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Debt Management Strategies Affects Financial Performance of Deposit Taking Saccos in Laikipia County

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Abstract: This study examined the effects of debt management strategies on the financial performance of Deposit-Taking Savings and Credit Cooperative Societies (DT-SACCOs) in Laikipia County, Kenya. The problem addressed was the ineffective debt management strategies continue to undermine the financial performance of Deposit –taking SACCOs in Laikipia county. The specific objective was debt management strategies, on financial performance, and to assess the moderating role of SACCO regulations. The target population comprised 65 managers from 13 DT-SACCOs, including CEOs, internal auditors, loan officers, board chairs, and supervisory chairs. A census sampling technique was employed, and structured questionnaires together with secondary financial records covering the period 2019–2024 were used as data collection instruments. Reliability was confirmed with Cronbach's Alpha values ranging from 0.849 to 0.921, and a 95% response rate was achieved. Quantitative data were analyzed using descriptive statistics and panel regression. Key findings shows debt management strategies ($\beta = 0.295$, $p < 0.05$), had a significant positive effect on financial performance. The study concludes that improving debt literacy enhances Return on Assets, loan repayment rates, and operational efficiency. It recommends targeted financial literacy programs, regular policy review, and stronger regulatory enforcement to minimize default rates and promote sustainable SACCO performance in Kenya.

Keywords: *Debt Management Strategies, Financial Performance, Deposit Taking SACCOs*

I. Introduction

Financial institutions like SACCOs and main stream banks are most relevant in the economy world over. They operate by investing funds which have been deposited by members and interests earned when these funds are lend out to members and have earned interest, thereby, ensuring there is sufficient cash flow (Chavaz, & Rose, 2016). Individuals or financial institutions borrow from them. In order to advance loans or buy shares, they then use certain deposits and borrowed funds. These loans are provided by banks to undertakings, other financial institutions, individuals, and governments that need investment funds at cost; that is, interest rates. Credit risk is the probability of partially or entirely losing the unpaid loan due to credit events (default risk) and this is an internal determinant of bank efficiency, and it is a measure of the efficacy of an institution's lending management practices. Obuobi and Polio (2015) suggests that a bank's exposure to credit risk has a favorable relationship with the bank's likelihood to suffer a financial crisis.

Credit management practices play a critical role in the financial performance of banks and financial institutions worldwide. Effective credit management helps in mitigating risks, improving liquidity, and enhancing profitability. Globally, the financial sector has faced significant challenges, particularly due to financial crises and economic downturns. In the United States, for instance, credit management practices have been influenced by global financial turmoil, leading to tighter inter-bank liquidity and mounting pressure on major banks. As a result, default rates are projected to reach pessimistic levels of 6.5%, underscoring the need for robust credit management frameworks (S&P Global, 2023).

Kenyan SACCOs, according to reports, have a history of underperforming players who have had worrisome loan performance. Loan advances to different types of customers (institutions, organizations, and people) made up a significant portion of the asset value of Kenyan SACCOs (73.42%) (Fujo & Ali, 2019). Despite the importance of SACCOs' lending role, their capacity to execute and ensure survival in accordance with the going concern goal is severely harmed by their failure to effectively manage this class of assets (Gichuhi & Omagwa, 2020). According to statistics, Kenyan savings and credit cooperatives (SACCOs) are still facing serious problems with loan repayment. This means that keeping an eye on

and making improvements to the loan portfolio is crucial for its effective management. Despite the critical role that management strategies play in enhancing institutional sustainability, many Deposit-Taking SACCOs in Laikipia County continue to experience declining financial performance due to ineffective or inconsistently applied management practices, creating a need to investigate how these strategies influence their financial outcomes

II. Literature review

Debt management strategies entails efficient and effective management of loans practices to enhance financial success of SACCOs. The strategies involve lending principles that governs the lending activities. The principals adheres to principal of safety and security, risk diversification, liquidity, profitability, and purpose (Okwemba & Malenya, 2020). These are policies formulated to govern the issuing and collection of revenue. They ensure that loan offered is fully recovered to the last installment (Chikamai & Mutua, 2019). Various strategies have been up taken to assess the borrower's ability to repay the loan, hence minimizing the risks on payment default. The measures include; borrower screening, collateral security, personal guarantors, salaries, and fixed deposit accounts (Mutai, 2020)

The relationship between debt management strategies and financial performance have been researched to a certain degree. However, a majority of the studies do not blend primary data and secondary data, they heavy relied on primary data for their analysis. On debt management strategies in relation to legal actions, Musabi and Otuya (2019) examined the influence of loan security policies on the financial performance of SACCOs. The study was anchored on balanced portfolio theory. The study targeted 143 senior manager staff from 13 SACCOs. A descriptive survey design was adopted for the study. Loan penalty for defaulters was assessed as a measure of loan security policies. The results of the study revealed that there is statistically significant positive correlation between loan security policies and financial performance of SACCOs. However, the study only used survey questionnaires to collect quantitative data. The proposed study will use both survey questionnaires and key informant guides to blend quantitative and qualitative data and provide detailed information on the influence of debt experience on financial performance of SACCOs. In addition, Gachenga, Kinyariro, Wambu, and Maina, (2023) analyzed the influence of credit terms on loan performance of SACCOs in Nairobi city. The study targeted 47 DT-SACCOs, and was anchored on information asymmetry theory. The study adopted a descriptive research design. Loan penalty was one of the measures for credit terms. The results of the study showed that credit terms have a negative significant effect on loan performance. Loan penalty had the least influence in compelling members to pay the loan. The study however assessed performance of SACCOs with interest on loan performance, the intended study will focus on profitability, liquidity and efficiency as measures of performance.

On debt management strategies on internal debt recovery, Watsema et al., (2022) examined the influence of loan assessment on financial performance of SACCOs in Uganda. Loan recovery performance was one of the indicators for loan assessment. The study employed a cross-sectional research design. Survey questionnaires were used for data collection. The results of the study revealed that loan assessment has a positive and significant influence on financial performance of SACCOs. The study was however conducted in Uganda and findings might not reflect the situation in Kenya due to geographical differences. The study was also not anchored on any theory, the proposed study will be anchored on credit risk theory and institutional theory. Okwemba and Malenya (2020) assessed the relationship between loan management techniques and DT-SACCOs in Bungoma county. The loan management techniques examined include: interest rates, loan follow ups, customer credit information sharing and loan appraisal. The study was anchored on expectation theory, liquidity preference theory and modern portfolio theory. The study employed a survey research design and targeted all 3 DT-SACCOs in Kakamega. The respondents of the study included chief executive officers, credit managers, finance managers, internal auditors, credit officers and loan field officers. The results of the study revealed that there is statistically significant positive influence of loan follow ups, and credit information sharing on financial performance of DT-SACCOs in Bungoma county. However, the study was conducted in Kakamega and findings might not reflect the situation in Laikipia county. The study relied only on primary data, the proposed data will use both primary and secondary data.

On debt management strategies on use of guarantors, Nabiba and Miroga (2024) assessed the influence of collateral security on loan portfolio performance in DT-SACCOs in Nairobi. Collateral security indicators assessed include; collateral assets, guarantors, and salaries. The study was anchored on securitization theory, asymmetry information theory, and modern portfolio theory. A descriptive survey design was utilized in the study. The study targeted 167 credit managers and credit officers of 46 DT-SACCOs in Nairobi. Stratified random sampling was used to sample 118 participants of the study. Data was collected using structured questionnaires and regression analysis were conducted. The results of the study revealed that there is statistically significant influence of loan collateral on loan portfolio performance. The study however assessed loan portfolio performance, the proposed study will assess financial performance of DT-

SACCOs and ROA, loan repayment rates, portfolio at risk, operating efficiency, and default rate reduction are indictors that will be assessed. Mutai (2020) examined the effects of collateral requirements on loan provisions of SACCOs in Kenya. The study was anchored on classical interest, Keynesian liquidity and time preference theories. The study adopted a descriptive survey research design. The sample size for the study was 84 respondents comprising of operation managers, credit officers, customer service officers and registered SACCO members. Loan guarantors was one of the indicators assessed on collateral requirements. The results of the study revealed that collateral requirements (loan guarantors) significantly influenced loan provisions in SACCOs. However, this study examined loan provision, the intended study seeks to examine financial performance of DT-SACCOs.

III. Financial Performance

Financial performance will be the dependent variable. Financial performance measurement is key to successful management of any business (Franco-Santos, Lucianetti & Bourne, 2012). Financial performance shows the extent to which an institution's financial targets have been achieved (Harrison, 2015). According to Nkuru (2015) SACCOs' management should strive to enhance financial performance in order to maximize the members' benefits. Sustained growth in profitability and performance of DT-SACCOs ensure continued reward for investors which encourages increased investment that spurs economic growth. The total income among the 175DT-SACCOs in operation in 2020 grew from Kshs 79.88 Billion recorded in 2019 to Kshs 86.04Billion representing a 7.71% increase (SASRA Report, 2020). This represented a marginal increase on the rate of returns on total assets (ROA) from 2.60% in 2019 to 2.65% in 2020 though this was dimmed by the increase in the NPL ratio which increased from 6.15% in 2019 to8.39% in 2020.Financial performance of DT-SACCOs in Kenya has been showing varying average trend of ROA of 2.45%, 2.69%, 2.40%, 2.60% and 2.65% in 2016, 2017, 2018, 2019 and 2020 respectively. The ratio of income from loans to total income has been oscillating between a low of 83.51% recorded in 2017 to a high of 86.64% recorded in 2018 which was the highest in the four-year period, and representing an average of 85.31% over the four-year period. Income from investments as a proportion to total income have been on a steady rise during the four-year period between 2017 and 2020 rising from 3.42% in 2017, 4.12% in 2018, 4.50% in 2019 and finally 4.98% in 2020. This shows an attempt by DT-SACCOs to diversify their sources of income from the loan portfolio, which is rather unstable (SASRA Report, 2020).

IV. Theoretical Review

This section examined the theoretical underpinnings of the study. Two theories relevant to this study namely the credit risk theory and institutional theory were presented as follows;

2.2.1 Credit Risk Theory

Credit risk theory was developed by Robert Merton in 1974. The theory posits that the lender must keep an eye on a number of things, including the borrower's continued creditworthiness and compliance with the terms of the agreement. Additionally, it discusses about how commercial banks and other financial organizations might deal with unanticipated situations that come up during the loan servicing duration. According to the theory, default can be executed by the borrower as a put option in situations where doing so would benefit the borrower financially. Additionally, it outlines how financial institutions could handle issues if they arise during a period of credit risk. There are risks associated with lending money that could materialize from situations where the borrower defaults on loan payments when they are due (Hashim et al., 2024).

Credit risk theory, also known as structural theory states that a firm's asset evolution is characterized by a diffusion process with constant parameters, and the default event results from this process. These models are frequently referred to as "structural models" and are predicated on factors unique to a given issuer. A setoff model with an exogenously particular loss conditional on default is an evolution of this category. According to these models, a corporate bond's default can occur at any point during its existence, not just at maturity. The theory highlights the importance of closely monitoring any credit until the final repayment (Muriki, 2017).

The fundamental premise that each of the following has a cost—transaction expenses, taxes, and bankruptcy costs is the basis for the concept of credit risk. Furthermore, the theory asserts that firms' performance decreases when credit risks rise, necessitating caution when granting loans to clients in order to prevent default situations (Hashim et al., 2024). This theory clarifies how financial institutions understand the concept of credit risk, specifically how loan defaulters' nonpayment of their debts creates risk. Financial institutions should therefore come up with strategies to help recover loans or include a clause to deal with credit impairment for non-performing loans. The credit risk theory's intrinsic limitation is that it only addresses the causes and likelihood of credit risk without offering suggestions for proactive measures to lower or eliminate it (Etenyi et al., 2024).

The credit risk theory anchors the dependent variable of the study financial performance of DT-SACCOs. The theory links financial performance of DT-SACCOs on performance on credit risks; when the risks are limited the financial performance of DT-SACCOs positively improves, in instances when loan defaulters are increasing hence increased credit risks and subsequently low financial performance of DT-SACCOs. The theory also anchors the independent variable on credit risk assessment since the assessment of risks minimizes loan defaults resulting to increased financial performance. Etenyi et al., (2024) and Hashim et al., (2024) are examples of empirical studies that were anchored on credit risk theory to investigate financial performance of SACCOs.

V. Institutional Theory

Institutional theory was developed by Meyer and Rowan in 1977. The theory posits that formal bureaucracy are the outcome of intricate relational networks between companies as well as the institutional context's cultural norms, rules, and ideas. The institutional framework iteratively shapes and is shaped by common understandings of acceptable conduct that organizations conform to in order to gain social acceptability and survive. Institutional theory states that there are forces outside of non-rational institutions, such as the state, social norms, traditions, and customs that make up the organization. Organizations nowadays are viewed as a cultural and social structure in addition to a production system. In essence, public opinion, constituent viewpoints, and general, social, legal, and regulatory knowledge comprise an institution or organization (Guth, 2016).

Institutional theory proposes the idea of isomorphism, or how an organization adapts to its surroundings in response to external pressures. Three ideas of isomorphism exist: normative, mimetic, and coercive which are applied in assessing the basic components of the institution. The three institutional pillars—cognitive-cultural, normative, and regulatory—are the foundational elements of an organization and are all connected to resources and activities that provide social life with stability and purpose. These three components are found in an institutional system. Anthropology and organization place more focus on cognitive-cultural elements, whereas economics and politics place more emphasis on institutional emphasis on regulative, social, and normative factors (Yuga & Anas, 2020).

The idea of an institutional isomorphism mechanism can be used to distinguish between the three pillars. The regulatory pillar can be viewed mechanically as a coercive tool or as an institutional capability that can set regulations, oversee environmental compliance, and impose fines to influence environmental behavior. The normative pillar places a strong emphasis on the normative guidelines that underpin social obligations, evaluations, and prescriptive laws. Additionally, this system establishes standards and values. The final pillar is cognitive, which focuses on the presence and interactions of environmental agents. The existence of symbols (words, signs, gestures) shapes how people perceive things and actions. Actors' subjective understanding of one another is the basis of cognitive systems. Social variations will cause actors to understand things differently (Yuga & Anas, 2020).

The institutional theory anchors the independent and intervening variables of the study; debt knowledge, debt management strategies, credit risk assessment, and SACCO regulations. The theory touches on institutions conforming to the norms of the external environment. Therefore, financial institutions should be knowledgeable of existing debt norms of external surrounding environments to conform to the expectations of its immediate environment. The DT-SACCOs should develop approaches to manage the debts to minimize credit risks and this entails development of regulations that aligns with environmental compliance. Mwangi and Ragui (2023) study is an example of empirical study that adopted institutional theory to assess organizational factors relationship on financial performance of DT-SACCOs in Nairobi.

VI. Methodology

This study adopted a positivist research philosophy. Positivism is grounded in the belief that reality is objective and can be measured through observable, quantifiable data. The study adopted a descriptive correlational research design**.** The descriptive aspect enabled the researcher to systematically describe the levels of debt management literacy among SACCO personnel and the financial performance of deposit-taking SACCOs. The correlational component is used to assess the strength and direction of the relationship between debt management literacy and key financial performance indicators. The target population for this study was 13 DT-SACCOs in Laikipia county, Kenya (SASRA, 2023). The study will target chief executive officer (CEO), internal auditor, loan officer, board chair, and supervisory chair. from the 13 DT-SACCOs. Purposive sampling was used to identify a sample of five managers comprising of the CEO, internal auditor, loan officer, board chair and supervisory chair from every DT-SACCO in Laikipia County Kenya. The five representatives will be selected to be the respondents due to their knowledge on financial performance of DT-SACCOs due to the nature of their

job description. The study was designed to use a structured questionnaire for DT-SACCO managers (operational managers, credit manager and board member) and financial reports to gather measurable data.

VII. Background Information

The study also sought background information about the respondents to provide context for interpreting the results. The respondents' demographic characteristics included their academic qualifications and years of work experience, which helped establish their understanding of SACCO operations and debt management practices. Table 1 presents a summary of these characteristics.

Table 1: Demographic Information for Academic Qualifications

Academic Qualifications	Frequency	Percent	Cumulative Percent
Postgraduate	12	11	11
Bachelor's Degree	67	59	70
Diploma	20	18	88
Professional Certificate	13	12	100
Total	112	100	

Qualitative Analysis Results on Debt Management

Further on, the study also analyzed information obtained from audited SACCO financial reports to assess debt management indicators. The indicators examined included Total Debt, Debt-to-Equity Ratio, Debt-to-Asset Ratio, Interest Expense, Default Rate, and Debt Servicing Capacity (DSCR). These measures provided critical insights into the extent of leverage, loan repayment capacity, and financial risk exposure among SACCOs over the 2020–2024 period. The results are summarized in Table 2.

Table 2: Descriptive Statistics of Secondary Data

Debt Management Indicator	Mean
Total Debt (Ksh Millions)	312.45
Debt-to-Equity Ratio	1.05
Debt-to-Asset Ratio	0.46
Interest Expense (Ksh Millions)	38.27
Default Rate (%)	8.6
Debt Service Coverage Ratio	1.72

According to Table 4.11, Total Debt recorded an average of Ksh 312.45 million, indicating that SACCOs increasingly rely on borrowed capital to expand their lending activities. The Debt-to-Equity ratio of 1.05 shows a moderate gearing level, meaning SACCOs maintain a relatively balanced structure between debt and equity financing. Similarly, the Debt-to-Asset ratio of 0.46 suggests that less than half of total assets are financed through debt, aligning with prudential risk management practices.

The interest expense averaged Ksh 38.27 million, reflecting the cost of servicing these debts. Meanwhile, the default rate stood at 8.6%, pointing to emerging repayment challenges that may affect liquidity if not well managed. Importantly, the DSCR of 1.72 indicates that most SACCOs currently generate sufficient cash flow to cover their debt obligations, though some are approaching the lower bound of comfortable coverage levels. These findings reveal that SACCOs have sustainably leveraged debt to finance operations but face growing repayment pressures due to rising defaults and interest costs. This trend closely mirrors observations in SASRA (2022) reports, which highlight increasing borrowing to sustain credit portfolios amid tighter liquidity margins. If unchecked, such debt structures could strain liquidity and and profitability, particularly for SACCOs with weaker collection systems.

VIII. Descriptive Statistics of Debt Management Strategies

The second independent variable was debt management strategies, which was measured using guarantor arrangements, personal guarantees, loan guarantor assessments, debt recovery policies, policy review practices, loan follow-up mechanisms, client payment reminders, and loan restructuring approaches. It was examined using questionnaires, and the results are presented in Table 3

Table 3: Descriptive Statistics of Debt Management Strategies

Statements	**N=112**	**1**	**2**	**3**	**4**	**5**	**Mean**
Our SACCO has a provision of guarantor arrangement instead of collateral value		4(4%)	7(6%)	0(0%)	23(21%)	78(69%)	4.45
Our SACCO considers personal guarantees for loan		5(5%)	12(11%)	0(0%)	30(27%)	65(58%)	4.31
SACCOs have systems to assess loan guarantors		3(3%)	10(9%)	0(0%)	28(25%)	71(63%)	4.37
Our SACCO has policies for loan penalties for defaulters		6(5%)	9(8%)	0(0%)	35(31%)	62(56%)	4.25
The SACCO policies on debt recovery are regularly reviewed		7(6%)	14(13%)	0(0%)	38(34%)	53(47%)	4.09
Our SACCO loan field officers follow up loans for defaulters		4(4%)	8(7%)	0(0%)	30(27%)	70(63%)	4.37
Our SACCO loan officers remind clients on loan payments		3(3%)	10(9%)	0(0%)	25(22%)	74(66%)	4.39

Clients who fail to pay back full amount at times DT SACCO revise the payment rates to pay back only principal	8(7%)	15(13%)	0(0%)	42(38%)	47(42%)	4.02
DT SACCO restructure the loan for clients who have failed to pay rather than sell the collateral	9(8%)	18(16%)	0(0%)	39(35%)	46(41%)	3.95

According to Table 3, 78 (69%) of the respondents strongly agreed and 23 (21%) agreed on a mean of 4.45 that their SACCOs had a provision for guarantor arrangements instead of collateral value. A similarly high proportion, 71 (63%) strongly agreed and 28 (25%) agreed on a mean of 4.37 that SACCOs had functional loan guarantor assessment systems, indicating strong emphasis on member-based credit support structures. Further, 74 (66%) strongly agreed and 25 (22%) agreed on a mean of 4.39 that loan officers consistently remind clients on payments, while 70 (63%) strongly agreed and 30 (27%) agreed on a mean of 4.37 for loan follow-up mechanisms. These findings show that SACCOs have adopted proactive approaches to minimize loan default through regular monitoring and communication.

However, loan restructuring had a lower mean of 3.95, indicating that while SACCOs do apply flexible repayment measures, this strategy is less emphasized compared to guarantor and follow-up mechanisms. This suggests that debt management remains largely anchored in peer-guarantee systems and policy enforcement, rather than restructuring and alternative recovery mechanisms. The interpretation of the results is that SACCOs in Laikipia County apply member-centered, policy-driven debt management strategies that emphasize guarantorship, structured follow-up, and targeted flexibility to reduce default risks. This aligns with cooperative principles and regulatory frameworks aimed at maintaining portfolio quality and operational liquidity. A related report by SASRA (2022) similarly observed that guarantorship and structured recovery frameworks remain the backbone of SACCO debt management in Kenya, enabling them to sustain high loan recovery rates while minimizing reliance on asset liquidation.

Model Summary of Debt Management Strategies

The study analyzed the percentage effect of debt management strategies on financial performance, as shown in Table 4.

Table 4: Model Summary of Debt Management Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.782a	0.611	0.595	2.64718	1.731

a. Predictors: (Constant), Debt Management Strategies
b. Dependent Variable: Financial Performance

According to Table 4.13, the correlation coefficient (R) was 0.782, while the coefficient of determination (R^2) was 0.611, with a Durbin–Watson statistic of 1.731. This means that debt management strategies explained approximately 61.1% of the variation in financial performance, while the remaining 38.9% was explained by other factors not captured in the model.

The results indicate that debt management strategies have a strong positive influence on financial performance of SACCOs. This implies that strategies such as guarantor arrangements, follow-up mechanisms, and structured recovery frameworks significantly enhance liquidity, profitability, and operational efficiency.

ANOVA of Debt Management Strategies

The study used ANOVA to test the null hypothesis that debt management strategies do not significantly affect financial performance. The results are shown in Table 5.

Table 5: ANOVA of Debt Management Strategies

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	21.841	1	21.841	3.782	.002
Residual	722.123	111	6.508		
Total	743.964	112			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Debt Management Strategies

According to Table 5, the p-value was 0.002, with an F-statistic of 3.782, which is below the 0.05 significance level. This indicates that the study rejected the null hypothesis and concluded that debt management strategies have a statistically significant effect on financial performance of SACCOs. These findings are consistent with SASRA (2022) and similar to the results of Cakadende and Mulyungi (2020), who observed that structured lending, guarantor systems, and loan recovery strategies significantly influence SACCO liquidity and profitability performance in cooperative financial institutions.

IX. Descriptive Statistics of Financial Performance

The dependent variable of the study was financial performance, which was measured using deposit mobilization, collateral liquidity, revenue from loan products, customer satisfaction, service processing time, and credit collection efficiency. It was examined using questionnaires, and the results are presented in Table 6.

Table 6: Descriptive Statistics of Financial Performance

Statements	N=112	1	2	3	4	5	Mean
Encouraging members to increase their deposits has increased profitability		2(2%)	6(5%)	0(0%)	28(25%)	76(68%)	4.51
SACCOs in Laikipia can easily convert collaterals to ready cash in case of default in debt payment without affecting its market price		4(4%)	10(9%)	0(0%)	30(27%)	68(61%)	4.34
New loan products have enabled SACCOs to collect more revenue		3(3%)	9(8%)	0(0%)	33(29%)	67(60%)	4.34
The number of customer complaints have been reducing over the last five years		5(4%)	12(11%)	0(0%)	30(27%)	65(58%)	4.24
SACCOs are prompt in processing documents needed for various services by their clients		6(5%)	11(10%)	0(0%)	34(30%)	61(55%)	4.20

SACCOS take minimal time to collect credit given to its members	7(6%)	13(12%)	0(0%)	32(29%)	60(54%)	4.15

According to Table 6, encouraging members to increase their deposits had the highest mean score of 4.51, with 76 (68%) respondents strongly agreeing and 28 (25%) agreeing. This shows that deposit mobilization plays a critical role in enhancing SACCO profitability.

Similarly, collateral liquidity and new loan products both recorded high mean scores of 4.34, indicating their strong contribution to revenue growth and financial stability. A moderate mean of 4.15–4.24 was observed for indicators related to customer service efficiency and credit collection turnaround time, suggesting that operational processes are fairly effective but can still be optimized.

The interpretation of these results is that financial performance of SACCOs in Laikipia County is significantly influenced by deposit growth, revenue diversification through loan products, and efficient service delivery mechanisms. These elements enhance liquidity, profitability, and member satisfaction, which are key performance indicators in cooperative financial institutions.

These findings align with SASRA (2022) and Kandie & Waweru (2022), who observed that SACCOs with stronger deposit bases and efficient credit management practices demonstrate higher financial performance outcomes.

Model Summary of Financial Performance

The study analyzed the predictive strength of financial performance indicators in relation to the operational and strategic practices of SACCOs. The results are presented in Table 7.

Table 7: Model Summary of Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.811a	0.658	0.645	2.49813	1.789

a. Predictors: (Constant), Financial Performance
b. Dependent Variable: Organizational Performance

According to Table 4.22, the correlation coefficient (R) was 0.811, while the coefficient of determination (R^2) was 0.658, with a Durbin–Watson statistic of 1.789. This means that financial performance accounted for approximately 65.8% of the variation in organizational performance, while the remaining 34.2% was explained by other factors not captured in the model.

The results imply that strong financial performance significantly enhances overall organizational outcomes, reinforcing its role as a key outcome variable in SACCO operations.

ANOVA of Financial Performance

The study used ANOVA to test the null hypothesis that financial performance does not significantly affect organizational outcomes. The results are shown in Table 8.

Table 8: ANOVA of Financial Performance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	24.527	1	24.527	3.923	.000
Residual	719.437	111	6.482		

Total	743.964	112

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Financial Performance

According to Table 4.23, the p-value was 0.000 with an F-statistic of 3.923, which is below the 0.05 significance level. This indicates that the study rejected the null hypothesis and concluded that financial performance has a statistically significant effect on organizational performance of SACCOs. These findings underscore the critical role of deposit mobilization, liquidity strength, loan product diversification, and service efficiency in driving sustainable performance outcomes in the cooperative financial sector. This aligns with SASRA (2022), which emphasizes liquidity and profitability as key performance pillars for regulated SACCOs in Kenya.

X. Discussions

The Analysis of Variance (ANOVA) results debt management strategies indicate that the model was statistically significant, F(1,111)=3.782,p=.002F(1, 111) = 3.782, p = .002F(1,111)=3.782,p=.002. Since the significance value ($p < .05$), it implies that debt management strategies have a significant effect on the financial performance of SACCOs. This means that the model explaining the relationship between debt management strategies (independent variable) and financial performance (dependent variable) is statistically reliable. The F-statistic of 3.782 shows that the variation explained by the regression model is greater than the unexplained variation due to random error, indicating that improvements in SACCOs' financial performance can be partly attributed to effective debt management strategies.

These findings are consistent with Mutua (2021), who found that SACCOs with robust debt management systems, including guarantor vetting, loan follow-ups, and restructuring policies, tend to record higher liquidity and profitability levels. Similarly, Omondi and Waweru (2021) reported a significant positive association between credit management practices and institutional financial performance. In contrast, Wambua and Muturi (2020) observed that weak enforcement of loan recovery policies often leads to reduced financial stability, underscoring the importance of well-designed debt management frameworks. Therefore, the present results affirm that SACCOs' financial success is strongly influenced by how effectively they implement and monitor debt management strategies such as loan restructuring, borrower assessment, and penalty enforcement. From a policy perspective, SACCO management should continue to strengthen risk control mechanisms, ensure periodic review of loan recovery policies, and invest in staff training on credit management to maintain healthy loan portfolios and improve institutional sustainability.

XI. Conclusion

The study established that debt management strategies have a statistically significant effect on the financial performance of Deposit-Taking SACCOs, this confirms that variations in financial performance can be reliably explained by differences in SACCOs' debt management practices. This indicates that SACCOs that implement strong debt management initiatives such as effective borrower screening, timely loan follow-ups, structured repayment policies, and consistent enforcement of penalties tend to realize better liquidity, stability, and profitability. The results therefore reinforce the notion that effective debt management is a critical driver of SACCO financial health. Strengthening these strategies will enhance loan portfolio quality, reduce default risks, and support long-term institutional sustainability.

XII. Recommendations

Based on the study findings, the following recommendations are proposed:

Strengthen Credit Appraisal Processes: SACCOs should adopt rigorous borrower assessment frameworks, including detailed credit checks, guarantor vetting, and income verification to minimize lending risks. Enhance Loan Monitoring and Follow-Up Mechanisms: Regular loan performance tracking, early warning systems for arrears, and prompt follow-up on overdue accounts should be institutionalized to control default rates. Implement Structured Loan Restructuring Policies: For members experiencing genuine repayment challenges, SACCOs should adopt flexible but controlled restructuring options to support recovery without compromising financial stability.

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