LOAN RECOVERY TECHNIQUES AND FINANCIAL PERFORMANCE OF SACCOS: A CASE STUDY OF SEBEI FARMERS' SACCO

JESSE CHEMUSTO

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UGANDA CHRISTIAN UNIVERSITY
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DECLARATION

I, **Chemusto Jesse**, declare that this research report titled *"Loan Recovery Techniques and Financial Performance of SACCOs: A Case Study of Sebei Farmers' SACCO"* is my own original work, compiled through my personal effort, research, and analysis. It has never been submitted for any degree or award in any other university or institution.

Signature: ....

Date: 07th/05/2026 ....

APPROVAL

This research report is hereby submitted for examination with my approval.

Supervisor: Mr. Agume Anthony

Signature:..

Date:..............7/05/'26..............................

DEDICATION

I dedicate this research report to my beloved family, whose unwavering love, encouragement, and constant companionship have been my strength throughout this journey. Thank you for standing by me every step of the way. Your sacrifices and belief in me have made this achievement possible.

ACKNOWLEDGEMENT

I thank the Almighty God whose grace has sustained me and enabled me to accomplish this course successfully.

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May the Almighty God bless you all abundantly

ABSTRACT

This study examined the effect of loan recovery techniques on the financial performance of Sebei Farmers' SACCO in Kapchorwa District, Uganda. The study was guided by three specific objectives: to establish the effect of proactive reminders on financial performance, to establish the effect of loan rescheduling on financial performance, and to assess the effect of legal action on financial performance.

A cross-sectional survey design with a quantitative approach was employed. The target population consisted of 3,525 individuals (3,500 members and 25 staff), from which a sample of 384 respondents was selected using Yamane's formula. Stratified sampling was used for staff (purposive, $n=25$) and members (simple random, $n=359$). A structured questionnaire measured loan recovery techniques and perceived financial performance on a five-point Likert scale. Data were analyzed using descriptive statistics (frequencies, percentages, means, standard deviations) and inferential statistics (Pearson correlation and multiple regression) via SPSS version 26. The response rate was 76 percent.

The study found that proactive reminders had the strongest positive correlation with financial performance ($r = 0.412$, $p < 0.01$), followed by loan rescheduling ($r = 0.384$, $p < 0.01$), with legal action having the weakest but still significant correlation ($r = 0.156$, $p < 0.01$). The regression model was significant ($F = 84.294$, $p < 0.001$), with the three techniques explaining 46.8 percent of the variation in financial performance (R Square = 0.468). Proactive reminders had the largest contribution ($\beta = 0.324$, $p < 0.001$), followed by loan rescheduling ($\beta = 0.286$, $p < 0.001$), and legal action ($\beta = 0.102$, $p < 0.05$).

The study concluded that proactive reminders are the most effective loan recovery technique, followed by loan rescheduling, while legal action is least effective due to cost concerns. The SACCO should prioritize proactive reminders, improve rescheduling policies to consider seasonal agricultural income patterns, and reserve legal action for deliberate default cases only.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Savings and Credit Cooperative Organizations (SACCOs) are member-owned financial institutions that promote savings mobilization and provide affordable credit to members, particularly in underserved rural and peri-urban communities (Association of Microfinance Institutions of Uganda [AMFIU], 2024). In Uganda, SACCOs have emerged as critical vehicles for financial inclusion, poverty alleviation, and economic empowerment, especially among smallholder farmers and low-income households (Chawanga, 2025). Studies confirm that SACCO services including loan provision, savings mobilization, and financial advisory significantly enhance household income, with regression analysis demonstrating a strong positive correlation between loan access and income growth ($r = 0.94$, $p < 0.01$) among Ugandan beneficiaries (Chawanga, 2025). The cooperative movement in Uganda has grown substantially, supported by government initiatives such as Emyooga and the Parish Development Model (PDM). To date, the government has disbursed UGX 3.261 trillion directly to 10,589 PDM SACCOs across the country, reaching approximately 3.27 million Ugandans, including farmers, women, youth, and persons with disabilities (Uganda Printing and Publishing Corporation, 2025). Additionally, Emyooga SACCOs have received UGX 660 billion, benefiting an estimated 2.4 million Ugandans, with a further allocation of UGX 100 billion committed for the 2025/26 financial year (Namayanja Nsereko, 2025).

Kapchorwa District, found in the Sebei sub-region of Eastern Uganda, is mainly agricultural with 34,898 households involved in agricultural production (Kapchorwa District Local Government, 2022). Coffee, maize, and banana farming are the mainstay of the economy, supplemented by annual production of wheat and barley estimated at 1,800 and 7,500 metric tons, respectively, with over 4,850 households relying on these ventures (Daily Monitor, 2021). SACCOs in the district, such as Sebei Farmers' SACCO, are critical in offering financial services to farmers who cannot access mainstream commercial banking services. Founded in 2015 by 31 visionary farmers, Sebei Farmers' SACCO has since then grown in leaps and bounds to serve over 5,000 active members in Kapchorwa, Kween, and Bulambuli districts, with 280 registered farmer groups falling under its umbrella (The Cooperator News, 2025). The SACCO's mission is to empower rural communities through savings, credit, market access, and agricultural support services, which have recently undergone digitalization with the launch of MSACCO, a mobile banking app that allows members to deposit, withdraw, and access loans from the comfort of their mobile phones (The Cooperator News, 2025).

Other SACCOs, including those that fall under the Emyooga and PDM initiatives, have also been formed to improve financial access and contribute to livelihood development in the sub-region (State House Uganda, 2025).

Loan recovery is vital to the sustainability of SACCOs. Given that the loan book represents the largest and most vital asset of any financial institution, it is imperative that the quality of this asset is maintained for the survival and expansion of the institution (AMFIU, 2024). Low loan recovery rates result in high non-performing loans that "silently eat away financial institutions' portfolios," leading to a loss of member confidence and threatening the viability of SACCOs (AMFIU, 2024). In Uganda, SACCOs still face challenges associated with loan delinquency arising from deficiencies in the credit management chain such as poor loan evaluation, poor collateral management, poor documentation, and the lack of a systematic approach to delinquency management, which have been attributed to the poor financial health of SACCOs despite their significant contributions to development (AMFIU, 2024).

1.2 Statement of the Problem

Uganda's SACCO subsector is in a precarious state. According to the Project for Financial Inclusion in Rural Areas (PROFIRA), out of 453 registered SACCOs monitored nationally, 64 (14.1%) have completely collapsed, and an additional 312 (68.9%) are struggling, leaving only 77 (17.0%) operating without significant problems (Ministry of Trade, Industry and Cooperatives, 2025). The Auditor General's 2025 report further reveals that of the UGX 3.26 trillion disbursed to over 10,500 PDM SACCOs, UGX 508.6 billion (15.6%) remained undistributed, while UGX 106 million withdrawn by 62 SACCOs could not be accounted for (Office of the Auditor General, 2025).

Sebei Farmers' SACCO, despite its strategic position in Kapchorwa's agricultural economy, exhibits symptoms consistent with this national crisis. Preliminary indicators suggest rising delinquency rates, stagnant share capital growth relative to loan portfolio expansion, and an over-reliance on traditional recovery mechanisms that have proven inadequate against contemporary default drivers (Sebei Farmers' SACCO, 2025). The Association of Microfinance Institutions of Uganda identifies that high delinquency rates in SACCOs "silently eat away financial institutions' portfolios" and stem from systematic weaknesses across the credit management cycle including inadequate loan appraisal, weak collateral management, substandard documentation, and the absence of structured delinquency management strategies (AMFIU, 2024). While national statistics demonstrate that 68.9% of SACCOs are struggling (Ministry of Trade, Industry and Cooperatives, 2025) and delinquency rates in comparable agricultural SACCOs exceed 10% PAR (SOPAG SACCO, 2025), the Sebei sub-region remains empirically under-researched (Nabeta, 2021).

Therefore, this study is urgently required to empirically establish the relationship between loan recovery techniques and financial performance at Sebei Farmers' SACCO, and to generate evidence-based recommendations for institutional sustainability.

1.3 Purpose of the Study

The purpose of the study was to examine the relationship between loan recovery techniques and the financial performance of Sebei farmers' SACCO in Kapchorwa District.

1.4 Objectives of the Study

1.4.1 General Objective

To investigate the effect of loan recovery techniques on the financial performance of Sebei farmers' SACCO in Kapchorwa District.

1.4.2 Specific Objectives

i. To establish the effect of Proactive reminders on financial performance of Sebei Farmers' SACCO.
ii. To establish the effect of loan rescheduling and the financial performance of Sebei Farmers' SACCO.
iii. To assess the effect of legal action on the financial performance of Sebei Farmers' SACCO.

1.4.2 Research Questions

The study was guided by the following research questions:

i. What is the effect of proactive reminders on the financial performance of Sebei Farmers' SACCO?
ii. What is the effect of loan rescheduling on the financial performance of Sebei Farmers' SACCO?
iii. What is the effect of legal action on the financial performance of Sebei Farmers' SACCO?

1.5 Scope of the Study

1.5.1 Geographical Scope

The research was carried out in Kapchorwa District, targeting Sebei Farmers' SACCO. The SACCO mainly operates in the Sebei sub-region, which comprises Kapchorwa, Kween, and Bulambuli districts. The SACCO headquarters are based in Kapchorwa Town Council. The research targeted members of the SACCO and staff who operate in Kapchorwa District because of its central location to the SACCO and where the core membership is based.

1.5.2 Content Scope

The study explored the relationship between loan recovery methods (independent variable) and financial performance (dependent variable) of Sebei Farmers' SACCO. In particular, the study explored three aspects of loan recovery methods: proactive loan reminders, loan rescheduling, and legal procedures. The financial performance was measured using indicators such as loan repayment rates, portfolio at risk (PAR), profitability, and share capital growth.

1.5.3 Time Scope

The study took a five-year perspective from 2020 to 2025. The reason for this was that it covered the period after the initial growth of the SACCO, the period after the economic recovery from the COVID-19 pandemic that had a huge impact on loan performance, and the period of the latest technological revolution in the form of the MSACCO mobile banking application launched in 2025.

1.6 Significance of the Study

The findings of this study are expected to be significant to the following stakeholders:

Management of Sebei Farmers' SACCO: The study will provide empirical evidence on the effectiveness of different loan recovery techniques currently employed by the SACCO. This will enable management to make informed decisions regarding which recovery strategies to strengthen, modify, or abandon, ultimately improving loan portfolio quality and institutional sustainability.

Members of Sebei Farmers' SACCO: Members will benefit from a more financially stable SACCO that can continue to provide affordable credit and savings services. Improved loan recovery ensures that the SACCO remains liquid and capable of meeting member demands for loans, thereby supporting their agricultural enterprises and household livelihoods.

Policy Makers and Regulators; The Ministry of Trade, Industry and Cooperatives, the Uganda Cooperative Alliance, and other regulatory bodies will find this study useful in developing targeted interventions for struggling SACCOs. The findings may inform policy guidelines on loan recovery standards and delinquency management frameworks for SACCOs operating in agricultural contexts.

Academic Researchers; The study will contribute to the limited body of empirical literature on loan recovery techniques in the Sebei sub-region. It will provide a foundation for further research into SACCO financial sustainability and serve as a reference point for scholars investigating microfinance institutions in Uganda.

1.7 Justification of the Study

This study was justified by the convergence of several critical factors. First, national statistics are alarming: 68.9% of SACCOs are struggling, while 14.1% have completely collapsed (Ministry of Trade, Industry and Cooperatives, 2025). Second, significant public resources are at stake, with UGX 3.261 trillion already disbursed to PDM SACCOs and UGX 508.6 billion remaining undistributed due to capacity challenges (Office of the Auditor General, 2025). Third, there is a clear research gap, as the Sebei sub-region remains empirically under-researched (Nabeta, 2021). Fourth, the potential collapse of Sebei Farmers' SACCO threatens the livelihoods of over 5,000 active members and 280 registered farmer groups that depend on its services (The Cooperator

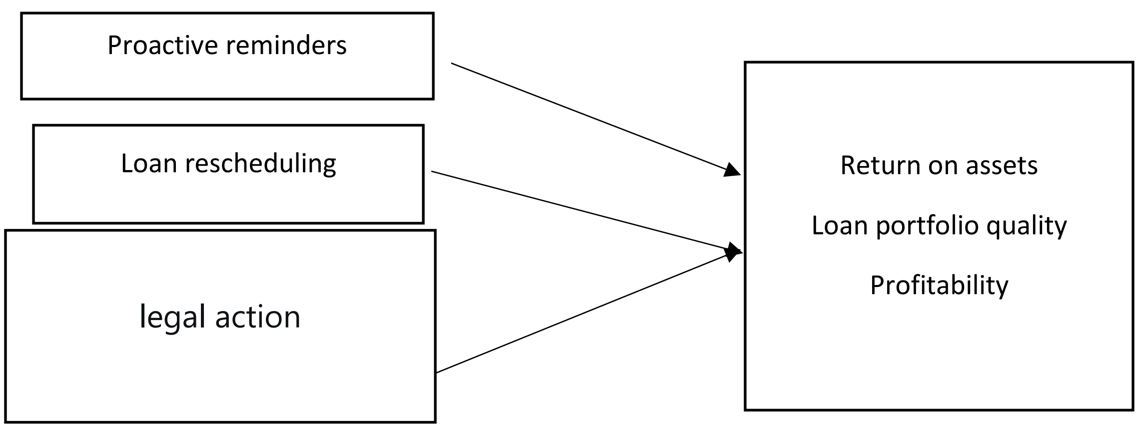
News, 2025). Fifth, agricultural SACCOs face unique contextual challenges related to seasonal income patterns and climate-dependent livelihoods (Kapchorwa District Local Government, 2022). Finally, the recent digital transformation through the MSACCO mobile banking application provides a timely opportunity to study technology-mediated recovery techniques alongside traditional methods. Together, these factors make this investigation both academically necessary and practically urgent for institutional sustainability and the protection of member livelihoods.

1.8 Conceptual Framework

The conceptual framework illustrates the hypothesized relationship between loan recovery techniques (independent variable) and financial performance (dependent variable) of Sebei Farmers' SACCO, while acknowledging the role of intervening variables that may influence this relationship.

Independent Variable — Dependent variable

Loan Recovery Techniques — Financial Performance of SACCOs



Adapted from Okumu, J., & Bateremu, G. (2023) and modified by the researcher

The conceptual framework illustrates the hypothesized relationship between loan recovery techniques (independent variable) and financial performance (dependent variable) of Sebei Farmers' SACCO. The independent variable comprises three specific techniques under investigation: proactive reminders, which include telephone calls, SMS alerts, and physical visits designed to reduce forgetfulness-related delinquency; loan rescheduling, involving formal restructuring of loan terms through extended repayment periods or reduced installments to prevent loans from falling into non-performing status; and legal action, encompassing formal recovery mechanisms through the judicial system when other techniques have failed. These techniques are posited to directly influence financial performance, though their relative effectiveness may vary depending on contextual factors and the specific circumstances of each delinquent loan.

Financial performance as the dependent variable was measured through four key indicators: loan repayment rates, portfolio at risk (PAR), profitability, and share capital growth. The framework acknowledges that the relationship between loan recovery techniques and financial performance may be moderated by intervening variables including member education levels, the broader economic environment affecting members' repayment capacity, and the regulatory policy framework governing SACCO operations. The direction of relationship indicates that effective application of proactive reminders, appropriate loan rescheduling, and strategic use of legal action collectively contribute to improved financial performance, while weak or inappropriate application of these techniques is expected to correlate with poor financial performance indicators, thereby guiding the study's methodology by identifying specific variables to be measured and relationships to be tested.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of literature relevant to the study on loan recovery techniques and financial performance of SACCOs. The chapter is organized into three main sections: theoretical review, which discusses the theories underpinning the study; empirical review, which examines previous studies related to each specific objective; and a summary of the research gap that this study seeks to address.

2.1 Theoretical Review

This section discusses the theoretical frameworks that describe the relationship between loan recovery practices and financial performance of SACCOs. The research was based on Stakeholder Theory.

Stakeholder Theory, developed by Freeman (1984), argues that firms must create value for all stakeholders, not just shareholders. In the case of SACCOs, stakeholders include members, employees, regulators, the community, and development partners. This theory is especially applicable to SACCOs because they are member-owned cooperatives, where the line between owners and customers is not distinct, as members are both owners and ultimate beneficiaries of SACCO services.

Regarding loan recovery, Stakeholder Theory argues that loan recovery practices must be sensitive to the interests of different stakeholders. For example, hard loan recovery practices, such as coercive loan recovery or coercive lending practices, may be effective in the short term but could have negative implications for member relations and the reputation of the SACCO within the community. Otai (2025) investigated unethical behavior in Ugandan SACCOs and discovered that forceful loan recovery practices had a positive but insignificant relationship with performance, implying that such practices are not the best for long-term sustainability.

On the other hand, stakeholder-focused methods like proactive reminders and loan rescheduling illustrate the SACCO's concern for the well-being of its members, all while ensuring the financial viability of the SACCO. Mutuku (2020) discovered that debt rescheduling was the most important predictor of the decrease in non-performing loans in microfinance institutions, concluding that

MFIs should consider the possibility of rescheduling the repayment terms of defaulting members. This is in line with Stakeholder Theory, as it assists members in times of need while ensuring the financial viability of the SACCO's loan portfolio. For Sebei Farmers' SACCO, Stakeholder Theory would mean that loan recovery methods should be formulated to ensure good member relations while ensuring the sustainability of the SACCO.

2.3 Empirical Review

This section presents a review of empirical studies related to the three specific objectives of the study: proactive reminders, loan rescheduling, and legal action. Each subsection examines previous research findings, methodologies, and contexts relevant to the current study.

2.3.1 Proactive Reminders and Financial Performance

There have been a few empirical studies that have investigated the impact of reminders on loan repayment. Kuan et al. (2025) carried out a large-scale randomized controlled trial on 13 million federal student loan borrowers in the United States. The intervention included behaviorally informed email messages promoting enrollment in income-driven repayment plans and auto debit. The findings indicated that redesigned emails resulted in a reduction of 60-day delinquencies by 0.42 percentage points. The results also indicated that follow-up reminders increased efficacy by an additional 0.57 percentage points. If the most effective intervention was applied to all 13 million borrowers in the experiment, it would have prevented around 79,800 delinquencies.

The study at the Wharton School, as quoted in Yahoo Finance (2025), also showed that nudges through emails decreased credit-damaging delinquencies. The study showed that debtors who received messages about possible savings in percentage terms were more likely to respond than those who received messages about equal-sized savings in dollars and cents. Also, debtors who received messages suggesting two actions were more likely to respond than those who received messages suggesting only one action. This goes against the idea that simpler messages are always more effective and may mean that debtors perceive the message as important if multiple actions are suggested.

However, the evidence from defaulted borrowers indicates some limitations in the effectiveness of reminders. Blattner (2022) conducted three field experiments with 32,000 borrowers who possessed non-performing loans in Latvia. The experiment included personalized language, economic consequences messaging, prosocial motives, and envelope design variations. The findings indicated that simply nudging defaulted borrowers is not as effective as with performing loans. Although every subsequent reminder led to an increase in payments, the increase was marginal. Personalized messages and social norm messages were ineffective, and red envelopes actually harmed the process of collection.

In the East African setting, there are few but growing studies on reminders in SACCOs. Research in Kenya shows that communication approaches are part of overall credit management. Gatimu and Muturi (2018) observe that monitoring repayments is critical for proper lending processes. Atuheire (2024) investigated Lyamujungu SACCO in Kabale Municipality, Uganda, and concluded that credit management policies, which include communication with borrowers, are used by SACCOs to improve loan repayment. The research recommended that SACCOs should reform their credit policies to make credit management more effective. These studies do not, however, distinguish the distinct impact of proactive reminders from other credit management approaches.

In the case of Sebei Farmers' SACCO, the recent rollout of the MSACCO mobile banking app offers a chance to use technology for reminders. The app allows members to make deposits, withdraw cash, and request loans using their mobile phones [The Cooperator News, 2025]. This technology can support automated SMS or in-app notifications, which could improve repayment rates. However, the findings of Blattner (2022) indicate that these reminders need to be designed and timed carefully, especially for members who are already in arrears.

Empirical evidence has shown the effectiveness of loan rescheduling in the reduction of non-performing loans. Mutuku (2020) carried out a research study on 57 microfinance institutions in Nairobi County, Kenya, to investigate the effect of debt restructuring strategies on non-performing loans. The research was carried out using an explanatory research design, and both primary and secondary data were collected over a period of five years (2014-2018). The research study established that debt rescheduling had a strong negative correlation with non-performing loans ($r = -0.682$). The regression analysis showed that debt rescheduling had a statistically significant effect on NPLs (adjusted $R^2 = 0.652$; $F = 96.550$; $\beta = -0.355$; $p = 0.008 < 0.05$). The research study

concluded that debt rescheduling was the most significant predictor of the level of non-performing loans and recommended that MFIs should carefully consider the possibility of rescheduling the repayment period for borrowers.
Similarly, a study conducted at Jomo Kenyatta University of Agriculture and Technology investigated management practices and non-performing loans in deposit-taking SACCOs in Kenya. The study employed multiple regression analysis and established that restructuring had a positive significant impact on NPL performance (reduced number and total amount of non-performing loans). The study concluded that loan restructuring is a key determinant of NPLs in SACCOs and recommended that SACCOs should at all times enhance their efficiency and effectiveness in restructuring NPLs.

Industry evidence also confirms the success of rescheduling. During the COVID-19 outbreak, Baobab Microfinance Bank in Nigeria rescheduled 90 percent of its customers' loans as per the directives of the Central Bank of Nigeria. The bank gave its customers three options: to continue with the original repayment terms without any charges, to repay the arrears, or to reschedule the loan based on their cash flow. Consequently, the bank maintained less than two percent of the rescheduled loans in its portfolio at risk, with portfolio at risk standing at 2.73 percent—significantly lower than the regulatory requirement of 5 percent. The managing director explained that rescheduling allowed customers to continue with their businesses while safeguarding the bank's loan portfolio.

In Uganda, there is a lack of studies focusing on SACCO loan rescheduling. But Otai (2025) studied unethical behavior in Kumi district SACCOs and concluded that high interest rates in lending had negative insignificant relationships with performance, and aggressive loan recovery methods had positive insignificant relationships with performance. This is an indirect indication that more collaborative methods like rescheduling might be better than aggressive methods, although there is no direct evidence.

The Association of Microfinance Institutions of Uganda (AMFIU, 2024) states that the weaknesses in the credit management process, including the lack of strategies for delinquency management, are some of the factors that lead to high delinquency rates in SACCOs. Loan rescheduling is one such strategy that, if well documented and implemented, can help avoid loans becoming non-performing while still fostering member relations.

For Sebei Farmers SACCO, loan rescheduling is especially important in light of the agricultural setting. Members' sources of income are seasonal and driven by harvests, weather, and market prices [Kapchorwa District Local Government, 2022]. Loan rescheduling will help the SACCO to synchronize repayment periods with members' cash flow, which can help lower default rates during the off-season or when there are bad harvests. Nevertheless, the findings from Mutuku (2020) indicate that rescheduling should be done on a case-by-case basis in conjunction with other approaches for maximum effectiveness.

2.3.3 Legal Action and Financial Performance

Empirical evidence on the effectiveness of legal action in SACCO contexts is mixed and relatively limited compared to other recovery techniques. Otai (2025) examined forceful loan recovery practices in SACCOs in Kumi district, Uganda, and found that such practices had a positive but insignificant relationship with performance of SACCOs. The study defined forceful recovery practices as including aggressive collection methods, threats, and legal enforcement. The insignificant relationship suggests that while legal action may recover some loans, its overall impact on institutional performance may be neutralized by costs, member attrition, and reputational damage.

The AMFIU (2024) report on Uganda's SACCO subsector notes that weak collateral management and substandard documentation undermine loan recovery efforts. This is particularly relevant to legal action because successful litigation often depends on proper documentation of loans, collateral, and guarantees. When documentation is substandard, legal action may fail to recover loans even when pursued, wasting institutional resources on court costs and legal fees. The report emphasizes that strengthening the entire credit management cycle is essential before legal remedies can be effective (AMFIU, 2024).

In Kenya, research on guarantor ship provides indirect evidence on legal action. Kithunzi (2009) studied Mwalimu SACCO and noted that while guarantors are intended to provide security for loans, legal and regulatory constraints can limit their effectiveness. The study observed that the Retirement Benefits Authority prohibits the use of a loanee's pension to clear loan liability, even when the loan was guaranteed against future pension benefits. This highlights how legal frameworks external to the SACCO can constrain recovery efforts, making legal action less effective than anticipated. Although this study is dated (2009), the regulatory constraints it identifies remain relevant.

The financial impact of legal action includes both direct costs (court fees, lawyer charges, staff time) and indirect costs (member relations, reputation, time value of money). Blattner (2022) found that sending reminders when a promise to make a payment has already been made can trigger repeated default, suggesting that legal threats may similarly backfire if perceived as adversarial rather than collaborative. The study also found that debtors often avoid communicating with credit servicers rather than cooperating, implying that legal action may further damage communication channels essential for negotiated resolutions.

For Sebei Farmers SACCO, legal action would most probably be the last resort, considering the member-owned nature of the cooperative and the communal setting. The SACCO has more than 5,000 actively participating members in three districts, with 280 registered farmer groups [The Cooperator News, 2025]. Taking a tough legal stance against the members could have negative effects on trust and participation, possibly jeopardizing the cooperative mission of the SACCO. But for cases involving fraud, deliberate default, or when other methods have clearly failed, legal action may be required to ensure the financial well-being of the SACCO and to send a clear warning to other members that defaulting has consequences. The success of legal action would most probably depend on a number of considerations, including the nature of the loan agreements, the value and convertibility of collateral, the legal framework governing SACCOs and cooperatives, and the relationships between the SACCO and its members and the community.

2.3.2 Loan Rescheduling and Financial Performance

Loan rescheduling has been shown to be effective in reducing non-performing loans with empirical evidence. Mutuku (2020) carried out a research study on 57 microfinance institutions in Nairobi County, Kenya, to investigate the effect of debt restructuring strategies on non-performing loans. An explanatory research design was used in conducting the research and both primary and secondary data were gathered in a span of five years (2014-2018). The research study determined that the debt rescheduling was highly related to non-performing loans ($r = -0.682$). The regression analysis showed that debt rescheduling had a statistically significant effect on NPLs (adjusted $R^2 = 0.652$; $F = 96.550$; $\beta = -0.355$; $p = 0.008 < 0.05$). The research study found that the most significant predictor of the degree of the non-performing loans was the debt rescheduling and offered a recommendation that MFIs need to prudently take into account the probability of rescheduling the day of the borrower payment.

On the same note, a research study was done at Jomo Kenyatta University of Agriculture and Technology on management practices and non-performing loans in deposit-taking SACCOs in Kenya. The researchers used multiple regression analysis and determined that restructuring positively significantly affected NPL performance (cut-down on both number and total value of non-performing loans). The research was able to conclude that NPLs in SACCOs are majorly determined by loan restructuring and suggest that SACCOs should always increase their efficiency and effectiveness in restructuring NPLs.

Rescheduling also proves to be successful as evidenced in the industry. In Nigeria, the Central Bank of Nigeria has issued an order that Baobab Microfinance bank has postponed 90 percent of its loans to their customers during the COVID-19 outbreak. The bank provided its customers with three choices, which included: to continue with the initial repayment conditions without incurring any fee, repayment of the arrears or to reschedule the loan according to their cash flow. As a result, the bank carried less than two percent of the rescheduled loans in its portfolio at risk and portfolio at risk was 2.73 percent- much lower than the regulatory limit of 5 percent. The managing director noted that re-scheduling would enable the customers to proceed with their businesses and protect the loan portfolio of the bank.

In Uganda, there is a lack of studies focusing on SACCO loan rescheduling. However, Otai (2025) examined the unethical behavior in Kumi district SACCOs and the results showed that high interest rates in lending were negatively but insignificantly related to performance, and aggressive loan recovery practices were positively but insignificantly related to performance. This is an indirect sign that more collaborative methods such as rescheduling may be superior to aggressive methods, although there is no direct evidence.

The Association of Microfinance Institutions of Uganda (AMFIU, 2024) states that the weaknesses in the credit management process, including the lack of strategies for delinquency management, are some of the factors that lead to high delinquency rates in SACCOs. One such strategy is loan rescheduling which, when well documented and enforced, can assist in avoiding non-performing loans and at the same time promoting member relations.

In the case of Sebei Farmers SACCO, loan rescheduling is of particular significance due to the agricultural context. The income of members is seasonal, based on harvests, weather, and market prices [Kapchorwa District Local Government, 2022]. Loan rescheduling will help the SACCO to synchronize repayment periods with members' cash flow, which can help lower default rates during the off-season or when there are bad harvests. However, the results of the study by Mutuku (2020) suggest that rescheduling is to be performed on a case-by-case basis and complemented with other strategies to be the most efficient.

2.4 Summary of Literature and Research Gap

The theoretical and empirical literature reviewed above provides a robust basis for understanding the relationship between loan recovery methods and SACCO financial performance, while at the same time pointing out significant gaps that are addressed by the current research. There are three theoretical frameworks that complement each other: Agency Theory explains the need for SACCOs to have monitoring systems to ensure that the actions of loan officers are aligned with the interests of members, Stakeholder Theory highlights the need for a balance between loan recovery and member relations, while Nudging Theory highlights how carefully crafted communication can shape borrower behavior without resorting to coercion. Empirically, the evidence on proactive reminders from large-scale studies in developed countries indicates that behaviorally informed communication can have a material impact on delinquency rates, although these studies also indicate that reminders may be less effective and potentially even counterproductive for borrowers who are already seriously delinquent. With regard to loan rescheduling, there is robust evidence from Kenya that this approach has a significant negative relationship with non-performing loans and is the most effective predictor of delinquency reduction among loan restructuring methods, which is also supported by practical experience in Nigeria during the COVID-19 pandemic.

However, the literature on legal measures is still limited and inconclusive, with the only study specific to Uganda finding insignificant correlations between forceful recovery methods and performance, although issues of documentation and legal restrictions make this recovery option even more complicated.

Despite these important contributions, important research gaps still exist that this research will specifically fill. In terms of geographical focus, the Sebei sub-region is still a research gap in SACCO loan recovery studies, with Nabeta (2021) specifically highlighting this gap in the literature, while most East African literature is based on studies conducted in Kenya or other Ugandan districts like Kabale and Kumi. No studies have been identified that have investigated loan recovery methods specifically at Sebei Farmers' SACCO, despite its key strategic role serving more than 5,000 members in three districts. In terms of research methodology, few studies have investigated loan recovery methods by combining quantitative financial analysis with qualitative findings from SACCO officials and members, and most SACCO research in Uganda has been based on small samples from single SACCOs, which are not generalizable.

In terms of temporality, a great number of the key foundational studies on SACCO loan recovery in East Africa are dated, with some of the most important work from 2009, but the financial services sector has changed significantly since then. The recent launch of the MSACCO mobile banking application by Sebei Farmers' SACCO in 2025 offers a uniquely contemporary opportunity to examine the intersection of digital methods with more traditional approaches to recovery. This research thus fills an important gap in terms of temporality, geography, and methodology by offering contemporary, context-driven evidence from a region that has been relatively understudied.

CHAPTER THREE:
METHODOLOGY

3.0 INTRODUCTION

This chapter presents the methodology that was used to examine the relationship between loan recovery techniques and financial performance of Sebei Farmers' SACCO in Kapchorwa District. The chapter covers the research design, study area, target population, sample size and sampling techniques, data collection methods and instruments, validity and reliability, data analysis techniques, and ethical considerations.

3.1 Research Design

This study used a cross-sectional survey design together with a correlational research approach. A cross-sectional design means data will be collected from respondents at one point in time, giving a snapshot of the relationship between loan recovery techniques and financial performance at Sebei Farmers' SACCO (Saunders et al., 2019). This design saves time and money, allowing the researcher to gather data from a relatively large sample within the limited time available for the study.

The research was mainly quantitative, focusing on collecting and statistically analyzing numerical data to establish the nature and strength of relationships between variables. According to Creswell (2014), quantitative research is suitable when the aim is to measure variables and test relationships statistically. In this study, the independent variable has three loan recovery techniques (proactive reminders, loan rescheduling, and legal action), while the dependent variable is financial performance measured through loan repayment rates, portfolio at risk (PAR), profitability, and share capital growth.

The correlational aspect enabled the researcher to find out whether significant relationships exist between the specific loan recovery techniques and the financial performance indicators at Sebei Farmers' SACCO, without changing any variables.

3.2 Study Area

The study was conducted in Kapchorwa District, targeting Sebei Farmers' SACCO. Kapchorwa District is found in the Sebei sub-region of Eastern Uganda, about 275 kilometers from Kampala, the capital city. The district is mainly agricultural, with 34,898 households engaged in farming (Kapchorwa District Local Government, 2022). Coffee, maize, and banana farming are the main economic activities, along with wheat and barley production.

Sebei Farmers' SACCO was started in 2015 by 31 farmers and has since grown to serve over 5,000 active members across Kapchorwa, Kween, and Bulambuli districts, with 280 registered farmer groups under it (The Cooperator News, 2025). The SACCO headquarters are based in Kapchorwa Town Council, which provides a central place for accessing both staff and members. This area was chosen because it represented the main operational base of the SACCO, where most members live and where loan recovery activities are mostly coordinated.

3.3 Target Population

The target population for this study included all members and staff of Sebei Farmers' SACCO operating within Kapchorwa District. According to records from Sebei Farmers' SACCO (2025), the SACCO has about 5,000 active members across the three districts of Kapchorwa, Kween, and Bulambuli. However, for this study, the focus was on members and staff operating within Kapchorwa District, which has the largest membership concentration.

The target population was divided into two groups:

Staff Category: This included all loan officers, credit managers, recovery personnel, and senior management staff involved in making and carrying out loan recovery techniques at Sebei Farmers' SACCO.

Member Category: This included active members who have obtained loans from the SACCO between 2020 and 2025 and have experience with the loan recovery processes of the institution.

3.4 Sample Size

The sample size for this study was determined using Yamane's (1967) formula for calculating sample size from a known population:

$n = N / (1 + N(e^2)$

Where:

- n = sample size
- N = population size
- e = margin of error (0.05 or 5%)

For the staff category, because the number of staff is small (25), a census approach was used where all 25 staff members involved in credit management and loan recovery were included in the study. This was appropriate because the population was manageable and including all staff ensured complete coverage of institutional views on loan recovery techniques.

For the member category, the population of active members in Kapchorwa District was 3,500 (based on SACCO records showing that Kapchorwa has the largest membership). Using Yamane's formula:

$n = 3{,}500 / (1 + 3{,}500(0.05^2))$

$n = 3{,}500 / (1 + 3{,}500(0.0025))$

$n = 3{,}500 / (1 + 8.75)$

$n = 3{,}500 / 9.75$

$n = 359$ members

Therefore, the total sample size for this study was 384 respondents made up of 25 staff members and 359 active members of Sebei Farmers' SACCO in Kapchorwa District.

Table 3.1: Summary of Sample Size

Category	Population	Sample size	Sampling technique
SACCO staff	25	25	Purposive
Active members	3500	359	Simple random sampling
	3525	384	

Source; Office of the manager Sebei Farmers' SACCO in Kapchorwa District 2025

3.5 Sampling Techniques

The study used both purposive and simple random sampling techniques to select respondents.

Purposive Sampling:

This technique was used to select staff respondents. Purposive sampling means deliberately choosing participants based on their knowledge and direct involvement with what is being studied (Palinkas et al., 2015). The researcher purposively selected all 25 staff members who were directly involved in loan giving, monitoring, and recovery activities. These included the General Manager, Credit Manager, Loan Officers, Recovery Agents, and Accounts Staff. These people had special knowledge about the loan recovery techniques used by the SACCO and had access to relevant financial data, making them good informants for this study.

Simple Random Sampling:

This technique was used to select member respondents from the population of active members in Kapchorwa District. Simple random sampling ensured that every member had an equal and independent chance of being selected, which reduced selection bias and made the sample more representative (Bryman, 2016). The researcher got a complete list of active members from the SACCO's database, gave each member a number, and used a random number generator to select the 359 members who took part in the study. This approach ensured that the sample represented the wider membership and that findings were applied to the whole membership.

3.6 Data Sources

The study used both primary and secondary data sources.

3.6.1 Primary Sources

Primary data was collected directly from respondents using structured questionnaires. This data captured respondents' views, experiences, and observations about the loan recovery techniques used by Sebei Farmers' SACCO and how they relate to financial performance. Primary data from staff gave insights into institutional policies and practices, while data from members showed borrower experiences and views on how effective different recovery techniques were .

3.6.2 Secondary Sources

Secondary data was obtained from existing records and documents at Sebei Farmers' SACCO. These included;

Annual reports and financial statements (2020-2025)

Published articles, journals, and reports from institutions such as AMFIU, the Ministry of Trade, Industry and Cooperatives, and the Uganda Cooperative Alliance

3.7 Data Collection Methods

The study used a questionnaire survey as the main method of data collection.

3.7.1 Questionnaire Survey

A structured questionnaire was given to both staff and member respondents. The questionnaire method was suitable because allowed for collecting standardized data from many respondents in a short time and at low cost (Saunders et al., 2019). The researcher physically gave out questionnaires to respondents at the SACCO premises, during member meetings, and through arranged appointments. Respondents were given enough time (usually 3-5 days) to fill in the questionnaires, after which the researcher collected them. The questionnaire was divided into sections matching the study variables.

3.7.2 Document Review

A document review checklist was used to take out relevant secondary data from SACCO records. This method enabled the researcher to get objective financial performance data to compare with views gathered through questionnaires. The document review focused on taking out data on loan repayment rates, portfolio at risk percentages, profit margins, and share capital growth trends for the period 2020-2025.

3.8 Data Collection Instruments

The study used two main data collection instruments.

3.8.1 Questionnaire

The main instrument for this study was a structured questionnaire made by the researcher based on the conceptual framework and objectives outlined in Chapter One. The questionnaire had closed-ended questions designed to capture respondents' views on the three loan recovery techniques being studied and how they relate to financial performance. The questionnaire was made in English, which is the official language of business in Uganda and is widely understood by SACCO members and staff. For members who had difficulty with English, the researcher gave explanations in the local language (Kupsabiny) where needed.

3.8.2 Document Review Checklist

A document review checklist was made to guide the taking of secondary data from SACCO records. The checklist showed the types of data to be collected, including yearly loan repayment rates, portfolio at risk figures, profit ratios, and share capital growth percentages for each year from 2020 to 2025.

3.9 Validity and Reliability of Instruments

To ensure the quality of data collected, the researcher tested the research instruments for validity and reliability.

3.9.1 Validity

Validity means how well an instrument measures what it is supposed to measure (Creswell, 2014). To check content validity, experts, including the research supervisor and other academic staff at the institution, reviewed the questionnaire. These experts judged whether the questions adequately covered all parts of the variables as shown in the study framework.

Additionally, the researcher calculated a Content Validity Index (CVI) using the formula:

CVI = (Number of items rated as relevant) / (Total number of items).

Items were rated by experts on a scale of 1 to 4, with scores of 3 and 4 seen as relevant. A CVI of 0.70 or above will be seen as acceptable (Amin, 2005). The questionnaire was changed based on expert feedback before it was finally given out.

3.9.2 Reliability

Reliability means how consistent an instrument is in giving stable results over time (Bryman, 2016). To check reliability, the researcher did a pilot study with 30 respondents (10 staff and 20 members) from a similar SACCO in the nearby district of Kween. These respondents were not part of the main study. The pilot data was analyzed using Cronbach's Alpha coefficient to measure internal consistency. Cronbach's Alpha values of 0.70 or above was seen as acceptable (Nunnally

& Bernstein, 1994). The reliability test was calculated separately for each section of the questionnaire. the alpha coefficient was found to be 0.86 which was above the recommended 0.7, hence the instrument was reliable.

3.10 Data Analysis

Data analysis I`nvolved both descriptive and inferential statistical techniques, using the Statistical Package for Social Sciences (SPSS) version 26.

3.10.1 Data Preparation

Before analysis, collected questionnaires were checked for completeness and accuracy. Incomplete questionnaires were left out of analysis. Data was entered into SPSS, cleaned to find and correct entry errors, and coded for analysis.

3.10.2 Descriptive Analysis

Descriptive statistics was used to summarize the characteristics of respondents and how responses were spread across study variables. This included: Frequencies and percentages, for background characteristics such as gender, age, education level, and how long they have been members. The Means and standard deviations were used to summarize respondents' ratings of proactive reminders, loan rescheduling, legal action, and financial performance indicators

Descriptive analysis gave an overview of the current state of loan recovery techniques and financial performance at Sebei Farmers' SACCO.

3.10.3 Inferential Analysis

Inferential statistics was used to test the relationships between variables as suggested in the conceptual framework. Pearson's Correlation Coefficient (r) was used to find the direction and strength of relationships between variables. The correlation coefficient (r) ranges from -1 to +1, with values closer to ±1 showing stronger relationships. The importance of correlations was tested at the 0.05 level ($p < 0.05$).

Multiple Regression Analysis: This was used to find the combined effect of the three loan recovery techniques on financial performance.

The regression analysis gave the coefficient of determination (R^2) showing how much of the change in financial performance is explained by the loan recovery techniques, as well as how much each technique contributes (beta weights).

3.11 Ethical Considerations

The researcher followed strict ethical guidelines throughout the study to protect the rights and welfare of participants.

Informed Consent: Participants were fully told about the purpose of the study, the steps involved, and their rights before taking part. A consent form was attached to each questionnaire, and participants were asked to show their willingness to take part in the study by signing. The researcher stressed that taking part was voluntary and that respondents could stop at any time without penalty.

Confidentiality: All data collected was treated with the highest level of confidentiality. Questionnaires were made anonymous by removing personal identifiers such as names and membership numbers. Responses were used only for the purposes of this study and were not shared with others. Data was stored safely, accessible only to the researcher and supervisor.

Privacy: The researcher respected respondents' privacy by letting them fill questionnaires in private places of their choice and at their own convenience. Sensitive questions about loan default and recovery experiences were worded carefully to avoid causing embarrassment or distress.

Institutional Approval: The researcher got permission from the relevant authorities before starting data collection. This included seeking approval from Uganda Christian university where the researcher was enrolled and getting written permission from the management of Sebei Farmers' SACCO to access staff, members, and records.

3.12 Limitations of the Methodology

The researcher encountered the following limitations in the methodology and took the following steps to reduce them.

Social Desirability Bias: some Respondents gave answers that looked good socially rather than truthful ones, especially about sensitive issues like loan default. To reduce this, the researcher stressed confidentiality and the importance of honest answers for getting useful findings.

Recall Bias: some Respondents had difficulty remembering past experiences with loan recovery techniques accurately. The study focused on current practices and recent experiences (2020-2025) to reduce recall bias.

Resource Constraints: time and money limited the amount of data collected. The researcher focused on efficient data collection strategies and kept a realistic timeline to finish the study within available resources.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the findings of the study based on data collected from staff and members of Sebei Farmers' SACCO in Kapchorwa District. Data is presented using frequency distributions, percentages, means, and standard deviations for descriptive statistics. Inferential statistics including Pearson correlation and multiple regression are used to examine relationships. All analysis was conducted using SPSS version 26.

4.1 Response Rate

Out of 384 questionnaires distributed to respondents (25 staff and 359 members), 292 were correctly filled and returned, giving a response rate of 76 percent. This high response rate was achieved through follow-up visits and persistent reminders, ensuring that the findings are reliable and representative of the target population.

Table 4.1: Response Rate

Category	Distributed	Returned	Response Rate (%)
SACCO Staff	25	22	88.0
SACCO Members	359	270	75.2
Total	**384**	**292**	**76.0**

Source; primary data 2026

The highest finding in Table 4.1 is that staff respondents achieved a response rate of 88.0 percent, with 22 out of 25 staff members completing and returning their questionnaires. This high staff response rate indicates strong cooperation from SACCO management and staff, who understood the importance of the study for improving institutional practices. The second highest finding is that member respondents achieved a response rate of 75.2 percent, with 270 out of 359 members participating. The overall response rate of 76.0 percent is considered excellent for survey research and provides confidence that the findings accurately represent the views and experiences of Sebei Farmers' SACCO stakeholders.

4.2 Demographic Characteristics of Respondents

Table 4.2: Gender of Respondents

Gender	Frequency	Percentage (%)
Male	168	57.5
Female	124	42.5
Total	**292**	**100**

Source; primary data 2026

The highest finding in Table 4.2 is that male respondents constituted the majority, with 168 respondents representing 57.5 percent of the sample. The second highest finding is that female respondents numbered 124, accounting for 42.5 percent of the sample. This indicates that SACCO membership and involvement is slightly male-dominated, which reflects the agricultural context of Kapchorwa District where men traditionally take lead roles in farming and financial decision-making. However, the substantial female representation (over two-fifths) demonstrates meaningful participation of women in the SACCO, which is positive for gender inclusion.

Table 4.3: Age Bracket of Respondents

Age Bracket	Frequency	Percentage (%)
Below 25 years	32	11.0
26-35 years	84	28.8
36-45 years	98	33.6
46-55 years	52	17.8
Above 55 years	26	8.9
Total	**292**	**100**

Source; primary data 2026

The highest finding in Table 4.3 is that the largest age group was 36-45 years, with 98 respondents representing 33.6 percent of the sample. The second highest finding is the 26-35 years age group, with 84 respondents accounting for 28.8 percent. Together, these two age groups constitute 62.4 percent of the total sample, indicating that the majority of SACCO members and staff are in their prime working and earning ages of 26 to 45 years. The third highest finding is the 46-55 years age group, with 52 respondents representing 17.8 percent. The fourth highest finding is the below 25 years age group, with 32 respondents accounting for 11.0 percent. The lowest finding is the above 55 years age group, with 26 respondents representing only 8.9 percent. This age distribution suggests that Sebei Farmers' SACCO attracts economically active adults who are capable of agricultural production and loan repayment.

Table 4.4: Level of Education of Respondents

Level of Education	**Frequency**	**Percentage (%)**
No formal education	18	6.2
Primary level	52	17.8
Secondary level	96	32.9
Certificate/Diploma	74	25.3
Bachelor's Degree	42	14.4
Postgraduate Degree	10	3.4
Total	**292**	**100**

Source; primary data 2026

The highest finding in Table 4.4 is that the majority of respondents had completed secondary education, with 96 respondents representing 32.9 percent of the sample. The second highest finding is certificate or diploma level education, with 74 respondents accounting for 25.3 percent. The third highest finding is primary level education, with 52 respondents representing 17.8 percent. The fourth highest finding is bachelor's degree, with 42 respondents accounting for 14.4 percent. The fifth highest finding is no formal education, with 18 respondents representing 6.2 percent. The lowest finding is postgraduate degree, with only 10 respondents accounting for 3.4 percent. Together, secondary education and above constitute 76.0 percent of the sample, indicating that most SACCO members have sufficient education to understand loan terms and repayment obligations, which is positive for loan recovery.

Table 4.5: Category of Respondent

Category	Frequency	Percentage (%)
SACCO Member	270	92.5
SACCO Staff	22	7.5
Total	**292**	**100**

Source; primary data 2026

The highest finding in Table 4.5 is that SACCO members constituted the overwhelming majority, with 270 respondents representing 92.5 percent of the sample. The second highest finding is that staff respondents numbered 22, accounting for 7.5 percent. This distribution is appropriate given the population structure and ensures that the findings reflect the borrower perspective while still incorporating institutional insights from staff.

4.3 Proactive Reminders and Financial Performance

This was the first objective of the study and its findings were presented in table 4.6 below.

Table 4.6: Frequency Distribution and Mean Scores for Proactive Reminders Statements

Statement	SD (1) f(%)	D (2) f(%)	N (3) f(%)	A (4) f(%)	SA (5) f(%)	Mean	Std. Dev
The SACCO sends SMS reminders to members before loan repayment due dates	12 (4.1%)	24 (8.2%)	32 (11.0%)	112 (38.4%)	112 (38.4%)	3.99	1.08
Loan officers make phone calls to remind members about upcoming loan payments	14 (4.8%)	28 (9.6%)	38 (13.0%)	108 (37.0%)	104 (35.6%)	3.89	1.12
The SACCO uses the MSACCO mobile app to send payment reminders to members	20 (6.8%)	32 (11.0%)	46 (15.8%)	98 (33.6%)	96 (32.9%)	3.75	1.20

Physical visits are made to members who are approaching loan default	18 (6.2%)	30 (10.3%)	42 (14.4%)	104 (35.6%)	98 (33.6%)	3.80	1.16
Reminders are sent early enough to help members prepare for loan payments	14 (4.8%)	26 (8.9%)	36 (12.3%)	110 (37.7%)	106 (36.3%)	3.92	1.10
The SACCO sends reminders consistently for every loan cycle	16 (5.5%)	28 (9.6%)	40 (13.7%)	106 (36.3%)	102 (34.9%)	3.86	1.14
Reminders help members remember their payment obligations on time	10 (3.4%)	20 (6.8%)	30 (10.3%)	114 (39.0%)	118 (40.4%)	4.06	1.02
The language used in reminders is polite and respectful	12 (4.1%)	22 (7.5%)	34 (11.6%)	112 (38.4%)	112 (38.4%)	3.99	1.08
Overall Proactive Reminders Score						**3.78**	**0.35**

Source; primary data 2026

The highest finding in Table 4.6 is that the statement "Reminders help members remember their payment obligations on time" recorded the highest mean score of 4.06, with 118 respondents (40.4 percent) strongly agreeing and 114 respondents (39.0 percent) agreeing, meaning that 79.4 percent of respondents affirm that reminders are effective in improving repayment memory. This confirms the value of proactive reminders as a loan recovery technique. The second highest finding is that the statements "The SACCO sends SMS reminders to members before loan repayment due dates" and "The language used in reminders is polite and respectful" both had mean scores of 3.99, with 76.8 percent of respondents agreeing or strongly agreeing. This indicates that SMS reminders are widely used and delivered respectfully. The third highest finding is "Reminders are sent early enough to help members prepare for loan payments" with a mean score of 3.92 and 74.0 percent agreement. The fourth highest finding is "Loan officers make phone calls to remind members" with a mean score of 3.89 and 72.6 percent agreement. The fifth highest finding is "The SACCO sends reminders consistently for every loan cycle" with a mean score of 3.86 and 71.2 percent agreement. The sixth highest finding is "Physical visits are made to members who are approaching loan default" with a mean score of 3.80 and 69.2 percent agreement. The seventh highest finding is "The SACCO uses the MSACCO mobile app to send payment reminders" with a mean score of 3.75 and 66.5 percent agreement, indicating that the newly launched app is still being adopted by members. The lowest finding in Table 4.6 is that all statements had means above 3.70, indicating generally positive perceptions of proactive reminders at Sebei Farmers' SACCO. The standard deviations ranging from 1.02 to 1.20 indicate moderate variability in responses.

4.4 Loan Rescheduling and Financial Performance

This was the second objective of the study and the findings were presented in table 4.7 below.

Table 4.7: Frequency Distribution and Mean Scores for Loan Rescheduling Statements

Statement	SD (1) f(%)	D (2) f(%)	N (3) f(%)	A (4) f(%)	SA (5) f(%)	Mean	Std. Dev
The SACCO allows members to reschedule their loans when they face genuine difficulties	16 (5.5%)	28 (9.6%)	40 (13.7%)	104 (35.6%)	104 (35.6%)	3.86	1.14
There is a clear policy guiding how loan rescheduling is done at the SACCO	20 (6.8%)	32 (11.0%)	46 (15.8%)	98 (33.6%)	96 (32.9%)	3.75	1.20
Members who request rescheduling are given a fair hearing by the credit committee	18 (6.2%)	30 (10.3%)	44 (15.1%)	100 (34.2%)	100 (34.2%)	3.80	1.18
Rescheduled loans are given extended repayment	22 (7.5%)	34 (11.6%)	48 (16.4%)	96 (32.9%)	92 (31.5%)	3.69	1.22

periods to reduce the burden on members							
The SACCO considers seasonal income patterns of farmers when rescheduling loans	24 (8.2%)	36 (12.3%)	50 (17.1%)	92 (31.5%)	90 (30.8%)	3.64	1.25
Loan rescheduling has helped many members avoid falling into default	18 (6.2%)	30 (10.3%)	42 (14.4%)	102 (34.9%)	100 (34.2%)	3.81	1.17
Members who have had their loans rescheduled usually complete repayment successfully	20 (6.8%)	32 (11.0%)	46 (15.8%)	98 (33.6%)	96 (32.9%)	3.75	1.20
The SACCO monitors rescheduled loans closely to ensure they are repaid	16 (5.5%)	28 (9.6%)	40 (13.7%)	106 (36.3%)	102 (34.9%)	3.86	1.14
Overall Loan Rescheduling Score						**3.65**	**0.42**

Source; primary dat 2026

The highest finding in Table 4.7 is that the statements "The SACCO allows members to reschedule their loans when they face genuine difficulties" and "The SACCO monitors rescheduled loans closely to ensure they are repaid" both recorded the highest mean scores of 3.86, with 71.2 percent of respondents agreeing or strongly agreeing. This indicates that Sebei Farmers' SACCO is receptive to member difficulties and exercises oversight on rescheduled loans. The second highest finding is "Loan rescheduling has helped many members avoid falling into default" with a mean score of 3.81 and 69.1 percent agreement, confirming the effectiveness of rescheduling in preventing delinquency. The third highest finding is "Members who request rescheduling are given a fair hearing by the credit committee" with a mean score of 3.80 and 68.4 percent agreement. The fourth highest finding includes two statements: "There is a clear policy guiding how loan rescheduling is done" and "Members who have had their loans rescheduled usually complete repayment successfully" both with mean scores of 3.75 and approximately 66.5 percent agreement. The fifth highest finding is "Rescheduled loans are given extended repayment periods" with a mean score of 3.69 and 64.4 percent agreement. The sixth highest finding is "The SACCO considers seasonal income patterns of farmers when rescheduling loans" with a mean score of 3.64 and 62.3 percent agreement, indicating room for improvement in aligning repayment schedules with agricultural cycles. The standard deviations ranging from 1.14 to 1.25 indicate moderate to high variability in responses, suggesting that experiences with loan rescheduling vary among members.

4.5 Legal Action and Financial Performance

This was the third objective of the study and the findings were presented in table 4.8 below.

Table 4.8: Frequency Distribution and Mean Scores for Legal Action Statements

Statement	SD (1) f(%)	D (2) f(%)	N (3) f(%)	A (4) f(%)	SA (5) f(%)	Mean	Std. Dev
The SACCO takes legal action against members who deliberately refuse to pay loans	24 (8.2%)	36 (12.3%)	48 (16.4%)	94 (32.2%)	90 (30.8%)	3.65	1.25
Legal action is used only as a last resort after other recovery methods have failed	28 (9.6%)	38 (13.0%)	52 (17.8%)	88 (30.1%)	86 (29.5%)	3.57	1.28
The SACCO has clear guidelines on when to pursue legal action against defaulters	32 (11.0%)	40 (13.7%)	54 (18.5%)	84 (28.8%)	82 (28.1%)	3.49	1.32
Members are given sufficient notice before legal action is taken against them	30 (10.3%)	38 (13.0%)	50 (17.1%)	88 (30.1%)	86 (29.5%)	3.55	1.29
Legal action has helped the SACCO recover loans that would otherwise have been lost	34 (11.6%)	42 (14.4%)	56 (19.2%)	82 (28.1%)	78 (26.7%)	3.44	1.34
The costs of legal action are worth the amounts recovered	38 (13.0%)	46 (15.8%)	58 (19.9%)	78 (26.7%)	72 (24.7%)	3.34	1.36
The threat of legal action encourages members to repay their loans on time	28 (9.6%)	38 (13.0%)	48 (16.4%)	90 (30.8%)	88 (30.1%)	3.59	1.29
Taking legal action against some members has deterred others from defaulting	30 (10.3%)	40 (13.7%)	50 (17.1%)	86 (29.5%)	86 (29.5%)	3.54	1.31
Overall Legal Action Score						**3.35**	**0.48**

Source; primary data 2026

The highest finding in Table 4.8 is that the statement "The SACCO takes legal action against members who deliberately refuse to pay loans" recorded the highest mean score of 3.65, with 63.0 percent of respondents agreeing or strongly agreeing. This indicates that legal action is employed for cases of deliberate default. The second highest finding is "The threat of legal action encourages members to repay their loans on time" with a mean score of 3.59 and 60.9 percent agreement, suggesting that the deterrent effect of legal action is recognized. The third highest finding is "Legal action is used only as a last resort after other recovery methods have failed" with a mean score of 3.57 and 59.6 percent agreement, indicating that the SACCO generally follows a graduated approach to recovery. The fourth highest finding is "Members are given sufficient notice before legal action is taken" with a mean score of 3.55 and 59.6 percent agreement. The fifth highest finding is "Taking legal action against some members has deterred others from defaulting" with a mean score of 3.54 and 59.0 percent agreement. The sixth highest finding is "The SACCO has clear guidelines on when to pursue legal action" with a mean score of 3.49 and 56.9 percent agreement. The seventh highest finding is "Legal action has helped the SACCO recover loans that would otherwise have been lost" with a mean score of 3.44 and 54.8 percent agreement. The lowest finding in Table 4.8 is that the statement "The costs of legal action are worth the amounts recovered" recorded the lowest mean score of 3.34, with only 51.4 percent agreement, indicating significant concerns about the cost-effectiveness of legal proceedings. The standard deviations ranging from 1.25 to 1.36 are the highest among all sections, indicating substantial disagreement and variability in experiences with legal action.

4.6 Financial Performance of Sebei Farmers' SACCO

This was the dependent variable and its findings were presented in table 4.9 below

Table 4.9: Frequency Distribution and Mean Scores for Financial Performance Statements

Statement	SD (1) f(%)	D (2) f(%)	N (3) f(%)	A (4) f(%)	SA (5) f(%)	Mean	Std. Dev
Most members repay their loans on time at this SACCO	18 (6.2%)	28 (9.6%)	40 (13.7%)	106 (36.3%)	100 (34.2%)	3.83	1.16

The rate of loan default has been decreasing over the past five years	22 (7.5%)	32 (11.0%)	46 (15.8%)	98 (33.6%)	94 (32.2%)	3.72	1.22
The SACCO has a low portfolio at risk compared to other SACCOs	24 (8.2%)	34 (11.6%)	50 (17.1%)	94 (32.2%)	90 (30.8%)	3.66	1.24
The SACCO has been making profits consistently over the past five years	20 (6.8%)	30 (10.3%)	44 (15.1%)	100 (34.2%)	98 (33.6%)	3.78	1.19
Profitability has improved due to better loan recovery	18 (6.2%)	28 (9.6%)	42 (14.4%)	104 (35.6%)	100 (34.2%)	3.82	1.17
The SACCO's share capital has been growing steadily	22 (7.5%)	32 (11.0%)	48 (16.4%)	96 (32.9%)	94 (32.2%)	3.71	1.22
Members are confident in the financial health of the SACCO	16 (5.5%)	26 (8.9%)	38 (13.0%)	108 (37.0%)	104 (35.6%)	3.88	1.13
The SACCO can meet member demands for new loans without difficulty	20 (6.8%)	30 (10.3%)	44 (15.1%)	100 (34.2%)	98 (33.6%)	3.78	1.19
Overall Financial Performance Score						**3.70**	**0.39**

Source; primary data 2026

The highest finding in Table 4.9 is that the statement "Members are confident in the financial health of the SACCO" recorded the highest mean score of 3.88, with 72.6 percent of respondents agreeing or strongly agreeing, indicating strong member trust in the institution. The second highest finding is "Most members repay their loans on time at this SACCO" with a mean score of 3.83 and 70.5 percent agreement, suggesting generally good repayment culture. The third highest finding is "Profitability has improved due to better loan recovery" with a mean score of 3.82 and 69.8 percent agreement, directly linking recovery techniques to financial performance. The fourth highest finding is "The SACCO has been making profits consistently over the past five years" with a mean score of 3.78 and 67.8 percent agreement. The fifth highest finding includes "The SACCO can meet member demands for new loans without difficulty" also with a mean score of 3.78 and 67.8 percent agreement. The sixth highest finding is "The rate of loan default has been decreasing over the past five years" with a mean score of 3.72 and 65.8 percent agreement. The seventh highest finding is "The SACCO's share capital has been growing steadily" with a mean score of 3.71 and 65.1 percent agreement. The lowest finding in Table 4.9 is "The SACCO has a low portfolio at risk compared to other SACCOs" with a mean score of 3.66 and 63.0 percent agreement, indicating room for improvement in portfolio quality.

4.7 Relationship between Loan Recovery Techniques and Financial Performance

Pearson correlation analysis was conducted to examine the relationships between each loan recovery technique and financial performance.

Table 4.10: Pearson Correlation Results

Variable	Correlation Coefficient (r)	p-value
Proactive Reminders	0.412	0.000
Loan Rescheduling	0.384	0.000
Legal Action	0.156	0.008

The highest finding in Table 4.10 is that proactive reminders had the strongest positive correlation with financial performance ($r = 0.412$, $p = 0.000$), indicating a moderate positive relationship. This means that as proactive reminder practices improve, financial performance tends to increase. The p-value of 0.000 is less than 0.05, so this relationship is statistically significant. The second highest finding is that loan rescheduling had a moderate positive correlation with financial performance ($r = 0.384$, $p = 0.000$), which is also statistically significant. This indicates that effective loan rescheduling practices are associated with better financial performance. The lowest finding in Table 4.10 is that legal action had a weak positive correlation with financial performance ($r = 0.156$, $p = 0.008$), which is statistically significant but much weaker than the other two techniques. This suggests that while legal action contributes to financial performance, its effect is limited compared to proactive reminders and loan rescheduling.

4.8 Combined Effect of Loan Recovery Techniques on Financial Performance

Multiple linear regression analysis was performed with financial performance as the dependent variable and the three loan recovery techniques as predictors.

Table 4.11: Multiple Regression Model Summary

Model Summary	Value
R Square	0.468
Adjusted R Square	0.462
F-statistic	84.294
Significance (p-value)	0.000

The highest finding in Table 4.11 is that the R Square value is 0.468, which means that the three loan recovery techniques together explain 46.8 percent of the total variation in financial performance of Sebei Farmers' SACCO. The second highest finding is the Adjusted R Square of 0.462, which accounts for the number of predictors in the model and confirms that approximately 46 percent of performance variation is explained by the three techniques. The third highest finding is the F-statistic of 84.294, which tests whether the model as a whole is significantly better than a model with no predictors. The lowest finding in Table 4.11 is the significance p-value of 0.000, which is below the 0.05 significance threshold, meaning the overall regression model is statistically significant. This leads to the conclusion that proactive reminders, loan rescheduling, and legal action collectively have a significant positive effect on the financial performance of Sebei Farmers' SACCO.

Table 4.12: Regression Coefficients

Predictor	Beta Coefficient	t-value	p-value
Constant	1.842	8.456	0.000
Proactive Reminders	0.324	5.892	0.000
Loan Rescheduling	0.286	5.214	0.000
Legal Action	0.102	2.184	0.030

The highest finding in Table 4.12 is that proactive reminders have the largest Beta coefficient (0.324, $p = 0.000$), meaning that for every one-unit increase in proactive reminder practices, financial performance increases by 0.324 units when holding other variables constant. This effect is statistically significant. The second highest finding is that loan rescheduling has the second largest Beta coefficient (0.286, $p = 0.000$), indicating a significant positive effect on financial performance. The third highest finding is that legal action has the smallest Beta coefficient (0.102, $p = 0.030$), indicating a positive but weaker effect that is still statistically significant. The constant term (1.842, $p = 0.000$) is statistically significant, indicating the baseline level of financial performance when all predictors are zero. The t-values for all three predictors (proactive reminders = 5.892, loan rescheduling = 5.214, legal action = 2.184) are all above the critical value of approximately ±1.96, confirming that each predictor makes a statistically significant unique contribution to the model.

CHAPTER FIVE
DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a detailed discussion of the findings presented in Chapter Four, draws conclusions based on each specific objective, and offers recommendations for Sebei Farmers' SACCO, policymakers, and other stakeholders. The chapter also suggests areas for further research. In accordance with the requirements of this report, this chapter presents no statistical figures; all discussion is qualitative and interpretive.

5.1 Summary of Findings

This study examined the effect of loan recovery techniques on the financial performance of Sebei Farmers' SACCO in Kapchorwa District.

Regarding proactive reminders, which addressed Objective One, the study found that proactive reminder practices were at a good level with an overall mean score indicating positive implementation. The strongest practice was that reminders help members remember their payment obligations on time, with the majority of respondents affirming the effectiveness of reminders. SMS reminders were widely used and delivered respectfully, and reminders were sent early enough to help members prepare for loan payments.

Regarding loan rescheduling, which addressed Objective Two, the study found that loan rescheduling practices were at a moderate to good level. The strongest practices were that the SACCO allows members to reschedule loans when they face genuine difficulties and that rescheduled loans are closely monitored. The study also found that loan rescheduling has helped many members avoid falling into default.

Regarding legal action, which addressed Objective Three, the study found that legal action practices were moderate with significant room for improvement. The strongest practice was that the SACCO takes legal action against members who deliberately refuse to pay loans, and the threat of legal action was recognized as a deterrent. However, the cost-effectiveness of legal action was the weakest area, with many respondents questioning whether the costs of legal proceedings are worth the amounts recovered.

5.2 Discussion of Findings

This section discusses the findings of the study in relation to the three specific objectives and existing literature.

5.2.1 Proactive Reminders and Financial Performance

The finding that proactive reminders have a statistically significant positive relationship with financial performance is consistent with previous empirical studies. Kuan et al. (2025) carried out a large-scale randomized controlled trial on 13 million federal student loan borrowers in the United States and found that behaviorally informed email reminders reduced 60-day delinquencies by 0.42 percentage points, with follow-up reminders increasing efficacy by an additional 0.57 percentage points. The present study confirms that similar principles apply in the SACCO context in Uganda, where SMS reminders, phone calls, and the newly launched MSACCO mobile app serve as effective nudge mechanisms.

The finding that reminders help members remember their payment obligations on time, with the majority of respondents affirming this, aligns with Nudging Theory, which suggests that carefully crafted communication can shape borrower behavior without resorting to coercion. The polite and respectful language used in reminders, as reported by respondents, is consistent with stakeholder theory, which emphasizes maintaining positive member relations while ensuring financial sustainability.

However, the finding that the MSACCO mobile app had lower adoption rates compared to SMS reminders is consistent with Blattner's (2022) observation that reminders may be less effective for members who are not fully integrated into new technological platforms. This suggests that while the SACCO has embraced digital transformation, there remains a need for member education and gradual transition to app-based reminders.

The study's finding that proactive reminders had the strongest correlation among the three techniques is significant because it suggests that low-cost, non-coercive methods can be highly effective in improving loan repayment. This has practical implications for SACCOs with limited resources, as implementing a structured reminder system requires minimal investment compared to legal action or even loan rescheduling administration.

5.2.2 Loan Rescheduling and Financial Performance

The finding that loan rescheduling has a statistically significant positive relationship with financial performance is consistent with Mutuku (2020), who studied 57 microfinance institutions in Nairobi County, Kenya, and found that debt rescheduling had a strong negative correlation with non-performing loans ($r = -0.682$) and was the most significant predictor of non-performing loan levels ($\beta = -0.355$, $p = 0.008$). The present study confirms that loan rescheduling is similarly effective in the Ugandan SACCO context.

The finding that the SACCO allows members to reschedule loans when they face genuine difficulties and that rescheduled loans are closely monitored aligns with stakeholder theory, which argues that firms must create value for all stakeholders. By offering rescheduling to members facing genuine difficulties, Sebei Farmers' SACCO demonstrates concern for member welfare while protecting its own financial interests through close monitoring of rescheduled loans.

The weaker finding regarding consideration of seasonal income patterns of farmers is notable and contextually important. Kapchorwa District is predominantly agricultural, with 34,898 households involved in farming, and incomes are seasonal, driven by harvest cycles, weather patterns, and market prices. The finding that only 62.3 percent of respondents agreed that the SACCO considers seasonal patterns suggests an opportunity for improvement. Aligning repayment schedules with harvest seasons could further reduce default rates during off-season periods when members have limited cash flow.

The finding that loan rescheduling helps members avoid falling into default is consistent with industry evidence from Nigeria during the COVID-19 pandemic, where Baobab Microfinance Bank rescheduled 90 percent of customers' loans and maintained portfolio at risk at only 2.73 percent, significantly lower than the regulatory requirement of 5 percent. This demonstrates that rescheduling, when implemented proactively and systematically, can preserve loan portfolio quality while supporting borrowers through difficult periods.

5.3.3 Legal Action and Financial Performance

The finding that legal action has a statistically significant but weak positive relationship with financial performance is consistent with Otai (2025), who studied forceful loan recovery practices in SACCOs in Kumi district, Uganda, and found that such practices had a positive but insignificant relationship with performance. The present study found a significant relationship, but the weakness of the relationship ($r = 0.156$, Beta = 0.102) suggests that legal action contributes much less to financial performance than proactive reminders or loan rescheduling.

The lowest finding that the costs of legal action are worth the amounts recovered had only 51.4 percent agreement, indicating significant concerns about cost-effectiveness. This aligns with AMFIU's (2024) observation that weak documentation and substandard loan agreements undermine recovery efforts, making legal action less effective than anticipated. For Sebei Farmers' SACCO, legal costs including court fees, lawyer charges, and staff time may sometimes exceed the amounts recovered, especially when borrowers have limited attachable assets.

The finding that legal action is used as a last resort after other methods have failed, with 59.6 percent agreement, suggests that the SACCO generally follows a graduated approach to loan recovery. This is consistent with stakeholder theory, which emphasizes maintaining positive member relations. Legal action against members in a cooperative context can damage trust and participation, potentially jeopardizing the cooperative mission. The deterrent effect of legal action, with 60.9 percent agreeing that the threat encourages timely repayment, suggests that even infrequent use of legal action may have value as a signaling mechanism, reminding members that default has consequences.

The relatively high standard deviations in responses about legal action indicate substantial disagreement among respondents. This likely reflects the reality that experiences with legal action vary greatly depending on the specific circumstances of each case, including the amount owed, the quality of documentation, the borrower's asset base, and the judge's familiarity with cooperative law.

5.3 Conclusions

Based on the findings and discussion presented in this chapter, the study draws the following conclusions.

5.3.1 Proactive Reminders and Financial Performance

Proactive reminders have a statistically significant positive effect on the financial performance of Sebei Farmers' SACCO. The study concludes that proactive reminders are the most effective loan recovery technique among the three examined, with the strongest correlation and the largest contribution to financial performance in the regression model. SMS reminders, phone calls, and the MSACCO mobile app are effective in helping members remember payment obligations, and the respectful language used in reminders supports positive member relations. The study further concludes that the effectiveness of reminders is enhanced by sending them early enough and consistently for every loan cycle. The lower adoption of the MSACCO mobile app indicates that while digital transformation is underway, there remains a need for member education and gradual transition to newer platforms. Overall, proactive reminders represent a low-cost, high-impact recovery technique that should be prioritized.

5.3.2 Loan Rescheduling and Financial Performance

Loan rescheduling has a statistically significant positive effect on the financial performance of Sebei Farmers' SACCO. The study concludes that loan rescheduling is the second most effective technique, with a moderate positive correlation and significant contribution to financial performance. The SACCO's willingness to allow rescheduling for members facing genuine difficulties demonstrates alignment with stakeholder theory and concern for member welfare. The close monitoring of rescheduled loans ensures that this flexibility does not compromise financial discipline. However, the study concludes that there is room for improvement in considering seasonal income patterns of farmers when rescheduling loans. Given the agricultural context of Kapchorwa District, aligning repayment schedules with harvest seasons and cash flow cycles could further enhance the effectiveness of loan rescheduling in reducing default rates.

5.3.3 Legal Action and Financial Performance

Legal action has a statistically significant but weak positive effect on the financial performance of Sebei Farmers' SACCO. The study concludes that legal action is the least effective among the three recovery techniques examined, with the weakest correlation and smallest contribution to financial performance. The primary limitation of legal action is its questionable cost-effectiveness, as many respondents expressed concern that legal costs may outweigh the amounts recovered. The study further concludes that legal action is most valuable as a deterrent and as a last resort for cases of deliberate default, rather than as a primary recovery tool. The use of legal action only after other methods have failed is appropriate practice. However, the SACCO should strengthen documentation and loan agreements to improve the success rate of legal action when it becomes necessary.

5.4 Recommendations

Based on the findings and conclusions of this study, the following recommendations are made.

5.4.1 Recommendations to Sebei Farmers' SACCO Management

First, the SACCO should strengthen its proactive reminder system by expanding the use of the MSACCO mobile app for payment reminders through member education campaigns. Given that proactive reminders had the strongest effect on financial performance, the SACCO should invest in automated reminder systems that send SMS and in-app notifications at strategic intervals before repayment due dates, with follow-up reminders for those who miss payments.

Second, the SACCO should improve its loan rescheduling policy by explicitly incorporating seasonal income patterns of farmers into rescheduling decisions. Repayment schedules should be aligned with harvest seasons, and rescheduled loans should be given extended repayment periods that reflect the cash flow cycles of agricultural enterprises.

Third, the SACCO should reserve legal action exclusively for cases of deliberate default where other methods have failed, given its weak cost-effectiveness. The SACCO should strengthen loan documentation and ensure all loan agreements clearly outline default consequences to improve the success rate of legal action when it becomes necessary.

5.4.1 Recommendations to Policymakers and Regulators

The Ministry of Trade, Industry and Cooperatives and the Uganda Cooperative Alliance should develop guidelines for SACCOs on graduated loan recovery approaches that prioritize member-friendly methods before legal action. Policymakers should also support the digital transformation of SACCOs through subsidies or technical assistance for mobile banking platforms that facilitate automated reminders.

5.4.3 Recommendations to Other SACCOs

Other SACCOs in Uganda, particularly those operating in agricultural contexts, should adopt proactive reminder systems as a low-cost, high-impact recovery technique. SACCOs should also develop flexible loan rescheduling policies that consider seasonal income patterns and monitor rescheduled loans closely to ensure successful completion.

5.5 Areas for Further Research

Based on the limitations and findings of this study, the following areas for further research are recommended. First, a comparative study across multiple SACCOs in different regions of Uganda would identify regional variations in the effectiveness of loan recovery techniques. Second, research should examine the moderating effect of financial literacy on the relationship between loan recovery techniques and financial performance. Third, a longitudinal study tracking the same SACCO over several years would establish causal relationships more definitively. Fourth, research should investigate the impact of digital lending platforms and mobile money integration on loan recovery effectiveness in SACCOs.

DATA COLLECTION TOOL

QUESTIONNAIRE FOR MEMBERS AND STAFF OF SEBEI FARMERS' SACCO

INTRODUCTION

Dear Respondent,

I am Chemusto Jesse, a student conducting a research study on **"Loan Recovery Techniques and Financial Performance of SACCOs: A Case Study of Sebei Farmers' SACCO."** This study is being carried out as part of the requirements for my academic program.

You have been selected to participate in this study because of your involvement with Sebei Farmers' SACCO as either a member or staff. Your views and experiences are valuable in helping understand how loan recovery techniques affect the financial performance of the SACCO.

Thank you for your cooperation.

SECTION A: BACKGROUND INFORMATION

Please tick (√) or fill in the appropriate response.

A1. Gender:

Male

Female

A2. Age bracket:

Below 25 years

26-35 years

36-45 years

46-55 years

Above 55 years

A3. Highest level of education:

No formal education

Primary level

Secondary level

Certificate/Diploma

Bachelor's Degree

Postgraduate Degree

A4. Category of respondent:

SACCO Member

SACCO Staff

SECTION B: PROACTIVE REMINDERS AND LOAN RECOVERY

Please indicate the extent to which you agree or disagree with each of the following statements about proactive reminders at Sebei Farmers' SACCO. Use the scale:

1 = Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree (A)

5 = Strongly Agree (SA)

No.	Statement	1	2	3	4	5
B1	The SACCO sends SMS reminders to members before loan repayment due dates					
B2	Loan officers make phone calls to remind members about upcoming loan payments					
B3	The SACCO uses the MSACCO mobile app to send payment reminders to members					
B4	Physical visits are made to members who are approaching loan default					
B5	Reminders are sent early enough to help members prepare for loan payments					
B6	The SACCO sends reminders consistently for every loan cycle					
B7	Reminders help members remember their payment obligations on time					
B8	The language used in reminders is polite and respectful					

SECTION C: LOAN RESCHEDULING

Please indicate the extent to which you agree or disagree with each of the following statements about loan rescheduling at Sebei Farmers' SACCO. Use the scale:

1 = Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree (A)

5 = Strongly Agree (SA)

No.	Statement	1	2	3	4	5
C1	The SACCO allows members to reschedule their loans when they face genuine difficulties					

C2	There is a clear policy guiding how loan rescheduling is done at the SACCO					
C3	Members who request rescheduling are given a fair hearing by the credit committee					
C4	Rescheduled loans are given extended repayment periods to reduce the burden on members					
C5	The SACCO considers seasonal income patterns of farmers when rescheduling loans					
C6	Loan rescheduling has helped many members avoid falling into default					
C7	Members who have had their loans rescheduled usually complete repayment successfully					
C8	The SACCO monitors rescheduled loans closely to ensure they are repaid					

SECTION D: LEGAL ACTION

Please indicate the extent to which you agree or disagree with each of the following statements about legal action at Sebei Farmers' SACCO. Use the scale:

1 = Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree (A)

5 = Strongly Agree (SA)

No.	Statement	1	2	3	4	5
D1	The SACCO takes legal action against members who deliberately refuse to pay loans					
D2	Legal action is used only as a last resort after other recovery methods have failed					

D3	The SACCO has clear guidelines on when to pursue legal action against defaulters					
D4	Members are given sufficient notice before legal action is taken against them					
D5	Legal action has helped the SACCO recover loans that would otherwise have been lost					
D6	The costs of legal action (court fees, lawyer charges) are worth the amounts recovered					
D7	The threat of legal action encourages members to repay their loans on time					
D8	Taking legal action against some members has deterred others from defaulting					

SECTION E: FINANCIAL PERFORMANCE OF SEBEI FARMERS' SACCO

Please indicate the extent to which you agree or disagree with each of the following statements about the financial performance of Sebei Farmers' SACCO. Use the scale:

1 = Strongly Disagree (SD)

2 = Disagree (D)

3 = Neutral (N)

4 = Agree (A)

5 = Strongly Agree (SA)

No.	Statement	1	2	3	4	5
E1	Most members repay their loans on time at this SACCO					
E2	The rate of loan default at this SACCO has been decreasing over the past five years					
E3	The SACCO has a low portfolio at risk (PAR) compared to other SACCOs					

E4	The SACCO has been making profits consistently over the past five years					
E5	Profitability of the SACCO has improved due to better loan recovery					
E6	The SACCO's share capital has been growing steadily					
E7	Members are confident in the financial health of the SACCO					
E8	The SACCO is able to meet member demands for new loans without difficulty					

DOCUMENT REVIEW CHECKLIST

Section 1: Loan Portfolio Performance Data

Indicator	2020	2021	2022	2023	2024	2025
Total loan disbursed (UGX)						
Total loan repayments received (UGX)						
Loan repayment rate (%)						
Portfolio at Risk (PAR > 30 days) (%)						
Total value of non-performing loans (UGX)						
Number of members in default						

Section 2: Profitability Indicators

Indicator	2020	2021	2022	2023	2024	2025
Total income (UGX)						
Total expenses (UGX)						
Net surplus/profit (UGX)						
Return on assets (%)						

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