessment procedures. Further, regular monitoring and control mechanisms should be established to mitigate credit risks and reduce default rates. The study further recommended that organizations should adopt continuous staff training and development programs to enhance the credit risk management skills of employees.

The study established that Liquidity Risk Management was essential in determining the performance of an organization. The study, therefore, recommends that SACCOs should focus on maintaining optimal liquidity levels by closely monitoring and forecasting cash flows. Additionally, the study recommends the development of contingency funding plans to ensure sufficient liquidity during unexpected liquidity demands. Strong relationships with liquidity providers should also be established to access additional funding sources if needed.

Market Risk Management, on the other hand, was found to have a significant effect on organizational performance. Based on this conclusion, the study recommends that SACCOs should continue to prioritize market risk management practices by conducting regular market research and analysis. Further, the study recommends diversification of investment portfolios to minimize exposure to specific market risks. Robust risk management frameworks should also be implemented to proactively identify and mitigate potential market risks.

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