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EFFECTS OF CREDIT MANAGEMENT ON THE FINANCIAL PERFORMANCE OF DEPOSIT TAKING SAVINGS AND COOPERATIVE SOCIETIES IN NAKURU TOWN CENTRAL BUSINESS DISTRICT, KENYA

Credit management is an important component in firms that offer credit to clients. Sound credit management is a prerequisite for a financial institution's stability and continuing profitability. The research focused on the effect of credit management on financial performance of deposit taking SACCOS in Nakuru town. The specific objectives of the study were to determine the effect of credit standard, debt recovery, collection policy and credit terms on the financial performance of deposit taking SACCOS in Nakuru Town CBD. The target population of the study was 220 employees of the selected deposit taking SACCOs in Nakuru Town. Exploratory research design was used in the study. The sample size was obtained using a stratified random sampling method of Nassiuma (2000) formula. A stratified random sample of 74 employees was used in the study. Data was collected using questionnaires. The study utilized primary data. Primary data was obtained through questionnaires administered to employees of the deposit taking SACCOs. Both descriptive and inferential statistics (correlation and regression analysis) were used in analyzing data with the help of statistical package for social sciences (SPSS) version 16.0. The findings showed that credit standard had a positive and significant effect on the financial performance of the SACCOS. The results indicated that there was a positive relationship between financial performance and credit standard, debt recovery, collection policy and credit terms. The study concluded that all the variables under study are statistically significant in explaining the financial performance of SACCOs. The study recommends that SACCOs should consider credit management as a critical determinant of their financial performance. The SACCOs should create effective credit management policies, standard and terms and enhance debt recovery techniques.

Keywords

Credit Standards, Debt Recovery, Collection Policy, Credit Terms, Financial Performance.

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