EFFECT OF CREDIT RISK MANAGEMENT PRACTICES ON GROWTH OF SACCOS' WEALTH IN NAKURU TOWN

SUSAN WANJIKU KAHUTHU

A Project Report Submitted to the Graduate School in Partial Fulfilment of the Requirements for the Award of Masters in Business Administration Degree of Egerton University

EGERTON UNIVERSITY

NOVEMBER, 2016
DECLARATION AND APPROVAL

Declaration
This study is my original work and has not been presented in any other institution of higher learning for award of a degree.

Signature............................................. Date.....................................

Susan Wanjiku Kahuthu
REG: CM11/00669/11

Approval
This research has been submitted for examination with my approval as the university supervisor

Signature............................................. Date.....................................

Dr. Fredrick Kalui
Senior Lecturer,
Department of Accounting, Finance and Management Science
Faculty of Commerce, Egerton University
Egerton University
DEDICATION

This project work is dedicated to my family members who I am proud of for being the sources of inspiration and joy in my entire life.
ACKNOWLEDGEMENT

I give glory and honor to the Almighty Father in heaven for enabling me to successfully accomplish this great task. I also owe my gratitude to Egerton University for granting me an opportunity to undertake my studies at the institution. I am very appreciative of the encouragement, patience and invaluable suggestions and guidance provided by my supervisor Dr Fredrick Kalui. In a special way I too appreciate my family who have continuously supported, encouraged and morally guided me, for without them I would not have attained this degree.
ABSTRACT
The purpose of this study was to investigate the effect of credit risk management practices on growth of SACCOs' wealth. The study was guided by four objectives; to determine the effects of credit risk identification practices on growth of Savings and credit co-operatives wealth, to establish the effects of credit risk analysis practices on growth of Savings and credit co-operatives wealth, to establish the effects of credit risk monitoring practices on growth of Savings and credit co-operatives wealth and to determine the combined effect of credit risk identification, credit risk analysis and credit risk monitoring practices on growth of Savings and credit co-operatives wealth. The study adopted descriptive survey design. The design chosen was because it provided a means to contextually interpret and understand credit risk management and growth of SACCOs, wealth. The target population consisted of all savings and credit cooperative societies licensed by SASRA in Nakuru as at January 2015. The study made use of primary and secondary data. Primary data on credit risk management practices was collected through structured questionnaires while secondary data was collected from financial statements. Descriptive statistics was used to describe the study variables while inferential statistics was used to relate the research variables. The overall effect of the credit risk on growth of wealth of SACCOs was tested by use of a multiple regression model. ANOVA test was used to test statistical significance of the overall effect. From the findings of the study, correlation values of; r=0.439; p=0.000, r=0.356; p=0.001 and r=0.472; p=0.000 provided evidence that credit risk identification, credit risk analysis and credit risk monitoring have significant effect on growth of wealth of the SACCOs. R-square = 0.297 and p=0.000 evidenced that credit risk management practices collectively have significant effect on growth of wealth of SACCOs. The study recommends that management of the SACCOs consider risk management as a critical determinant of their growth of wealth. Further studies should be conducted to develop a cost effective model for managing their portfolio without necessarily undertaking all the risk management activities.
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LIST OF ABBREVIATIONS

KUSCCO- Kenya Union of Savings and Credit Cooperatives

SACCO- Savings and Credit Co-operative Societies

SASRA- Sacco Societies Regulatory Authority