INFLUENCE OF CREDIT RISK STRATEGIES ON FINANCIAL PERFORMANCE OF DEPOSIT TAKING COOPERATIVE SOCIETIES IN MOMBASA COUNTY, KENYA

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DECLARATION

This thesis is my original work and has not been presented for award of a degree in any other university.

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DEDICATION

I dedicate my thesis to my loved ones and close friends in appreciation of their unwavering love and support during the entire process. To me, you serve as an inspiration. You have given me the confidence and drive I need to succeed in my academic endeavors.

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TABLE OF CONTENTS

DECLARATION ..... **ii**

DEDICATION ..... **iii**

ACKNOWLEDGEMENT ..... **iv**

LIST OF TABLES ..... **x**

LIST OF FIGURES ..... **xi**

ACRONYMS AND ABBREVIATIONS ..... **xii**

DEFINITION OF TERMS ..... **xiv**

ABSTRACT ..... **xv**

CHAPTER ONE **1**

INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 Global Perspective on Credit Risk 2

1.1.2 Regional Perspective on Credit Risk 3

1.1.3 Local Perspective on Credit Risk Strategy 5

1.2 Statement of the Problem 6

1.3 Research Objectives 7

1.3.1 General Objective 7

1.3.2 Specific Objectives 7

1.4 Research Hypotheses 8

1.5 Significance of the study 8

1.6 Scope of the Study 9

1.7 Limitation of the Study 9

CHAPTER TWO **11**

LITERATURE REVIEW **11**

2.1 Introduction 11
2.2 Theoretical Review 11
2.2.1 Agency Theory 11
2.2.2 Credit Risk Theory 13
2.2.3 Modern Portfolio Theory (MPT) 15
2.2.4 Resource-Based (RBV) Theory 16
2.3 Conceptual Framework 18
2.4 Review on Study Variables 19
2.4.1 Credit Risk Supervision Strategies 20
2.4.2 Diversification of Loan Strategies 22
2.4.3 Proactive Risk Communication Strategies 25
2.4.4 Technology Adoption Strategies 28
2.4.5 Financial Performance 30
2.5 Empirical Literature 33
2.6 Critique of Existing Literature 36
2.7 Research Gaps 36
2.8. Summary 37
CHAPTER THREE 38
RESEARCH METHODOLOGY 38
3.1 Introduction 38
3.2 Research Design 38
3.3 Target Population 38
3.4 Sampling Frame 39
3.5 Sampling Technique and Sample Size 39
3.5.1 Sample Size 40

3.6 Data Collection Instruments 41
3.6.1 Data Collection Instruments. 41
3.7 Data Collection Procedures 42
3.8 Pilot Testing 42
3.9 Validity and Reliability Test of Research Instruments 43
3.9.1 Validity Test of Research Instruments 43
3.9.2 Reliability Test of Research Instruments 44
3.10 Diagnostic Tests 45
3.10.1 Normality Test 46
3.10.2 Test for Autocorrelation 46
3.10.3 Test for Linearity 46
3.10.4 Multicollinearity Test 47
3.10.5 Model Fitness and Significance 47
3.10.6 The Goodness of Fit of the Model 47
3.11 Data Analysis and Presentation 48
3.11.1 Variable Operationalization and Measurement 49
3.12 Hypothesis Testing 51
3.13 Ethical Consideration 52
CHAPTER FOUR 53
RESEARCH FINDINGS AND DISCUSSION 53
4.1 Introduction 53
4.2 Response Rate 53
4.3 Pilot Test Results 53
4.3.1 Reliability Test 54
4.3.2 Validity Test 54

4.4 Diagnostic Test Results 55
4.4.1 Normality Test 55
4.4.2 Test for Linearity 56
4.4.3 Test for Autocorrelation 57
4.4.4 Multicollinearity Test 58
4.5 Descriptive Test Results 59
4.5.1 Credit Risk Supervision Strategies 59
4.5.2 Diversification of Loan Strategies 61
4.5.3 Proactive Risk Communication Strategies 63
4.5.4 Technology Adoption Strategies 65
4.5.5 Financial Performance 67
4.6 Correlation Analysis 69
4.7 Multiple Linear Regression Model 71
4.7.1 Evaluating the Goodness of Fit of the Model 72
4.7.2 Model Fitness and Significance 72
4.7.3 The Regression Coefficients 73
4.8 Hypothesis Testing 74
4.9 Discussion of Key Findings 76
CHAPTER FIVE 79
SUMMARY, CONCLUSION AND RECOMMENDATIONS 79
5.1 Introduction 79
5.2 Summary of Key Findings 79
5.2.1 Credit Risk Supervision Strategies and Financial Performance 79
5.2.2 Diversification of Loan Strategies and Financial Performance 79
5.2.3 Proactive Risk Communication Strategies and Financial Performance 80

5.2.4 Technology Adoption Strategies and Financial Performance 80
5.3 Conclusion 80
5.4 Recommendations 81
5.5 Managerial Implication 81
5.6 Suggestions for Further Studies 82
REFERENCES 83
APPENDICES 91
Appendix I: Introductory Letter 91
Appendix II: Questionnaire 92
Appendix III: Deposit Taking SACCOs in Mombasa County 102
Appendix IV: ERC Approval 103
Appendix V: NACOSTI Research License 104

LIST OF TABLES

Table 3. 1: Target Population in DT SACCOs in Mombasa County..... 39

Table 3. 2: Sample Size..... 41

Table 3. 3: Variables Operationalization and Measurement..... 50

Table 3. 4: Summary of Hypothesis Testing and Decision Rule..... 51

Table 4.1: Response Rate 53

Table 4.2: Reliability Test Results..... 54

Table 4.3: Validity Test 55

Table 4.4: Test for Autocorrelation 58

Table 4.5: Test for Multicollinearity 59

Table 4.6: Credit Risk Supervision Strategies..... 60

Table 4.7: Diversification of loan strategies..... 62

Table 4.8: Proactive Risk Communication Strategies..... 64

Table 4.9: Technology Adoption Strategies..... 66

Table 4.10: Financial Performance 68

Table 4.11: The Pearson's Correlation Coefficients 70

Table 4.12: Model Summary..... 72

Table 4.13: ANOVA..... 73

Table 4.14: The Regression Coefficients..... 73

Table 4.15: Hypothesis Testing and Decision Rule 76

LIST OF FIGURES

Figure 2. 1: Conceptual Framework..... 19

Figure 4.1: Normal P-P Plot..... 56

Figure 4.2: Scatter Plot..... 57

ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
ATM	Automated Teller Machine
CBK	Central Bank of Kenya
CBN	Central Bank of Nigeria
CDs	Certificate of Deposits
CDOs	Credit Debt Obligations
CLOs	Credit Loan Obligations
CRT	Credit Risk Transfer
DoD	Definition of Default
DT	Deposit Taking
DTS	Deposit Taking SACCOs
DT-SACCO	Deposit Taking Saving and Credit Co-operatives
ECB	European Central Bank
ERC	Ethical review Committee
ICT	Information and Communication Technology
IT	Information Technology
GFC	Global Financial Crisis
KMO	Keiser-Mayor-Oklin test
LDA	Linear Discriminant Analysis
LGD	Loss Given Default
MFIs	Microfinance Institutions
MIS	Management Information System
MPT	Modern Portfolio Theory
NACOSTI	National Commission for Science, Technology and Innovation
NPL	Nonperforming Loan
NPV	Net Present Value
NSE	Nairobi Securities Exchange
PD	Default Probability
P-P	Probability to probability plot

RBV	Resource-Based Theory
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
SACCO	Savings and Credit Co-operatives
SASRA	Sacco Society Regulatory Authority
SCA	Sustainable Competitive Advantage
SPSS	Statistical Package for Social Sciences
STATA	Statistical package
TUM	Technical University of Mombasa
VIF	Variance Inflation Factor

DEFINITION OF TERMS

Collateral	It refers to the securities pledged for the repayment of loan taken in financial transactions by a borrower and they may be forfeited in the event of loan default
Credit Assessment	A lender's process to determine your ability to repay the loan and how risky it is for them .
Credit Monitoring	It refers to the tracking of changes in borrower behavior so as to take note of potential fraud, as well as changes to clients' creditworthiness .
Credit Policy	An array of conditions outlining how your business will extend credit to customers and collect delinquent debts
Credit Risk Strategies	It denotes to the approaches and techniques employed by financial institutions and businesses to identify, assess, monitor, and mitigate the potential risks associated with lending money or extending credit to individuals, companies, or other entities.

ABSTRACT

The performance of SACCOs in Kenya has been wanting in the recent past, this scenario occasioned the collapse of some SACCOs such as the Maseno builders and the Ekeza SACCOs. These poor performance instances in the SACCO sector motivated this current research study. The main objective of this study was to investigate the influence of credit risk strategies on the financial performance of deposit-taking cooperative societies in Mombasa County, Kenya. The specific objectives of this study comprised of an investigation on the influence of credit risk supervision strategies, diversification of loan strategies, Proactive risk communication strategies, and Technology Adoption strategies on the financial performance of deposit-taking cooperative societies in Mombasa County, Kenya. The theories which were used in supporting this study comprised of the Agency theory, Credit theory, Modern Portfolio Theory and the Resource-Based View Theory. This study used the descriptive research design. The target population for the study consisted of 109 participants from the finance, internal audit and Loan departments across all six deposit-taking SACCOs in Mombasa County. The samples size for this study comprised of 86 units of analysis which was determined via the Yamane Taro 1967 sample size determination formular. The ultimate selection of the sample size from the target population was conducted via the stratified random sampling technique. This current research study used questionnaires as the tool for data collection. A pilot test was conducted with a sample of 8 (10% of 86) randomly selected respondents from the deposit-taking SACCOs in Mombasa County. The regression model in the Statistical Package for Social Sciences version 26 was used in data analysis. The regression statistics from the model were used in testing the hypothesis. The hypothesis testing led to the rejection of H_{01}, H_{02}, H_{03} and H_{04}, thus indicated that Credit Risk supervision strategies, Diversification of loan strategies, Proactive risk communication strategies and Technology adoption strategies have a significant positive influence on the financial performance of DT SACCOS in Mombasa County, Kenya. The researcher therefore recommends that DT SACCOS in Mombasa County, Kenya should take advantage of the credit risk strategies at their disposal and

implement them because they have a significant influence on their financial performance.