

CREDIT RATIONING AND LOAN REPAYMENT PERFORMANCE: THE CASE STUDY OF ILONGERO SAVINGS AND CREDIT COOPERATIVE SOCIETY

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The main objective of this study was to examine the contribution of credit rationing in loan repayment performance. A case study design was adopted in which Victoria Saving and Credit Cooperative Society (SACCOS) was selected as a case study. Research data were collected through semi structured questionnaires that were distributed to members and interviews that were administered to SACCOS's manager, credit officers and credit committee members. The overall findings revealed that major factors used by SACCOS for credit rationing were Savings, deposits, group guarantee, asset collateral, guarantors, sex and age. The study also found out that among the factors that were used for credit rationing in SACCOS age influenced loan repayment performance. From the findings, it was concluded that SACCOS's credit rationing process was weak since it failed to discriminate between credit worthy and non-credit worthy borrowers and thus resulting into poor loan repayment performance. Credit rationing system need to take into account the factors that influence loan repayment performance when rationing loan applicants. Based on research findings, the study recommends members' training in proper loan utilization and business management skills so as to invest in profitable business ventures and improve their loan repayment performance. The government also should provide sufficient financial and human resources to cooperative department so that it can extent its supportive roles to SACCOS to improve its service delivery to members.

Keywords: Credit rationing, loan repayment performance, cooperative society