

ABSTRACT

A Socio-Economic Profile Of Loan Delinquency: A Case of a Credit Union in Trinidad and Tobago

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This study explores the influence of social and economic conditions on borrower propensity to default on re-payment obligations in a credit union in Trinidad and Tobago.

A survey was undertaken to compile the data necessary for this investigation. Econometric techniques, relevant for dealing with limited dependent variables, were utilized to measure the relationship between loan default on the one hand and loan terms and borrower characteristics, economic and payment histories on the other. Initially, the intention was to conduct a survey with the population consisting all credit union members whose last loan was granted in 1996. However, because of difficulties during the sampling exercise, only one credit union was chosen. The sample for the main study comprised 226 members.

The findings were not all as expected because of the numerous constraints and inconsistencies that occurred during the collection process. The results did not show any specific variable to be statistically significant in influencing delinquency. Income, share balances and employment status were not as significant as was expected.

In its present form the model may not be used to predict the likelihood of borrower default as had been anticipated. However, its construction has shed light on the many inefficiencies that exist within credit unions.

One of the more significant recommendations to emerge from the study is the need for improved risk management procedures in these institutions.

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Keywords: Byron Sharri; credit union; credit scoring; logit models; limited dependent variables

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