

## ABSTRACT

Credit risk management is the practice of mitigating losses by understanding the adequacy of a bank's capital and loan loss reserves at any given time. To comply with the more stringent regulatory requirements and absorb the higher capital costs for credit risk, Saccos are overhauling their approaches to credit risk. Saccos are struggling to increase their credit recovery and reduce bad debt. Prior studies have been carried out on this area but there have been mixed results on risk avoidance strategy, risk transfer strategy, risk reduction strategy and risk retention strategy. The current study intends to determine the effect of credit risk management strategies on credit recovery in Saccos, a case of Stima Sacco Kisumu. The specific objectives of the study will be to determine the effect of risk avoidance strategy on credit recovery in Stima SACCO Kisumu, to establish the effect of risk transfer strategy on credit recovery in Stima SACCO Kisumu, to assess the effect of risk reduction strategy on credit recovery in Stima SACCO Kisumu, and to investigate the effect of risk retention strategy on credit recovery in Stima SACCO Kisumu. The study will be guided on the Portfolio Theory, Value at Risk Theory and Asymmetric Information Theory. Survey research design will be used. The target population will consist of 60 respondents. Census of the 60 respondents will be used since the population is small and hence manageable. Primary data will be collected using questionnaires. Secondary data will be collected from the Stima SACCO annual reports, (2014 - 2017). Data will be analyzed using quantitative analysis techniques which involve descriptive statistics to analyze the quantitative data. Reliability of questionnaires will be tested on pilot test targeting 10 respondents which will not be part of the population respondents. Content validity test will be done using expert reviewers. Reliability of questionnaires will be tested on pilot data targeting 10 respondents. The Cronbach's Alpha Coefficients will be used and the questionnaire items with Alpha value of over 0.7 will be deemed reliable. Data collected will be compiled, sorted, edited, classified and coded in readiness for analysis. It will be analyzed using the SPSS software. The relationship between independent variables and credit recovery will be established through correlation analysis. The regression analysis and ANOVA will be used to test the effect of risk management strategies on credit recovery at Stima Sacco, Kisumu. The findings of this study will help the managers in formulating relevant loans collections procedures and policies which reduce the size of the bad debt. The policy makers in the Savings and Credit Co-operative Societies sector like SASSRA will use the findings of this study in formulation of policies regarding the types of loans, amounts of loans, requirements of borrowers and the processes of conducting loans collections in the Savings and Credit Co-operative Societies in Kenya.