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Effect of Credit Information Influence Loan Volume Granted By Selected Deposit Taking Saccos in Nyeri County, Kenya

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Abstract: *SACCO's are restricted in terms of where to invest their funds of deposits, SACCO Act (2008). This research was designed to investigate the credit information influence loan volume granted by selected deposit taking SACCOs in Nyeri County in Kenya. The study was guided by the following objectives borrowers credit history, the account movement of borrowers and to identify client morals or ethics of borrowers. The target population of the study was selected from all SACCO employees of the five licensed deposit taking SACCOs in Nyeri County. The total target population is 135. The researcher used stratified random sampling technique resulting to a sample size of 100 respondents. Data from the respondents was done by use of questionnaires which contained both open and closed ended questions. Data analysis involved the use of inferential statistics especially the correlation coefficient (r) and coefficient of determination (r^2) which is a simple descriptive statistics. Data analysis was carried out with the aid of Statistical Package for Social Science (SPSS 22.0). The p - values obtained from the data analysis using SPSS were used to test the hypothesis and determine the statistical significance of each hypothesized factor The data is presented in the form of frequency distributions, percentages, bar graphs and pie charts. The study was carried out to establish effects of loan terms and conditions on loan volume granted by SACCOs in Nyeri County. The study revealed that, loan loan grated to customers have significant influence on the loan volume granted by deposit taking SACCOs in Nyeri County according to the evidence gathered, the $p-$values were less than the acceptable significance level (α); hence the null hypothesis is rejected. The study recommends that SACCOs should review their loan granted regularly in order for them to remain competitive against the changing lending environment and that the credit policy should be flexible and responsive enough to the lending environment in order to suit various categories of the customers and situations. This will boost the volumes of loans granted by SACCOs. The researchers also suggested on areas of further study since this research dealt with only one effect that is credit policy on the loan volume advanced by deposit taking SACCOs in Nyeri County.*

I. Background of the Study

The formal and informal financial sector comprises players from banking industry, micro finance institutions, capital markets, insurance companies, mutual funds and development finance institutions, CBK (2007). A Study by ICA (2002) shows that, in Kenya, SACCOs (Savings and Credit Co-operative Societies; owned, governed and managed by its members who have the same objectives) remain the most important players in provision of financial services and have deeper and extensive outreach than any other type of financial institution. SACCO societies are playing a very key role on savings mobilization for the benefit of the members, Branch (2005). SACCOs are registered and regulated under the Co-operative Societies Act.

SACCO is required in the Vision 2030 strategy among other things to play a critical role in mobilizing the savings and investments for development of the country by providing better intermediate between savings and investments than at present.

SACCO credit policy is a statement of its philosophy, standards, and guidelines that its credit appraisal staff must observe in granting or declining a loan request. These polices determine which loans will be approved and which will be declined and must be based on the country's relevant laws and regulations, Kantor & Maital (2009). SACCOs use stringent credit policy thus losing customers to other institutions with lenient credit policy; this has led to decline of loans granted. Credit policies adopted by SACCOs influence the volume of loans procured by the SACCOs, hence the competitiveness of the SACCOs in lending and thus performance in the industry. The loan policy gives the management specific guidelines in making individual loan decision and in shaping the institution's overall loan portfolio, Kenya Societies Act (2008). This ensures that regulatory standards are met and promotes profitability in the organization. The commercial banks review loans more efficiently such that they are able to top up loans faster for instance, due to use of modern technology unlike SACCOs, Rose (2002).

SACCO's are restricted in terms of where to invest their funds of deposits, SACCO Act (2008).The Societies Act 2008 requires that, loan policy and procedures manual specifying the criteria and procedures applicable in the evaluation, processing, approval, documentation and release of loan credit facilities is put in writing by every licensed society. Loans must be distributed according to the established credit policy and procedures as argued by Kairu (2009).

1.1 Statement of the problem

SACCO's are restricted in terms of where to invest their funds of deposits, SACCO Act (2008).The Societies Act 2008 requires that, loan policy and procedures manual specifying the criteria and procedures applicable in the evaluation, processing, approval, documentation and release of loan credit facilities is put in writing by every licensed society. This research was designed to investigate the credit information influence loan volume granted by selected deposit taking SACCOs in Nyeri County in Kenya. The study was guided by the following objectives borrowers credit history, the account movement of borrowers and to identify client morals or ethics of borrowers

1.2 Purpose of the Study

The purpose of the study to ascertain how client credit information influence loan volume granted by selected deposit taking SACCOs in Nyeri County in Kenya to discover new and useful knowledge and give recommendations.

1.3.2 Specific Objectives

i. To establish the borrowers credit history
ii. To determine the account movement of borrowers
iii. To identify client morals or ethics of borrowers

1.4 Hypothesis

H_0: Client credit information has no significant effect on the loan volume granted by selected deposit taking SACCOs in Nyeri County.

H_1: Client credit information has significant effect on the loan volume granted by selected deposit taking SACCOs in Nyeri County.

1.5 Scope of the Study

The research study analyzed the effects of credit policy on the loan volume granted by selected deposit taking SACCOs in Nyeri County in Kenya. The study dealt with only one effect that is credit policy, on the loan volume advanced by deposit taking SACCOs in Nyeri County. Five deposit taking SACCOs in Nyeri County were covered in the study namely: Biashara, Nyeri Teachers, Taifa, Wakulima Dairy and Wananchi SACCO Society Limited. This is because they were licensed deposit taking SACCOs in Nyeri County and thus their information was easily available from the SACCO regulatory body (SASRA) reports. The study was carried out from the month of October 2013 to April 2014. The total number of employees from the five licensed deposit taking SACCOs in Nyeri County was 135, SACCOs Human Resource Department (2013), SASRA Supervisory Report (2012) and KUSCCO reports (2012). Out of the 135 SACCO employees, there were 100 respondents for the purpose of the research. To enable correct sampling procedures and sample size use, the researcher first understood the five SACCO executive board members, management team and credit officers' structure.

1.6 Justification of the Study

The study was carried out to establish whether credit policy has a major influence on the loan volume granted by selected deposit taking SACCOs in Nyeri County. It was hoped that the results from the study will be useful to SACCOs in creating a competitive edge against their competitors. The researcher also suggested on areas of further study since this research dealt with only one effect (credit policy) of loan volume granted by selected deposit taking SACCOs in Nyeri County.

1.7 Significance of the Study

The SACCOs will have an advantage over their competitors from the study in that they will be able to compete favorably by adopting sound loan policies which will stimulate economic development in the country. Amendments in the governing credit policy that impedes SACCO's competitiveness against its rivals due to poor loan volume granting was suggested in the study for consideration by commission of co-operatives to assist in formulating a prudent credit policy. The study will assist the government in achieving the Millennium Development Goals if the measures to be recommended will be adopted; since these measures will ensure the sustainability and future survival of SACCOs is achieved. This will be crucial for employment creation and poverty alleviation. The study finding will help the prospective loan seekers to make an optimal decision whereby they will be able to choose a source of finance with minimum cost and more benefits both in the short run and long run. Hence their choice of either SACCO or commercial bank loan will be a knowledgeable decision unlike the current scenario where many people are ignorant about the terms of credit policy.

1.8 Limitation of the study

The study dealt with busy employees of the five licensed deposit taking SACCOs in Nyeri County who required ample time to respond adequately to the questionnaire. This could have influenced the result of the study and thus the researcher used drop and pick method to administer the questions in the questionnaires, since it allows the respondents to have ample time to complete the questionnaires.

1.9 Delimitation of the study

The research was narrowed down to licensed deposit taking SACCOs in Nyeri County, since their information was easily available at the SACCO regulatory body reports. This assisted the researcher in using accurate information resulting to findings with minimum errors. Also accurate data projects more on what the entire population is thinking.

1.10 Assumption of the Study

i. Every staff of the SACCO understands by-laws and credit policy of the SACCO.
ii. Every staff of the SACCO understands the difference between SACCO credit policy and by-laws.

II. Literature Review

2.0 Introduction

This chapter gives the background information that assisted the researcher to have a wide understanding of the research area. It therefore presents a review of works done, some by scholars on area of credit policy of saving and credit co-operative organizations.

2.1 Scholarly Review of Literature

SACCOs offers services to individuals who must first save some of their incomes with them and apply for credit commensurate with their savings. The credit is not always going to be availed promptly mainly because of the credit policies that are followed within the SACCOs hence the need to investigate the effects of credit policy of such financial organizations**.**

2.1.2 Client Credit Information

This refers to information supplied by a credit agency of the economic circumstances of the borrower. The information helps lenders assess the risk of lending money to loan applications. Many different scoring systems exist, but they all use the borrower’s credit history to predict the likelihood of repayment, based on the past behavior of borrowers with similar profiles. Credit information and length of lending relationship with the SACCO are among the most important factors when a SACCO makes a decision to reject or approve an applicant loan request and thus they affect the loan volume granted by SACCOs t, Abdou H. & Pointon J. (2011). Boah (2010) adds that a credit policy is the primary means by which senior management and the Board of an institution guides the lending activities. The management uses the account movement of the client to determine the ability of repayment of loan by the client.

Riach (2010) forwards that a credit policy enables a SACCOs to limit bad debts and improve cash flows since loans are in most cases the core business activities in SACCOs. The credit policy also assures a degree of consistency among customers by writing down what is expected of each client as well as ensuring consistence in handling borrowing among customers. In the study by Mbaabu (2004), it was found that poor management of business, delays in approval, project under financing and lending not based on security, among others, affected growth of wealth. The study recommended that there was need for information system implementation, segmentation of non-performing loans and reassignment of loans to respective risk departments and quality appraisal of applicants. The main concern of this study by Mbaabu (2004) was on loan delinquency. The study, therefore, failed to identify other factors that lead to growth of wealth. It never said what led to growth of wealth. Adeyemo and Bamire (2005) in their study found that unavailability and inadequacy of credit was a major problem; loan repayment and amount of money borrowed were significant variables that influenced saving patterns; and fund borrowed significantly influenced investment patterns. This led to their making recommendation that saving and investment level could be enhanced if loans were adequately made available and proper supervision and monitoring of funds were put in place. The study by Adeyemo and Bamire (2005) identified lack of funds and poor stewardship and the challenges to growth of wealth. It did not identify the allocation as a determinant of growth of loan volume granted by SACCOs.

2.2 Theoretical Literature

SACCOs are required to meet their member's socioeconomic objectives at the same time maintain its financial viability. Its success/failure in members financing as well as its financial position therefore relies on its credit policy.

2.2.1 Asymmetric Information Theory

The theory of asymmetric information argues that it may be impossible to distinguish good borrowers from bad borrowers, Auronen (2003) which may result in adverse selection and morals hazards problems. Adverse selection and moral hazards have led to substantial accumulation of non-performing accounts in SACCOs. The very existence of SACCOs is often interpreted in terms of its superior ability to overcome three basic problems of information asymmetry, namely ex ante, interim and ex post, Deventer (1993).

2.3 Empirical Review

Credit policy whether stringent or liberal is composed of lending terms which are the methods used to analyze credit requests and used in decision making. Lending terms are therefore are a combination of credit conditions and standards of advancing credit. Recovery includes all efforts of collecting loan balances in arrears to maintain a profitable loan portfolio, Alexis (2010). Boah (2010) adds that a credit policy is the primary means by which senior management and the Board of an institution guides the lending activities. It therefore provides the scope for achieving the loan portfolio quality and returns, guides the risk tolerance levels in a manner commensurate with the institutions strategic direction.

2.5 Conceptual Framework

Independent Variables

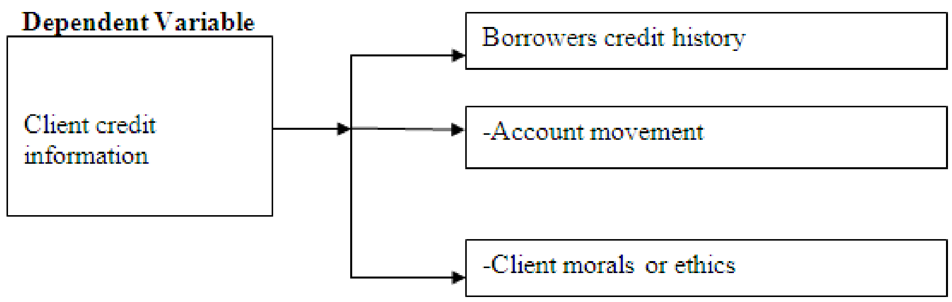

Figure 2.2 Operational Framework

Source: Author (2013)

III. Research Methodology

3.0 Introduction

This chapter contains the research methodology which was used for the study. It specifically addresses the research design, population, sampling technique, instruments of data collection and data analysis.

3.1 Research Design

The research design used in this study was descriptive survey. Descriptive Survey is a method of collecting or administering questionnaires to a sample of individuals, Orodho (2003). Orodho & Kombo (2003) notes that descriptive survey research is intended to produce statistical information about aspects of the population that interest policy makers without manipulating any variables. The study aimed at collecting information from respondents on their attitudes and opinions in relation to the effects of credit policy on the loan volume granted by SACCOs. The study used primary data that was obtained from questionnaires. Also to obtain the degree of relationship that exists between the variables, the researcher used correlational design. Correlational design analyzes the correlation between two or more variables, Orodho (2003).

3.2 Target Population

The total number of employees from the five licensed SACCOs in Nyeri County was 135, thus the target population for this study is 135, SACCO Human Resource Department (2013) SASRA Supervisory Report (2012) and KUSCCO report (2012).

The research dealt with only the five licensed deposit taking SACCOs in Nyeri County since their information was easily available and therefore it helped in using accurate and needed information in answering the objectives of the study. The target population comprised the SACCO Executive Board Members which included C.E.O., Chairman, Operations Manager and members, Management Team which included Branch Managers, Head of various SACCO Departments which included Credit, Debt Recovery, Portfolio or Investment, Marketing, Administration, Legal, Audit, Accounts, IT, Procurement and Human Resources department and SACCO Credit Officers. The study drew conclusive information from the target population which helped in critical decision making and in answering the objectives of the study.

Table 3.1: Target population

		Target Population Categories			
	SACCO	**SACCO Executive Board Members**	**SACCO Management Team**	**SACCO Credit Officers**	**Total Target Population**
1	**Biashara SACCO Society Limited**	9	14	5	28
2	**Nyeri Teachers SACCO Society Limited**	4	12	6	22
3	**Taifa SACCO Society Limited**	11	14	7	34
4	**Wakulima Dairy SACCO Society Limited**	11	15	4	30
5	**Wananchi SACCO Society Limited**	4	12	5	21
	TOTAL	**41**	**67**	**27**	**135**

Source: KUSCCO Report (2012), MCDM Report (2012), SACCO Human Resource Department (2013) and SASRA Supervisory Report (2012)

3.3 Sampling procedure and size

Since the target population was stratified according to the five SACCOs, the researcher used stratified random sampling technique which involves dividing the target population into homogeneous subgroups, or strata, and then randomly selecting the final subjects proportionally from the different strata, Mugenda O. & Mugenda A. (2003). This type of sampling is used when the researcher wants to highlight specific subgroups within the population. Each SACCOs was divided into three categories, that is, SACCO Executive Board Members, Management Team and Credit Officers. The sampling technique used in social science research was used. The following formula was used to get the desired sample size from the target population.

$$n = \frac{z^2 pq}{d^2}$$, Mugenda O. & Mugenda A. (2003)

Where:

$n =$ The desired sample size if the target population is greater than 10,000.

$z =$ The standard normal deviation at the required confidential level.

$p =$ Proportion in the target population estimated to have characteristics being measured.

$q = 1 - p$

$d =$ The level of statistical significance set (Statistical significance is the probability that an effect is not due to just chance alone).

If there is no estimate available for the proportion in the target population assumed to have the characteristics of interest, 50% should be used as recommended by Fisher et al. (1985).

Using the z-statistic of 1.96 and if the researcher desired an accuracy at the 0.05 level, then the sample size is

$$n = \frac{(1.96)^2 (0.5)(0.5)}{(0.05)^2} = 384$$

If the target population is less than 10,000, the required sample size will be smaller. In such case, we calculate a final sample estimate (n_f) using the following formula:

$$n_f = \frac{n}{1 + (n / N)}$$

Where: n_f = The desired sample size if the target population is less than 10,000

n = The desired sample size if the target population is greater than 10,000 that is 384

N = The estimate of the population size, in this case it was 135, Mugenda O. & Mugenda A. (2003).

Thus $$n_f = \frac{n}{1+(n/N)} = \frac{384}{1+(384/135)}$$

$$\approx 100$$

This sampling technique was an appropriate technique because it ensured that all SACCO Executive Board Members, Management Team and Credit Officers to be sampled had an equal chance of being included in the samples that yielded the data that would be generalized within minimal margin of error and would be determined statistically, Borg R.W. & Gall P. G. (1996) and Mugenda O. & Mugenda A. (2003).

The following stratified random sampling formula was used to select a sample size for each stratum

$$Z = \frac{a}{b} * n$$

Where: $Z =$ The sample size for each stratum

$a =$ The population of each stratum

$b =$ The target population for the survey which in this case, it was 135

$n =$ The desired sample size, in this case, it was 100

The sample size was from the five stratums as per the table below. The research sample size was approximately 100 respondents drawn from the five licensed deposit taking SACCOs in Nyeri County.

Table 3.2: Sample size

	SACCO	Target Population Categories				Sample Size			
		SACCO Executive Board Members	SACCO Management Team	SACCO Credit Officers	Total Target Population	SACCO Executive Board Members	SACCO Management Team	SACCO Credit Officers	Total Sample Size
1	Biashara SACCO Society Limited	9	14	5	28	7	10	4	21
2	Nyeri Teachers SACCO Society Limited	4	12	6	22	3	9	4	16
3	Taifa SACCO Society Limited	13	14	7	34	10	10	5	25
4	Wakulima Dairy SACCO Society Limited	11	15	4	30	8	11	3	22
5	Wananchi SACCO Society Limited	4	12	5	21	3	9	4	16
	TOTAL	**41**	**67**	**27**	**135**	**31**	**49**	**20**	**100**

Source: Author (2014), KUSCCO Report (2012), MCDM Report (2012), SACCO Human Resource Department (2013) and SASRA Supervisory Report (2012)

3.4 Research Instruments

The data was collected using structured and non-structured questionnaires. Open and closed ended questions were asked in order to get the answers sought by the research questions. This method was chosen primarily due to its practicability and applicability to the research problem and the size of the population. It was chosen due to its invaluable simplicity and sense of anonymity by the respondent. It' truthful and gives respondents ample time to respond to the questions, Mugenda O. & Mugenda A. (1999) and Orodho and Kombo (2003). They were also meant to ensure that a wider range of respondents' perception was captured.

The administration of the questionnaires was done by "drop and pick" method as it allowed ample time to complete the questionnaires. The respondent's approval to participate in the study was sought before administering the questionnaires. A letter of identification introducing the researcher was also obtained from the Institution of learning.

3.5 Data Analysis and Presentation

The data collected from the questionnaire was carefully organized according to the research questions. For the closed ended questions, a code was assigned to each category whereas for the open ended, the responses were listed and tally marks used to note the identical ones. Data analysis involved the use of inferential statistics especially correlation coefficient (r) which is a simple descriptive statistics. Trochim (2008) inferential statistics is carried out to draw conclusions about the unknown parameters of a population based on statistics, which describes a sample from that population, thus inferential statistics enabled the researcher to infer the sample results to the population.

Data analysis was carried out with the aid of Statistical Package for Social Science (SPSS) 22.0 version. SPSS allows extensive data-handling capabilities and numerous statistical analysis routines that can analyze small to very large amounts of data statistics. The data was presented in the form of frequency distributions, percentages, bar graphs and pie charts

3.6: Hypothesis Testing

The p - values that was obtained from the data analysis using SPSS was used to test the hypothesis and determine the statistical significance of each hypothesized factor. In statistical significance testing, the p-value is the probability of obtaining a test statistic at least as extreme as the one that was actually observed, assuming that the null hypothesis is true.

According to the electronic textbook, StatSoft (1984-2008) one could say that the statistical significance of a result tells us something about the degree to which the result is "true", in the sense of being "representative of the population". More technically, the value of the p-value represents a decreasing index of the reliability of a result. A 0.05 level of significance is the standard margin of error recognized in most areas of researchers, meaning that probability of error that is involved for most researchers is 5% of their results. A researcher often "rejects the null hypothesis" when the p-value turns out to be less than the significance level, in this case the significance level was 0.05. Such a result indicates that the observed result would be highly unlikely under the null hypothesis.

Many common statistical tests, such as z-tests or Pearson's chi-squared test, produce test statistics which can be interpreted using p-values. The researcher used the z-test since the sample size (which was 100) was greater than 30. Z-test was used also because even when the data do not follow a normal distribution, it can still be possible to approximate the distribution of these tests statistics by a normal distribution by invoking the central limit theorem for large samples, as in the case of Pearson's chi-squared test.

The analysis also used inferential statistics, coefficient of determination (r^2) to test the hypothesis. It was useful because it gives the proportion of the variance (fluctuation) of one variable that is predictable from the other variable. It is a measure that allows the researcher to determine how certain one can be in making predictions from a certain representation. The coefficient of determination is the ratio of the explained variation to the total variation. The coefficient of determination is such that $0 \leq r^2 \leq 1$, and denotes the strength of the linear association between two variables.

The analysis in addition used inferential statistics, the correlation coefficient (r) to test the hypothesis. The correlation coefficient (r) informs the researcher the magnitude of the relationship between two variables. In addition it enables a researcher to assess the strength of a relationship between the dependent variable and independent variables. It also shows the direction of the relationship between the two variables. The value of r is such that r lies between -1 to +1 that is $-1 \leq r \leq +1$. The + and – signs are used for positive and negative correlations respectively.

The study was carried out to establish the relationship between the effects of credit policy (independent variables) on loan volume granted by selected deposit taking SACCOs in Nyeri County (dependent variable).
In a nutshell hypothesis testing was as per the table below

Table 3.3: Hypothesis Testing

	Hypothesis	Test Statistic	Results Interpretation
i. i.	H_0: Client credit information has no significant effect on the loan volume granted by selected deposit taking SACCOs in Nyeri County	• Z-test • Correlation determination	If p-value < 0.05, then the result would be considered statistically significant and the null hypothesis would be rejected.
ii. ii.			

Source: Hill T. & Lewicki P. (2007) and Hardy M. (2004, March 26)

3.7 Research Reliability and Validity of the Data

Reliability of the research instruments used enhanced the quality of the research. The reliability of the tools used in the study was enhanced through ensuring that all respondents remained anonymous. Questions were prepared in such a way that respondents were able to provide required responses with ease. Validity of the measuring instruments refers to the degree to which the tools used measure what was intended to be measured thus enabling obtaining data and analyzing it accurately to actually represent phenomenon under study.

3.8 Ethical Issues

In this study, the researcher sought permission from SACCO Management to carry out the detailed research. A cover letter accompanied the questionnaires requesting cooperation from the respondents, a statement of confidentiality and a copy of a letter from the University indicated that the study was purely for academic purposes and all ethical practices were to be respected.

IV. Data Analysis And Presentation

4.0 Introduction

This chapter presents data from the field and it is analyzed inform of research objectives. The researcher tested the research hypothesis and conclusions are provided at the end of the chapter.

4.1 General information

4.1.1 Gender of respondent

The data gathered from the field showed that 54% of the respondents were male while 46% were female hence the respondents were evenly represented.

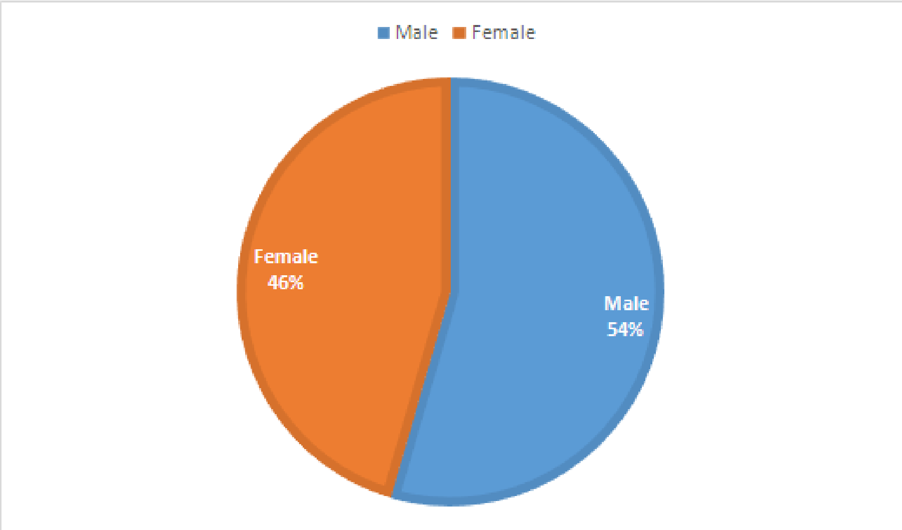

Figure 4.1: Gender

Source: Research Data (2014)

4.1.2 Age of respondent

The researcher had wished to gather data from different age groups in the field. Data showed that 38% of the respondents were aged between 18 and 30 years, 36% aged between 31 and 40 years, 20% aged between 41 and 50 years while 5% were above 50 years. This showed that workers in SACCOs are youthful and full of energy and are evenly represented.

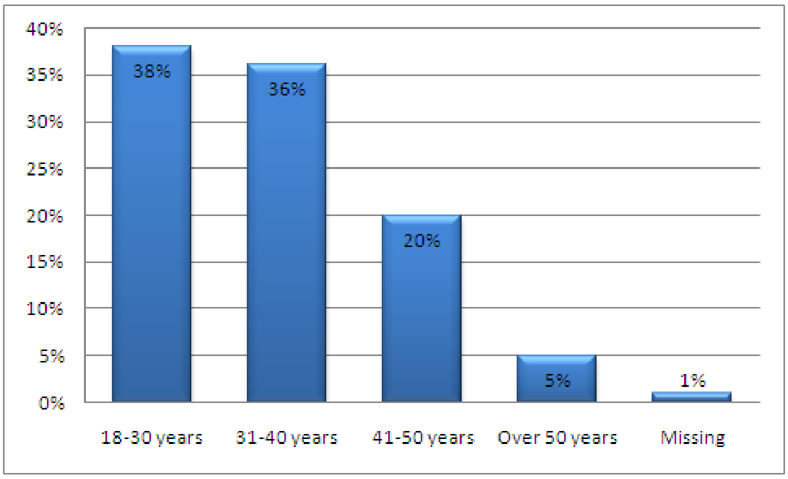

Figure 4.2: Age of Respondents

Source: Research Data (2014)

4.1.3 Length of Employment

Length of employment shows the experience level of the employees and how they are conversant with the organization. The data showed that 11% of the respondents served for less than a year, 17% served between one and two years and 71% had served over two years. This showed that most of the respondents had worked for long time within their SACCOs, hence were in a position to provide relevant data.

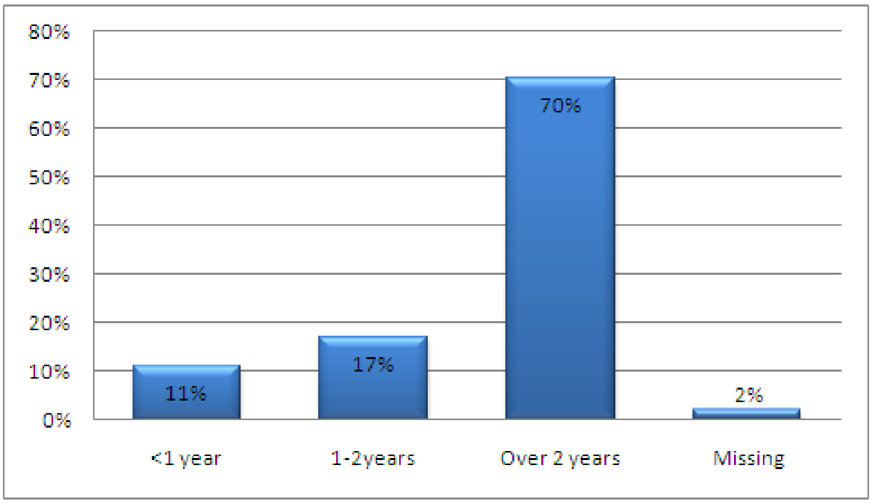

Figure 4.3: Length of Employment

Source: Research Data (2014)

4.1.4 Respondents position

The type of information the researcher wanted was to be gotten from SACCO Executive Board members, management team and credit officers, the researcher found that 31% were executive board members, 49% were management team and 20% were credit officers.

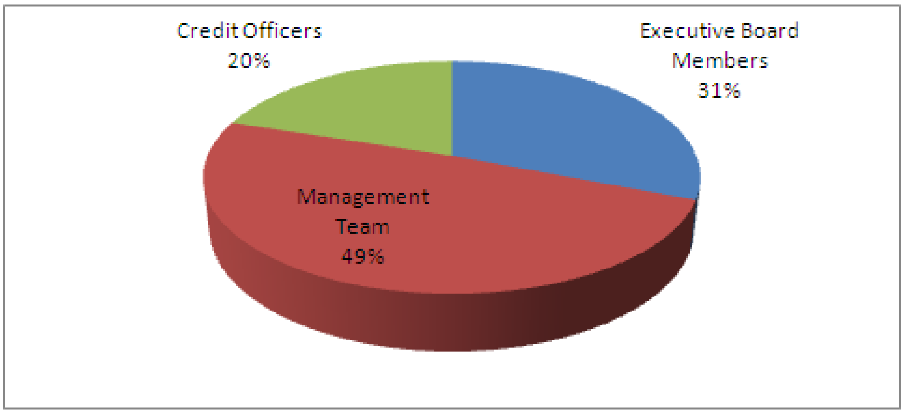

Figure 4.4: Respondents Position

Source: Research Data (2014)

4.1.5 Highest level of education

From the information gathered in the field, 17% of the respondents had a diploma, 62% were undergraduates while 21% were post graduates. This showed that the level of education in SACCOs was high hence the SACCOs were attracting educated persons in their work.

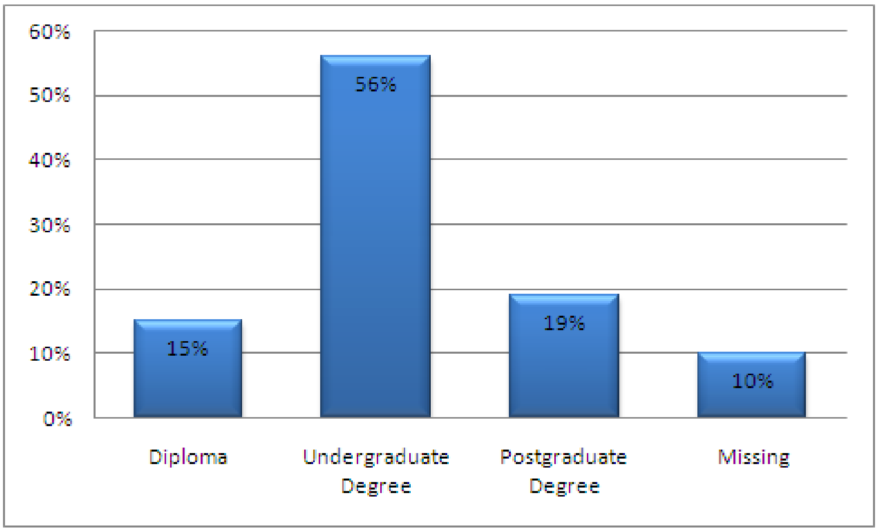

Figure 4.5: Highest Level of Education

Source: Research Data (2014)

4.2 Credit Policy

The researcher sought to establish whether Credit policy has an effect on loan volume granted by licensed deposit taking SACCOs in Nyeri County. Hence the information given out by respondents will try to establish the level of effect.

4.2.1 Effect of SACCO by-laws

The researcher sought to establish the effect of SACCO by-laws on credit policy. Data from the respondents showed that 7% indicated they have no effect, 34% showed they have medium effect and 59% have high effect. Hence the conclusion that SACCO by-laws have huge effect on credit policy which directly effect on loan volume granted to the members.

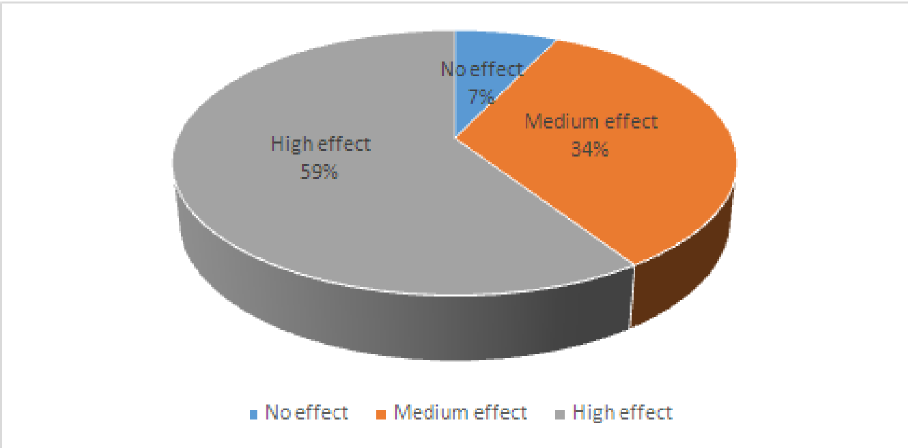

Figure 4.6: Effect of SACCO By-Laws

Source: Research Data (2014)

4.3 Loan Term and Condition

The first objective was on loan term and conditions and its effect on SACCOs credit policy. The researcher sought to find out effects on loan terms and condition on the SACCO credit policy.

4.3.1 Repayment schedules for SACCO loans

The researcher found out that the repayment schedules were negotiated with the client before issue of the loan (7%), 60% said they were pegged to the type of the loan, 15% said they were dependent on the principal amount of the loan and 18% stated they were fixed by the SACCO.

Table 4.1: Repayment schedules for SACCO loans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Negotiated with the client	7	7.0	7.0	7.0
	Pegged to the type of the loan	60	60.0	60.0	67.0
	Dependent on the principle amount of the loan	15	15.0	15.0	82.0
	Fixed by the SACCO	18	18.0	18.0	100.0
	Total	100	100.0	100.0	

Source: Research Data (2014)

4.3.2 Interest rate charge on Loans

The researcher sought to find out how the SACCO set the interest rates they charge on the loan. 52% of the respondents stated it was at a subsidized rate, 40% said it was set at the prevailing market rate while 8% stated it was set at a premium rate. This basically showed that the members have comfortable with the interest rate charged on the loans.

Table 4.2: Interest rate charge on Loans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	At a subsidized rates	51	51.0	52.0	52.0
	At the prevailing market rate	39	39.0	39.8	91.8
	At a premium rate	8	8.0	8.2	100.0
	Total	98	98.0	100.0	
Missing	System	2	2.0		
Total		100	100.0		

Source: Research Data (2014)

4.3.3 Customers ability to repay loan consideration in loan grant

The researcher wanted to establish to what extent does the customers' ability to repay a loan is considered when granting or declining the loan application. 1% stated to a very small extent, 4% to a small extent, 28% to a large extent and 68% to a very large extent.

Table 4.3: Customers ability consideration in loan grant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To a very small extent	1	1.0	1.0	1.0
	To a small extent	4	4.0	4.0	5.1
	To a large extent	28	28.0	28.3	33.3
	To a very large extent	66	66.0	66.7	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

Source: Research Data (2014)

4.3.4 Effect of client credit limit on loan application

The researcher wanted to establish whether client credit limit affects loan application. 6% of respondents disagreed, 36% agreed while 58% strongly agreed that client credit limit affect loan application in SACCOs.

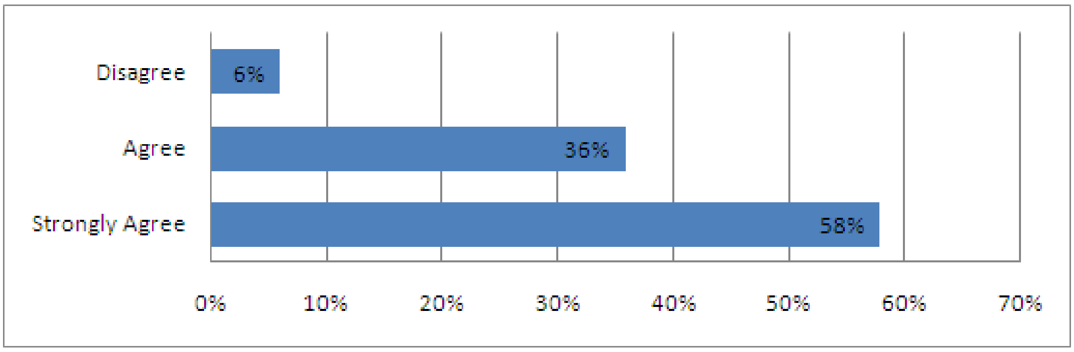

Figure 4.7: Effect of client credit limit on loan application

Source: Research Data (2014)

4.4 Client Credit Information

Credit information is crucial in helping financial institution monitor loans and establish default rate. In Kenya a credit bureau has been set up and has not been effective.

The researcher wanted to know on the information SACCOs rely in granting or declining a loan. 80% stated they relied on borrowers credit at a great extent, 65 % relied on account movement at a great extent while over 50% relied on clients morals and ethics. The data showed on the importance of client credit information in strengthening credit policies of SACCOs which have a great effect on loan volumes grated by the SACCOs.

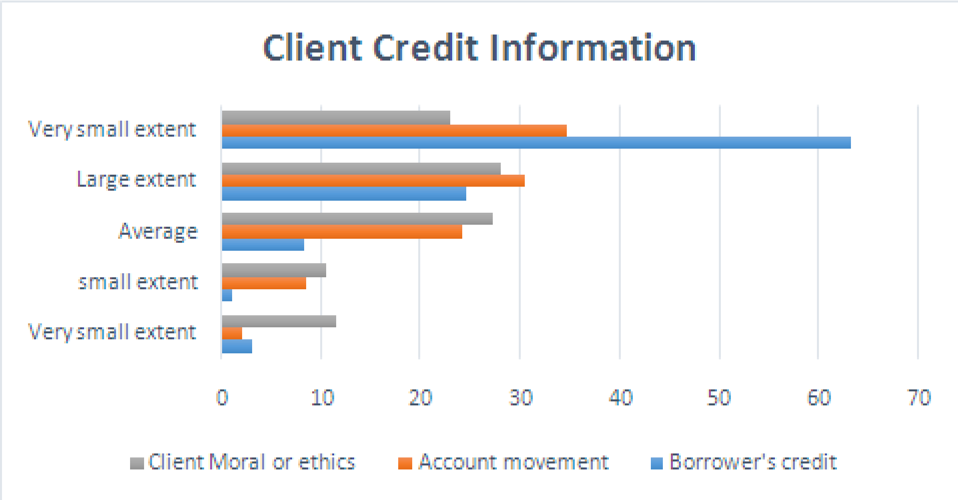

Figure 4.8: Credit Client Information

Source: Research Data (2014)

4.8.2 Test of hypothesis of Client Credit Information

There is a positive relationship between client credit information and loan volume granted by deposit taking SACCOs as indicated by correlation of 0.417. The p-value of 0.000 is less than the acceptable significance level (α) of 0.05; hence the null hypothesis that client credit information has no significant effect on the loan volume granted by deposit taking SACCOs is rejected. This shows that the sampled data can be applied to the general population at 95% confidence level than

A study by Abdou H. & Pointon J. (2011) have the same view that credit information and length of lending relationship with the SACCO are among the most important factors when a SACCO makes a decision to reject or approve an applicant loan request thus these affects the loan volume granted by SACCOs.

V. Summary, Conclusions And Recommendations

5.0 Introduction

This chapter presents a summary of major findings, conclusion and recommendations of the study based on the results and findings in chapter four. The findings and conclusions were based on the specific objectives of the study and the results of analyzed data from the data collection instruments. The recommendations were drawn from both the study findings and the conclusions of the research. In this section the interpretation of the results is also provided.

5.1 Summary of the major findings

The researcher sought to establish whether Credit policy has an effect on loan volume granted by selected deposit taking SACCOs in Nyeri County. Hence the information given out by respondents was used to establish the level of the effect.

5.1.0 Client Credit Information

Credit information is crucial in helping financial institution monitor loans and establish default rate. The researcher found out that SACCOs relied on borrower's credit information, account movements and morals and ethics to a great extent when granting or declining a loan. Thus client credit information is highly considered when granting or declining a loan application thus it has a great effect on the loan volume granted by SACCOs.

The researcher findings were similar to a study by Abdou H. & Pointon J. (2011) who found that credit information and length of lending relationship with the SACCO are among the most important factors when a SACCO makes a decision to reject or approve an applicant loan request thus they affect the loan volume granted by SACCOs.

5.2 Conclusions

5.2.2 Client Credit Information

The findings indicated that SACCOs rely on the, borrower's credit history, account movement and borrower's personal behavior in approving loans. This therefore influences the volume of loan granted by the SACCO.

5.3 Recommedations

SACCO should review the credit policy regularly in order for them to remain competitive against the changing lending environment. And that the credit policy should be flexible and responsive enough to the lending environment in order to suit various categories of customers and situations. This will boost the volumes of loans granted by SACCOs.

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