EFFECT OF 5 Cs CREDIT APPRAISAL MODEL ON NON PERFORMING LOANS OF SACCOS IN KENYA: A CASE OF KENYA WILDLIFE SACCO

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ABSTRACT

Sacco's in Kenya experience a high level of non-performing loans. This trend threatens viability and sustainability of Sacco's and hinders the achievement of their goals. As with any financial institutions, the biggest risk in Sacco's is lending money and not getting it back. This study aimed at establishing the effect of character as credit appraisal model on Non-Performing loans in Sacco's with specific reference to Kenya wildlife Sacco (Kewisco). The specific objectives of the study was; to examine the effect of the borrowers' character on the level of NPA. The researcher used a case study because it allowed an in-depth investigation to the subject of study. Comparison of variables was done quantitatively using Pearson product moment correlation and multiple regression to measure the strength between the independent variables (Capital) against the dependent variable Non-performing loans, which was done using asset quality ratios. The response rate was 78.95% and this was sufficient to make conclusions upon. The study therefore established that mean indexes were as follows; for borrowers character was 4.06 meaning it fell within the agree zone and for non-performing loans was 3.52. This implies that character had strong influence on non-performing loans. The overall model indicated that Character was highly significant at p=0.032. The fitted model was: Y= 6.981 +0.045X1. The correlation coefficients r indicate that Character was found to have a statistically significant strong positive correlation with non-performing loans (r=0.365, p-value = 0.000). The relationship was found to be statistically significant at 36.5% significance level (p-value = 0.00). The study therefore did establish that out of the character as an independent variables; character was a key factor that influences the non-performing of loans at KWS Sacco. This study therefore recommends as follows: KWS Sacco needs to urgently address the issue of character and come up with policy to safeguard itself against serial borrowers and defaulters, maximize the use of credit reference bureaus and implement to the letter its code of conduct and credit policy. The researcher therefore would wish to suggest that future studies be conducted to establish the critical factors that influence non- performance eon loans from a Sacco point of view
Key words: *Character, Non-performing loans, Credit, Credit appraisal, Sacco*

INTRODUCTION

Eastern Caribbean Central Bank (2009) defines credit as the provision of funds on agreed terms and conditions to a borrower, who is obliged to repay the amount borrowed (together with interest thereon) in the same vein Ingham (2004) defines credit as the provision of resources such as granting a loan by one party to another party where the second party does not reimburse the first party immediately, thereby generating a debt, and instead arranges either to repay or return those resources or material(s) of equal value at a later date.

Credit Appraisal is a process to ascertain the risks associated with the extension of the credit facility. It is generally carried by the financial institutions which are involved in providing financial funding to its customers (Seyfried 2001). The quality of credit appraisal processes depends on two factors namely, a transparent and comprehensive presentation of the risks when granting the loan on the one hand, and an adequate assessment of these risks on the other hand,(Seyfried, 2001). According to Henderson (2011), credit risk occurs when there is a loss in value as a result of a debtor's non-payment of a loan or other line of credit, either the principal or interest (coupon) or both.

According to Myers and Forgy, (2005) character is the personal impression the client makes on the potential lender therefore it is a tool that provides weighting values for various characteristics of a credit applicant and the total weighted score of the applicant is used to estimate his credit worthiness. Character represents the customers' willingness and determination to meet a loan obligation. Character is generally discovered through interview and investigation into the customers' payment habits, the way they manage their business affairs and the way they respond to adversity. Character is considered to be the most important of the five C's because they say "it is people who pay the loans." Therefore loan officers have to spread their time over many loan relationships; they may not leave time to uncover the elaborate schemes of such individuals who are out to defraud the bank (McGoven, 1993).

Some of the loans given out by the SACCOs unfortunately become nonperforming and eventually result in bad debts with adverse consequences for the overall financial performance of the institutions. The issue of loan default (NPLs) is becoming an increasing problem that threatens the sustainability of SACCOs. NPLs are always a source of misery for lenders because if a SACCO has too much of it on its balance sheet, it can adversely affect its operations in terms of liquidity, profitability, debt-servicing capacity, Lending capacity and ability to raise additional capital.

Problem Statement

Factors that lead to the high levels of NPLs in the lending institutions includes; weak credit appraisal process, insider lending, high interest rates and weak credit policies among other factors (Kanyiri,2005). A study on Sacco's Five Cs credit appraisal and NPAs is of considerable interest by many researchers particularly under the new constitutional dispensation. This is because some Saccos have collapsed while others are facing serious default or low loan uptake (Migiri, 2012). However, most studies undertaken in the past few years have focused mainly on credit models used by deposit taking microfinance institutions (DTM) and their impact on profitability (Migiri, 2012). Several studies have been conducted on nonperforming loans in commercial banks. Mutwiri (2003) carried out a study on the use of 6 Cs credit appraisal model and its relationship with the level of nonperforming loans of commercial banks in Kenya. The objective of the study was to establish the importance of the

use of 6 Cs (character, contribution, capacity, collateral, condition & common sense) and establish whether they use the 6 Cs in credit evaluation, assessment & appraisal had some impact on the level of nonperforming loans in commercial banks.

Absence of empirical studies on the role of Five Cs of credit appraisal and NPAs in Saccos was the principal motivation behind this study which sought to find out the effect of Five Cs of credit appraisal on non-performing assets (NPA) in Saccos and in particular KWS Sacco.

Objective of the Study
The general objective of the study was to establish the effect of character appraisal model on non-performing loans of Sacco's in Kenya: a case study of Kenya wildlife Sacco (Kewisco).

Specific objectives
Effect of character on non-performance of loans at KWS Sacco.

LITERATURE REVIEW
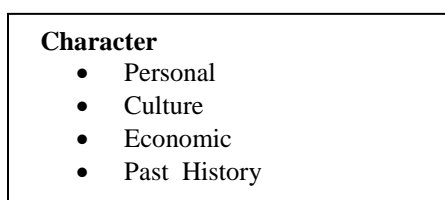### Theory of Credit Scoring and Competitive Pricing of Default Risk
Lenders use credit scores to regulate the extension of consumer credit. People with high scores are offered credit on more favourable terms. People who default on their loans experience a decline in their scores and, therefore, lose access to credit on favourable terms. People who run up debt also experience a decline in their credit scores and have to pay higher interest rates on new loans limited credit or credit at higher interest rates following default arises from the lender's optimal response to limited information about the agent's type and earnings realizations. The lender learns from an individual's borrowing and repayment behaviour about his type and encapsulates his reputation for not defaulting in a credit score.

While this exogenous exclusion restriction is broadly consistent with the empirical facts, a fundamental question remains. If lenders believe that bankruptcy signals something relatively permanent about the household's unobservable characteristics, then it may be optimal for lenders to limit future credit. But if the circumstances surrounding bankruptcy are temporary like a transitory, adverse income shock, those individuals who have just shed their previous obligations may be a good future credit risk. Competitive lenders use current repayment and bankruptcy status to try to infer an individual's future likelihood of default in order to correctly price loans. There is virtually no existing work embedding this inference problem into a quantitative, dynamic model. Given commitment frictions, it's important for a lender to assess the probability that a borrower will fail to pay back. That is, assess the risk of default. In the U.S, lenders use credit scores as an index of the risk of default. The credit scores most commonly used are produced by a single company, the Fair Isaac and Company and are known as FICO scores .These scores range between 300 and 850. Where a higher score signals a lower probability of default are considered high risk, often called "subprime."

Conceptual framework
This section shows the relationship between the independent variables and the dependent variable diagrammatically. The independent variable is character, capacity, capital, collateral and conditions and the dependent variable is Non-performing loans.

Independent Variables   **Dependent Variable**

Character
- Personal
- Culture
- Economic
- Past History

ISSN

Non- performance of Loans
- Asset Quality Ratio
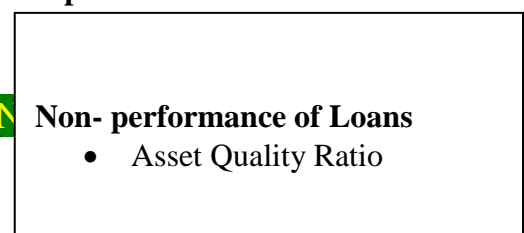
Figure 1   Conceptual Framework

Character
According to Myers and Forgy, (2005) character is the personal impression the client makes on the potential lender therefore it is a tool that provides weighting values for various characteristics of a credit applicant and the total weighted score of the applicant is used to estimate his credit worthiness. The factors that influence a client can be categorized into personal, cultural, social and economic factors (Ouma, 2008). The psychological factor is based on a man's inner worth rather than on his tangible evidences of accomplishment. Character represents the customers' willingness and determination to meet a loan obligation. Character is generally discovered through interview and investigation into the customers' payment habits, the way they manage their business affairs and the way they respond to adversity. Character is considered to be the most important of the five C's because they say "it is people who pay the loans." Character covers the "people" aspect of business lending. Lending institutions will assess the business owner's management ability, experience in the industry, business references, and personal credit and integrity.

First, good Character is never sufficient reason to approve a loan; bad Character is always sufficient reason to decline a loan. Second, Lenders forget that it is almost impossible to assess character, until it is tested by adversity. The character of borrowers have less to do with subjective feelings about trust – worthiness, honesty, and moral beliefs and more to do with their bill paying habits, the way they manage their business affairs and the way they respond to adversity. The bank has a duty of protecting its interests and hence it must protect itself from dishonest, incompetent or overly subjective borrowers through investigating their credit background. Other sources of information that can be used in assessing the borrower's character are; records held by suppliers and past banking relationship with the customers. Where the client has been late in servicing past debts, the reason should be sought. Where previous creditors have experienced losses, the loan officer should almost out rightly reject the application (Hempel, et al, 1994).

Non- Performing Loans
The concept of loan performance refers to the ratio of non -performing advances (loans) to the total portfolio. A non performing advance/loan is that part of loan whereby interest and principal installment are still outstanding for more than 90 days. Performance of loan portfolio may be measured using proxies for credit risk and measures of loan quality such as provision for loan losses, net losses or charge offs, non-performing assets, return on net assets and return on equity among others. A high proportion of loans to total assets and

rapid growth of the loan portfolio are potential early warning signals of loan quality problems which indicate potential failure (Sinkey, 1998).

The Non-Performing Asset (NPA) concept is restricted to loans, advances and investments. As long as an asset generates the income expected from it and does not disclose any unusual risk other than normal commercial risk, it is treated as performing asset, and when it fails to generate the expected income it becomes a "Non-Performing Asset". In other words, a loan asset becomes a Non Performing Asset (NPA) when it ceases to generate income, i.e. interest, fees, commission or any other dues for the bank for more than 90 days. A NPA is an advance where payment of interest or repayment of installment on principal or both remains unpaid for a period of two quarters or more and if they have become 'past due'. An amount under any of the credit facilities is treated as 'past due" when it remain unpaid for 30 days beyond due date (Selvarajan and Vadivalagan, 2013).

Empirical Review

Maina et al (2016) looked into the influence of credit risk management practices on loan delinquency in SACCOS in Meru County, Kenya. The study followed a descriptive research design. The research looked into a population of forty four Saccos in Meru and using a census the researcher targeted all forty four respondents to answer the questionnaire. The study reviewed Asymmetric Information Theory. The study established credit risk management practices significantly influenced loan delinquency in SACCOs in Meru County and it recommended adoption of a more stringent policy on credit risk management practices in SACCOs for effective debt recovery.

Kibui and Moronge (2014) looked into the effects of credit risk management on financial performance of SACCOS: A case study of Harambee SACCO. The study followed a descriptive research design and was a case study, whereby the population was one hundred and seventy eight (178) and fifty three (53) were sampled to participate in the study. It was found out that in the report the researchers did not disclose the theories that were reviewed. The study found that the Sacco used guarantors, collaterization, shareholding and insurance as risk mitigation strategies in credit risk management. Additionally the study found out that there was a customized computer based reporting system which allow for detection of overdue loans in the shortest possible time. The study therefore recommended the management of the Sacco's should carefully consider their client appraisal methods, systematic defaulter follow-up and loan defaulter reports.

Chepkoech (2014) sought to find out the effect of credit assessment process on repayment of bank loans in commercial banks in Kenya. This the study aimed to achieve by using descriptive research design by surveying all forty three (43) commercial banks in Kenya. The researcher sent questionnaires to all intended respondents as well as reviewing the following theories: Information Theories of Credit, Hold-up and Soft-Budget-Constraint Theories, theory of Credit Scoring and Competitive Pricing of Default Risk, Theoretical Model of Equilibrium. The study revealed there were weaknesses in credit appraisal policies which allowed rogue bank staff to award loans to non-qualifying applicants. The study also revealed that the banks yet to fully integrate computerized credit appraisal techniques to include lie detectors to weed out borrowers who supply false information knowingly.

RESEARCH METHODOLOGY

The study used case study research design aimed at establishing the effect of character appraisal model on non-performing loans of Sacco's in Kenya: a case study of Kenya wildlife Sacco (Kewisco). In order to address all of the questions of this research, the target population of this study were credit officers at Kewisco, Nairobi and its eight regions. Purposive sampling was adopted since allow a researcher to use cases that have the required information with respect to the objectives of his or her study (Mugenda and Mugenda, 2003). According to Mugenda and Mugenda (2003) a sample size of between 10 and 30 % is a good representation of the target population and hence the 30% is adequate for analysis. This study sampled all the 22 credit officers and 1 credit manager. This was considered since the target population was not so big and all the targeted respondents could be contacted easily. The study utilized both primary as well as secondary data. The researcher coded and edited the questionnaires for completeness using the Statistical Package for Social Scientist (SPSS). The data collected was analysed using frequencies, percentages, and mean. Multiple regression was also used as well as correlation.

RESULTS AND DISCUSSIONS

The findings are as summarized in Table 1below.

Table 1   Character

Character	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
KWS Sacco considers customer's willingness to repay	0.00	6.74	17.98	53.93	21.35	3.90
KWS Sacco takes into account past credit history is considered	0.00	3.37	6.74	37.08	52.81	4.39
Information of borrower is sought from previous business associates by KWS Sacco	1.12	2.25	15.73	40.45	40.45	4.17
KWS Sacco obtains information on borrower from Credit Reference Bureaus	1.12	5.62	15.73	52.81	24.72	3.94
Previous lenders are consulted on new customers by KWS Sacco	1.12	11.24	12.36	49.44	25.84	3.88
Overall Index	**0.67**	**5.84**	**13.71**	**46.74**	**33.03**	**4.06**

The findings indicate that the overall mean for borrowers character was 4.06 meaning it fell within the agree zone. This mean was strongly supported by "KWS Sacco takes into account past credit history is considered" at a mean index of 4.39 followed by "Information of borrower is sought from previous business associates by KWS Sacco" at 4.17, "KWS Sacco obtains information on borrower from Credit Reference Bureaus" at a mean of 3.94, "KWS Sacco considers customer's willingness to repay" at a mean of 3.90 and the least mean index was obtained from "Previous lenders are consulted on new customers by KWS Sacco" at 3.88. This implies that more needs to be done in terms of checking with previous lenders in order to ensure that only genuine borrowers are lent money.

Further when the levels of agreement were considered 46.07% of the respondents agreed that character plays a big role in ensuring performance of loans, a further 34.83% strongly agreed, the two combined account for 80.90% of the respondents, 14.04% of the respondents were neutral 4.49% were in a disagreement only 0.56% strongly disagreed.

The results obtained from analysing the feedback received indicate in the affirmative that indeed borrowers' character has a strong and direct impact to the non-performance of loans within the Sacco industry at Kewisco.

Non- Performing Loans

Finally the researcher looked at what would be considered as non-performing and this will enable the organization classify loans accordingly, either performing or non-performing loans. The findings are also depicted in Table 2.

Table 2   Non-performing Loans

Non-Performing Loan	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean
KWS Sacco considers a loan to be non-performing after 90 Days	2.25	22.47	41.57	25.84	7.87	3.15
Use of Five C credit appraisal model has reduced number of non-performing loans	1.12	11.24	33.71	41.57	12.36	3.53
KWS Sacco recovers its non-performing loans	15.73	35.96	30.34	15.73	2.25	2.53
KWS Sacco has a warning system to alert when loans are falling to non-performance	1.12	7.87	13.48	55.06	22.47	3.90
KWS Sacco has systems in place to ensure prompt recovery of non-performing loans	5.06	19.38	29.78	34.55	11.24	3.28
KWS Sacco has punitive measures that discourage non-performance of Loans	0.00	21.35	31.46	33.71	13.48	3.39
Overall Index	**2.06**	**16.20**	**24.91**	**41.10**	**15.73**	**3.52**

The mean index obtained was 3.52 this implies that at Kewisco there are loans that can be considered as non-performing. This were given under the following parameters "KWS Sacco has a warning system to alert when loans are falling to non-performance" had the highest mean index at 3.90 followed by "Use of Five C credit appraisal model has reduced number of non- performing loans" at a mean of 3.53, "KWS Sacco has punitive measures that discourage non-performance of Loans" at a mean of 3.39, "KWS Sacco has systems in place to ensure prompt recovery of non-performing loans" at a mean of 3.28, "KWS Sacco considers a loan to be non-performing after 90 Day" posted a mean of 3.15 and the least was "KWS Sacco recovers its non-performing loans" at a mean of 2.52. The following can be deduced from the above that it takes long more than the base stipulated by the CBK that loans are considered non-performing after 90 days and also KWS Sacco is unable to recover fully its non-performing loans thus by putting provision for bad loans this eats into their profit margins.

When the researcher looked the level of agreement the following was established more than half of the respondents (56.84%) of the respondents either agreed or strongly agreed that there were cases of non-performing loans at Kewisco, 24.91% were neutral and 18.26 were in disagreement.

Non-Performing Loans Ratio

The Non-Performing Asset (NPA) concept is restricted to loans, advances and investments. In other words, a loan asset becomes a Non Performing Asset (NPA) when it ceases to generate income, i.e. interest, fees, commission or any other dues for the bank for more than 90 days. According to Muniappan (2002) the problem of non performing advances is related to the external and internal problems confronting the borrowers. It is therefore important that financial institutions know and understand the impact of non-performing loans. 4.8 shows the non performing ratio for Kewisco for the last ten years.

Table 3   Non-Performing Loan Ratio

Year	Outstanding Loan Balance	Non-Performing Loan	NPL Ratio
2006	28,457,446	2,561,170	1: 0.09
2007	29,051,185	2,382,197	1: 0.082
2008	30,024,122	2,882,315	1: 0.096
2009	30,154,556	1,748,964	1: 0.058
2010	32,625,243	1,435,510	1: 0.044
2011	35,166,322	3,270,468	1: 0.093
2012	39,132,774	3,561,082	1: 0.091
2013	42,390,900	2,755,408	1: 0.065
2014	49,553,927	2,477,696	1: 0.050
2015	55,740,937	1,672,228	1: 0.030

The results on the ratios indicate that the ratios have been contained within the CBK's stipulated region of a ratio of 1:10 whereby most of the ratios are way below the stipulated margins. It was also noted that the ratios for 2015 were the lowest at 1:0.030 and this is a continuation of decreasing since the year 2011 when the Sacco embraced fully the use of Five C credit appraisal model. Table

Multiple Regression Results

The study aimed at finding out the overall effect of the independent variables on non-performing assets at KWS Sacco.

Table 4   Multiple Linear Regression model summaries

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.390[a]	.212	.172	1.43736

a. Predictors: (Constant), Character

The model $Y = \beta_1 X_1 + \varepsilon$ explained the variation in non-performing of loans at KWS Sacco. This shows that Character explains 21.2% of the variation in non-performance of loans at KWS Sacco.

Table 5   Analysis of Variance (ANOVA) a, b

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	83.449	2	19.261	2.464	.005[b]
1	Residual	409.023	11	4.491		
	Total	528.472	12			

a. Dependent Variable: Non-performing Loans
b. Predictors: (Constant), Character

The analysis of variance results Table 5 above indicates that the model fit is significant at p=0.005, F=2.464 with 12 degrees of freedom. This implies that Character has a significant and positive combined effect on non-performance of loans at KWS Sacco. The higher F factor could be as a result of some of these branches being far away from the head quarter and therefore monitoring and evaluation as well as assessment of risk involved and implementing credit policies may not be given the emphasis that should be thus becoming a challenge.

Table 6   Relationship between factors and completion of projects: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.981	1.854		2.651	.000
	Character	.193	.107	.251	1.807	.032

a. Dependent Variable: Non-performing Loans

The overall model as shown on Table 6 above indicated that Character was highly significant at p=0.032. The fitted model was: $Y = 6.981 + 0.193X_1$.
The results reveal that Character is statistically significant in explaining non-performance of loans (beta=0.193, p value 0.032). The findings imply that an increase in undesirable character of the borrower by one unit leads to an increased chances loan going into non-performance by 0.193 units.

Pearson Product Moment Correlation
Pearson correlation was carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationship between two variables. It ranges from +1 to -1. A correlation of +1 means that there is a perfect positive linear relationship between variables (Serekan, 2003).

Table 7   Pearson Product Moment Correlation

		Character	Non-performing Loans
Character	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	12	
Non-Performing Loans	N	12	
	Pearson Correlation	.483[**]	1
	Sig. (2-tailed)	.000	

Table 7 above shows that Character was found to have a statistically significant strong positive correlation with non-performing loans (r=0.483, p-value = 0.000). The relationship was found to be statistically significant at 48.3% significance level (p-value = 0.00).

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

Findings

The objective of the study was to establish effect of character on performance of loan. The findings indicate that the overall mean for borrowers character was 4.06 meaning it fell within the agree zone. This mean was strongly supported by "KWS Sacco takes into account past credit history is considered" at a mean index of 4.39 followed by "Information of borrower is sought from previous business associates by KWS Sacco" at 4.17, "KWS Sacco obtains information on borrower from Credit Reference Bureaus" at a mean of 3.94, "KWS Sacco considers customer's willingness to repay" at a mean of 3.90 and the least mean index was obtained from "Previous lenders are consulted on new customers by KWS Sacco" at 3.88. This implies that more needs to be done in terms of checking with previous lenders in order to ensure that only genuine borrowers are lent money.

The researcher looked at what would be considered as non-performing and this enables the organization classify loans accordingly, either performing or non-performing loans. The mean index obtained was 3.52 this implies that at Kewisco there are loans that can be considered as non-performing. "KWS Sacco has a warning system to alert when loans are falling to non-performance" had the highest mean index at 3.90 followed by "Use of Five C credit appraisal model has reduced number of non- performing loans" at a mean of 3.53, "KWS Sacco has punitive measures that discourage non-performance of Loans" at a mean of 3.39, "KWS Sacco has systems in place to ensure prompt recovery of non-performing loans" at a mean of 3.28, "KWS Sacco considers a loan to be non-performing after 90 Day" posted a mean of 3.15 and the least was "KWS Sacco recovers its non-performing loans" at a mean of 2.52. The results on the ratios indicate that the ratios have been contained within the CBK's stipulated region of a ratio of 1:10. It was also noted that the ratios for 2015 were the lowest at 1:0.030.

The overall model indicated that Character was highly significant at p=0.032. The fitted model was: Y= 6.981 +0.193X1. The correlation coefficients r indicate that Character was found to have a statistically significant strong positive correlation with non-performing loans (r=0.365, p-value = 0.000). The relationship was found to be statistically significant at 36.5% significance level (p-value = 0.00).

Discussions

Character

The analysis of establishing how the character of borrower affects non-performance of loans at KWS Sacco provided interesting results. It was noted that KWS Sacco takes into account past credit history is considered and it also consulted other borrowers through available legal channels such as the Credit reference bureaus before advancing. This has enabled the Sacco to be able to reduce the exposure risk and thereby improve on profit margins posted. This method was preferred because it is easier to understand how a borrower has been performing in previous loans thereby giving an insight into what kind of borrower they are.

However it was noted that despite a good credit score rating that an individual might have it is not a surety that will get favorable loan terms, further it was established that it might not be easier to clearly understand the character of an individual borrower thereby not be able to clearly ascertain that the borrower will repay back their loans. This study agrees with the study conducted by Maina et al (2016) wherein it established that credit risk management practices significantly influenced loan delinquency in SACCOs in Meru County and it recommended adoption of a more stringent policy on credit risk management practices.

Conclusion

The study established that character was a key factor that influences the non-performing of loans at KWS Sacco.

Recommendations

The threat posed by character of borrowers is an issues that Kewisco need to look into. The study findings established that the respondents indicated very strongly out of the five c's that this does affect non-performance of loans. Therefore Kewisco as well as other Sacco need to tap in into services offered by the various credit reference bureaus in order to be able to clearly establish borrowers past characters. There is also need to strengthen the credit policy at Kewisco so as to safeguard itself against persons who will take loans yet are fully aware that they do not have any intention to repay.

Kewisco is also encouraged to conduct a market survey in order to borrow best practices as used by other lenders. This is aimed at establishing what they are currently doing and how it has enabled them to reduce on non-performing loans in their respective Saccos and financial institutions.

Suggestions for Further Research

1. The Sacco fraternity needs to do a study on individual Five C's in order to clearly come up with policies that will enable them remove fraudsters who borrow money and fail to pay.
2. The researcher further suggests that a study be conducted to establish the critical factors that influence non- performance eon loans from a Sacco point of view.
3. Conduct a study on membership duty and responsibility especially in group lending scenario.

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