

**THE EFFECT OF LOAN ASSESSMENT AND LOAN MANAGEMENT ON  
PERFORMANCE OF PANGISA SACCO IN ARUA**

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**UGANDA CHRISTIAN  
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**DECLARATION**

I **Margret Tazi** declare that the work presented in this report is my original work. It has never been presented to any other University for academic award

Signature..... *Margret* ..... Date *29/9/2025*

**Margret Tazi**

APPROVAL

This is to certify that this dissertation has been submitted for examination with my approval as University Supervisor.

Signature.....  
Ogenmungu Cosmas

Date.....29-09-2025

## DEDICATION

This dissertation report is dedicated to my Husband Mr Likambo James and all those who inspired and encouraged me all through my academic journey.

## ACKNOWLEDGEMENT

I am forever grateful to the almighty God for the gift of life that he has granted me with to date.

Sincere appreciation and gratitude go to the entire family members of my Uncle Godwill Wayi, brother Santos Bayali and my Husband Likambo James who to me are persons like no other. Your full support, encouragement and guidance have enabled me to paddle through these waters and successfully accomplishing this programme. You have made me proud.

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## LIST OF ACRONYMS

AMFI-K	:	Association of Micro Finance Institutions Kenya
AMFIU	:	Association of Microfinance Institutions Uganda
CARE	:	Cooperative for Assistance and Relief Everywhere
CREAM	:	Cash Rules Everything Around Me
CDO	:	Community Development Office
FI	:	Financial Institutions
IFAD	:	International fund for Agricultural development
IPO	:	Implementing partner organizations
IRC	:	International Rescue Committee
MFI	:	Micro financial Institutions
NPL	:	Non- Performing Loans
ROE	:	Return on Equity
SACCOs	:	Savings Association and Credit Cooperative Organizations
5Cs	:	Character, capacity, condition, capital and collateral
USAID	:	United States Agency for International Development
SACCO	:	Village Savings and Loan Associations
WENIPS	:	West Nile Private Sector

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## **ABSTRACT**

The study examined the relationship among loan assessment, loan portfolio management and performance of SACCO in Arua district, Uganda. The study sought to determine the extent to which performance of SACCOs is attributed to loan assessment and loan portfolio management.

The study used cross sectional survey design using a sample of 207 SACCO, giving a response rate of 85%. The data was collected using questionnaire and was analysed using SPSS version 22. Pearson correlation and hierarchical regression analysis were used to determine the degree of the relationship among loan assessment, loan portfolio management and performance of SACCOs in Arua district, Uganda.

Findings of the study revealed a significant positive relationship between loan assessment, loan portfolio management and performance of SACCOs. The regression analysis results show that loan assessment and loan portfolio management predict 54.7% of the observed variance in performance of SACCOs. This implies that there are other predictors of performance of SACCOs besides loan assessment and loan portfolio management, thus, further research is called for, to find the other predictors of performance of SACCOs .

## CHAPTER ONE

### 1.1 The Study Background

The performance of SACCOs is critical in transforming the economy of rural areas (Uwase, Ndabaga & Oduor, 2015). SACCOs enable their members have access to highly responsive and safe financial services that help them to upscale economic activities, improve household health and welfare, acquire business skills as well as educate their children (CARE-SACCO Report, 2014).

Uwase *et al.*, (2015) observe that if the SACCO methodology is properly implemented, the economic level increases and the community is more empowered. According to Elger (2007), to perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. In addition, Gibson and Doty (2012) posit that performance is the extent to which financial related goals and objectives of a financial institution are being accomplished. Performance of SACCOs is the ability to increase on their return on savings and the liquidity position of the group through improved loan recovery (Rakesh, 2015).

Loan recovery is of utmost importance to the performance of all financial institutions (FI's). This is because loans are a great source of the profit which is crucial for the survival of these institutions. However, inadequate loan recovery remains a major obstacle to the sustainability and performance of many SACCOs (International Fund for Agricultural Development (IFAD), 2016).

Chowdhury, Mohamed, Sheikh, Mohammed and Zahurul (2012) and Sheila (2011) assert that proper and adequate assessment of loans is very key to control or minimize loan

default. According to Bizagi (2014), loan assessment process takes place between an applicant and a loan provider, with the purpose of approving loan applications. Wear (2015) argues that, some of the loans we see banks making today are going to customers who almost certainly would not have qualified for the same loan 4 to 5 years ago. According to Premier Farm Credit (2018), credit standards (5 C's) can be used to assess and approve loans, as well as protect both the lender and borrower from excessive risk. Consequently, the standards are based on the 5 C's of credit: Character, Capital, Capacity, Collateral and Conditions. Besides, Beck, Klapper and Mendoza (2010) observe that assessing and guaranteeing individual loans can reduce the risk. According to Comptroller (2017), documentation exceptions in loan approval process can exacerbate problem loans and seriously hamper work-out efforts.

In Uganda, CARE introduced the first SACCOs in 1998 and since then more than 600,000 Ugandans in more than 22,000 groups have benefitted from the SACCO movement (Allen, 2014). In West Nile and Arua district in particular, CARE works through and with Implementing Partner Organizations (IPOs) like West Nile Private Sector (WENIPS) and Cash Rules Everything Around Me (CREAM) which are capable of training and supporting SACCO groups (Allen, 2014; Anyango, Esipisu, Opoku, Johnson, Malkamaki, & Musoke, 2006). According to Anyango *et al.* (2006), SACCOs thrived when first introduced. However, this does not seem to be the case today as l. This trend of 45.6% reduction worries a lot and threatens the objective of the Sustainable Development Goals (SDGs) and National Development Plan (NDP) III projects. On that effect, this study aims at assessing the predictive power of loan assessment and loan portfolio management on the performance of SACCOs.

## **1.2 Statement of problem**

SACCO scheme has influenced positively the economic status of its members by increasing their income and helping them to become self-sustaining. Equally, it has also impacted positively to the family cohesion which was not seen before the SACCO project model was introduced (Uwase *et al.*, 2015). Despite the various SACCO methodology policies, regulations and procedures like self-selection, sustainability, training, governance, financial services, audit and agency facilitation (Kaberia *et al.*, 2011) put in place, the groups continue to experience losses through loan defaults and their number keeps dropping at a worrying rate. For example, in Arua district only 450 SACCOs were active from the 827 SACCOs by the end of 2017 which could have been as result of not making profits from the loans given out to members. In addition, at the end of 2018, there was an average unrecovered loan of 14.2% (CDO Report, 2018). This is far from the 5% pegged by Sacco Societies Regulatory Authority (SASRA) (2013) as the maximum loan default ratio that licensed SACCOs should hold at any time. It's not clear whether this trend reflects weakness in loan assessment, loan portfolio management or both. This challenge only suggests that CARE may not be able to achieve its SACCO project objectives of financial inclusion and sustainability if not addressed. Therefore, the study seeks to investigate this situation.

## **1.3 Purpose of the study**

The study investigated the predictive power of loan assessment and loan portfolio management on the performance of SACCOs.

#### **1.4 Objectives of the study**

- i. To examine the relationship between loan assessment and performance of SACCOs
- ii. To assess the relationship between loan portfolio management and performance of SACCOs
- iii. To investigate the predictive power of loan assessment and loan portfolio management on the performance of SACCOs.

#### **1.5 Research questions**

- i. What is the relationship between loan assessment and performance of SACCOs?
- ii. What is the relationship between loan portfolio management and performance of SACCOs?
- iii. What is the predictive power of loan assessment and loan portfolio management on the performance of SACCOs?

#### **1.6 Significance of the study**

- i. This study will be useful in guiding the management of SACCOs in issuing and managing loans. This is because the study will produce and recommend framework for improving the performance of SACCOs.
- ii. The study will guide government in formulating policies to regulate and control the operations of SACCOs in the rural poor.
- iii. Finally, future researchers will benefit from the study by referring to it in their further scholarly work. This is because the study is one of the few conducted on SACCOs in Arua district, Uganda.

**1.7 Scope of the study**

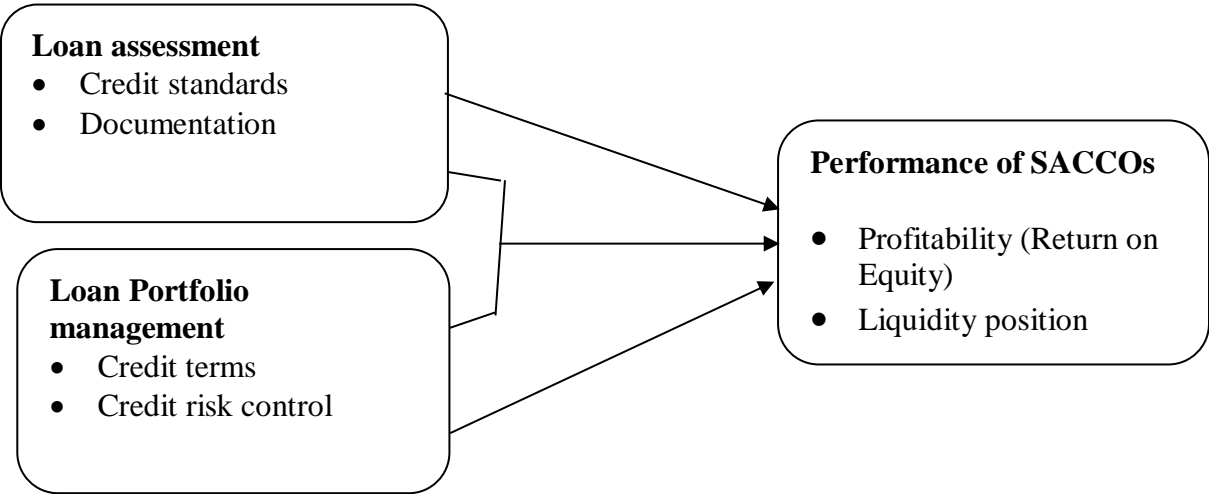
**1.7.1 Subject scope**

The scope of the study is loan assessment, loan portfolio management and performance of SACCOs

**1.7.2 Geographical scope**

The study was specifically confined to the SACCO of Pangisa found in Arua City

**1.8 Conceptual Framework**



*Source: Adopted & modified; Kohansal and Mansoori (2009), Kakuru (2005), Comptroller (2017), Kolapo, Ayeni and Oke (2012).*

The independent variables were; loan assessment and loan portfolio management while the dependent variable was performance of SACCOs. Loan assessment was measured by credit standards (5Cs), loan documentation and loan guarantee. Loan Portfolio management was measured by credit terms, credit risk control and the delinquency management. And performance of SACCOs was measured by profitability (return on equity) and liquidity position.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This section is about the literature review available on the study variables and the relationship between them. The study reviews the relationship between loan assessment, loan portfolio management and performance of SACCOs.

#### 2.2 Performance of SACCOs

A credit facility is said to be performing if payment of both principal and interest are up to date in accordance with agreed repayment terms whereas the Non- Performing Loans (NPL) represent credits which the banks perceive as possible loss of funds due to loan defaults, they are further classified into substandard, doubtful or lost (Kolapo et al., 2012). A loan default occurs when the borrower does not make required payments or in some other way does not comply with the terms of a loan (Murray, 2011), yet lending institutions earn their highest gross profit from the loans; the recovery of loan portfolios seriously affects their profitability and liquidity position. This therefore indicates that Performance of SACCOs (profitability and liquidity) to a great extent is influenced by the loan repayment/default rate experienced.

Profitability refers to the company's ability to generate profits as return on their money invested; profitability ratios reflect the competitive situation of the company in addition to the quality management; it reflects the success or failure of the company (Robinson, Henry, Pirie & Broihahn, 2015).

The low overhead operations make SACCOs profitable and financially sustainable (CARE, 2014). According to Hendricks (2011), on average SACCO members in Malawi, Uganda and Tanzania receive around 30 percent return on their savings, representing a significant return through saving in a SACCO which cannot be offered by banks or MFIs.

A study conducted by Anyango *et al.* (2006) found that SACCOs have performed well in terms of profitability- during the last payout for all 25 groups, the mean rate of return was 53%, with individual groups' rates ranging from 10% to 92% and 72% of the groups had paid out dividends during the twelve months before the study. To that effect, this study looked at profitability in terms of the degree to which a business or SACCO yields financial gain from its investment or savings.

### **2.3 Loan Assessment**

Loan assessment refers to investigating and evaluating the financial soundness of candidates for loans regarding their capacity to benefit and repay the loan applied for (Wamalwa & Jagongo, 2018). Failure to conduct proper loan appraisal is the major reason for default and existence of problem loans. According to Addae-Korankye (2014), the appraisal stage is the heart of a high quality portfolio; this includes diagnosing of the business as well as the borrower. Kohansal and Mansoori (2009) posit that lenders should devise various institutional mechanisms aimed at reducing the risk of loan default which include; observing credit standards, credit guarantee and proper documentation.

Kakuru (2005) states that credit standards are the criteria that the client should meet if he/she is to qualify for credit. He further stated that, these standards can be set basing on the 5C's of credit which include; character, capacity, condition, capital and collateral. According to Peavlere (2013), the 5C's is an approach of assessing credit worthiness which is defined as follows: Capacity refers to borrower's ability to meet the loan payments of interest and principal; Capital is the money invested in the business and is an indicator of how much is at risk should the business fail; Collateral is a form

of security for the lender as a type of insurance in case the borrower cannot repay the loan; Condition refers to the economic and political conditions of the country; Character is the obligation that a borrower feels to repay the loan. In the SACCO set up, members' existing financial records of the past experience of managing their finances should count towards their financial history (Hendricks, 2011).

A credit guarantee is a financial product that small entrepreneurs can take as a partial substitute for collateral; it is a commitment by a guarantor to pay to the lender all or part of the loan if the borrower defaults (Gurmessa & Ndinda, 2014). Credit guarantees are the most popular measures accepted as an effective and more market-friendly tool (Tunahan & Dizkirici, 2012; Kuo, Chen & Sung, 2011; and Back *et al.*, 2010). Guarantee providers define target borrowers, loan features, often charge fees for the service and use one of the risk coverage models (Hansen, Kimeria, Ndirangu, Oshry, & Wendle, 2012). Kwame (2010) observes that the use of a guarantor can make it easier for Sacco members to obtain loans to finance their investments and for growth purposes. Guaranteeing each other during access of SACCO social fund and loan is a role of every member (YEPP, 2016). According to Kaberia *et al.* (2016), 1-3 individual group members should guarantee each SACCO loan.

Loan documentation refers to the documents needed to legally enforce the loan agreement and properly analyze the borrower's financial capacity, and that Common loan documents include note guarantees, financial statements, collateral agreements, and appraisals which must be properly prepared and signed (Comptroller, 2017). According to CARE (2011), SACCO record-keeping system is made as simple as possible

in that records are maintained in a single book, which can be prepared with a ruler and ball-point pen: no special printing is needed.

#### **2.4 Loan Portfolio Management**

According to IFAD (2016), until SACCOs become licensed as financial institutions under the new tier 4 Micro Finance Institutions (MFI) and money lenders act, they cannot be able to use courts to pursue defaulters. Therefore, understanding of different techniques to manage credits and defaults is critical for SACCOs to succeed. Loan portfolios are the major asset of MFIs (Ssekiziyivu, Mwesigwa, Mayengo & Nkote, 2017). Biekpe and Kiweu (2009) point out that loan portfolio performance of MFIs is critical. Relatedly, Comptroller (2017) observes that effective management of the loan portfolio and the credit function is fundamental to a bank's safety and soundness, and this is through credit risk control, loan review and observing credit terms. The financial crises of 2007/2008 emphasizes the need for banks to actively measure and control their credit exposures to ensure minimal credit risk of loan portfolios (Basel Committee on Banking Supervision, 2014). Loan portfolio can be managed through credit terms, credit risk control and delinquency management.

According to Kakuru (2005), credit terms are the stipulations under which the firm grants/sells on credit to its customers, the credit terms specify the credit amount, period and interest rates. He defines credit period as the period of time in which the credit is granted and interest rate as a cost on borrowed funds.

## **2.7 Loan assessment and Performance of SACCOs**

Credit appraisal minimizes on the risk to borrowers' exposure to bad debts, over-reserving and bankruptcies (Moti *et al.*, 2012). The credit assessment gives the banks an insight into the customer's financial strength, credit score history and payment patterns.

Wanjira (2010) studied the relationship between non- performing loans management practices and financial performance of commercial banks in Kenya. The study found that there was a positive relationship between nonperforming loans management practices and the financial performance of commercial banks in Kenya which implies that the adoption of non- performing loans management practices leads to improved financial performance of commercial banks in Kenya. The study concluded that there is a need for commercial banks to adopt non-performing loans management practices such as ensuring sufficient collaterals, limiting lending to various kinds of businesses, loan securitization, ensuring clear assessment framework of lending facilities and use of procedures in solving on problematic loans among others.

## **2.8 Loan Portfolio Management and performance of SACCOs**

The ability to repay loans can be influenced to a large extent by the level of interest charged on borrowed funds. Kariuki (2010) argue that when interest rates are low, borrowers are able and willing to service their loans. High interest rates on the other hand discourage payments and loan applications. Borrowers are more likely to default on loan repayment when the rates of interest increase faster than the consumer's income.

It has been observed that policies guiding credit management and administration influence loan repayments. According to Kariuki (2010), loan repayments can be improved if loan recovery from slow payers can be activated. He argues that some of the bad debts incurred by banks arise because of lack of appropriate policies that can accelerate recovery. This is necessary because some customers would simply decide not to repay loan if bank conditions allow.

## **2.8 Conclusion**

The literature generally revealed that loan assessment and loan portfolio management are predictive measures of performance of lending institutions (SACCOs). For example, the studies conducted by Moti *et al.* (2012) and Wanjira (2010) found positive relationships between loan assessment and performance of the financial institutions. Similarly, Kariuki (2010); Kargi (2011); Mwaura and Wanyoike (2012) and Ssekiziyivu *et al.* (2017) indicated that loan portfolio (credit risk) management and firm performance are significantly and positively associated.

These imply that proper loan assessment and loan portfolio management can be associated to high level of performance of SACCOs. When SACCOs give loans to the qualified members and monitor the loans well, loan recovery is bound to improve leading to improved performance.

However, the studies conducted by Peek and Rosengren (2005), Syed (2017) and Kithinji (2010) posit that loan portfolio management revealed inverse relationship with performance of financial institutions. It is therefore, paramount to further investigate these relationships.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology used to investigate the relationship between loan assessment, loan portfolio management and performance of SACCOs in Arua City. It describes the research design, targeted population size, sample size, source of data, and administration of research instruments and measurements of the study variables.

#### **3.2 Research design**

The researcher used a descriptive and cross-sectional design to study loan assessment, loan portfolio management and performance of SACCOs in Arua City.

#### **3.3 Population of the study**

The study population consisted of the 200 registered members of Pangisa SACCO in Arua (CDO, 2018).

#### **3.4 Sample size and sampling technique**

The sample size consisted of 140 SACCO members of Pangisa SACCO based on Krejcie & Morgan, (1970) table of sample size from a population of 200.

#### **3.5 Sources of data**

The researcher used primary data. The primary data was collected using questionnaires. The selected respondents were reached using structure questionnaire which were physically delivered to them.

### **3.6 Instruments of data collection**

The researcher designed structured questionnaire to collect primary data from respondents; the questionnaire contains closed ended questions which were anchored on a 5 point Likert scale ranging from Strongly Disagree (1), Disagree (2), not sure (3), Agree (4), Strongly Agree (5) (Likert, 1932).

### **3.7 Reliability of the instruments**

The reliability of the information generated by the instruments was assessed using Cronbach's alpha coefficient. The Cronbach Alpha of above 0.7 was considered sufficient to prove that the items in the instruments are reliable (Cronbach, 1951).

### **3.10 Validity of the instruments**

According to Nachmas (2004), validity is concerned with whether research is measuring what is intended for measurement and it arises due to the fact that measurements in social sciences are indirect. The overall content validity index was above 0.8 which is acceptable (Mugenda, 2003).

### **3.11 Data processing and Analysis**

Data was collected from the field using questionnaires, edited, sorted and coded to develop feel for the data. Statistical Packages for Social Scientist (SPSS) version 20 was used to derive descriptive and inferential statistics on the data. For inferential statistics, correlation was applied to determine the relationships between the study variables. Other statistical tools such as regression was used to examine the predictive power of independent variables on the dependent variable.

## CHAPTER FOUR

### ANALYSIS, PRESENTATION AND INTERPRETATION OF THE FINDINGS

#### 4.1 Introduction

This chapter covers the analysis, presentation and interpretation of the findings. It focuses on the descriptive statistics of the variables and correlation and regression analysis of the study variables. These results are reported according to the study objectives.

#### 4.2 Response Rate

The researcher collected data from 120 respondents based on 140 issued questionnaire leading to a response rate of 85%. Some respondents did not respond as a result of being busy and information concealment.

#### 4.3 Demographic characteristics of the respondents

##### 4.3.1 Gender of Respondents

Respondents of different sex in the SACCO in Table 4.1.

**Table 4.1: Gender of Respondents**

		<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Male	82	58.7	58.7
	Female	58	41.4	100.0
	<b>Total</b>	<b>140</b>	<b>100.0</b>	

*Source: Primary data*

Table 4.1 indicates that 58.7% of the respondents were male and 41.4% of the respondents were female. This implies that more males responded to questionnaires as

compared to female members. It also implies that there are more men in SACCOs than women.

### 4.3.2 Age bracket

The Table 4.2 shows the age group of the respondents of SACCO

**Table 4.2 Age bracket**

	Frequency	Valid Percent	Cumulative Percent
Valid 18 - 25 years	36	25.7	25.7
26 - 35 years	60	42.8	69.1
36 - 45 years	30	21.4	91.4
46 - 55 years	10	7.1	92.8
Above 56 years	4	2.8	100.0
<b>Total</b>	<b>140</b>	<b>100.0</b>	

*Source: Primary data*

The Table 4.2 depicts that majority of respondents were in age group of 26-35 years.

This indicates that majority of the respondents were above the age of 25

### 4.3.3 Education level

The Table 4.3 depicts the education level of SACCOs members.

**Table 4.3 Education Level**

	Frequency	Valid Percent	Cumulative Percent
Valid O'Level	70	50.0	50.0
A'Level	20	14.2	64.2
Diploma/Certificate	31	22.1	86.3
Bachelor's Degree	19	13.5	100
<b>Total</b>	<b>140</b>	<b>100.0</b>	

*Source: Primary data*

The results in Table 4.3 revealed that 50.0% were O'level holders and 13.5% of the respondents were bachelor degree holders. Therefore, on the basis of the above results, the respondents were literate, able to read and write.

#### 4.3.4 Marital Status

The Table 4.4 shows the marital status of the SACCO members in Arua district.

**Table 4.4 Marital status**

		Frequency	Valid Percent	Cumulative Percent
Valid	Single	24	17.1	17.1
	Married	100	71.4	88.5
	Divorced	16	11.4	100
	<b>Total</b>	<b>140</b>	<b>100.0</b>	

*Source: Primary data*

The Table 4.4 depicted that 71.4% were married and 11.4% of the respondents of SACCO members were divorced. This means that majority of SACCO members were married, stable and committed to work hard to repay the loan.

#### 4.3.5 Duration taken in the group

The Table 4.5 shows the duration taken in the SACCO by members.

**Table 4.5 Duration taken in the group**

		Frequency	Valid Percent	Cumulative Percent
Valid	2 - 4 years	50	35.7	36.2
	5 - 7 years	65	46.4	82.6
	8 -10 years	15	10.7	93.3
	Above 10 years	10	7.1	100.0
	<b>Total</b>	<b>140</b>	<b>100.0</b>	

*Source: Primary data*

The results in Table 4.5 above revealed that 46.4% served the group for more than 5 years. This analysis reveals that majority of the respondents have been in the group for at least 5 years; this means that they are experienced, knowledgeable and conversant with the operations of SACCOs.

#### 4.5 Correlation Analysis

Correlation analysis was run in order to establish the relationships between pairs of the study variables which arose out of the objectives of the study. As such, the Pearson's product moment correlation analysis was carried, generating correlation coefficients to measure the magnitude of the relationship between the loan assessment, loan portfolio management and performance of SACCOs. The analysis examined linear relationship and where it existed, the direction and strength of this relationship. Refer to the table 4.10 below.

**Table 4.10: Correlation analysis**

	1	2	3	4	5	6	7	8	9
Credit Standards (1)	1								
Loan documentation (2)	.490**	1							
Loan Guarantee (3)	.214**	.417**	1						
<b>Loan Assessment (4)</b>	<b>.658**</b>	<b>.786**</b>	<b>.816**</b>	1					
Credit term (5)	.202*	.319**	.190*	.290**	1				
Credit risk control (6)	.510**	.504**	.553**	.690**	.422**	1			
Delinquency Management (7)	.529**	.320**	.365**	.518**	.356**	.495**	1		
Loan portfolio Management (8)	.489**	.489**	.463**	.624**	.794**	.819**	.733**	1	
Performance of SACCOs (9)	.498**	.483**	.351**	.559**	.519**	.619**	.600**	.732**	1

\*\**. Correlation is significant at the 0.01 level (2-tailed).*

\*. Correlation is significant at the 0.05 level (2-tailed).

**Source: Primary data**

#### **4.5.1 Correlation of the study variables**

As seen in Table 4.10, the study found a significant positive relationship between loan assessment and performance of SACCOs ( $r = .559, p < .01$ ). A similar result was manifested between performance of SACCOs and all constructs of loan assessment, the most significant occurring with credit standards ( $r = .498, p < .01$ ). The result generally means that positive changes in the loan assessment of the SACCOs in respect to credit standards, loan documentations and loan guarantee are associated with positive changes in the Performance of SACCOs.

From the findings in Table 4.10, there existed a significant positive relationship between loan portfolio management and performance of SACCOs ( $r = .732, p < .01$ ). Furthermore, the results show that performance of SACCOs was significantly correlated with all aspects of loan portfolio management, among which the most notable was credit risk control, ( $r = .619, p < .01$ ). This means that a high level of loan portfolio management in regard to good strategy towards credit standards, credit risk control and delinquency management is associated with a high level of performance of SACCOs.

#### **4.6 Hierarchical Regression Analysis**

A hierarchical regression analysis of performance of SACCOs was carried in order to establish how the variation in loan assessment and loan portfolio management individually and in combination affect the variation in the performance of SACCOs. The results are presented in Table 4.11 addresses objective i, ii and iii.

**Table 4.11: Beta Coefficients of standardized, variance and model summary**

	Model 1		Model 2		Model 3	
	Beta	Sig.	Beta	Sig.	Beta	Sig.
R	0.221		0.597		0.749	
R Square	0.049		0.357		0.562	
Adjusted R Square	0.29		0.339		0.547	
R Square Change	0.049		0.308		0.205	
F Change	2.521		70.337		68.282	
Sig. (F Change)	0.60		0.000		0.000	

**Dependent variable: Performance of SACCOs**

#### **4.6.3 Loan assessment, Loan portfolio management and Performance of SACCOs**

A hierarchical regression analysis was conducted to analyze the determinants of performance of SACCOs in Arua district so as to address all the objectives of this study. The regression model summary in Table 4.11 shows that the two predictor variables accounted for 54.7% of the total variation in performance of SACCOs because the ‘adjusted R square’ value is 0.547. Therefore, further research should be conducted to investigate the other factors constituting 45.3% which influence performance of SACCOs in Arua district.

## CHAPTER FIVE

### DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The study was carried out to explain the Performance of SACCOs in Arua City. This chapter consists of discussion of the findings as guided by objectives of the study, conclusion, recommendations, limitations to the study and suggested areas for further research.

#### 5.2 Discussion of the Findings

##### 5.2.1 Loan assessment and Performance of SACCOs

The study evaluated the predictive power of loan assessment on performance of SACCOs and was the second best predictor of loan performance of SACCOs. Additionally, the findings of the study revealed a positive and significant relation between loan assessment and performance of SACCOs.

The findings are in line with Kohansal and Mansoori (2009) who assert that lenders should devise various institutional mechanisms aimed at reducing the risk of loan default through observing credit standards, credit guarantee and proper documentation. The criteria that the client should meet if he/she is to qualify for credit and these standards can be set basing on the 5C's of credit which include; character, capacity, condition, capital and collateral. Guarantee providers define target borrowers, loan features, often charge fees for the service and use one of the risk coverage models (Hansen, Kimeria, Ndirangu, Oshry, & Wendle, 2012). Kwame (2010) observes that the use of a guarantor can make it easier for SACCO members to obtain loans to finance their investments and for growth purposes.

### **5.2.2 Loan portfolio management and Performance of SACCOs.**

The results of the study revealed a significant positive relationship between loan portfolio management and performance of SACCOs and was the best predictor of loan performance of SACCOs.

These findings are in agreement with the earlier scholars such as; Mwarura and Wanyoike (2012) Ssekiziyivu *et al.* (2017) among others who concluded in their various studies that when risks are identified early enough, measures can be taken to avoid them. Risk management enhances loan portfolio performance of MFIs.

### **5.3.3 Loan assessment, Loan portfolio management and Performance of SACCOs.**

The results show that loan assessment and loan portfolio management explain a positive change in performance of SACCOs.

The findings revealed that low interest rates charged by the lenders and putting appropriate policies to borrowers can accelerate recovery of loan hence improves the performance of SACCOs. This is consistent with the study of Moti *et al.* (2012) and Wanjira (2010) in which they confirmed that good loan assessment through use of credit standards, loan documentation and loan guarantee improves VLSA performance.

## **5.3 Conclusion**

The objectives of this study were to; examine the relationship between loan assessment and performance of SACCOs, investigate the relationship between loan portfolio management and The study found a significant positive relationship between loan assessment and performance of SACCOs ( $r = .559$ ,  $p < .01$ ). Equally, there existed a significant positive relationship between loan portfolio management and performance

of SACCOs ( $r = .732$ ,  $p < .01$ ). The regression model shows that the two predictor variables accounted for 54.7% of the total variation in performance of SACCOs. Results indicate that loan portfolio management is a significant predictor of performance of VLSAs in Arua City unlike organization characteristics and loan assessment that are insignificant predictor of performance of SACCOs.

#### **5.4 Recommendations**

The management of SACCO should put more emphasis on loan portfolio management since it has more predictive power (59.8%) on Performance of SACCOs.

SACCO management should also enforce loan assessment through improvising credit standards, proper loan documentations and encouraging loan guarantors before giving loans to borrowers as it improves performance of SACCOs by 54.7%.

The district CDO should monitor the activities of SACCOs and train them so that they can be able to know where they are going wrong. Also they should initiate auditing of SACCO books of account quarterly and yearly.

#### **5.5 Limitations of the study**

❖ Respondents were not willing to disclose their failures relating to the work they do especially the group leaders. However, this was solved by re-assuring them that the research is strictly confidential and for academic purposes.

#### **5.6 Areas for further study**

❖ There is need to find out the other predictors of Performance of SACCOs since loan assessment and loan portfolio management predict 54.7% of the variance in Performance of SACCOs in Arua district and Arua City of Uganda.

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## Appendix i: Questionnaire Form

Dear respondent, my name is **Tazi Margret** a student of Uganda Christian University (BBA) and I am conducting an academic study on the topic: **The Effect of Loan Assessment, Loan Portfolio Management and Performance of SACCOs in Arua City: A Case of Pangisa SACCO**

This is purely an academic research, you have been identified as a key person to give accurate data about the study, the results of this study shall be aggregated not presented individually. This is therefore to request for your participation in this study in order to enable its completion. Your response to this Questionnaire will serve as a source of information for the thesis purpose. Any response you provide here is strictly confidential and will be used exclusively for the research purpose. Your honesty in responding the right answer is vital for the research outcome to be reliable.

Thank you for your valuable time and cooperation.

### SECTION A:

Gender (Tick against the right gender)

Male  Female:

### Age Bracket

Age Range	18-25 years	26-35 years	36-45 years	46-55years	Above 55 years
Tick					

### Education Level

'O' Level	"A" level	Diploma/Certificate	Bachelor's Degree	Masters and above

### Marital status

Single	Married	Divorced	Widow	Widower

### Duration in the group

2-4 years	5-7 years	8-10 years	Above 10 years

## SECTION I: LOAN ASSESSMENT

This section deals with credit screening procedures. Please indicate the extent to which you agree with the statements based on a scale of 1 to 5, 1 - Strongly disagree, 2 - Disagree 3 - Not sure 4 - Agree 5 - Strongly agree,

	<b>Loan Assessment Parameters (LA)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	<b>Credit standards (CS)</b>					
CS01.	The applicant's ability to repay the loan is assessed before he/she is granted loan					
CS02.	Most often, the loan applicant's ability to repay a loan depends on their savings					
CS03.	Loans are only given to borrowers who present sufficient collateral security					
CS04.	Only members who are capable of repaying can access credits					
CS05.	Applicants get all the amount applied for					
	<b>Loan documentation (LD)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
LD01.	The group uses record books to keep information for loan assessment.					
LD02.	The group has a proper way of accessing records of all applicants' previous borrowings.					
LD03.	Submission of collateral documents is done before loan is granted					
	<b>Loan guarantee (LG)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
LG01.	The guarantors' ability to pay is assessed before being considered.					
LG02.	The group requires guarantors before granting loans to borrowers.					
LG03.	Guarantors must pay in case borrowers fail to pay					

## SECTION II: LOAN PORTFOLIO MANAGEMENT

This section deals with Loan portfolio management practices. Please indicate the extent to which you agree with the statements based on a scale of 1 to 5, 1 - Strongly disagree, 2 - Disagree 3 - Not sure 4 - Agree 5 - Strongly agree

<b>Loan portfolio management parameters</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Credit terms (CT)</b>						
CT01.	We give loans up to three (3) times of the borrower's savings					
CT02.	We renegotiate terms like interest rates, duration and loan amounts when customers demand so.					
<b>Credit risk control (CRC)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
CRC01.	The group takes up insurance cover to recover monies in case of default					
CRC02.	The group makes follow ups to ensure that loan facilities are used for the purposes for which they were granted.					
CRC03.	To avoid total loss, we require collateral securities.					
<b>Delinquency management (DM)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
DM01.	Incase borrowers default, guarantors are asked to pay					
DM02.	Post sanction activities such as repayment monitoring, reminder calls, surprise visit to borrower are done on regular basis					
DM03.	The group takes legal actions against members who default.					

## SECTION II: PERFORMANCE OF SACCOS


This section deals with the indicators of Performance of SACCOS. Please indicate the extent to which you agree with the statements based on a scale of 1 to 5, 1 - Strongly disagree, 2 - Disagree 3 - Not sure 4 - Agree 5 - Strongly agree.

<b>Performance of SACCOS parameters (PM)</b>						
<b>Profitability/Return on Savings (PF)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
PF01	The group has been consistently recording high profits on their savings					
PF02	Our total group savings in the last two years has been growing					
PF03	The group's net income has been increasing in the last two years					
PF04	We save enough money every week to meet our loan demands					
PF05	The group normally recovers interests on loans up to 100%					
<b>Liquidity (LQ)</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

LQ01	We have been able to meet all our financial needs/expenses timely					
LQ02	We also retain some money in the box to meet other eventualities					
LQ03	The group pays all its outstanding debts/liabilities					
LQ04	Borrowers repay loans timely making us share out money timely at the end of the cycle					

*Once again, thank you for your valuable time and cooperation.*

## Permission Letter to Collect Data

 **UGANDA CHRISTIAN UNIVERSITY**  
*A Commitment to Excellence in Education and Research*

ARUA CAMPUS

Date: Wednesday 23<sup>rd</sup> April, 2025

To  
The Manager Pangisa SACCO  
P.O Box,  
Arua City, Uganda.

Dear Sir/Madam,

**RE: REQUEST FOR PERMISSION TO COLLECT DATA**

This is to introduce to you Ms. Tazi Margret, with Registration Number: 523/ASC/BBA/016, a student of Uganda Christian University Arua Campus pursuing Bachelor of Business Administration. As a partial fulfilment of the requirements for the award of the above degree, she is to carry out a research study. The purpose of this letter is to kindly request your office to allow her access to your organization to obtain some information for the study.

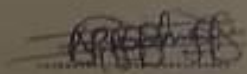
The study is on the topic: **The Effect of Loan Assessment and Loan Management on Performance of Pangisa SACCO in Arua Central Division.**


The information obtained will strictly be used for the study purpose.

Any assistance rendered to her will be highly appreciated.

Thank you

Yours sincerely,

  
Arumadri Godwill  
Head of Department school of Business - Arua



*A Complete Education for A Complete Person.*

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