

Effects of credit policy on performance of saving and Credit-society in Kenya. A-survey of metropolitan teachers Society and Githunguri dairy farmers society in Kiambu District

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Abstract:

A SACCO is a form of financial institution formal in nature controlled, used and democratically governed by members themselves. Its purpose was to -encourage saving among members and using the pooled funds to make loans to its members at reasonable rates of interest and providing related financial services to enable members improve their economic and social conditions, The study intended to identify the effects of credit policy used by SACCOs on its performance in Kiambu District. It was motivated by the fact that currently large populations of its members were seeking financial services from other financial institutions especially commercial banks which threatened its survival into the future. This was because the stringent and traditional credit policy of SACCOs caused delay in service delivery and limited the amount of loan advanced which made them unattractive to customers. During the years the main loan security for SACCOs was members salary and his/her good character while banks required collaterals such as title deed which was more demanding to acquire. At present SACCOs were facing stiff competitions due to this, hence the need for demands of its credit policy in order to improve its performance against its rivals. The study was guided by the following objectives, to establish the effect loan terms and conditions on performance of SACCOs; to examine the effect of loan procedures and performance of SACCOs; and to examine the effect of credit information and length of credit relationship with the SACCOs on the performance of the SACCOs. The study was carried out using descriptive research design and its target population comprised of credit appraisal staff of Metropolitan Teachers SACCO and Githunguri Dairy farmers Society in Kiambu District. The credit officers provided information or data concerning the SACCO itself. Data was collected using questionnaires. Piloting was done to ensure reliability and validity of research instruments. Data was coded and analyzed using statistical package for social sciences (SSPS). Variables were measured mainly using nominal scale and analyzed using Chi-square tests. Finally the SACCOs should review their credit policies regularly in order for them to remain competitive against the changing lending environments. Hence more study should be done.