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Risk Management Strategy on Financial Performance of Micro Finance Institutions in Uganda: A Case of Rushere Savings and Credit Cooperative Organization in Kiruhura District

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ABSTRACT

Microfinance institutions (MFIs) play a crucial role in promoting international and local development goals, especially in the context of poverty reduction, economic empowerment, and financial inclusion. MFIs provide financial services, such as microloans and savings accounts, to low-income individuals and small businesses. These services are intended to help people lift themselves out of poverty by providing access to capital for income-generating activities. Many of the United Nations' Sustainable Development Goals, such as no poverty, zero hunger, and gender equality, can be furthered through the work of MFIs. However, it's essential to note that the impact of MFIs varies depending on the specific institution, its approach, and the regulatory environment in which it operates. While microfinance has the potential to be a powerful tool for development, it is not a panacea and must be implemented effectively to achieve the desired outcomes. Consequently, MFIs face various risks in their operations, which impact their financial stability and ability to achieve their social and economic development goals. To manage these risks effectively, MFIs need to implement robust risk management strategies. The specific objective of carrying out this study was to examine the extent to which risk management influences the financial performance of Rushere Savings and Credit Cooperative Organization in Kiruhura Uganda. The research questions focused on risk assessment, diversification of portfolio, credit risk management, member education, technology risk management, and insurance risk coverage. This study was based on a quantitative research approach. The study was underpinned by the modern portfolio theory. A descriptive research design was used to obtain the responses that were later statistically described in quantified formats. The study considered a target population of 160 people from which a sample size of 127 respondents was selected for this study. Both Stratified proportionate sampling and simple random sampling techniques were used to select individual respondents in their strata. Structured self-administered questionnaires were used for primary data collection. Data was analyzed by the use of inferential statistics with the aid of Statistical Package for Social Scientists (SPSS) version 24.0. The study established a significant positive relationship between risk management and financial performance (β_1=-124, p=0.000<0.05). The study concluded that there is a strong positive relationship between risk management and financial performance. The study recommended the implementation of risk management strategies to enhance the performance of SACCOs.

Keywords: Risk Management, Performance, Strategy, SACCOs

INTRODUCTION

MFIs play a crucial role in promoting international and local development goals, especially in the context of poverty reduction, economic empowerment, and financial inclusion. MFIs provide financial services, such as microloans and savings accounts, to low-income individuals and small businesses [1]. These services help people lift themselves out of poverty by providing access to capital for income-generating activities. As microenterprises and small businesses grow with the help of microfinance, they contribute to local economic development by creating jobs and stimulating

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economic activity in the community. However, MFIs face various risks in their operations, which can impact their financial stability and ability to achieve their social and economic development goals. The stability and profitability of MFIs, like any other financial institution, are directly impacted by this risk, making it a crucial aspect of their operations [2]. The past decade has seen a growing interest in the social impact of microfinance globally, and European MFIs are dedicating increasing financial and human resources to measuring their social performance and impact [3]. Although microcredit is increasingly advocated as an instrument of active labour market policy in the European Union, little is known of its impact on employment. Studies have shown that microcredit significantly contributes to self-employment and job creation; the fiscal cost per job created is usually below that of alternative labour market instruments; and jobs created through microcredit positively contribute to entrepreneurs' income and self-esteem In France, significant efforts have been made in the past few years, from both microcredit operators and public authorities, to improve knowledge of the microfinance sector, its volume, and its social impact. A recent study by the European Microfinance Network (EMN) shows that microcredit is developing rapidly in the EU. In 2011, European MFIs issued 122,370 microloans for a total outstanding value of €872 million, a 45 percent increase in the number of loans disbursed, and a 5 percent increase in total volume compared to previous years. According to the EMN survey, in terms of number of loans disbursed each year, France is the third largest distributor of microcredit in Europe, just behind Spain and Bosnia/Herzegovina [4]. In China, microcredit is largely applied to poverty alleviation in rural areas and has a high non-performing loan rate. At the end of 2018, the non-performing loan balance of the rural commercial bank was 535.4 billion yuan, and the non-performing loan ratio was 3.96%. Since then, the Chinese government and regulatory authorities have strongly supported the development of microfinance businesses, and regional small and medium-sized banks. the domestic microfinance business has been in the spotlight of receiving a lot of opportunities and attention from the whole society [5]. However, microfinance business development is limited by various aspects but in the favorable policy situation, the Chinese microcredit business is likely to enter a stage of rapid development. Despite this microcredit has proven positive effects in upgrading agricultural industry structure, diversifying financial institutions, and meeting the loan demand of middle-and low-income groups Microcredit has been applied as a rural poverty alleviation pilot project to support the poor population and develop the economy since it was introduced to China [5]. In India, microfinance has become a medium of including financially excluded and unbanked poor population. In this country, microfinance has also acted as an effective tool for fighting against poverty. In the present scenario, even though MFIs hold the largest share of the loan portfolio, banks have been successful in registering stable growth mainly due to important factors like easy accessibility to funds, higher loan ticket size, and low delinquency ratios in the Indian microfinance scenario. The MFI is considered an effective instrument in eradicating poverty by helping rural poor access formal financial institutions. It contributes a lot to the development process of the Indian economy by providing credit access to these poor households. Inclusion of these poor into the formal financial system can empower and uplift the poor economically and socially. This sector has played a significant role in providing formal credit to underserved low-income households and micro, small, and medium enterprises (MSMEs), thus, inflating the share of these sectors in India's overall GDP. This sector registered a growth of 40% in terms of loan portfolio in the year 2019 The microfinance sector however faces several challenges that hinder its efficiency. Despite this, the sector has the potential to uplift the poor and contribute to India's aim of becoming a USD 5 trillion economy by 2025 [6].

The demand for microfinance banking services in Nigeria is driven largely by the prevalence of the economically active poor population, low literacy level, and the relatively high level of financial exclusion. An estimated 39.9% of the adult population stands excluded from financial services while about 40.1% of the populace live below the poverty level. The demand for microfinance services has maintained an upward trajectory over the last five years [7]. Thus, the Industry plays a crucial role in achieving Nigeria's financial inclusion goals and eradicating poverty by assisting the economically disadvantaged segments of the population, whose financial needs typically range between ₦10,000 and ₦1.5 million, and fall below the targeted client base for commercial banks. The industry also provides financial services to MSMEs, across numerous industries such as trade, commerce, education, tailoring, carpentry, fishing, and transportation, which account for an estimated 96% of businesses in Nigeria [8]. Given that MFBs primarily serve low-income earners, the active poor, and micro, small, and medium-sized enterprises (MSMEs), who have historically been at the bottom of the income pyramid and are typically affected by adverse macroeconomic variables, the industry's portfolio at risk is expected to remain above our 5% benchmark in the short to medium term. This is largely attributable to the rapid origination of loans in a high-risk environment in 2021 and the challenging macroeconomic climate.

In Ethiopia, the most important instruments in the poverty reduction program are microfinance. It is verified that microfinance is one of the most potent and powerful tools to provide financial services to those who have no access formally. In Ethiopia, lack of finance is the major problem that impends the growth of production and income of rural and urban populations. Since access to services of financial institutions is so much limited a great number of people obtain financial services through informal means. To reduce such type of problems the government of Ethiopia has taken several economic reforms to boost the growth of MFIs by creating income-generating activities

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and promoting entrepreneurs, encouraging savings and private investments, and launching micro and small-scale industries [9]. In Kenya, over the last decade, there has been continued growth in the Microfinance Industry. It is estimated that the Kenyan Microfinance Industry as of the end of December 2021 had total assets of approximately KES 250 billion. The industry's assets were expected to grow by an average of 2% in 2022 driven by the economic recovery and the easing of lending measures by microfinance institutions. Despite this, competition has remained a major force in the growth of the industry, and microfinance institutions must develop a set of externally oriented competencies in the areas of market research, competitive advantage analysis, digitization, and innovative product offerings to thrive in the face of increasing local and foreign competition [10]. The performance of MFIs has been affected negatively by the current hypercompetitive economic environment. Huge losses have been reported among MFIs in Kenya, consequently forcing MFIs to develop appropriate innovative strategies. This has not yielded better results [11]. In Uganda, the operations of MFIs require due attention by the management as credit risk management is one of the critical aspects of microfinance institutions. Available statistics from the Bank of Uganda Annual Supervision Report, 2015 indicate a high incidence of credit risk reflected by increasing non-performing loans (NPLs) by MFIs. The situation adversely caused by poor management has impacted their profitability and overall asset quality deterioration. The situation has adversely impacted on their profitability and overall asset quality has deteriorated [12]. It is against this background that this study sought to establish the extent to which risk management affects financial performance of Rushere Savings and Credit Cooperative Organization in Kiruhura District in Uganda.

Statement of the Problem

Savings and Credit Cooperative Societies (SACCOs) play a significant role in the attainment of Sustainable Development Goals (SDGs) 2015 and Uganda Vision 2040 by contributing to economic development, poverty reduction, and financial inclusion. SACCOs provide financial services to underserved and unbanked populations, helping them access savings, credit, and insurance services. This empowers individuals and communities to participate in economic activities and build financial resilience, aligning with SDG 1 on Poverty and SDG 10 on reduced inequalities. SACCOs often focus on empowering women by providing them with financial services, training, and leadership opportunities. This supports gender equality (SDG 5) and reduces inequalities as aforementioned. As part of Uganda Vision 2040, SACCOs can help strengthen the financial sector and enhance the stability of the economy by providing financial services to a broad segment of the population. However, this is dependent on how SACCOs manage risks in their operations [13]. In Uganda, there is continued poor financial performance including Rushere SACCO, necessitated by a lack of appropriate financial management techniques leading to massive unaccounted for funds. This has put many MFIs at risk of financial inadequacy, employee dissatisfaction and poor service delivery. If the situation continues for long most of these institutions will face a crisis in managing their micro credits. The purpose of this study was to establish the effect of risk management on the financial performance of Rushere Savings and Credit Cooperative Organization in Kiruhura District in Uganda.

Research Objective

The specific objective of this study was to examine the extent to which risk management influences financial performance of Rushere Savings and Credit Cooperative Organization in Kiruhura District in Uganda.
The study was also based on the following null hypothesis:

H$_0$ There is no statistically significant relationship between risk management financial performance of Rushere Savings and Credit Cooperative Organization in Kiruhura District in Uganda

Underpinning Theory

The study was based on Modern Portfolio Theory (MPT). This theory was founded by Harry Markowitz in 1952. MPT argues that investors can optimize their portfolios by balancing risk and return. It suggests diversifying investments across different assets can reduce risk, as assets do not move in perfect correlation. MPT suggests that by combining assets with other risk and return characteristics, investors can optimize their portfolios to achieve maximum expected returns for a given level of risk or minimize risk for a desired level of return. The efficient frontier, a key concept in MPT, represents the set of portfolios that offer the highest expected return for a given level of risk or the lowest [14]. MPT is framed on assumptions: returns from the assets are distributed normally; the investor investing is rational and will avoid all the unnecessary risk associated; investors will give their best to maximize returns for all the unique situations provided; all investors have access to the same information among others. Many investment professionals and financial analysts advocate for MPT as a valuable tool for portfolio management. The critics of this theory argue that MPT relies on assumptions like normally distributed returns and ignores the role of behavioral finance factors in investment.

Risk Management on Performance of SACCOs

[15], carried out this study to establish the effect of risk management strategies on the performance of SACCO in Nakuru County, Kenya. The specific objectives of the study were; to identify the effect of risk avoidance, risk reduction, risk transfer, and risk retention on the performance of SACCO in Nakuru County, Kenya. This study

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adopted a descriptive survey research design. The target population of this study was 165 credit, finance, and management staff working with Saccos in Nakuru County. To draw the 63 study respondents from the targeted population, a simple random sampling method was utilized. The data collection instrument used in the study was questionnaires. The statistical tool for the analysis was Statistical Package for the Social Sciences (SPSS) version 25. The presentation was done in the form of tables. The study findings revealed that there is a positive correlation between the dependent and the independent variables in this study. It was concluded that risk management by the SACCOs in Nakuru is accompanied by detailed plans concerning risks and thus enhances SACCOs' performance. Risk reduction has a positive effect on the performance of Saccos and most of the SACCOs in Nakuru County conduct regular inspections to enable them to reduce the occurrence of risks in their SACCOs. Most of the SACCOs prefer risk transfer which is done by reinsuring their operations with the insurance companies to enable them to avoid risks. The researcher further concluded that risk management strategies by the SACCOs have led to high SACCOs profitability. The study recommends that risk function profiling should be maintained and that Sacco's should emphasize risk management and risk control measures. SACCO's performance would probably be enhanced by observing and applying risk control and management methods. Monthly reports should be produced, assessed, and interpreted to provide a clear image of SACCO's status. Further study should consider the use of both qualitative and quantitative methods that can be used to evaluate borrowers.

[16], analyzed the effects of credit risk management on SACCOs' financial performance. The study's target population was the 239 non-deposit-taking (NDTS) SACCOs in Mombasa County that were taken to represent all NDTS SACCOs in Kenya. The study adopted a survey design that is both descriptive and exploratory. Questionnaires were used to gather the primary while data collection forms were used to collect the secondary data. Both parametric (t-test) and non -parametric tests (Pearson correlation coefficient) and multiple regression were done to find the influence and the trend of the association amid credit risk management and SACCOs' financial performance. The correlation results for both primary and secondary data revealed that credit risk management had an influence on financial performance that was significant and positive. This means that credit risk management is vital and SACCOs need to be vigilant in their credit risk management as it is an area if neglected can cause a great loss to the SACCOs. The results of the hypothesis testing revealed that the null hypothesis was to be rejected. The researcher recommended that it is important for SACCOs to continue enhancing their credit risk management as it leads to improved financial performance. The research recommended that a replica of this study be done in other sectors. A similar one can also be done on SACCOs but instead of using structured questionnaires, the study uses both structured and unstructured questionnaires to get more information from the respondents. [17], examined the segregation of duties, determined the impact of independent checks, and assessed the risk management on the financial performance of the organization. This research was carried out after the cross-sectional survey. The bivariate correlations between the predictor components and the dependent variable were examined using a Pearson correlation matrix, and a linear regression model was used to fit the data. The regression model results showed that segregation of duties (R=762), independent checks (R=676), and risk management (R=899) had a beneficial influence on Rukiga SACCO performance. Furthermore, the performance was impacted by risk management, separation of roles, and independent checks. [18], examined the relationship between liquidity risk management and the financial performance of SACCOs in Kampala. The study objectively; examined the relationship between capital adequacy and the financial performance of SACCOs in Kampala, established the relationship between the financial gap ratio and financial performance of SACCOs in Kampala, established the relationship between cash generation and financial performance of SACCOs in Kampala, and established the effect of credit policy on financial performance of SACCOs in Kampala. The study employed a correlation research design incorporating both quantitative and qualitative approaches. The study used a sample size of 157 SACCOs in the divisions of Kampala. The study used both probability and nonprobability sampling methods in selecting respondents which acted as units of inquiry. The findings revealed a statistically significant relationship between capital adequacy and financial performance of SACCOs in Kampala ($r=0.211$, $P<0.05$). The findings show that the financial gap ratio had a positive and significant relationship with the financial performance of SACCOs in Kampala ($r=0.396$, P-value $e<0.05$). the study found that there was a moderate positive and significant relationship between cash generation and the financial performance of SACCOs in Kampala ($r=0.6$, P-value<0.01). The findings indicated that credit policy had a positive and significant effect on the financial performance of SACCOs in Kampala (B=.772, P value <0.05). In conclusion, the study proved that effective capital adequacy, financial gap ratio, cash generation, and credit policy play a crucial role in enhancing the financial performance of SACCOs in Kampala. In recommendation, there is a need for SACCOs in Kampala to ensure that there are enough funds available to support their continued operation. The SACCOs should continue charging small interest rates on borrowed funds to increase the proportion of borrowers and also reduce loan defaulters. Lastly, there should be continued regular cash budgeting in SACCOs since it eliminates liquidity issues and enhances financial performance.

[19], examined the effects of credit risk management policies and how they affect the financial performance of Saving and Credit Cooperative Organizations (SACCOs), in Uganda. This study intended to analyse the level of Credit risk

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Management practices of SACCOs, analyse the level of financial performance of SACCOs in Uganda, especially at UCCFS, and finally establish the relationship between credit risk management and the financial performance of UCCFS and Inference made at SACCOs in Uganda. The researcher used purposive and non-probability sampling techniques. The sample size was 52 respondents out of 52 population including 13 SACCOs managers and 39 chairpersons of different committees. In this research data were collected using questionnaires and interviews. This study employed the use of the Chi-Square test method to establish the nature of the relationship between variables. A descriptive survey design and a mixed research design were used. Data collected were analyzed with the aid of the Statistical Package for Social Sciences for descriptive statistics, (SPSS version 26). The study found that most of the respondents had an experience of between 3 -5 years, indicating that the majority of them are mature and with considerable experience to understand, the effects of credit risk management on the financial performance of the SACCOs. In terms of gender, it is evident that the SACCOs were managed by men even though there is no great discrepancy with the number of women. In addition, most of the staff are graduates with either a bachelor's degree or a diploma. However, most of the SACCOs are managed by degree holders at their highest level of education. The findings also revealed that there was a significant relationship between credit risk management practices and the financial performance of SACCOs in Uganda since the p-value was 0.000 (P-value) was found to be less than 0.05 (P-alpha) and lastly, the findings of this study revealed that there was a significant level of Credit Risk management practices and financial performance of SACCOs in Uganda respectively. The study indicated that a credit risk management framework significantly influenced the financial performance of deposit-taking SACCOs when one factor of credit risk management was considered. On the other hand, when these variables were applied, it is evident that credit monitoring significantly influenced the financial performance of SACCOs. It was evident that if the credit risk management framework was sound then, the financial performance would be satisfactory. SACCOs should establish appropriate credit appraisal methods to offer guidance in the issuance of credit. Proper customer creditworthiness systems should be put in place based on their capacity to repay their credit and customer loyalty. SACCOs should establish sound credit risk appraisal practices that are central to the mitigation of credit risk.

[20], sought to establish the effect of financial risk management on profitability by targeting deposit-taking SACCOs in Nyeri County. To address this objective, the study targeted the following specific objectives; to examine the effect of credit mitigation, liquidity risk controls operational risk mitigation, and finally compliance risk mitigation on the profitability of deposit-taking SACCOs in Nyeri County. A descriptive study design was adopted targeting a population of 8 deposit-taking SACCOs. A census study approach was used to subject all the SACCOs to study. The respondents comprised deposit-taking SACCO managers or operational managers. Thus, in total, the study targeted 8 respondents from the management of the SACCOs. Questionnaires were adopted as a tool for data collection. The researcher administered questionnaires to the respondents by dropping them to the respondent's office and collecting them at a convenient date agreed upon by both parties. Before undertaking the study, the researcher conducted a reliability test to assess the consistency of the tool using Cronbach's Alpha. The study used descriptive and inferential statistics to summarize the data. Under descriptive statistics, the researcher used mean and standard deviation. To test the significance of the study variables, the researcher used Pearson correlation and simple linear regressions. The researcher adhered to research ethics during the data collection period. The study findings are presented in charts and tables. The study found compliance risk control; liquidity risk control and operational risk control had significant effects on the performance of Saccos in Nyeri while credit risk control was found insignificant in predicting the performance of Saccos in Nyeri County. The study recommends that SACCOs intensify compliance risk control, liquidity risk control, and operational risk control practices in the enhancement of Sacco's performance.

[21], assessed the contribution of credit risk management on the financial performance of Saccos in Rubanda district specifically Hakashenyi SACCO. It aimed to examine the causes of credit risk management, discover risk management mitigation measures on lending portfolios among Savings and credit cooperatives, and find out the effect of risk management on the financial performance of Saccos. The methodology adopted a cross-sectional research design Both qualitative and qualitative research designs were used in the collection of data during the study. Data collection instruments included the questionnaire, documentary review, and interview guide. The findings revealed that there is a strong correlation between Credit risk management and the financial performance at Hakashenyi SACCO Rubanda Branch. The Loans department at Hakashenyi SACCO does not conduct a clear risk assessment exercise which therefore indicates that the high level of Non-Performing Loans is responsible for more losses. The study hence recommends that there is a need for SACCO to conduct technical training for its staff, Monitor and evaluate the Clients in need to find out whether they qualify for the loans and provide investment advice to the customers. This may also be realized by recruiting skilled and competent staff to enable SACCO to achieve its overall goals and objectives. [22], analyzed the effect of liquidity risk on the financial performance of DT SACCOs in Kenya. The study used a descriptive survey design and employed regression methods to model the relationship between liquidity risk and the financial performance of DT SACCOs. The data were analyzed at a 5% level of significance. The study findings revealed that at a 5% level of significance, liquidity risk had a statistically

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significant influence on the financial performance of deposit-taking SACCOs. Based on the findings, DT SACCOs are encouraged to focus on enhancing the mobilization of deposits to ensure that an asset portfolio that minimizes liquidity risk is maintained. From the reviewed literature, it is clear that none of the studies has been done at Rushere SACCO in Kiruhura district in Western Uganda hence creating a contextual gap. This is the gap to be filled by this study.

RESEARCH METHODOLOGY

Research Design

The study adopted a descriptive research design. Using this design, the opinions of respondents were sought on risk management and financial performance of Rushere SACCO. Thereafter the responses were described statistically in quantifiable terms. The study was therefore based on a quantitative approach in which data collected was analyzed in numerical forms. This study was carried out in Rushere SACCO in Kiruhura District in Western Uganda. This was therefore a case study in which the unit of analysis was a single organization. The target population was composed of 160 participants drawn from employees, customers, supervisory committee, and board members in different proportions as shown in Table 1. These were chosen purposively because they were assumed to have sufficient experience and knowledge to respond to the research questions.

Table 1: Target Population

Category	Target Population
Employees	28
Customers	120
Supervisory committee	5
Board members	7
TOTAL	**160**

Source: (SACCO Annual Report, 2022)

A sample size of 115 was obtained from the target population of 160 using [23] as shown below:

$$N = \frac{N}{(1+N(e)^2)}$$

Where;
n= sample size
N= target population
e= margin of error (5%)
n= 115

Table 2: Sample Size

Category	Target Population	Sample size
Employees	28	20
Customers	120	86
Supervisory committee	5	4
Board members	7	5
TOTAL	**160**	**115**

Source: (Researcher Computation, 2023)

From this sample, the study utilized stratified sampling to select respondents from each group equitably. This was done by the use of proportionate stratified sampling. From the lists presented to the researcher, individual respondents from each group were then selected randomly to provide equal opportunity for all subjects to participate in the study [24]. This was done through simple random sampling with the aid of computer-generated random numbers. The chosen respondents then became units of analysis. Primary data for this study was obtained by the use of self and researcher-administered structured questionnaires. The closed-ended questions were based on the research objectives and framed on a Likert scale of 5. Secondary data was collected from journals and published reports. The information from these sources was useful in the theoretical and empirical review of the literature as well as in the discussion of findings. For quality control, the research questionnaires were tested for validity and reliability using content analysis and Cronbach's alpha (a) Coefficients respectively [25]. This was intended to reduce errors in the research instruments. The correct procedures were used to collect primary data from the field based on procedure and ethics in conducting the study. The collected data was edited, organized, and coded for analysis. Descriptive statistics were used to obtain responses from the respondents on the demographic of the respondents. This involved the use of percentages and frequency distribution tables. Inferential statistics was utilized

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to establish the relationship between the independent variable (risk management) and dependent variable (performance of Rushere SACCO). Linear regression and Pearson's Correlation analysis were used for these purposes. The hypothesis was tested at a 5% confidence level. Finally, the results were displayed using suitable tables based on APA format version 6 [26].

RESULTS

Response Rate

Out of the 115 given out to collect primary data, only 95 were collected. This indicated a response rate of 83%. This was considered adequate for this research. This response rate was considered adequate for the study [27].

Regression Analysis

Linear Regression analysis was used to study the influence of risk management on financial performance which was measured using financial accountability and budget performance.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.978[a]	.957	.956	.17453

a. Predictors: (Risk management)

Source: Field Data (2023)

The coefficient of determination (R^2) and correlation coefficient (R) show the degree of association between the influence of risk management and financial performance Rushere SACCO. The findings of this analysis show that R^2 =0.957 and R = 0.978. The R-value = 0.978 shows that there is a strong linear relationship between the influence of risk management and the financial performance of SACCO. The R^2 value of 0.957 indicates that 95.7% of risk management explains the variation in financial performance of Rushere while holding other factors constant. This analysis reveals the strong relationship existing between risk management and the financial performance of the firm.

Table 4: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83.995	1	83.995	2757.361	.000[b]
	Residual	3.808	125	.030		
	Total	87.802	126			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Risk management

Source: Field Data (2023)

The F-test in Table 4 offers a comprehensive evaluation of the significance of the established regression model. The F-value signifies the importance of all the variables in the equation, confirming the overall significance of the regression. The ANOVA results confirm that the model fit is appropriate for this data. The calculated p-value of 0.000 is less than the critical value of 0.05. This means there is a positive significant relationship between risk management and the financial management of Rushere SACCO. The F-statistics of 2757.361, reflects that the results are highly significant (P<0.000) and it was very unlikely that they were computed by chance. The results show that the model fit is significant and improves the ability to predict the outcome variable

This study further sought to establish the regression model coefficients to be used in the regression equation as shown in Table 5.

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.124	.066		-1.871	.064
	MRM	.960	.018	.978	52.511	.000

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Risk management

Source: Field Data (2023)

The study results revealed that there was a positive linear effect of the influence of risk management on financial performance. Since (β_1=-.124, p=0.000<0.05), the study established that there is a significant relationship between risk management on financial performance of Rushere SACCO. The findings show that an increase in risk management increases the financial performance of SACCO by units 0.960. From this analysis, the coefficients generated the regression equation as expressed by; $Y = -.124+0.960X_1$

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Hypothesis Testing

The null hypothesis was tested using the inferential statistics above. This was done to verify if risk management influences the financial performance of Rushere SACCO.

Decision Rule

The null hypothesis is rejected if the calculated p-value is less than the table value of 0.05 and vice versa.
From Table 4 it is clear that the calculated p-value of .000 is less than the critical value of 0.05. Consequently, the null hypothesis was rejected and the alternative hypothesis was adopted which stated that there is a significant relationship between risk management and financial performance of Rushere SACCO.

DISCUSSION OF FINDINGS

The linear regression analysis reveals that there is a significant relationship between the risk management and financial performance of Rushere SACCO since the p-value obtained is 0.000, less than the critical value of 0.05 as shown in Tables 4 and 5. The findings of this study concur with [15], whose study established that risk reduction has a positive effect on the performance of Saccos and that most of the Saccos conduct regular inspections to enable them to reduce the occurrence of risks in their SACCOs. In this respect, most of the Saccos prefer risk transfer which is done by reinsuring their operations with the insurance companies to enable them to avoid risks. This study researcher further concluded that risk management strategies lead to high profitability. In the same vein, the results are in agreement with [16], who revealed that credit risk management has a significant and positive influence on the financial performance of a firm. This study observed that credit risk management is vital to organizational performance and as such firms must be vigilant in their credit risk management as it is an area that is neglected by most firms. These findings further agree with [16] whose study revealed that credit policy had a positive and significant effect on the financial performance of SACCOs. In addition to these, the results of this study are in line with [19] who established a significant relationship between credit risk management practices and financial performance of firms, particularly credit risk management practices. This study indicated that a credit risk management framework significantly influenced the financial performance of deposit-taking SACCOs when the one factor of credit risk management was considered while when these variables were applied, credit monitoring significantly influenced the financial performance of SACCOs. The study noted that credit risk management framework was sound then, the financial performance would be satisfactory. On the same note, the findings are in line with [20] who found that compliance risk control; liquidity risk control, and operational risk control had significant effects on the performance of Saccos while credit risk control was found insignificant in predicting the performance of Saccos. In the same vein, the results concur with [21] whose findings revealed a strong correlation between Credit risk management and the financial performance of SACCO. The study established that when SACCO does not conduct a clear risk assessment exercise there are high levels of non-performing loans hence more losses. The findings also agree with [22] who revealed that liquidity risk had a statistically significant influence on the financial performance of deposit-taking SACCOs. Based on the findings, SACCOs are encouraged to focus on enhancing the mobilization of deposits to ensure that an asset portfolio that minimizes liquidity risk is maintained.

CONCLUSION

The study established that there is a statistically significant relationship between risk management and financial performance of Rushere SACCO. This implies that initiating and executing adequate mitigation measures against potential financial risks enable SACCOs to improve their revenue collection hence making them competitive in the market. Thus, effective risk management plays a crucial role in shaping the overall performance and sustainability of SACCOs. Conclusively, the relationship between risk management and the performance of SACCOs is symbiotic. SACCOs that prioritize and implement effective risk management strategies are more likely to achieve financial stability, foster member trust, comply with regulations, drive innovation, and sustain long-term growth. As the financial landscape evolves, the adaptability and resilience provided by robust risk management practices become increasingly crucial for the success

Recommendations

Based on these findings, the following recommendations are considered important to the SACCOs.

- Mitigating risks is a crucial aspect of ensuring the stability and success of SACCOs. As such SACCOs should establish a comprehensive risk management framework that covers all aspects of SACCO operations, including credit risk, liquidity risk, operational risk, and compliance risk. They should also clearly define risk management roles and responsibilities for all levels of the organization
- The SACCOs should conduct regular risk assessments to identify potential threats and vulnerabilities. This should involve a thorough analysis of internal and external factors that may impact the organization. They should use historical data, scenario analysis, and stress testing to evaluate the potential impact of various risks.

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- They should also diversify their asset portfolio to spread risk and avoid overconcentration in specific industries or types of loans. There is a need for the SACCOs to offer a diverse range of financial products and services to cater to the varying needs of members, reducing dependency on a single revenue stream.
- The SACCOs should implement sound credit risk management practices, including rigorous loan underwriting standards, credit scoring, and monitoring of borrower behavior. They should set limits on exposure to individual borrowers or industries and regularly review and update these limits based on changing market conditions.
- They should also educate members about the risks associated with financial products and services, and promotion of responsible financial behavior. They should thus maintain transparent communication with members regarding their financial health, risk management strategies, and any changes in policies that may affect them.
- The SACCOs should establish a robust system for ongoing monitoring of risks and key performance indicators and implement regular reporting mechanisms to keep stakeholders, including members, board members, and regulators, informed about the SACCO's risk profile and risk mitigation.
- Finally, they should obtain appropriate insurance coverage to protect against unexpected events, such as natural disasters or fraud. They should Regularly review and update insurance policies to ensure they adequately cover potential risks.

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