ABSTRACT

The World Council of Credit Unions recently selected the Kenyan Savings and Credit Cooperative Societies' sub sector as the fastest growing in the world. The growing popularity and landmark growth of the sub sector is driven by the ability of the entities to meet clients credit needs on better and easier terms than other players in the financial sector. Scholars are in consensus that credit management is the foundation for stability and growth of modern-day enterprises. The research therefore sought to establish the influence of innovative credit management practices on the financial performance of the Savings and Credit Cooperative Societies. Specifically, the study aimed at establishing the effect of collection policy, credit risk controls, delinquency management and credit appraisals on performance of Savings and Credit Cooperative Societies in Nyeri Central Sub County of Kenya. The study was particularly interested with the financial aspects of firm performance and specifically exploited profitability ratio aspects measured through Return on Investment. The study also considered Credit Risk Exposure measures namely Portfolio at Risk and Write off Ratio The study was anchored on the Information Asymmetry Theory, Agency theory as well as the transaction Cost Theory as the key guiding theoretical models. The study adopted a census study of all the 15 active Savings and Credit Cooperative Societies in Nyeri Central Sub County as gathered from the Directorate of Co-operative Development of Nyeri County Government. The research targeted Chief Executive Officers and Credit Managers of all the entities together with the executive board which comprises of 4 members. This translated to a total of 90 respondents. The study used both primary and secondary data pieces. Questionnaires were the choice tool for collecting primary data. The questionnaire was dropped in person and then picked at a later date. The questionnaire was tested for validity and reliability using a pilot study, seeking expert opinion and Cronbach's Alpha Reliability Analysis. Secondary data was gathered from the financial reports of the entities. Financial performance was considered for 5 financial years 2012-2016 for better understanding of performance over time. Secondary resources from the SACCO societies Regulatory Authority publications and reports were also useful. The study used the

Statistical Package for Social Scientists to generate both descriptive and inferential statistics. Multiple linear regression analysis was used to explain the magnitude of effect of each of the variables under study on performance. Going by the results of the analysis, as explained by R Square which is the Coefficient of Determination, 81.50 % of the variation in the Financial Performance (the dependent variable) was explained by variability in the independent variables. From the results all the independent variables coefficients were found to be statistically significantly different from 0 (zero). As such, it was concluded that Collections Policy, Credit Risk Control, Credit Appraisal and Delinquency Management were all statistically significant predictors of financial performance. Pearson Correlation analysis results indicated a statistically significant positive relationship between all the independent variables; Collections Policy, Credit Risk Control, Credit Appraisal and Delinquency Management and financial performance.