

**THE EFFECTIVENESS OF FINANCIAL RISK MANAGEMENT ON LOAN
PERFORMANCE OF SMALL-SCALE ENTERPRISES: A CASE STUDY CHIGOOK
MICROFINANCE; SOUTH SUDAN**

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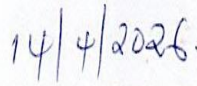


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DECLARATION

According to the university's principles of integrity and diligence, I hereby declare that this work is my own, prepared honestly and without unauthorized help. The content is original, free from plagiarism, and does not involve unethical practices. Any external sources have been properly referenced and acknowledged for academic purposes only.

Signature:  Date: 

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APPROVAL

I confirm that this dissertation was carried out and completed by **ROBERT LABI KENYI KIRI**; under close supervision. It is approved in partial fulfillment of the requirements for the award for the degree of Bachelor of Business Administration.

Signature: 

Date: 14/4/2026

DR. HENRY MUGISHA

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DEDICATION

This research is dedicated first and foremost to God Almighty whose grace, wisdom, protection, and unfailing guidance sustained me throughout this academic journey.

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LIST OF ABBREVIATIONS USED AND THEIR FULL MEANINGS

Abbreviation	Full Meaning
BBA	Bachelor of Business Administration
CR	Credit Risk
CRM	Credit Risk Management
FRM	Financial Risk Management
MFI	Microfinance Institution
MFI s	Microfinance Institutions
MPT	Modern Portfolio Theory
NPL	Non-Performing Loan
NPL s	Non-Performing Loans
PAR	Portfolio at Risk
SPSS	Statistical Package for Social Sciences
SME	Small and Medium Enterprise
SME s	Small and Medium Enterprises
UCU	Uganda Christian University
USD	United States Dollar
WHO	World Health Organization (<i>only include if actually referenced</i>)

ABSTRACT

This study assessed the effect of financial risk management on the performance of loans to small-scale enterprises by Chigook Microfinance in South Sudan. This study was inspired by the rising number of loan defaults and irregular repayment ratios that are prevalent among borrowers, questioning the efficiency of the risk management strategies implemented by microfinance institutions.

This study applied a descriptive cross-sectional research design that involved the use of both quantitative and qualitative methods of data collection. Data were gathered from a sample population of 100 respondents comprising of small-scale enterprise borrowers, loan officers, and risk management personnel. Seventy-eight valid responses were received through the use of structured questionnaires and interviews.

From the findings, it was observed that there are well-developed risk management practices within the microfinance institution especially in terms of credit assessment, loan monitoring, management of collaterals, and liquidity management. Majority of the participants agreed that there is an evaluation of the ability to pay back, examination of the accounting records, and consideration of the credit history before lending any money.

However, there have been some shortcomings especially in assessing the value of the collaterals and delayed lending process due to liquidity problems.

As far as the performance of the loans is concerned, it was observed that 77% of the borrowers pay back the money on time while 26% have once defaulted. The correlation coefficient shows a reasonably strong positive relationship between financial risk management practices and loan performance.

This research has proven that good financial risk management practices play an important role in determining how well loans perform within microfinance organizations. This includes improving credit appraisal practices, better liquidity management, and efficient operations through proper staff training and technology use. All these steps are necessary to reduce loan losses and ensure the sustainability of microfinance organizations, especially during economic instability periods like those experienced in South Sudan.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small businesses have come to be the mainstay of many economies through the provision of jobs, promoting economic growth, and encouraging innovation. In South Sudan, such businesses depend on MFIs for their loanable money since banks do not offer much assistance for various reasons (Gyimah et al., 2024). MFIs like Chigook provide essential help in lending to such small businesses because of the lack of collateral, financial history, or any other financial requirement usually needed when borrowing. However, in offering credit facilities to such customers, there is a great risk involved in terms of financial risk which includes credit risk, liquidity risk, and operational risk. Financial risk management entails the identification and management of risks affecting the institution financially.

Good risk management is crucial for microfinance organizations since it ensures loans repayment, the NPLs are managed effectively, and the organization becomes financially viable in the future (Jeronon & Olweny, 2024). Loan performance means the level of compliance by clients to repay loans as per the laid down terms. Weak loan performance impacts negatively on the ability of the MFI to recycle and grow financial services for disadvantaged groups.

While risk management is necessary, some MFIs operating in economically unstable environments such as South Sudan cannot lower the risks associated with the practice due to lack of proper structures, professionals, and constant socio-economic changes. The study intends to examine the impact of risk management practices on loan performance within MFIs, particularly Chigook microfinance in South Sudan.

1.2 Problem Statement

There are certain expectations for microfinance institutions to strike a balance between their outreach to poor and needy clients and profitability. However, despite this expectation, the fact remains that a great amount of non-performing loans is becoming an extremely serious problem in various microfinance institutions across the globe. Hence, it becomes apparent that microfinance institutions are vulnerable to managing risks and effective credit management techniques. (Osinde et al., 2021)

These problems may result from economic uncertainty, poorly established financial structures, and the existence of large shadow economies in South Sudan. As shown by individual accounts and preliminary studies, it is seen that Chigook Microfinance Institution has faced challenges in terms of loan default rates and extreme volatility in the repayment of loaned money especially among small-scale business operators. The issue raises concerns about the efficiency of risk management measures at Chigook Microfinance and although there has been some research on risk management in microfinance in other African countries like Kenya and Ethiopia, little is known empirically about the influence of these measures on loan performance.

The lack of proper risk management in place would lead to inefficiencies in the use of capital, and high loan losses for Chigook Microfinance.

This is why this research aims to explore and bridge this gap through determining the effects of financial risk management on loan performance in Chigook Microfinance, as the case study.

1.3 Research Objectives

The study will be guided by the following objectives:

1.3.1 General Objective

To evaluate the effectiveness of financial risk management on the loan performance of small-scale enterprises at Chigook Microfinance, South Sudan.

1.3.2.1 Specific Objectives

1. To examine; the relationship between credit risk management practices and loan performance at Chigook Microfinance.
2. To assess; the effect of liquidity risk management on loan performance.
3. To determine; how operational risk management affects loan performance.

1.4 Research Questions

1. What is the relationship between credit risk management practices and loan performance at Chigook Microfinance?
2. How does liquidity risk management affect loan performance among small-

scale enterprise borrowers?

3. What influence does operational risk management have on loan performance at Chigook Microfinance?

1.5 The scope of the study

The research will focus on the issue of financial risk management and the performance of loans at Chigook Microfinance of South Sudan.

The three main risks to be covered by the research are credit risk, liquidity risk, and operational risk in the last five years. The target respondents will be loan officers, risk managers, and small-scale enterprises.

Geographically, the study is restricted to South Sudan because of the peculiarities of its economy.

1.6 Significance of the Study

1.6.1 Academic Significance

In this case, the significance of the study is academic in nature. Since it will produce empirical data on the subject matter of microfinance risk management, it contributes to academic knowledge, especially in the area of risk management in microfinance institutions.

1.6.2 Practical Implications

The results of the research in the field will be beneficial for Chigook Microfinance and other microfinance institutions working under similar conditions, as they provide some information on the risks that should be developed. Moreover, this information can also improve the ability of the institutions to recover their loans, ensure sustainable lending programs, and increase financial stability.

1.6.3 Policy Implications

The research provides several policy implications for the regulators and policymakers of South Sudan and other economies where the financial situation is similar, as they need some supportive structures and measures to improve risk management within microfinance institutions.

1.7 Reasons for the Research

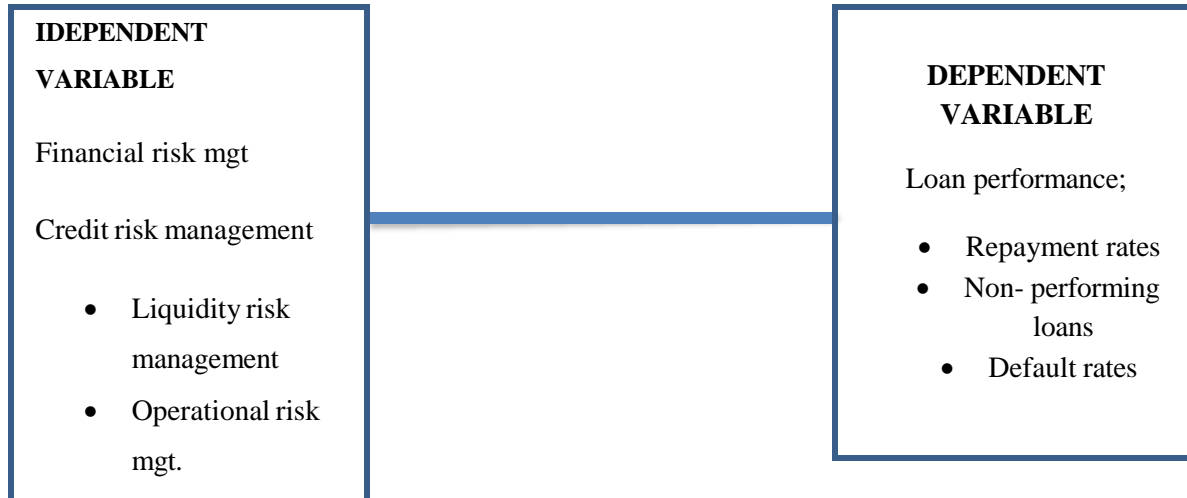
Loan performance greatly affects the sustainability of the microfinance institution because high loan defaulting reduces the profitability and future opportunities for further lending programs. That is why the purpose of this research is to find out ways for improving risk management within such institutions.

Can be used to enhance resilience and support successful loan transactions; by assessing their financial risk management processes.

The findings will inform decision-making for Chigook Microfinance and could provide valuable information for similar MFIs confronting similar issues.

1.8 Conceptual Framework

The conceptual framework describes the relationship among the study variables:



In the conceptual framework, there is an investigation of the connection between the practices of financial risk management and loan performance in microfinancing. There are three main aspects of risk management discussed, which include credit risk, liquidity risk, and operational risk.

Credit risk management includes the assessment of the borrower and its continuous monitoring. Effective liquidity risk management guarantees sufficient cash flow and asset level.

Operational risk management is characterized by internal control and optimization of procedures. The effectiveness of the above practices will positively influence loan performance in terms of repayment rates, the percentage of non-performing loans, and default rate.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this section of the dissertation, the main focus will be on analyzing literature on financial risk management and its impact on loan performance within microfinance institutions.

The discussion will be carried out by highlighting relevant theories on financial risk management as well as findings from previous researches conducted on the same issue, including the relationship between financial risk management, liquidity risks, operational risks, and loan performance.

2.1 Theoretical Review

Having an excellent theoretical background can enable one to have a clear idea about how financial risk management affects loan performance in microfinance institutions.

2.0.1. Risk Management Theory

This theory puts into great consideration the identification, assessment, and mitigation of risks which are very dangerous for the attainment of the goals and objectives of the institution.

Such risks include default risks, liquidity risks, and operational risks, which have the capability of affecting the financial health and performance of the institutions. The ones that have their risks management systems in place are capable of making predictions concerning such situations that are capable of influencing the performance of loans and the stability of the whole institution.

The theory of risk management would be capable of minimizing loan defaults as well as improving the quality of the loan portfolio.

2.1.2 Credit Risk Theory

This particular theory is more concerned with how the probability of default among borrowers influences the financial performance of microfinance institutions, suggesting that there is an efficient credit appraisal, monitoring, and management system that can prevent non-performing loans.

Credit risk management for microfinance institutions may involve credit scoring, background verification of clients, and assessment of repayment capacity.

In accordance with Agong & Kadima, (2025), the empirical findings in East Africa indicate that better credit risk management has a positive impact on reducing bad debts and loan performance.

2.1.3 Modern Portfolio Theory

Otherwise referred to as the (MPT) theory, which was developed in relation to investment diversification and management, has an application to MFIs, among other financial institutions. According to MPT, diversified loan portfolios help reduce risk and increase stability.

It is important to note that diversification of lending can be done on the sectors involved, type of clients, and geographical locations, in the case of microfinance, but although the concept of MPT relates to investment management, it offers insights as far as the management of credit and liquidity risks and performance of loans is concerned.

2.2 Conceptual Review

In this section, the core concepts of the study, which include financial risk management and loan performance, will be analyzed.

2.2.1 Financial Risk Management

Financial risk management involves a number of steps undertaken by a microfinance institution to detect, measure, and control financial risks.

Credit Risk Management

Credit risk entails the potential of the borrower not being able to pay back the borrowed funds as per the set terms. Credit risk management entails processes such as; screening the borrowers, coming up with suitable credit terms for both the borrower and the lender, regular monitoring, and putting in place mitigation measures to deal with collateral and credit scoring.

According to Onsongo, (2024), literature on African MFIs reveals that credit risk management has an immense influence on the quality of loan portfolios and the financial performance of institutions. For example, studies carried out in Kenya indicate that good credit risk management

procedures like credit appraisal and regular monitoring play a great role in determining the quality of the loans and financial performance of the institution.

Managing Liquidity Risk

The concept of liquidity risk involves a situation where an organization is unable to meet its short-term financial commitments because of a lack of funds.

Sufficiency in liquidity is necessary for continued lending and for dealing with withdrawals from customers; not much research has been done regarding liquidity risk within MFIs, but general research suggests that liquidity risk may negatively affect the repayment rate through reduced capacity for issuing loans in time and re-lending funds. Even though there is less information about liquidity risk as compared to credit risk, there is evidence from Kenya indicating that the management of liquidity risk positively affects financial performance in organizations.

Operational Risk Management

Operational risk refers to the loss that is as a result of failed internal processes, systems, or human error. In MFIs, these include; mismanagement of data, inadequate internal controls, and errors in loan processing.

These may undermine effective service delivery, compromise internal control, and even the loan monitoring process itself. Hence, improving operational risk management in MFI is achieved through enhancing such areas as staff training, proper procedures, and effective information systems, resulting in improved efficiency internally and reduced errors, thus contributing to poor loan performance.

2.2.1 Loan Performance

This is the level of success a borrower performs within his obligation to repay the loan without either defaulting or being delinquent.

A high level of performance indicates low NPLs. There are many determinants of loan performance including borrower characteristics, economic performance, as well as institutional risk management strategy among others. Poor loan performance results in increased financial costs for the MFIs as well as insufficient funds for new loan distribution, thereby posing a

serious challenge to the stability of the institution. The loan performance is assessed using such measures as repayment rates, portfolio at risk, PAR, and non-performing loans ratios.

Empirical Review

This part draws together results derived from various empirical research conducted in recent years relating to financial risk management and loans performance.

2.3.1 Credit Risk Management and Loan Performance

A number of empirical studies such as the one by Agong and Kadima (2025) indicate that credit risk management considerably impacts loan performance. The research conducted by Agong and Kadima (2025) indicates that credit appraisal, risk management systems, and loan approvals have an impact on financial performance.

The results were favorable to improved financial and loan portfolio performance in cases where credit risks were improved; similarly, empirical research on credit risk management practices and its impact on loan book quality in Kenyan microfinance institutions show that firms with sound credit risk models had a high-quality loan portfolio. Onsongo (2024) has provided evidence that the study revealed a positive correlation between credit risk management and loan book quality.

There is evidence showing that risk diversification and effective risk controls lead to better financial performance by lowering default rates, although they were not concerned about loan performance (Osinde et al., 2021). These studies highlight how important it is for credit risk management practices to affect loan performance.

For South Sudan's situation, an effective credit risk system is essential for maintaining loan performance since its economic instability poses credit risks.

2.3.2 Liquidity Risk and Loan Performance

Unlike credit risk, there are few studies on the direct impact of liquidity risk on the performance of MFIs, but studies show that liquidity risk management is essential in terms of institutional performance.

Based on studies in Kenya, it was shown that liquidity risk management practices have a positive impact on the performance of MFIs.

While studies specific to South Sudan are limited, results from other settings offer an understanding on how liquidity arrangements may affect the lending environment, and that is why having adequate liquidity is critical to ensuring that the MFIs are capable of meeting loan payment requirements and maintaining steady loan performance even amid economic changes.

2.3.3 Operational Risk and Loan Performance

According to Jerono and Olweny (2023), operational risk management is critical to improving the financial performance of the MFIs by minimizing fraud and errors and improving systems reliability. In simpler terms, having efficient systems helps improve loan administration, tracking, and recovery.

Some of the problems that can result from operational inadequacy include inadequate software and documentation and lack of training.

2.4 Synthesis and Research Gaps

It is evident that financial risk management especially credit risk management is related to better financial performance as well as improved loan results; empirical research is mainly done in the case of countries in East Africa like Kenya and Uganda as the MFIs operate under conditions similar to those of South Sudan.

Nevertheless, it appears that there exist some research gaps such as;

Limited South Sudanese Contextual Literature as there have been few published works done regarding financial risk management and loan results in the case of South Sudanese MFIs; thus this study seeks to bridge this gap by studying the Chigook Microfinance institution.

Liquidity Risk

Credit risk is given much focus while empirical studies on liquidity risk management of MFIs are rare; more studies need to be done in order to understand its effect on loan results.

2.5 Conceptual Connections

Financial risk management has emerged as one of the significant factors that have an impact on the performance of loans in microfinance organizations, according to literature review.

Effective credit risk management ensures that there are fewer non-performing loans (Agong & Kadima, 2025).

As per Onsongo, (2024), liquidity cushions help in the continuous cycle of loans, while effective systems increase efficiency. As a result, all of these ensure good borrowing practices.

2.6 Chapter Summary

The chapter reviews the underlying theory, defines concepts, and provides evidence from studies regarding the connection between risk management and loan performance.

It is the foundation for future analysis in later chapters.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter, we provide an overview of our methodological framework, which was employed during the process of analyzing how financial risk management influences the loan performance of small businesses at Chigook Microfinance in South Sudan.

The various topics covered under methodology include research design, study area, target population, sample size and sampling strategies, methods of data collection, research instruments, measures to test validity and reliability, data analysis strategies, and ethical issues.

The selection of the methodological tools was determined by the nature of the research problem and its objectives.

3.2 Research Design

As defined by Creswell & Creswell (2018), research design refers to the overall plan that ties together various elements of a study into a cohesive and logical scheme to ensure effective addressing of the research problem.

This study was based on a descriptive cross-sectional research design utilizing both qualitative and quantitative perspectives.

Descriptive design refers to a methodology where an individual can describe a population, phenomenon, or situation as it is and cross-sectional design; where data is collected only once from a sample group of interest (Bryman, 2016). This component was adopted to measure the relationship between the practice of financial risk management practices and loan performance indicators; which in turn gave insights into perceptions and experiences of loan officers in regards to practices of financial risk management.

The design was selected to suit the research due to the desire to explore relationships between variables rather than manipulate them.

3.3 Study Area

The research took place physically in Chigook Microfinance, located in South Sudan. Even though the financial sector in South Sudan is still undergoing development, microfinance institutions have been playing a vital role in financing small businesses in the country (World Bank, 2022).

Nonetheless, the high default rates and unstable economy of South Sudan pose financial risks for loaning institutions.

Chigook Microfinance was selected because it caters to a huge number of small businesses within the country and has established systems to manage financial risks.

3.4 Target Population

A population is defined by Sekaran & Bougie (2016) as a complete set of all individual or element units qualifying for inclusion into a study.

The population in the research methodology section is the unit from where the sample is drawn. In this case, the target population of this study included:

- Chigook Microfinance small scale enterprise loan takers.
- Chigook Microfinance loan disbursing officers.
- Risk and credit management staff at Chigook Microfinance.

These particular categories have been selected because they actively participate in the processes of loan disbursement and repayment.

3.5 Sample Size

A sample can be defined as a smaller subset that is selected from a large population to represent the whole (Taherdoost, 2017) while sample size means the number of respondents chosen from a population. In this case, the sample size is 100 respondents.

The number was also deemed appropriate for statistics and manageable in the available time frame, according to Taherdoost (2017), as an appropriate number in sample size promotes

representativeness and increases accuracy in results.

3.6 Sampling Techniques

Sampling technique refers to the process through which members of the population are chosen to participate in a research study (Saunders et al., 2019).

For this study, probability and non-probability sampling techniques were used, namely;

Simple Random Sampling - This sampling technique was used to choose members of small-scale enterprises borrowing funds in order to ensure everyone had equal chances of being included in the research. According to Etikan & Bala (2017), random sampling ensures reduction in bias and promotion of representativeness in the study.

Purposive Sampling - The sampling technique employed for choosing loan officers and risk management personnel due to the fact that these individuals have special knowledge of financial risk management processes; thus allowing researchers to be involved in the process of deciding whom to include in the research. (Palinkas et al., 2016).

Table 3.61 Sample Size and Sampling Techniques

Category of Respondents	Target Population	Sample Size	Sampling Technique
Small-scale enterprise borrowers	300	80	Simple Random Sampling
Loan Officers	15	10	Purposive Sampling
Risk/Credit Management Staff	10	10	Census
Total	325	100	

As seen in the above table; the majority of respondents were borrowers since loan performance is largely influenced by their repayment behavior.

3.7 Data Collection Methods

They are systematic ways employed to collect data from the field aimed at collecting research data (Creswell & Creswell, 2018).

3.7.1 Primary Data

Primary data can be defined as those which emanate directly from the respondents in the field for the purpose of the study (Saunders et al., 2019).

In this case, we gathered our primary data through issuance of structured questionnaires and by employing semi-structured interviews to loan officers and risk managers.

3.7.2 Secondary Data

This data refers to those which have already been gathered and documented elsewhere (Johnston, 2017). In this study, the secondary data collected includes:

- Loan performance reports
- Manuals on credit policies and practices
- Institutional financial statements

3.8 Research Instruments

3.8.1 Questionnaire

This is a research tool that consists of a set of written questions aimed at gathering information from the respondents (Taherdoost, 2016). In this case, the questionnaire used for the study contained closed-ended and Likert scale questions to gauge:

- Credit appraisal practices
- Loan monitoring practices
- Collateral valuation process
- Liquidity risk management
- Loan repayment performance

The Likert scale included options such as strongly disagree with a rating of 1; and Strongly agree with a rating of 5.

3.8.2 Interview Guide

It is described by Creswell and Creswell (2018) as “a list of interview questions that is carefully designed to be consistent during the interviews”.

It helped me to collect detailed data about the difficulties encountered when adopting financial risk management practices.

3.9 Validity and Reliability

3.9.1 Validity

As stated by Heale & Twycross (2015), it is defined as “the degree to which a research instrument measures what it is intended to measure”.

Consultations were held with academic advisors and financial experts for the purpose of validating the items of the questionnaire and making all necessary changes to match questions with research aims.

3.9.2 Reliability

Mohajan (2017) explains that it entails the stability of a research tool in measuring a phenomenon. A pilot study was conducted involving 10 participants who were not among the selected ones for the research.

The internal consistency of the questionnaire was assessed using Cronbach’s Alpha coefficient where reliability coefficients of 0.7 and above were deemed reliable (Taber, 2018).

3.10 Measurement of Variables Financial Risk Management

It involves the identification, analysis, and reduction of financial uncertainties to prevent probable losses (Hopkin, 2018).

In microfinance institutions, financial management includes credit risk assessment, management, collateral analysis, and liquidity management.

The indicators that have been employed include;

- Strength of credit assessment procedures
- How often loans are reviewed
- Requirements related to collateral
- Liquidity management measures in place

Loan Performance

It is defined as “the ability of customers to service their loan obligations as per agreement terms and conditions” (Abdullahi & Gambo, 2019). Indicators that have been employed include;

- The on-time payment rate
- The default rate
- Non-performing loan ratios

3.11 Data Analysis

Data analysis involves the process of organizing and interpreting data to help answer the research question (Creswell & Creswell, 2018).

Quantitative data was analyzed using SPSS software. The following statistical approaches were applied;

- Description statistics (means, frequencies, percentage)
- Correlation analysis for identification of relationships

Qualitative data from the field interviews were analyzed through thematic analysis which entails searching for themes within textual data (Braun & Clarke, 2019).

3.12 Ethical Issues

Ethics here refer to moral considerations that govern conduct of research (Resnik, 2020). Some of the measures done included:

Permission was sought from Chigook Microfinance management, to enable data extraction from them.

In addition, I ensured that I obtained the necessary informed consent from the participants, to

ensure that they felt comfortable to provide the information that the study needed to collect.

Confidentiality and anonymity of the respondents was assured to safeguard their identity, as agreed Upon also, ensuring that data obtained from field was solely used for academic purposes

The respondents were made aware that they could freely withdraw from participation in the study, without any repercussions.

3.13 Conclusion

In this chapter, the researcher discussed the methodology employed to examine the role of financial risk management in improving performance of loans by small scale businesses at Chigook Microfinance in South Sudan.

The study adopted a descriptive cross-sectional research design involving both quantitative and qualitative research approaches with 100 respondents selected through simple and purposive random samplings.

The data collected from the field were analyzed using SPSS and thematic analysis respectively.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter, we will present the results of our research on the efficiency of financial risk management on the performance of loans offered by small-scale enterprises at Chigook Microfinance in South Sudan.

Data collection for the fieldwork was done through the administration of structured questionnaires to the loan clients, and also, interviews were conducted among the loan officers and risk management personnel.

4.2 Response Rate

The questionnaires were distributed to 100 respondents, out of which 78 questionnaires were correctly completed and returned.

Table 4.2.1 Response Rate

Category	Frequency	Percentage (%)
Questionnaires Distributed	100	100
Questionnaires Returned	78	78
Not Returned	22	22

Source: (Primary data, 2025)

Response rate to the study stood at 78%; out of 100 individuals, who were selected as respondents, only 78 succeeded in participating in the study throughout. The response rate is seen to be quite acceptable in survey research. This was due to the fact that the borrowers were always busy with their business.

The rest 22 dropped out due to their engagements and inability to access certain borrowers during data collection from the field. Since the respondents

Having 78 respondents, the data obtained proved to be adequate enough for statistical purposes.

4.3 Demographic Characteristics of Respondents

Understanding respondents' background characteristics helps to place the findings in context.

Table 4.2: Gender Distribution

Gender	Frequency	Percentage (%)
Male	46	59
Female	32	41
Total	78	100

Source: (Primary data, 2025)

From the findings, it was evident that 59 percent of the subjects were male compared to 41 percent being female. This indicates that even though men and women engage in business on a small scale, men borrowers marginally outnumber female borrowers in the portfolio of Chigook Microfinance. Nevertheless, having a sizable number of female borrowers indicates that women in South Sudan have increasingly gained access to finances. Based on the interviews carried out, it was found that women borrowers exhibit good repayment behavior especially in groups.

Table 4.3: Business Experience

Years in Business	Frequency	Percentage (%)
Less than 2 years	18	23
2–5 years	34	44
6–10 years	20	26
Above 10 years	6	7
Total	78	100

Source: (Primary data, 2025)

The majority of respondents (44%) were in operation for 2-5 years. It implies that most of the borrowers have not yet reached maturity stage in their business ventures.

Additionally, only 7% were operating for over 10 years implying that stability in business

ventures is still a problem in the local setting. Newer ventures have more financial uncertainty, which can be an important factor influencing their ability to repay loans.

4.4 Credit Appraisal Practices

Credit appraisal is the foundation of financial risk management in lending institutions.

Respondents were asked to indicate their level of agreement with statements regarding credit assessment practices at Chigook Microfinance.

Table 4.4.1: Credit Appraisal Assessment

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Loan officers thoroughly assess repayment capacity	28 (36%)	30 (38%)	8 (10%)	7 (9%)	5 (6%)
Business records are reviewed before loan approval	25 (32%)	29 (37%)	10 (13%)	9 (12%)	5 (6%)
Credit history influences loan approval decisions	31 (40%)	27 (35%)	9 (12%)	6 (8%)	5 (6%)

Source: (Primary data, 2025)

From the results obtained, it can be seen that most of the interviewees are convinced that credit appraisals are taken seriously by Chigook Microfinance. In fact, 74 percent (36% strongly agree and 38% agree) said that loan officers take into account the ability of applicants to repay the loans. Also, 69 percent agreed that business accounts are scrutinized prior to loan disbursement.

This implies that financial information is an important factor when making decisions although small firms might experience difficulties keeping financial information intact. On the other hand, 75 percent reported that past loan repayment is one of the key factors used during loan approval process.

4.5 Loan Monitoring Practices

Loan monitoring ensures that borrowers use funds appropriately and remain on track with

repayment schedules.

Table 4.5: Loan Monitoring Practices

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Loan officers conduct regular follow-ups	30 (38%)	28 (36%)	7 (9%)	8 (10%)	5 (6%)
Borrowers receive repayment reminders	33 (42%)	26 (33%)	6 (8%)	8 (10%)	5 (6%)
Monitoring reduces default risk	35 (45%)	25 (32%)	7 (9%)	6 (8%)	5 (6%)

Source: (Primary data, 2025)

Monitoring seems to be one of the most effective risk management strategies used by Chigook Microfinance. Seventy-four percent said that loan officers carry out follow-ups regularly.

Based on interview responses from the officers, it was revealed that field visits are carried out more specifically in cases where there is a large loan amount. Also, seventy-five percent said that they receive reminders regarding their loan repayments, which are mostly delivered via telephone calls and messages.

This shows that there is an ongoing interaction between the two parties. Most importantly, seventy-seven percent believed that monitoring decreases the possibility of defaulting.

4.6 Collateral Valuation Practices

Collateral serves as a security measure against potential loan default.

Table 4.6: Collateral Requirements

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Loans require collateral or guarantors	29 (37%)	31 (40%)	6 (8%)	7 (9%)	5 (6%)
Collateral value is properly assessed	24 (31%)	30 (38%)	10 (13%)	8 (10%)	6 (8%)
Collateral reduces loan default	32 (41%)	27 (35%)	8 (10%)	6 (8%)	5 (6%)

Source: (Primary data, 2025)

A significant percentage (77 percent) felt that loans need to have some form of collateral or guarantor. This shows that the microfinance institution is taking a conservative stance towards issuing loans. On the other hand, only 69 percent of those who responded felt that the value of the collateral was accurately determined.

This suggests that even though there is a requirement for collateral, there might still be something more that can be done in this regard.

4.7 Liquidity Risk Management

Liquidity management ensures that the institution maintains adequate cash flow to meet loan disbursement and operational needs.

Table 4.7: Liquidity Management

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The institution maintains sufficient funds for lending	27 (35%)	29 (37%)	9 (12%)	8 (10%)	5 (6%)
Delays in loan disbursement are rare	22 (28%)	26 (33%)	12 (15%)	11 (14%)	7 (9%)

Source: (Primary data, 2025)

While 72 percent indicated that enough lending capital is available, 61 percent confirmed that delays in payment disbursements rarely happen. It indicates that liquidity problems may occur from time to time, most probably because of the country's unstable economic situation.

Lagging in the payment disbursement process may have an effect on the business's operation.

4.8 Loan Performance Indicators

Loan performance was assessed using repayment timeliness and default rates.

Table 4.8: Loan Performance

Indicator	Yes	No
I repay my loan on time	60 (77%)	18 (23%)
I have ever defaulted on a loan	20 (26%)	58 (74%)

Source: (Primary data, 2025)

As per the results, 77% of those surveyed make payments on their loans promptly. In this case, loan repayment performance is satisfactory in the sample. But, 26% claimed to have defaulted before. Though this number is not too high, it brings into light the problem of difficulties faced during repayment. According to interviews, the reasons for this include unstable economic environment, inflation, and business seasonality.

4.9 Relationship between Financial Risk Management and Loan Performance

According to the correlation analysis, there exists a positive relationship between financial risk management and loan performance, with r equal to 0.62. This means that there is a moderately strong relationship between the two variables such that better credit appraisal, loan monitoring, collateral management, and liquidity result in improved loan repayment.

4.10 Chapter Summary

In this chapter, data obtained from 78 respondents who responded to the questionnaires was analyzed. This shows a response rate of 78%. The results of analysis show that Chigook Microfinance implements financial risk management, especially with regard to credit appraisal and loan monitoring.

The performance of loans is very good with 77% having repayment on time.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of findings will be provided together with some recommendations based on the study on effectiveness of financial risk management on loan performance of small-scale enterprises at Chigook Microfinance in South Sudan.

5.2 Summary of Findings

There were three main objectives guiding this study which include;

- (i) Determining the correlation between credit risk management and loan performance,
- (ii) Examining the influence of liquidity risk management on loan performance,
- (iii) Investigating the impact of operational risk management on loan performance. These are the findings that came out of the study:

5.2.1 Credit Risk Management

Through the research, it emerged that Chigook microfinance adopts an effective credit appraisal process involving assessment of the borrowing ability, checking of business records, and consideration of the borrower's past record. About 74% of the respondents agreed that borrowing ability is considered before providing loans to applicants.

Additionally, 75% of the respondents agreed that credit record influences loan decision. This shows that there is positive correlation between credit risk management and loan performance because loan repayments will be effective where borrowing ability and credit records are evaluated.

5.2.2 Liquidity Risk Management

From the findings of this research, it has been discovered that the liquidity risk management techniques adopted by the organization, for instance having enough cash reserve and managing liquidity positions, greatly affect the performance of the loans.

It has been revealed that loan repayments have been enhanced by the efficiency of timely loan release and adequate availability of finances so that borrowers can receive loans. Thus, according to the findings, liquidity management ensures that there is an efficient loan management without any disruptions and the loans are repaid consistently.

5.2.3 Operational Risk Management

It has been discovered from this study that the operation risks management strategies adopted by the organization, for example, monitoring the internal process and the performance of loans, greatly affect the loan performance. From the interviews conducted, it has emerged that through close monitoring and supervision, mistakes in loan processing and monitoring will be prevented. Close to 77% of the respondents agreed with the above observation.

5.2.4 Overall Effect on Loan Performance

In summary, the analysis shows that the financial risk management process within Chigook Microfinance improves the performance of the loan portfolio through strong credit assessments, good liquidity management, and operational controls to help decrease non-performing loans and improve the repayment rates. Also, the results revealed that young and inexperienced borrowers need close supervision to maintain repayment behavior.

5.3 Discussions of key findings

From the results of the research, we draw the following conclusions:

- i. The risk management of credit risk plays an important role in improving the performance of the loan portfolio. The process involves structured appraisals including repayment ability and credit rating, which will improve repayment rates.
- ii. The risk management of liquidity risk improves loan performance since the existence of adequate liquidity will enable quick disbursement and continued lending, which helps repayments to be made on time.
- iii. The risk management of operational risk improves institutional efficiency by helping avoid mistakes and prevent fraudulent activities.

iv. The financial risk management process, involving credit risk management, liquidity risk management, and operational risk management processes, improves loan performance at Chigook Microfinance.

These recommendations imply that proper financial risk management plays an important role in the success of loans within microfinance institutions in fragile economies such as South Sudan.

5.4 Recommendations

Taking into account the results of the analysis carried out, the following recommendations can be put forward:

5.4.1 Recommendations for Chigook Microfinance

To increase efficiency of credit risk assessment, implement borrower scoring systems and periodic assessment of high-risk clients.

Ensure liquidity in order to ensure the continuity of loan distribution, especially in times of economic instabilities.

Further improve the quality of operation through staff training, the use of loan management software, and the implementation of internal audit processes.

Work on improving services for inexperienced borrowers, for example, by providing business consulting and financial literacy classes as well as increasing monitoring of their activities.

Create frameworks for regulation which would encourage microfinance institutions to adhere to certain standards and practices in the area of financial risk management.

Encourage policy measures designed to facilitate the development and implementation of technologies that will assist in the tracking of loans.

Develop programs aimed at increasing the financial literacy of potential borrowers from small businesses and their entrepreneurial skills.

5.4.3 Recommendations for Future Research

There is potential for future research to investigate the effect of socio-economic shocks and political instability on loan performance within microfinance institutions in South Sudan.

Studies that compare multiple MFIs will give a wider perspective regarding risk management effectiveness within different institutional settings.

Research that is longitudinal in nature will be helpful in establishing whether financial risk management can be sustained over time and its impact on microfinance growth.

5.5 Chapter Summary

The findings were summarized, conclusions drawn, and recommendations given in this chapter. The findings show that financial risk management, which involves credit risk, liquidity risk, and operational risk, plays an essential role in improving the performance of loans at Chigook Microfinance Institution.

APPENDIX A: QUESTIONNAIRE

THE EFFECTIVENESS OF FINANCIAL RISK MANAGEMENT ON LOAN PERFORMANCE OF SMALL-SCALE ENTERPRISES A CASE STUDY OF CHIGOOK MICROFINANCE, SOUTH SUDAN

Greetings! I am Robert Labi Kenyi Kiri, pursuing a Bachelor's degree in Business Administration at Uganda Christian University. I am seeking for your help in accepting to participate in this study which is a mandatory requirement in the partial fulfillment of this degree.

Be rest assured that the information you provide will be used for strictly academic purposes, and your identity shall be kept anonymous. All responses will be treated with strict confidentiality and used for academic purposes only.

GENERAL INSTRUCTIONS

- Do not write your name
- Tick (✓) the most appropriate answer
- For sections B–E, use the scale below:

Scale	Meaning
1	Strongly Disagree
2	Disagree
3	Neutral
4	Agree
5	Strongly Agree

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

Male

Female

2. Years in Business

Less than 2

years

2–5 years

6–10 years

Above 10 years

SECTION B: CREDIT RISK MANAGEMENT

Statement	1	2	3	4	5
Loan officers assess repayment capacity before approval					
Business records are reviewed before loan approval					
Credit history is considered during loan approval					
Collateral or guarantors are required before loan approval					
Collateral value is properly assessed					

SECTION C: LOAN MONITORING (PART OF CREDIT RISK)

Statement	1	2	3	4	5
Loan officers conduct regular follow-ups					
Borrowers receive repayment reminders					
Monitoring helps reduce loan default					

SECTION D: LIQUIDITY RISK MANAGEMENT

Statement	1	2	3	4	5
The institution maintains sufficient funds for lending					
Loan disbursement is timely					
Delays in loan disbursement are minimal					
Liquidity management supports smooth loan operations					

SECTION E: OPERATIONAL RISK MANAGEMENT

Statement	1	2	3	4	5
Staff are well trained in loan management					
There are clear loan processing procedures					
Loan processing errors are minimal					
Loan tracking systems are reliable					
Internal controls help reduce loan default					

SECTION F: LOAN PERFORMANCE (DEPENDENT VARIABLE)

F1: Tick appropriate answer

1. I repay my loan on time

Yes

No

2. I have ever defaulted on a loan

Yes

No

F2: Likert Scale

Statement	1	2	3	4	5
Loan repayment among borrowers is high					
Loan default levels are low					
Loan performance has improved over time					

SECTION G: EFFECT RELATIONSHIP

Statement	1	2	3	4	5
Credit risk management improves loan repayment					
Liquidity management improves loan performance					
Operational risk management reduces loan default					

SECTION H: GENERAL COMMENTS

Provide any additional comments:

.....
.....

THANK YOU VERY MUCH FOR YOUR PARTICIPATION!!!

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APPENDIX C: TURNITIN REPORT



Robert Labi Kenyi

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