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EFFECT OF LOAN DISBURSEMENT ON THE FINANCIAL PERFORMANCE OF PUBLIC SECTOR DEPOSIT TAKING SACCOS IN KENYA

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---ABSTRACT---
Savings and Credit Cooperative Societies (SACCOs) are considered the closest alternative to commercial banks in providing financial services to previously unbanked or excluded segments of the public with a social approach to savings and credit. Policy makers and regulators have expressed concerns regarding the financial performance of SACCOs and the economic risks posed to the country. The majority of SACCOs have been confronted with significant issues such as non-performing and defaulted loans, which pose a risk to their financial performance. The risk is particularly pronounced in Public Sector Deposit-Taking SACCOs, which deem themselves too big to fail, relying on the potentiality of a government bailout in case of financial challenges. Consequently, these SACCOs tend to relax their loan disbursement management. However, limited research has explored the effect of loan disbursement management on the financial performance of Public Sector Deposit-Taking SACCOs in Kenya. As a result, this study aimed to investigate the effect of loan disbursement management on the financial performance of Public Sector Deposit-Taking SACCOs in Kenya. The study was guided by CAMEL model and adopting a descriptive research design, the study utilized secondary data collected from financial reports submitted to SASRA. The target population comprised 36 Public Sector Deposit-Taking SACCOs in Kenya registered by SASRA, from which a sample of 12 DT-SACCOs was purposively selected. Simple regression analysis was employed to analyze the data. Both descriptive statistics was used in the data analysis with the help of Statistical Package for Social Sciences (SPSS 27). The findings revealed that loan disbursement management ($\beta = 0.483$; $p = 0.000$) had a significant positive effect on financial performance of DT-SACCOs in the public sector in Kenya. Consequently, the study concluded that the establishment and maintenance of robust loan disbursement management are imperative for DT-SACCOs aiming to improve their financial performance. The study recommended that that Deposit Taking SACCOs should prioritize improving loan disbursement management in order to enhance the overall financial health of the SACCOs.

KEY WORDS: *Financial performance, loan disbursement management and public sector deposit taking SACCOs*

INTRODUCTION

Savings and Credit Cooperative Societies (SACCOs) represent a pivotal financial intermediary, bridging the gap for previously unbanked or excluded segments of the public by offering a social approach to savings and credit (Motompa, 2016). As elucidated by Ndiege et al., (2015), SACCOs embody traditional, non-profit, member-owned financial cooperatives that extend basic savings through dividend-paying shares and provide loan services to their members. The landscape of SACCOs in Kenya, as outlined in the SASRA Report (2022), reveals a diverse spectrum comprising 176 Deposit-Taking SACCOs. This categorization includes 49 Farmers Based DT-SACCOs, 46 Teachers Based DT-SACCOs, 25 community-based deposit-taking SACCOs, and 36 Public Sector Deposit Taking SACCOs. The residual SACCOs operate under private ownership, classified as Private Sector Based Deposit Taking SACCOs.

Public Sector Deposit Taking SACCOs in Kenya, explained by Okoth (2019), are financial cooperatives that operate in the public sector, primarily serving employees of government institutions and public enterprises. They specifically cater for members associated with government and government agencies, spanning government ministries, departments, state corporations, public universities and colleges, and county governments. The difference between Public Sector Deposit Taking SACCOs and other Deposit Taking SACCOs is that these SACCO’s membership is often restricted to employees of specific government ministries, departments and other governmental agencies. Some Public Sector Deposit Taking SACCOs may benefit from government guarantees or financial support, which can enhance the security of deposits held by members Mugo, et al., (2019). This support might also include recognition from the government, such as participation in national savings campaigns or financial inclusion initiatives.

According to the SASRA Report (2022), Farmers Based Deposit Taking SACCOs boast the highest membership, tallying 2,591,344 members, trailed by Teachers Deposit Taking SACCOs with 1,252,376 members. Despite Farmers Deposit Taking SACCOs claiming the lead in membership, the lion's share of assets and deposits within the SACCO sub-sector is controlled by Public Sector Deposit Taking SACCOs, which, as per the SASRA Report (2022), commanded 45.48% of the total assets. In contrast, Farmers Deposit Taking SACCOs account for 10.96% of the total assets in Deposit Taking SACCOs. Noteworthy players in this realm include Stima Sacco with assets valued at Kshs. 46.48 Billion followed by Kenya Police Sacco with Kshs. 44.0 Billion, and Harambee Sacco with Kshs. 34.6 Billion. Financial performance, characterized by metrics such as Return on Asset (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Profit after Tax (PAT), serves as an instinctive gauge of an organization's ability to utilize its assets and equity for revenue generation. The trends in SACCOs has shown a positive trajectory in the financial performance of DT SACCOs in Kenya with growth in assets, deposits and profitability. However, the majority of SACCOs have been confronted with significant issues such non-performing and defaulted loans, which pose a risk to their financial performance (Chivuyi & Abuga, 2023). In Kenya, a variety of factors, including member dynamics, legal requirements, external economic conditions, and internal management practices, influence SACCOs' financial performance (Okuku & Ombok, 2024). SACCOs with a focus on member-centric services, strong risk management, efficient governance, and innovation are better positioned to attain sustainable growth and make a beneficial impact on Kenya's economic development and financial inclusion objectives.

SACCOs to successfully successfully traverse obstacles and seize opportunities in the changing financial world, they must continuously evaluate financial data, adjust to market trends, and adhere to regulatory norms (Tarus & Simiyu, 2024). According to Catherine et al., (2019), the practice of monitoring and regulating the transfer of funds to borrowers following loan approval is known as loan disbursement management. Loans may be disbursed in a variety of ways, contingent on the loan's conditions and the terms of the borrower-lender agreement. For better financial management, the borrower may choose to have the entire loan amount issued in one lump sum at the start of the loan period, or it may be delivered in instalments (Ngware et al., 2019). Loan disbursement management is integral to loan portfolio management as it ensures that the disbursal of funds is conducted in a controlled, compliant, and efficient manner, directly impacting the quality and performance of the overall loan portfolio (Njogu & Omagwa, 2018).

Effective management of the loan disbursement is essential to the financial health of SACCOs. SACCOs can optimize loan returns and minimize risks when they are managed effectively (Karadima & Louri, 2021). According to Nsengiyumva and Harelimana (2020), Loan disbursement mismanagement in SACCOs presents several challenges such as high default rates, poor credit risk assessment, concentration risk, inefficient loan recovery that could significantly impact financial performance. These problems are also experienced in Public Sector Deposit Taking SACCOs which have perception of being "too big to fail" permeates Public Sector SACCOs, potentially leading to a relaxed loan disbursement management due to the anticipated government bailout in times of financial challenges. This study, therefore, sought to analyze the effect of loan disbursement management on the financial performance of Public Sector Deposit Taking SACCOs in Kenya.

STATEMENT OF THE PROBLEM

Since SASRA's inception and subsequent implementation of prudential laws in the Sacco Sector, the sector has experienced considerable expansion in membership (Waithaka & Odollo, (2024). As at the end of December 2022, there were 176 Deposit Taking SACCOs that were registered by SASRA. SACCOs are anticipated to invest prudently in loan disbursement management in order to prevent defaults and increase productivity, competitiveness, and, as a result, organization's performance (Buro, 2019). In Kenya, Public Sector DT SACCOs play an important role in fostering financial inclusion and delivering financial services to its members (Ngware, et al., 2019). The practicability and capacity to competently service their members of DT SACCOs depend profoundly on their financial performance (Kamau, 2015). However, the effectiveness of these SACCOs is often influenced by various factors, one of which is the loan disbursement management. These SACCOs' financial health may be significantly wedged by the drawbacks they normally have managing their loan disbursement. A study done by Odhiambo, (2019) stated that reduced

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profitability, a large proportion of non-performing loans (NPLs), and a decline in member confidence can all result from poor loan management. Despite the importance of these loan disbursement management in influencing the accessibility and affordability of loans, there is limited empirical evidence regarding their effect on the financial performance of public sector SACCOs. Many SACCOs struggle with issues such as high default rates, inadequate capital, and poor liquidity management, which can be exacerbated by inefficient loan disbursement processes (Waithaka & Odollo, 2024, Tarus and Simiyu, (2024); Waithaka, and Odollo, (2024); Kathuo, et al., (2020).Furthermore, the varying loan disbursement management strategies employed by different Deposit Taking SACCOs—including interest rates, repayment terms, and eligibility criteria—could lead to divergent financial performance. This creates a knowledge gap about how these loan disbursement management influence key performance indicators such as return on assets. Therefore, this study aims to ascertain the effect of loan disbursement management on the financial performance of Public Sector Deposit-Taking SACCOs in Kenya.

OBJECTIVES OF THE STUDY

The objective of the study was to determine the effect of loan disbursement management on the financial performance of Public Sector Deposit Taking SACCOs in Kenya

HYPOTHESES OF THE STUDY

The study was guided by the following hypothesis:
H_0: There is no significant effect between loan disbursement management on the financial performance of Public Sector Deposit Taking SACCOs in Kenya.

SIGNIFICANCE OF STUDY

The purpose of this study was to shed light on how Deposit-Taking SACCOs in Kenya might improve their financial performance through efficient loan disbursement management. SACCO managers, legislators, and regulators will find the data on why formulating and improving the quality of loan disbursement is important. Furthermore, this study would add to the body of knowledge on SACCO management and financial performance in Kenyan academia. The study holds fundamental significance for Deposit Taking SACCO management, providing essential insights for making informed decisions regarding loan disbursement management. By identifying optimal loan disbursement management, management can strategically enhance the DT SACCO's financial performance, fostering profitability, risk mitigation, and long-term sustainability. The study's findings are instrumental in guiding SACCO management to develop tailored loan portfolio management, specifically addressing the unique requirements of SACCOs in government institutions. Lastly, the study's results open avenues for researchers interested in the evolving landscape of the SACCO system. Given the nascent state of SACCO loan disbursement management research, comprehensive and accurate data is often limited, the study addresses this limitation by providing valuable insights, serving as a reference for other researchers, and contributing to the expansion of knowledge in the field.

THEORETICAL FRAMEWORK

CAMEL Model

This study used CAMEL Model which was first used by American Federal Council for Examination of Financial Institutions in November 1979. This Model was later approved by the Federal National Council for management of banks credit NCUA in the USA in October 1987. According to this Model, the financial performance and condition for financial institutions will be measured in five parameters that is; (C) capital adequacy, (A) assets quality, (M) management efficiency, (E) earnings quality and (L) liquidity. Financial ratios such as return on assets (ROA), return on equity (ROE), and net interest margin (NIM) are used in the model to assess financial performance. The CAMEL model is likely the most widely utilized framework by regulators for assessing financial performance when compared to the other models (Richard, et al., 2024)

The argument behind CAMEL model is that it was used to evaluate the financial performance of financial institutions like SACCOs by taking into consideration each component of the financial statements and financial reports. The model is important for SACCOs as it detects the possible challenges the financial institution will face if it persists in using the existing financial and administrative policies (Wachira, 2017). The study used CAMEL model to determine the financial performance of Public Sector Deposit Taking SACCOs in Kenya by studying metrics in the financial statement. The researcher was able to methodically investigate how loan disbursement management affected Public

Sector Deposit Taking SACCOs' financial performance by utilizing the CAMEL model to study metrics in the financial statement. The CAMEL model offers distinct insights into the loan disbursement management practices of SACCOs and the consequent effects on their overall financial stability (Mithi & Njeru, 2016).

The Capital Adequacy in the CAMEL Model was measured by the Return on Asset which was calculated by Total Earnings and Total Assets. The Asset Quality was gauged by loan ratios which were elements of liquid assets and other assets in the financial statement. The loan ratios were studied and the level of loans disbursed in order to understand how Public Sector Deposit Taking SACCOs had managed its loan disbursement and how it affected the financial performance of the SACCOs. Management quality evaluated the usefulness of a SACCO's management team in implementing sound practices and policies, including those interrelated to loan disbursement management. Earnings reflected the viability of the SACCO, which is prejudiced by the performance of its loan disbursement. The earnings in the financial statement were used to study the financial performance which was measured by the Return on Asset. The model was relevant in its ability to assess and monitor the financial soundness of SACCOs, contributing to the stability, transparency, and sustainability of these institutions.

There are a number of previous studies that have used the CAMEL Model in the analysis of financial performance of various financial institutions. According to Altan, Yusufazari, & Beduk (2014) the use of CAMEL Rating System has become common and indispensable for most researchers and even examiners. This system ensures that the financial institution has healthy financial performance by considering various aspects in the financial statements. A study done by Wachira, (2017), used CAMEL Model to evaluate effects of credit risk management practices on loan performance of Commercial Banks in Nyeri County, Kenya. Rauf & Lebbe (2016), used CAMEL Model to evaluate comparative ability of financial performance of banks in Sri Lanka. Through the assessment of five essential components, the CAMEL model offered a comprehensive view of a SACCO's financial health. This thorough review aided in understanding the ways in which loan management affects various facets of financial performance.

Conceptual Framework
The conceptual framework will be used in this study to explain how loan disbursement management and the financial performance of Public Sector-Based Deposit-Taking SACCOs in Kenya relate to one another.

Dependent Variable		Independent Variable
Loan Disbursement Management Loan Disbursed to Gross Loan Ratio	→	**Financial Performance** Return on Asset

Loan Disbursement Management and Financial Performance
Loan disbursement is the process by which the lender gives the borrower access to a loan once the loan application has been approved (Ngware et al., 2019). The concept of loan disbursement management encompasses a multifaceted process that involves gauging loan disbursed and comparing it with total gross loan for the period. This ratio of loan disbursed divided by gross loan is a valuable metric for assessing how effectively a financial institution is deploying its loan funds and managing its loan portfolio. According to (Chimkono et al., 2016), one simple way to assess how much an organization, like a Savings and Credit Cooperative Organization (SACCO), lends out its funds is to look at the ratio of loan disbursed during the year and comparing it with Total Gross Loan. This ratio offers information about the emphasis and efficacy of the loan disbursement management. Loan disbursement management shapes the gross loan to members by guiding loan portfolio composition, managing credit risk and meeting the member's demand. It essentially dictates the criteria that members must meet to qualify for a loan.

A Sacco's total debt, encompassing short and long-term loans, juxtaposed with its equity (comprising member deposits, retained earnings, and other capital forms), delineates its net worth. A higher debt-to-equity ratio reflects amplified reliance on debt funding (Njogu & Omagwa, 2018). While leverage aids SACCO growth, excessive reliance on it escalates financial risk. In this study, the researcher studied the loan disbursement policy by evaluating the loan disbursed divided by total gross loan in the Public Sector Deposit Taking SACCOs in Kenya. A useful indicator of how well a financial institution is allocating its loan funds and overseeing its loan portfolio is the ratio of loans disbursed to total loans (Muthumariappan & Tufa, 2023). The loan disbursement management of Public Sector Deposit-Taking SACCOs in Kenya directly influences the amount of gross loans given to their members. These strategies are typically designed to manage risk, ensure sustainability, and meet regulatory requirements while serving the financial needs of members. The loan disbursement management of Public Sector Deposit-Taking SACCOs in Kenya is intrinsically linked to the loan disbursed to members and Gross Loan available in the SACCOs.

Empirical Review

Loan Disbursement management could play a critical role in determining the financial performance of financial institutions, including SACCOs. A study was conducted by (Chimkono et al., 2016), on the Relationship between Loan Management and Financial Performance of Commercial Banks in Malawi. The study covered seven-year period from 2008 to 2014 and secondary data was used where correlational research technique and regression analysis was carried out. The population of the data comprised the commercial banks licensed by the Reserve Bank of Malawi. The study found out that Loan to Deposit Ratio variable was positively related to bank performance but was not significant. The study recommended specific support to other factors other than loan management in order to enhance financial performance of SACCOs. The study however was generalized and couldn't exhaust other loan portfolio ratio that could have an impact on the financial performance. The study examined Commercial Banks, which have different operational models, regulatory requirements, and customer bases compared to Public Sector DT-SACCOs. The study also did not delve deeply into the specific composition of the loan portfolios and the degree in which it could affect financial performance.

Similarly, a research paper by Chen, (2019) focused on the impact of loan payout quality on the financial performance of Microfinance Institutions in China. The study investigated the association between loan quality measurements and financial variables like profitability, loan repayment rates, and default rates using a dataset of Chinese MFIs. The research used quantitative research design and empirical analysis using statistical and econometric methods was utilized. The results underscored the significance of strict loan disbursement criteria and monitoring procedures by indicating a positive correlation between improved financial performance and greater loan payout quality. The study however was done in China, and there was need to do further research in Kenya as the economic conditions in China during the study period might differ significantly from those in Kenya. The use of econometric model was also not clear and did not give an elaborate detail on the loan payout ratios paid during the period.

Additionally, (Njogu & Omagwa, 2018) did research on Loan Management and Financial Performance of Savings and Credit Cooperative Societies in Kirinyaga County, Kenya. The main objectives were to ascertain the impact of managing loan products, establishing the impact of lending, examining the impact of monitoring loans, and evaluating the impact of security administration on the financial performance of SACCOs in Kenya's Kirinyaga County. The data was sorted using descriptive analysis such as standard deviation, multiple regression analysis, mean and correlation coefficient. The study demonstrated that loan administration and financial performance had a positive correlation. The study however concentrated on Deposit Taking SACCOs in Kirinyaga County and studied both Deposit Taking SACCOs and Non-Deposit Taking SACCOs which operate differently. The study did not adequately capture the analytical framework since it only concentrated in Kirinyaga County which had unique economic, social, and political context may have influenced the SACCOs' financial performance in ways that are not adequately captured by standard analytical frameworks.

RESEARCH METHODOLOGY

In this study the researcher used descriptive research design. Utilizing (Mugenda & Mugenda, 1999), perspective, the descriptive study design's lack of control over independent variables proved beneficial in uncovering the cause-and-effect relationship between loan disbursement management and the financial performance of Public Sector Deposit Taking SACCOs in Kenya. By emphasizing objective conclusions and minimizing biases, this design enabled the investigation of correlations between variables, providing a comprehensive understanding of the relationship between loan disbursement management and financial performance. The target population for this study were all Public Sector Deposit Taking Saccos in Kenya have been registered by SASRA. According to SASRA Report (2022) there were 36 Public Sector Deposit Taking SACCOs that were registered by SASRA.

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In this study, a deliberate investigation into 12 Public Sector Deposit Taking SACCOs, officially registered by SASRA, was conducted out of a potential pool of 36 DT-SACCOs. The selection of this specific sample size was guided by (Mugenda & Mugenda, 2003) assertion, suggesting that a sample comprising 30% of the target population is adequate for generalizing research data. The chosen sample demonstrated a notable uniformity in the financial data to be gathered, enabling a comprehensive understanding of the entire population under examination. This deliberate selection aimed to ensure a representative and insightful analysis of the Public Sector Deposit Taking SACCOs within the broader context of the study. The researcher chose purposive sampling technique as the Public Deposit Taking SACCOs chosen provided the researcher with the justification that helped to make justification from the target population studied. Kothari (2004), stated that purposive sampling can be used when chosen sample would help to address direct relevance to the research question.

The study used data collection sheets to collect secondary data from the SASRA audited annual reports. The study used the latest data available in the SASRA data base which was for years 2018 up to 2022 so as to come up with valid and up-to date recommendations. According to Mugenda (2003), a five-year period is sufficient to capture significant trends and patterns in the relationship between loan portfolio management and financial performance of Public Sector DT Saccos in Kenya and this helped in generating a valuable insight. The audited financial reports were prepared and examined by external auditors who ensured that the financial statements presented a true and fair view of Sacco's financial position. Similarly, SASRA reports are subject to scrutiny and verification and therefore, using these reports ensured the data collected was accurate, reliable and verified. Gathering data for five years allowed for longitudinal analysis, enabled the researcher to observe trends and patterns in the financial performance over time. This helped to identify cyclical patterns, long term effects of the loan portfolio management, and the Sacco's ability to adapt to changing market condition.

Simple regression analysis was employed by the researcher to examine the gathered data. The statistical package for social sciences (SPSS 27) was utilized due to its adaptability and compatibility with the collected data to produce the results of the regression analysis. A simple regression analysis was used to study one independent variable and the dependent variable. The use of the simple regression model allowed the researcher to explore the relationship between independent variables and the dependent variable, which was financial performance. It also facilitated the control of confounding variables, enabling the researcher to make predictions and test hypotheses based on the collected secondary data. The sample size, comprising 12 Public Sector deposit-taking SACCOs in Kenya, was considered sufficiently large to obtain statistically significant results. Simple regression model was also employed by Wachira (2017), to study Effects of Credit Risk Management Practices on Loan Performance of Commercial Banks in Nyeri County, Kenya.

The simple regression model used was as follows;
$Y_n = \beta_0 + \beta_1 X1 + \epsilon$
Where;
Y is Return on Asset
n is Number of SACCOs
β_1 is the Regression Coefficients
X1 is Loan Disbursement Management
ϵ is error term

DATA ANALYSIS, PRESENTATION AND DISCUSSION

The objective of the study was to assess the effect of the loan disbursement management on the financial performance of Public Sector Deposit Taking SACCOs (DT-SACCOs) in Kenya. The study commenced by examining the Loan Disbursed to Gross Loan and the Return on Assets (ROA) for the financial years spanning 2018 to 2022. The data, obtained from the SASRA Database (2022), was presented in Table 4.1 and Table 4.2.

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Table 4.1: Loan Disbursement Management on Financial Performance for each DT-SACCO

S/No	Name of Sacco	Year	Loan disbursed (Kshs. Billions)	Gross Loan (Kshs. Billions)	Loan Disbursed/ Gross Loan	Total Income (Kshs. Billions	Total Assets (Kshs. Billions	ROA
1	Stima DT Sacco	2018	9.46	25.83	**36.62%**	4.6	32.29	**14.25%**
		2019	12.9	32.6	**39.57%**	5.63	36.53	**15.41%**
		2020	11.9	34.13	**34.87%**	5.87	41.05	**14.30%**
		2021	14.9	39.38	**37.84%**	6.97	46.46	**15.00%**
		2022	13.25	38.67	**34.26%**	7.4	53.78	**13.76%**
	Mean		**12.48**	**34.12**	**36.63%**	**6.09**	**42.02**	**14.54%**
2	Kenya National Police Dt Sacco	2018	10.1	24.36	**41.46%**	4.63	28.95	**15.99%**
		2019	13.2	30.31	**43.55%**	5.89	34.82	**16.92%**
		2020	12.3	33.17	**37.08%**	6.06	39.95	**15.17%**
		2021	14.8	37.7	**39.26%**	7.04	44.09	**15.97%**
		2022	16.7	41.58	**40.16%**	7.94	48.98	**16.21%**
	Mean		**13.42**	**33.42**	**40.15%**	**6.31**	**39.36**	**16.05%**
3	Harambee Sacco	2018	7.38	15.93	**46.33%**	2.71	26.32	**10.30%**
		2019	8.16	18.66	**43.73%**	2.99	29.53	**10.13%**
		2020	8.06	19.24	**41.89%**	3.22	32.56	**9.89%**
		2021	11.81	24.8	**47.62%**	4.01	34.62	**11.58%**
		2022	14.6	28.67	**50.92%**	4.79	37.01	**12.94%**
	Mean		**10.00**	**21.46**	**46.61%**	**3.54**	**32.01**	**10.97%**
4	Afya Sacco	2018	6.71	14.42	**46.53%**	2.27	17.56	**12.93%**
		2019	5.98	14.21	**42.08%**	2.45	19.05	**12.86%**
		2020	5.67	13.99	**40.53%**	2.36	19.88	**11.87%**
		2021	5.13	13.4	**38.28%**	2.43	20.87	**11.64%**
		2022	8.33	17.21	**48.40%**	2.79	20.94	**13.32%**
	Mean		**6.36**	**14.65**	**43.45%**	**2.46**	**19.66**	**12.53%**
5	Ukulima Sacco	2018	3.92	9	**43.56%**	1.43	11.18	**12.79%**
		2019	3.89	9.64	**40.35%**	1.47	11.91	**12.34%**
		2020	3.73	9.79	**38.10%**	1.56	12.74	**12.24%**
		2021	5.07	11.46	**44.24%**	1.8	13.79	**13.05%**
		2022	5.11	12.09	**42.27%**	1.91	14.66	**13.03%**

S/No	Name of Sacco	Year	Loan disbursed (Kshs. Billions)	Gross Loan (Kshs. Billions)	Loan Disbursed/ Gross Loan	Total Income (Kshs. Billions	Total Assets (Kshs. Billions	ROA
	Mean		**4.34**	**10.40**	**41.79%**	**1.63**	**12.86**	**12.69%**
6	Bandari Sacco	2018	2.79	6.34	**44.01%**	1.07	8.66	**12.36%**
		2019	3.56	7.29	**48.83%**	1.43	9.48	**15.08%**
		2020	3.12	6.99	**44.64%**	1.34	10.01	**13.39%**
		2021	3.07	7.09	**43.30%**	1.34	11.02	**12.16%**
		2022	3.59	7.93	**45.27%**	1.51	12.01	**12.57%**
	Mean		**3.23**	**7.128**	**45.26%**	**1.338**	**10.24**	**13.11%**
7	Kimisitu Sacco	2018	2.11	5.19	**40.66%**	0.9	6.34	**14.20%**
		2019	2.71	6.04	**44.87%**	1.04	7.04	**14.77%**
		2020	1.98	5.67	**34.92%**	0.89	7.66	**11.62%**
		2021	1.81	6.33	**28.59%**	0.99	8.57	**11.55%**
		2022	2.11	7.26	**29.06%**	1.16	9.54	**12.16%**
	Mean		**2.14**	6.10	**35.16%**	1.00	7.83	**12.86%**
8	Sheria Sacco	2018	2.09	4.73	**44.19%**	0.66	5.38	**12.27%**
		2019	2.46	5.56	**44.24%**	0.75	6.03	**12.44%**
		2020	2.36	5.97	**39.53%**	0.83	6.72	**12.35%**
		2021	2.38	6.58	**36.17%**	0.92	7.46	**12.33%**
		2022	2.31	7.45	**31.01%**	1.04	8.51	**12.22%**
	Mean		**2.32**	**6.06**	**38.30%**	**0.84**	**6.82**	**12.32%**
9	Mombasa Port Sacco	2018	1.47	3.57	**41.18%**	0.71	5.32	**13.35%**
		2019	1.78	4.31	**41.30%**	0.84	6.03	**13.93%**
		2020	1.69	4.33	**39.03%**	0.85	6.57	**12.94%**
		2021	1.84	4.54	**40.53%**	0.97	7.35	**13.20%**
		2022	1.92	5.2	**36.92%**	1.05	8.14	**12.90%**
	Mean		**1.74**	**4.39**	**39.64%**	**0.88**	**6.68**	**13.26%**
10	Magereza Sacco	2018	1.52	3.02	**50.33%**	0.71	5.34	**13.30%**
		2019	1.44	3.14	**45.86%**	0.75	6.06	**12.38%**
		2020	1.29	3.37	**38.28%**	0.74	6.35	**11.65%**
		2021	1.38	3.61	**38.23%**	0.82	7.08	**11.58%**
		2022	1.17	3.86	**30.31%**	0.71	7.05	**10.07%**

S/No	Name of Sacco	Year	Loan disbursed (Kshs. Billions)	Gross Loan (Kshs. Billions)	Loan Disbursed/ Gross Loan	Total Income (Kshs. Billions	Total Assets (Kshs. Billions	ROA
	Mean		**1.36**	**3.40**	**40.00%**	**0.75**	**6.38**	**11.80%**
11	Nacico Sacco	2018	0.98	2.63	**37.26%**	0.65	4.71	**13.80%**
		2019	1.12	2.75	**40.73%**	0.74	4.96	**14.92%**
		2020	1.19	2.95	**40.34%**	0.73	5.13	**14.23%**
		2021	1.04	3.15	**33.02%**	0.74	5.43	**13.63%**
		2022	0.97	3.02	**32.12%**	0.71	5.51	**12.89%**
	Mean		**1.06**	**2.90**	**36.55%**	**0.71**	**5.15**	**13.89%**
12	Ushuru Sacco	2018	1.96	3.76	**52.13%**	0.72	4.52	**15.93%**
		2019	1.78	3.77	**47.21%**	0.61	4.85	**12.58%**
		2020	1.47	3.28	**44.82%**	0.50	4.85	**10.31%**
		2021	1.72	3.73	**46.11%**	0.61	5.44	**11.21%**
		2022	2.01	4.29	**46.85%**	0.72	6.12	**11.76%**
	Mean		**1.79**	**3.77**	**47.48%**	**0.63**	**5.16**	**12.36%**

Source (SASRA Data base 2018 - 2022)

Table 4.1 revealed a positive/direct relationship between the loan disbursed to gross loan ratio and the return on asset for most Saccos. In 2019, Stima Sacco had the highest Loan Disbursed to Gross Loan Ratio of 39.57%, and the ROA was the highest at 15.41%. Stima Sacco's lowest Loan Disbursed to Gross Loan Ratio and Return on Asset were recorded in 2022, at 34.26% and 13.76%, respectively. The same pattern was discovered for the other Saccos under investigation. The Kenya National Police DT Sacco had the highest Loan Disbursed to Gross Loan Ratio of 43.55% in 2019 and the highest ROA of 16.92% in the same year. Consequently, Harambee Sacco had the lowest Loan Disbursed to Gross Loan Ratio at 41.89% in 2020, as well as the lowest return on asset at 9.89%. Afya Sacco's utmost Loan Disbursed to Gross Loan Ratio was 48.40% in 2022, and its best ROA was 13.32% that same year. Ukulima Sacco had the lowest ROA in 2020 (12.24%) and the lowest Loan Disbursed to Gross Loan Ratio (38.40%).

Bandari Sacco achieved the greatest ROA and Loan Disbursed to Gross Loan Ratio in 2019, with percentages of 15.08% and 48.83%, respectively. Bandari Sacco posted its lowest ROA and Loan Disbursed to Gross Loan Ratio in 2021, at 12.16% and 43.30%, respectively. Kimisitu Sacco had the greatest Loan Disbursed to Gross Loan Ratio of 44.87% in 2019 and the highest ROA of 14.77% that same year. Sheria Sacco experienced the lowest Loan Disbursed to Gross Loan Ratio and ROA rates in 2022, with 31.01% and 12.22%, respectively. The same trend was observed in Mombasa Port Sacco and Magereza Sacco. Mombasa Port Sacco has the lowest Loan Disbursed to Gross Loan Ratio (36.92%) and ROA (12.9%) in 2022. Magereza Sacco recorded the highest Loan Disbursed to Gross Loan Ratio of 50.33% in 2018, as well as the highest ROA of 13.30%. In the case of Nacico Sacco, the highest Loan Disbursed to Gross Loan Ratio of 40.73% was in 2019 and the highest ROA of 14.92% was experienced in the same year. Consequently, for Ushuru SACCO, the lowest Loan Disbursed to Gross Loan Ratio of 44.82% and lowest ROA of 10.31% was experienced in the year 2020 and the highest Loan Disbursed to Gross Loan Ratio and ROA of 52.13% and 15.93% respectively was experienced in the year 2018.

The study utilized Modern Portfolio Theory (MPT) to examine how diversifying loan disbursement management might maximize returns on assets, with a focus on analyzing the loan disbursed to gross loan ratio in SACCOs. The data collected suggested that a high Loan Disbursed to Gross Loan Ratio correlated with a high Return on Asset. The opposite was also true; when the Loan Disbursed to Gross Loan Ratio was low, so did the Return on Asset. This established a link between the Loan Disbursed to Gross Loan Ratio and the Return on Asset. This was also suggested

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in a study conducted by Muriithi and Omagwa (2018), on Loan Management and Financial Performance of Savings and Credit Cooperative Societies in Kirinyaga County, Kenya. The study demonstrated that loan management and financial performance had a positive correlation. The results showed that lending requirements have a big impact on how well loans perform. The study specifically showed that strict lending guidelines enhance loan performance by improving loan payout.

Table 4.2: Overall Yearly Loan Disbursement Management on Financial Performance

Year	**Loan Disbursed during the year**	**Gross Loan (Kshs. Billions)**	**Loan Disbursed/Gross Loan**	**Total Income (Kshs. Billions)**	**Total Assets (Kshs. Billions)**	**ROA**
2018	3.92	11.24	**34.88%**	1.97	14.73	**13.36%**
2019	4.92	13.18	**37.30%**	2.32	16.65	**13.96%**
2020	4.56	13.67	**33.39%**	2.37	18.35	**12.93%**
2021	5.41	15.49	**34.94%**	2.73	20.13	**13.56%**
2022	6.01	16.99	**35.35%**	3.03	22.06	**13.73%**
Mean	**4.96**	**14.11**	**35.17%**	**2.48**	**18.38**	**13.51%**

Source (SASRA Data base 2018 - 2022)

The results in Table 4.2 showed a similar positive relationship in Loan Disbursed to Gross Loan Ratio and Return on Asset ratio across the five-year period investigated. In 2018, the Loan Disbursed to Gross Loan Ratio was 34.88%, with a ROA of 13.36%. The next year, 2019, saw a rise in Loan Disbursed to Gross Loan Ratio to 37.30% and ROA of 13.96%. In 2020, the Loan Disbursed to Gross Loan Ratio and ROA declined to 33.39% and 12.93%, respectively. In 2021, the Loan Disbursed to Gross Loan Ratio was 34.94%, while the Return on Asset was 13.73%, representing an increase. The Loan Disbursed to Gross Loan Ratio and ROA increased in 2022 to 35.35% and 13.73%, respectively. The mean Gross Loan to Asset ratio for the five years was 35.17% and the average Return on Asset for the five years was 13.51%. The constant trend between Loan Disbursed to Gross Loan Ratio and Return on Asset indicates a positive relationship between the variables. Loan Disbursed to Gross Loan Ratio resulted in low Return on Asset, whilst high Loan Disbursed to Gross Loan Ratio resulted in high Return on Assets.

These findings indicate that maintaining a stable Loan Disbursed to Gross Loan Ratio will lead to stable financial performance of SACCOs as reflected by ROA. This correlation underscores the significance of prudent Loan Disbursement Management in shaping favorable financial outcomes of DT-SACCOs in the Public Sector in Kenya. These findings were the similar with the study done by Bwoma, et al., (2017), on the study on effects of loan management practices on the financial performance of Deposit Taking SACCOs in Kisii County. The study concluded that the manner to which loan portfolio is distributed had a significant effect on the financial performance of Deposit Taking SACCOs in Kisii County. The findings indicated that well-structured and comprehensive lending management significantly enhance the financial performance of SACCOs. However, these results differ from the perspectives of Wachira (2017), which indicated the influence of other factors, such as loan maturity periods, on the financial performance of SACCOS in Kenya. This variance highlights the multifaceted nature of financial dynamics within these organizations, emphasizing the need for a comprehensive understanding of various factors that shape their financial health.
The data was subjected to further analysis using Pearson's Correlation to establish whether there was a relationship between loan Disbursement and Financial performance of DT-SACCOs in the public sector in Kenya. The results are presented in Table 4.3

Table 4.3: Pearson's Correlation Analysis between Loan Disbursement Management and Financial performance

		Financial Performance
Loan Disbursement Management	Pearson Correlation	.843**
	Sig. (2-tailed)	.000
	N	12

* Correlation is significant at the 0.05 level (2-tailed).

The results in Table 4.3 reveals a strong positive and statistically significant correlation (r=0.843, p =0.000) between loan disbursement management and financial performance among DT-SACCOs in the public sector. This strong correlation indicated that when the loan disbursement management improves, the return on asset also increases and vice versa. This finding underscores the pivotal role of a well-defined and effective loan disbursement management in influencing positive financial outcomes for DT-SACCOs in the public sector. The findings from this study resonate with prior research, particularly aligning with the conclusions drawn by Kamau (2015), in his research on Effect of credit management practices on financial performance of savings and credit cooperative societies in the Hospitality Industry in Nairobi. The research indicated a positive correlation between prudent credit management and financial performance of SACCOs in Hospitality Industry in Nairobi. Furthermore, another study was conducted by Chimkono, et al., (2016), on the Effect of non-performing loans and other factors on performance of commercial banks in Malawi.

The study further sought to establish the effect of Loan Disbursement Management on Financial performance of DT-SACCOs in the Public sector in Kenya. To achieve this, the study tested the null hypothesis, which stated:

H_o: There is no significant effect of loan disbursement management on financial performance of Public Sector Deposit Taking SACCOs in Kenya.

This analysis was done using simple linear regression, and the results are presented in Table. 4.4.

Table 4.4: Regression Coefficients Loan Disbursement Management

R^2	β	F	t	p
.711	.48	240.004	12.143	0.000

The results in Table 4.4 show the goodness of fit for the regression between loan disbursement management and financial performance of DT-SACCOs in the public sector was satisfactory. An R^2 of 0.711 indicates that 71.1% of the financial performance of DT-SACCOs in the public sector is explained by loan disbursement management. This suggests a strong and significant association between loan disbursement management and financial performance. The statistical significance is further underscored by the F-value of 240.004, with a significance level (p< 0.05). This indicates that loan disbursement management exert a substantial influence on the financial performance of DT-SACCOs in the public sector. The null hypothesis, positing that there is no significant effect of loan disbursement management on financial performance of Public Sector Deposit Taking SACCOs in Kenya, was decisively rejected based on a t-value of 12.143. This t-value surpassed the critical t-value, and the associated p-value was less than 0.05. Consequently, the study concludes that loan disbursement management indeed play a significant role in shaping the financial performance of DT-SACCOs in the public sector.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This study's objective aimed at evaluating the effect of Loan Disbursement on the financial performance of Public Sector Deposit Taking SACCOs (DT-SACCOs) in Kenya over the period from 2018 to 2022. The analysis included key financial indicator of loan disbursed during the year to total gross loan and Return on Assets (ROA). The investigation provided meaningful insights into how these loan disbursement management influence the financial outcomes of DT-SACCOs. The findings revealed a dynamic relationship between loan disbursement management and financial performance of Public Sector DT-SACCOs. The study found out that when loan disbursed during the year to total gross loan ratio increased, the return on asset also increased. Pearson's correlation demonstrated a robust positive and statistically significant association between loan disbursement management and financial performance among DT-SACCOs in the public sector.

The regression analysis indicated that a substantial proportion of DT-SACCOs' in the public sector financial performance could be explained by loan disbursement management. The study therefore concludes that prudent loan disbursement management significantly and positively influence the financial performance of DT-SACCOs in the public sector contributing valuable insights to the understanding of factors shaping financial health within this sector. These loan disbursement management dictates the amount of loan to be disbursed each year which in return dictates the amount of interest income, which is a major source of income for DT SACCOs. Based on the comprehensive findings, this study concludes that loan disbursement management significantly impact the financial performance of Public Sector Deposit Taking SACCOs (DT-SACCOs) in Kenya from 2018 to 2022. Prudent loan disbursement management play a pivotal and positive role in influencing the financial performance of DT-SACCOs in the public sector.

The examination of the dynamic relationship between loan disbursed to gross loan ratio and Return on Assets (ROA) revealed a robust positive correlation, highlighting the valuable role of judicious loan disbursement management in shaping positive financial outcomes. In light of the study's conclusions, it can be recommended that, to enhance financial performance, DT-SACCOs should prioritize prudent loan disbursement management in order to increase the volume and quality of loans granted which in turn impact the financial performance of SACCOs. Implementation of these recommendations can contribute to positive financial outcomes and enhance the overall financial health of the public sector in Kenya. Diversifying the loan products disbursed in Deposit Taking SACCOs could also help improve the financial performance of the said SACCOs. Therefore, SACCOs could establish and regularly review clear loan disbursement management that outlines the amount of loan disbursed to members and could be in relation to maximizing the profit while minimizing the risk.

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