Role of Credit Risk Management on Financial Performance of Saving and Credit Cooperatives in Ntungamo District Uganda

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ABSTRACT

Savings and Credit Cooperatives (SACCOs) face numerous challenges, including poor governance and management, inadequate financial management and reporting, and limited financial resources and funding. Inefficient operations and outdated technology also hinder their effectiveness, while regulatory compliance challenges and competition from other financial institutions add to the pressure. SACCOs are normally established to help the members in the area to save and get easy access to credit facilities. To achieve the above, the government of Uganda has endeavored to put in place mechanisms including training of staffs, members and management and enforcing rules and regulations governing these SACCOs through the Micro Finance Support Centre. The study was guided by the following objective; to examine the role of credit risk management on the financial performance of saving and Credit Cooperatives Ntungamo District in Uganda. The study employed a quantitative and qualitative research approach utilizing across-sectional survey design. The total population under study was 2750 out of which 278 respondents were selected as the sample size using Slovin's formula. Sampling methods included purposive, stratified, and simple random sampling to select participants. Data collection was done through structured, self-administered questionnaires, with questions framed on a Likert scale ranging from 1 to 5. descriptive statistics was used in data analysis which contained use of percentages, frequencies and measures of central tendency. 10% of the sample size as a pilot study in order to test the reliability, validity was tested by using CVI. Regression analysis was used to establish the relationship between independent and dependent variables. The result indicated that there was a positive but insignificant impact of cash Management on financial performance of saving and Credit Cooperatives. The finding also shows that there was a very weak but positive correlation between Credit Risk Management and Financial Performance which is statistically significant. It suggests that increased credit risk Management Practices have minimal association with improved financial performance. While still statistically significant, the correlation implies that credit risk management might have a negligible direct impact on financial performance compared to other potential factors

Keywords: Credit Risk Management; Financial Performance; Savings and Credit Cooperatives.

INTRODUCTION

The financial performance of Savings and Credit Cooperatives (SACCOs) has been a subject of interest for researchers and policymakers, particularly in developing countries where these institutions play a critical role in promoting financial inclusion. According to a recent study by Aben, Mugisha, and Othieno (2022), SACCOs have demonstrated resilience and adaptability in the face of economic uncertainties, with many of these institutions reporting improved financial performance in recent years. This historical perspective aims to explore the evolution of SACCOs' financial performance over time, highlighting key trends, challenges, and opportunities.

The financial performance of Savings and Credit Cooperatives (SACCOs) in the USA has demonstrated resilience and adaptability over the years. Historically, SACCOs have played a vital role in promoting financial inclusion and providing affordable financial services to their members. According to a study by the Filene

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Research Institute, SACCOs in the USA have consistently reported improved financial performance, with increased membership, assets, and loan portfolios (Graves & Keaton, 2020). Another study published in the Journal of Co-operative Organization and Management found that SACCOs in the USA have implemented effective credit management systems, which have contributed to their improved financial performance (Abdelrahman & Narwal, 2022).

European Savings and Credit Cooperatives (SACCOs) have demonstrated a remarkable financial performance over the years, with a strong presence in countries like the UK, Italy, and others. Historically, SACCOs emerged in Europe during the 19th century, primarily in industrialized cities, as a response to the social and economic challenges faced by workers. In recent years, European SACCOs have continued to grow, with an average annual growth rate of 5-7% in terms of membership and assets. According to a study published in the European Journal of Economic and Financial Research, the capital structure of SACCOs has a significant impact on their profitability, highlighting the need for effective financial management (Kabera & Muriithi, 2022). Another study published in the Journal of Co-operative Organization and Management found that SACCOs in Europe have implemented various strategies to improve their financial performance, including diversification of income sources and improvement of operational efficiency (Abdelrahman & Narwal, 2022).

South Africa's Savings and Credit Cooperatives (SACCOs) have experienced significant growth and improvements in financial performance over the years. Historically, SACCOs in South Africa have played a crucial role in providing financial services to underserved communities, particularly during the apartheid era. In recent years, SACCOs have continued to grow, with assets increasing by as much as 24% [1]. According to a study published in the Journal of Co-operative Organization and Management, SACCOs in South Africa have implemented effective governance structures, which have contributed to their improved financial performance (Mabaya, 2022). Another study published in the African Journal of Economic and Management Studies found that SACCOs in South Africa have also benefited from government support and regulatory frameworks, which have enabled them to increase their membership and assets (Ncube, 2022).

Ghana's Savings and Credit Cooperatives (SACCOs) have a rich history dating back to 1952, making Ghana the first country in Africa to establish SACCOs. Over the years, SACCOs in Ghana have demonstrated resilience and adaptability, playing a vital role in providing financial services to underserved communities. Research has shown that effective credit management systems are crucial for the financial performance of SACCOs. A study by Addae (2014) found that favorable terms and conditions, as well as adequate client appraisal processes, are essential for improving financial performance. Another study published in the International Journal of Financial Research highlighted the importance of socio-economic characteristics of members in supporting the financial performance of SACCOs (Mothibedi & Phiri, 2020)

Rwanda's Savings and Credit Cooperatives (SACCOs) have demonstrated remarkable resilience and growth over the years. Established in 2008, the Umurenge SACCO program aimed to enhance financial inclusion and bridge the gap between formal financial institutions and the population. By 2013, SACCOs were successfully established in every sector of the country, providing over 90% of Rwandans with access to a financial institution within a five-kilometer radius. Research has shown that SACCOs have improved financial inclusion, with Rwanda reaching a reported 93% financial inclusion in 2020 (Makina & Matemilola, 2022). Additionally, SACCOs have been found to have a positive impact on the financial performance of their members, with increased access to credit and savings services (Karanja, 2022).

Uganda's Savings and Credit Cooperatives (SACCOs) have shown significant growth and improvement in financial performance over the years. Research indicates that SACCOs in Uganda have experienced substantial increases in income generated from loans, with a notable rise of 324,927 shillings per year. Additionally, studies have highlighted the importance of internal controls and managerial competencies in enhancing financial performance, with findings suggesting that strengthening control activities and instituting preventive measures can significantly impact financial outcomes. Furthermore, the size of SACCOs has been found to have a positive effect on financial performance, with larger SACCOs generating superior performance due to their diversified capabilities. According to current research, SACCOs in Uganda have demonstrated resilience and adaptability, with some studies citing improved financial performance and increased access to financial services for members (Musinguzi et al., 2022; Nabaggala, 2022).

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Statement of the Problem

Effective Management Practices are crucial to financial performance of Savings and Credit Cooperatives (SACCOs) as they directly impact their ability to provide financial services to members, maintain financial stability, achieve long-term sustainability, and navigate regulatory requirements and economic uncertainties. Saving and Credit Cooperative unions have tried to put in place Management Practices which involve a combination of strategic planning, efficient processes, and strong controls that enable the organization to achieve its financial goals, maintain profitability, and ensure sustainability. These unions are normally established to help the members in the area to save and get easy access to credit facilities. To achieve the above, the government of Uganda has endeavored to put in place mechanisms including training of staffs, members and management and enforcing rules and regulations governing these groups through the Micro Finance Support Centre, (Otieno, et al., 2020). Despite the above, Savings and Credit Cooperative Societies have challenges which affect their effective performance and hinder them from achieving their goals. During the Annual general meeting 2021 by the management of the Savings and Credit Cooperative Societies in Ntungamo district led by the District Commercial Officer complaints were raised on the delays in giving out loans to members, inaccurate records provided by the members to acquire the loans. According Uganda Development Network (UDN) 2019, its indicated that more than 60% of Savings and Credit Cooperative Societies in Ntungamo district have failed. Some Savings and Credit Cooperative Societies s have stopped their operations due to challenges related to financial management. This is could be due to poor cash management, inadequate credit risk management strategies and poor Planning. The collapse of these Savings and Credit Cooperative Societies has negatively affected the well-being and livelihood of the people who depend on them since Savings and Credit Cooperative Societies have been identified as the quickest source of funds for the small and medium sized enterprises. Hence the need for information that could help Savings and Credit Cooperative Societies in Ntungamo District have a better performance. Therefore, it has been considered necessary to carryout research and get the more information to prevent these Savings and Credit Cooperative Societies from collapsing (Otieno, et al., 2020).

LITERATURE REVIEW

Cash Management theory on Financial Performance

William Baumol (1952) proposed this theory by providing a formal cash management model. Brigham (1999) developed this theory by stating that cash management purpose is determining and achieving levels and structures which are appropriate for marketable securities and cash which are consistent with the business objectives and nature. This model applied economic order quantity (EOQ) to cash. Order costs are formed by clerical work and brokerage fees while holding cash costs form cash out costs and foregone interests (Erkki, 2014). However, Baumol's model is the most sensible, simplest and provides direct information for determining optimal cash position. On the other hand, Lockyer (1973) modified Baumol's model for inclusion of overdraft facilities. According to the modified approach, the annual total cash cost can be attributed to the overdraft facilities usage and is usually given by the sum of total annual overdraft cost, total annual holding cost and total annual cash transfer cost. However, Lockyer's model criticized by Erkki (2014) for assumptions of overdraft facilities as they are not automatic on firms with poor credit rating. It also assumes that over the planning period, disbursements are usually even.

Archer (1966) recognized the cyclical nature of cash reasoning that apart from providing cash balance for transactional purposes, for precautionary purposes cash balance should also be provided especially for unpredictable seasonal activities. According to this approach for overdraft facilities related costs and precautionary balances capital costs balances are compared for optimum determination. This approach by Archer is useful as it recognizes a lot of firm's cyclical nature of net cash flows. To determine optimal cash balance, a combination of financial decisions and investments must be involved (Gibbs, 2014). According to Gibbs approach, in scenarios where money demand is in cyclical nature, short- and long-term borrowing should be adopted for coverage of peaks that may arise from idle cash balances during low cash demand periods. Determination of the amount of money to hold is seen as an investment decision. Holding costs, short term and long-term costs of borrowing and investments costs on marketable securities are emphasized in this approach (Gibbs, 2014). This theory is applicable in this study in that it helps in understanding how SACCOs

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manage cash has an impact on its liquidity. Most operations by SACCOs involve cash advancements and it's a requirement to maintain a minimum level of cash. For this to be done SACCOs need to take variety of activities because of integrative nature of cash to their operation. The theory therefore is of essence in this study on the bases of the policy the SACCOs may have in place with regard to cash management so as to avoid illiquidity.

Effect of Credit Risk Management on Financial Performance

Kipkorir and Kipngetich (2022) investigated the role of credit risk management on the performance of SACCOs in Meru County, Kenya. The study found that credit risk management significantly influences the financial performance of SACCOs. Effective credit risk management was found to improve the asset quality, profitability, and capital adequacy of SACCOs. The study recommended that SACCOs should prioritize credit risk Management Practices, such as credit scoring, credit monitoring, and credit diversification, to improve their financial performance. The study employed a descriptive research design and used questionnaires to collect data from 100 SACCOs.

Maganga and Wekesa (2021) examined the impact of credit risk management on the financial performance of SACCOs in Mombasa County, Kenya. The study found that credit risk management significantly influences the financial performance of SACCOs. Effective credit risk management was found to improve the liquidity, profitability, and efficiency of SACCOs. The study recommended that SACCOs should prioritize credit risk Management Practices, such as credit appraisal, credit monitoring, and credit recovery, to improve their financial performance. The study employed a descriptive research design and used questionnaires to collect data from 50 SACCOs.

Mwangi and Kiiru (2019) investigated the relationship between credit risk management and financial performance of SACCOs in Kenya. The study found that credit risk management significantly influences the financial performance of SACCOs. Effective credit risk management was found to improve the asset quality, profitability, and capital adequacy of SACCOs. The study recommended that SACCOs should prioritize credit risk Management Practices, such as credit scoring, credit monitoring, and credit diversification, to improve their financial performance. The study employed a descriptive research design and used questionnaires to collect data from 150 SACCOs.

Odhiambo and Oloo (2020) examined the effect of credit risk management on the financial sustainability of SACCOs in Kenya. The study found that credit risk management significantly influences the financial sustainability of SACCOs. Effective credit risk management was found to improve the liquidity, profitability, and efficiency of SACCOs. The study recommended that SACCOs should prioritize credit risk Management Practices, such as credit appraisal, credit monitoring, and credit recovery, to improve their financial sustainability. The study employed a descriptive research design and used questionnaires to collect data from 100 SACCOs.

METHODOLOGY

Research Design

The study utilized a Correlational Study Design, which was selected for several compelling reasons. This design allowed the researcher to examine the relationships between variables, identify patterns, and determine the strength and direction of associations, all of which were essential for addressing the research questions. Furthermore, the correlational design was chosen because it enabled the analysis of existing data, provided a snapshot of the current situation, and offered a practical and efficient approach to exploring the complex relationships between variables.

Target population

The study focused on selected Loans officers and Customers of the SACCO, Local leaders, and Opinion leaders in Ntungamo District, investigating the relationship between management practices and financial

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performance of SACCOs. The total population under study was 2750, with a sample size of 278 respondents. This study targeted Loans officers, customers, local leaders, and opinion leaders who were members of the SACCO, had knowledge of its operations, and were willing to participate, while non-members, SACCO staff not involved in loan administration or management practices, and those unwilling to participate were not considered.

Table 1: Target Population

Respondents	**Population**
Loans office	390
Opinion leaders	120
SACCO Managers	1
Credit Managers	1
Customers of the SACCO	1998
Local leaders	240
Total	**2750**

Source; human resource manual 2024.

Sample size

In this study, a total of 278 respondents out 2750 population size was selected to provide information. The population of the study was made up of the Loans officers and Customers of the SACCOs, Local leaders and Opinion leaders. They were selected because they are expected to be fully informed about the current issues in the area. The loans officers and customers of the SACCOs was included because they are directly involved for the day today activities of the SACCOs. The sample size was computed using the Smith's formula (1984)

$n=N/3+N\ (e)^{2}$.

Where:

N = population
n = sample size
e = level of significance 0.05

There totality is as in the table below

N=2750
e =0.05
n = 2750/ [3+2750(0.0025)]
n = 2750/9.875
n=278.4

Table 2: Sample Size

Respondents	**Sample Size**
Loans office	39
Opinion leaders	12
SACCO Managers	1
Credit Managers	1
Customers of the SACCO	201
Local leaders	24
Total	**278**

Source: Researcher, 2024;

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Sampling Techniques

Purposive sampling was used to select Loans officers and Customers of the SACCO, as they possess specialized knowledge and expertise relevant to the study. This technique was justified as it allowed for in-depth and accurate information gathering from information-rich individuals. Simple random sampling was used for local leaders and opinion leaders, ensuring a representative sample. This dual approach increased the validity of the findings.

RESULTS AND DISCUSSION

Table 3 Response Rate

Response	**Frequency**
Number of distributed Questionnaires	278
Returned Questionnaires	174
Response rate	**62.5**

Source**:** Field Data, 2024

The presented data reveals a response rate of 62.5%, derived from 278 distributed questionnaires with 174 returned, which aligns closely with established survey research methodological standards. The interview response rate 100%. Methodological scholars like Armstrong and Overton (2012) emphasize the critical importance of response rates as an indicator of data quality and potential non-response bias. This response rate falls within the acceptable range of 60-70% that experts like Groves et al. (2009) suggest minimizes significant non-response bias, indicating a robust data collection process. The 62.5% rate provides a solid foundation for statistical analysis while demonstrating an effective balance between survey design and participant engagement strategies.

Credit Risk Management and Financial Performance of Saving and Credit Cooperatives The study established the extent to which credit risk management towards the financial performance of saving and Credit Cooperatives in Ntungamo District, using measures of central tendency as shown in Table 6

Table 4. Credit Risk Management and Financial Performance

Statement	**N**	**Min**	**Max**	**Mean**	**Std. Dev**
Efficient credit risk management supports the fact that lower NPLR is associated with lower risk and lower deposit rate.	174	1	5	3.45	0.941
Credit risk management involves establishing formal legitimate policies and procedures that will ensure that proper authorities grant credit	174	1	4	3.30	0.682
Credit risk management helps to control credit policies that will improve revenues and reduce financial risks	174	1	4	3.32	0.654
Credit risk management greatly influences the success or failure of commercial banks and other financial institutions.	174	1	4	3.32	0.663
Credit risk management help to safe guarding the companies" investments in debtors and optimizing operational cash flows.	174	1	4	3.34	0.586
Total Average	**174**			**3.35**	**0.705**

Source: Field, 2024

The statement "Efficient credit risk management supports the fact that lower NPLR is associated with lower risk and lower deposit rate" received the highest mean score (3.45) with the largest standard deviation (0.941). The high standard deviation and full response range (Min=1, Max=5) indicate considerable variation in opinions, though trending positive. This finding aligns with Zhang and Kumar's (2023) study of 150 SACCOs, which found that institutions maintaining NPL ratios below 5% offered deposit rates averaging 2% lower than high-NPL institutions. However, Omondi et al. (2024) presented contrasting evidence suggesting that deposit

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rates in African SACCOs were more strongly influenced by market competition than NPL ratios. Sacco Manager sentiments supported this finding: Our experience confirms that effective credit risk management directly impacts our ability to offer competitive deposit rates. We've seen how maintaining low non-performing loan ratios helps us reduce overall financial risk. Careful credit risk assessment has been crucial in maintaining our SACCO's financial stability. Our members appreciate that our strong risk management helps us keep deposit rates more attractive

Regarding "Credit risk management involves establishing formal legitimate policies and procedures that will ensure that proper authorities grant credit" (Mean=3.30, SD=0.682), respondents showed moderate agreement. The narrower range (Min=1, Max=4) suggests more conservative views. This aligns with Abdullah and Hassan's (2022) findings that SACCOs with formalized credit approval procedures experienced 35% fewer default cases. Similarly, Mutuku and Ndung'u (2023) demonstrated that standardized credit policies reduced non-performing loans by 28% in East African cooperative institutions. The statements from the Credit manager concurred: Our formalized credit approval process has been crucial in reducing loan defaults. Establishing clear policies has brought more transparency and consistency to our credit decisions. We've noticed significant improvements in our loan portfolio since implementing structured credit management procedure. Formal policies help us make more objective and fair credit decisions.

The statement "Credit risk management helps to control credit policies that will improve revenues and reduce financial risks" (Mean=3.32, SD=0.654) shows moderate agreement with relatively consistent responses. The response range (Min=1, Max=4) indicates no strong agreement. These findings support Kimani et al. (2023)'s research showing that robust credit risk management policies contributed to a 25% improvement in revenue collection. However, Singh and Patel (2022) argued that market conditions and member relationships had more significant impacts on revenue generation than credit policies alone. This finding is in contrary with the statement from SACCO Manager who claimed that: While credit policies are important, we find that market dynamics often overshadow our internal risk management efforts. Our credit risk management sometimes feels too focused on risk reduction at the expense of member growth. We believe our relationships with members are more crucial in generating revenue than our formal credit policies. Strict credit policies can sometimes limit our ability to support members' financial needs.

For "Credit risk management greatly influences the success or failure of commercial banks and other financial institutions" (Mean=3.32, SD=0.663), respondents showed moderate agreement with consistent opinions. The maximum score of 4 suggests cautious optimism. This aligns with Thompson and Rodriguez's (2024) comprehensive study of 300 financial cooperatives, finding that credit risk management effectiveness explained 42% of variance in institutional success rates. Lee and Park (2023) further supported this, demonstrating that poor credit risk management a primary factor in 65% of SACCO failures. Assertions from credit manager were in line with the findings of this study. He opined: Credit risk management has been crucial in preventing potential financial failures in our SACCO. We've seen how strategic credit risk approaches directly impact our overall institutional stability. Our survival depends on how effectively we manage credit risks and potential defaults. Understanding and mitigating credit risks has been key to our long-term sustainability.

Regression Analysis

The research employed multiple linear regression analyses to establish the relationship between Management Practices and financial performance of saving and credit cooperative in Ntungamo District.

This study examined the effect of management practiceson financial performance of saving and credit cooperative. To achieve this, the study tested the hypothesis: There is no statistically significant relationship between management practices and financial performance of saving and credit cooperative in Ntungamo District.

Model: $Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

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Table5: Model Summary[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.210[a]	0.044	0.027	0.74888

Source: Researcher (2024) a. Predictors: (Constant), Credit Risk Management

The model summary presented in above table illuminates the relationship between credit risk management and financial performance within the context of saving and Credit Cooperatives. The multiple regression models demonstrate a modest linear correlation coefficient of 0.210, indicating a weak linear relationship between the predictor (Credit Risk Management) and the dependent variable of financial performance. The R Square value of 0.044 suggests that approximately 4.4% of the variance in financial performance can be explained by these financial Management Practice, which is a relatively low explanatory power. The Adjusted R Square of 0.027 provides a slightly more conservative estimate, accounting for the number of predictors in the model. The standard error of the estimate (0.74888) represents the average deviation of the predicted values from the actual observed values, indicating the model's predictive precision.

In addition, the study examined the goodness of fit of the model using ANOVA and results presented in Table 6

Table 6: Anova [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.413	1	1.471	2.623	0.050[b]
	Residual	95.340	170	0.561		
	Total	99.754	171			

Source: Researcher (2024)

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), credit Risk Management

From the ANOVA results presented in Table 12, the F-test ($F = 2.623$, $df = 1, 170$; $p = .005 \leq 0.05$) indicates that Credit Risk Management is statistically insignificant predictors of financial performance in Saving and Credit Cooperatives. The F-value of 2.623 with a p-value of .050 (which is exactly at the conventional significance level of 0.05) demonstrates that the predictor has a significant impact on financial performance. The model's variance is partitioned into 4.413 (regression) and 95.340 (residual), with 1 degree of freedom for regression and 170 for residual, yielding mean squares of 1.471 and 0.561 respectively. This analysis suggests that the combination of management practices jointly explains a statistically significant portion of the variation in financial performance, although the explanatory power appears to be relatively modest.

The hypothesis then tested. The acceptance or rejection based on p-value where $p<0.05$ accepted and vice versa.

Table 7: Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.228	0.431		7.484	0.000
	Credit Risk Management	0.104	0.138	0.073	0.755	0.452

Source: Researcher, 2024; a. Dependent Variable: Financial Performance

The findings reveal that Credit Risk Management exhibits a positive effect ($\beta = 0.073$, $t = 0.755$, $p = 0.452$), though not statistically significant at the 0.05 level and therefore the null hypothesis was up held.

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The constant ($\beta_0 = 3.228$) represents the baseline level of financial performance when all predictive variables are zero. Credit Risk Management (X_2, $\beta_2 = 0.104$) suggests a modest positive increment in financial performance, though not statistically significant implies that for each unit increase in credit risk management, financial performance is expected to decrease by 0.0.073 units, holding other variables constant,

The model equation can be expressed as: $Y = 3.228 - 0.104X_2 + \varepsilon$, where Y represents Financial Performance, and X represents the respective Management Practices X_2 = Credit Risk

Correlation Analysis

The fundamental assumption behind correlation analysis is that the quantitative variables are connected in a straight line and it gauges both the direction and the strength or the link between the variables (Akoglu, 2018). This study adopted conventional approach of interpreting correlation coefficient as suggested by Mukaka (2012) where: 0.00–0.10 represents negligible correlation: 0.10–0.39, weak correlation: 0.40–0.69, moderate correlation: 0.70–0.89, strong correlation; and 0.90–1.00, very strong correlation. Correlation coefficients among the factors obtained in the analysis are presented in the correlation matrix shown Table 8

Table 8: Correlation Matrix

	Credit Risk Management	Financial Performance
Pearson Correlation	0.024	1
Sig. (2-tailed)	0.035	
N	174	174

Source: Field Data (2024) **. Correlation is significant at the 0.01 level (2-tailed).

The correlation between Credit Risk Management and Financial Performance is very weak but positive ($r = 0.024$) and statistically significant ($p=0.035 < 0.05$). This represents one of the weakest correlations among the variables with financial performance. It suggests that increased credit risk Management Practices have minimal association with improved financial performance. While still statistically significant, the correlation implies that credit risk management might have a negligible direct impact on financial performance compared to other potential factors.

However, this finding is in contrary with the statement from SACCO Manager who claimed that: While credit risk management is important, it's not the only factor determining our success. Our challenges go beyond just managing credit risks; market conditions play a significant role. Sometimes our focus on risk management feels like it overshadows our ability to support members. We find that member trust and engagement are equally, if not more, important than strict credit risk strategies.

The statement "Credit risk management help to safeguarding the companies' investments in debtors and optimizing operational cash flows" (Mean=3.34, SD=0.586) shows moderate agreement with the most consistent responses (lowest standard deviation). The range (Min=1, Max=4) suggests measured views. These findings complement Wong et al. (2022)'s research showing that effective credit risk management improved operational cash flows by 30% in well-performing SACCOs. Additionally, Mwangi and Kiragu (2023) found that robust debtor management systems reduced bad debt provisions by 40%. The statement from SACCO manager underscores this finding: Our focus on credit risk management has significantly improved our ability to manage cash flows effectively. We've seen how careful tracking of debtors helps us protect our SACCO's investments. Our systematic approach to managing credit risks has brought more stability to our operational cash flows. By safeguarding our investments in debtors, we've become more financially predictable.

Generally, the aggregate mean of 3.35 with a standard deviation of 0.705 indicates a moderately positive perception of credit risk management's importance in SACCO performance, with fairly consistent responses across dimensions. Interestingly, none of the statements except the first received any "strongly agree" responses (Max=4), suggesting a measured, rather than enthusiastic, appreciation of credit risk management's role. This general finding aligns with contemporary research trends, such as Ahmed and Owino's (2024) meta-

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analysis of SACCO performance factors, which positions credit risk management as necessary but not sufficient for institutional success. However, it somewhat contrasts with Njoroge et al. (2024)'s findings that credit risk management is the single most critical factor in SACCO sustainability.

CONCLUSION

The Role of Credit Risk Management on Financial Performance

The outcomes indicated that the correlation between Credit Risk Management and Financial Performance is very weak but positive and statistically significant. This represents one of the weakest correlations among the variables with financial performance. It suggests that increased credit risk Management Practices have minimal association with improved financial performance. While still statistically significant, the correlation implies that credit risk management might have a negligible direct impact on financial performance compared to other potential factors.

RECOMMENDATIONS

Saving and credit organizations in Ntungamo District, they are very weak but positive correlation between credit risk management and financial performance suggests the need for enhanced risk management strategies. Banks should invest in more sophisticated credit risk assessment tools and technologies to improve the accuracy of risk evaluation. It's recommended to strengthen the credit appraisal process by implementing more comprehensive borrower assessment criteria and utilizing both traditional and alternative data sources for credit scoring. Savings and credit organizations should also develop more effective loan monitoring systems and early warning mechanisms to identify potential defaults before they occur. Regular training programs should be conducted for credit officers to enhance their risk assessment capabilities. Additionally, saccos should consider implementing portfolio diversification strategies to spread risk across different sectors and borrower categories. The development of more robust loan recovery mechanisms and strategies for handling non-performing loans should also be prioritized.

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