



Credit Risk Management and Financial Performance of Savings and Credit Co-operative Organizations: A Case of Selected SACCOs in Makindye Division, Kampala Uganda

Josephine Namuli & Edward Katumba Segawa

Uganda Martyrs University

Email: jnamuli@umu.ac.ug/esegawa@umu.ac.ug.

Abstract: *The purpose of this paper is to assess the effect of credit risk management on the financial performance of Savings and Credit Co-operative Organizations (SACCOs) in Makindye division, Kampala. Specifically, the paper looked at how credit risk identification, credit risk assessment and credit risk control affect the way that SACCOs perform financially. A cross-sectional field survey design that adopted both qualitative and quantitative approaches to collecting and analyzing data was adopted. Twenty (20) registered active SACCOs were purposively selected from Makindye Division for data collection using both questionnaires and interview guides. Data was collected from managers, treasurers or accountants, and secretaries of the registered SACCOs. Descriptive and inferential statistics were generated and interpreted to meet the study objectives. Findings showed that credit risk management has a positive and significant effect on the financial performance of SACCOs. This implies that the way a SACCO performs financially is influenced by the way credit risk is identified, assessed and controlled within that SACCO. SACCOs should train their members on strategies of identifying, assessing as well as controlling risks if they are to register and sustain good financial performance. This paper contributes to literature in regard to credit risk management strategies within SACCOs in Uganda.*

Keywords: *Credit Risk, Credit Risk Management, Profitability, Portfolio Financial Performance, SACCOs*

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1. Introduction

Since the financial crisis, financial organizations have taken special measures to mitigate financial losses caused by mismanagement in loan allocations and credit recoveries (Ahmed & Malik, 2015). In recent years, credit risk has gained focal importance because of huge financial losses faced by big international financial organizations. Poorly managed credit risk may cause liquidity risk resulting in insolvency of financial institutions. The credit decision therefore should be based on a thorough evaluation of the risk conditions of the lending and the characteristics of the borrower (Maina et al, 2014). Credit risk management (CRM) practice is a prearranged approach to managing uncertainties through risk assessment, analysis, monitoring and developing strategies to mitigate the risk. Its strategies focus on transferring, avoiding, reducing the negative impacts of the risk (Kattel, 2015). Credit risk management in a financial institution starts with establishing sound lending principles and an efficient framework for managing risk. The process does not end until the full and last installment has been recovered. (Addo, 2014) It is one of the critical aspects and hot issues faced by financial institutions and it is considered one of the road maps for soundness and safety of the sector through prudent actions as well as monitoring performances. (Ahmed & Malik, 2015). Since Savings and Credit Cooperative Societies (SACCOs) also engage in extending credit to people, this aspect becomes equally important to them.

SACCOs are financial organizations owned and controlled by the members and they provide savings and credit services to their members in the community (Sharma et al, 2005). They mobilize funds in the form of members savings are lent out provided a minimum savings requirement is met. The act of extending credit to members is associated with risks and it is pertinent to explore how SACCOs manage these risks. As microfinance institutions, their main source of income is credit, which is why they need to have a strong policy for CRM. The inability of commercial banks to provide financial services to the rural areas in Nigeria led to the introduction of different poverty alleviation institutions such as rotational savings schemes, money lenders and co-operative societies (Oluyombo, 2013). SACCOs emerged in Botswana in 1980s and soon became very popular among the salaried people in different sectors of the economy (Seleke & Lekorwe in Sathyamoorthi et al, 2016). In Uganda, SACCOs channel savings into loans, provide saving opportunities for the poor, especially in the rural areas, but further improvements are necessary to make their services more efficient and sustainable (Distler & Schmidt, 2011). CRM is obviously one of the aspects that must be paid attention to if SACCOs are to achieve their set objectives.

The financial performance of SACCOs can be explained by their capability to attract saving. 'SACCOs have comparative advantages over other financial services providers. People in rural areas often lack financial services providers that lie within range and are regularly accessible. SACCOs with their traditional structure are often the only formal financial institutions people in rural areas can access; this quasi-monopolistic position in the countryside gives SACCOs a distinct comparative advantage over Commercial Banks or MDIs that are mainly present in the urban areas in Uganda' (Distler & Schmidt, 2011). A study conducted by German Development Institute (DIE) indicates that although the financial results of most of the SACCOs surveyed do not seem very alarming, several issues such as are over-dependent on subsidization might put their financial sustainability at risk in the future. The quality of the SACCOs' loan portfolio, a main indicator for the capability of lending institutions, seems to be another critical point that threatens the viability of many SACCOs.

Makindye Division is one of the five divisions that make up Kampala city-Uganda. The division is made up of 21 parishes each having 15 of informal settlements. The division has a total of 56 registered SACCOs classified into liquidated, dormant and active SACCOs; 6 of these are liquidated, 7 are dormant and 43 are active. It is indicated by the reports from the division that many of the SACCOs that were liquidated had reasons relating to issues failure to recover loans lent to members. (Division's Community Development Office, 2019). This phenomenon still seems to be persistent even in those SACCOs that are actively running. Although several previous studies had been conducted regarding CRM, this issue has rarely been covered by researchers from the context of SACCOs in Uganda. The study aimed at investigating the effect that CRM practices have on financial performance of SACCOs in Makindye Division.

1.2 Problem Statement

Credit risk management is important to financial institutions which provide loans to businesses and individuals (Addo, 2014). Institutions oversee the credit (loans) they provide to consumers, paying close attention to the loans they make and how well they are able to collect those loans when the time comes. Most of these SACCOs have departments that supervise the issuing and recovery of loans. To know the risk level of credit users, SACCOs normally collect vast amount of information on borrowers, have considerations before giving out credit such as capacity and collateral and have in place recovery precautions such as using guarantors. However, there still exists a problem of defaulters, written-off loans, and court cases on non-payment. (Harelimana, 2017) asserts that, SACCOs in Uganda are characterized by a low level of

liquidity and most of their sustainability is questionable. One wonders whether it is the incompetence of people, the fault of those that borrow funds from SACCOs, or the process of CRM. To lessen or totally prevent non-performance loans, some efforts, including the enhancement of risk management procedures, analysis, and evaluation have been taken. However, the issue still exists. This continued poor financial performance despite the practices of CRM causes concerns and hence this paper.

1.3 Purpose of the Study

This objective was to investigate the effect of CRM on financial performance of SACCOs in Makindye Division, Kampala Uganda.

1.4 Objectives of the Study

The study was guided by the following objectives:

1. To examine the effect of credit risk identification on financial performance of SACCOs
2. To examine the effect of credit risk assessment on the financial performance of SACCOs
3. To examine the effect of credit risk control on financial performance of SACCOs

2. Literature Review

Credit risk management is a planned method of handling uncertainties through risk assessment, analysis, monitoring, and the development of risk-mitigation measures. Its primary goal is to transfer, avoid, and minimize the risks' negative effects, (Kattel, 2015). Identification, appraisal, and analysis of the risk constitute CRM. The deployment of resources is also coordinated in order to reduce, monitor, and regulate the likelihood and/or consequences of unpleasant events or to optimize the realization of possibilities. Risk management, according to Appa in (Kurawa& Garba, 2014), is an endeavor that includes acknowledging risk, evaluating risk, implementing control measures, and reducing risk using managerial resources. Yu, et al. (2017) demonstrates that women have a significant but varied role in the banking industry's risk management. Women who pursue high-level positions in banking tend not to always fit the assumption that they are less risk-averse. Male and female executives and directors have statistically significant disparities in their risk preferences, and these differences have an effect on bank risk. Women in senior roles, particularly during the financial crisis, helped to improve the monitoring of their bank's risk exposure. At the senior management level, collaboration between men and women seem to offer benefits for risk management. Banks should actively seek out these talented women for board and management roles and support public requests for

increased female representation.

The status of SACCOs in Uganda's financial system was the subject of a survey by the German Development Institute. An important factor that appears to be endangering the existence of many SACCOs is the quality of their loan portfolios, which serves as a key barometer for the strength of lending institutions. The need for financial products, especially loans, is extremely high in rural areas, expanding SACCO industry significantly. However, given that many smaller SACCOs struggle to entice members to make savings deposits, their development patterns appear unequal, (Distler & Schmidt, 2011). According to a report on SACCOs in Eastern Uganda, there are several operational challenges that must be overcome for SACCOs to grow. In fact, there are reports of several SACCOs collapsing after only one and a half years since their founding.

The first step in risk management, according to (Goldberg & Palladini, 2010), is to define the institution's specific risk profile by examining the institution's goals, needs, costs, and profitability. It identifies the primary risk and establishes a cap. The institution starts carrying out its risk analysis and control procedures once a limit has been reached. This step identifies the institution's social and financial objectives. Despite the fact that most SACCOs included credit rules in their management plans, a study by Hesborn et al. (2016) found that most of them lacked strict or well-tailored policies that could unambiguously regulate their actual loan processes. It was established that diversifying the loan products was wise in order to satisfy the needs of their members. And that SACCOs adhered to fundamental loan terms such borrowing caps. Similarly, an old study in German established; there was unlimited liability in that defaulting members would lose their current assets as well as suffering social costs (related to shame in control) (Armendariz De Aghion & Mordach, 2005). This could be related to social factors proposed by (Crouhy, et al., 2006) as one of the factors driving the portfolio of financial institutions. According to (Kattel, 2015), financial institutions identify credit risk using procedures like interviewing, root cause and effect analysis, checklist analysis, SWOT analysis, scenario analysis, expert judgment, simulation, and stress testing.

Banks recently spend even more money than normal on CRM (Hull, et al., 2004). This is due to the fact that, according to Basel II's proposals, the regulatory credit-risk capital may be calculated using a bank's internal estimates of the likelihood that its counterparties will make defaulting payments, which is a method for assessing credit risk suggested by the Merton's (1974) model. Under Basel III, which is now being implemented, banks continue to utilize their proprietary models. The management team is in charge of defining the institution's risk management

strategy and frequently assessing the institution's exposure to risk (Goldberg & Palladini, 2010). They clarify that the assessment will depend on the institution's specific circumstances, including the client's location and activity, the legal and regulatory environment, inflation, and funding sources. A study by (Hesborn, et al., (2016) found that while client appraisal was being done by SACCOs, not all of them had qualified staff members to carry out the procedure effectively. The study confirmed that, in order to avoid providing credit to customers who were not financially capable of repaying the loan as per the terms supplied, client appraisal was a vital step that needed to be done every time a member requested a loan. It was discovered that the entire client assessment process required taking into account a number of factors, including the client's income, alternative collateral, member credit history, bankruptcy records, and loan default rates. A report on reality check of SACCOs indicates that among the problems Microfinance Support Center experiences in its support towards SACCOs is that they do not have staff that can ably appraise clients. The result of this is disbursing loans to wrong characters whose repayment ability and willingness are low (Agricultural Finance Yearbook, 2012).

Furthermore, according to (Crouhy, et al., (2006), the more precisely a business can assess its risks in relation to potential rewards, set business objectives, and comprehend unexpected but likely outcomes, the more risk-adjusted rewards it can aggressively pursue in the market without causing it to implode. (Crouhy, et al., 2006) mention correlation risk, or the propensity for bad things to happen together, as a significant consideration when assessing the risk of the portfolio. Real estate-related loans are backed by real estate collateral, which typically depreciates at the same time that default rates for property owners and developers grow. It is vital to provide the kinds of terms and conditions for bank clients who accept loans that would both entice potential borrowers and assure loan pay back in order to achieve successful CRM in commercial banks (Konovalova, et al., 2016). Since it is difficult to create a unique set of terms and conditions for each client, it is best to group potential clients based on their similarities and differences before creating unique terms and conditions for each group based on the traits of its members. Presents clustering as a technique for determining credit risk that may be used to divide clients into several groups. The assessment of the risk variables involved in the issuing of a specific loan, according to the authors, enables financial institutions to consider these aspects when managing credit risk and to prevent their recurrence and negative influence on the outcomes of the bank's future operations.

According to a study on the impact of CRM on Nigerian

banks' profitability, it is critical for these institutions to employ scientific credit risk control, increase the effectiveness of their credit analysis, and manage their loans more effectively to protect their assets and reduce the high incidence of non-performing loans and their detrimental effects on profitability. The study offered more proof that there is a strong correlation between CRM and the profitability of Nigerian banks (Kurawa & Garba, 2014). A study by Hesborn et al. (2016) established that the majority of participants thought credit risk monitoring played a significant role in CRM, despite the fact that most SACCOs only reviewed their policies occasionally because their management was heavily involved in the credit assessment procedures. SACCOs occasionally took their time to assess their overall credit performance, this had an equivalent impact on their experience with credit judgment. Additionally, it was discovered that the majority of SACCOs operating in the Matatu sector lacked the essential expertise in CRM. The study also revealed that manual credit reminder and reporting systems were still used by the majority of SACCOs. This showed that most SACCOs, notably those engaged in back-office service activities, had not adopted technology, despite the fact that it would have improved loan monitoring and oversight. It was established that CRM and the financial success of savings and credit cooperatives in Kisii County are positively correlated.

According to (Shieler, et al., 2017) MDIs should improve their credit risk mitigation since this will lower default rates and their non-performing loans resulting into better financial performance. Additionally, in an effort to transfer or share risk in the event of default, MDIs must use insurance companies more frequently. This might aid in lowering the rate of loan defaults and enhancing their financial performance. According to (Addo, 2014), credit officers should ask consumers precisely what kinds of facilities they want in order to avoid providing the incorrect facilities, which would make it more difficult for customers to repay the loan. Before seeking the facility, customers should be certain of the quantity they require. The bank needs to broaden the types of papers that are expected by consumers. This is done to assist customers in meeting bank standards so they can obtain loan facilities more easily without being required to produce documentation they do not have when they might have provided other, equally acceptable documentation. The SACCOs would expand and operate more effectively and profitably if they maintained an ideal balance between the interest on loans and the interest on members' savings and invested additional money in a diverse portfolio to lower risk levels (Sathyamoorthi, et al., 2016). Additionally, if they were successful in drawing in more members, they would considerably aid the nation's efforts to combat poverty and diversify its economy.

The majority of the literature on CRM and financial performance was obtained from studies that were conducted in commercial banks. Only one of those studies presented an understanding of credit risk management as a process in the dimensions of identification, assessment and control; most studies have picked on each of these. Additionally, none of these studies was conducted on SACCOs. This study therefore focused on collecting empirical data on the effect of credit risk management (conceptualized into risk identification, assessment and control) on the financial performance of SACCOs in Uganda to bridge this gap.

3. Methodology

The study was carried out in Makindye Division, Kampala District, Central region, Uganda. The SACCOs in Makindye Division were the study units. The research took on a cross-sectional survey study design, blending both quantitative and qualitative approaches. The study involved 20 SACCOs which were purposefully selected from actively registered SACCOs in Makindye Division by December 2017 (Community Development Office, 2019). The study targeted 3 people: Manager,

Treasurer/Accountant/Cashier and secretary from each SACCO totaling 60 participants from 20 SACCOs. Primary data was collected from the participants using a questionnaire and interview guide while secondary data came from the records and reports of the SACCOs. Collected data was analyzed using Statistical Package for Social Scientists (SPSS) version 16, descriptive and inferential statistics were generated and interpreted and research questions were answered.

4. Results and Discussion

Out of the targeted 60 participants, 52 filled out questionnaires while 7 were interviewed, which yielded a response rate of 98.3% which was above the 60% that various scholars recommend as satisfactory.

4.1 Descriptive Statistics

Descriptive statistics were performed on the attributes of CRM (Credit Risk Identification, Credit Risk Assessment and Credit Risk Control). Statements were formulated on a Likert scale of 1 – 5 from which mean and standard deviations of each were computed. Descriptive statistics for each variable are presented in table 1 below:

Table 1: Showing Descriptive Statistics on Credit Risk Identification

Statements on Credit Risk Identification	N	Min	Max	Mean	Std. Dev.
Identifying credit risk is what we start with in risk management	52	2.00	5.00	4.23	.807
The risk is high on members who borrow large amounts	52	1.00	5.00	3.25	1.356
A check list is used to identify the riskiness of the borrower	52	2.00	5.00	4.33	.734
SWOT analysis enables us to identify the possibility of default	52	1.00	5.00	3.67	1.232
We use expert judgment to identify credit risk	52	1.00	5.00	3.46	1.056
The SACCO has strict policies to identify risk	52	1.00	5.00	4.02	.874
Members are aware of loan requirements before they come for loans	52	2.00	5.00	4.27	.744
Risk identification assists in developing risk management	52	3.00	5.00	4.08	.682
Average Mean & Standard Deviation				3.91	0.936

Source: Survey data (2020)

From table 1 above, an average mean of 3.91 and average standard deviation of 0.936 imply that participants agreed that credit risk identification is indeed carried out in the SACCOs. The findings are consistent with Goldberg and

Palladini (2010) who assert that the first step in risk management is to identify the institutions' unique risk profile.

Table 2: Showing Descriptive Statistics on Credit Risk Assessment

Statements on Credit Risk Assessment	N	Min	Max	Mean	Std. Dev.
Appraising borrowers is important to our SACCO	52	4.00	5.00	4.58	.499
The SACCO provides enough resources for risk assessment	52	1.00	5.00	3.52	1.129
The SACCO has competent staff that can appraise clients	52	1.00	5.00	3.96	1.171
Clients are appraised every time they ask for a loan	52	2.00	5.00	4.13	.908
I have been trained on how to assess risks	52	2.00	5.00	3.65	.968
We have a standardized approach of assessing risk	52	2.00	5.00	3.62	.993
There are techniques that have not worked for me	52	1.00	5.00	3.44	1.289
Collateral from borrower must be related to the amount borrowed	52	1.00	5.00	3.13	1.692
Giving customers the kind of loan, they want enables them to pay back	52	1.00	5.00	3.23	1.422
Average Mean & Standard Deviation				3.70	1.119

Source: Survey data (2020)

Table 2 above shows that an average mean of 3.70 and an average standard deviation of 1.119 implying an agreement by participants that credit risk assessment is indeed critical and the SACCOs are conducting it in a bid to manage risks associated to credit given out to the members. There is however a high variation amongst the opinions of the

participants as indicated by an average standard deviation of 1.119. This finding concurs with (Konovalova, Kristovska & Kudinska, 2016) who note that risk assessment techniques play an important role in the management and minimization of credit risk. It is only after determining the risk presented by each individual borrower that the loan portfolio can be managed as a whole.

Table 3: Showing Descriptive Statistics on Credit Risk Control

Statements on Credit Risk Control	N	Min	Max	Mean	Std. Dev.
Borrowers are reminded about loan repayment	52	4.00	5.00	4.65	.480
ICT is used to remind and get reports on borrowers	52	1.00	5.00	3.33	1.200
Policies on credit risk control are regularly reviewed	52	1.00	5.00	3.54	1.163
There are penalties for defaulting members	52	2.00	6.00	4.33	.810
Members that default are exposed	52	1.00	5.00	3.27	1.374
Loans are insured to reduce the effect of default	52	1.00	5.00	2.92	1.570
Members play a big role to ensure that repayment is done by members	52	1.00	5.00	4.35	.837
The use of collateral is successful in recovering default loans	52	1.00	5.00	3.19	1.429
The personal guarantor arrangement is preferred by members over collateral arrangement	52	1.00	5.00	3.81	1.189
Average Mean & Standard Deviation				3.71	1.117

Source: Survey data (2020)

Results in table 3 above show an average mean of 3.71 and an average standard deviation of 1.117 which are indicative of the fact that participants agreed with the statements formulated to assess credit risk control within the SACCOs. A standard deviation of 1.117 is, however, a reflection of

high variation in the views of the participants. The findings nevertheless are in agreement with what Hesborn, et al., (2016), asserts that SACCOs only reviewed their risk policies whenever need arose.

Table 4: Showing Descriptive Statistics on Financial Performance of SACCOs

Statements on Financial Performance	N	Min	Max	Mean	Std. Dev.
The SACCO has enough funds to meet its financial obligation	52	1.00	5.00	3.06	1.162
There is a fixed amount of money that the SACCO must have in cash form	52	1.00	5.00	3.62	1.140
Having enough cash at hand shows good financial performance	52	1.00	5.00	2.83	1.451
Most of the loans are recovered	52	1.00	5.00	3.92	.882
Recovering unpaid loans involves a lot of legal costs	52	1.00	5.00	3.02	1.321
Members had difficulties in paying back the loans	52	1.00	5.00	3.13	1.121
Members take more than the allowed time to pay back the loan	52	2.00	5.00	3.17	1.024
The economic situation affects loan repayment	52	2.00	5.00	3.98	.918
The bigger the loan the higher the chances of non-payment	52	1.00	5.00	2.58	1.109
The size of loans offered affects the profitability of the SACCO	52	1.00	5.00	3.29	1.304
The size of loans depends on members savings	52	1.00	5.00	3.77	1.262
The SACCO always has enough money to lend to borrowers	52	1.00	5.00	2.63	1.155
Retaining cash for use affects the amount lent out to member	52	1.00	5.00	3.04	1.298
Average Mean & Standard Deviation				3.23	1.165

Source: Survey data (2020)

Results in table 4 above show that an average mean of 3.23 and an average standard deviation of 1.165, which imply that majority of participants agreed with the statements posed to assess the financial performance of SACCOs. There was a high variation in responses as indicated by the average standard deviation of 1.165.

4.2 Regression Analysis

Regression is a method for determining which line, when drawn from an independent variable, best predicts the dependent variable. With R square, linear regression

measures the quality of fit. In contrast to the degree of the regression coefficient, which shows the impact of independent factors on dependent variables, the sign (+,-) of the regression coefficient reveals the direction of the effect of independent variable (s) on the dependent variable. Therefore, the researcher conducted a linear regression analysis on credit risk identification, credit risk assessment, and credit risk control against financial performance in order to analyze the effect of CRM on the financial performance of SACCOs. The findings are presented in table 5 below:

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617 ^a	.381	.342	.32402

Source: Survey Data (2020)

Predictors:(Constant), Credit Risk Control, Credit Risk Identification, Credit Risk Assessment

Table 5 above shows that credit risk management process in terms of risk identification, credit risk assessment and credit risk control explain 34.2% (Beta = 0.342) of the variation in financial performance of the SACCO. This

implies that 65.8% of variation in financial performance is explained by other factors which this study has not considered.

Table 6: Regression Coefficients

Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.438	.449		3.198	.002
	Credit risk identification	-.116	.118	-.134	-.986	.329
	Credit risk assessment	.065	.088	.111	.740	.463
	Credit risk control	.542	.134	.601	4.035	.000

a. Dependent Variable: Financial Performance

Source: Survey Data (2020)

Table 6 above shows that Credit risk identification with a standardized beta coefficient ($\beta = -0.134$, $t = 0.986$, $\text{Sig.} = 0.329$) has no statistical prediction on financial performance of SACCOs. The results are in line with those of (Hesborn, et al., 2016), who asserts that while most SACCOs had credit policies as a component of their management strategies, most of them lacked strict or well-tailored policies that could definitively regulate their actual loan operations. In addition, the study revealed that SACCOs were using a checklist to identify risk. Very few were using SWOT analysis. It also established that very few SACCOs pay attention to credit risk identification and they were using it as a basis for CRM. Credit risk assessment with a beta coefficient ($\beta = 0.111$, $t = 0.740$, $\text{Sig.} = 0.463$) has a weak positive effect on financial performance of SACCOs. This finding agrees with (Konovalova, et al., 2016) who emphasize the determination of each individual loan, or borrower, risk assessment techniques play a primary role in the management and minimization of the credit risk. In a similar vein, (Hull, et al., 2004) concur that banks and other financial organizations have traditionally valued accurate assessments of credit risk. Similarly, credit risk control with a coefficient ($\beta = 0.601$, $t = 4.0235$, $\text{Sig.} = 0.000$) has a positive significant effect on the financial performance of the SACCOs. The finding is in agreement with (Kurawa & Garba, 2014) who establishes that there a significant positive relationship between CRM and profitability of Nigerian banks.

5.1 Conclusion

Based on the findings made, credit risk assessment and credit risk control have positive and significant effects on financial performance of the SACCOs while credit risk identification has a negative effect on financial performance. This is due to the fact that the risk identification practices of SACCOs in Makindye are implemented in a way that does not enhance

financial performance. Many of the staff of SACCOs are risk averse who after identifying risk do not lend out to risky borrowers. This affects the financial performance of SACCOs in terms of reduced portfolio and interest.

5.2 Recommendations

The following recommendations were therefore made:

SACCOs should pay attention to credit risk identification to reduce its adverse effect on financial performance; SACCOs should not only stop at identifying risks but also proceed to assess and come up with way to control risks to better their financial performance. SACCOs too should come up with unique techniques that can enable them to effectively identify credit risk since those used by other financial institutions like SWOT analysis seem not to be appropriate.

SACCOs should accord adequate resources to credit risk assessment and ensure training of their personnel. This will result into effective credit risk assessment and ensure that loans are given to borrowers that are most likely to pay back. The authorities at the Division and SACCOs should establish an association where SACCOs can collectively share effective approaches of credit risk management especially credit risk control. From the study, it was established that SACCOs have a lot to learn from each other; many SACCOs were willing to take up the approach of insuring loans but did not know how.

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