EFFECTS OF CREDIT RISK MANAGEMENT PRACTICES ON PROFITABILITY OF DEPOSIT TAKING SACCO'S IN NAIROBI COUNTY

MAKORI OCHOGO GEORGE

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DECLARATION

I declare that this dissertation is my original work and has not been presented for an award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Sign: ___________________________ Date: ______________________________

George Ochogo Makori

EMBA 00102/1/2014

This thesis has been submitted for examination with my approval as University Supervisor

Sign: ___________________________ Date: ______________________________

Ms. Isabela Sile

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ABBREVIATIONS

CAPM	Capital Asset Pricing Model
CBK	Central Bank of Kenya
DP	Probability of Default
EAD	Exposure At Default
FI's	Financial Institutions
FOSA	Front Office Service Activity
FSD	Financial Sector Deepening
ICA	International Co-operative Alliance
LGD	Loss Given Default
LPM	Loans Profitability Management
MFI	Microfinance Institutions
NPL	Non Performing Loans
SACCO	Savings and Credit Co-operative Societies
SASRA	Sacco Society Regulatory Authority
WOCCU	World Council of Credit Unions

DEFINITION OF TERMS

Credit Appraisal Practices This is the practice of screening borrowers in a bid to ascertain their credit worthiness. It involves the 6Cs of credit (ICM, 2011).

Credit Monitoring Practices These are procedures that define the criteria for identifying and reporting potential problem credits and other transactions to ensure that they are subject to more frequent monitoring, corrective action, and proper classification/provisioning (Mishkin, 2004).

Credit Risk governance Practices These are oversight practices that enhance the adherence to the policies and procedures laid out for the credit function. They are practices that enhance accountability, transparency and oversight (Meyer, 2000).

Credit Risk Credit risk is the current or potential risk of loss to earnings and capital arising from a borrower's failure to honor the terms of borrowing with the bank (CBK Guide, 2009)

Debt Collection Practices This are practices that enhance the recovery of overdue bank loans (ICM, 2011).

Risk Management Practices These are practices which have been put in place by management to appraise borrowers, monitor loans, collect debts and overall governance of the credit function in a bank (Fatemi and Luft, 2002).

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Prudential lending procedures in financial institutions involve identifying high-risk loan applicants, modifying lending conditions such as collateral requirements, loan duration and monitoring subsequent repayments. Credit risk management is an emerging phenomenon that lies within SACCO's. Many researchers have attempted to unravel the benefits of the credit risk management. However, it has remained unclear for the SACCO's management on the effects of sound credit risk management practices among deposit taking SACCO's. The General objective of this study was to analyze the effects of credit risk management practices on the profitability of deposit taking SACCO's in Nairobi County. Specifically, to establish the effect of credit appraisal practices on the profitability of deposit taking SACCO's in Nairobi; to determine the effect of credit monitoring on the profitability of deposit taking SACCO's in Nairobi; to investigate the effect of debt collection practices on the profitability of deposit taking SACCO's in Nairobi and lastly to establish the effect of credit risk governance on the profitability of deposit taking SACCO's in Nairobi. This study was carried out through a descriptive research method. The target population of this study was 80 respondents directly linked to credit management drawn from the 40 deposit taking SACCO's, in Nairobi county. Simple random sampling technique was used. The questionnaire was used to obtain and gather information from the respondents. Responses in the questionnaires was tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS v.21) programme to analyze the data. The study also expects a positive relationship and significant between debt collection practices and financial profitability. Finally the study expected a positive and significant relationship between credit risk governance practices and financial profitability. The regression results revealed that credit appraisal practices, credit monitoring, debt collection practices credit risk governance Practices had a positive and significant effect on the financial profitability of SACCOs in Nairobi. Based on the findings above the study concluded that credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices have a positive effect on the financial profitability of the SACCOs. The study recommended that management of SACCOs should adopt effective credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices to enhance effective and efficient performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction of the Study

1.1 Background of the Study

The credit function of financial institutions enhances the ability of investors to exploit desired profitable ventures. Credit creation is the main income generating activity of financial institutions (Kargi, 2011). The Sacco Society Regulatory Authority (SASRA) Supervision report (2012) defined credit risk as the possibility of losing the outstanding loan partially or totally, due to credit events (default risk). Credit risk is an internal determinant of bank profitability. The higher the exposure of a financial institution to credit risk, the higher the tendency of the institution to experience financial crunch and vice-versa. Financial profitability is the company's ability to generate new resources, from day- to- day operations, over a given period of time; profitability is measured by net income and cash from operations. A portfolio is a collection of investments held by an institution or a private individual (Apps, 1996). Risk management is the human activity which integrates recognition of risk, risk assessment, developing strategies to manage it, and mitigation of risk using managerial resources (Apps, 1996). Whereas Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either the principal or interest /coupon or both) (Campbell, 2007), default rate is the possibility that a borrower will default, by failing to repay principal and interest in a timely manner (Campbell, 2007). Credit risk management is defined as the identification, measurement, monitoring and control of risk arising from the possibility of default in loan repayments (Early, 1996; Coyle, 2000).

Credit extended to borrowers may be at risk of default such that whereas banks extend credit on the understanding that borrowers will repay their loans, some borrowers usually default and as a result, banks income decrease due to the need to provision for the loans. Where a financial institution does not have an indication of what proportion of their borrowers will default, earnings will vary thus exposing the institutions to an additional risk of variability of their profits. Every financial institution bears a degree of risk when the institution lends to business and consumers and hence experiences some loan losses when certain borrowers fail to repay their loans as agreed.

Principally, the credit risk of a financial institution is the possibility of loss arising from non-repayment of interest and the principle, or both, or non-realization of securities on the loans (Kithinji, 2010).

Credit risk management is very important to financial institutions as it is an integral part of the loan process. It maximizes an institution risk, adjusted risk rate of return by maintaining credit risk exposure with view to shielding the financial institution from the adverse effects of credit risk. Financial institutions are investing a lot of funds in credit risk management modeling (Campbell, 2007). Credit risk management is a structured approach to managing uncertainties through risk assessment, developing strategies to manage it and mitigation of risk using managerial resources. The strategies include transferring to another party, avoiding the risk, reducing the negative effects of the risk, and accepting some or all of the consequences of a particular risk (Chen, 2008).

Adequately managing credit risk in financial institutions (FIs) is critical for the survival and growth of the FIs. In the case of Savings and Credit Co-operative Societies (SACCO's), the issue of credit risk is of even greater concern because of the higher levels of perceived risks resulting from some of the characteristics of clients and business conditions that they find themselves in. SACCO's are in the business of safeguarding money and other valuables for their Members besides providing loans and offering investment financial services. Credit creation is the main income generating activity for the SACCO's. But this activity involves huge risks to both the lender and the borrower. The risk of a member not fulfilling his or her obligation as per the contract on due date or anytime thereafter can greatly jeopardize the smooth functioning of a SACCO's business. On the other hand, a SACCO with high credit risk has high bankruptcy risk that puts the members' funds in jeopardy. Among the risk that face SACCO's, credit risk is one of great concern to most SACCO authorities and government regulators. This is because credit risk is that risk that can easily and will most likely prompt SACCO failure (Boateng, 2008).

1.1.1 Credit Risk Management in Deposit Taking SACCO's in Kenya

According to SASRA Supervision report 2012 the growth and development of the Sacco industry from small welfare institutions to large, multiple-branches financial outfits is testimony to the importance of Sacco societies in provision of affordable financial services to Kenyans of all walks of life. The SACCO's have ensured that Kenyans regardless of their economic status can access savings and credit services in an ethical and dignified manner. The quasi banking services, now known as Front Office Services Activity (FOSA), was a response to the high demands that banks required for one to operate a bank account in the late 1990s that subsequently led to massive closure of bank branches in rural Kenya. Thanks to this innovation by SACCO's, the FOSA gave renewed hope to thousands of low income earners who were practically excluded from the banking system. Twenty years on and in spite of the large and increasingly sophisticated banking industry, Sacco industry remains resilient and dear to millions of Kenyans in financing their developmental needs (Saunders & Cornett, 2002).

In 2007 the International Co-operative Alliance(ICA) ranked the Co-operative Sector in Kenya number seven (7) in the world and one (1) in Africa in terms of number of enterprises, membership, capital and contribution to national economy. Today, Kenya has about 15,000 registered Co-operatives with over 3.5 million members and a $2 billion loan portfolio. The study of credit risk management practices will help credit unions reduce their exposure to risks and enhance their ability to compete with other well established financial institutions like banks in the market as postulated by Iqbal & Mirakhor, 2010. Saunders & Cornett, 2005 concluded that reduction of SACCO exposure to credit risk will enhance achievement of its set objectives and ascertain its profitability. Therefore, it is necessary for SACCO'S to have in place comprehensive credit risk management practices and reporting process to identify, measure, monitor, manage, report and control credit risks. Efficient credit risk management practices have been vital in nurturing the phenomenal growth and sustainability in financial institutions.

Ileve, (2008) states that SACCO'S have tried to maintain relevance and market and have therefore been tempted to invest in information and technology and at the same time offer the latest hot products such as automatic teller machines and other tailor made loan products. Unfortunately, they are unable to flex the financial muscle needed to come up with these products. With the fierce competition experienced from banks and other financial institutions, they will have to adapt to prudential practices in order to survive. Previously these products were viewed as pushing the organization beyond its means but with the playing field being tilted in favour of banks and the other financial institutions, it may be necessary to look into this direction in order to sustain SACCO's (Saunders & Cornett, 2002).

However, the mere perception of high credit risk can dissuade credit unions from entering a particular market segment whereas the major contributing factor to that perception may be due to lack of adequate credit risk evaluation and management practices. In addition, if the practices are identified and the risk controllable, management can take certain calculated steps to improve its potential for success. Failure to control credit risk may lead to firms' insolvency, significant drain on capital and net worth that they adversely affect firms' growth prospect and ability to compete with others (Saunders & Cornett, 2002).

Credit risk management practices is an issue of concern today and there is need to develop improved processes and systems to deliver better visibility into future profitability of the credit unions. According to Saunders and Cornett (2002), when a good selection strategy for risk monitoring is adopted this implies good pricing of the products in line with the estimated risk which greatly affect their profitability. Wambugu (2008) who studied credit risk practices by micro finance institutions (MFIs) in Kenya found that most MFIs had clearly defined credit policies which will be reviewed annually and goals which will be formulated by credit committees and credit control department. Ngare (2008) on the other hand did a survey of credit risk management practices by financial institutions in Kenya. Despite the development and use of highly sophisticated tools and models to measure the exposure of Financial Institutions to Credit Risk, the default rate in the SACCO'S in Kenya remain relatively high. For example the Amount of defaulted loans for Kenyan SACCO'S rose from Ksh.5 Billion in the year 2007 to over with Ksh10 Billion in 2012 (MOCD,2009). Various issues such as the capital adequacy levels in the SACCO system, the role of rating agencies in financial regulation and the fair-value assessment of SACCO assets are the most debated challenges. In response to these crises, significant reformations have been carried out in the SACCO regulatory system. However, issues such as lack of risk sensitive measures of the creditworthiness and weak incentives for SACCO'S to strengthen risk management system emerge as shortcomings (Porvali, 2011).

While the above research outcomes provide insight on credit risk management techniques by commercial banks and MFIs, there is no known study to the researcher, which has been done on the survey of practices of credit risk management in SACCO'S. Therefore the knowledge gap exists as to whether SACCO's use any Credit risk management practices. This study seeks to identify the credit risk management practices used by SACCO'S in Nairobi.

1.2 Statement of the Problem

The diversification of financial products and services by the SACCO's has to be consumed with some caution and prudence as this involves a great deal of risk. According to the SACCO supervision report for 2011, loans disbursed to members accounted to three quarters of the total assets. The quality of loans has therefore been a challenge as the average gross non-performing loans (NPL) stood at 9.6% for the licensed SACCO'S contrary to the Sasra prudential guidelines which provide that the level of non-performing debts should not exceed 5%. According to World Council of Credit Unions (WOCCU) 2008 the financial discipline of provisioning for loan losses has not been part of the SACCO development since SACCO'S have relied on the check-off system of automatic salary deductions for loan repayment for decades. Many SACCO'S are faced with weak credit management systems, inefficient management information systems, huge portfolio of nonperforming loans, non-compliance to SASRA capital adequacy requirements and ineffective liquidity management systems among others. The SACCO'S have extremely low net institutional capital and do not meet the WOCCU prudential standard of excellence of a minimum of 10% net institutional capital. The researcher sought to unravel these challenges by assessing the level of effects of the practices with a view of enhancing services delivery and general management.

Locally studies have been done on effects of credit risk management, among them Silikhe (2008), on credit risk management in microfinance institutions in Kenya found out that despite the fact that microfinance institutions have put in place strict measures to credit risk management loan recovery is still a challenge to majority of the institutions. Kimeu (2008), conducted a survey of credit risk management techniques of unsecured bank loans. Kibui & Moronge (2014), focused on Harambee SACCO.

The fundamental question is how significant credit risk management practices are on the financial profitability of SACCO'S and by extension their survival in the future.Therefore this study sought to address current challenges by studying the effects of credit management practices on the profitability of the deposit taking SACCO's in Nairobi County.

1.3 Research Objectives

The general objective of the study was to establish the effects of credit risk management practices on profitability of deposit taking SACCO's in Nairobi.

In order to achieve the above objective the study was guided by the following specific objectives:

i. To establish the effect credit appraisal practices have on the profitability of deposit taking SACCO's in Nairobi.
ii. To determine the effect credit monitoring has on the profitability of deposit taking SACCO's in Nairobi.
iii. To investigate the effect debt collection practices have on the profitability of deposit taking SACCO's in Nairobi.
iv. To establish the effect credit risk governance practices has on the profitability of deposit taking SACCO's in Nairobi.

1.4 Research Questions

In carrying out this study, the researcher sought to answer the following research questions:

i. What effect do credit appraisal practices have on the profitability of deposit taking SACCO's in Nairobi?
ii. Do credit monitoring practices have any effect on the profitability of deposit taking SACCO's in Nairobi?
iii. What effect does debt collection practices have on the profitability of deposit taking SACCO's in Nairobi?
iv. What effect does credit risk governance practices have on the profitability of deposit taking SACCO's in Nairobi?

1.5 Justification of the Study

The study will provide an insight into the various approaches towards credit management techniques and portfolio management in the sector. Knowledge of contemporary credit management techniques will enable them identify plan, control and effectively manage SACCO'S to enhance success of the SACCO'S.

It will help the members monitor their SACCO investments and committee members in order to eliminate cases of funds mismanagement through appropriate policies on loan recovery and loan security. The findings for research can be used to assist in Government policy formulation regarding taxation and other regulatory requirements of SACCO'S in the country to effectively ensure SACCO participation and vibrancy in the economy through the Sacco regulatory authority, SASRA. They will use the findings of the research to monitor, review and make appropriate decisions and adjustments in regards to the prudent financial management as specified by the Co-operative Act. It will also be an addition of knowledge to the existing literature to the field of SACCO financial intermediation services. The findings will stimulate other researchers to venture into credit management practices and portfolio allocation that have not been studied.

1.6 Scope of the Study

The research focused on 40 deposit taking SACCO's licensed by SASRA in Nairobi County out of the 215 licensed nationally by January 2015. The sample size was 40 deposit taking SACCO's licensed by SASRA in Nairobi County which were 100% of the target population (40 licensed in Nairobi). The research was conducted using financial factors such as credit appraisal practices , credit monitoring practices , credit risk governance , debt collection practices and control measures as independent variable and their relationship with credit risk as dependent variable and it was limited to deposit taking SACCO's licensed by SASRA.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter discussed the theoretical review. The theoretical framework captured the various theories that informed the study. The chapter also presented the empirical review that explained the factors determining credit risk management as well as the empirical studies from other scholars. In the empirical, the findings were critiqued to establish the knowledge gaps. A conceptual framework was then developed from a review of existing studies. A conceptual framework showed the relationship between independent and dependent variables.

2.1 Theoretical Literature

The study presented various theories that informed the variables underlined in the current study. These theories included portfolio theory of investment, and financial intermediation theory.

2.1.1 Portfolio Theory of Investment

According to Reilly & Brown, (2011), Portfolios are an effective way of increasing returns while decreasing risk in investment. For this reason, portfolio selection strategies have received quite some attention in financial literature. The modern portfolio theory introduces approximate 'mean-variance' analysis to simplify the portfolio selection problem. Markowitz (1959), attempted to quantify risk and quantitatively demonstrate why and how portfolio diversification works to reduce risk for investors. The 'risk' of a portfolio is quantified as a standard deviation of return from period to period, and the portfolio selection problem is reduced to computing an 'efficient' portfolio, that is, one that minimizes the risk for a fixed level of return in a single period.

According to the portfolio theory, the larger the expected return the better the investment, and the smaller the standard deviation of the return the more attractive the investment. Furthermore, the theory shows that we can reduce the standard deviation of the return or risk by combining anti-covariant securities. However, each asset class generally has different levels of return and risk and also behaves uniquely so that one asset may be increasing in value as another is decreasing or at least not increasing as much, and vice versa. This theory, however, has a shortcoming; it cannot allow both more and less risk averse investors to find their optimal portfolio, a problem surmounted by the capital asset pricing model (CAPM) (Sharpe, 1964). The CAPM, associated with Sharpe (1964), Lintner (1965) and Black (1972) explains the risk of a particular asset or portfolio using the excess return on the market portfolio (Black, 1971). The model suggests that investors should hold diversified portfolios, and predicts that investors will hold some fraction of the market portfolio. Furthermore, an important implication of the CAPM, also referred to as efficient markets hypothesis, is that investors lacking special investment knowledge would be well advised to buy and hold diversified portfolios (Black, 1971).

The CAPM shows that investors require high levels of expected returns to compensate them for high expected risk. However, it is now widely recognized that in the presence of informational asymmetries and contract enforcement problems, it is not necessarily true that the banking system will allocate resources to projects or firms with the highest returns. Empirical evidence based on mean-variance portfolio selection, simulation analysis, and out of sample portfolio profitability suggests that correcting for estimation error, particularly in the means, can substantially improve investment profitability (for example Jobson and Korkie, 1979; Jorion, (1985, 1991).

Despite attempts to verify or refute the CAPM, there is no consensus on its legitimacy. The modeling approach employed in this paper is therefore that of the portfolio theory. This paper therefore assumes that deposits are one of the items in a bank's portfolio. A banks portfolio consists of both assets and liabilities. It is the banks managers' job to construct a portfolio to yield a high return and at the same time reduce the risk (standard deviation) of such a portfolio.

2.1.2 Agency Theory

Agency theory is a concept that explains why behavior or decisions vary when exhibited by members of a group. Specifically, it describes the relationship between one party called the principal, that delegates work to another called the agent. It explains their differences in behavior or decisions by noting that the two parties often have different goals and, independent of their respective goals, may have different attitudes toward risk. The concept originated from the work of Berle and Coit (1932), who were discussing the issues of the agent and principle as early as 1932. Berle and

Means explored the concepts of agency and their applications toward the development of large corporations. They saw how the interests of the directors and managers of a given firm differ from those of the owner of the firm, and used the concepts of agency and principal to explain the origins of those conflicts (Murtishaw and Sathaye, 2006).

Jensen and Meckling shaped the work of Berle and Means in the context of the risk-sharing research popular in the 1960s and '70s to develop agency theory as a formal concept. Jensen and Meckling formed a school of thought arguing that corporations are structured to minimize the costs of getting agents to follow the direction and interests of the principals. The theory essentially acknowledges that different parties involved in a given situation with the same given goal will have different motivations, and that these different motivations can manifest in divergent ways. It states that there will always be partial goal conflict among parties, efficiency is inseparable from effectiveness, and information will always be somewhat asymmetric between principal and agent. The theory has been successfully applied to myriad disciplines including accounting, economics, politics, finance, marketing, and sociology (Nikkinen and Sahlström, 2004). This theory prescribes that employees must constitute a good governance structure since they are held accountable in their tasks and responsibilities. An explanatory power of agency theory is reduced if and when the principal decides to divest to a new business. An agent must be motivated and monitored to create wealth, portraying the agent as potentially fraudulent as Marek, (2004) concluded.

2.1.3 Adverse Selection Theory

In the adverse selection model theory developed by Pagano and Jappelli (1993), information sharing improves the pool of borrowers, decreases defaults and reduces interest rates. It can also lead to an expansion of lending. When banks are local monopolists, however, in some cases lending diminishes, because the exchange of information increases the banks' possibility of price discrimination between safe and risky borrowers and the increase in lending to safe borrowers does not fully compensate for the reduction in lending to the risky types. When credit markets are contestable, lending activity is more likely to increase: competition limits the banks' ability to extract rents from their customers, and information sharing increases banking competition (Jappelli and Pagano, 2002).

This model further implies that that information sharing should reduce default rates and interest rates and increase lending, either because credit bureaus foster competition by reducing informational rents or because they discipline borrowers. In extreme cases, information exchange may make lending feasible in markets where no credit would be extended otherwise. In these models, whenever banks choose to communicate they bring about a Pareto improvement by raising customers' welfare along with their own profits (Pagano, 2001).

2.2 Empirical Literature Review

2.2.1 Credit Appraisal Practices and Profitability

The Macaulay (1988), investigated the adoption of credit risk management best practices in the United States and reported that over 90% of the financial institutions in that country have adopted the best practices. Effective credit risk management has gained an increased focus in recent years, largely due to the fact that inadequate credit risk policies are still the main source of serious problems within the industry. The chief goal of an effective credit risk management policy must be to maximize a financial sector's risk adjusted rate of return by maintaining credit exposure within acceptable limits. Moreover, there is need to manage credit risk in the entire portfolio as well as the risk in individual credits transactions.

Bridgeforce (2008), did a study on comprehensive Management of financial profitability and Credit Risk. The researcher basically analyzed the documents to arrive to the following conclusion that managing credit relationships that are based upon all available customer information and consistent throughout the credit life cycle greatly increases profitability and reduces surprises. It also requires a greater investment of management focus, analytical skills, and technology.

Benedikt, Marsh, Vall and Wagner (2007), examined credit risk management policies for financial institution in the united states using a multivariate model and found that banks that adopt advanced credit risk management techniques (proxies by the issuance of at least one collateralized loan obligation) experience a permanent increase in their target loan level of around 50%. Partial adjustment to this target, however, means that the impact on actual loan levels is spread over several years. The findings confirm the general efficiency- enhancing implications of new risk management techniques in a world with frictions suggested in the theoretical literature.

2.2.2 Credit Monitoring and Profitability

Peterson and Bohman (2008), in the study of credit risk management system of SACCO's in Tanzania examined that the financial intuitions well-documented credit risk management policy that elaborates the products offered and all activities play an important role to manage the credit risk. The institutions well organized credit manual that documents and elaborates the strategies for managing credit risk also the part of effective credit risk management and they have to formulate incompliance with the institutions credit policy. Strategies for granting credits also should focus on whom, how and what should be done at the branch and corporate division levels while assessing borrowers. Quantitative credit scoring models should be part of credit risk management mechanisms. Method used was quantitative research method. Carey (2001) conducted a survey of risk management practices and found that on average the lowest percentage is on the measuring, mitigating and monitoring risk that is 69% score as compared to risk management policies and procedures that is 82.4%, and internal control of banks that is 76%. Fatemi and Glaum (2000) found that there is significant difference between Micro credit Unions national and foreign banks in risk monitoring and controlling. The United Africa Emirate Micro credit Unions have an efficient risk monitoring and controlling system and it has positive influence on risk management practices.

Hassan, (2010) conducted a comparative study of Handelsbanken and Swedbank and how risk has been managed during the last decade**.** In this thesis the authors strive to investigate the risk management phenomena in the banking sector by conducting a longitudinal comparative study in two different banks i.e. Handelsbanken and Swedbank. In a broader perspective to understand the phenomena the authors depart from theoretical framework that recognizes the social and cultural elements of risk. However, to be more specific the thesis narrows down its analysis to three main variables that come under the realm of this discussion which are; how banks organizing for risk, how they measure it and the role of IT and human judgment. This study contributes to the banking sector by providing a road map of how successful banks manage risk. It highlights that the risk question should be addressed strategically and deemed to be a continuous phenomenon.

2.2.3 Debt Collection Practices and Profitability

Nelson (2009), conducted a study on financial institution crises in Kenya: cause and remedies‘. The statement of the problem for the study is many financial institutions that collapsed in Kenya since 1986 failed due to non-performing loans. This study investigated the causes of nonperforming loans, the actions that financial institution's managers have taken to mitigate that problem and the level of success of such actions. Using a sample of 30 managers selected from the ten largest financial institutions, the study found that national economic downturn was perceived as the most important external factor. Customer failure to disclose vital information during the loan application process was considered to be the main customer specific factor. The study further found that lack of an aggressive debt collection policy was perceived as the main bank specific factor, contributing to the non performing debt problem in Kenya.

Shanmugan and Bourke (1992), in their study found that close and informal relationship between MFIs and borrowers help in monitoring and early detection of problems that may arise in non-repayment of loans that finally lead to credit risk. In addition, cooperation and coordination among various agencies that provide additional support to borrowers may help them success in risk management in their business. Method used is that quantitative research method.

Laurentis and Mattei (2004) conducted research on Lessors' recovery risk management capability and found that the development of modern reliable systems of risk management can enhance even more those management capabilities. This means that credit institutions should invest significant resources in projects aimed at correctly implementing rating systems and risk models, and highlights once more the importance of these tools well beyond the scope of regulatory compliance. The research method used is that mixed research method.

2.2.4 Credit Risk Governance Practices and Profitability

Kibet (2008), concluded that internal audit function played a role in corporate governance. The limitations of the study were time constraints, restriction to state owned corporations and having to make prior arrangement in order to meet the heads of IADs. Recommendations of further study were effectiveness and contribution of internal audit in promoting corporate governance for companies listed in the NSE. Additionally, a study on the influence of internal audit and audit committee on financial reporting quality was recommended

Nagarajan (2001), in his study of risk management for credit unions in Mozambique found that risk management is a dynamic process that could ideally be developed during normal times and tested at the wake of risk. It requires careful planning and commitment on part of all stakeholders. It is encouraging to note that it's possible to minimize risks related losses through diligent management of portfolio and cash-flow, by building robust institutional infrastructure with skilled human resources and inculcating client discipline, through effective coordination of stakeholders improving management efficiency of the credit unions.

Vassileios (2011), noted that the global credit crisis that began in summer 2007 has raised a number of significant issues concerning corporate governance and risk management practices. Banking sector worldwide has been severely challenged in an extreme financial crisis, causing some to fail and others to be taken into various degrees of national ownership. This paper analyzes the role of risk management and corporate governance in the outburst of the financial crisis. The present study analyzes corporate governance as a cause of the credit crisis, its relation with failures and weaknesses in risk management practices and routines in order to reveal the extent to which corporate governance did not serve its purpose permitting excessive risk in a number of major financial institutions.

2.3 Conceptual Framework

The conceptual framework illustrates the dependent and independent variables. The dependent variable in this study is profitability. The independent variables include credit appraisal practices, credit monitoring and debt collection practices and credit risk governance

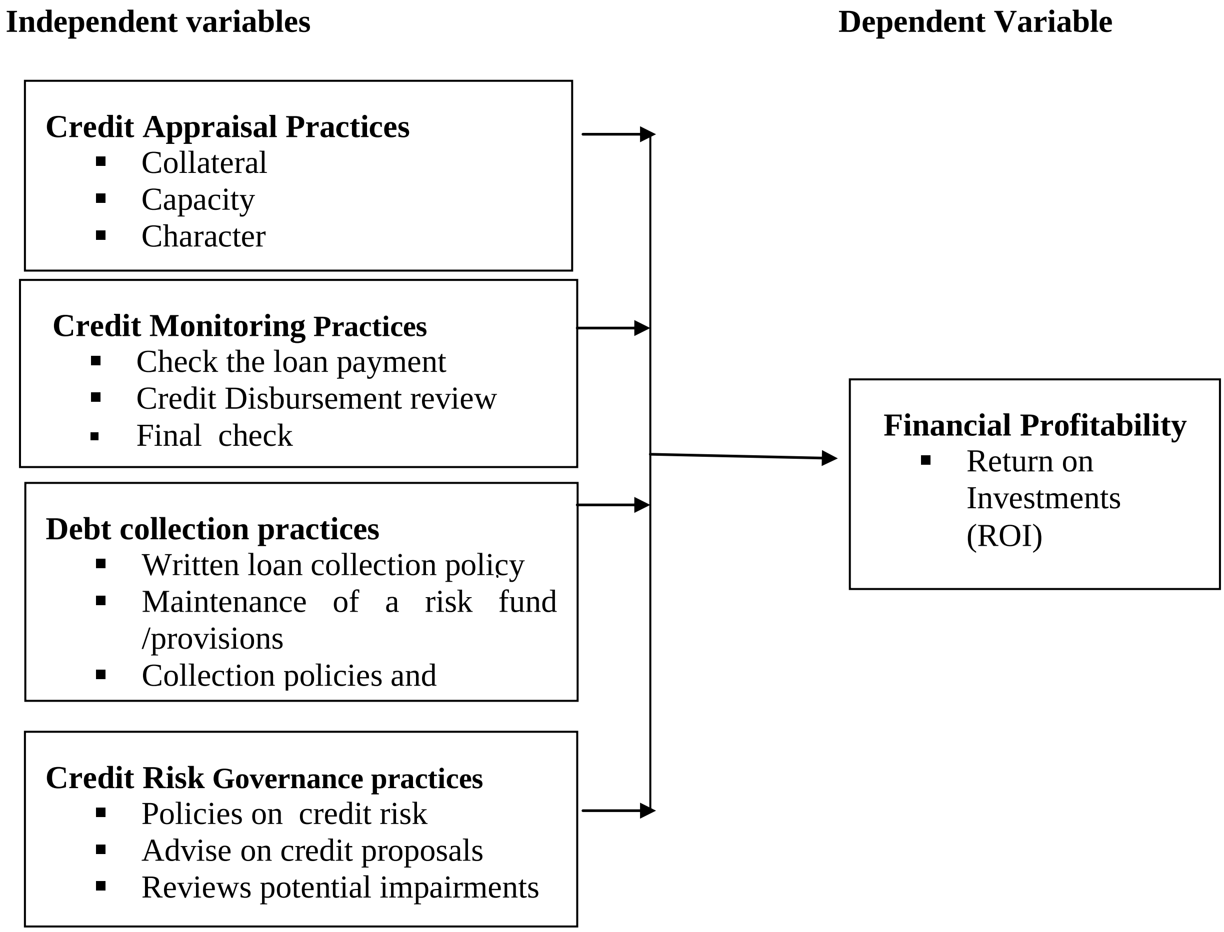

Figure 2.1: Conceptual Framework

2.4 Research Gaps

Currently, there are over 15,000 registered co-operative societies with a membership of over 7 million. About 63% of the Kenya population directly and indirectly depends on the cooperative movement related activities for their livelihood. The sector has mobilized over USD $1.70 billion in savings which is about 31% of the national savings (Wanyama, 2009). On the other hand, the combined assets of all SACCO’S are worth approximately USD $2.7 billion, out of which approximately USD $2 billion are members' deposits, which consist of both shares and savings. Of a total turnover of USD $323.4 million for the entire cooperative movement in 2008, SACCO’S posted a combined turnover of USD $192 million. Agricultural cooperatives' total turnovers will USD $112 million (Ministry of Cooperative Development & Marketing, 2008).

The diversification of financial products and services by the SACCO'S has to be consumed with some caution and prudence as this involves a great deal of risk. The very nature of the SACCO business is so sensitive because more than 85% of their liability is shares from Members SACCO use these deposits to generate credit for their borrowers, which in fact is a revenue generating activity for most SACCO'S. This credit creation process exposes the SACCO's to high default risk which might lead to financial distress including bankruptcy (Saunders & Cornett, 2005). Despite the development and use of highly sophisticated tools and models to measure the exposure of Financial Institutions to Credit Risk, the default rate in the SACCO'S in Kenya remain relatively high (MOCD, 2009).

Locally studies have been done on effects of credit risk management, among them Silikhe (2008) on credit risk management in microfinance institutions in Kenya found out that despite the fact that microfinance institutions have put in place strict measures to credit risk management loan recovery is still a challenge to majority of the institutions. Kimeu (2008) conducted a survey of credit risk management techniques of unsecured bank loans. The fundamental question is how significant are the credit risk management practices on the financial profitability of SACCO'S and by extension their survival in the future.

Gisemba (2010) researched on the relationship between risk management practices and financial profitability of SACCO's found out that the SACCO's adopted various approaches in screening and analyzing risk before awarding credit to client to minimize loan loss. This includes establishing capacity, conditions, use of collateral, borrower screening and use of risk analysis in attempt to reduce and manage credit risks. He concluded that for SACCO's to manage credit risks effectively they must minimize loan defaulters, cash loss and ensure the organization performs better increasing the return on assets.

The study therefore sought to extend the research of Kibui, 2010 the effects of credit risk management practices of SACCO'S in Nairobi to close this gap by providing further insights and information on the effects of credit risk management practices on the profitability of deposit taking SACCO's in Nairobi County.

2.5 Limitations of the Study

The findings of this study can only be directly applicable to SACCOs in Kenya hence was not directly applicable to any other industry since the setting was different. It is also important to note that the relevance of this information is limited to the duration within which the study was carried out. Changes were definitely bound to occur that may significantly transform the way activities are executed in the SACCOs

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter discussed the research design, the population, the sampling techniques that were used in the study, the data collection instruments, the data collection methods and procedures. Data analysis and presentation methods were also discussed.

3.1 Research Design

Descriptive study design was used as they are concerned with describing the characteristics of a particular individual, or of a group. Descriptive research is therefore concerned with specific predictions, with narration of facts and characteristics concerned with individuals, group or situations as concluded by Cooper and Schindler, (2003). The advantage of the design is that it allows flexibility in data collection and also makes use of open ended and closed questions which would allow the respondent to give extra information freely. According to Kothari, (2005) descriptive research design includes surveys and fact finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as they exist at present. In descriptive studies the researcher must be able to define clearly, what he/she wants to measure and must find adequate measures of finding it along with a clear cut definition of "population" he wants to study.

3.2 Target Population

Target population as described by Borg and Crall (2009) is a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator generalized the result. The target population of this study was 80 respondents (2 respondents per SACCO) staff directly linked to credit management drawn from the 40 deposit taking SACCO’s, in Nairobi (SASRA 2015).

3.3 Sample Size and Sampling Technique

According to Cooper & Schindler (2003), the sampling frame describes the list of all population units from which the sample will be selected. Population sampling technique was used for this study since the number of SACCOs are only 40. Additional Sacco information was considered confidential and was only used when the employees voluntarily gave it. The questionnaires were administered to employees in finance and credit departments of the 40 deposit taking SACCO's licensed by SASRA in Nairobi County.

3.4 Instrumentation

Primary data was collected through the administration of the questionnaires. A questionnaire is a pre-formulated written set of questions to which the respondents record the answers usually within rather closely delineated alternatives. A Likert scale of five responses was used. Likert scale is an interval scale that specifically uses five anchors of strongly disagrees, disagree, neutral, agree and strongly agree. The Likert scale measures the level of agreement or disagreement. Likert scales are good in measuring perception, attitude, values and behavior. The Likert scale has scales that assist in converting the qualitative responses into quantitative values (Mugenda & Mugenda, (2003) and Zikmund, Babin, Carr & Griffin, (2010). Therefore it was justifiable to use Likert scale in this study since overall measurement of credit risk management was obtained and also was useful in collection of specific data.

The questionnaires were issued to the respondents through informal self-introduction and through email. The questionnaires were sent to the respondents under a questionnaire forwarding letter. Follow ups were made and the fully completed questionnaires were picked from the respondents later by use of a research assistant and through email.

3.5 Pilot Testing

3.5.1 Validity Test

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. Validity exists if the data measure what they are supposed to measure. In order to test and enhance the validity of the questionnaire, five questionnaires' were pilot tested and reviewed with a view to improving validity and reliability of the data that was collected (Kothari, 2004). Industry experts and the research supervisor went through the questionnaire to enhance validity.

3.5.2 Reliability Test

Reliability is the consistency of a set of measurement items (Cronbach, 1951). Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of measurement. A measure is considered reliable if a person's score on the same test given twice is similar. Five questionnaires were piloted by issuing them to employees who were not included in the final study sample. The five questionnaires were then coded and responses input into SPSS which was used to generate the reliability coefficient. The researcher used the most common internal consistency measure known as Cronbach's Alpha (α) which was generated by SPSS. It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The recommended value of 0.7 was used as a cut–off of reliability for this study.

3.6 Methods of Data Analysis

Data analysis was conducted using descriptive and inferential statistics. Descriptive statistics quantitatively describes features of a data sample, while inferential statistics makes inferences about the populations from which samples are drawn. The specific descriptive statistics used were mean scores and frequencies. The particular inferential statistics used was regression analysis. The R squared (coefficient of determination) was checked to reveal the goodness of fit of the model.

The analysis of variance (ANOVA) was checked to reveal the overall model significance. It is a statistical method in which the variation in a set of observations is divided into distinct components. In particular, the calculated f statistic was compared with the tabulated f statistic. A critical p value of 0.05 was also used to determine whether the overall model was significant or not. The individual regression coefficients were checked to see whether the independent variables (Credit appraisal practices, Credit monitoring practices, Debt collection practices, Credit governance practices) significantly affected the Return on Assets. A critical p value of 0.05 was also used to determine whether the individual variables are significant or not.

The multivariate model was as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where; Y = Financial profitability

Financial profitability was measured using secondary data on ROA.

X_1 = Credit appraisal practices.

Credit appraisal practices were measured by six statements based on a Likert scale. The mean scores for all statements were used

X_2 = Credit monitoring practices

Credit monitoring practices were measured by five statements based on a Likert scale. The mean scores for all statements were used

X_3 = Debt collection practices

Debt collection practices were measured by seven statements which are based on a Likert scale. The mean scores for all statements were used

X_4 = Credit risk governance

Credit governance practices were measured by five statements. The mean scores for all statements were used

In the model, β_0 = the constant term while the coefficient $\beta_i i = 1 \ldots 4$ were used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables. μ is the error term which captures the unexplained variations in the model. The mean scores for all variables were used to conduct the regression analysis. In its complete form, the model was;

ROA= *a*+ $b_1$credit appraisal practices+ $b_2$credit monitoring practices+$b_3$debt collection practices + b_4Credit risk governance practices + *error term*

3.7 Ethical Issues

Ethical considerations relate to the moral standards that the researcher should consider in all research methods in all stages of the research design. After approval from the University was obtained to conduct the study, permission was obtained from the Management of all the sampled deposit taking SACCO's. In this research three principles ethics were used namely beneficence, respect for human dignity as well as justice (Polit, 2001). Following the three principles, sensitivity to the participants' emotions were observed when probing questions that could psychologically could harmed the participants as well as protected the participants from adverse situations. The participants were also informed that the information they provided was not be used in any way to harm the participants or exploited for commercial and selfish personal gain, but only for academic purposes. Full disclosure, fair treatment and privacy were also practiced.

CHAPTER FOUR

ANALYSIS, RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter comprised of data analysis, findings and interpretation. Results were presented in tables and diagrams. The analyzed data was arranged under themes that reflected the research objectives.

4.1 Response Rate

The number of questionnaires that were administered was 80. A total of 75 questionnaires were properly filled and returned. This represented an overall successful response rate of 93.75% as shown on Table 4.1. According to Mugenda and Mugenda (2003), and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

Based on these assertions from renowned scholars, 93.75% response rate is very good for the study.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	75	92.75%
Unreturned	5	7.25%
Total	**80**	**100%**

Source: Author (2015)

4.2 Demographic Characteristics

This section consists of information that describes basic characteristics such as gender of the respondent, level of education and years worked in their current position.

4.2.1 Gender of the Respondents

The respondents were asked to indicate their gender. Majority of the respondents were male who represented 71% of the sample while 29% were female. This implies that the finance and credit departments' positions are male dominated.

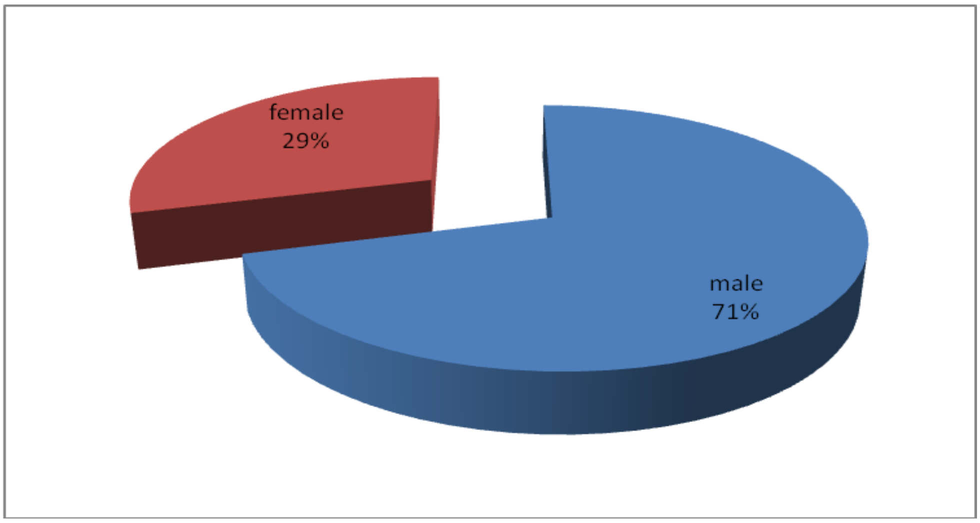

Figure 4.1: Gender of Respondents

4.2.2 Highest Level of Education

The respondents were asked to indicate their highest level of education. Results in figure 4.2 show that 63% of the respondents had their highest level of education being university level, 24% had college qualification while 13% had college qualification. In as far as the title of study is concerned, the results imply that, the respondents were expected to understand the questionnaire and give valid response since they had better understanding as guided by the their level of education which in this case majority having university as the highest level of education.

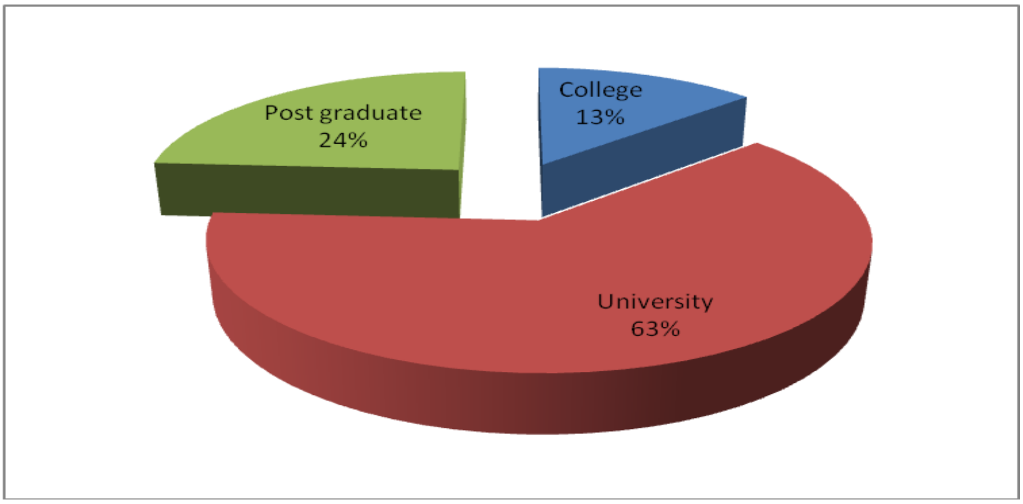

Figure 4.2: Highest Level of Education of Respondents

4.2.3 Duration of Being in the Employment

On the question of the duration being in employment, majority of the respondents who represented 54% of the total respondents have been in the employment for 4-6 years, 21% have been in the employment for over 6 years, 16% have been in the employment for 1-3 years while 9% have been in employment for a period less than 1 year.

This implies that majority of the respondents have been in the employment for a good period of time thus they were experienced.

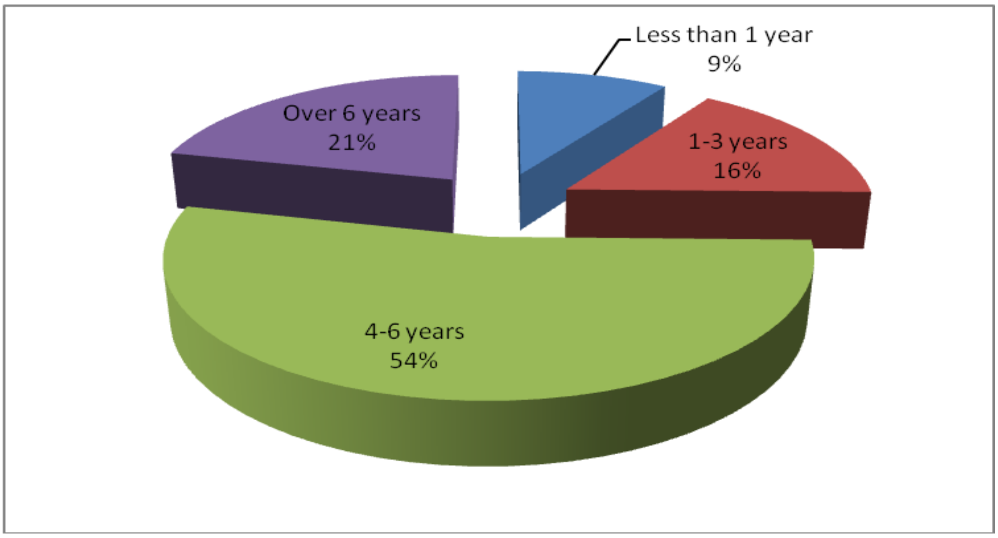

Figure 4.3: Duration of Being in Employment

4.3 Descriptive Statistics

This section presents the descriptive results on credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices.

4.3.1 Credit Appraisal Practices

The first objective of the study was establish the effect of credit appraisal practices on the profitability of deposit taking SACCO's in Nairobi. The respondents were asked to respond on statements on credit appraisal practices. The responses were rated on a five likert scale as presented in Table 4.2. Majority of 78%(49.3%+29.3%) of the respondents agreed with the statement that the credit department always checks at the character of the borrower during credit review 70.7% agreed with the statement that the credit department always checks at the collateral of the borrower during credit review, 66.7% of the respondents agreed that the credit department always checks at the capacity of the borrower during credit review, 80% of the respondents agreed that there The credit department always checks at the capital of the borrower during credit review, while 82.7% of the respondents agreed that The credit department always checks at the conditions during credit review

On a five point scale, the average mean of the responses was 3.91 which mean that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.09.

Table 4.2: Credit Appraisal Practices

Statement	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Mean**	**Std. Dev**
The credit team always checks on the character of the borrower during credit review	4.00%	6.70%	10.70%	49.30%	29.30%	3.93	1.018
The credit team always checks at the collateral of the borrower during credit review	4.00%	10.70%	14.70%	36.00%	34.70%	3.87	1.131
The credit team always checks on the capacity of the borrower during credit review	10.70%	5.30%	17.30%	38.70%	28.00%	3.68	1.243
The credit team always checks on the share capital of the borrower during credit review	6.70%	8.00%	5.30%	56.00%	24.00%	3.83	1.095
The credit team always checks on prevailing financial conditions during credit review	0.00%	10.70%	6.70%	30.70%	52.00%	4.24	0.984
Average						**3.91**	**1.09**

Source: Author (2015)

4.3.2 Credit Monitoring Practices

The second objective of the study was to determine the effect of credit monitoring on the profitability of deposit taking SACCO's in Nairobi. The results are presented in Table 4.3 below show that 70.7% (12%+58.7%) of the respondents agreed that prior to disbursing the credit, the individual credit exposure is subjected to a final check, 72% of the respondents agreed that the credit disbursement review covers compliance with internal guidelines, 80.0% of the respondents supported that The credit Disbursement review covers completeness of the credit application, 82.6% agreed that the credit department always checks that the loan is being paid in time while 70.7% agreed that the credit department monitors the status of the loan

Using a five point scale likert mean, the overall mean of the responses was 3.92 which indicates that majority of the respondents agreed to the statement of the questionnaire. Additionally, the standard deviation of 1.19 indicates that the responses were varied. The results herein imply that credit monitoring influences profitability of deposit taking SACCO's

Table 4.3: Credit Monitoring practices

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
Prior to disbursing the credit, the individual credit exposure is subjected to a final check	17.30%	4.00%	8.00%	12.00%	58.70%	3.91	1.552
The credit Disbursement review covers compliance with internal guidelines	4.00%	14.70%	9.30%	40.00%	32.00%	3.81	1.159
The credit Disbursement review covers completeness of the credit application	4.00%	4.00%	12.00%	41.30%	38.70%	4.07	1.018
The credit team always checks that the loan is being paid in time	4.00%	5.30%	8.00%	41.30%	41.30%	4.11	1.034
The credit team monitors the status of the loan	10.70%	5.30%	13.30%	42.70%	28.00%	3.72	1.236
Average						**3.92**	**1.19**

4.3.3 Debt Collection Practices

The third objective of the study was to investigate the effect of debt collection practices on the profitability of deposit taking SACCO's in Nairobi. The results are presented in table 4.4 show 70.6% (29.3%+41.6%) of the respondents agreed that there exists a written loan collection policy. Further results found that collection policies and procedures apply equally to all borrowers regardless of their professional or social standing as indicated by 69.3% of the respondents. Results also showed that 73.4% of the respondents agreed that a loan is always marked for closer attention, even if not delinquent, if there is reason to believe future payments may be in doubt. In addition, results show that 69.4% of the respondents agreed that a loan is always considered delinquent when it is one day past due and payment has not been made. Further, 74.7% of the respondents agreed that all loans are always subject to penalties after a specified number of days of delinquency. These results imply that debt collection practices influences the profitability of deposit taking SACCO's in Nairobi

The average likert scale of the responses is 3.87 which indicates that majority of the respondents agreed to the statements. The standard deviation was 1.29 which indicates that the responses were varied.

Table 4.4: Debt Collection Practices

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
There exists a written loan collection policy	6.7%	18.7%	4.0%	29.3%	41.3%	3.8	1.336
Collection policies and procedures apply equally to all borrowers regardless of their professional or social standing.	12.0%	10.7%	8.0%	21.3%	48.0%	3.83	1.437
A loan is always marked for close attention, even if not delinquent, if there is reason to believe future payments may be in doubt.	6.7%	4.0%	16.0%	34.7%	38.7%	3.95	1.15
A loan is always considered delinquent when it is one day past due and payment has not been made	6.7%	8.0%	16.0%	26.7%	42.7%	3.91	1.232
All loans are always subject to penalties after a specified number of days of delinquency	12.0%	4.0%	9.3%	32.0%	42.7%	3.89	1.331
Average						**3.87**	**1.29**

4.3.4 Credit Risk Governance Practices

The forth objective of the study was to establish the effect of credit risk governance on the profitability of deposit taking SACCO's in Nairobi. Results in table 4.5 show that 81.4%(34.7%+46.7%) of the respondents agreed that the board credit risk committee reviews and recommends for board approval on an annual basis the risk tolerance and other material credit risk policies for the banks, 69.4% of the respondents agreed that the board Credit risk committee reviews and recommend for board approval on an annual basis the credit Risk Governance framework, 68.0 % of the respondents agreed that The board credit risk committee monitors compliance with the risk tolerance and credit risk governance Framework at least quarterly through the receipt of periodic reports and provide the board of directors with periodic compliance updates 69.3% indicated that the board credit risk committee considers any prospective breaches or exceptions to the portfolio management limits and review management exposure reduction plans and/or ratify an excess limit request on an ongoing basis, while 85.4% of the respondents indicated that the board Credit risk committee reviews and recommend for Board approval on an as-needed basis management proposals to introduce new risk types, product lines and services that involve credit risk outside the scope of existing businesses

On an average likert scale the responses had an overall mean of 3.97 which indicated that the respondents agreed to the majority of the questions asked. The standard deviation of 1.04 indicates that the responses were varied. The results imply that credit risk governance influence the profitability of deposit taking SACCO's

Table 4.5: Credit Risk Governance Practices

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std Dev
The Credit risk committee reviews and recommends for Board approval on an annual basis the Risk Tolerance and other material credit risk policy changes	4.00%	4.00%	10.70%	34.70%	46.70%	4.16	1.04
The Credit risk committee reviews and recommend for board approval on an annual basis the credit Risk Governance framework	4.00%	9.30%	17.30%	42.70%	26.70%	3.79	1.069
The credit risk committee monitors compliance with the Risk Tolerance and credit risk governance Framework at least quarterly through the receipt of periodic reports and provide the board of directors with periodic compliance updates.	4.00%	10.70%	17.30%	26.70%	41.30%	3.91	1.176
The credit risk committee considers any prospective breaches or exceptions to the portfolio management limits and review management exposure reduction plans and/or ratify an excess limit request on an ongoing basis	8.00%	10.70%	12.00%	33.30%	36.00%	3.79	1.266
The Credit risk committee reviews and recommend for Board approval on need basis management proposals to introduce new risk types, product lines and services that involve credit risk outside the scope of existing businesses	0.00%	0.00%	14.70%	46.70%	38.70%	4.24	0.694
Average						**3.97**	**1.04**

4.4 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

4.4.1 Correlation Analysis

Table 4.6 below presents the results of the correlation analysis. The results revealed Credit appraisal practices and profitability are positively and significant related (r=0.486, p=0.000). The table further indicated that credit monitoring practices and profitability are positively and significantly related (r=0.207, p=0.007). It was further established that debt collection practices and profitability were positively and significantly related (r=0.168, p=0.015). Similarly, results showed that credit risk governance practices and profitability were positively and significantly related (r=0.348, p=0.002). This implies that an increase in any unit of the variables leads to an increase in the profit.

Table 4.6: Correlation Matrix

		Profitability	**Credit appraisal practices**	**Credit Monitoring practices**	**Debt collection practices**	**Credit risk governance practices**
profitability	Pearson Correlation	1.000				
Credit appraisal practices	Pearson Correlation	.486**	1.000			
	Sig. (2-tailed)	0.000				
Credit Monitoring practices	Pearson Correlation	0.207**	0.137	1.000		
	Sig. (2-tailed)	0.007	0.240			
Debt collection practices	Pearson Correlation	0.168**	.389**	.275*	1.000	
	Sig. (2-tailed)	0.015	0.001	0.017		
Credit risk governance practices	Pearson Correlation	.348**	.719**	0.096	.301**	1.000
	Sig. (2-tailed)	0.002	0.000	0.414	0.009	

4.4.2 Regression Analysis

The results presented in table 4.7 present the fitness of model used of the regression model in explaining the study phenomena. Credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices were found to be satisfactory variables in explaining profitability. This is supported by coefficient of determination also known as the R square of 26.0%. This means that on credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices explain 26.0% of the variations in the dependent variable which is profitability of Saccos. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 4.7: Model Fitness

Indicator	Coefficient
R	0.510
R Square	0.260
Adjusted R Square	0.218
Std. Error of the Estimate	0.436

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4.8 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of Profitability in SACCOs. This was supported by an F statistic of 6.144 and the reported p value 0.000 which was less than the conventional probability of 0.05 significance level.

Table 4.8: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.663	4	1.166	6.144	**0.000**
Residual	13.283	70	0.19		
Total	17.947	74			

Regression of coefficients results in table 4.10 shows that credit appraisal practices and profitability are positively and significant related (r=0.342, p=0.002). The table further indicated that credit monitoring practices and profitability are positively and significantly related (r=0.152, p=0.015). It was further established that debt collection practices and profitability were positively and significantly related (r=0.570, p=0.006). Similarly, results showed that credit risk governance practices and profitability were positively and significantly related (r=0.201, p=0.010).

Table 4.9: Regression of Coefficients

Variable	B	Std. Error	t	Sig.
(Constant)	2.414	0.484	4.985	0.000
Credit appraisal practices	0.342	0.107	3.194	0.002
Credit monitoring	0.152	0.103	1.475	0.015
Debt collection practices	0.570	0.098	0.580	0.006
Credit risk governance	0.201	0.102	0.009	0.010

The multiple linear regression model is as shown below.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$

Where:

Y = Profitability

X_1 = Credit appraisal practices.

X_2 = Credit monitoring practices

X_3 = Debt collection practices

X_4 = Credit risk governance

Thus, the optimal model for the study is;

Profitability of Saccos = *2.414 + 0.342Credit appraisal practices. + 0.152 Credit monitoring practices + 0.570 Debt collection practices + 0.201Credit risk governance*

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter addresses the summary of the findings, the conclusions and the recommendations. This is done in line with the objectives of the study.

5.1 Summary of Findings

This section provides a summary of the findings from the analysis. This is done in line with the objectives of the study.

5.1.1 Credit Appraisal Practices

The first objective of the study was establish the effect of credit appraisal practices on the profitability of deposit taking SACCO's in Nairobi. The findings revealed that credit appraisal practices had a positive and significant effect on the financial profitability of SACCOs in Nairobi. This is also supported by the statements which majority of the respondents agreed.

This finding agrees with that of Bridgeforce (2008) who did a study on comprehensive Management of financial profitability and Credit Risk. The researcher basically analyzed the documents to arrive to the following conclusion that managing credit relationships that are based upon all available customer information and consistent throughout the credit life cycle greatly increases profitability and reduces surprises. It also requires a greater investment of management focus, analytical skills, and technology.

5.1.2 Credit Monitoring Practices

The second objective of the study was to determine the effect of credit monitoring on the profitability of deposit taking SACCO's in Nairobi. The findings revealed that credit monitoring practices has a positive and significant effect on the financial profitability of SACCOs in Nairobi. This is also supported by the statements which majority of the respondents agreed.

This finding agree with that of Peterson and Bohman (2008) who conducted a study on credit risk management system of SACCO's in Tanzania and examined that the financial intuitions well-documented credit risk management policy that elaborates the products offered and all activities play an important role to manage the credit risk.

The institutions well organized credit manual that documents and elaborates the strategies for managing credit risk also the part of effective credit risk management and they have to formulate incompliance with the institutions credit policy. Strategies for granting credits also should focus on whom, how and what should be done at the branch and corporate division levels while assessing borrowers. Quantitative credit scoring models should be part of credit risk management mechanisms.

5.1.3 Debt Collection Practices

The third objective of the study was to investigate the effect of debt collection practices on the profitability of deposit taking SACCO's in Nairobi County.The findings revealed that debt collection practices have a positive and significant effect on the financial profitability of SACCOs in Nairobi. This is also supported by the statements which majority of the respondents agreed.

This finding agree with that of Laurentis and Mattei (2004) who conducted research on Lessors' recovery risk management capability and found that the development of modern reliable systems of risk management can enhance even more those management capabilities. This means that credit institutions should invest significant resources in projects aimed at correctly implementing rating systems and risk models, and highlights once more the importance of these tools well beyond the scope of regulatory compliance. The research method used is that mixed research method.

5.1.4 Credit Risk Governance Practices

The forth objective of the study was to establish the effect of credit risk governance on the profitability of deposit taking SACCO's in Nairobi. The regression results revealed that credit risk governance Practices has a positive and significant effect on the financial profitability of SACCOs in Nairobi. This is also supported by the statements which majority of the respondents agreed.

This finding agree with that of Nagarajan (2001) who in his study of risk management for credit unions in Mozambique found that risk management is a dynamic process that could ideally be developed during normal times and tested at the wake of risk. It requires careful planning and commitment on part of all stakeholders. It is encouraging to note that it's possible to minimize risks related losses through diligent management of portfolio and cash-flow, by building robust institutional infrastructure with skilled human resources and inculcating client discipline, through effective coordination of stakeholders improving management efficiency of the credit unions.

5.2 Conclusions

Based on the findings above the study concluded that credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices have a positive effect on the financial profitability of the SACCOs.

The study concluded that managing credit relationships that are based upon all available customer information and consistent throughout the credit life cycle greatly increases profitability and reduces surprises.

Further, the study concluded that close and informal relationship between MFIs and borrowers help in monitoring and early detection of potential problems that may arise in non-repayment of loans that finally lead to increased credit risk. In addition, cooperation and coordination among various agencies that provide additional support to borrowers may help them success in risk management in their entities.

In addition, the study concluded that effective credit risk management policy maximize a financial sector's risk adjusted rate of return by maintaining credit exposure within acceptable limits.

5.3 Recommendations

The following recommendations based on the study findings are suggested to help boost the profitability of Saccos in Kenya. The study recommended that management of SACCOs should adopt effective credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices to enhance effective and efficient performance.

The study recommended that there is need to manage credit risk in the entire portfolio as well as the risk in individual credits transactions. It also requires a greater investment of management focus, analytical skills, and technology. The credit risk question should be addressed strategically and deemed to be a continuous phenomenon so as to improve on the profitability of Saccos.

Finally, the study recommend that informal relationship between MFIs and borrowers need to be encouraged since it helps in monitoring and early detection of problems that may arise in non-repayment of loans that finally lead to credit risk. In addition, cooperation and coordination among various agencies that provide additional support to borrowers may help SACCOs to succeed in risk management in their business.

5.4 Areas for Further Study

The study sought to find the effects of credit appraisal practices, credit monitoring, debt collection practices and credit risk governance practices on the financial profitability. This called for the analysis of SACCOs only, thus area for further studies could consider banks or parastatals for purpose of making a comparison of the findings with those of the current study.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

27th May 2015

Dear Respondent,

RESEARCH QUESTIONNAIRE FOR DEPOSIT TAKING SACCO's

I am a graduate student of Executive Master of Business Administration at the Management University of Africa. I am carrying out a study on "**effects of credit risk management practices on profitability of deposit taking SACCO's in Nairobi**" in partial fulfillment of the requirements for the award of Executive Master of Business Administration degree in Leadership and Management, Management University of Africa.. It would be of great value if you could share your wealth of knowledge by completing the attached questionnaire. Your answers will be handled with highest anonymity and confidentiality; this will be achieved by no indication of names. Kindly return the completed questionnaire to me.

Regards,

George Ochogo Makori

APPENDIX II: QUESTIONNAIRE

PART 1: GENERAL /DEMOGRAPHIC DATA

1. Gender
    a) Male [ ]
    b) Female [ ]
2. Highest level of education
    a) Secondary level [ ]
    b) College level [ ]
    c) University level [ ]
    d) Post graduate level [ ]

How long have you been employed in the company

a) less than 1 year [ ]
b) 2 to 3 years [ ]
c) 4 to 6 years [ ]
d) More than 6 years [ ]

Section B: Credit Appraisal Practices and financial profitability of Deposit taking SACCO's

This section aims at determining whether credit appraisal practices affect the financial profitability of Deposit taking SACCO's. Please indicate your agreement or otherwise with the following statements using the following Likert scale.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
The credit department always checks at the character of the borrower during credit review					
The credit department always checks at the collateral of the borrower during credit review					
The credit department always checks at the capacity of the borrower during credit review					
The credit department always checks at the capital of the borrower during					

credit review					
The credit department always checks at the conditions during credit review					

Section C: Credit Monitoring and financial profitability of Deposit taking SACCO's

This section aims at determining whether credit monitoring affects the financial profitability of Deposit taking SACCO's. Please indicate your agreement or otherwise with the following statements using the following Likert scale.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
Prior to disbursing the credit, the individual credit exposure is subjected to a final check					
The credit Disbursement review covers compliance with internal guidelines					
The credit Disbursement review covers completeness of the credit application					
The credit department always checks that the loan is being paid in time					
The credit department monitors the status of the loan					

Section D: Debt Collection Practices and financial profitability of Deposit taking SACCO's This section aims at determining whether Debt/loan collection Practices affects financial profitability of Deposit taking SACCO's. Please indicate your agreement or otherwise with the following statements using the following Likert scale.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
There exists a written loan collection policy					
Collection policies and procedures apply equally to all borrowers regardless of their professional or social standing.					
A loan is always marked for closer attention, even if not delinquent, if there is reason to believe future payments may be in doubt.					
A loan is always considered delinquent					

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
when it is one day past due and payment has not been made					
All loans are always subject to penalties after a specified number of days of delinquency					

Section D: Credit Risk Governance Practices and financial profitability of Deposit taking SACCO's

This section aims at determining whether credit risk governance practices affects financial profitability of Deposit taking SACCO's. Please indicate your agreement or otherwise with the following statements using the following Likert scale.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
The board Credit risk committee reviews and recommends for Board approval on an Annual basis the Risk Tolerance and other material credit risk policies for the banks					
The board Credit risk committee reviews and recommends for board approval on an annual basis the credit Risk Governance framework					
The board credit risk committee monitors compliance with the Risk Tolerance and credit risk governance Framework at least quarterly through the receipt of periodic reports and provide the board of directors with periodic compliance updates.					
The board credit risk committee considers any prospective breaches or exceptions to the portfolio management limits and review management exposure reduction plans and/or ratify an excess limit request on an ongoing basis					

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
The board Credit risk committee reviews and recommend for Board approval on an as-needed basis management proposals to introduce new risk types, product lines and services that involve credit risk outside the scope of existing businesses					

Section F: profitability of Deposit taking SACCO's

By what percentage range did the profitability of your business improved for the last five years? Tick appropriately

Year	**Less than 1%**	**1-3%**	**4-6%**	**7-10%**	**Over 10%**
2014					
2013					
2012					
2011					
2010					

APPENDIX III: DEPOSIT TAKING SACCO'S LICENCED BY SASRA BY 31ST DEC. 2014

GAZETTE NOTICE NO. 447

THE SACCO SOCIETIES ACT

(*Cap.* 490B)

SACCO SOCIETIES LICENSED TO UNDERTAKE DEPOSIT-TAKING SACCO BUSINESS IN KENYA FOR THE FINANCIAL YEAR ENDING DECEMBER, 2015

PURSUANT to section 28 of the Sacco Societies Act (Act) as read with regulation 8 of the Sacco Societies (Deposit-Taking Sacco Business) Regulations, 2010, the Sacco Societies Regulatory Authority (Authority), publishes for the notification of the general public:

(*a*) the list of Sacco Societies which have been duly licensed to carry out deposit-taking Sacco business in Kenya in accordance with section 26 (1) of the Act for the financial year ending on 31st December, 2015 as appears in Schedule I, and

(*b*) the list of Sacco Societies granted restricted deposit-taking licenses in accordance with section 26(3) of the Act for a period of six (6) months, ending on 30th June, 2015 as appears in Schedule II herein.

SCHEDULE I—LICENSED SACCO SOCIETIES FOR PERIOD ENDING DECEMBER, 2015

Name of Society	*Postal Address*
Afya Sacco Society Limited	P.O. Box 11607–00400, Nairobi
Agro-Chem Sacco Society Limited	P.O. Box 94–40107, Muhoroni
All Churches Sacco Society Limited	P.O. Box 2036–01000, Thika
Ainabkoi Sacco Society Limited	P.O. Box 120–30101, Ainabkoi
Airports Sacco Society Limited	P.O. Box 19001–00501, Nairobi
Ardhi Sacco Society Limited	P.O. Box 28782–00200, Nairobi
Asili Sacco Society Limited	P.O. Box 49064–00100, Nairobi
Banana Hill Matatu Sacco Society Limited	P.O. Box 333–00219, Karuri
Bandari Sacco Society Limited	P.O. Box95011 –80104, Mombasa
Baraka Sacco Society Limited	P.O. Box 1548–10101, Karatina
Baraton University Sacco Society Limited	P.O. Box 2500–30100, Eldoret
Biashara Sacco Society Limited	P.O. Box 1895–10100, Nyeri
Bingwa Sacco Society Limited	P.O. Box 434–10300, Kerugoya
Boresha Sacco Society Limited	P.O. Box80–20103, Eldama Ravine
Capital Sacco Society Limited	P.O. Box 1479–60200, Meru
Centenary Sacco Society Limited	P.O. Box 1207–60200, Meru
Chai Sacco Society Limited	P.O. Box 278–00200, Nairobi
Chuna Sacco Society Limited	P.O. Box 30197–00100, Nairobi
Comoco Sacco Society Limited	P.O. Box 30135–00100, Nairobi
Cosmopolitan Sacco Society Limited	P.O. Box 1931–20100, Nakuru
County Sacco Society Limited	P.O. Box 21–60103, Runyenjes
Daima Sacco Society Limited	P.O. Box 2032–60100, Embu
Dhabiti Sacco Society Limited	P.O. Box 353–60600, Maua
Dimkes Sacco Society Limited	P.O. Box 886–00900, Kiambu
Dumisha Sacco Society Limited	P.O. Box 84–20600, Mararal
Eco-Pillar Sacco Society Limited	P.O. Box 48–30600, Kapenguria
Egerton Sacco Society Limited	P.O. Box 178–20115, Egerton
Elgon Teachers Sacco Society Limited	P.O. Box 27–50203, Kapsokwony
Elimu Sacco Society Limited	P.O. Box 10073–00100, Nairobi
Enea Sacco Society Limited	P.O. Box 1836–10101, Karatina
Faridi Sacco Society Limited	P.O. Box 448–50400, Busia
Fariji Sacco Society Limited	P.O. Box 589 –00216, Githunguri
Fortune Sacco Society Limited	P.O. Box 559–10300, Kerugoya
Fundilima Sacco Society Limited	P.O. Box 62000–00200, Nairobi
Gastameco Sacco Society Limited	P.O. Box 189–60101, Manyatta
Githunguri Dairy & Community Sacco Society Limited	P.O. Box896–00216, Guthunguri
Good Faith Sacco Society Limited	P.O. Box 224–00222, Uplands
Goodway Sacco Society Limited	P.O. Box 626–10300, Kerugoya
Gusii Mwalimu Sacco Society Limited	P.O. Box 1335–40200, Kisii
Green Hill Sacco Society Limited	P.O. Box 59–2020, Fortenan
Harambee Sacco Society Limited	P.O. Box 47815–00100, Nairobi
Hazina Sacco Society Limited	P.O. Box 59877–00200, Nairobi
Ilikisonko Sacco Society Limited	P.O. Box 91–00209, Loitokitok
Imarika Sacco Society Limited	P.O. Box 712–80108, Kilifi
Imarisha Sacco Society Limited	P.O. Box 682–20200, Kericho
Imenti Sacco Society Limited	P.O. Box 3192–60200, Meru
Jacaranda Sacco Society Limited	P.O. Box 4–00232, Nkubu
Jamii Sacco Society Limited	P.O. Box 57929–00200, Nairobi
Jitegemee Sacco Society Limited	P.O. Box 86937–80100, Mombasa
Jumuika Sacco Society Limited	P.O. Box 14–40112, Awasi
Kaimosi Sacco Society Limited	P.O. Box 153–50305, Sirwa
Kakamega Teachers Sacco Society Limited	P.O. Box 1150 –50100, Kakamega
Kathera Rural Sacco Society Limited	P.O. Box 251–60202, Nkubu
Keiyo Sacco Society Limited	P.O. Box 512–30700, Iten
Kenpipe Sacco Society Limited	P.O. Box 314–00507, Nairobi
Kenversity Sacco Society Limited	P.O. Box 10263–00100, Nairobi
Kenya Achivers Sacco Society Limited	P.O. Box 3080–40200, Kisii
Kenya Bankers Sacco Society Limited	P.O. Box 73236–00200, Nairobi

Name of Society	*Postal Address*
Kenya Canners Sacco Society Limited	P.O. Box 1124–01000, Thika
Kenya Highlands Sacco Society Limited	P.O. Box 2085–002000, Kericho
Kenya Midland Sacco Society Limited	P.O. Box 287–20400, Bomet
Kenya Police Staff Sacco Society Limited	P.O. Box 51042–00200, Nairobi
Kiambaa Dairy Rural Sacco Society Limited	P.O. Box 669–00219, Karuri
Kimbilio Daima Sacco Society Limited	P.O. Box 81–20225, Kimulot
Kingdom Sacco Society Limited	P.O. Box 8017–00300, Nairobi
Kipsigis Edis Sacco Society Limited	P.O. Box 228–20400, Bomet
Kite Sacco Society Limited	P.O. Box 2073–40100, Kisumu
Kitui Teachers Sacco Society Limited	P.O. Box 254–90200, Kitui
Kmfri Sacco Society Limited	P.O. Box 80862, Mombasa
Kolenge Tea Sacco Society Limited	P.O. Box 291–30301, Nandi Hills
Konoin Sacco Society Limited	P.O. Box 83 –20403, Mogogosiek
Koru Sacco Society Limited	P.O. Box Private Bag–40100, Koru
Kwale Sacco Society Limited	P.O. Box 123–80403, Kwale
Kwetu Sacco Society Limited	P.O. Box 818–90100, Machakos
K-Unity Sacco Society Limited	P.O. Box 268–00900, Kiambu
Lamu Teachers Sacco Society Limited	P.O. Box 110–80500, Lamu
Lainisha Sacco Society Limited	P.O. Box 272–10303, Wan'uru
Lengo Sacco Society Limited	P.O. Box 371–80200, Malindi
Mafanikio Sacco Society Limited	P.O. Box 86515–80100, Mombasa
Magadi Sacco Society Limited	P.O. Box 13–00205, Magadi
Magereza Sacco Society Limited	P.O. Box 53131–00200, Nairobi
Maisha Bora Sacco Society Limited	P.O. Box 30062–00100, Nairobi
Marsabit Teachers Sacco Society Limited	P.O. Box 90–60500, Marsabit
Mentor Sacco Society Limited	P.O. Box 789–10200, Murang'a
Metropolitan National Sacco Society Limited	P.O. Box 871–00900, Kiambu
Mmh Sacco Society Limited	P.O. Box 469–60600, Maua
Mombasa Port Sacco Society Limited	P.O. Box 95372–80104, Mombasa
Mudete Tea Growers Sacco Society Limited	P.O. Box 221–50104, Kakamega
Muhigia Sacco Society Limited	P.O. Box 83–10300, Kerugoya
Murata Sacco Society Limited	P.O. Box 816–10200, Murang'a
Mwalimu National Sacco Society Limited	P.O. Box 62641–00200, Nairobi
Mwietheri Sacco Society Limited	P.O. Box 2445–060100, Embu
Mwingi Mwalimu Sacco Society Limited	P.O. Box 489–90400, Mwingi
Muki Sacco Society Limited	P.O. Box 398–20318, North Kinangop
Mwito Sacco Society Limited	P.O. Box 56763–00200, Nairobi
2NK Sacco Society Limited	P.O. Box 12196–10100 Nyer
Nacico Sacco Society Limited	P.O. Box 34525–00100, Nairobi
Nafaka Sacco Society Limited	P.O. Box 30586–00100, Nairobi
Naku Sacco Society Limited	P.O. Box 16–00507, Nairobi
Nandi Farmers Sacco Society Limited	P.O. Box 333–30301, Nandi Hills
Nanyuki Equator Sacco Society Limited	P.O. Box 1098–Cx10400, Nanyuki
Narok Teachers Sacco Society Limited	P.O. Box 158–20500, Narok
Nassefu Sacco Society Limited	P.O. Box 43338–00100, Narobi
Nation Sacco Society Limited	P.O. Box 22022–00400, Nairobi
Nawiri Sacco Society Limited	P.O. Box 400–16100, Embu
Ndege Chai Sacco Society Limited	P.O. Box 857–20200, Kericho
Nest Sacco Society Limited	P.O. Box 14551–00800, Nairobi
Ndosha Sacco Society Limited	P.O. Box 532–60401, Chogoria, Maara
Ng'arisha Sacco Society Limited	P.O. Box 1199–50200, Bungoma
Nitunze Sacco Society Limited	P.O. Box 295–50102, Mumias
Nrs Sacco Society Limited	P.O. Box 575–00902, Kikuyu
Nufaika Sacco Society Limited	P.O. Box 735–10300, Kerugoya
Nyahururu Umoja Sacco Society Limited	P.O. Box 2183–20300, Nyahururu
Nyala Vision Sacco Society Limited	P.O. Box 27–20306, Ndaragwa
Nyambene Arimi Sacco Society Limited	P.O. Box 493–60600, Maua
Nyeri Teachers Sacco Society Limited	P.O. Box 1939–10100, Nyeri
Orient Sacco Society Limited	P.O. Box 1842–01000, Thika
Patnas Sacco Society Limited	P.O. Box 601–20210, Litein
Puan Sacco Society Limited	P.O. Box 404–20500, Narok
Qwetu Sacco Society Limited	P.O. Box 1186–80304, Wundanyi
Rachuonyo Teachers Sacco Society Limited	P.O. Box 147–40332, Kosele
Safaricom Sacco Society Limited	P.O. Box 66827–00800, Nairobi
Sheria Sacco Society Limited	P.O. Box 34390–00100, Nairobi
Shirika Sacco Society Limited	P.O. Box 43429–00100, Nairobi
Simba Chai Sacco Society Limited	P.O. Box 977–20200, Kericho
Siraji Sacco Society Limited	P.O. Box Private Bag, Timau
Skyline Sacco Society Limited	P.O. Box 660–20103, Eldama Ravine
Smart Champions Sacco Society Limited	P.O. Box 64–60205, Githingo

Name of Society	*Postal Address*
Stake Kenya Sacco Society Limited	P.O. Box 208–40413, Kehancha
Stegro Sacco Society Limited	P.O. Box 251–20400, Bomet
Stima Sacco Society Limited	P.O. Box 75629–00100, Nairobi
Sukari Sacco Society Limited	P.O. Box 841–50102, Mumias
Suba Teachers Sacco Society Limited	P.O. Box 237–40305, Mbita
Supa Sacco Society Limited	P.O. Box 271–20600, Maralal
Tai Sacco Society Limited	P.O. Box 718 –00216, Githunguri
Taifa Sacco Society Limited	P.O. Box 1649–10100, Nyeri
Taraji Sacco Society Limited	P.O. Box 605–40600, Siaya
Telepost Sacco Society Limited	P.O. Box 49557–00100, Nairobi
Tembo Sacco Society Limited	P.O. Box 91–00618, Ruaraka
Tenhos Sacco Society Limited	P.O. Box 391–20400, Bomet
Thamani Sacco Society Limited	P.O. Box 467–60400, Chuka
Transcounties Sacco Society Limited	P.O. Box 2965–30200, Kitale
Trans Nation Sacco Society Limited	P.O. Box 15–60400, Chuka
Times U Sacco Society Limited	P.O. Box 310–60202, Nkubu
Tower Sacco Society Limited	P.O. Box 259–20303, Ol'Kalou
Transcom Sacco Society Limited	P.O. Box 19579–00202, Nairobi
Trans- Elite County Sacco Society Limited	P.O. Box 847–030300, Kabsabet
Trans-National Times Sacco Society Limited	P.O. Box 2274–30200, Kitale
Ufanisi Sacco Society Limited	P.O. Box 2973–00200, Nairobi
Uchongaji Sacco Society Limited	P.O. Box 925–80102, Mombasa
Ufundi Sacco Society Limited	P.O. Box 11705–00400, Nairobi
Ukristo Na Ufanisi Wa Angalicana Sacco Society Limited	P.O. Box 872–00605, Nairobi
Ukulima Saco Society Limited	P.O. Box 44071–00100, Nairobi
Unaitas Sacco Society Limited	P.O. Box 1145– 10200, Murang'a
Uni-County Sacco Society Limited	P.O. Box 10132–20100, Nakuru
United Nations Sacco Society Limited	P.O. Box 30552–00100, Nairobi
Unison Sacco Society Limited	P.O. Box 414–10400, Nanyuki
Universal Traders Sacco Society Limited	P.O. Box 2119– 90100, Machakos
Vihiga County Farmers Sacco Society Limited	P.O. Box 309–50317, Chavakali
Vision Point Sacco Society Limited	P.O. Box 42–40502, Nyansiongo
Vision Africa Sacco Society Limited	P.O. Box 18263–20100, Nakuru
Wakenya Pamoja Sacco Society Limited	P.O. Box 829–40200, Kisii
Wakulima Commercial Sacco Society Limited	P.O. Box 232–10103, Mukurweni
Wanaanga Sacco Society Limited	P.O. Box 34680–00501, Nairobi
Wananchi Sacco Society Limited	P.O. Box 910–10106, Othaya
Wanandege Sacco Society Limited	P.O. Box 19074 –00501, Nairobi
Wareng Sacco Society Limited	P.O. Box 3466–30100, Eldoret
Washa Sacco Society Limited	P.O. Box 83256–80100, Mombasa
Waumini Sacco Society Limited	P.O. Box 66121–00800, Nairobi
Wevarsity Sacco Society Limited	P.O. Box 873–50100, Kakamega
Winas Sacco Society Limited	P.O. Box 696–60100, Embu
Yetu Sacco Society Limited	P.O. Box 511–60202, Nkubu

SCHEDULE II: RESTRICTED LICENSES FOR THE PERIOD ENDING 30TH JUNE, 2015

Name of Society	*Postal Address*
Miliki Sacco Society Limited	P.O. Box 43582–00100, Nairobi
Nyamira Sacco Sciety Limited	P.O. Box 633–40500, Nyamira
Moi University Sacco Society Limited	P.O. Box 23–30107, Moi University
Maono Daima Sacco Society Limited	P.O. Box 41–20424, Amalo
Nandi Hekima Sacco Socity Limited	P.O. Box 211–30300, Kapsabet

Dated the 20th January, 2015

CARILUS ADEMB

Chief Executive C

MR/6742301