CREDIT MANAGEMENT POLICY AND LOAN RECOVERY IN MICRO FINANCE INSTITUTIONS IN KABALE MUNICIPALITY: A CASE STUDY OF UNIQUE SACCO, KABALE MUNICIPALITY

BY

MUHEIRWE SYRIA
2018/KBA/0506/F

A RESEARCH REPORT SUBMITTED TO THE FACULTY OF ECONOMICS AND MANAGEMENT SCIENCE IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE A WARD OF BACHELORS DEGREE IN BUSINESS ADMINISTRATION OF KABALE UNIVERSITY

DECEMBER, 2022

DECLARATION

I, **MUHEIRWE SYRIA** hereby declare to the best of my knowledge that this is my original work. It is being submitted to the faculty of economics and management science for the a ward of Degree in Business Administration of Kabale University and has never been submitted to any institution for any academic purpose.

Signed .....•.....................   Date: 12/01/2022

MUHEIRWE SYRIA
(Researcher)

APPROVAL

This research report was done under my supervision and is now ready for submission to Kabale University with my approval.

Signature: .. ~ ....

Date:17/01/22.

MR. AHABWE EDWARD

(SUPERVISOR)

DEDICATION

I dedicate this research report to Almighty God, my parents and all well wishers

I also dedicate this report to my friends because without them this course would have remained a dream.

May the good Lord bless you abundantly.

ACKNOWLEDGEMENT

I would like to use this opportunity to express my deepest appreciation to my supervisor for the constant help, guidance and endless support towards this research.

Great thanks go to my beloved parents for their financial, spiritual and moral support during my studies.

Lastly, I extend a lot of thanks to my friends for their love and encouragement throughout the course of this long journey.

LIST OF ABBREVIATIONS

SACCOS:	Savings and Credit Co-operative Society
US:	Unique Sacco
FMP:	Financial Management Policies
MIED:	Ministry of Industrialization and Enterprise Development

TABLE OF CONTENTS

Declaration i

Approval ii

Dedication iii

Acknowledgement iv

List of abbreviations v

Table of contents vi

Abstract. ix

CHAPTER ONE:INTRODUCTION.. ix

1.1 Introduction I

1.2. Background of the study 1

1.3. Statement of the problem 2

1.4. General objective of study 3

1.5. Specific objectives of the study 3

1.6. Research questions 3

1.7. Scope of the study 3

1.8 Significance of the study 4

1.9 Definition of operational terms 4

1. I 0. Conceptual frame work 5

CHAPTER TWO: LITERATURE REVIEW 6

2.1. Introduction 6

2.2 Credit management policy applied in financial institutions 6

2.3 Loan recovery in micro finance institutions 8

2.4 Relationship between customers' credit management policy and loan recovery 10

CHAPTER THREE: RESEARCH METHODOLOGY 13

3.1. Introduction 13
3.2 Research design 13
3.3 Area of the study 13
3.4 Study population 13
3.5 Study sample and sampling technique 13
3.6 Procedure for data collection 14
3.7 Data sources 14
3.8. Data collection instruments/ methods 15
3.9 Data processing 16
3.10. Limitations ofthe study 18
CHAPTER FOUR: PRESENTATION, ANALYSIS AND INTERPRETATION OF STUDY FINDINGS 19
4.1 Background information of the respondents 19
4.2 The credit management policies applied by Unique Sacco Kabale municipality 23
4.3 The rate of loan recovery in micro finance institutions 24
4.4 Relationship between customers' credit management policy and loan recovery 26
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS 30
5.0 Introduction 30
5.1 Summary of the study findings according to objectives 30
5.2 Conclusions 31
5.3 Recommendations 32
REFERENCES 34
APPENDICES 36
APPENDIX I: QUESTIONNAIRE FOR EMPLOYEE OF UNIQUE SACCO 36
APPENDIX II: INTERVIEW GUIDE 40

APPENDIX III: WORK PLAN .... .41

APPENDIX IV: BUDGET 42

Appendix V: Krejcie and Morgan 1970 table of determining sample size .... .43

ABSTRACT

The study was about the effect of credit management policy on loan recovery in micro finance institution in Uganda. A case study of Unique Sacco in Kabale Municipality. The study was guided by three objectives which were: to establish credit management policies applied by Unique Sacco Kabale municipality, to determine the rate of loan recovery at Unique Sacco Kabale municipality, to establish the relationship between credit management policy and loan recovery at Unique Sacco Kabale municipality. A targeted population of 50 respondents was considered for the study. These included top management, cashiers, loans officers, clients and accountants. Both simple random and purposive sampling techniques were used in identifying the study sample size. The methods that were used in data collection included questionaires, observation, and interview. Data collected was edited, coded, entered into computer and analyzed with excel, a Microsoft statistical package, the results were presented in tables. Basing on results from the study, 100% of the respondents agreed that there are various credit management policies applied by unique Sacco and these include credit terms that involve both the length of credit period and discount rate, the loan amount recommended by credit officer, collateral security. The study findings revealed the rate of loan recovery in microfinance institution in Uganda profitability ratio, efficiency ratios, out standing loans and real annual average growth rate of loans. From the objective three, it was found out as indicated by the respondents from unique Sacco that there is a relationship between customer' credit management policies and loan recovery and these are good credit management provide the institution with a reasonable and adequate returns on loans, borrowers are given a small amount of money. The researcher concluded that there are various credit management policies applied at Unique Sacco. Majority of the respondents reported credit terms involve both the length of credit period and discount rate given, offering uniform interest rate. The study findings further recommends that unique Sacco should redesign its credit policy so as to make credit management more effective to reduce on loan losses and write offs.

CHAPTER ONE
INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study and definition of operational terms.

1.2. Background of the study.

Credit management policies (CMP) are adopted by financial institutions to promote sales and profit until that point is reached where the funding of credit sales is less than the cost that the business has to ensure in order to fund these credit sales (Bangko2009). Selling on credit always certain however often the potential benefits are worth taking an advantage and in today's emerging, growing, intensively competitive economy offering credit terms is becoming necessarily to any business organization.

Credit management policy provides a frame work for the entire credit management process. Written credit management policies are the corner stone or supportive to sound of credit management. The set objectives, standard and parameters are to guide bank officers who grant loans and managers portfolio.

Hanson (2010) provides that the board of direct regulators both internal and external auditors with a basis for evaluating and formulating bank credit performance in loan recovery. He adds that financial institutions themselves can create deposits and bank which however, don't have unlimited powers to do so is being restricted on number of ways, as the clearing house imposes restriction on individual bank cannot adopt an expansionist credit policy unless other banks are willing to do so.

According to Ssewagudde (2000) credit policy provides parameters, defines procedures and directives that have been carefully formulated, administered from top and well understood at all institution's levels. B.Blue undergoes a set of three procedures of evaluating credit applicants to establish whether or not loans should be granted, these are credit information, credit investigation and analysis in a bid to maintain proper credit standards, avoid excess risk and evaluate business opportunities.

According to Michael Malan the managing director of compuscan credit reference bureau CRB) loan recovery is important in enabling lending institutions to clear their balance sheets in order to increase collection efforts to ease preparation of financial reports (The New Vision 15" September 2010)

Mugisa (2015) stated that loan recovery rates enable the measuring of performing and nonperforming asset ratios (ability to measure the recycle of financial resource levels) hence enabling the institution to enjoy public confidence. Efficient and quick loan recovery minimizes default risk; transport cost for locating the defaulters as well as operating cost thus comfortable loan recovery is any lending institution's necessity. Loan recovery is quite along process that involves a lot of steps and procedures. Loan recovery is a process by which banks or financial institution recover its principal amounts and interest charged on borrowed money for along period of time (Ssewagudde, 2015).

The Short comings of unique Sacco are one of the major causes of loan defaulting. In many financial institutions, credit management is characterized by lack of organization deficient information system, under developed computer system and technical facilities and shortage of administrative needs. Experience shows that the current financial institutions of most bad debts are as a result of poor management policy and failure to keep eyeing on charges in the debtors status. The high incidence of bad debts has directly exhausted profits as a result of poor loan recovery method in Sacco. Therefore it is against this background that the researcher is prompted to carry out the study on effect of credit management policy on loan recovery in Unique Sacco Kabale municipality ..

1.1.Statement of the problem

Like any other financial institution, Unique Sacco has credit policies as a way of administering loans. The policies have objectives of maximizing profits to the benefit of the shareholders as well. The institution faced hardships in loan recovery, portfolio at risk as shown in table 1.1 shifted from 0.38% to 0.51 % in 2010 despite all the efforts of attaching assets to secure loans, building up equality loan portfolios and keeping the rate of deficit under control. The branch manager cited that Unique Sacco problem is as a result of inadequate application of the tools of credit policy management (Unique Sacco managers' annual report 2010) locking it into a large and increasing proportion of nonperforming loans. According to Mugisa (1995) bad quality assets (loans) not only erode the institution's ability :o recycle its financial resources but also threaten their survival and deprive the economy of a continuous flow of capital. Therefore it is against this background the research will investigate the effect of credit management policy on loan recovery in micro finance institution in Uganda.

1.4. General objective of study

The purpose of the study was to investigate the effect of credit management policy on loan recovery in micro finance institution in Uganda. A case study of Unique Sacco in Kabale Municipality.

1.5. Specific objectives of the study

1. To establish credit management policies applied by Unique Sacco Kabale municipality
ii. To determine the rate ofloan recovery at Unique Sacco Kabale municipality.
iii. To establish the relationship between credit management policy and loan recovery at Unique Sacco Kabale municipality.

1.6. Research questions

1. What credit management policies are applied by Unique Sacco Kabale municipality?
11. What is the rate of loan recovery at Unique Sacco Kabale municipality?
111. What is the relationship between credit management policy and loan recovery at Unique Sacco, Kabale municipality

1.7. Scope of the study

1.7.1 Content scope

The study was confined to investigate the effect of credit management policy on loan recovery in micro finance institution in Uganda. It will be limited on the following objectives; to establish credit management policies applied by Unique Sacco Kabale municipality, to determine the rate of loan recovery at Unique Sacco Kabale municipality, to establish the relationship between credit management policy and loan recovery at Unique Sacco Kabale municipality

1.7.2 Geographical scope

The study was carried out at Unique Sacco Uganda, Kabale branch in Kabale Municipality-Kabale District. Kabale is located in the Kabale District of the Kigezi sub-region. It is about 142 kilometres (88 mi), by road, southwest of Mbarara, the largest city in the Western Region of Cganda. This is approximately 410 kilometres (250 mi), by road, southwest of Kampala, Uganda's capital and largest city. The town lies 2,000 metres (6,600 ft) above sea level. The coordinates of Kabale are: 01 15 00S, 29 59 24E (Latitude:-1.2500; 29.9900).

1.7.3 Time scope

The study considered data from the year 2019 -2021. This is assumed to be enough for the researcher. She will use four months to collect data, interpret it and then present findings.

1.8 Significance of the study

i. The research findings will be used to set up Unique Sacco strategies for the benefits of the surrounding people and the savings credit and financial as well.
ii. The research findings will be used by other future researchers as interactive review since one copy is left in the library for future reference.
iii. The researcher enables customers to improve on their saving methods as to get maximum income.
iv. The research findings will help the government in assessing and imposing taxes.

1.9 Definition of operational terms.

Credit management policies: These are sets of approved rules and regulations used to control the issuing and payment of given credit loans in advance.

Loan: This is a long term liability given to a person in a given period of time whose clearance procedures are through agreement between the borrower and the lender.

Financial institutions: These are safe keeping institutions set up by either an individual or group of people who resolve themselves into a company (legal person) for the purpose of carrying out financial service functions.

1.10 Conceptual frame work

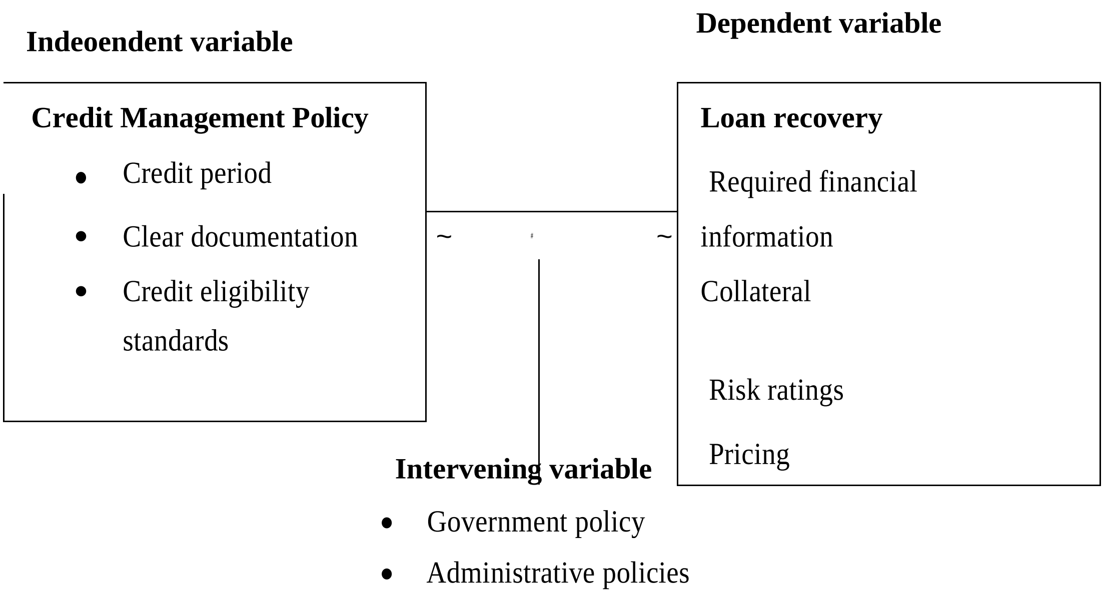


Fig. 1; shows the conceptual frame work

CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

This chapter covers extract from other researcher's literature relevant to the research problem under study. It will be studied and analyzed to stimulate specific questions regarding credit management policy and loan recovery. The review will be sub- divided into different sections namely; credit management policy, loan recovery and the relationship between credit management policy and loan recovery.

2.2 Credit management policy applied in financial institutions

Credit management policy is defined as an institutional method of analyzing credit request and its decision criteria for accepting or rejecting application (Education Minister 1980: 197).

Kakuru (1998: 197) defines credit management policy as asset of rules and guidelines to minimize the costs related with credit while maximizing the benefit from it. These polices are imposed by the people within the organization in order to run their day- today management of credit policies. Menallghton (1996:316) noted that a good credit management policy is written down to ensure operational consistency and adherence to uniform and sound practice. It establishes a common credit language through an organization which is critical to participate consistency and continuance and as institution grows diversity and delegates lending authority and responsibility. A good credit policy should involve effective initiation, analysis credit monitoring and evaluation.

Robinson Report on micro- Finance revolution vol.1 (1994) defines a loan as a process by which credit is extended to other people (customers) which may take a long term (more than one year) or short term (less than one year).Loan recovery in micro finance institution performance amount due to the amount repaid by customers expressed as recovery rate delinquency (Stern 1991 :36). Micro- finance institution (MFI) also having a major objective of promoting a regular flow of capital into places where formal commercial lenders do not reach.

According to MC cord (1998:30 I) many micro finance institution have disapproved the motion that borrowers in poor neighborhood cannot be relied on to pay their loan. This makes them more willing to give those they don't have sufficient information about their customers other activities Myres (1998: 202) customers are always unsatisfied by one micro finance institution. They receive credit form different sources hence creating serious risks for all to participate. There is a criteria used to decide a type of client to whom loan should be extended or given.

Kakuru (1998: 139) noted that it is important that loan standards should be set basing according **on** the individual credit application by considering collateral security character assessment,
conditions and capacity and capital.

Credit terms involve both the length of credit period and discount rate given. Van Home (1994: **93).** Myres (1998:212) including the amount to evidence the credit the terms of the credit refers **to** the decisions relating to loan size, security on loan, loan minimizing balance and cost of credit. The loan amount recommended by credit and repayment in women's scale enterprises must be not be too little to satisfy the projects needs to borrowers (Girma 1996:32)

New Vision (2003) shows that the establishment of micro finance institution in rural areas aims **at** targeting the poor and deprived people as of this a number of credit programmes through micro finance institution targeting the poor are being implemented and support by the donor and
government of Uganda.

Nanyondo (2006: 10) the micro finance support centre limited through partner organizations. MFis enable targeted groups across the country access credit; financial services delivered to economically active poor Ugandans through viable partner organizations for example saving and credit co-operatives society. Kasente (1992:32) asserts that a credit facility is one component of financial services where people access money to meet their various requirements and repay according to the lenders requirement.

Schmidt (2001) a lender cannot be fore hand tells the difference between good and les good borrowers and must set uniform interest rate for his credit offer. In order not in covering rations his loan according to criteria such as reputation collateral security, and business volume small borrowers remain excluded from formal bank loan even if they could be and prepaid to bear cost covering terms. This statement shows that rural people are excluded and limited from accessing credit facilities from micro finance institutions.

New Vision (2006) shows that the association of Micro Finance Institution in Uganda (AMFIU) asserts that it has spent 10 years helping the poor to access credit facilities focusing on provision of financial services to the disabled and the rural people.

23Loan recovery in micro finance institutions

Repayment rate measures the amount of payment received with respect to the amount due.

Portfolio quality ratios; involves the arrears rate portfolio risk and the ratio delinquent borrowers. The arrears ratio rate shows how much of the loans have become due and has not **been** received. Portfolio rate refers to the outstanding balance of all loans that have an amount **due.** Delinquent borrowers determine the number of borrowers who are delinquent relative to the volume of delinquent loans.

Profitability ratio measures on micro finance institutions net income in relation to the structure **of** its balance sheet. This helps investors and managers determine whether they are earing an adequate return on funds invested in the microfinance institutions. Productivity and efficiency ratios provide the information about the rate at which micro finance institutions generate revenue to cover their expenses. Productivity ratio focuses on the productivity officers because they are primary generators of revenue. The ratio includes;

Number of active borrowers per credit officer (performing assets).

Total amount disbursed in the period per credit officer. Portfolio

outstanding per credit officer (Non performing assets)

Efficiency ratios measure the cost of providing loans to generate revenue; these are referred to as operating costs and should include neither financing costs nor loan loss provisions.

Scale and depth of outreach, Microfinance institutions collect data on their clients base both the scale of their activities (number of clients served with types of instruments) and the depth of outreach (type of client reached and their level of poverty).

Outreach indicators include; number of active borrowers, total balance of outstanding loans average outstanding, real annual average growth rate of loans outstanding during the past years loan size, average minimum and maximum, average disbursed loan size, average standing raters, average loan term, nominal interest rates, effective annual interest rates, **value of** loans per staff member and number of loans per staff member.

Robinson M.S report on microfinance revolution Volume I (1994) defines a loan as an **extension** of credit to another person (client) which maybe long term (more than a year) a **short** term (less than a year).

Breth (1999) stated that before a deal **in** signed a loan application is to be completed. This ovides risk protections by enabling the lending institutions to follow up when the borrowers fail to honor the agreement.

FT report (2000) shows that micro finance institutions have tried as much as possible to move to poor rural areas out of poverty through provision of conducive loans for productive consumption and emergency purpose provision of loans to both husband and wife for their separate business.

world Bank (2000) shows that access to credit services may be constrained by lack of effective dissemination that non existence of services; poor accessibility to financial services from MFI is partly attributed to poor sensitization.

Nasasira (2001: 169) shows that some Micro finance entrepreneurs solicit for loans from more han one MFis which will not only put the borrowers under a lot of pressure to pay back but also eaves him/ her with almost no time to concentrate on his/ her work. Such micro entrepreneurs end up failing to cover their operational costs and at the end, they use the borrowed funds from one MFI to pay the interest and principal of the loan from another.

New vision (2005) states that the government has marked 20 billions shillings to be given to the public as loans through Micro finance banks that year and it explains that the supervisory team will be set up to ensure effective delivery of the funds to beneficiaries. This shows that rural areas are also given credit facilities as loans.

Ray (1998) says that most of MFis sponsored by government and donors help the poor who have gone beyond their missions and thus concentrated on commercial basis for profitability. This shows that they give credit to only elite class and rich thus denying the poor people a chance to access credit due to lack of collateral security. This also attributes to the myth that poor people se bad borrowers. Dunn (1996) thus limiting them to access credit form MFI's.

Odwong (1997) shows that there is need to have strict enforcement of loans recovering. He emphasizes by adding that the culture of repayment of loans is instilled in all borrowers so that the loans are not treated as doles and this limits the rural people to access loans due to policies by

FIs.

The arrears loan has become due and has not been received Myers (1998:212) portfolio role refers to the outstanding balance of all loans to have been an amount due to delinquent borrowers who are delinquent relative to the volume of delinquent loans.

Profitability ratio helps investors and managers to determine whether they are earning at an adequate return on the funds invested in MFl's. Productivity and efficiency ratio provides information about the rate of which MFI's generate revenue to overcome their expenses, productivity ratio focuses on the revenue.

Tushabomwe (2003), efficiency ratios measures the cost of providing services (loans) to generate income. These are referred to as operating costs and should include either financing costs not less provisions. The ratio includes rate in some institutions is fixed on the bank base rate. The decision in favor of a fixed or floating rate for a given loan depends on the view of both the borrower and the lender concerning future rates. The fixed rate enables the borrowers to know their interest cost in advance rate fixed according to the economic condition in each country however, the countries where government policy control interest rate fees are used more often to cover costs (Ottoman 2000).

2.5 Relationship between customers' credit management policy and loan recovery.

Good credit management provide the institution with a reasonable and adequate return on loans and capital employed primarily through improvement in operations efficiency this generates adequate internal resources to finance the institution's growth (Pandey, 2000).

The institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers such standards will result in no bad debt losses and less cost of credit administration (Pandey, 2000).

iv.

Pandey (1995) stressed that credit standards are criteria for selecting customers for credit; e fund may have higher credit standards that is extending loans to selected customers with god reputation or record. On the other hand customers have to be evaluated to see if they meet e standards set by the management before loans are extended to them. However, (Van

..z:ne, 1995) states that when an institution extends loan to only strongest customers, it will ever have bad losses and will incur fewer administration expenses.

hen borrowers are given small amount of money it will not be sufficient for business perations yet given too much money it is spent on non productive activities causing high non ian repayment. The credit manager should check on the amount the customer is demanding for,

hether it is too much or little. The chartered of bankers and lending text (2002) advises lending nstitutions on the amount to give a borrower.

Collection efforts determine the actual collection period of the loan (Pandey, 2000) it is the supervision of the credit loans. The policy refers to procedure an institution or firm follows to obtain payment of past due. It may involve sending a letter to such clients when they are for nstance, ten days past due data or phone calls, if payment is not received with thirty days court action may be taken. Collection procedures are needed because some clients do not pay their dues in time if firms carry out this policy, it will quicken recovery portfolio and hence reduce bad debts.

However, it may not guarantee full recovery because some clients are slower in repayment while others never pay (Pandey, 1992). Credit policy decisions are based solely on borrower's will and ability to recover loans, the amount of loan is therefore based on the client's needs and assessed loan recovery ability of the enterprises.

Pandey(1995: 135) says that credit standards are methods for selecting its customers for loan. The credit is given to selected customers with good record/ reputation. On the other hand, it may have lost standards which may allow many credit customers both cases, customers have to be evaluated to see if they can meet the objectives set by the organization before credit is extended to customers.

However Vein home (1992:312) states that when an organization extends credit to only the strongest customers. It will never have bad debts and it will incur administrative expenses. When v.

7e borrowers are given small amounts of money, it will not be enough to the business but when gven too much money, they will spend that money on non productive activities causing high

non- loan repayment.

The credit managers and loan officers should check on the amount demanded by the customers ether it is too much or little. The chartered institute of bankers, lending text (2002) advises iding organizations on the amount to be given to the borrower.

ection efforts determine the actual collection period of the loan. Pandy (1992: 492) MFis get _ normal interest rate to customers but incurs like penalties on default, transports, time and meetings. Mandatory savings that may eventually fail the customer to pay at the end of the **erod** given for the loan.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction

This chapter was focused on the research design, area of the study, population of the study, sample size and sample selection technique, sources of data, data collection instruments, research rocedures data analysis and limitation of the study.

3.2 Research design

The study used a cross sectional research design that utilized both qualitative and quantitative data analysis. Denscombe (2005), defined that a cross-sectional design research design is a research plan that is concerned with systematic description of the characteristics of an event, place, population or item being studied at a given time. The design allowed accessing respondents from various sections of the population. The descriptive research was most desired tecause the research was based on use of questionnaires, interview guide and interpretation of the problem under study. Qualitative approach was used because it helped to view comprehensively and in detail the available data from the questionnaire.

3.3 Area of the study.

The study was carried out in Unique Sacco in Kabale Municipality Central Division Kabale district. Unique Sacco is located in Kabale municipality along Kabale Kisoro road near highland hotel.

3.4 Study population

The population of the study consisted of the top management of the Unique Sacco that is the manager, cashier, an accountant, loans officer, shareholder management, employees and customers. Therefore this constituted of 55 respondents as indicated in Krejcie and Morgan 1970 in appendix V.

3.5 Study sample and sampling technique

The study consisted of 50 respondents representing the entire population of unique Sacco.

This included 9 members of the top management that was the managers, one accountant, 3 cashiers, 4 loans officers and 33 clients.

vi.

The researcher used purposive sampling to select the top management team that was manager, an accountant, cashiers and loans officers while simple random sampling technique was used to select clients. These methods were considered to be simple and easy to use cost effective and convenient to the researcher.

he sample size was selected from the whole population which was as follows 1 cashier, 2 loans fficers, 16 share holders, 5 members of top management and I accountant.

Table 3.1: Population and Sample Size

Subject	**Population**	**Sample**
op management	9	5
Cashiers	3	1
Loans officers	4	2
Clients	33	16
Accountant	l	l
Total	**50**	**25**

Source : Data 2021

3.6 Procedure for data collection

The research instrument started by preparing the measuring research instructions which included questionnaires, observation schedule and interview guide. The research supervisor was first scrutinized the research tools for perfection, the instructions were put to pilot test using other respondents.

Data collection from the staff including both senior and junior managers using the ·consulted questionnaire guide took immediate effect and interviews were also carried out.

3.7 Data sources

There are two types of data that was used by the researcher during the study. These include both primary and secondary sources of data collection.

3.7.1 Primary data

It involved the researcher going into the field to get information related to the study from difference respondents, primary data provides first hand information that was needed by the researchers and terms was carefully be defined so as to avoid humanity possible misunderstandings.

3.7.2 Secondary Data

This type of data was obtained from already collected data from news papers, reports, journals and magazines. This type of data was helpful in compiling large amounts of data. However, it's liable to exaggeration by many scholars.

3.8. Data collection instruments/ methods

Data from the field was obtained by the use of interview guide questionnaire and observation.

3.8.1 Interview guide

This is a dialogue between the interviewer and the interviewee (researcher and the respondent) in an organized manner / conversation aimed at gathering information about a particular topic from a person of authority from the field of study. Here the research set questionnaire from the interview guide. The researcher adopted this method because it gave more elaboration on answers given and more information was obtained from respondents.

Oral interview was also conducted to collect more data to supplement data was obtained from the questionnaire and interview is mostly conducted to key respondent who are considered are more knowledgeable about the problem under study. This method was chosen because it procures high resource rate.

3.8.2 Questionnaire

The researcher set questions and answers of yes/ no alternatives that were filed in by the respondents. The questions were designed in an open and close format short and straight forward method. Questionnaires were taken physically by the researcher to reduce costs and avoid non response.

This method was preferred because it was more convenient to the respondent, cover a large area and population in a very short period of time. This meant the researcher would increase the size vii.

of her population. The researcher made the sample larger, hence stand a chance of making and producing reliable results.

3.8.3 Observation

This relied on the researchers seeing, testing and smelling things and does not depend on getting information through someone else. The researcher to some point used observation method in collecting data. This was done through standing and watching how transactions were made between the staff and clients that are through banking and withdrawing of money by the clients of the institution. This method helped the researcher to get first hand information.

3.8.4 Documentary

The information presented by the researcher was got from the internet, news papers, magazines, from different scholars, books, and from the field.

1.9. Validity and Reliability oflnstrument

Validity of Instrument

Validity of instruments refers to the extent to which an instrument is truly measuring what is intended to measure (Amin, 2005). Adequate measures was taken to ensure that the questionnaire fulfill content validity. To ensure that the instrument collects data as per its intention, the researcher distributed copies to experts including the supervisor and colleagues with more experience to rate the valid items in the questionnaire.

Reliability of the Instrument

Reliability refers to the degree to which an instrument consistently measures what it is supposed to measure. Therefore, before the instrument was used, a pilot study was conducted in a location different from the actual area of study. The results from the pre-test then was substituted with the final findings using Pearson's Correlation Coefficient formula. According to Amin (2005) reliability is the dependability of the instrument so that it should consistently measure what it is

intended to.

3.10 Data processing

Data was collect by use of questionnaire and interview guide was processed through three stages.

,

3.10.1 Editing

This was done by scrutinizing the data at an earlier stage to detect errors omission and inconsistencies before data is tabulated and each individual schedule was checked in detail to certain whether it had been answered in full and accurately.

Editing of data was done by filling the missing information gaps which helped to correct any error for the purpose of uniformity consistency completeness and accuracy.

3.10.2 Coding

This will involve assigning and categorizing that data (answers) in codes to eliminate looping of facts.

3.10.3 Data analysis

After gathering all the information using the relevant research instruments data was arranged and put into different categories for easy interpretation. It was tabulated and be analyzed using tables, graphics and charts. Percentages were calculated which was a basis for drawing meaningful conclusions.

Before tabulating, the researcher first classifies the collected data before presenting it in its final form. Classification is the process of relating the separate item within the mass of collected data. This established the kind of relationship between dependent and independent variables.

The formula was used as it is below;

$$X^2 = \sum_{i=1}^{r}\sum_{j=1}^{c}\left[\frac{\left(O_{ij} - E_{ij}\right)^2}{E_{ij}}\right]$$

X^2 = chi square

i= Variation from 1 tor

j = Variation from 1 to c O,=

observation frequency

E, = Expected frequency

Expected frequency (f) will be obtained using the formula; $E =$

$$E_{ij} = \frac{RowTotal - columnTotal}{GrandTotal}$$

This level of significance was determined between the two studied variables or interest at the end of the calculation.

3.11. Limitations of the study.

False information from the respondents was an expected limitation. However the researcher tried to convince respondents that the information needed was for academic purpose.

The researcher speculated that some respondents are likely to refuse to give data because of being stubborn and they thought that the researcher was trying to spy on activities. However the researcher tried to give through explanation about the purpose of carrying out the study.

Lack of information from respondents who did not give relevant information as needed. However, the researcher spent more time because of reluctance of respondents in filling the questionnaire thus made the data collection so slow and difficult. The researcher created good communication skills to alert the respondents.

The researcher faced financial problem. The research process required a lot of funds to cater for various items and activities like transport, stationery. However the researcher ensured that enough funds were mobilized early enough.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF STUDY FINDINGS 4.0

4.0 Introduction

This chapter presents the study findings as collected from the field study that was set out to determine the impact of auditing on fraud prevention in Kabale District Local Government.

The study was guided by the following objectives: to establish credit management policies applied by Unique Sacco Kabale municipality, to determine the rate of loan recovery in micro finance institutions, to establish the relationship between credit management policy and loan recovery at Unique Sacco.

4.1 Background information of the respondents

The qualified demographic characteristics of the respondents included gender, age, marital status and level of education. The researcher managed to issue out questionnaires, conducted interviews and carried out observations during the collection of data for the study.

The researcher collected data from the unique Sacco staffs. The researcher distributed 50 questionnaires to the respondents and all questionnaires were returned to the researcher.

4.1.1 Gender composition of the respondents

Table 1: Showing gender composition of respondents

Gender	**Frequency**	**Percentage (%)**
Male	41	82
Female	09	18
Total	**50**	**100**

Source: Field data, December 2021

As illustrated in table 1, the study found out that the majority of the respondents were male as compared to the female. The number of males who participated in the study was represented 41 (82%) as compared to less number 09(18%) of the female respondents.

4.1.4 Age composition of respondents

Table 2: Age composition of the respondents

Age range	**Frequency**	**Percentage (%)**
Below 30	02	04
30 -40	15	30
40- 50	23	46
51 & above	10	20
Total	**50**	**100**

Source: Field data, December 2021

The table above 2 shows that most of the respondents were between the ages of 40- 50 accounting for 23(46%). This implied that were likely to understand better the impact of audit and fraud prevention. The other category of the respondents were in the age range of 30 -40 as reported by 15(30%) of the study respondents and these respondents' views were very important for the study as most of them were participating in the determining the impact of auditing and fraud prevention in Kabale district.

More, 10(20%) of the study respondents were in the category age of 51 & above while 02(04%) of the respondent were below 30 years as these were of the least in number. The age composition of the study respondents could therefore be important in determining the audit and fraud in Kabale District.

4.1.2 Marital status of the respondents

Table 3: Showing marital status of the respondents

Marital status	**Frequency**	**Percentage** (%)
Married	29	58
Single	19	38
Separated/divorced	00	00
Widowed	02	04
Total	**50**	**100**

Source: Field data, December 2021

As seen in the table 3 above, majority of the study respondents constituting 29(58%) were married and these were followed by respondents who were single as reported by 19(3 8%) of the respondents finally 02(04%) were widowed as non of the study respondents reported to fall under the category of Separated/divorced. All these respondents of the study regardless of their status were willing to provide the information that was required by the study that helped in understanding the study problem that was under research. The gender distribution of the respondents implied that most of the people participating in Unique Sacco in Kabale Municipalityare stable with families as they cannot easily leave their areas of operation in the process of providing their services to Unique Sacco in Kabale Municipality.

4.1.3 Level of education of respondents

Table 4: Showing level of education of the respondents

Level of education	**Frequency**	**Percentage** (%)
Certificate	05	10
Diploma	26	52
Degree	11	22
Masters	08	16
Total	**50**	**100**

Source: Field data, December 2021

The table 4 above shows that most of the respondents had diploma as their level of education with 26(52%), followed by 11(22%) of the study respondents who had degree, then 8(16%) of the respondents had masters, finally 05(10%) of the respondents who cited that had certificate. The study on further understanding showed that all the study respondents who had attained diploma and degree were mostly people in the auditing as some were also performing differing tasks like conducting books of accounts. This is a manifestation that the information was from literate people and who understood the relationship between the study variables.

4.2 The credit management policies applied by Unique Sacco Kabale municipality

The study objective one was set to find out the credit management policies applied by Unique Sacco Kabale municipality. According to the study findings, all (100%) of the respondents were able to understand the credit management policies were applied d as none of the study respondents was able to reveal of not understanding the same study variable.

Table 5: Credit management policies applied by Unique Sacco Kabale municipality

Credit management policies applied	Yes	No	Frequency	Percentage (%)
Credit terms involve both the length of credit period and discount rate given	40(80%)	1020%)	50	100
The loan amount recommended by credit and repayment	23(46%)	27(54%)	50	100
Offering uniform interest rate for the credit offer	17(34%)	33(66%)	50	100
Collateral security for covering rations	21(42%)	29(58%)	50	100
Borrowers remain excluded from formal bank loan	50(100%)	00(00%)	50	100

Source: Field data, December 2021

As illustrated in table 5, the researcher sought to know the Credit management policies applied due to credit terms involve both the length of credit period and discount rate given. This was answered by the respondents views, as indicated in the table 4.6 above as 40(80%) were in agreement as compared to the least of number of the study respondents cited by 10(20%) who were in a disagreement with the statement that credit management policies are applied due to credit terms involve both the length of credit period and discount rate given.

Results from respondents' views also indicated 27(54%) of the respondents disagreed with the statement that Credit management policies applied due to the loan amount recommended by credit and repayment and 23(46%) responses of agreement of which male respondents indicated as the majority. This was in agreement with the Myres (1998:212) including the amount to

o

evidence the credit the terms of the credit refers to the decisions relating to loan size, security on loan, loan minimizing balance and cost of credit. The loan amount recommended by credit and repayment in women's scale enterprises must be not be too little to satisfy the projects needs to

borrowers

The study findings as in table 5 indicate that most of the respondents disagreed with the statement that Credit management policies applied by Unique Sacco due to the offering uniform interest rate for the credit offer as it was reported by 33(66%) of the respondents. However, the least 17(34%) of the respondents agreed with the same statement.

The findings showed that 21(42%) of the respondents agreed credit management policies applied by Unique Sacco because the collateral security for covering rations while 29(58%) of the number of respondents disagreed with the statement.

Lastly, the researcher also sought to understand whether credit management policies applied because the borrowers remain excluded from formal bank loan. Results from respondents' views indicated 50(100%) of the respondents agreed while none of the respondents disagreed with the statement. These study findings showed that credit management policies applied because the borrowers remain excluded from formal bank loan.

4.3 The rate of loan recovery in micro finance institutions

Table 6: Showing the rate of loan recovery in micro finance institutions

Rate of loan recovery in micro finance institutions	Number of Respondents	**Percentage%**
Profitability ratio	4	8
Efficiency ratios	2	4
Total balance of outstanding loans average outstanding	3	6
Real annual average growth rate of loans	6	12

Productivity and efficiency ratios	2	4
Provision of conducive loans for productive consumption and emergency	3	6
Aid from the government	30	60
Total	**50**	**100**

Source: Field data, December 2021

According to table 6 above, it was found out the rate of loan recovery in micro finance institutions and the findings showed that profitabi lity ratio show the rate of loan recovery and this accounted for 4(8%) of the number of respondents. Respondents agreement that profitability ratio measures on micro finance institutions net income in relation to the structure of its balance sheet. Respondents further agreed that this helps investors and managers determine whether they are earning an adequate return on funds invested in the microfinance institutions. Productivity and efficiency ratios provide the information about the rate at which micro finance institutions generate revenue to cover their expenses. Productivity ratio focuses on the productivity officers because they are primary generators of revenue

Other respondents who were interviewed by the researcher noted efficiency ratios also shows rate of loan recovery in micro finance institutions and this accounted for 2 (4%) of the total respondents.

Basing on the study findings, it was also revealed that total balance of outstanding loans average outstanding determines the rate of loan recovery and this was accounted by 3(6%) of the total respondents. Respondents agreed that efficiency ratios measure the cost of providing loans to generate revenue; these are referred to as operating costs and should include neither financing costs nor loan loss provisions

6(12%) of the total respondents reported that real annual average growth rate of loans also show the rate of loan recovery in Saccos. Respondent agreed that the outreach indicators include; number of active borrowers, total balance of outstanding loans average outstanding, real annual average growth rate of loans outstanding during the past years loan size, average minimum and maximum, average disbursed loan size, average outstanding raters, average loan term, nominal interest rates, effective annual interest rates, value of loans per staff member and number of loans per staff member

2(4%) of the total respondents reported that productivity and efficiency ratios shows the rate of loan recovery. While 3(6%) of the total respondents interviewed revealed that provision of conducive loans for productive consumption and emergency acts as means to show the rate of loan recovery. Respondents agree that outreach indicators include; number of active borrowers, total balance of outstanding loans average outstanding, real annual average growth rate of loans outstanding during the past years loan size, average minimum and maximum, average disbursed loan size, average outstanding raters, average loan term, nominal interest rates, effective annual interest rates, value of loans per staff member and number of loans per staff member.

Finally, the findings revealed that aid from the government is another way of revealing the arte of loan recovery in Saccos and this was accounting g 30 (60%) of the number of respondents. Respondents agreed that most of MFis sponsored by government and donors help the poor who have gone beyond their missions and thus concentrated on commercial basis for profitability. This shows that they give credit to only elite class and rich thus denying the poor people a chance to access credit due to lack of collateral security.

4.4 Relationship between customers' credit management policy and loan recovery

Table 7: Showing the relationship between customers' credit management policy and loan recovery

Relationship between customers' credit management policy and loan recovery	Frequency	Percentage(%)
Good credit management provide the institution with a reasonable and adequate return on loans	10	28
Credit standards are criteria for selecting customers for credit	10	24
Borrowers are given small amount of money it	07	14

will not be sufficient for business operations		
Institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers	05	16
Credit manager should check on the amount the customer is demanding	07	14
Collection efforts determine the actual collection period of the loan	02	04
Credit standards are methods for selecting its customers for loan	4	08
Organization extends credit to only the strongest customers	2	04
Credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little	3	6
Total	**50**	**100**

Source: Field data, December 2021

The findings in table 7 shows that of the respondents covered by the study majority good credit management provide the institution with a reasonable and adequate return on loans as one of relationship between customers' credit management pol icy and loan recover accounting to 10 (28%) of the study respondents. Respondents were in agreement (Pandey, 2000) who revealed that Good credit management provide the institution with a reasonable and adequate return on loans and capital employed primarily through improvement in operations efficiency this generates adequate internal resources to finance the institution's growth.

12(24%) of the number of respondents mentioned Credit standards are criteria for selecting customers for credit as one of the Relationship between customers' credit management policy and loan recovery. Respondents were in agreement with Pandey (1995) who stressed that credit standards are criteria for selecting customers for credit; the fund may have higher credit standards that is extending loans to selected customers with good reputation or record. On the other hand customers have to be evaluated to see if they meet the standards set by the management before loans are extended to them

Further more, 07 (14%) of the respondents that revealed that borrowers are given small amount of money it will not be sufficient for business operations related to customers' credit management policy and loan recovery . respondents agreed that when borrowers are given small amount of money it will not be sufficient for business operations yet given too much,money it is spent on non productive activities causing high non - loan repayment. The credit manager should check on the amount the customer is demanding for, whether it is too much or little.

The study findings also showed 07(14%) of the study respondents each who agreed that Fraud policies should be reviewed. Respondents further recommends that fraud policies should detail the ethical standards your employees and political contributors are expected to adhere to. Fraud policies should be written and should discuss rules concerning outside employment in relation to conflicts of interest, appearance of impropriety

The study findings also showed 7(14%) of the number of respondent revealed that Credit manager should check on the amount the customer is demanding. Other 05 (16%) of the number of respondents revealed that Institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers. Respondents agreed that the the institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers such standards will result in no bad debt losses and less cost of credit administration. This was also in agreement with Pandey (2000).

Other respondents mentioned that credit manager should check on the amount the customer is demanding t. respondents agreed that credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little. The chartered institute of bankers, lending text (2002) advises lending organizations on the amount to be given to the borrower.

The finding further revealed that 2(04%) of the total respondents mentioned collection efforts determine the actual collection period of the loan. Respondents were in agreement Pandy (1992) Who revealed that collection efforts determine the actual collection period of the loan. He further reported that MFis get only normal interest rate to customers but incurs like penalties on default, transports, time and meetings. Respondents further agreed that mandatory savings that may eventually fail the customer to pay at the end of the period given for the loan.

Lastly, 2(4%) of the respondents revealed that Credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little is related to relationship between customers' credit management policy and loan recovery. Respondents agreed that credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little. The chartered institute of bankers, lending text (2002) advises lending organizations on the amount to be given to the borrower.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS 5.0

Introduction

This chapter contains summary of the study findings, conclusions, recommendations and suggestions for further studies. The summary of the study findings, conclusions and recommendations were done in accordance to study objectives as follows.

5.1 Summary of the study findings according to objectives

Basing on objective one; the study showed that the credit management policies applied by Unique Sacco Kabale municipality include; credit terms involve both the length of credit period and discount rate given, the loan amount recommended by credit and repayment, offering uniform interest rate for the credit offer, collateral security for covering rations, borrowers remain excluded from formal bank loan. These study findings can be compared with the Myres (1998) including the amount to evidence the credit the terms of the credit refers to the decisions relating to loan size, security on loan, loan minimizing balance and cost of credit. The loan amount recommended by credit and repayment in women's scale enterprises must be not be too little to satisfy the projects needs to borrowers.

Basing on objective two; the study findings indicated that rate of loan recovery in micro finance institutions. These include profitability ratio, efficiency ratios, total balance of outstanding loans average outstanding, real annual average growth rate of loans, aid from the government, provision of conducive loans for productive consumption and emergency, productivity and efficiency ratios. This was in agreement with respondents who explained that profitability ratio measures on micro finance institutions net income in relation to the structure of its balance sheet. Respondents further agreed that this helps investors and managers determine whether they are earning an adequate return on funds invested in the microfinance institutions. Productivity and efficiency ratios provide the information about the rate at which micro finance institutions generate revenue to cover their expenses. Productivity ratio focuses on the productivity officers because they are primary generators of revenue

Basing on objective three; The study findings indicated that there is a relationship between customers' credit management policy and loan recovery as none of the study respondents was able to disagree with the same statement. The study on further findings established the Relationship between customers' credit management policy and loan recovery as good credit management provide the institution with a reasonable and adequate return on loans, credit standards are criteria for selecting customers for credit, borrowers are given small amount of money it will not be sufficient for business operations, credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little, credit manager should check on the amount the customer is demanding, collection efforts determine the actual collection period of the loan, credit standards are methods for selecting its customers for loan, organization extends credit to only the strongest customers, institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers. The findings were in agreement with agreement with (Pandey, 2000) who revealed that Good credit management provide the institution with a reasonable and adequate return on loans and capital employed primarily through improvement in operations efficiency this generates adequate internal resources to finance the institution's growth.

5.2 Conclusions

The findings concluded that credit management policies were applied by Unique Sacco Kabale municipality include; credit terms involve both the length of credit period and discount rate given, the loan amount recommended by credit and repayment, offering uniform interest rate for the credit offer, collateral security for covering rations, borrowers remain excluded from formal

bank loan

In addition, it is concluded by showing the rate of loan recovery in micro finance institutions. These include profitability ratio, efficiency ratios, total balance of outstanding loans average outstanding, real annual average growth rate of loans, aid from the government, provision of conducive loans for productive consumption and emergency, productivity and efficiency ratios.

Lastly, the study concludes revealing the relationship between customers' credit management policy and loan recovery as good credit management provide the institution with a reasonable and adequate return on loans, credit standards are criteria for selecting customers for credit, borrowers are given small amount of money it will not be sufficient for business operations, credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little, credit manager should check on the amount the customer is demanding, collection efforts determine the actual collection period of the loan, credit standards are methods for selecting its customers for loan, organization extends credit to only the strongest customers, institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers.

5.3 Recommendations

In light with the above study findings and conclusions, the following recommendations are made as under;

Taking into consideration the study findings, the following recommendations were established to improve on the level of loan recovery in Unique Sacco in Kaba le Municipality:

It's recommended that Unique Sacco should redesign its credit policy so as to make credit management more effective to reduce on loan losses and write offs.

In order to enhance loan recovery and reduce loan default, Unique Sacco should devise means of motivation and facilitation of the staff because the respondents cited uncommitted management, unsequenced and unqualified staff as problems that can be linked with ineffective credit management and this consequently affects the level of loan recovery.

To address the problem of loan default due to inadequate documentation of customers the bank should ensure constant training of the staff and ensuring that the lending procedures are properly documented and understood by every credit officer,

The researcher also recommends that Unique Sacco should give incentives to their customers like cash discounts to customers who pay back the loan in time, this will encourage customers to pay back loans promptly and reduce loan default and bad debts.

The institution should also consider regular monitoring and supervision and analysis of financial statements of the clients. Follow ups should be made at least once a month to identify problem loans in time and offer necessary advise to borrowers on how best to change deteriorating loans into good and repayable loans

To make clients appreciate the credit policies and recovery procedures. Unique Sacco has to educate the clients and also listen to their grievances. Education background was found out to have an impact on the client's understanding of policies and recovery procedures

5.4 Area for further research

1. Impact of credit ration in financial institution
11. Loan management and client satisfaction

REFERENCES

Association of Micro Finance Institution in Uganda report (2009), *The Uganda micro Finance journal* Mk publisher Kampala

Bangko M (2009) *Base line study of lending methodology of Micro Finance Institution in Uganda* sustainability and clients need.

Education Minister (20 l 0), *Erynery Vogel maximizing the out reach of Micro Finance Institution,* An analysis of successful micro finance program USAID Assessment report No 15.

Keith *(2006),The effect of Micro Finance Institution towards people's income,* UN published proposal MUBS Kampala Nayondo edition (2006)

Dumba Sentamu (1991), *Institution and rural development* in Uganda mac millian London. Girma G (1996), *Planning implementation and control marketing management* prentince hall news Jensey.

Kambabya olive (2002) *Micro credit taking Institution_new* Bank for micro Entrepreneurs' work shop Kampala.

Kakuru Julius (1998), *Micro Finance Institution activities in developed countries_research* observe World Bank vol.2.

Mc cords (1991), *Lesson from the grameen Bank of Bangaladesh Economic and Sociology occasional paper.*

Ministry of finance planning and economic development report (2001) vol.3, *Poverty eradication plan.* Kampala Uganda

Menaughton.L. (2016), Chemists for poor non-governmental Organization (NGOs) as *Financial Institutions, Cambridge* mass Action International.

Myres.H (2008), Reaching the poor through micro credit Institution, Bank of Uganda Journal.

Nasasira N (2001), is *Micro Finance in its presence from a vehicle for development?* **The** micro finance Kampala.

New vision *2/may/2006,_over 10 million Ugandan take loans from MF Is 10 years of helping the poor to access loans/credit_*

New vision 23 /august /2005; *The Government earmarked 20 million shillings to the public as loans.* Kampala Uganda

Pandy.I.M (2015), *Essence of Micro Finance in developing countries* 2" edition Pitman London. Robinson

report (2014), *Micro Finance loans and Development of Small business.*

Rutherfords *(2016),"Asserts that people do not save because of their reasons centered emergency loans.*

Stern N (2011), *Drop outs among Uganda's Micro Finance Institutions;* The Ugandan Banker vol.5.

Uganda Women Finance Trust report (2000), *Annual review performance.*

Van Home N (1994), *The Vast majority of first time business fail;* (monitor publication).

APPENDICES

APPENDIX I:

QUESTIONNAIRE FOR EMPLOYEE OF UNIQUE SACCO

SECTION A: BACKGROUND INFORMATION

Dear respondent,

The study seeks to establish the effect of credit management policy on loan recovery in micro finance institution in Uganda. A case study of Unique Sacco in Kabale Municipality. The information you are going to provide will be treated with confidentiality and your cooperation will be highly appreciated.

SECTION A

Demographic characteristics of respondents (Kindly tick where appropriately)

1. Sex of respondents

Male

Female

2. Age of respondent

Below 18 years 19-40

Above 40 years

3. Period of stay at unique Sacco

Less than 1 year

1-5 years

6-10 years

Above 10 years

4. Do you have a supervisory role at Unique Sacco?

Yes No

5. Level of management

Lower management

Upper management

None of the above

viii.

SECTIONB

CREDIT MANAGEMENT POLICIES APPLIED BY UNIQUE SACCO KABALE MUNICIPALITY

Where A=agree SA= strongly agree, DA= disagree, SDA= strongly disagree, NS= not sure

Credit management policies applied by Unique Sacco Kabale municipality	**A**	**SA**	**DA**	**SDA**	**NS**
Credit terms involve both the length of credit period and discount rate given					
The loan amount recommended by credit and repayment					
Offering uniform interest rate for the credit offer					
Collateral security for covering rations					
Borrowers remain excluded from formal bank loan					

Others specify

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………

SECTION C

THE RA TE OF LOAN RECOVERY IN MICRO FINANCE INSTITUTIONS

Where A=agree SA= strongly agree, DA= disagree , SDA= strongly disagree, NS= not sure

The rate of Loan recovery in micro finance institutions	**A**	**SA**	**DA**	**SDA**	**NS**
Profitability ratio					
Efficiency ratios					
Total balance of outstanding loans average outstanding					
Real annual average growth rate of loans					
Productivity and efficiency ratios					
Provision of conducive loans for productive consumption and emergency					
Aid from the government					

Others specify ....

SECTION D

RELATIONSHIP BETWEEN CUSTOMERS' CREDIT MANAGEMENT POLICY AND LOAN RECOVERY

Where A=agree SA= strongly agree, DA= disagree, SDA= strongly disagree, NS= not sure

Relationship between customers' credit management policy and loan recovery	**A**	**SA**	**DA**	**SDA**	**NS**
Good credit management provide the institution with a reasonable and adequate return on loans					
Credit standards are criteria for selecting customers for credit					
Borrowers are grven small amount of money it will not be sufficient for business operations					
Institution may have tight credit standards that it may extend loan to the most reliance and financially strong customers					
Credit manager should check on the amount the customer is demanding					
Collection efforts determine the actual collection period of the loan					
Credit standards are methods for selecting its customers for loan					
Organization extends credit to only the strongest customers					
Credit managers and loan officers should check on the amount demanded by the customers whether it is too much or little					

Others specify ....

……………………………………………………………………………………………

Appendix II
Interview guide

Dear respondent,

I am Muheirwe Syria a student of Kabale University carrying out a study on the credit management policy and loan recovery in Uganda. A case study of Unique Sacco. The information you are going to provide will be treated with confidentiality and your cooperation will be highly appreciated.

What credit management policies are applied by Unique Sacco Kabale municipality? What is

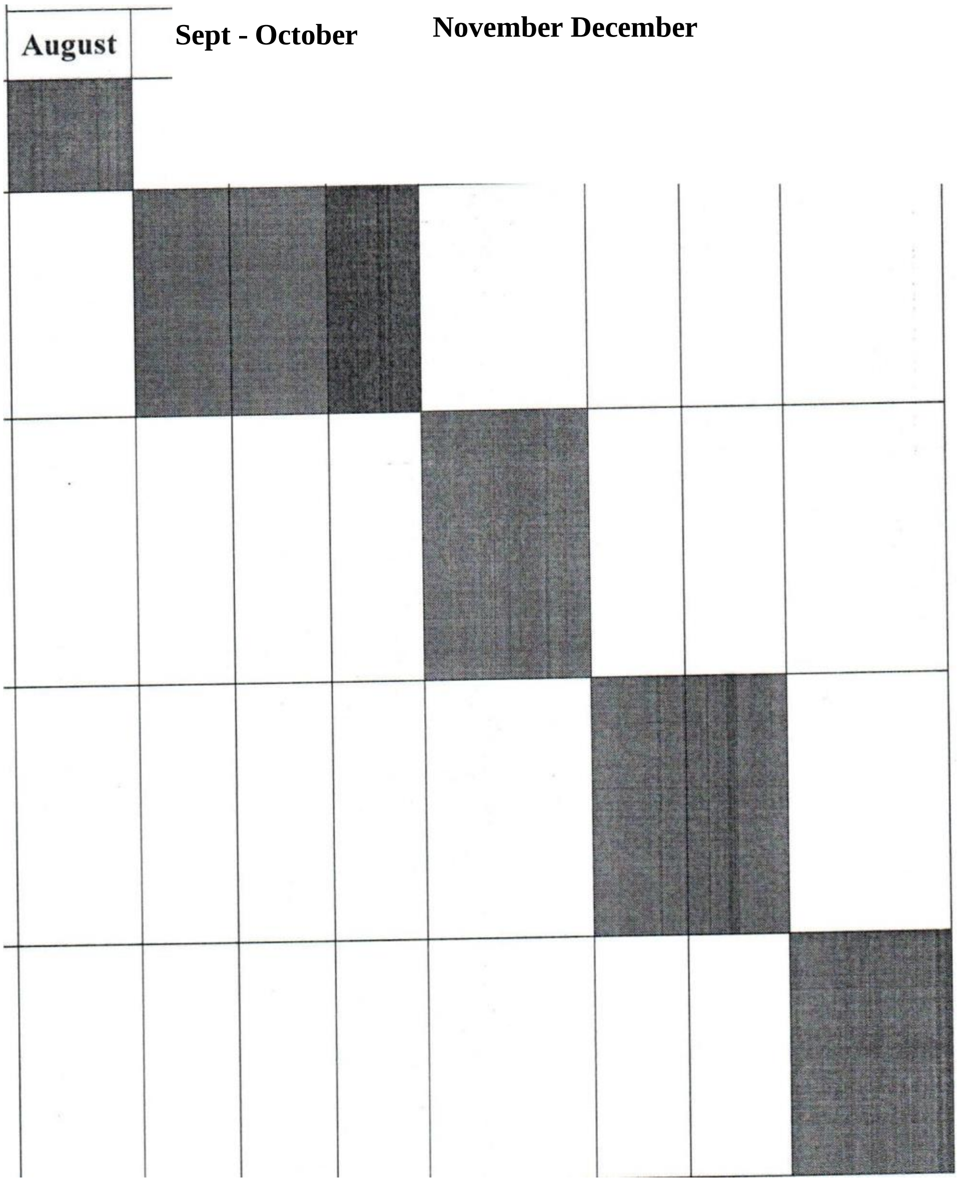
the rate of loan recovery at Unique Sacco Kabale municipality?

What is the relationship between credit management policy and loan recovery at Unique Sacco, Kabale municipality

ix. --·~ ---

APPENDIX III: WORK PLAN

MONTHS 2020- 2021



Activity

1 1draft of Research Prop.

2 2" draft of Research Prop.

3 Data collection

4 Research Report Writing

5 Final Report and submission

APPENDIX IV: BUDGET

ITEM	UNIT	COST PER UNIT	AMOUNT
Stationary			
Flash disk	1	40,000	40,000
Reams of Paper	I £	10000	10,000
Pens	1/2 dozen	5000	2,500
Internet cost		10000	10,000
Sub Total			**62,500**
Typing and photocopying			
Typing the final Research Report	1 draft		27,000
Printing and Binding	Final drafts		107,000
Sub Total	o		**134000**
GRAND TOTAL			**196,500=**

Appendix V

Krejcie and Morgan 1970 table for determining sample size of a population

N	S	N	S	N	S		S	IS	S
]O	:	100	81)	2$0	:€2	8◊0		.28Ct 0	
	0	110	86		:.65	850	2£5	3000	
20		no	92	300	169	900	25	3500	
25		no		320		950	17..;!	J.0l}-0	5
30			1.03	340		:00 0	27£	4501}	
35	32	150	:2$	360	186	1100	·2s 5	5000	
4 0	36	150	:.5	380		120 0	25:		3€:
45	4 0	no	!.18	400	1 %	BOO		7000	
50	4	1$0		420		i400	3.2		367
55	4 8	190	.2	440	2 5	i500			36S
60		200		460		160 0	JI(\	10000	
6 5	56	210	!36	480		1700		15000	:75
7 0	59	220		500		lSOIJ			
7 5	$3	230		550		l90CI			
80	0 6	240	l4S	600		2000		J.000-0	3SO
3 5		250		650		2200		50(/iOO	38 1
9-0		26-0	i55	700		2401}		75000	3$2
95	76	270		750		2600	335	1000000	3$

Note: N is Population Size; S is Sample Size *Source: Krejcie & Morgan, 1970*