

**A SURVEY OF CREDIT RISK MANAGEMENT PRACTICES BY SACCOs IN  
NAIROBI**

**BY**

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## ABSTRACT

SACCOs operate in an environment of considerable risks and uncertainty. Credit risk is one of the major risks faced by financial institutions today. The objective of the study was to identify credit risk management practices adopted by SACCOs in Nairobi. The target population of the study consisted of the 200 active SACCOs in Nairobi from which 35 SACCOs were identified using a systematic sampling technique. Out of this 35 only 31 responded to the questionnaires issued to them.

The findings revealed that majority of the SACCOs use credit risk management practices to mitigate risks as a basis for objective credit risk appraisal. Majority (28) out of the (31) respondents agreed that credit risk management practices have impacted positively to their organizations by ensuring efficiency in carrying out its obligations and in meeting its objectives.

The findings also show that the most popular methods of promoting credit risk awareness amongst staff in SACCOs are through regular meetings and supervisions on one on one basis. Of the 31 SACCOs interviewed, 22 stated 3-months (90 days) credit default policy. In addition, 28 of the 31 SACCOs interviewed stated that they review their credit policy annually while the remainder review their credit policy half-yearly. SACCOs interviewed indicated that they used qualitative methods while the credit scoring system was applied by very few. Majority of the SACCOs relied heavily on the discretion and ability of portfolio managers for effective credit risk management practices as opposed to a system of that standardizes credit and credit risk decisions.