

**EFFECTS OF CREDIT MANAGEMENT ON FINANCIAL PERFORMANCE OF
SACCOS IN UGANDA: A CASE STUDY OF KYAKA II FARMERS SACCO IN
KYELEGWA DISTRICT**

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DECLARATION

I IRADUKUNDA JULIET declare that this dissertation is my original work and has not been submitted, either in part or in full, to any university or institution of higher learning for any academic award. Any materials, ideas or quotations from other sources have been duly acknowledged and referenced in accordance with academic standards.

Signature.....

Date.....09/04/2026

APPROVAL

This is to certify that this dissertation titled “Effects of credit management on financial performance of SACCOs in Uganda” was done and concluded under my supervision and in-line with dissertation requirements of Uganda Christian University. It is now ready for submission with my approval.



.....
Ms. AKINYI LORRAINE OTIENO

Date: 9/04/2026

DEDICATION

I wholeheartedly dedicate this work to my lovely mother who taught me to stand firm and never give up. Her words of encouragement and belief in me lifted me at every depth I went through. She's a great foundation towards achievement of this milestone. She deserves an applause for the potential she instilled in me.

In a special way, I also dedicate this work to my sponsor (Windle International Uganda) whose great sacrifices of clearing my tuition right from the time and provision of personal allowance I joined campus made the progress of this academic journey possible. The sincere love opened doors that I could have never reached on my own!

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LIST OF ABBREVIATIONS AND ACRYOMNS

SACCOs	Savings and Credit Cooperative Societies
MTIC	Ministry of Trade, Industry and Cooperatives
UMRA	Uganda Microfinance Regulatory Authority)
PAR	Portfolio at Risk
NPL	Non-Performing Loans.

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ABSTRACT

Saving and Credit Cooperative Societies (SACCOs) are important in advancing financial inclusion and economic empowerment in rural, agricultural and refugee hosting districts in Uganda. However, continuous issues like liquidity shortages, on-performing loans and limited profitability arise from poor credit management practices. This study investigated the effects of credit management specifically debt appraisal, risk monitoring and collateral security on the financial performance of Kyaka II Farmers SACCO in Kyegegwa District, Uganda.

Employing a descriptive longitudinal survey design, the research targeted 63 respondents including managers, board members, finance officers, auditors, credit officers and members. A sample of 54 respondents was selected using Yamane's (1967) formula, with purposive sampling. Data was collected through structured questionnaires on a five point Likert scale and semi structured interviews. Financial performance was measured through return on equity, return on assets and net profit margin.

Findings revealed general moderate credit management practices. Collateral security exhibited the strongest positive impact enhancing recovery rates and repayment discipline. Debt appraisal showed significant positive effects improving portfolio quality through rigorous borrower assessments. Risk monitoring also showed a relatively positive impact.

The study concludes that prioritizing collateral security and debt appraisal boosts SACCO sustainability in vulnerable contexts. It contributes to insights of microfinance literature and recommends policy enhancement for SACCO management and development partners to foster training and guidelines thus reducing default risks and increasing financial outcomes.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the foundational elements of the study. It outlines the background and context of the research, the problem statement, the purpose and objectives of the study, the research questions and hypothesis, the geographical, time, and content scope of the study.

1.1 Background of the Study

The policies and practices exerted by financial institutions to guide the granting, monitoring and recovery of loans with the aim of reducing credit associated risks and increasing profits is referred to as credit management. Additionally, Kithinji (2010) postulates that credit management encompasses credit terms formulation, loan monitoring and recovery mechanisms which are essential in acquiring a better loan portfolio quality.

In the view of Mugume (2021), SACCOs are key in offering credit facilities to people in rural communities which fosters financial inclusion. Similarly, a 2023 Bank of Uganda report postulates that SACCOs play a significant role in promoting economic empowerment through financial inclusion. As of March 2025, The Uganda Cooperative Alliance reported that over 32,000 SACCOs were registered and these provided credit services to different sectors in the financial market. (Ministry of Trade, Industry and Cooperatives, 2022)

Effective credit management has been linked to positive financial performance in Uganda's SACCOs characterized by low NPLs, liquidity and high profitability (Mugambi and Namusonge, 2020). However, despite their merits, several SACCOs have faced challenges related to poor loan recovery and credit mismanagement which in turn has decreased their financial performance and sustainability, as noted by Mutesi (2018). In the same manner, Tumwesigye and Mulyampiti (2019) opine that weak lending processes directly lead to increased default rates, capital decrease and institutional instability.

As a refugee hosting district, SACCOs in Kyegegwa such as Kyaka II Farmer's SACCO face numerous socioeconomic issues for example land disputes, transient population and rain-fed

farming techniques that exacerbate the credit risks that are already present as reported by the Kyegegwa Local Government (2023). On a similar note, Kasekende & Opondo (2021) argued that farmer-based SACCOs in the region are faced with a number of hindrances related to their financial performance because of poor credit management practices despite the critical role that SACCOs play in the livelihoods of farmers in the region.

Therefore, addressing credit management problems in SACCOs enhanced financial performance, sustainability and boost member confidence.

1.2 Problem Statement

Asimwe (2019) argues that effective credit management procedures for example credit appraisal, loan disbursement, monitoring and recovery ensures that member's savings are effectively transformed into productive credit that supports income generating activities while safeguarding institutional funds. A well-structured credit policy defines who qualifies for a loan, under what terms and conditions and how repayments are tracked ensuring that member welfare and the institutional growth progress continuously (Nkundabanyanga, 2014).

SACCOs in Uganda play a very important role in rural finance through providing credit to small scale farmers, small business owners and low-income earners who are oftenly excluded from the formal banking systems. According to the Ministry of Trade, Industry and Cooperatives (2023) report, over 45% of the country's micro finance portfolio is composed of SACCOs managing assets that are valued over Ugx.1.5trillion. However, The Bank of Uganda (2023) reports that very many SACCOs experience deficient financial performance characterized by low profitability, liquidity constraints, stunted growth, high non-performing loan ratios despite their contributions to the country's rural development and financial inclusiveness. Additionally, the average Portfolio at risk among SACCOs is between 13% and 18% which is higher than the international standard of 5% and this possess a challenge in loan recovery and credit risk control. (UMRA, 2023).

In the view of Mwangi and Mwambia, (2019) underperformance of SACCOs is due to poor credit management justified by poor loan monitoring, low borrower screening, and poor loan recovery mechanisms. In Ugandan SACCOs, this is intensified by sector risks for example low crop yields in the agriculture sector, economic changes and internal governance problems which result into high default rates thus affecting SACCOs' sustainability (Turyareeba, 2020). According to the

Kyegegwa District Local Government Report, (2023) credit management practices are not appropriate to address the unique challenges faced by SACCOs in the area, hence the decrease in the loan portfolio quality and interest income.

There is, therefore, an existing gap in the specific knowledge regarding the impact of credit management determinants, such as appraisal, monitoring, terms, and recovery, on the financial performance of the SACCO, considering the unique challenges and circumstances of the host community. In the absence of such specific knowledge, the financial performance of Kyaka II Farmers SACCO and similar institutions is likely to remain wanting, thus compromising the ability to meet the needs of the members and ultimately the ability to achieve the set goals. This study, therefore, aims to bridge the gap in the existing knowledge regarding the impact of credit management on the financial performance of Kyaka II Farmers SACCO, Kyegegwa District.

1.3 Purpose of the study

The purpose of the study was to establish the effect of credit management process on the financial performance of SACCOs in Uganda by using Kyaka II Farmers SACCO, Kyegegwa district as a case study.

1.4 Objectives of the study

1. To examine the effects of risk monitoring on financial performance of Kyaka II Farmers SACCO.
2. To assess the effects of debt appraisal on financial performance of Kyaka II Farmers SACCO.
3. To determine the effects of collateral security on financial performance of Kyaka II Farmers SACCO.

1.5 Research Questions

1. How does risk monitoring affect the financial performance of Kyaka II Farmers SACCO?
2. What is the effect of debt appraisal on the financial performance of Kyaka II Farmers SACCO?
3. How does collateral security affect the financial performance of Kyaka II Farmers SACCO?

1.6 Scope of the Study

1.6.1 Geographical Scope

The study was limited to Kyaka II Farmers SACCO in Kyegegwa district located in western Uganda.

1.6.2 Content Scope

The study focused on the effects of credit management on SACCOs' financial performance. It examined the credit management dimensions of risk monitoring, debt appraisal, and collateral security in relation to financial performance.

1.6.3 Time Scope

The study considered data for the period 2021 to 2025. The researcher considered this timeframe relevant because it captures the post-COVID-19 recovery periods of climatic stress, and recent refugee influxes, providing a reasonable period for analysis.

1.7 Significance of the Study

The study findings enabled the Kyaka II Farmers SACCO management to identify areas of strength and weakness which served as a guide for the SACCO to improve the quality of its loan portfolio.

The study findings helped policymakers such as the Ministry of Trade formulate guidelines and support structures for SACCOs in refugee-hosting and agriculturally dependent areas.

The study added to the literature on microfinance and SACCO's management by offering a case study from an under-researched environment.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews existing literature on the effects of credit management and financial performance of SACCOs drawn from a global perspective, narrowing it to the specific area of study. The chapter presents theoretical review, conceptual framework, and review on the relationships between variables discussed in the study.

2.1 Theoretical Review

Two major theories were considered to review the relationship between credit management practices and financial performance of SACCOs. These theories were the Pecking Order theory, and Credit risk theory.

The Pecking Order Theory (POT), developed by Myers and Majluf in 1984 provides an important theoretical perspective for understanding financial practices of SACCOs and its implication on financial stability. The theory assumes that firms use a financing order ranging from using internal sources followed by debt and finally issuing new stock as a last option. It is important to note that member savings and reserve funds accumulated from profits are the main sources of funds to SACCOs. In the same manner, Myers and Majluf emphasized that effective credit control reduces loan defaults amongst SACCOs which improves funds availability internally compared to sourcing from external sources such as debt financing that looks to be costly for a SACCO. The Pecking Order Theory provides the rationale for why strong financial performance, based on good credit management, is needed to build the internal capital that supports independence and low-cost operations.

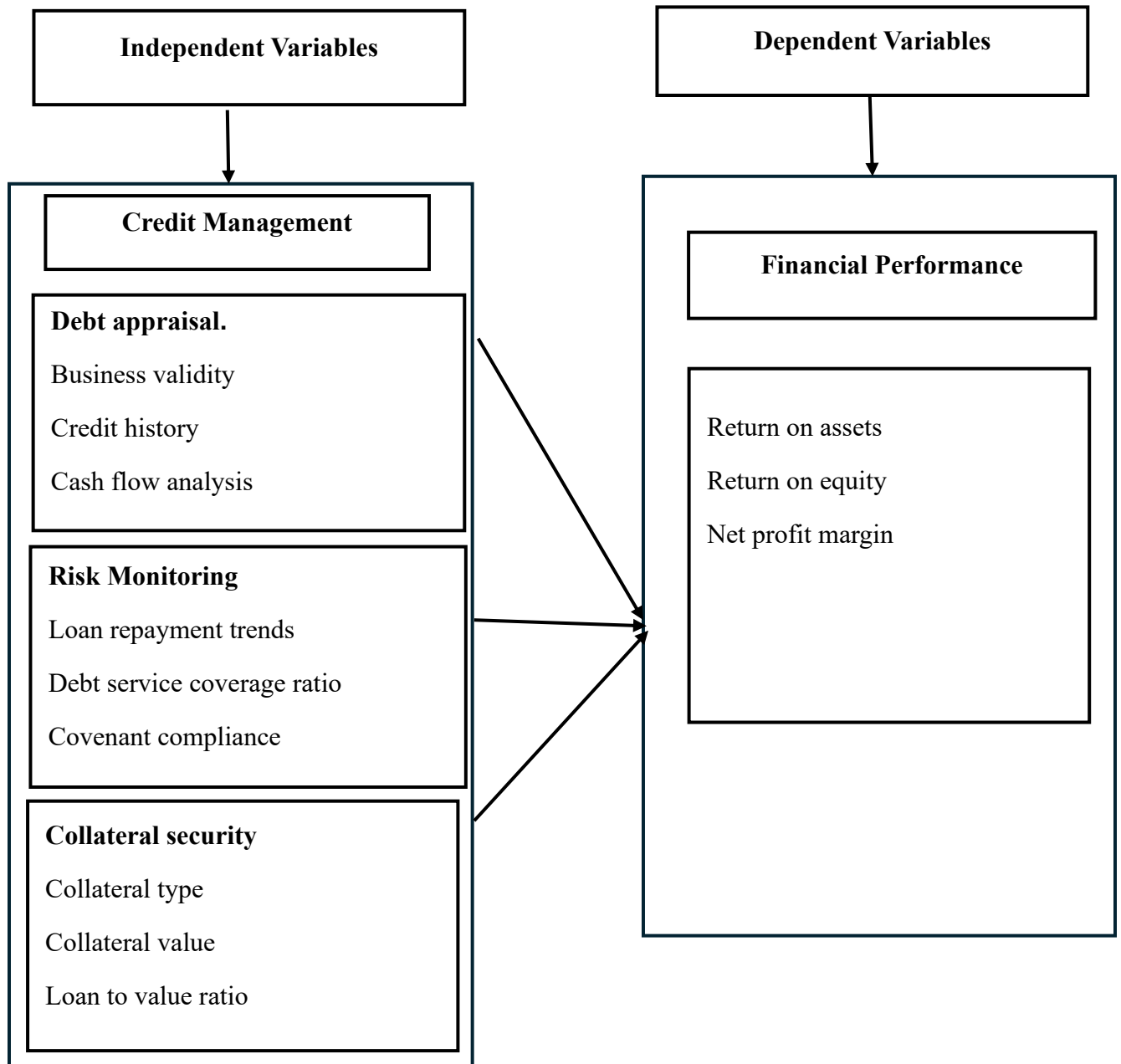
Credit Risk theory provides the actual link between management practices and their effects on asset quality and income. This theory examines the potential for financial loss due to borrowers failing to repay a loan or meet contractual obligations. It involves the assessment of default probability, loss severity and exposure. The theory further calls for evaluation of clients using the 5 Cs framework of Character, Capacity, Conditions, and Collateral so as to reduce or mitigate risks. (Gautschi, 2019).

Namusonge & Mugambi, (2020) revealed that Ugandan market indicates a positive correlation between credit risk management systems and other performance indicators, such as improving loan portfolios and profitability. However, these stills leave a gap between existing knowledge on effects of credit management and financial performance at localized levels like in the case of Kyaka II Farmers SACCO.

These two theories therefore provide a basis for understanding the relationship between credit management and financial performance with the case of Kyaka II Farmers SACCO.

2.2 Conceptual framework.

The study was guided by the conceptual framework illustrated in Figure 1. The framework posits that the four dimensions of Credit Management are the primary drivers of Financial Performance. The study examined the fundamental elements of credit management namely; Debt appraisal, Risk monitoring and Collateral security. Financial performance as the dependent variable was measured using indicators such as return on assets, return on equity, net profit margin. The framework hypothesized that good credit management practices result in good financial performance, which enables SACCOs to be competitive and sustainable in the cooperative financial sector of Uganda for a long period of time.



Source: Adopted from Makori, & Ndede, (2018) and modified by the researcher

2.4 Risk Monitoring and Financial performance.

Akkizidis & Khandelwal, (2018) refer risk monitoring as being the process of tracking identified risks, monitoring residual risk and evaluating their effectiveness throughout the project life cycle.

The monitoring of credit risk is an integral part of effective credit risk management; it entails the constant monitoring of loan portfolios and borrowers to ensure early signs of weaknesses are identified in good time so that institutions undertake corrective action to safeguard their financial performance. (Basel Committee on Banking Supervision, 2010/2011)

Therefore, effective monitoring of risks by SACCOs ensures that they minimize credit risks, enhance their liquidity positions, and protect their members' savings, thus enhancing sustainability and profitability for the institutions. According to (Makori, & Ndede, 2018) poor credit monitoring practices have been identified to increase levels of non-performing loans and financial distress for SACCOs and other similar institutions, while effective risk monitoring significantly enhances loan performance and quality, as observed in commercial banking institutions.

In Africa, risk monitoring has been increasingly emphasized as a crucial credit management tool that affects the financial performance of cooperatives and micro-institutions.

The African development bank 2019 reported that inappropriate loan and credit portfolio monitoring has remained a challenge resulting into liquidity problem and increase in non-performing loans. Similarly, Kargi, (2021) postulates that financial institutions in Africa with good risk monitoring practices for example use of early warning indicators, regular follow-ups with debtors experienced low default rates.

Within East African context, a study by Etenyi et al, (2024) on deposit taking SACCOs in Kenya discovered that credit risk monitoring practices minimizes loan losses and improve returns on Assets and financial efficiency.

In Uganda, a study by Namuli (2023) research on selected SACCOs in Makindye division, Kampala found out that effective credit risk monitoring practices are essential in reducing non-performing loans and enhances profitability with overall sustainability. In the same manner, Atuheire and Mulyungi, (2023) avers that SACCOs in Ibanda Municipality that well monitored their loans experienced a proportional improvement in their financial outcomes.

2.5 Debt appraisal and financial performance.

Debt appraisal refers to a pre-determined process of assessing a client's credit worthiness following the 5 Cs framework of character, capacity, capital, condition and collateral. A study by Aliija & Muhangi (2017) on credit Management systems adopted by Microfinance Institutions (MFIs) revealed that MFIs appraise clients using the 5Cs to determine the possibility of defaulting loans hence making proper decisions that wouldn't affect financial performance.

On another hand, lenders may use different financial tools to determine the credit worthiness of their potential borrowers, granting loans fully depends upon the confidence of the lender (Khan & Rahaman, 2018). In a similar context, Ahmed and Malik (2015) research on the effects of credit appraisal techniques on loan performance of MFIs showed that the major reasons for poor loan performance are ineffective credit appraisal.

In Africa, a study by Akinlo & Emmanuel (2014) in Nigeria regarding the determinants of NPLs found out that credit risk assessment and lending practices significantly influence the level of non-performing loans, reflecting the importance of credit evaluation in improving financial performance.

In East Africa, a study by Toroitich and Omagwa (2017) on credit risk management systems among SACCOs in Kisumu County, Kenya, revealed that practices such as credit risk identification, analysis, monitoring and approval were foundations to a positive loan portfolio. Furthermore, in the view of Etenyi et al., 2024, deposit taking SACCOs with structured credit appraisal procedures were found to have reduced risks and improved financial performance.

Within Ugandan context, a study by Nuwagala (2023) on loan assessment practices adopted by SACCOs within Mbarara Municipality found out that structure appraisal systems strengthen repayment rates and financial stability.

2.6 Collateral security and financial performance

Collateral security is defined as an additional asset for example property, vehicle and land titles presented by a borrower to a lender to secure a loan beyond the primary security. It is therefore important to review the literature on collateral security and the role it plays in financial performance of a given credit institution like one of Kyaka II farmers SACCO. In the same view, The World Bank report (2019) report emphasizes the importance collateral security requirement in lowering NPLs, improving loan recovery rates thus enhancing long term sustainability.

In Africa, a study by Kusi and Opoku (2016) in Ghana found out that collateral is a key determinant of financial institutional performance. The study further revealed that collateral requirements strengthen borrower's repayment behavior. In the same way, Boadi and Appiah, (2020) demonstrated that properly followed policies on collateral requirement results into operational resilience of cooperative societies. Otuya, Kibas, (2013) study in Nigeria however had a different opinion that cited collateral requirement as being a hindrance factor to credit access for low-income earners.

Across East Africa, conducted studies from Kenya and Tanzania reflect the role of collateral security in SACCO sustainability. In the same manner, Toroitich and Omagwa (2019) in Kisumu County found out that SACCOs with effective collateral requirement policies were able to achieve higher repayment rates which ultimately improved their profitability. Additionally, Kipesa (2013) study in Tanzania indicated that collateral based lending improved the long-term viability and profitability but also cautioned that over reliance and rigidity could end up excluding poorer members and limit their access to credit.

In Uganda, a study by Kazoora (2020) on microfinance credit terms incorporating collateral suggests proper collateral requirements improve repayment rates and financial outcomes for small enterprises. The study revealed that in Agric SACCO context, borrowers may lack formal assets hence flexible collateral approaches are essential for sustaining financial performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter makes known the methodological approach that was be adopted in examining the effects of credit management practices on the financial performance of Kyaka II farmers SACCO located in Kyegegwa district, Uganda. The chapter comprises of a research design which is most appropriate for examining relationship between credit management practices and financial performance, it makes known the study population, sampling procedures that were adopted, methods of data collection, the different measures for ensuring validity and reliability, the data analysis technique used and finally the ethical consideration that ensured the research is conducted in appropriate legally accepted manner.

3.1 Research Design

This study made use of a descriptive cross-sectional survey design which suits capturing of relationships between variables. The choice of the design was considered appropriate because it enabled collection of both quantitative and qualitative data in as a simultaneous process. Through the use of this design, the research effectively examined how different credit management practices such as (risk monitoring, debt appraisal and collateral security) directly influence financial performance indicators such as profitability, loan recovery rates and overall sustainability of Kyaka II farmers SACCO.

3.2 Study Population

The study population target size is all the 63 actively involved individuals of the SACCO, of which 3 are board members, 3 being managers as well as the 3 auditors. The population further consisted of 15 credit officers of the SACCO, 6 finance officers and finally 33 other ordinary SACCO members (inclusive of those that save and those that borrow). This population was considered appropriate because of their direct engagement into operational and credit management practices of the SACCO. This ensured that the data collected effectively reflected the informed perspective from the objectives of the study.

To arrive at the sample size of respondents that were required for data collection, Yamane’s (1967) formula was adopted. $n = N / (1 + N e^2)$

Where; **n** represents the sample size

N as the total population size

e² is the margin of error (0.05)

Calculated mathematically, $n = 63 / (1 + 63 * 0.05)$ giving us 54 respondents to be considered.

From the 54 respondents to be interviewed, questionnaires were then be distributed in all the different categories as seen in Table 1 below;

Table 1. Sample size and sampling techniques

Respondent Category	Population	Sample Size	Sampling Technique
Managers	3	3	Purposive Sampling
Board Members	3	3	Purposive Sampling
Credit Officers	15	12	Simple Random Sampling
Finance Officers	6	5	Simple Random Sampling
Auditors	3	3	Purposive Sampling
SACCO Members	33	28	Simple Random Sampling
Total	63	54	

Source; primary data 2025

A purposive sampling was applied to give fully the managers, board members and the auditors a chance to attend to the questions since they play a crucial role in decisions of the SACCO credit system. A simple random sample was also used so as to give equal opportunities to both SACCO members and credit officers without being biased.

3.4 Data Collection Methods

Primary data was collected through structured questionnaires and semi-structured interviews.

3.5 Data Collection Instruments

A primarily well-structured questionnaire was issued to respondents selected, with all questions predefined with fixed response (meaning respondents only selected from the questions provided)

The questionnaires were designed in a logical flow where the demographic questions started so as to determine profile of respondents, risk monitoring, debt appraisal, collateral security and financial performance questions then followed respectively. Each of these questions contained 7 items being rated on a 5-point Likert scale that ranges from Strongly Agree to Strongly Disagree.

3.6 Validity and Reliability

To ensure validity in the process of research and reliability, expert review by the supervisor and subject specialists were involved in the measure of the intended concept as suggested by Polit & Beck, (2008). Content Validity Index (CVI) was calculated with a threshold of 0.7 or higher being considered appropriate.

3.7 Measurement of Variables

Demographic variables were measured using a nominal scale for categorization without ordering. Perceptions related to credit management practices and financial performance were measured on an ordinal scale using the 5-point Likert scale (Amin, 2005).

3.8 Data Collection Procedure

An introductory letter from Uganda Christian University, was presented to SACCO management to secure formal permission. Following approval, questionnaires were distributed to sampled respondents. Follow-up engagements were conducted to maximize response rates and ensure complete data gathering.

3.9 Ethical Considerations

Throughout the study, the researcher acknowledged all borrowed work and information by citation, and collect factual informational from all respondents

The researcher did not disclose the identity and privacy of the participating respondents and kept utmost confidentiality of the participants by not including names and information that was given, and the information was purely used for research and study purpose (Sarandakos, 2005).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, INTERPRETATION & DISCUSSION

4.0 Introduction

This chapter presents the analysis and interpretations of findings that are obtained from the study. It presents the response rate, background characteristics of respondents, key variables, describes key variables, descriptive statistics and reliability results. The findings of the study are discussed in the order of objectives, while relating them to research questions and the relevant literature.

4.1 Response Rate

From the sample population of 54, questionnaires were distributed correspondingly to Kyaka II Farmers SACCO. However, only 44 were returned which yielded a response rate of 79.6%, out of the 44, one questionnaire was deemed invalid.

Table 4.1 Response Rate

Category	Questionnaires Issued (Planned Sample)	Questionnaires Returned (Actual)	Response Rate (%)
Managers	3	3	100.0
Board Members	3	3	100.0
Credit Officers	12	10	83.3
Finance Officers	5	5	100.0
Auditors	3	3	100.0
SACCO Members	28	19	67.9
Overall	54	43	79.6

Source: Primary Data, 2025

The planned sample size was 54 respondents of which 43 questionnaires were completed and returned resulting into a 79.6% response rate. This response rate is satisfactory for drawing reliable conclusions.

Analysis shows that 100% response rate was recorded where all the 3 issued questionnaires were completed and returned, boarder members also recorded 100% as the 3 questionnaires were successfully completed and returned and also finance officers, auditors recorded 100% participation where 5 out of 5, 3 out of 3 questionnaires respectively were successfully completed and returned. This maximum participation by top leaders ensure strategic perspectives are represented fully.

Despite a slight decrease in the number compared to management, credit officers also demonstrated a high response rate of 83.3% where 10 out of 12 questionnaires were completed and returned which indicates substantial engagement from staff responsible for core lending activities.

SACCO members reported a lowest response rate of 67.9% where 19 out of 28 questionnaires were completed and returned. This low participation among members is attributed to factors like low engagement levels, less direct involvement in administrative processes.

The high response rate from various categories reduces on the risk of bias and encourage that the findings of the study are based on a sufficiently representative sample of the targeted population.

4.2 Background of Respondents

The background characteristics of respondents presented in this section include their gender, age group, education levels achieved, their current job tenure and the job category. The distribution is shown in table 4.2 below.

Table 4.2: Background Information on the Respondents (N=43)

Item	Details	Frequency	Percentage (%)
Gender of the respondent	Male	26	60.5
	Female	17	39.5
	Total	43	100
Age group of the respondent	18-25	7	16.3
	26-35	17	39.5
	36-45	14	32.6
	Above 45	5	11.6
	Total	43	100
Highest level of education attained	Secondary	2	4.7
	Certificate	3	7.0
	Diploma	7	16.3
	Bachelors	24	55.8
	Masters	3	7.0
	Others	4	9.3
	Total	43	100
Tenure in current job	Less than a year	8	18.6
	1-5 years	22	51.2
	6-10 years	10	23.3
	Above 10 years	3	7.0
	Total	43	100
Occupation / Kind of job	Member	19	44.2
	Credit Officer	10	23.3
	Finance Officer	5	11.6
	Auditor	3	7.0
	Manager	3	7.0
	Board Member	3	7.0
	Total	43	100

Source: Primary Data, 2025

According to the findings in table 4.2, 43 respondents participated in the study. Males formed the majority respondent percentage of 60.5% (26) and females 39.5% (17). This indicated an imbalance in gender participation which could be a reflection of the existing workforce composition or participation levels within the institution.

In regard to age distribution, majority of respondents were within 26-35 years age bracket making 39.5% (17) of the total sample followed by age group from 36-45 years who accounted for 32.6% (14). The age group of 18-25 years constituted 16.3% (7). Those above 45 years represented the smallest percentage of 11.6% (5) of the total sample. The results indicate the SACCO is made up of young and middle-aged adults in their economically productive period thus they will be actively involved in the SACCO's activities.

The study revealed that 79.2% (34) of the respondents have received a diploma, bachelors and masters as the highest level of education which indicated that the respondents have sufficient academic qualifications that enhances the credibility and reliability of the information provided in the study.

The majority of respondents 51.2% (22) have worked in their positions for 1-5 years, followed by those who have worked for 6-10 years who accounted for 23.3% (10). Those who have worked for less than a year are composed of 18.6% (8) and 7.0% (3) have served for more than 10 years. This indicates that most respondents have work experience thus familiar with the SACCOs operations and able to provide informed responses.

The distribution by occupations indicate that the largest group of respondents were members who composed of 44.2% (19) of the total sample followed by credit officers 23.3% (10), finance officers 11.6% (5). Auditors, managers and board members each constituted 7.0% (3) of the respondents. This indicates that the study captured perspectives from various levels thus reflecting a combination of operational and managerial ideas thereby enhancing the comprehensiveness of the findings.

4.3 Effects of Risk Monitoring on Financial Performance of SACCOs in Uganda

Examining the effects of risk monitoring on financial performance of SACCOs in Uganda with a case study of Kyaka II farmers SACCO was the first objective of the study, where risk monitoring

was measured using seven different items on a five-point Likert scale that ranged from 1= Strongly Disagree to 5= Strongly Agree. All the findings are represented in table 4.3 below.

Table 4.3: Descriptive Statistics for Risk Monitoring

Risk Monitoring Items	SA (5) (%)	A (4) (%)	N (3) (%)	D (2) (%)	SD (1) (%)	Mean	SDV
1. Our SACCO has a well-defined system for monitoring loan repayments regularly.	9 (20.9)	21 (48.8)	10 (23.3)	3 (7.0)	0 (0.0)	3.84	0.92
2. We conduct follow-ups with borrowers who miss repayment deadlines.	12 (27.9)	22 (51.2)	7 (16.3)	2 (4.7)	0 (0.0)	4.02	0.87
3. Early warning indicators are used to identify potential loan defaults.	8 (18.6)	20 (46.5)	11 (25.6)	4 (9.3)	0 (0.0)	3.74	1.03
4. Risk monitoring helps reduce the level of non-performing loans.	10 (23.3)	22 (51.2)	8 (18.6)	3 (7.0)	0 (0.0)	3.91	0.91
5. Effective risk monitoring contributes to improved liquidity and profitability.	11 (25.6)	23 (53.5)	7 (16.3)	2 (4.7)	0 (0.0)	4.00	0.71
6. There are dedicated committee or staff responsible for credit risk oversight.	13 (30.2)	20 (46.5)	8 (18.6)	2 (4.7)	0 (0.0)	4.02	0.85
7. Our loan tracking system (manual/computerized) is effective.	12 (27.9)	21 (48.8)	7 (16.3)	3 (7.0)	0 (0.0)	3.98	0.91
Composite Mean Score for Risk Monitoring						3.93	0.47

Source: Primary Data, 2025

As seen from table 4.3 above, respondents agreed that effective risk monitoring contributes to an improved liquidity and overall profitability (Mean = 4.00; SDV = 0.71), and there are also a dedicated committee or staff that are responsible for credit oversight (Mean = 4.02; SDV =0.85). Findings also show that borrowers who miss their repayment deadlines are also followed up by

the SACCO. (Mean =3.98; SDV = 0.91). Altogether, these emerged as the key indicators of effective risk monitoring at Kyaka II Farmers SACCO, scoring the highest means and relatively low standard deviations.

The risk monitoring composite mean score was 3.93, which suggests that respondents perceived risk monitoring practices as moderately effective. The relatively low standard deviation of only 0.47 indicates the consistency in perceptions among respondents.

4.4 Effects of Debt Appraisal on Financial Performance

Assessing the effect of debt appraisal on financial performance of SACCOs in Uganda was the second objective while considering a case study of Kyaka II Farmers SACCO. Seven items on debt appraisal were measured on a five-point Likert scale. Findings are presented in table 4.5 below.

Table 4.4: Descriptive Results for Debt Appraisal

Item	SA (5) (%)	A (4) (%)	N (3) (%)	D (2) (%)	SD (1) (%)	Mean	SDV
Our SACCO conducts thorough borrower assessments before approving loans.	15 (34.9)	23 (53.5)	4 (9.3)	1 (2.3)	0 (0.0)	4.21	0.63
We verify income sources and repayment capacity of loan applicants.	12 (27.9)	22 (51.2)	7 (16.3)	2 (4.7)	0 (0.0)	4.02	0.87
Credit appraisal includes checking the borrower's past credit history.	13 (30.2)	21 (48.8)	8 (18.6)	1 (2.3)	0 (0.0)	4.07	0.73
Our debt appraisal process helps in minimizing default risk.	10 (23.3)	22 (51.2)	8 (18.6)	3 (7.0)	0 (0.0)	3.91	0.91
Proper appraisal leads to better loan portfolio quality.	12 (27.9)	21 (48.8)	7 (16.3)	3 (7.0)	0 (0.0)	3.98	0.85
We have written guidelines for loan appraisal and approval.	11 (25.6)	20 (46.5)	9 (20.9)	3 (7.0)	0 (0.0)	3.91	0.85
Staff are adequately trained in credit appraisal techniques.	10 (23.3)	22 (51.2)	8 (18.6)	3 (7.0)	0 (0.0)	3.91	0.85
Composite Mean Score for Debt Appraisal						4.00	0.54

Source: Primary Data, 2025

As seen in table 4.5 above, it was noted that respondents agreed that the SACCO conducts thorough borrower assessments before loans being approved (Mean =4.21; SDV =0.63).

It was also noted that debt appraisal verifies income sources and capacity of any borrower to repay (Mean = 4.02; SDV = 0.87). This helps in minimizing default risk as observed in the findings (mean = 3.91; SDV = 0.91) and also leads to better loan portfolio quality (Mean = 3.98; SDV = 0.85).

These emerged as the key indicators of debt appraisal with highest scores in mean and relatively low standard deviations.

4.5 Effects of Collateral security on financial performance of SACCOs in Uganda

This was the third objective of the study while taking a case study of Kyaka II farmer's SACCO. Collateral security was measured on seven items with a five-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly Agree. Findings are represented in table 4.5 below

Table 4.5: Descriptive Results for Collateral Security

Item	SA (5) (%)	A (4) (%)	N (3) (%)	D (2) (%)	SD (1) (%)	Mean	SDV
1. Our SACCO requires collateral for most loans issued.	11 (25.6)	20 (46.5)	9 (20.9)	3 (7.0)	0 (0.0)	3.91	0.85
2. The collateral accepted is properly valued and documented.	8 (18.6)	18 (41.9)	12 (27.9)	5 (11.6)	0 (0.0)	3.67	0.92
3. Collateral security improves loan recovery rates.	12 (27.9)	21 (48.8)	8 (18.6)	2 (4.7)	0 (0.0)	4.00	0.82
4. Collateral reduces the risk of loan default significantly.	9 (20.9)	19 (44.2)	11 (25.6)	4 (9.3)	0 (0.0)	3.77	0.91
5. We have a clear policy on collateral seizure and disposal in case of default.	10 (23.3)	20 (46.5)	9 (20.9)	4 (9.3)	0 (0.0)	3.84	0.88
6. Collateral requirements enhance borrower repayment discipline.	14 (32.6)	22 (51.2)	5 (11.6)	2 (4.7)	0 (0.0)	4.12	0.78
7. Collateral-based lending supports the financial sustainability of the SACCO.	9 (20.9)	19 (44.2)	11 (25.6)	4 (9.3)	0 (0.0)	3.77	0.91
Composite Mean Score for Collateral Security						3.87	0.61

Source: Primary Data, 2025

From table 4.5 represented above, respondents agreed that collateral requirements effectively enhance borrower discipline of repayment with mean = 4.12; SDV = 0.78. It further reveals that collateral security improves loan recovery rate, having a mean of 4.00 and SDV being 0.78.

The table also shows that the SACCO has got a good policy concerning collateral seizure and disposal in case of defaults, Mean being 3.84, SDV = 0.88. These emerged as key indicators of collateral security at Kyaka II Farmers SACCO, and scored the highest means with relatively low standard deviations.

The mean score composite for collateral security was 3.87, which suggests that respondents perceived collateral security practices to be moderately effective. Some consistency in perceptions among respondents were reflected by the standard deviation of 0.61.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the major findings of the study and draws conclusions in relation to the purpose of the study and specific objectives. It further makes recommendations based on the results.

The study was carried out to examine the effects of credit management on the financial performance of Savings and Credit Cooperative Societies (SACCOs) in Uganda, while using Kyaka II Farmers SACCO in Kyegegwa District as a case study.

5.1 Discussion and summary of findings

The key findings of this study are summarized below;

5.1.1 Effects of Risk Monitoring on Financial Performance.

According to the findings, the high scores for conducting follow-ups with borrowers who miss repayment deadlines are in agreement with Kargi (2021) who postulated that financial institutions in Africa with good risk monitoring practices such as regular follow-ups with debtors experienced low default rates.

The findings also showed dedicated oversight committees as relatively effective in reducing losses aligning with Etenyi et al (2024) who noted that credit risk monitoring practices minimize loan losses and improve returns on assets. In the same manner, Namuli (2023) effective credit risk monitoring practices enhance profitability and overall sustainability.

The overall performance of risk monitoring reflects the findings of Makori and Ndede (2018) who associated poor monitoring to high non-performing loans. Monitoring supports framework and its independent contribution appears finite thus emphasizing integrated credit management.

5.1.2 Effects of Debt Appraisal on Financial Performance.

Debt appraisal recorded the highest overall mean amongst independent variables with strong performance for thorough borrower assessment before loan approval and verification of income sources and repayment capacity.

The findings on borrower assessment align with Aliija & Muhangi (2017) who showed that microfinance institutions applying the 5Cs framework (character, capacity, capital, and conditions, collateral) during appraisal significantly reduced default chances and enhanced portfolio performance.

The results also resonate with Etenyi et al. (2024), who found that SACCOs with formalized and rigorous appraisal procedures had better loan quality, lower non-performing loans and improved returns on assets. Similarly, Toroitich and Omagwa (2017) in Kisumu County reported that SACCOs that systematically checked credit history and repayment capacity achieved stronger financial outcomes compared to those with weaker screening processes.

The moderate mean on written guidelines and staff training indicates that formalization and continuous capacity building remain areas for improvement, a gap that was also noted by Namusonge & Mugambi (2020) when discussing sustainability challenges in Ugandan SACCOs.

5.1.3 Effects of Collateral Security on Financial Performance.

The findings show emphasis on repayment discipline and recovery rates which supports the World Bank (2019) position that well enforced collateral requirements significantly lower non-performing loans and improve recovery in microfinance and cooperative settings.

Similarly, the findings are consistent with Kusi & Opoku (2016) in Ghana who found collateral as one of the most important determinants of repayment behavior and institutional resilience. Boadi & Appiah (2020) showed that cooperatives with collateral policies exhibited greater operational and financial stability.

Within East Africa, Toroitich & Omagwa (2019) reported that Kenyan SACCOs applying structured collateral requirements achieved higher repayment rates and better profitability, as indicated in the findings of this study.

The strong linkage between collateral and repayment discipline supports Kazoora (2020) who argued that appropriately flexible collateral approaches in agricultural SACCOs improve repayment performance without excessively limiting credit access.

5.2 Conclusions.

The study concludes that credit management practices significantly enhance the financial performance of Kyaka II Farmers SACCO with collateral security emerging as the strongest and most impactful driver of improving borrower repayment discipline, boosting loan recovery rates thus long term institutional sustainability. Strengthening collateral enforcement, addressing implementation gaps in documentation portrays an effective measure of achieving high profits and reducing non-performing loans at Kyaka II Farmers SACCO and similar SACCOs in Uganda.

5.3 Recommendations

SACCO leaders should strengthen collateral security practices by ensuring proper valuation, documentation, and clear policies for seizure and disposal in cases of default. The SACCO should also invest in staff training and develop written guidelines for debt appraisal to ensure thorough verification of income sources, repayment capacity, and past credit history. This will improve loan recovery rates and minimize default risk as well as enhancing loan portfolio quality.

Uganda Microfinance Regulatory Authority (UMRA) and Ministry of Trade, Industry and Cooperatives (MTIC) should develop and enforce guidelines that emphasize collateral enforcement and borrower appraisal in rural SACCOs, particularly those serving agricultural and refugee-hosting communities. This promotes financial sustainability and reduce portfolio at risk across the sector.

Development Partners, NGOs, and Financial Institutions should provide capacity-building support, including training programs on credit appraisal techniques, risk monitoring tools, and collateral management systems. Such interventions will help SACCOs in resource-constrained settings like Kyaka II to improve credit management and financial performance.

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QUESTIONNAIRE

Dear respondent;

My name is Iradukunda Juliet, a student at Uganda Christian University undertaking a study on effects of credit management on financial performance of SACCOs in Uganda. A case study of Kyaka II Farmers SACCO in fulfillment of the requirements for the award of Bachelors of Science in accounting and finance at Uganda Christian University. I kindly request that you spare a few minutes of your time to complete this questionnaire. It is important to note that all information provided will be used solely for academic purposes and will be treated with utmost confidentiality.

Instructions

This questionnaire is designed to gather information on credit management practices and their effect on financial performance. Please indicate your level of agreement or disagreement with each statement by ticking (✓) one box per row using the following scale:

1= Strongly Disagree (SD) 2 = Disagree (D) 3 = Neutral (N) 4 = Agree (A) 5 = Strongly Agree (SA)

SECTION A: BACKGROUND AND INFORMATION

1. Kindly indicate your gender

Male female

2. Age bracket

18-25

26-35

36-45

Above 45

3. Level of education attained

Secondary	
Certificate	
Diploma	
Bachelor's degree	
Masters	
PhD	
Others	

4. What kind of job do you do?

.....

5 For how long have you worked the job?

Less than a year 6-10 years
 1-5 years above 10 years

Section B: Risk Monitoring and Financial Performance

Please indicate your level of agreement or disagreement with each statement by ticking (✓) one box per row using the following scale:

1= Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

No.	Statement	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
RM01	Our SACCO has a well-defined system for monitoring loan repayments regularly.					
R,M02	We conduct follow-ups with borrowers who miss repayment deadlines.					
RM03	Early warning indicators are used to identify potential loan defaults.					
RM04	Risk monitoring helps reduce the level of non-performing loans.					
RM05	Effective risk monitoring contributes to improved liquidity and profitability.					
RM06	There is a dedicated committee or staff responsible for credit risk oversight.					
RM07	Our loan tracking system (manual/computerized) is effective.					

Section C: Debt Appraisal and Financial Performance

Please indicate your level of agreement or disagreement with each statement by ticking (✓) one box per row using the following scale:

1= Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

No.	Statement	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
DA01	Our SACCO conducts thorough borrower assessments before approving loans.					
DA02	We verify income sources and repayment capacity of loan applicants.					

DA03	Credit appraisal includes checking the borrower's past credit history.					
DA04	Our debt appraisal process helps in minimizing default risk.					
DA05	Proper appraisal leads to better loan portfolio quality.					
DA06	We have written guidelines for loan appraisal and approval.					
DA07	Staff are adequately trained in credit appraisal techniques.					

Section D: Collateral Security and Financial Performance

Please indicate your level of agreement or disagreement with each statement by ticking (✓) one box per row using the following scale:

1= Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

No.	Statement	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
CS01	Our SACCO requires collateral for most loans issued.					
CS02	The collateral accepted is properly valued and documented.					
CS03	Collateral security improves loan recovery rates.					
CS04	Collateral reduces the risk of loan default significantly.					
CS05	We have a clear policy on collateral seizure and disposal in case of default.					
CS06	Collateral requirements enhance borrower repayment discipline.					
CS07	Collateral-based lending supports the financial sustainability of the SACCO.					

Section E: Financial Performance Indicators

Please indicate your level of agreement or disagreement with each statement by ticking (✓) one box per row using the following scale:

1= Strongly Disagree (SD), 2 = Disagree (D), 3 = Neutral (N), 4 = Agree (A), 5 = Strongly Agree (SA)

No.	Statement	1 (SD)	2 (D)	3 (N)	4 (A)	5 (SA)
FP01	Our SACCO's profitability has improved over the past 3 years.					
FPO2	Loan recovery rates have increased due to effective credit management.					
FP03	The level of non-performing loans is within acceptable limits.					
FP04	The SACCO's liquidity position is strong and stable.					
FP05	Member savings and deposits have grown over time.					
FP06	The SACCO is financially sustainable and can meet its long-term obligations.					
FP07	Effective credit management practices contribute to overall institutional growth.					

End

Thank you for your participation.