CREDIT MANAGEMENT AND PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE ORGANISATIONS IN UGANDA. ACASE STUDY OF ADUKU SUBCOUNTY

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

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APPROVAL

This research report on "Credit Management and Performance of Savings and Credit Cooperative Organizations in Uganda" in Apac District, Case Study of Aduku Sub-county has been done under my supervision as a University supervisor and submitted for examination with my approval.

Signed...

Dr. Kinyatta Stanley

Supervisor

Date..

DEDICATION

I dedicate this research report to my beloved husband Mr. Otim Dickens and my children Debra, Vanessa, Abraham and Naume for their patience especially during the course of my studies. To also my brothers and sisters, for their financial support during the course of my studies.

ACKNOWLEDGEMENTS

This research is the result of combined efforts from a number of people whom I wish to express my gratitude.

To my research supervisor Dr. Kinyatta Stanley, for giving me advice and comments while handling this work.

To the management and clients of Aduku Women's SACCCO in Apac District who gave me the opportunity to carry out this study in their institutions and gave the necessary data that is complied to produce this research.

To my mother who has helped to shape me morally besides establishing the foundation of my education.

To all my friends and colleagues for their generous cooperation and support they gave me in carrying out my research.

Finally, to all individuals who contributed in one way or another toward the success of this work.

"Thank you and God bless"

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ABSTRACT

The purpose of this study was to establish the relationship between credit management and performance of Aduku Women's SACCO in Apac District. In fulfilling this purpose, the study determined the effectiveness of credit management in terms of credit policies, credit appraisal, credit control and monitoring and determined the level of performance in the SACCO. Later on, relationship between credit policies and performance of SACCO; relationship between credit appraisal and performance of SACOO; and relationship between credit control and monitoring and performance of SACCO were established.

A descriptive correlative designs was used in this study and sample size of 126 people of different category were sampled through purposive sampling. Both Questionnaires and Interviews Guides were used as research instruments. Both primary and secondary data formed basis of this study and both questionnaires and interview guides were used to collect data from the field.

Study findings reveal that the credit management was general effective in Aduku Women's SACCO (with effectiveness of credit policies rated at the mean of 2.62; credit appraisal of 2.57; and credit control and monitoring of 2.75). The level of financial performance in the SACCO was also found to be high with an overall average mean of 2.62. the research findings also found out that there is significant relationship between effective credit policies and performance of SACCO at the r. value of 0.981 and a small value of significance of 0.00; it was also discovered that there is a significant relationship between effectiveness in credit appraisal and performance of SACCO at the r. value of 0.991 and a small significant value of 0.00; and lastly it was again found out that there is a significant relationship between effectiveness in credit control and monitoring and performance of SACCO at the r. value of 0.984 and significant value of 0.00.

It was concluded that since there is a positive significant relationship between the two study variables, improvements in credit management is likely eliminate cases of fraud and loses and boost the performance of the SACCO.

Improvement in different weaknesses of credit management was recommended so as to achieve better performance levels in Aduku Women's SACCO.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

World over the demand for credit facilities is on the rise and role credit in the development of an economy cannot be down played. Many governments and private sectors have come in to support activities geared towards the provision of credit; the government of Uganda being no exception to this. This study is an investigation on the impact of credit management on the performance of SACCOs in Uganda. In this section, the researcher will look at the background of the study, statement of the problem, purpose of the study, objective of the study, research questions, scope of the study, and significance of the study.

1.1 Background to the study

In the mid-19th century, Raiffeisen and Schulze-Delitzsch founded cooperative self-help institutions of farmers and business people. The first Raiffeisen banks and Volksbanks were established. Municipal savings banks (Sparkassen) came into being at the same time.

The locally-anchored savings banks and cooperative banks, which were normally very small in size, accepted savings to be deposited and granted micro-credits – in other words, they were the first microfinance institutions in the world. And they are still active in this field today, 200 years later. Cooperative self-help institutions were originally founded out of deprivation or because of the need to optimize the economic position of the individual member by joint business activities - based on solidarity in line with the economic principles of self-help, individual responsibility and self-governance - as a result of better access to financial services and markets, while maintaining the member's own capability to operate and compete in the markets.

The existence of functioning cooperative societies leaves a positive mark on the economic and social structure of a country since cooperatives develop on the basis of local initiative and local economic strength; decentralized cooperative systems can operate in close proximity to markets and target groups. (International Year of Microcredit 2005 Journal)

In Uganda, Savings and Credit Cooperative Societies are recognized by Law, which is The Uganda Cooperative Societies Statute 1991, and the Cooperative Societies Regulations of 1992. Some countries in Europe simply call them Credit Unions, others Popular or People's banks or Cajas. In Uganda SACCOs were introduced in the early 1960s by missionaries to the underserved and exploited communities. They are now controlled by the Uganda Cooperative Savings and Credit Cooperative Union whose overall purpose is to foster the organization and development of Savings and Credit Cooperatives in Uganda and to improve their internal operations.

SACCOs, organizations that accept deposits and give loans to individuals and small businesses are an integral piece of the Ugandan government's economic develop project entitled "prosperity for all," which launched in 2007. The government channels money through SACCOs in order to reach poor individuals and plans to have over 1,000 SACCOs operating before the initiative is completed.

A journal by Greg Casey indicates that before the recent regulations, the government used the SACCOs to reach the poor without exercising such strict controls. Several instances of fraud, however, leading to government investigations of SACCO executives, prompted many, including the EU and The World Council of Credit Unions (WOCCU), a trade association, to call for increased regulation. While it is unclear whether either organization advocated the

specific interest rates set, the WOCCU, in a model law states that "a deregulated rate system is preferable to a statutory one" and that credit unions should be able to set their own rates "subject only to ceilings that may be set either by the Commercial Code or a general treasury statute."

The regulation by Government has its toll on credit management. Credit management is the process or act of lending out sums of money to people whereby the whole process is controlled, planned, organized, acquired and coordinated (Davidson R. Hampton).

In Uganda, SACCOs are facing challenges such as scrupulous officials disappearing after collecting savings from small scale enterprises and individuals. In other instances, business enterprises find it hard to access finances faster because of procedures that have to be followed to access loans.

1.2   Statement of the problem

Joshua Kato(2010) a reporter of the Sunday Vision,' says that since prosperity for All was launched about 3 years ago, over 628 Savings and credit cooperative organizations have been set up across the country, which indicates an over 60% success rate. The government of Uganda has given out shillings 58.7billion as at February 2010, these funds have gone to 623 savings and credit cooperative organizations ,32 microfinance institutions,11 cooperative unions and 10 small and medium enterprises, among others .

SACCOs became regulated in June 2008 after a rash of investigations into illegal behavior and fraud. These microfinance institutions are now controlled by the Uganda Cooperative Savings

and Credit Cooperative Union, a newly established government regulatory agency; mandated to help people select enterprises, form and register their saving and credit organizations.

Now, despite the regulations and over sight of SACCOs by UCSCU, the full support by Government through the "Prosperity for All", and credit management by the SACCOs there are growing concerns of the sustainability and performance of SACCOs. The researcher aimed at determining the relationship between credit management and performance of SACCOs in Uganda.

1.3   Purpose of the study / Justification

The purpose of this study was to investigate the impact of credit management on SACCOs in Uganda. It shall identify gaps in relation to the worrying performance of SACCOs in Uganda, helped to build on the knowledge relating to credit management on performance of SACCOs and there has been little study in the area of credit management on the performance of SACCOs in Uganda.

1.4   Objectives of the Study

a) To establish the relationship between credit policies and the performance of SACCOs

b) To establish relationship between credit appraisal and performance of SACCOs

c) To establish the relationship between credit control and monitoring on the performance of SACCOs

1.5   Research Questions

This study was guided by the following questions:

a) What is the relationship between credit policies and the performance of SACCOs?

b) What is relationship of credit appraisal and the performance of SACCOs?

c) What is the relationship between credit control and monitoring and the performance of SACCOs?

1.6 Hypothesis of the study

a) There is a relationship between credit policies and the performance of SACCOs.

b) Credit appraisal has a positively related to the performance of SACCOs.

c) Credit control has a positive relationship with the level performance of SACCOs.

1.7 Scope of the study

1.7.1 Geographical scope

The study will be conducted in Apac district, Aduku Township with Aduku women's saving and credit cooperative society.

1.7.2 Time scope

This study shall cover a period of three years as this would give the clear picture of credit management on the performance of SACCOs.

1.7.3 Subject /content scope

The content will concentrate on the impact of credit management on the performance of SACCOs. Credit management shall be looked at in terms of credit policy, credit appraisal and credit control.

1.8 Significance of the study

a) It is hoped that the study will give an insight to the management of Aduku women's savings and credit cooperative society on credit management on performance of SACCOs.

b) This study shall be considered as part of the researcher's requirements to be submitted for the award of the degree of Bachelors of Business Administration of Kampala International University.

c) The study shall form a body of knowledge for scholars who would wish to do further research in this area of study, may intend to apply more up to date and purposeful approach to research.

1.9   The Conceptual Framework showing

Independent and dependent variables

Independent Variable

     Dependent Variable

| **Credit Management** |
| Credit Policies and Planning |
| Credit Appraisal |
| Credit Control and Monitoring |

| **Performance of SACCOS** |
| Customer perspective |
| Financial perspective |
| Learning and growth |
| Internal business perspective |

| **Extraneous Variables** |
| |
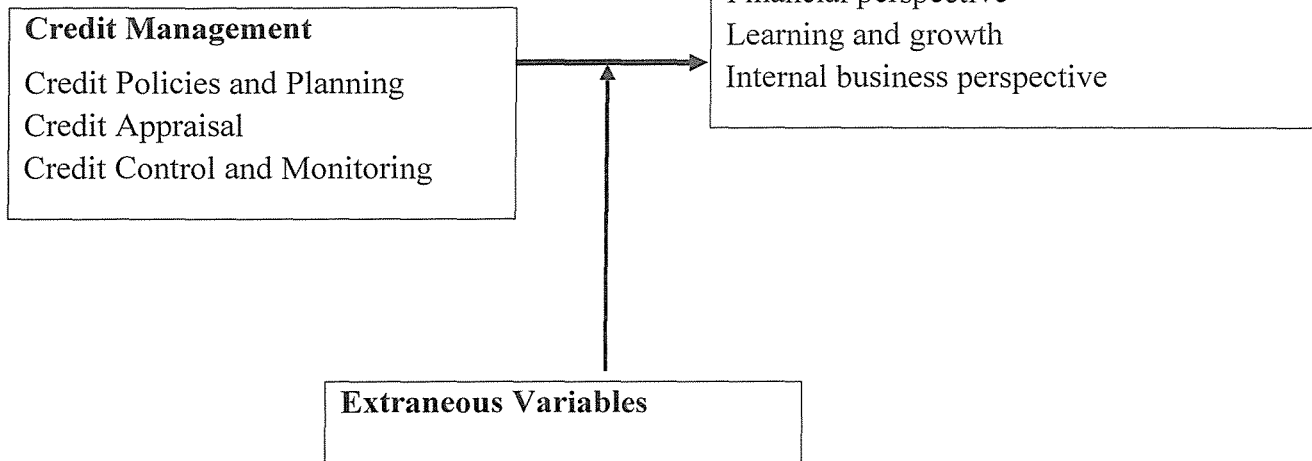
Figure1: The Conceptual Framework showing the relationship between Credit Management and Performance. Source: Adopted from the Balanced Score card.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter shall focus on both theoretical and practical aspects of the study. The major purpose of this chapter is to review literature on what has already been done by other people on the research problem with emphasis on Credit management and performance of SACCOs.

2.1 Credit Management

Credit management is the process or act of lending out sums of money to people whereby the whole process is controlled, planned, organized, acquired and coordinated. Contemporary management by Davidson R. Hampton (Mc Graw Hill Inc publishers). **B. king F. B. s. c (1968)** defined bank credit as anything or money borrowed in order to obtain something worth having which would be out of financial business and performance as a broad study of commerce and its operation, these include area.

Sanford, George .G Dawson (1987) established that tremendous increase in consumer credit has taken place in recent years, consumers borrow from small finance companies such as Saving And Credit Cooperatives (SACCOs), credit unions, small loan departments of commercial banks, most finance companies do not obtain their loan able funds from the public, instead they borrow at a rate lower than those at which their clients can borrow. Credit unions are set up on cooperative basis for a particular group, such as civil servants employees, workers in large companies or women's groups in rural areas. Members in these groups can put their

savings into credit unions, savings and credit cooperative society (SACCOs) and receive shares for the contributor; members can borrow at comparatively low rates of interest.

In most credit institutions, the technology that they use lays down the requirements for much of the human interactions in organizations. The arrangement of a product set up or loan determines who will borrow what in what quantity as per loan schedule sheet. This indirectly determines what individuals in smaller and in larger groups will borrow and think about a particular loan. K.C Shekhar (1982) banking theory and practice 7th edition he reported that any financial firm in banking should act as a major source of information to its customers and the surrounding society as a whole. In some cases they invite inquires for those wishing to extend their foreign aid and are able through their correspondents to furnish the name of goods and services and also to advice on the appointment of suitable agents to act on. Byamugisha Tayebwa (1992) Basic Economics, 2nd edition said that lending is a very important part to be performed by operating financial firms by providing short term to the business society for items such payments of wages and purchase of raw materials. D.C Rowan (1988) credit transfer can be done by means of making payments to different firms through use of cheques to cover various transactions

Credit policies and planning

J. L Hanson (1988) analyses that whether a banker lends by over draft or credit, the result is the same. This increases the total volume of the purchase power, bankers and credit institutions can also create deposits by purchasing government stock, which is simply a method by which banks can also create deposits by purchasing government stock which is simply a method by banks can lend themselves, however, this credit management make effective and efficient rate of

business turnover in the production operation. **Richard T. Froyen (1999)** analyses the monetary policy effects of investment, the life cycle hypothesis implies that monetary policy has important direct effect on consumption as well, and business enterprise wealth is one of the main determinants of consumption, monetary policy action affect primarily by affecting interest rate and consequently, the market value of an asset. An increase in interest rate resulting from a high money policy will bounce price to fall and hence enterprises to suffer capital loss on bond, these reduce wealth and consumption.

Stephen. L. Slaring (1991) stated that in the nation 3000 saving and credit association were handling out millions of 30 year mortgage at 4.5% and 6% fixed interest rate, this was good business at a times because the saving and credit were paying just 2% or 3% interest to the shareholders, but when interest rate increased the shareholders rushed to withdraw their vault. It was already lent out to home owners and was being paid back a little each month over a 30 year period. He further assessed that incompetence, inordinate risk taking, poor supervision and outright fraud all played prominent roles in the decline and fall of the saving and loan industry, these always affect the interest charged to mortgage, low levels of economic development in saving and loans industry. If one was to look at the history of Saving Credit cooperative societies in Uganda, one can be able to trace backwards to about the year 2007. **Joshua Kato(2010)** a reporter of the Sunday Vision,' says that since prosperity for All was launched about 3 years ago, over 628 Savings and credit cooperative organizations have been set up across the country, which indicates an over 60% success rate. This same reporter, says that government has given out shillings 58.7billion as at February 2010, these funds have gone to 623 savings and credit cooperative organizations ,32 microfinance institutions,11 cooperative

unions and 10 small and medium enterprises, among others . According to the mandate of the programme every sub-county should have at least one saving and Credit cooperative organization.

The government mandated the Uganda cooperative Savings and credit union (UCSCU) to help people select enterprises form and register their saving and credit - organizations. The saving and credit cooperative organizations also get equipment and furniture, staff and membership training, rent burglar proofing of offices, salaries of managers, a cashier and security guards. There is also generator and motorcycles given to fairly advanced saving and credit cooperative organizations. At the moment, over 628 savings and credit organizations have received most of this equipment.' The package is critical for institutional and confidence building within the community in the saving and credit cooperative organizations of financial institutions,'' says Wilson Kabanda of Uganda cooperative saving and credit union board Executive Director.

Paul Tentena (2010) in the new vision quotes Mr. John Miraze, a senior consultant indicating that Saving and Credit Cooperatives were formed to unite people and create a saving and investment culture among people. While Alice Muwanguzi asked the finance ministry to lower the number of people required to form a Saving and Credit Cooperative. The 200 or 300 people for a Saving and Credit Cooperative are a big number for Kampala where there are permanent and semi-permanent residents.

Credit Appraisal

Is the process by which the lender assesses the credit worthiness of the borrower. It revolves around character, collateral capability and capacity. It takes into account various factors like income of the applicants, number of dependents, monthly expenditure, repayment capacity, employment history, number of years of service and other factors which affect credit rating of the borrower. The general purpose of any credit assessment by this saving and Credit Cooperative is to improve performance of loans. Improve the efficiency of the organization by ensuring that individuals or group loans are performing as expected. Loan assessment arose practices such as; to review performance and to plan and follow up training and development programs and to set targets for future performance of loans. To review potential groups that has the possibility to acquire loans. Identification of weakness of a particular group loan and come up with ways of how to over- come them.

Credit Control

The business directory suggests that policies are aimed at serving the dual purpose of (1) increasing sales revenue by extending credit to customers who are deemed a good credit risk, and (2) minimizing risk of loss from bad debts by restricting or denying credit to customers who are not a good credit risk. Effectiveness of credit control lies in procedures employed for judging a prospect's creditworthiness, rather than in procedures used in extracting the owed money. It is also called credit management.

2.2 Performance

The Oxford English dictionary defines perform as the carrying out or completion of an action. Performance therefore should indicate how that action was done. The Balanced Score Card model has been adopted to explain this concept of performance. The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It was originated by Drs. Robert Kaplan (Harvard Business School) and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. While the phrase balanced scorecard was coined in the early 1990s, the roots of the this type of approach are deep, and include the pioneering work of General Electric on performance measurement reporting in the 1950's and the work of French process engineers (who created the *Tableau de Bord* – literally, a "dashboard" of performance measures) in the early part of the 20th century. The BSC looks at the Financial, Customer, Learning and growth and Internal business process perspectives to measure the performance of an entity as illustrated in diagram 2.

The Learning & Growth Perspective; This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people -- the only repository of knowledge -- are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode. Metrics can be put into place to guide

Savings Credit Union western regional field officer, explained that due to high interest rates on the loans, many people had defaulted, ending up having their property attached.

The Financial Perspective; Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. In fact, often there is more than enough handling and processing of financial data. With the implementation of a corporate database, it is hoped that more of the processing can be centralized and automated. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category. This is the review of a loan's performance with a view to improve it. Performance is the continuous process of providing feedback to loan officials inform of information on how a particular loan is performing, that is a loan issued out by a particular institution.

To review an organization like Aduku Women's Savings and Credit Co-operative critically the researcher has to look at past performance and seek to access how well or poorly the loan has been paid or defaulted. This also helps in determining how well suitable a particular group of women deserves to be given a larger loan on top of helping the Savings And Credit Cooperation's plan to achieve its intended objectives.

2.3   Lessons Learnt

a) There should be proper communication between the Savings And Credit Cooperatives and the groups or individuals who take these loans.

b) Group loans should be encouraged as much as possible since they have high chance of being recovered.

c) Loan officials should be trained or be given refresher courses on how to collect these loans and above all on how to handle clients.

d) Loans that have been issued should be simple for group members that have received these loans to understand them. There should be a set up by Aduku Women's Saving And Credit Cooperative of follow-up action on each loan that has been issued.

e) There is a need to create awareness in the organization itself on the meaning of loan performance.

CHAPTER THREE

METHODOLOGY

3.0   Introduction

This chapter presents the methodology the researcher employed during the study. The specific areas considered include: Research design, the study population of the study, Sample design, Data collection methods and collection instruments and Data Analysis

3.1   Research design

The researcher used both descriptive and analytical research designs basing on personal interview and the questionnaires. The description and understanding of the effectiveness of the impact of credit management on the performance of small and medium scale entrepreneurs. The analytical design was used to evaluate false information got from the field through the use of appropriate statistical tool for analysis.

3.2   Study Population

The study comprised of different categories of 185 people within the Aduku sub county. This included the staff of Aduku Women's Saving and Credit Cooperative Organization, Aduku Women's Saving Credit Cooperative Organization who gave relevant information, Chami kwo ki women's group, Teduka united women's group, loan borrowers, the business community among others.

3.3   Sample techniques

The researcher adopted the simple random sampling technique as this method was simple to use.

3.4 Sample Size

The sample size for this study included 126 respondents who were selected by using Sloven's formula from the target population 185 to derive the sample size as seen below.

Solven's formula

$$n = \frac{N}{1+N(e^2)}$$

Where, n= Sample size. N=target population,

e=level of significance = (0.05)

Therefore,

$$n = \frac{185}{1+185(0.05^2)}$$

$$= \frac{185}{1+185(0.0025)}$$

$$= \frac{185}{1+0.4625}$$

$$= \frac{185}{1.4625}$$

n= 126

3.5 Data collection instruments

To obtain reliable information concerning the effect of credit management on the level of business performance, instruments such as observation, interview, questionnaire, and documentation were used.

3.5.1   Interview

The researcher met face to face with respondents to ask a set of predetermined questions about the topic.   An interview guide set by the researcher shown in Appendix 2 was used. The researcher believes that this method was advantageous in obtaining accurate and reliable information and information obtained personally by the researcher was more reliable. Information obtained through this method could also be used to corroborate the information obtained from the questionnaire.

3.5.2   Questionnaires

This method consisted of a set of questions to which respondents respond to in writing or ticking. This method enabled the researcher to gather relevant data in a short time while concealing the identity of the respondents, hence getting unbiased information. The questionnaire to this study is set out in Appendix 1.

3.5.3 Documentary Review

The researcher reviewed relevant data on credit management and the performance of SACCOs. This provided information that corroborated facts obtained from the questionnaires and the interview. The list of documents reviewed was set out in Appendix 3.

3.6 Data Processing and Analysis

The data analysis was done using the Statistical Package for Social Sciences (SPSS version 16). In data analysis, frequencies and percentages were used to determine the profile or demographic characteristics of respondents while basic descriptive statistics such as mean together with correlation were used to characterize the data. Pearson correlation coefficient was used to establish the relationship between the two study variables.

3.7 Limitation of the study

Language Barrier: Aduku is found in a remote part of Uganda and as such not all the members of the community were literate. The researcher met language barriers during the study. This problem was minimized by finding an interpreter to bridge the language gap.

Cooperation from the local community: This was based on the fact that some members of the community were not willing to participate and or assist the researcher where necessary for various reasons including wasting time, fear to reveal identity, and need to be paid to participate among others. However, the researcher politely sought for participants' time and properly introduced herself to seek cooperation from the participants.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents research findings, interprets them and analyses them. It first presents different aspects of respondents profile and then establishes the effectiveness of credit management, level of performance of Aduku Women's SACCO, and lastly, the relationship between credit policies and performance of Aduku Women's SACCO; credit appraisal and Performance of Aduku Women's SACCO; and lastly, the relationship between credit control and monitoring and performance of Aduku Women's SACCOs are established using Pearson's correlation.

4.1 Profile of Respondents

Respondents profile was the first investigated in this study. This involved respondents' gender, education level, their profile in terms of whether they have ever borrowed money from the SACCOS or not, and lastly, their level of experience. The findings are presented below:

4.1.1. Gender of Respondents

The summary of findings regarding respondents' profile is presented in Table 1:

Table 1: Gender of Respondents

Gender	Frequency	Percent
Male	46	36.5
Female	80	63.5
Total	126	100.0

Source: Primary Data

The findings on Table 1 can best be presented in Figure 2 as shown below:

Figure 2: Respondents' Gender
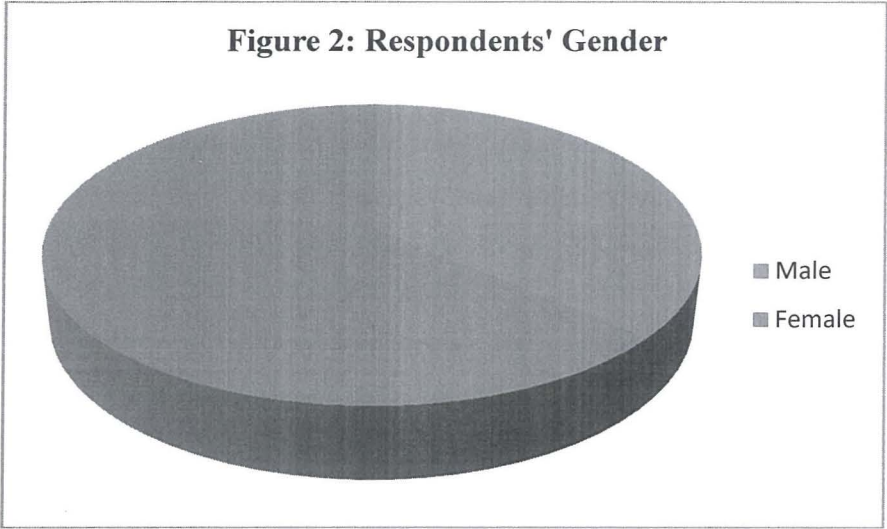
Source: Primary Data

The findings from this Table indicate that the majority of the respondents in this study were the females (63.5 %) while males formed only 36.5 percent of the respondents. Females formed the majority of respondents in this study because the study considered Women's SACCOs. Much as men were the minority in this study, the information given by them compliments that one given by women.

4.1.2 Education Level of Respondents

The summary on the findings regarding respondents' education level is presented in Table 2.

Table 2: Education Level of Respondents

Education Level	Frequency	Percent
Masters and above	4	3.2
Bachelors Degree	20	15.9
Diploma	50	39.7
Others	52	41.3
Total	**126**	**100.0**

Source: Primary Data

The information on respondents' education level is also illustrated in Figure 3.

Figure 3: Respondents' Education Level
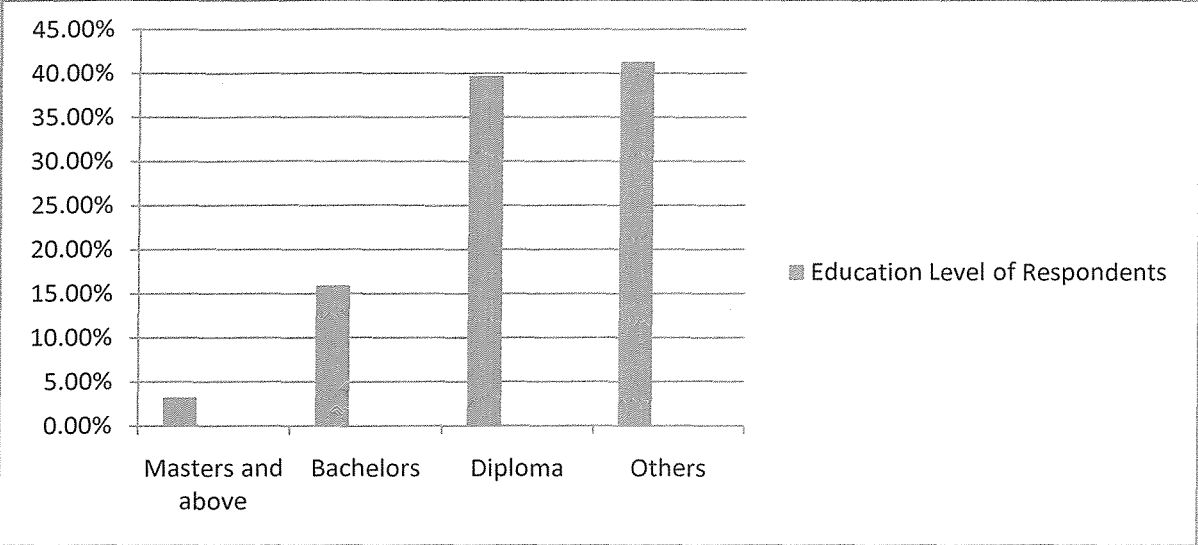
Source: Primary Data

As it can be seen in Figure 3, the majority of the respondents (41.3 %) were those belonged to other education levels (such as certificates, secondary and primary); this was followed by those who had attained diploma (39.7 %); then those who had bachelors degrees (15.9 %); and the least participants in this study were those who had either masters degrees and above (3.2 %). Involving people of different education level in this study was very important in that it helped in obtaining different views and this helped in data analysis.

4.1.3. Whether Respondents Had Accessed Loans or Not

The information on whether respondents accessed loans or not are presented in Table 3.

Whether Respondents Have Ever Accessed Loans or Not	Frequency	Percent
Yes	108	85.7
No	18	14.3
Total	**126**	**100.0**

Source: Primary Data

The information presented in Table 3 is illustrated in Figure 4.

Figure 4: Whether Respondents Have Ever Accessed Loans

■ Yes
■ No
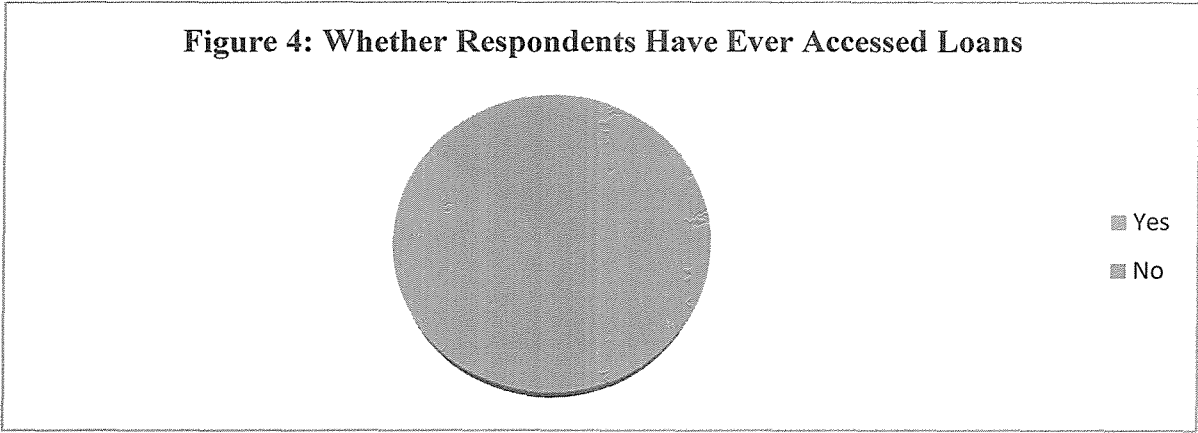
Source: Primary Data

As it can be seen, the majority of the respondents (85.7 %) had at least obtained loans from SACCOs while the least participants (14.3 %) had not yet obtained loans from SACOOs. This suggests that the majority of the respondents were well versed with the operation of the SACCOs as in regards to its credit policies, appraisal, control and monitoring as well as its performances thus; they could give relevant information needed for this study.

4.1.4. Respondents' Level of Experience

The level of experience of the respondents with the SACCOs was also determined in this study. The summary on the findings regarding this is presented in Table 4.

Table 4: Respondents Level of Experience

Experience	Frequency	Percent
1-4 Years	36	28.6
5-8 Years	70	55.6
9-12 Years	10	7.9
13 Years and above	10	7.9
Total	126	100.0

Source: Primary Data
The summary on the information on the level of respondents' experience is also indicated in

Figure 5.

Figure 5: Respondents' Level of Experience
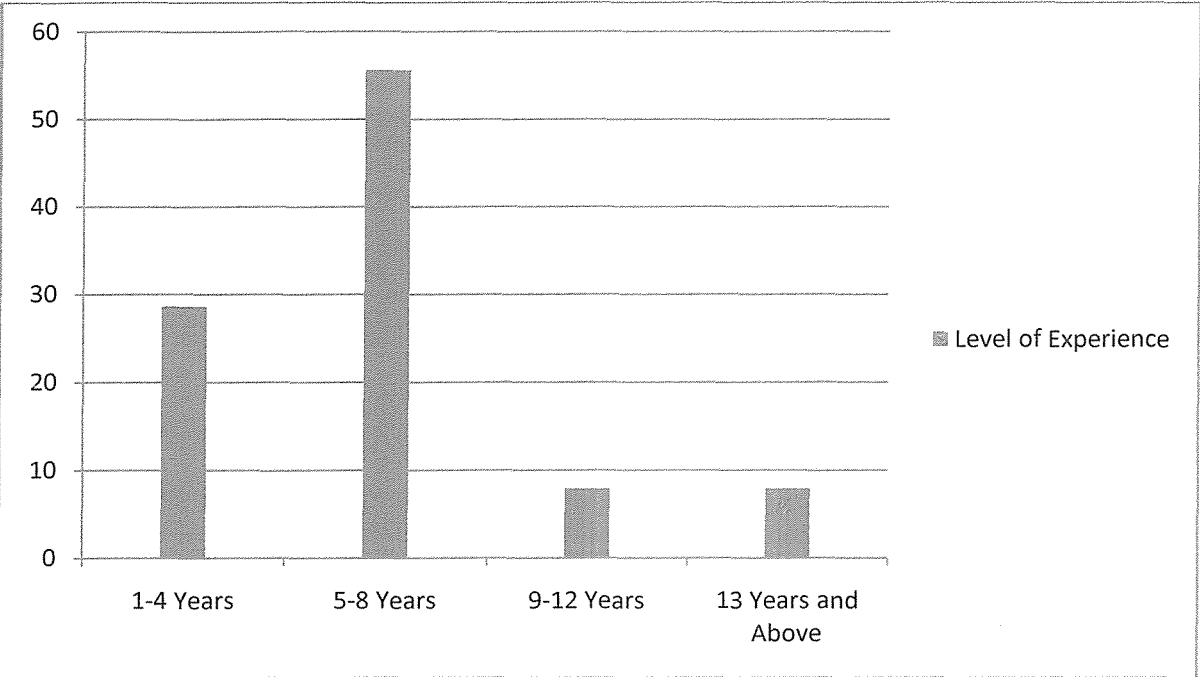
Source: Primary Data

According to the information presented in Figure 5, the majority of the respondents (55.5 %) in this study were those who had spend from 5 to 8 years with SACCOS; this was followed by those who had spent 1 to 4 years with SACCOS (28.6 %); and then those who had spent from 9 to 12 years and 13 years and above formed 7.9 percent each. The impression from this is that the majority of the respondents had rich experience with SACCOs hence could reveal relevant information regarding aspects of credit management and performance in the case of Aduku Women's SACCO.

4.2 Effectiveness of Credit Management in Aduku Women's SACCO

Before establishing the relationship between the independent variables (credit policies, credit appraisal, and credit control and monitoring) and dependent variable (performance of Aduku Women's SACCO), the effectiveness of credit management in Aduku Women's SACCO was determined. To determine the effectiveness of credit management of Aduku Women's SACCO, some questions were asked and respondents were asked to answer by either 1= strongly disagree, 2=disagree, 3=agree and 4= strongly agree.

Thus, the mean ranges were used to determine the effectiveness of credit management. Mean ranges from 3.26-4.00 meant that the respondents strongly agreed with the statement hence the credit management of the SACCO is *very effective*; mean ranges from 2.51-3.25 showed that majority of the respondents agreed with the statement hence the credit management of the SACCO is *effective*; then mean ranges from 1.76-2.50 indicated that majority of the respondents disagreed with the statement thus the credit management of the SACCO is *ineffective*; and lastly; mean ranges 1.00-1.75 portrayed that majority of the respondents strongly disagreed with the statement hence the credit management of the SACCO is *very ineffective.* Table 5 on the next page presents the summary of findings on the effectiveness of credit management of Aduku Women's SACCO.

Table 5: Effectiveness of Credit Management in Aduku Women's SACCO

Credit management	Mean	Rank	Interpretation
Credit Policies			
SACCOs give small loans in order to manage risks to losses	3.09	1	Effective
Loans are given to only members of SACCOs	3.00	2	Effective
Client's loan history (performance) determines the amount of the next loan advanced	2.98	3	Effective
Penalties are charged for delayed repayments	2.79	4	Effective
Aduku women's SACCOs has good credit policies	2.62	5	Effective
SACCOs make follow-ups on clients to ensure that the loans are put to the purpose for which they were borrowed	2.05	6	Ineffective
Loans are only disbursed to clients insured	1.83	7	Ineffective
Overall Mean Average of Credit Policies	**2.62**		**Effective**
Credit Appraisal			
Credit appraisal is done by competent people	2.89	1	Effective
Credit appraisal is based on authentic information and is trusted	2.71	2	Effective
Proper procedures are taken and followed in credit appraisal	2.65	3	Effective
Members are always satisfied with the appraisal of credit	2.64	4	Effective
Results from credit appraisal are considered before loan disbursement	2.31	5	Ineffective
Proper credit appraisal is made on clients before loans are disbursed	2.21	6	Ineffective
Overall Mean Average of Credit Appraisal	**2.57**		**Effective**
Credit Control and Monitoring			
Members are satisfied by the measures put in place	2.99	1	Effective
Monitoring procedures are trusted and non-discriminatory	2.90	2	Effective
Credit control and monitoring is done by independent and board of governors	2.81	3	Effective
Cases of loses are always minimized by proper control and monitoring procedure	2.77	4	Effective
Credit control is ensured through group lending	2.29	5	Ineffective
Overall Mean Average of Credit Control and Monitoring	**2.75**		**Effective**
General Overall Mean Average on Credit Management	**2.65**		**Effective**

Source: Primary data

Information presented in Table 5 indicates that three variables were used to determine the effectiveness of credit management and these included credit policies, credit appraisal and credit control and monitoring.

Concerning the effectiveness of credit management in terms of credit policies in Aduku Women's SACCO, it can be seen that majority of the respondents confirmed that the credit policies of the SACCO are generally effective and this was determined by the overall mean average of **2.62** that falls on effective in the rating scale. Credit policies in the SACCO were effective because SACCOs give small loans in order to manage risks to losses (mean=3.09); Loans are given to only members of SACCOs (man=3.00); Client's loan history (performance) determines the amount of the next loan advanced (mean=2.98); Penalties are charged for delayed repayments (mean=2.79); and Aduku women's SACCOs has good credit policies (mean=2.62).

However, some other items in the policies are not yet effective and these included SACCOs making follow-ups on clients to ensure that the loans are put to the purpose for which they were borrowed (mean=2.05); Loans being only disbursed to clients insured (mean=1.83).

Regarding effectiveness of credit management in terms of credit appraisal in Aduku Women's SACCO, it was also discovered that the credit management in terms of credit appraisal in the SACCO is generally effective. This was supported by the overall mean average of **2.57** that falls on effective in the rating scale. The credit appraisal in the SACCO is effective because credit appraisal is done by competent people (mean=2.89); credit appraisal is based on authentic information and is trusted (mean=2.71); proper procedures are taken and followed in credit appraisal (mean=2.65); and members are always satisfied with the appraisal of credit (mean=2.64).

However, some other items under credit appraisal in the SACCO are still ineffectively rated and need some improvement and these included results from credit appraisal being considered

before loan disbursement (mean=2.31) and proper credit appraisal being made on clients before loans are disbursed (mean=2.21).

As far as the effectiveness of credit management in terms of credit control and monitoring is concerned, it was noted that the effectiveness of credit management in form of credit control and monitoring in Aduku Women's SACCO is generally effective. This is also confirmed by the overall average mean of **2.75** that falls on effective in the rating scale. The credit control and monitoring at Aduku Women's SACCO is effective because members are satisfied by the measures put in place (mean=2.99); monitoring procedures are trusted and non-discriminatory (mean=2.90); credit control and monitoring is done by independent and board of governors (mean=2.81); cases of loses are always minimized by proper control and monitoring procedure (mean=2.77).

However, one of the items under credit control and monitoring was still noted to be ineffective and this was Credit control is ensured through group lending (2.29).

To determine the overall picture on the effectiveness of credit management in Aduku Women's SACOO, all the 18 mean values in Table 5 were summed up and divided by 18 to find out the general overall average mean of credit management in the SACCO. Since the general overall average mean obtained was 2.65 and this falls on effective on the rating scale, it was asserted that the credit management in Aduku Women's SACCO is generally effective.

4.3 Level of Performance of Aduku Women's SACCO

To determine the level of performance of Aduku Women's SACCO, some questions were also asked and respondents were asked to answer by either 1= strongly disagree, 2=disagree, 3=agree and 4= strongly agree. In similar way, mean ranges were used to determine the level of

performance. Mean ranges from 3.26-4.00 meant that the respondents strongly agreed with the statement hence the performance of the SACCO is *very high*; mean ranges from 2.51-3.25 showed that majority of the respondents agreed with the statement hence the performance of the SACCO is *high*; then mean ranges from 1.76-2.50 indicated that majority of the respondents disagreed with the statement thus the performance of the SACCO is *low*; and lastly; mean ranges 1.00-1.75 portrayed that majority of the respondents strongly disagreed with the statement hence the performance of the SACCO is *very low.* The summary on this is presented in Table 6.

Table 6: Level of Performance of Aduku Women's SACCO

Performance	Mean	Rank	Interpretation
SACCOs have proper financial management systems and this helps in tracking financial records	2.94	1	High
Staff at SACCOs are trained and understand what they are doing	2.79	2	High
Aduku women's SACCOs always develop better loan packages	2.77	3	High
The time taken from loan application to disbursement is short	2.76	4	High
Management of SACCOs know how to handle customer complaints	2.73	5	High
Most customers effectively repay their loans	2.71	6	High
SACCOs always have enough funds to meet demand in terms of Loan applications	2.66	7	High
Reports of Loan balances are easier to obtain from the SACCOs	2.62	8	High
Loan products are flexible and meet particular demands of borrowing groups	2.37	9	Low
The amount of loans disbursed in a month is low	2.26	10	Low
Interest rates on loans are relatively affordable	2.18	11	Low
Overall Mean Average	**2.62**		**High**

Source: Primary data

As it can be seen in Table 6, the general impression on the performance of Aduku Women's SACOO is that the performance of the financial institution is generally high. This can be justified by the overall average mean of **2.62** that falls on high in the rating scale. The performance of Aduku Women's SACCO is generally high because the SACCO has proper financial management systems and this helps in tracking financial records (mean=2.94); staff at the SACCO are trained and understand what they are doing (mean=2.79); Aduku women's SACCO always develops better loan packages (mean=2.77); the time taken from loan application to disbursement is short (mean=2.76); management of the SACCO knows how to handle customer complaints (mean=2.73); most customers effectively repay their loans (mean=2.71); the SACCO always has enough funds to meet demands in terms of loan applications (mean=2.66); and lastly, reports of loan balances are easier to obtain from the SACCO (mean=2.62).

However, some other items used to measure performance were still lowly rated by respondents and these included loan products being flexible and meeting particular demands of borrowing groups (mean=2.37); the amount of loans disbursed in a month being low (mean=2.26); and the interest rates on loans being relatively affordable (mean=2.18).

4.4 The Relationship between Credit Management and Performance of Aduku Women's SACCO

The central point of this study was to establish the relationship between credit policy and the performance of SACCOS; the relationship between credit appraisal and performance of SACCOS; and to establish the relationship between credit control and monitoring and performance of SACCOS. These relationships were also established so as to test the research hypotheses. The findings regarding these are presented below.

4.4.1 Relationship between Credit Policies and Performance of Aduku Women's SACCO

To determine the relationship between the two study variables, the overall mean average means of the two variables were correlated using the Pearson's Linear Correlation coefficient (PLCC). The findings are indicated in Table 7.

Table 7: Relationship between Credit Policies and Performance SACCOS

Correlated Variables	Computed R-value	Sig. Value	Interpretation	Decision on Hypothesis 1
Credit Policies Vs Performance of SACCOS	$.981^{**}$	0.00	**Significant Relationship**	**Accepted**

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary data

Considering the research findings in Table 7, it can be concluded that there is a significant relationship between the effectiveness of credit policies and level of performance of SACCOS. The relationship between the two research variables (credit policies and level of performance of SACCOS) is indicated by the r-value of 0.981 and the sig. value of 0.00. Regarding the findings on the relationship, it was concluded that there is a significant relationship between the effectiveness of credit policies and level of performance of SACCOS.

The r. value indicates that improvement in the effectiveness in credit policies in SACCOs will lead to the 98.1 percent of the improvement in performance of SACCOS at a significant value of 0.00. This finding in Table 7 leads to the acceptance of the first research hypothesis that stated that there is a significant relationship between credit policies and performance of SACOOS.

4.4.2 Relationship between Credit Appraisal and Performance of SACCO

The second research objective was set to establish the relationship between credit appraisal and performance of SACCOS. This relationship was also established by correlating the overall average mean of credit appraisal and that of performance using Pearson's Linear Correlation coefficient (PLCC) and the findings are presented in table 8.

Table 8: Relationship between Credit Appraisal and Performance of SACCOS

Correlated Variables	Computed R-value	Sig. Value	Interpretation	Decision on Hypothesis 2
Credit Appraisal Vs Performance of SACCOS	$.991^{**}$	0.00	Positive Significant	Accepted

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary Data

As it can be seen in table 8, there exists a significant relationship between effectiveness in credit appraisal and level of performance of SACCOS. This relationship can be determined by the r. value 0.991 and level of significance of 0.00. The r. value signifies that variation of 99.1 percent in performance will be witnessed as a result of variation in credit appraisal at the level of significance of 0.00.

Using this research finding to test the second research hypothesis that stated that there is significant relationship between credit appraisal and performance of SACCOS, it can be said that the research hypothesis is accepted since there exists a positive relationship between the two variables as indicated by the r. value and significance value.

4.4.3 Relationship between Credit Control and Monitoring and Performance of SACCOS

The relationship between credit control and monitoring and performance of SACCOS was established so as to answer the third research question. In similar way, this relationship was established through correlation of the overall average means of the two research variables through Pearson's Linear Correlation coefficient (PLCC). The findings are presented in Table 9.

Table 9: Relationship between Credit Control and Monitoring and Performance of SACCOS

Correlated Variables	Computed R-value	Sig. Value	Interpretation	Decision on Hypothesis 3
Credit Control and Monitoring Vs Performance of SACCOS	.984**	0.00	Positive Significant	Accepted

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Primary Date

The impression from the Table 9 is that there is a significant relationship between effectiveness in credit control and monitoring and level of performance of SACCOS. This relationship is affirmed by the by a high r. value 0.984 and a small significance value of 0.00. This finding suggests that improvement in effectiveness in credit control and monitoring accounts for about 98.4 percent of improvement in performance of SACCOS at the level of significance of 0.00.

This research finding also leads to the acceptance of the third research hypothesis that stated that there is significant relationship between credit control and monitoring and performance of SACCOS. In general, it can be said that effectiveness in credit management is positively related to improvement in performance of SACCOS.

CHAPTER FIVE

SUMMARYOF MAJOR FINDINGS, CONCLUSION AND RECOMENDATIONS

5.0 Introduction

This last chapter articulates the summary of major findings of this study in line with research objectives and in reflection with what other authors and scholars have said in the literature. The chapter also provides conclusions in light with the purpose of the study. Lastly, some recommendations and areas for further research are also suggested towards the last part of the chapter.

5.1. Summary of the Major Findings

This study was set to establish whether effective credit management in Aduku Women's SACCO significantly influences or determines the level of performance of the SACCO or not. In achieving the major purpose of this study, three study objectives were formulated and these were to establish relationship between credit policies and level of performance; relationship between credit appraisal and performance of the SACCO; and relationship between credit control and monitoring and performance of the SACCO.

Before establishing the relationship between the study variables, effectiveness in credit management in terms of credit policies; credit appraisal and credit control and monitoring and the level of performance of Aduku Women's SACCO was determined. The findings indicated that credit management in form of credit policies of Aduku Women's SACCO is generally effective at the overall average mean of 2.62; credit appraisal of the financial institution was noted to be effective at the overall average mean of 2.57; credit control and monitoring of the SACCO was also found to be effective at the overall average mean of 2.75. In general, the effectiveness of credit management was noted to be effective at the general overall average

mean of 2.65. The credit policies of the SACCO could be effective enough because the management is well trained and tries to put in place the recommended procedures of credit management as stated by King (1968).

Considering the level of performance of Aduku Women's SACCO, it was also indicated that the level of the performance of the SACCO was generally high and this was supported by the overall average mean of 2.62. The performance of the SACCO could be high due to effectiveness in credit management procedure in the financial as indicated by Sanford (1987) and Shekhar (1982).

Regarding the relationship between the credit policies and performance of Aduku Women's SACCO, it was discovered that there existed significant relationship between credit policies and performance of Aduku Women's SACCO. This was determined by the r. value of 0.981 and a small significance value of 0.00. This research finding is in agreement with that of Hanson (1988); and Slaring (1991) who lamented that effectiveness in credit policies prevents losses and this leads to improved performance of financial institutions.

As far as the relationship between credit appraisal and performance of Aduku Women's SACCO is concerned, it was also found out that there exists significant relationship between the variables. This relationship was confirmed by very high r. value of 0.991 and a very small significance value of 0.00. This research finding is somewhat in agreement with that of Kato (2010) who stresses the importance of credit appraisal as one of the major aspects towards improved performance of any organization.

Concerning the relationship between credit control and monitoring and performance of Aduku Women's SACCO, a significant relationship between credit control and monitoring and

performance was also noted. This relationship was affirmed by a very high r. value of 0.984 and a small significance value of 0.00. relating this study finding with what other authors have said in the literature, it can be noted that the research findings is in agreement with that of Tentena (2010) who believes that effectiveness in credit control and monitoring are some of the important tools through which performance of financial institutions can be measures.

5.2 Conclusions

Basing on the purpose of the study, the following conclusions are established.

The study concluded that there is significant relationship between effectiveness in credit management is very instrumental in enhancing performance of SACCOS since cases of losses and fraud are likely to be minimized and prevented.

It can also be concluded that no new information has been generated in this study as most of the research findings were in agreement with the scholars and authors whose works have been reviewed in the literature review.

5.3 Recommendations

It is recommended that Aduku Women's SACCO should strengthen its policies by ensuring that follow-ups on clients is done so that loans are put to the purpose for which they were borrowed. The financial institution should also ensure that it effectively implements disbursement of loan to clients to clients insured. Putting in place such strategies in its policies can significantly reduce delays in repayment and prevent cases of loses that would hinder the growth and performance of the SACCO.

Regarding the credit appraisal, it is also recommended that the financial institution should also try to put emphasis on results from credit appraisal and consider them before loan disbursement

and it should ensure that proper credit appraisal is made on clients before loans are disbursed. Such appraisal practices are likely to curb core cases of losses and promote growth and development which are signs of positive performance.

Concerning credit control and monitoring, it is also recommended that the financial institution should try to establish proper credit control and monitoring through group lending. This so because is one group member fails to repay its share other groups members can be held responsible, thus preventing losses that would affect performance of the SACCO.

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APPENDICES

APPENDIX I: RESEARCH INSTRUMENTS

1. QUESTIONNAIRE FOR LOAN BENEFICIARIES ON CREDIT MANAGEMENT AND PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE ORGANIZATIONS IN UGANDA

Dear Respondent,

The researcher is conducting a study on credit management and the performance of Savings and Credit Cooperative Organizations in Uganda to be submitted to the College of Economics and Management Sciences as part of the requirements in partial fulfillment for the award of the a Degree in Business Administration of Kampala International University. This questionnaire is therefore intended to gather information that shall be used for academic purposes only. You are kindly requested to fill this questionnaire diligently and completely. All the information sought shall be treated confidentially.

Section A: Respondents' Profile

A. Sex: 1. Male ____   2. Female ____

B. Education Level: 1. Bachelor ____   2. Master ____   3. Diploma ____   4. Others (specify)

_____

C. Have you ever obtained a loan from a SACCO? Yes _____   No. _____

D. How long have you been working for the organization?

1-4 years ____   5-8 years ____   9-12 years ____   13 years & above.

Direction for Section B and C: Please write your preferred option on the space provided before each item. Kindly use the rating guide below:

Response Made	Rating	Description
Strongly Agree (SA)	4	You agree with no doubt at all
Agree (A)	3	You agree with some doubt
Disagree (D)	2	You disagree with some doubt
Strongly Disagree (SD)	1	You disagree with no doubt at all

Section B: Credit Management

Credit management	SA	A	D	SD
Credit Policies				
Aduku women's SACCOs has good credit policies				
Loans are given to only members of SACCOs				
SACCOs give small loans in order to manage risks to losses				
Client's loan history (performance) determines the amount of the next loan advanced				
SACCOs make follow-ups on clients to ensure that the loans are put to the purpose for which they were borrowed				
Penalties are charged for delayed repayments				
Loans are only disbursed to clients insured				
Credit Appraisal				
Proper credit appraisal is made on clients before loans are disbursed				
Results from credit appraisal are considered before loan disbursement				
Credit appraisal is done by competent people				
Credit appraisal is based on authentic information and is trusted				
Members are always satisfied with the appraisal of credit				
Proper procedures are taken and followed in credit appraisal				
Credit Control and management				
Credit control is ensured through group lending				
Credit control and monitoring is done by independent and board of governors				

Monitoring procedures are trusted and non-discriminatory				
Cases of loses are always minimized by proper control and monitoring procedure				
Members are satisfied by the measures put in place				

Section C: Performance of SACCO

Performance	SA	A	D	SD
The time taken from loan application to disbursement is short				
Most customers effectively repay their loans				
Reports of Loan balances are easier to obtain from the SACCOs				
The amount of loans disbursed in a month is low				
Aduku women's SACCOs always develop better loan packages				
Staff at SACCOs are trained and understand what they are doing				
Interest rates on loans are relatively affordable				
Management of SACCOs know how to handle customer complaints				
Loan products are flexible and meet particular demands of borrowing groups				
SACCOs have proper financial management systems and this helps in tracking financial records				
SACCOs always have enough funds to meet demand in terms of Loan applications				

Thank you for being such a co-operative respondents, your contribution to this study is greatly

appreciated

2. INTERVIEW GUIDE

Greetings

Introductions

The researcher is conducting a study on credit management and the performance of Savings and Credit Cooperative Organizations in Uganda to be submitted to the College of Economics and Management Sciences as part of the requirements in partial fulfillment for the award of the a Degree in Business Administration of Kampala International University. I request that you spare some of your time and answer a few questions. The information gathered shall be used for academic purposes only and shall be treated confidentially.

1. Does this SACCO have a credit management policy in place?

2. Please explain the process it takes before a loan can be disbursed.

3. What are the measures taken to ensure that loans do not go bad?

4. How regularly does the credit committee meet?

5. Do you have a Board of Directors and what is its composition?

6. In your opinion how would you rate you interest rates compared to other SACCOs.

7. Are there instances were loans can be given on special terms outside the normal loans terms?

APPENDIX II: OBSERVATION CHECKLIST

1) Credit policy in place.

2) Money Lenders License.

3) Financial Management System in place.

4) Resolutions of Board Meetings.

5) List of Loan Disbursed

6) List of Bad loans

APPENDIX III: STUDY PLAN

Planned Activities and Duration Of The Study

ACTIVITY	DURATION/MONTH
Choosing of research topic	1 week
Approval of topic	1 week
Writing the research proposal	1 months
Collection of data	1 month
Final data analysis	2 week
Typing and binding	3 Days
Submission of research proposal	1 Day

APPENDIX IV: BUDGET FOR THE STUDY

ITEMS	UNITS	COSTS (UGSHS)
SUPERVISION	One person	50,000
TRANSPORT COST	One person	100,000
TYPING		30,000
BINDING	3 booklets	4,500
STATIONARY	One ream of paper	8,000
INTERNET SURFING	4hours	4,000
CONSUMPTION	One person	75,000
TOTAL		275,500