



**CREDIT RISK MANAGEMENT AND FINANCIAL PERFORMANCE OF SACCOS A  
CASE OF PALLISA DISTRICT**

**BY**

**AYONGYEIRWE SYLVIA**

**[Ayongyeirwesylvia@gmail.com](mailto:ayongyeirwesylvia@gmail.com)**

**REG NO; BU/UP/2021/2995**

**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF ECONOMICS  
AND MANAGEMENT IN PARTIAL FULLFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE BACHELORS'**

**DEGREE IN BUSINESS ADMINISTRATION OF**

**BUSITEMA UNIVERSITY**

**AUGUST, 2024**

## DECLARATION

### DECLARATION

I **AYONGYEIRWE SYLVIA** do declare that this is my personal original piece of work as a result of my own effort after the approval of the research topic; "Credit Risk Management and Financial Performance of Saccos" a case of Pallisa District and has never been submitted before to any institution, or University for the award of a Bachelor in Business Administration Accounting and Finance option.

SIGNATURE: ..... *Amy* .....

NAME: AYONGYEIRWE SYLVIA

DATE: ..... *6/09/2024* .....

## APPROVAL

### APPROVAL

This is to certify that this research report was done by Ayongyeirwe Sylvia on the topic; "Credit Risk Management and Financial Performance of SACCOs" a case of Pallisa District has been produced under my supervision and it is now ready for submission to Busitema University Faculty of Management Sciences

SIGNATURE  ..... DATE 6/09/2024 .....

**ACADEMIC SUPERVISOR**

**MR WADAMBISHA BRIAN**

## **ACKNOWLEDGEMNT**

I am greatly indebted to the Almighty God for the good health and wisdom he has always given me throughout my academic life. Special thanks go to the management of Pallisa teachers' Sacco for giving me an opportunity of carrying out research on their organization. I wish to acknowledge the contribution of all the respondents who participated in the data collection exercise as well as providing useful information concerning the topic under study. Appreciation goes to my university supervisor Mr. Wadambisha Brian who has been helpful not only on supervision but also advised and supported me in many ways while carrying out the research exercise. I appreciate his interest and encouragement, expertise and tolerance when I was sometimes a little preoccupied and during times when I lacked any idea concerning research. I also wish to acknowledge the efforts of my colleagues; Teddy, Carol, Abigail, Patricia and the entire class of BBA3, 2022 towards the successful completion of this work. I also extend my heartfelt appreciation to Heed Children Uganda, my father Mr. Ruvuga Steven and my beloved brother Musinguzi colleb for the financial and physical support during the entire Academic life.

## **DEDICATION**

I have a pleasure to dedicate this work to my Sponsors; Heed Children Uganda, my father Mr. Ruvuga Steven and my beloved brother Musinguzi Caleb for their financial and physical support towards the completion of this report. I also dedicate the report to my Academic supervisor, Mr. Wadambisha Brian. If it was not for the support and guidance of those people, this research thesis would not have been completed. I pray that God Almighty may bless them abundantly.

## Table of Contents

DECLARATION .....	i
APPROVAL .....	ii
ACKNOWLEDGEMNT.....	iii
DEDICATION .....	iv
LIST OF FIGURES .....	viii
LIST OF TABLES .....	ix
LIST OF ABBREVIATIONS.....	x
ABSTRACT.....	xi
CHAPTER ONE .....	1
INTRODUCTION .....	1
1.0 Introduction.....	1
1.1 Background study .....	1
1.2 Problem statement.....	3
1.3 Purpose of the study.....	4
1.4 Research objectives.....	4
1.5 Research question .....	4
1.6 Scope of the study.....	4
1.6.1 Content Scope .....	4
1.6.2 Time of the scope.....	4
1.6.3 Geographical scope.....	4
1.7 Significance of the study.....	5
1.8 Conceptual frame work.....	5
1.8.1 Explanation of the conceptual frame work .....	6
1.9 Definition of key terms. ....	6
CHAPTER TWO .....	8
LITERATURE REVIEW .....	8
<b>2.0 Introduction.....</b>	<b>8</b>
2.1 Theoretical Review .....	8
2.1.1 Credit scoring theory (Myron Scholes 1997).....	8
2.2 Literature review .....	8

2.2.1 Risk identification on financial performance.....	8
2.2.2 Risk assessment on financial performance .....	9
2.2.3 Risk control on financial performance.....	10
CHAPTER THREE .....	12
RESEARCH METHODOLOGY .....	12
3.0 Introduction.....	12
<b>3.1 Research Design</b> .....	12
3.2 Population .....	12
3.3 Sample Size.....	12
3.4 Sampling method. ....	12
3.5 Type of data .....	12
3.7 Data collection procedure .....	13
3.8 Data Analysis Techniques and Methods.....	13
3.9 Validity and Reliability of the research instruments.....	14
<b>Reliability of the research instruments</b> .....	14
3.10 Ethical Considerations .....	14
CHAPTER 4 .....	16
DATA ANALYSIS, PRESENTATION, AND INTERPRETATION OF FINDINGS .....	16
4.0 Introduction.....	16
4.1 Response Rate.....	16
CHAPTER FIVE: .....	21
DISCUSSION OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS .....	21
5.0. Introduction.....	21
5.1.0 Discussion of the Study Findings .....	21
5.1.1 Risk identification and Financial Performance.....	21
5.1.2 Risk assessment and financial performance. ....	21
5.1.3 Risk control and financial performance .....	22
5.2 Conclusion. ....	23
5.3 Recommendations.....	23
5.4 Limitations of the Study.....	24
5.5 Areas of Further Research .....	24

REFERENCES .....	1
APPENDIX 1; QUESTIONAIRE .....	4
Appendix 11: Table of sample size determination of Krejcie and Morgan (1970) table .....	10
Appendix III: Work Plan .....	11
Appendix IV: Research Budget .....	12
Appendix v: acceptance letter .....	13



## LIST OF FIGURES

Figure 1 A conceptual framework showing a relationship between credit risk management and financial performance .....	5
---	---

## LIST OF TABLES

Table 1 reliability and validity .....	14
Table 2 showing Gender characteristic .....	16
Table 3 showing Age Characteristics.....	17
Table 4 showing Education Characteristics Level .....	17
Table 5 showing Work Experience characteristics .....	17
Table 6 showing Correlation Analysis Results.....	18
Table 7 showing Risk identification and financial performance .....	19
Table 8 Risk assessment and financial performance .....	19
Table 9 showing Risk control and financial performance .....	20

## **LIST OF ABBREVIATIONS**

AMFIU: Association of Microfinance institution of Uganda

CRM: Credit Risk Management

FP: Financial performance

MSC: Microfinance Support Centre

ROE: Return on Equity

ROI: Return on Investment

## **ABSTRACT**

This study focused on assessing the effect of credit risk management through risk identification, risk assessment and risk control on financial performance. The study applied a cross-sectional research design and a quantitative approach. Data was collected from a target population of 90 with accessible unit of inquiry being 73 respondents consisting of SACCO officials of positions. Data was collected using a closed ended questionnaire and analyzed using the statistical package for social sciences from which, frequency tables, descriptive statistics, reliability, validity, correlation and regression results were obtained. The study findings revealed that there is a positive and significant effect of risk identification and financial performance, risk assessment and financial performance, risk control and financial performance. The study therefore recommends that to improve on financial performance, aspects of risk identification, risk assessment and risk control should be put on the forefront.

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This study shows how credit risk management is managed and how it affects the financial performance of Saccos in Pallisa district. It contains the background, statement of the problem, conceptual frame work, objectives of the study, purpose of the study and the scope.

### 1.1 Background study

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. (Kenton, 2023).

Savings and Credit Cooperative Organizations, commonly known as SACCOs, have gained prominence for their pivotal role in promoting financial inclusion and empowering communities (WebSacco, 2023). They farther added that at the heart of their mission lie a variety of financial products and services thoughtfully tailored to meet the diverse needs of their members.

Globally, expansion decisions have a significant impact on the financial performance of savings and credit cooperative societies (SACCOs) worldwide. By making sound expansion decisions, SACCOs can generate returns for their members, improve their financial health and sustainability, and contribute to the overall economic development of their countries (Muhumuza, 2019). In Europe, SACCOs have diversified their expansion portfolios to include sustainable expansions such as green bonds and socially responsible expansions (SRI). This has helped to improve their financial performance while contributing to environmental and social sustainability (Altavilla, 2019). Similarly, SACCOs in South America have diversified their expansion portfolios to include diverse and profitable expansions such as agricultural loans and microfinance loans, leading to improved financial performance and promoting economic growth and development (Wilkister, 2023).

In Ethiopia currently, there are 20,463 SACCOs, with 4,763,275 members and mobilized savings of 21.4 billion birrs and provided 16.49 billion loans for investment. Furthermore, SACCOs in Ethiopia play a significant role in people's economic growth by providing saving and credit facilities, teaching members how to save properly, and then borrowing for production and welfare purposes (FCA, 2020). Despite their benefits

## REFERENCES

- Ajayi, V. O. (2023). *A Review on Primary Sources of Data and Secondary Sources of Data*. May.
- Alex, I., Kaazara, A. G., & Kazaara, A. G. (2023). *Internal Controls and Financial Performance of Saccos in Wakiso District*. April.
- Coletta, A., Fontani, F., Rivilla, V. M., Mininni, C., Colzi, L., & Beltrán, M. T. (2022). *Astrophysics Evolutionary study of complex organic molecules in high-mass star-forming regions*.
- Edwin, K. (2019). Reliability and Validity of Research Instruments Correspondence to kubaiedwin@yahoo.com. *Critical Analysis Ofpolicies on Special Education in Kenya*, 1–9.
- Fan, Y., & Stevenson, M. (n.d.). *A Review of Supply Chain Risk Management : Definition , Theory , and Research Agenda*.
- Gebremeskel, Y., & Ma, G. (2023). *ASSESSING THE PERFORMANCE OF SAVING AND CREDIT COOPERATIVES ( SACCOS ) IN HAWELTI SUB-CITY , ETHIOPIA*. 1, 41–66.
- Juliet, M., Muturi, P. W., & Njeru, A. (2020). *Effect of Equity Finance on Financial Performance of Small and Medium Enterprises in Kenya Effect of Equity Finance on Financial Performance of Small and Medium Enterprises in Kenya*. March.  
<https://doi.org/10.30845/ijbss.v10n5p7>
- Justus, O. I. (2023). *Capital Adequacy and Financial Performance of Deposit Taking Savings and Credit Cooperative Societies in Western Region , Kenya*. 6(07), 187–193.
- Kariuki, N. W. (2017). *Effect of Credit Risk Management Practices on Financial Performance of Deposit Taking Savings and Credit Cooperatives in Kenya*. 19(4), 63–69.  
<https://doi.org/10.9790/487X-1904026369>
- Khanday, S. A. (2023). *The research design*. February.
- Li, X., & Zhong, Y. (2018). *An Overview of Personal Credit Scoring : Techniques and Future Work*. 2012(October), 181–189.

- Namuli, J., & Segawa, E. K. (2023). *Credit Risk Management and Financial Performance of Savings and Credit Co-operative Organizations : A Case of Selected SACCOs in Makindye Division , Kampala Uganda*. 7, 568–576.
- Nkwasibwe, N., & Katsigaire, E. A. (2023). *Credit Risk Identification and Financial Performance of Saccos . A Case of Selected Saccos in Ibanda Municipality . 03*, 13–20.
- O. Okereke, L., & Asha, PhD, B. (2022). Effect of Non-Monetary Rewards on Employees' Performance in Mount Meru Referral Hospital in Arusha, Tanzania. *East African Journal of Management and Business Studies*, 2(4), 1–8.  
<https://doi.org/10.46606/eajmbs2022v02i04.0012>
- Ochieng, O. F., & Musau, S. M. (2022). *THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT Digital Lending and Loan Portfolio of the Listed Commercial Banks in Kenya Abstract : 10(2019)*, 205–210.
- Peer, S., Journals, R., & Publishing, B. (2022). *Internal Control System and Performance of Financial Institutions in Rwanda : A Case of Bank of Kigali in Nyarugenge District Ms . Annie Mukandoli & Dr . Claude Rusibana Internal Control System and Performance of Financial Institutions in Rwanda : A Case . 6(1)*, 90–107.
- SACCOs, pallisa district local government. (2019). *THE REPUBLIC OF UGANDA PALLISA DISTRICT LOCAL GOVERNMENT STATISTICAL ABSTRACT 2018 / 19 Pallisa District Local Government. June*.
- Scholes, M. S., Scholes, M. S., Šestáková, M., & Scholes, M. S. (1997). *Myron s. scholes*. 16–18.
- Securities, U. S., & Commission, E. (2023). *FORM 10-K Accenture plc. 627*,  
 file:///C:/Users/Auma/Desktop/finelli\_2021\_oi\_2102.
- Shukla, S. (2020). *Concept of population and sample. November*.
- The, I. N., & Court, S. (2022). *CONSTITUTION PETITION NO . 22 OF 2022*.
- Tom, O. (2018). *THE REPUBLIC OF UGANDA imposing a senfence. 5*, 1–8.

*Tracking the trends 2020.* (2020).

Wilkister, B. L. (2023). *Effect of Expansion Decisions on the Financial Performance of SACCOs in Bungoma County , Kenya.* 4, 394–405.