The effect of credit risk management on loans portfolio among Saccos in Kenya

Abstract
The provision of credit facilities is the core function of every savings and credit co-operative society. The credit management function facilitates efficient management and administration of the SACCO loan portfolio in order to ensure equitable distribution of funds and to encourage liquidity planning. Many researchers have attempted to answer the benefits of credit management, however it has remained unclear for the Saccos' management on the effects of credit risk management on the loans portfolio. The purpose of this study was to examine the effects of credit risk management on the loans portfolio among Saccos licensed by Sasra in Nairobi County. Descriptive research design was used with a target population of 106 licensed Saccos from which a sample of 35 Saccos was identified from Nairobi County. The study used both primary and secondary data, primary data was obtained through questionnaires and secondary data from Sasra reports. Data collected was analyzed using descriptive statistics and regression analysis. Results indicate that formulation of the credit policy is largely done by members of the organization and regulation with moderate involvement of employees and the directors. The existing credit policy of the Sacco is the primary document upon which formulation of new credit policy is based, trends of creditors and overhead costs are also taken into account in the process of formulation. Findings further show that CAMEL rating system plays a central role in the assessment of the soundness of Saccos.

Citation

Publisher
University of Nairobi

College of Humanities and Social Sciences

Surveys on credit risk management practices adopted by farmers in cooperatives in Embu, he found out that Saccos in Embu used only qualitative methods in evaluating credit worthiness of their members. He concluded that that there seems to be lack of professionalism in areas of credit risk management namely insider dealings, favourism in lending and lending external influence. Wamburu (2009) on credit risk management practices in Saccos offering front office services found out that risk identification is an important stage in credit risk management and should be applied effectively to identify the current...