BANK CREDIT AND LOAN REPAYMENT DURING COVID-19 IN KABALE DISTRICT: A CASE OF LYAMUJUNGU SACCO

BY

DICKY BYAMUKAMA

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MAY 2023

DECLARATION

I, **Dicky Byamukama,** declare that this research report is original and has never been submitted to any Institution of Higher Learning for any award.

Sign... Date.......................................

Dicky Byamukama
2020/A/MBA/1264/W

APPROVAL

This Research report titled, **"Bank credit and loan repayment during covid-19 in Kabale District: A case of Lyamujungu SACCO",** has been submitted for examination to Kabale University with my approval as a Research Supervisor.

1. Sign... Date..

Research Supervisor

Dr. Eton Marus

2. Sign... Date..

Research Supervisor.

Dr. Moses Agaba

DEDICATION

To the memory of my late dear parents, Elinah and Amos Katwesigye, who supported my childhood growth and studies; and to my beloved wife, Mrs. Fridah Byamukama, for the financial and spiritual support during the course of my study.

ACKNOWLEDGEMENTS

First and foremost, I thank the Almighty for allowing me to reach this far, particularly the completion of this research report.

In a special way, I wish to extend my sincere acknowledgement to my supervisor of Lyamujungu SACCO for having allowed me to go for further studies. I cannot take your grant for granted. Maximum respect to you!

Special thanks also go my academic supervisors, **Dr. Eton Marus and Dr. Moses Agaba,** for their parental advice, patience and commitment during my research report writing.

Finally my heartfelt thanks go my beloved respondents from Lyamujungu SACCO that presented maximum cooperation through responding positively to the study tools during the process of data collection. Without your input, this research would not have been a success.

May the Almighty God, the owner and giver of everything, reward you abundantly!

LIST OF ABBREVIATIONS

BOU	Bank of Uganda
CVI	Content Validity Index
DPF	Development Policy Financing
ET	Epidemiologic Transition
ILO	International Labour Organization
LCFSL	Lyamujungu Cooperative Financial Services Limited
MoFPED	Ministry of Finance, Planning and Economic Development
RDT	Resource Dependence Theory
SACCOs	Savings and cooperative society
VAT	Value added tax
WFP	World Food Programme
WHO	World Health Organization
OECD	Organization for Economic Cooperation and Development

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ABSTRACT

This study was conducted with the aim of investigating the impact of bank credit on loan repayment during COVID-19 at Lyamujungu SACCO. Three specific objectives guided this study that included: to establish the effect of borrower character on loan repayment during COVID -19 pandemic; to examine the effect of borrower's capacity to pay on loan repayment during COVID -19 pandemic; and, to establish the effect of borrower's credit period on loan repayment during COVID-19 pandemic at Lyamujungu SACCO. A cross-sectional survey design was used to examine, characterize, and compare bank credit and loan repayment in Kabale District using Lyamujungu SACCO as a case study. This was approached using qualitative and quantitative methods. With the help of a questionnaire and interviews, data was collected from 108 clients of Lyamujungu SACCO. In addition, interviews were conducted with the general manager, branch managers and loans officers. The collected data was cross-checked for errors of omission and completeness, coded and analysed using SPSS computer package. Data was presented in form of tables as frequencies, percentages, standard deviation, mean. Significance levels were determined for hypothesis. Results for the first study objective revealed that the outbreak of Covid-19 led to a drop in labour productivity growth (4.73, SD =.523), a major issue that affected borrowers' character in loan repayment. The second study objective revealed that SACCOs started giving less loans in comparison to what borrowers applied for (M=4.05, SD=1.256) and closed very early during Covid-19 pandemic (M=3.73, SD=1.378) all of which affected the borrower's capacity to repay loans. Finally, results on the third objective indicated that quarantine and social distancing which blocked financial opportunities (M=4.78, SD=.418), consequences that drove SACCO members into loan repayment failure (M=4.70, SD=.459) and loss of savings leading to absolute poverty (M=4.56, SD=.600) were the major factors that determined the borrower's credit on loan repayment during Covid-19 pandemic. Results from null hypothesis testing on the three items was rejected indicating borrower's character (.000), borrower's capacity (.040) and borrower's credit period (.001). Thus the study concluded that there is evidence to suggest that the distribution of the mean score of each of the three variables is not the same across the ability of the borrower to repay the borrowed loan. The study recommends SACCOs to seriously consider having in place effective credit standards, credit policy, credit terms and collection policies or procedures as mechanisms to guide their business, since the effectiveness of credit management is important to the successful management of banking institutions.

CHAPTER ONE

GENERAL INTRODUCTION

1.0. Introduction

This study examined the effect of bank credit on loan repayment rate during Covid-19 in Kabale District: A case of Lyamujungu SACCO. Bank credit was an independent variable while loan repayment rates were a dependent variable. Bank credit was measured by borrower's character, borrower's capacity to pay and borrower's credit period while loan repayment was measured by interest on loans reduced, loan rescheduling and economic factors. This chapter presents the study background, problem statement, objectives of the study as well as the significance of the study. It then presents the conceptual frameworks which links the study variables.

1.1 Background of the Study

1.1.1 Historical perspective

Savings and Credit Cooperatives, or SACCOs, have their origins in the cooperative movement of the late 19th and early 20th centuries. The first cooperative society was established in Rochdale, England in 1844, and this model soon spread to other countries, including Germany and Italy (Shiferaw, 2007).

In Africa, SACCOs began to emerge in the 1920s and 1930s, when European colonizers set up cooperative societies to provide basic financial services to their employees. After independence, many African countries continued to promote cooperatives as a means of economic development and poverty reduction (Odhiambo, 2016).

Today, SACCOs are a common feature in many developing countries, particularly in Africa, where they play an important role in providing financial services to low-income and marginalized communities. SACCOs typically offer savings and credit services, as well as other financial products such as insurance and investment opportunities. They are owned and managed by their members, who elect a board of directors to oversee the SACCO's operations (Okurut et al., 2014).

There is a widespread conviction in the modern world that SACCOs are one of the most effective development instruments for eradicating poverty by offering prompt, inexpensive, and dependable financial services to economically active low-income households (Bob et al, 2018).

Credit has always played a significant role in wealth creation since it encourages individual and small business self-sufficiency and community-wide economic growth (Salifu et al., 2018). Governments around the world have always had to deal with the difficulties of enabling the impoverished to contribute their part in economic progress.

Bob et al, (2018) bank credit is typically described as a loan granted to a customer for personal or business purposes, with or without a guarantee or security, with the intention of accruing interest on the principal at regular intervals. At the conclusion of the loan term, the main amount is reimbursed, as duly stipulated and stated in the loan covenant. Because there are not enough resources to meet all of the demands of today's society, we must borrow money to cover a variety of corporate, professional, and personal expenses. World over, SACCOs give borrowers bank credit so they can finish the necessary documentation for the bank. The relevant reference to interest rates and payback periods is made in the loan covenant (Enimu et al., 2017).

The bank must be given copies of your financial records, tax returns, and other paperwork thus the financial projections over the upcoming three to five years Changes are dependent on the loan type and the borrower. In fact, it is now widely acknowledged that SACCOs are a significant source of income and employment in many Third World nations. According to Katula and Kiriinya (2018), SACCOs help to meet the demands of rapidly expanding populations by manufacturing fundamental commodities and services including traditional meals, crafts, barbershops, and hair salons, which pay considerable workers' wages and provide them with jobs. Any loan that a SACCO extends must be repaid, and this is of utmost importance to these institutions. Every lender counts on the client they offer loans to make the agreed-upon payments for the principal and interest. To get cash for additional loans, SACCO rely heavily on loan repayment. To ensure that SACCO can continue to finance micro companies, SACCOs' sustainability and viability are crucial.

Saccos taking deposits are well known for helping to increase savings and direct credit. The cooperative movement in Kenya has around 5 million members, making it the largest in Africa in terms of both membership and financial liquidity (Said et al 2019). The Sacco movement in the nation is regarded as one of the greatest in Africa and has membership worth over one trillion Kenyan shillings. More than 30% of the nation's savings come from the cooperative movement. Over 61 per cent of the funds were mobilized by deposits-taking saccos, and over 68 per cent of the loans made by Saccos in Africa were advanced by them. Savings and Credit Cooperative Societies (Saccos) have been used by many Kenyans to pay for their socioeconomic obligations. Saccos that accept deposits are essential to the cooperative movement.

They command 82% of the sector's membership and 78% of the sub-total sector's assets and deposits. They play a crucial role in resource mobilization and financial inclusion, contributing 43% of Kenya's GDP. The DT-Saccos provide sustained Compounded Annual Growth Rates (CAGR) of 11.30% for assets, 10% for deposits, 11.52% for loans, and 16.96% for equity capital to the cooperative sub-sector. Given their extensive networks across the nation and their competitive goods and prices, Saccos will continue to play an important role in Kenya's financial inclusion agenda. Borrowing, saving, and credit Cooperative societies (DT-Saccos) are essential for increasing savings and directing credit, which is a major tenet of the Kenya Vision 2030s mobilization of savings and investments. Government-based, teacher-based, farmer-based, private institutions and community-based Saccos are the five primary categories into which Saccos functioning in the nation are divided. These categories were developed from the original common bond that determined the qualification of their membership. Saccos offer jobs and give the government money in the form of taxes. Records already in existence show that Saccos in Kenya totaling to over 500,000 directly and indirectly employ 1.5 million Kenyans. Saccos play a significant role in the financial strategies of many working-class and even self-employed Kenyans. Many people join Saccos with the goal of building up their savings, which allows them access to loans.

In the African context, the problem of loan delinquency and defaults in SACCOs has a long history. Studies conducted by United States Agency for International Development (USAID) in 18 Uganda’s SACCOs revealed that Uganda’s SACCOs had weak financial system for screening credit-worthy borrowers as well as tracking delinquent loans at loan officer level, aging arrears at the management level and authorization of bad debt write off at the board level (USAID, 2006).

In Kenya, the first SACCO was established in 1965 by a group of government employees who wanted to save and borrow money at affordable rates. This SACCO, known as the Police

SACCO, was followed by others in various sectors, including education, transport, and agriculture (Mwega & Kimuyu, 2011).

In addressing challenges of deteriorating financial performance among SACCOs operating in developing countries, and more specifically in Uganda, SACCOs like Lyamujungu are embarking on embracing strategies such as loan appraisal, interest on loans, loan follow-up procedures and customer characteristics in order to enhance their financial competitiveness (UMRA, 2013). As SACCOs try to recover from the pandemic, Loan appraisal interventions that may help them to minimize cases of non-performing loans involves financial systems in place, internal procedures followed before approving loans, and assessment of business opportunities before loan approval (Mungai et al., 2014).

The prospective influence of interest rates on dividend distribution in Uganda has quite a bit of worry among policymakers at different SACCOs (Murage, et al., 2018). Due to the COVID-19 pandemic and other financial institutions, uncertain fluctuations in interest rates have a substantial impact on the earnings of SACCOs (Otwoko et al., 2021). Interest risk is consequently created when the profits of SACCOs are exposed to changing interest rates. SACCOs encounter a significant challenge as they attempt to stay out of bankruptcy while helping the poor and covering their expenses. Risk and growth have a substantial impact on the SACCOs' financial success. The firm's performance affects market value; hence the amount of risk exposure can change the market value of SACCOs. This has an impact on the loan repayment (Katula & Kiriinya, 2021).

1.2.2. Theoretical perspective

Finance theory, developed by Eugene F. Fama in 2013, served as the study's foundation. According to the idea, while deciding how to allocate resources for investments with average risk, the cost of capital should be used as the appropriate discount rate. The wealth maximization objective that the theory assumes compels this prescription. Investing, borrowing, lending, budgeting, saving, and forecasting are all actions that fall under the umbrella of finance, which is defined as the management of money. Finance theory is predicated on four fundamental premises -- specifically, economic entity, financial era, continuing business, and steady dollar.

Because they serve as the foundation upon which financial accounting measurement is built, these assumptions are crucial. There are some that accurately reflect the real world and some that do n.t. Try to comprehend the evolution of each assumption as it is addressed, and pay close attention to any that do not reflect reality as it actually is. When making predictions about the future of interest rates, finance theory offers some specific help. The notion is beneficial for financial planning helps to acquire and manage funds, assists in allocating funds, provides knowledge to make important financial decisions. The theory's flaw is that it significantly lowers investor confidence. Investors still encounter challenges while making judgements. This occurs because investors begin to doubt their own judgement. The validity of the idea served as the foundation for this study, which looked at how bank credit affects loan repayment.

1.1.2 Conceptual perspective

The total amount of money that a person or company can borrow from a financial institution is known as bank credit (Bwoma & Muturi, 2017). The borrower's credit score, income, assets, collateral, and existing debt all play a role in whether or not credit is approved. Credit from banks can be secured or unsecured (Bob, et al, 2018). It is calculated using a complicated algorithm that considers your current wage, how you have paid off prior loans, and any other debt that is still owed to someone. Money is taken out of your bank account when it is debited. A credit is the reverse of a debit because it results in the addition of funds to your account (Nyangarika & Bundala, 2020).

Borrowers Character describes a person's approach to previous financial obligations: The borrower's honesty and dependability to pay credit bills is assessed based on their credit history and personal background (Gaudence, et al., 2018). Borrower's Capacity is the highest amount a business or person can borrow without endangering their ability to make ends meet (Kimani, 2018). Considering that the average borrower can afford to borrow between 30% and 40% of their income, their total debt should never be greater than 1/3 of their income (Munene & Ndambiri, 2019). A person or organization using funds, assets, or services on credit is known as a borrower. The idea is most frequently used in the lending of money, where a borrower applies for a loan and the lender evaluates their credit (Gogo & Oluoch, 2017).

Credit period is the amount of days that a customer has to wait before paying an invoice(Chelangat & Mutai, 2021). The idea is crucial because it shows how much working capital a company is prepared to put into its accounts receivable in order to increase sales (Ondieki et al., 2017).

The amount paid back per unit of time is known as the payback rate. Synonyms include payment rate, rate of payment, and rate of instalment (Kule et al., 2020). Repaying a loan involves paying back the money you borrowed from a lender plus any associated interest. (Njenga, &Jagongo, 2019). Typically, the repayment plan entails a regular procedure (referred to as a loan payback schedule) in the form of equal monthly instalments (Kirimi, 2017). Interest on loans reduced means that the supply and demand of credit affect interest rate levels; higher or lower levels of demand for credit will result in higher or lower interest rates, respectively (Naibei & Koskei, 2017).

Loan rescheduling refers to extending or adding more time to your existing loan tenure. This change to your monthly instalment amount may enable you to pay a smaller amount each month. This can provide the borrower some breathing room to change their repayment strategy without going into default (Claude, & Edison, 2018). Banks employ loan rescheduling as a method to reduce the risk of default on current loans (Pasara & Makochekanwa, 2021). It is a choice provided to borrowers to assist them in resolving money problems or liquidity issues that can affect their ability to repay loans.Waving off penalties is to willingly give up (something, such as a legal right); forgo a jury trial (Muriithi, 2017); Mitei, 2017). To waive off penalties means to renounce or refrain from enforcing something, such as a rule or a claim. It can also mean to postpone or delay the immediate consideration of something, such as a penalty or a fee

1.1.3 Contextual Background

The purpose of Lyamujungu Cooperative Financial Services Limited (LCFSL), which was founded in 1984 with sixteen members, was to give members access to affordable sources of funding. It is a financial institution that is owned and operated by its members. With a co-operative savings and credit society registration number of 5695, the group served three Parishes in 1990. Two sub counties were added to the Sacco's operational area in 1998, when it was formally established as LCFSL. After two years, the Sacco acquired the present property and erected the headquarters. Four new branches opened throughout the course of the following twelve years. In 2011, the Sacco made the transition from manual to independent PCs, and in 2014, they began connecting the branches. The Sacco currently has 13,340 unique members. Lyamujungu Sacco is a well-run Sacco that has made a name for itself as a role model Sacco in Kabale District. Maintaining their leadership position and extending their high quality of client service are challenges for this Sacco.

Lyamujungu Sacco requests greater education and training at all levels, primarily for members and the Board of Directors, but also for staff and management, among other things as a result of these changes. Since its foundation, the SACCO has been operating well, which has raised awareness of the organization by expanding its services and opening numerous branches, including Kigongi-Kabale Branch, the Buhara Branch, the Rubanda Branch, the Kamwezi Branch, the Kahondo Branch, the Rubaya Branch, the Kyanamira Branch, and the Head Office located in the Kaharo Sub-County in Kabale District. Clients of the SACCO have been repaying loans on time. But the SACCO has struggled since 2019 until this point. For instance, the Audit Report 2021 for the Financial Year 2028-2019 states that loans have been badly paid, with 67% of the 700,000,000/= shillings that were dispersed being recovered and 33% remaining outstanding. 500 billion shillings were distributed to members during the 2019–2020 fiscal years; 60% of that amount was recovered, leaving 40% with the public. Only 40% of the loan was repaid in the fiscal year 2020–2021, when 800 billion Ugandan shillings were distributed. This justified the necessity to determine the cause of the SACCO's poor performance.

1.2. Statement of the problem

Since its inception, Lyamujungu SACCO has had success. Members have been doing a good job of saving, borrowing, and debt repayment. However, the Audit Report 2021 for the Financial Year 2018-2019 claims that loans have not been adequately repaid, with only 33% of the 5,330,005,000/= shillings disbursed being collected, while 67% were not paid back. During the 2019–2020 fiscal year, 12,220,711,000/= billion shillings were disbursed to members; 60% of the sum was recovered, leaving 40% with the general public. In the fiscal year 2020–2021, when 10,173,361,000/= billion Ugandan shillings were disbursed, just 64% of the loan was paid back. This prompted the need to identify the root causes of the SACCO's poor loan repayment. The board and management have made an effort to address the aforementioned issue by educating clients on loan repayment, establishing firms that they can run, and having them create business plans before applying for a loan facility. Despite all the efforts, after the outbreak of Covid-19 pandemic, the performance of loan repayment rapidly started declining. The loan manager claims that the situation is becoming worse and that there is virtually little debt payback during the Covid-19 recovery period. This was related to the borrower's character, ability to pay, and credit history. Members could flee the SACCO if the situation persists.

1.3 Purpose of the study

This study's primary goal was to investigate the impact of bank credit on loan repayment rates in the Kabale area using Lyamujungu SACCO as a case study.

1.3.1. Specific objectives

i. To establish the effect of borrower character on loan repayment during COVID -19 at Lyamujungu SACCO;
ii. To examine the effect of borrower's capacity to pay on loan repayment during COVID-19 pandemic at Lyamujungu SACCO;
iii. To establish the effect of borrower's credit period on loan repayment during COVID-19 pandemic at Lyamujungu SACCO.

1.4 Research Hypotheses

i. Borrower character has no effect on loan repayment during COVID -19 at Lyamujungu SACCO;
ii. Borrower's capacity to pay has no effect on loan repayment during COVID-19 pandemic at Lyamujungu SACCO;
iii. Borrower's credit period has no effect on loan repayment during COVID-19 pandemic at Lyamujungu SACCO.

1.5 Justification of the study

There has been much global research on bank credit and loan repayment (Agaba &Turyasingura, 2022). However, Lyamunjungu SACCO has not conducted any research on the impact of bank credit on loan repayment during the COVID-19 pandemic. To boost financial performance at Lyamujungu SACCO, it was viewed as the right time to conduct a study to determine the underlying causes affecting loan repayment and propose solutions for overcoming such problems.

1.6 Study significance

Government: The results of this study will be used to assist the SACCOs and clients in formulating policies that benefit the parties and their progress as the economy approaches the recovery from the COVID-19 pandemic. This can be done by regulating the rules that may be difficult for the SACCO’s clients and the SACCOs to operate through the Bank of Uganda (BOU), Ministry of Finance Planning and Economic Development (MoFPED), and other relevant ministries.

Management of SACCOs: The findings of this study will be useful to the management of Lyamujungu SACCO and other SACCOs since they will show them how to improve loan repayment performance while also retaining their client base. The conclusions from the study's suggestions will assist SACCOs in starting the planned actions for improved performance as it recovers from the Covid-19 pandemic**.**

SACCO customers: When the offered ideas are adopted by the SACCOs and the government, using things like tax holidays and exemptions, clients, especially those who accept loans, will benefit. As a result, they will pick up where they left off before the outbreak and continue working.

Academicians: A copy of the report will be added to the University library and posted online so that any future academicians planning to conduct a related or comparable study can base their research on the findings of this study. In essence, it will serve as a guide for upcoming scholars.

1.7 Scope of the study

1.7.1 Geographical scope

Lyamujungu Cooperative Financial Services Ltd was the location of the study. The organization had 8 branches, including the Kigongi-Kabale Branch, the Buhara Branch, the Rubanda Branch, the Kamwezi Branch, the Kahondo Branch, the Rubaya Branch, the Kyanamira Branch, and the Head Offices located in the Kaharo Sub-County in the Kabale District. It had a total membership of about 26,000 people. The SACCO was also active in four districts: Kabale, Rukiga, Rubanda, and portions of Ntungamo. For the purposes of this study, however, only the branches in Kabale district were taken into account. Rukungiri district, Kanungu district, Rubanda district, Rwanda, to the east and south, and Rukiga district, to the north and east, all abut Kabale district.

1.7.2 Content scope

The study was limited to effects of bank credit on loan repayment during COVID-19 in Uganda, A case study of Lyamujungu SACCO. Bank credit was an independent variable while loan repayment was a dependent variable.

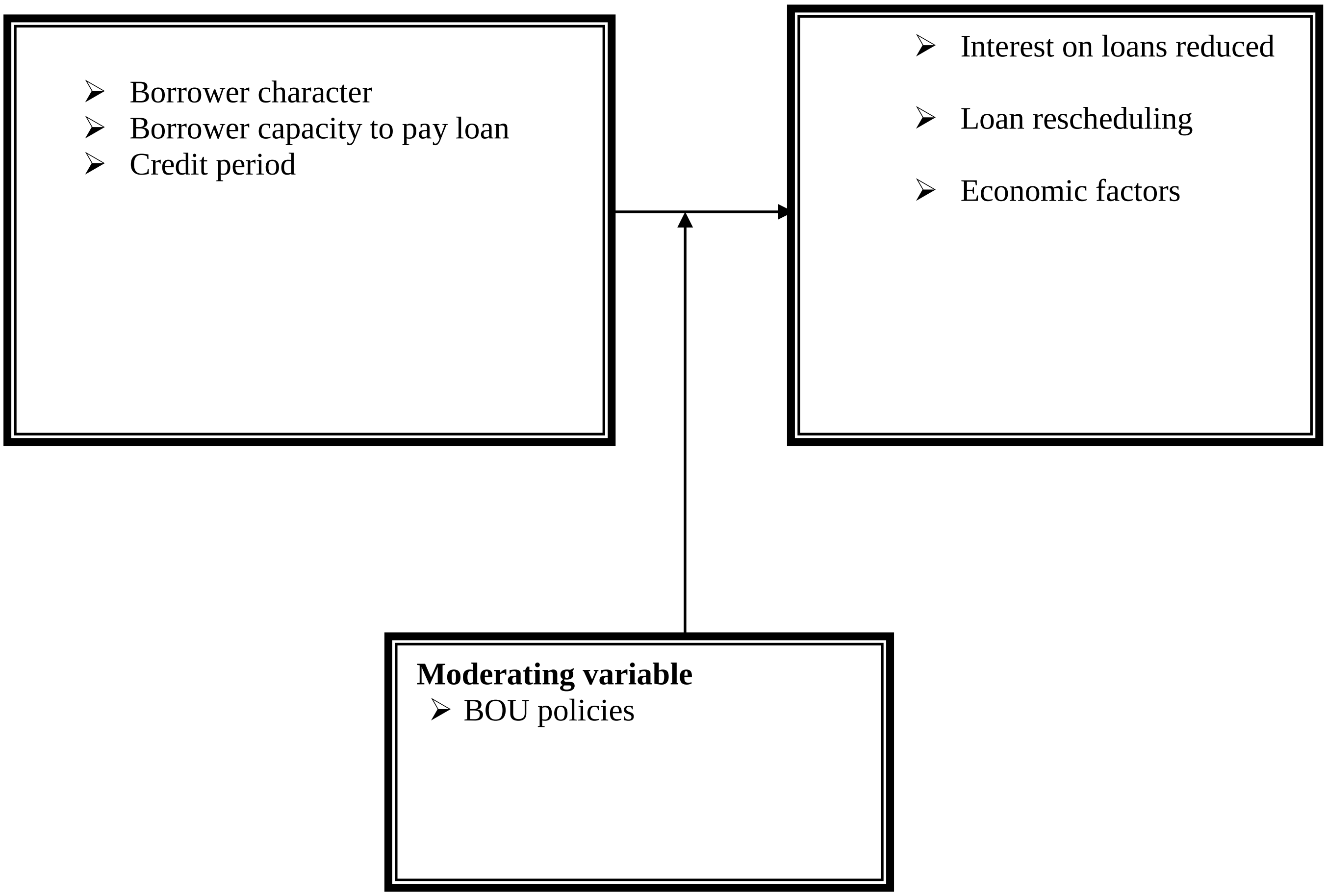
1.7.3 Time scope

The study about the effect of bank credit on loan repayment during COVID-19 was conducted in the time span of 3 years (2019-2021) because it is within this period that SACCOs had faced low loans repayment. Further it is during this period that the Covid-19 pandemic hit the world economies influencing people’s savings and income-generating activities were held at a standstill. The period was enough to gather all this data required by the study.

1.8 Conceptual Framework

Independent Variable (IV) **Dependent Variable (DV)**

Bank Credit **Loan Repayment in SACCOs**



Source: Adopted from Montana, B. (2012) and modified for this study by researcher

The conceptual variable above presents the study variables considering Covid-19 impacts to be an independent variable and SACCO members' loan repayment performance as a dependent variable. The study considered Covid-19 to be associated with poor saving culture since people were not working, weak health systems, poverty, reliance on remittances, loss of government revenue and dominance by the service sector to be the factors that determine the loan repayment in SACCOs that is viewed in perspectives of interests on loans reduced, loan rescheduling, waiving penalties economic factors.

The study further indicates that though the Covid-19 pandemic lead to loan repayment, there are other moderating variables that would help the SACCOs to recover from this; for example, if the government intervened and regulated its policies of loan repayment through BOU-set policies.

1.9. Definition of operational terms

Repayment performance means total loans paid on time as stated in the loan agreement contract.

Covid-19: Coronavirus disease 2019 (COVID-19) means illness caused by a novel coronavirus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV), which was first identified amid an outbreak of respiratory illness cases in Wuhan City, Hubei Province, China.

Loan repayment means the act of paying back money borrowed from a lender. Repayment terms on a loan are detailed in the loan's agreement which also includes the contracted interest rate.

Borrower character means a person's previous debt management: The borrower's honesty and dependability to pay credit bills is assessed based on their credit history and personal background. How much debt a borrower can easily manage is referred to as capacity.

Borrower capacity to pay loan means the maximum amount that a business or person can borrow without endangering their ability to make ends meet is known as borrowing capacity or creditworthiness.

Credit period means the amount of days a customer has to approve an invoice before having to pay it.

Interest on loans reduced means when there is a lowering rate of interest, the amount of interest that must be paid is calculated against the amount of the existing loan balance rather than the original principal amount, taking into account the repayments that have already been made.

Loan rescheduling means extending or adding more time to your existing loan tenure. This change to your monthly instalment amount may enable you to pay a smaller amount each month.

Economic factors means fundamental facts about a market or economy that have an impact on how well businesses function. These elements are frequently taken into account when predicting how well a business is likely to operate. Investors use economic considerations to determine the value of a company or an investment.

Government policies means statement of the government's political initiatives, strategies, and goals in relation to a specific issue.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, ideas that were used in this study were reviewed, along with empirical research that had been done on bank credit and loan repayment. The chapter also discusses the research gaps found in the body of literature that the researcher used as a foundation for the current investigation. The review was followed by a theoretical analysis, the study's goals, and a conclusion.

2.1 Theoretical Review

Finance theory, developed by Eugene F. Fama in 2013, served as the study's foundation. According to the idea, while deciding how to allocate resources for investments with average risk, the cost of capital should be used as the appropriate discount rate. The wealth maximization objective that the theory assumes compels this prescription. Investing, borrowing, lending, budgeting, saving, and forecasting are all actions that fall under the umbrella of finance, which is defined as the management of money. Finance theory is predicated on four fundamental premises: specifically, economic entity, financial era, continuing business, and steady dollar.

Because they serve as the foundation upon which financial accounting measurement is built, these assumptions are crucial. There are some that accurately reflect the real world and some that do not. Try to comprehend the evolution of each assumption as it is addressed, and pay close attention to any that do not reflect reality as it actually is. When making predictions about the future of interest rates, finance theory offers some specific help. The notion is beneficial for financial planning, helps to acquire and manage funds, assists in allocating funds, provides knowledge to make important financial decisions. The theory's flaw is that it significantly lowers investor confidence. Investors still encounter challenges while making judgements. This occurs because investors begin to doubt their own judgement. The validity of the idea served as the foundation for this study, which looked at how bank credit affected loan repayment.

2.2. Borrower character on loan repayment during COVID-19

Credit history, which is a borrower's reputation or track record for repaying loans, is explicitly referred to as the borrower's character. The three major credit bureaus, Equifax, Experian, and Trans-Union, provide the borrower's credit reports, which include this information. Credit reports include thorough details regarding how much a potential borrower has previously borrowed and if they have made on-time loan repayments (Munene & Ndambiri, 2019).

Gogo and Oluoch (2017) claim that the economic crisis brought on by the pandemic during COVID-19 appears to have affected people's personalities. The COVID-19 pandemic outbreak in the first quarter of 2020 sparked a number of unusual emergency measures, including travel bans, the requirement to shut down non-essential businesses, restrictions on meetings, and the requirement to work from home. Economic activity has been significantly damaged by the crisis, with output losses frequently exceeding those seen during the global financial crisis (GFC), which began more than 10 years ago. Due to COVID-19, several debtors rapidly saw their money flow substantially decline or completely stop. Borrower distress has been on the rise ever since amid a highly uncertain economic recovery, fresh caseload peaks, and the reinstatement of emergency measures which affected individual character of savings and borrowing.

Borrower relief schemes have been swiftly implemented by policymakers (Ondieki, et al, 2017). In the case of Europe and Central Asia (ECA), these programmes have mainly taken the form of brief payment moratoria, where choices on which borrowers qualify are typically left to banks, paired with momentary legislative steps to flatten the bankruptcy curve. While these measures have been in place, aggregate non-performing loan (NPL) ratios have generally remained stable, but policymakers and bankers anticipate that rising borrower distress levels will inevitably lead to new pressures on asset quality in the banking industry that will become more pronounced in banks' earnings, capital, and financial statements. Banks' earnings, capital, and financial statements will show increased pressures on asset quality in the banking industry.

Before approving a borrower for a new loan, many lenders have a minimum credit score requirement. Every lender has a different minimum credit score requirement, as does every loan type (Agaba & Turyasingura, 2022). The general guideline is that a borrower has a higher chance of approval the higher their credit score. Credit scores are frequently used by lenders to determine lending rates and conditions. The effect is that applicants with good to exceptional credit frequently receive more enticing loan offers. Given how essential having a strong credit score and clean credit reports are to getting a loan, you should think about using one of the top credit monitoring services to keep this information private.

Chelangat and Mutai (2021) indicated that prospective borrowers should confirm that the information on their credit report regarding their credit history is true in order for their character to improve and change the records of poor savings and borrowing that have been caused by COVID-19. Negative, inaccurate distinctions can affect the client credit history and credit score. Consider implementing automated payments on recurring bills to ensure that future obligations are paid on time. Making regular monthly payments on recurring debts and building a history of on-time payments will raise your credit score.

2.3. Borrower's capacity to pay on loan repayment

By comparing income with ongoing obligations and evaluating the borrower's debt-to-income (DTI) ratio across all global financial institutions, capacity measures the borrower's capacity to repay a loan. DTI is determined by multiplying the borrower's gross monthly income by the sum of all monthly debt payments (Agaba & Turyasingura, 2020). The applicant's chances of being approved for a new loan are better the lower their DTI is. However, since COVID-19 first started to spread, a lot has changed.

The capacities of the borrowers have been impacted, which has had an impact on loan repayment of the money borrowed from SACCOs and financial institutions (Njenga, & Jagongo, 2019). Due to this, SACCOs are in a situation where recovering loans takes more work than disbursing them. Although each lender is unique, many prefer a candidate's DTI to be around 35% or less before approving an application for fresh credit. It is important to remember that lenders are occasionally forbidden from giving loans to customers with higher DTIs as well (Kule et al., 2020). According to the Consumer Financial Protection Bureau, for instance, to be eligible for a new mortgage, a borrower must normally have a DTI of 43% or below to demonstrate that they can afford the monthly payments on the loan (CFPB).

Because of the elevated credit risk, the persistent effects of the COVID-19 problem on business performance and household incomes may discourage new lending. Better visibility into the viability of the borrower and increased recourse in the case of default can reduce risk (Naibei & Koskei, 2017). Innovations in digital finance that use alternative data and customize loans to the borrower and the lending environment, as well as reevaluating credit models to take into account the "new normal," can help keep credit flowing. Innovation-supporting regulatory frameworks can help the credit sector during the recovery while still preserving consumer and market protections. In addition to having a significant negative impact on bank credit risk for individuals and businesses, the pandemic severely hampered lenders' ability to see whether a borrower has the ability and willingness to repay a loan, and it constrained their options for action in the increasingly likely event of a default.

Policy interventions to assist mitigate the pandemic's effects decreased short-term risks, but they also made it harder to see and be assured of the underlying viability of borrowers. The pandemic's persistent repercussions on the economy and financial sector may eventually have an impact on the capital and liquidity of finance providers, decreasing their desire and capacity to take on risk. The decision to issue credit by a lender and the terms involved indicate the level of risk the lender is willing to accept based on projections of the borrower's default risk and the potential loss in the event of a default (Agaba & Turyasingura, 2022). Estimates of loss in case of default are dependent on the market for collateral or the enforceability of guarantees, whilst the capacity to determine the likelihood of repayment depends on the information available about the borrower and the context of the loan (visibility) (recourse).

The pandemic and related lockdowns had a significant negative impact on the economy, raising credit risk and having a direct impact on borrowers (companies and people). When lockdowns were lifted, the impact for some industries and enterprises subsided. Others will have longer-lasting impacts. For instance, in Rwanda, industries that depend on on-site labour (including construction, lodging, and food) were more impacted by the lockdowns than industries that could shift portion of their operations to remote working. However, once lockdowns were lifted, construction immediately resumed well beyond pre-crisis levels, but the crisis persisted in the lodging and food industries, where direct contact with consumers is required (Claude & Edison, 2018). Lenders often respond to uncertain conditions by tightening lending requirements, decreasing credit supply, and switching to safer assets. Lenders decrease lending not only to insolvent enterprises and households but also to everyone else since they are unable to differentiate between the two groups if they lack reliable information with which to assess risks. However, none of the authors have addressed how to improve borrowers' ability to repay loans taken out from banks. For instance, the borrower can increase his or her capacity by raising their pay or decreasing debt. A lender will probably want to see proof of consistent income in the past. Even if changing jobs could result in a greater salary, the lender might want to make sure that your employment is secure and that your pay will remain constant.

2.4. Borrower's credit period on loan repayment during

The time it will take for a loan to be fully repaid when the borrower is making timely payments is known as the loan term (Pasara & Makochekanwa, 2021).

A loan's term is the length of time it takes to pay off the debt. Long-term or short-term notes can be used as loans. According to Muriithi (2017) despite the fact that uncertainty has always been a part of lender business models, before the pandemic finance providers were better able to assess a borrower's ability and willingness to repay as well as the likelihood of default by considering credit and payment histories, income, or assets; non-financial information (such as home address, the relevant sector of the borrower's business, and length of banking relationship) that can serve as a proxy for income; and the purpose of the loan (such as covering a short time (visibility tends to be higher over shorter time horizons).

In order to determine whether a credit payment time is incorrect or short, lenders would utilize heuristics and models for business loans. A necessary monthly payment period is typically established by your lender when you take out a loan, such as a 60-month auto loan. The payment amount and frequency are set to allow you to repay the loan gradually during its term. The COVID-19 epidemic did more harm than good, though. The borrower and the main financial institution's previous statements and agreements have been completely altered (Mitei, 2017). The scenario about how COVID-19 influenced credit time was not made obvious by this, though. The depth of this study helped to determine how COVID-19 has impacted the length of credit time in financial organizations. The COVID-19 pandemic has had a significant impact on clients' ability to pay their bills on time each month, and the term of the loan affects the total amount of interest paid. It may be tempting to take the loan with the longest term available because doing so would result in the borrower paying less in principal each month because the total amount borrowed would be stretched out over a larger number of months. A longer period, nevertheless, also implies that the loan would accrue higher interest overall (Henock, 2019).

Loan terms are another way to explain the features of client's loan, as stated in client loan agreement (Otwoko & Maina, 2021). When a client borrows money, client and your lender agree to particular terms, or the "terms" of client loan. Client receives a certain amount of money from the lender, and client returns it in accordance with a predetermined schedule. Since 2019, things altered due to COVID-19 (Wilberforce & Robert, 2021).According to the terms of the loan agreement, if something goes wrong, each of you has obligations and rights. However, this study does not give crew on how things have changed due to COVID-19. This study extremely dug out why credit time was not considered yet it was stipulated in the loan agreement.

A health and financial crisis unlike any other have been brought on by the COVID-19 epidemic. Both the pandemic outlook and the course of the economic recovery remain quite unpredictable, according to the OECD 2020 Economic Outlook (Wilberforce, et al, 2021) The OECD cautions that the global recession is anticipated to be the worst since the Great Depression, with some variations among nations depending on the steps taken to avoid additional outbreaks of the virus, control contagion, and assist national economies (OECD, 2020c). Questions about the possible effects on the banking industry are raised by the ongoing uncertainty concerning the severity of the crisis and chances for an economic recovery.

Banking systems had more capital and liquidity than in previous crises when the COVID-19 crisis began (EBA, 2020b; FED, 2020a). Vulnerabilities are visible in a number of places, though. Numerous banks continue to experience poor valuations, low profitability, and large levels of non-performing assets, particularly in various regions of the world (IMF, 2020a; ECB, 2020a). Despite the crisis, flat yield curves and low interest rates are likely to persist in many jurisdictions going forward, which might make weaknesses like low interest margins worse (Patalano & Roulet, 2020). Additionally, a protracted and significant disruption could result in a significant rise in non-performing loans (NPLs) because of an increase in household and business defaults, forcing banks to raise their loan loss provisions.

2.5. Loan repayment during COVID-19 pandemic

With more than 140 million borrowers globally, the microfinance industry gives low-income people that traditional banks do not serve access to financial services. Significant new issues have been brought up by the Covid-19 outbreak for workplaces in general and the microfinance industry in particular. Beyond the immediate effects on health and the economy, the pandemic has reversed recent trends of declining poverty rates and worsened pre-existing inequities, posing difficulties for microfinance organizations. A typical microcredit borrower's ability to repay their debt has been significantly diminished as a result of the pandemic, especially in the low-income population, as shown, for example, by Ngimbwa, (2020).

Microfinance Institutions (MFIs) rely on regular human interactions and social pressure to maintain historically high payback rates in order to provide financial services to the underprivileged (Czura et al., 2020). The essential employees of MFIs who perform these duties are loan officers. Loan officers visit distant regions to connect with current borrowers, find possible new borrowers, evaluate borrowers' creditworthiness, dispense loans, offer financial advice, and collect loan repayments. Because of this, loan officers build a rapport of trust with their clients' borrowers (Muriungi, &Maina, 2021). Even though loan officers play a critical part in how an MFI runs, little is known about how they plan their time and balance all of these diverse tasks.

Loan officers now confront new difficulties because of the pandemic: Lockdowns and bans on social gatherings severely impede daily activities in addition to decreasing debtors' ability to repay (Pandey & Ojha, 2020). Malik et al. (2020) hypothesize additional negative pandemic impacts as follows: If pre-pandemic work incentives that link loan officers' salaries to borrower repayment are still in effect, loan officers may put undue pressure on already vulnerable borrowers to make payments. This would run the danger of jeopardizing the lender's hard-earned trust—necessary for any subsequent interactions.

According to a report by Seep-Network (2020), COVID-19 creates serious health and financial concerns for Savings Groups because to market instability, mobility restrictions, and restrictions on community gathering. Due to the fact that the majority of the members are female, they will probably be the main caretakers during the health crisis, putting them at a higher risk of additional burdens in addition to an increased risk of intimate partner and sexual violence. As a result, Covid-19 has an effect on SACCOs' development because it is linked to other external stressors like family violence.

Numerous studies have shown how the Covid-19 epidemic has affected agriculture (Chelangat, & Mutai, 2021). Due to labour shortages, households impacted by the COVID-19 pandemic may lower the amount of land they cultivate or possibly stop using some labour-intensive crops or agricultural practices. If this household belongs to an agricultural cooperative, especially if several member houses are impacted, the cooperative organization could be severely harmed. According to a research by Miller et al. 2019 conducted in Malawi, households with members who had chronic illnesses lost nearly 70% of their labour force. According to the survey, delayed agricultural activities (reported by 45% of the affected households), fallow land (23%), a change in crop mix (26%) and a change in source of income (36%), among other things, were also recorded. According to a comparable study conducted in Uganda in 2011 by Asingwire, 77% of families reported decreased agricultural production during the previous ten years, primarily as a result of the effects of the Covid-19 pandemic. More than a quarter of the families reported animal deaths owing to neglect and bad management due to illness and family member deaths (Claude & Edison, 2018). The majority of these participants were SACCO members who had debts in SACCOs; as a result of the epidemic, they are unable to raise the necessary capital, which results in bad loan payback.

A number of other studies in Tanzania, like URT (2020), have revealed unsettling effects of the pandemic on Tanzanians' social and economic welfare. Families affected by the COVID-19 pandemic were more likely to have less disposable income, which made them less inclined to join savings and credit cooperative societies or to reduce their share payment in the case of a chronically ill family member.

2.6. Summary and gaps

This chapter compared the study to other studies that had been done in related fields in the past. The bulk of earlier studies showed that bank credit has an impact on loan repayment. The borrower's character, capacity, and credit period were the specific metrics used in the literature review to quantify bank credit. Even while some research hints at the effects and contributions of loan repayment, they are still dull. The majority of these studies focused on bank credit with little to no attention paid to borrowers' character, capacity, and credit period; these gaps were highlighted as the directions this study had to take. An empirical study was conducted on the study variables of bank credit and loan repayment in an effort to close the gaps. It also collected data on borrowers' characteristics.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research methods and instruments that were used in the study. It covers the research approach and design, survey population, sampling design and size, data collection sources, method and instruments, data processing and analysis, and ethical considerations.

3.1 Research design

This study used a cross-sectional survey design to examine, characterize, and compare bank credit and loan repayment in Kabale District using Lyamujungu SACCO as a case study. A cross-sectional survey offers a one-time chance for a thorough and in-depth analysis of certain features of the data gathered (Amin, 2005: Turyasingura et al., 2022). Results are extrapolated to the entire population after taking into account the target sample's views, preferences, behaviours, worries, attitudes, and opinions among the entire population at a specific moment. Because they take into account factors like design economy, quick data collecting, and the ability to understand a population from a tiny portion of it, cross-sectional surveys were appropriate for this study (Safavian, & Zia, 2018). The study further used a mixed approach technique. By combining qualitative and quantitative techniques, bias that would otherwise result from using only one technique was neutralized (Amin, 2005; Agaba et al., 2022).

3.3 Study population

Population is the number of local residents who belong to a particular set of social, cultural, socioeconomic, ethical, or racial categories (Creswell, 2017; Agaba 2022). Sample size simply refers to the portion of the population that has been purposefully chosen in order to study the parent's characteristics. The term "population" refers to the total collection of individuals, occasions, or interesting items that the researcher wants to study (Afkar, 2017). Additionally, results are typically more reliable on a bigger sample size. However, Afkar also asserted that if every component of a group is the same, then choosing an even smaller sample would yield 100% accurate results because the population under investigation was homogeneous. Consequently, it is suggested that a small sample would yield a reasonably accurate estimate during the research process given comparability in respect to the characteristics to the studied area. The study population was chosen basing on its accessibility and familiarity with the study's topic. According to Lyamujungu SACCO annual report (2022), the SACCO currently has a population of 30,000 members, of which the study targeted a population of 150 that was approved to generate the required data. The general manager, branch managers, loans officers and clients were the study's target respondents. So, Lyamujungu SACCO was the site of this investigation.

3.4 Sample Size Determination

The sample size for each category of respondents was determined by the use of Krejcie and Morgan (1970) table as cited in Amin (2005). Out of 150, a sample of 108 respondents were selected for the study as per table in the Appendix.1 -- general manager, 6 branch managers, loans officers, and 86 clients totaling 108. The researcher used both purposive and simple random sampling to select the members/clients of the SACCO. Simple random method was suitable for a large population like SACCO clients.

Table 1: Sample distribution of participants from the SACCO

Category	Target Population	Sample size	Sampling technique
General Manager	1	1	Purposive
Branch Managers	6	6	Purposive
Loans officers	17	15	Purposive
Clients	126	86	Simple random sampling
Total	**150**	**108**	

Lyamujungu Annual Report, 2022

3.4.1 Sample size and sampling techniques

According to Schouten and Moriarty (2013), a sample is a compendium of a few constituents of a population. An individual sample participant is referred to as a subject. The term "population" refers to the total population; occasions or objects of interest that the researcher desires to study (Mugambi, 2016). A sample is a subset of the population whose findings are representative of the whole. A sample size of 108 participants was chosen from the 150 participants in the sample population or stakeholders (as per the table from Krejcie and Morgan, 1970, referenced in Amin, 2005). The study therefore used the following sampling techniques

3.4.1.1 Purposive sampling

According to Andrade (2021), purposive sampling also known as judgemental or selective sampling is defined as a form of non-probability sampling in which researchers rely on their own judgement when choosing members of the population to participate. The technique was therefore used to select key informers such as the general manager, branch managers and loans officers because these were predicted to be having data concerning the rate of credit repayment among members during Covid-19 recovery. The researcher went specifically to such respondents as predicted. The technique was preferred because it was a cost-effective, time-saving sampling method.

3.4.1.2 Simple random sampling

According to Sharma (2017), simple random sampling is defined as a type of probability sampling in which the researcher randomly selects a subset of participants from a population. The researcher used this technique to select clients of Lyamujungu SACCO. The researcher visited each branch of the SACCO and interviewed the available clients without bias until the sample size was met. This technique became convenient because all participants had equal chances of participating.

3.5 Data collection methods

3.5.1 Questionnaire

According to Mamet (2018) a questionnaire is a form made up of pertinent questions that the researcher has created depending on the goals of the study and the research subject being investigated. A 5-point Likert scale with the options 1 (strongly disagree), 2 (disagree), 3 (neither agree nor disagree), 4 (agree), and 5 was used for the questions (strongly agree). This scale was useful for gathering information and opinions from the SACCO clients who were the target demographic (Turyasingura et al, 2021). The measurement tool's selection of an interval scale made it possible to do the necessary inferential statistical data analysis (Muriungi & Muturi, 2018). Interval scales incorporated the idea of interval equality and had the power of nominal and ordinal data (Makori & Sile, 2017). In addition, questionnaire surveys were employed since they were less expensive and made it easier to get pertinent data from SACCO members by giving them time to reflect before responding (Sekaran et al., 1992). The relationship between the Covid-19 pandemic's influence and Lyamujungu SACCO's debt repayment performance was clarified.

3.5.2 Interview guide

Although it was aided by observation to determine gender, an interview guide was utilized to gather qualitative data in accordance with the attached index. A planned conversation between two or more persons is known as an interview (Saunders, 2011). According to Sekaran (2003), interviewing respondents to learn more about the topics of interest is one way to get data. Twenty-seven (27) key informants from SACCOs, including managers, assistant managers, and credit officers, were the focus of the study. These were open-ended in order to extract information about the influence of the SACCO COVID-19 epidemic on the SACCO's loan repayment performance in-depth.

Interviews were conducted because they were adaptable and enable a researcher to modify and rephrase the questions in order to gather information on pertinent topics from the SACCO staff members who were deemed to have knowledge of the SACCO financial services and the expansion of members' businesses. The interview guide included biographical information as well as questions about the relationship between the effects of COVID-19 and SACCO loan repayment performance, the effect of poverty on SACCO loan repayment performance, and the effect of a weak health system on SACCO loan repayment performance.

Face-to-face interviews were performed to gather primary data from SACCO staff that offered financial services to members and could provide their perspectives on how the impact of COVID-19 had affected their ability to repay SACCO loans. The selection of SACCO workers was based on the length of service, with those with more than three years being given consideration. The justification for this time frame was that the personnel in question had relevant knowledge with how SACCO members operated in terms of loan repayment performance.

3.6 Data Collection Procedure

Before final printing, the survey and interview guide were tested on three staff members of SACCOs in the Kabale area who were not going to participating in the study. This allowed for accurate data collection. Two research assistants were hired and trained by the researcher to assist in gathering data from respondents alongside him. After at least two days following their appointment, research assistants collected the completed questionnaires from the respondents. The respondents self-administered the surveys, and while some would fill them out rightaway, others were dropped and picked after at least two days from the appointment of the respondents. The consent and cooperation of the respondents was necessary for the entire process.

Additionally, a cover letter introducing the researcher to the responders was requested from Kabale University's department of research and training. Prior to the data gathering procedure, this was submitted to local authorities such the Town Clerk and DPC.

3.7 Data Quality Control

3.7.1 Validity

According to Onsarigo (2018) the extent to which the data collecting tool gathers data that have the traits or attribute the researcher wants to measure is referred to as validity. According to Odiya (2009), an instrument's validity is determined by its capacity to gather reliable data, i.e., data that can be used to support the claims made in its development (Odiya, 2009). In order for an instrument to be considered valid, it must be able to measure what it was designed to measure (Leedy & Ormrod, 2010). The concept, content, face, and criteria validity of an instrument are the four ways that validity is typically assessed. Concerning the validity, relevance, and substance of the questionnaire, the research supervisors and subject-matter experts were consulted. Content validity pertained to assess the extent to which a sample of items taken together, comprise an adequate operational description of a construct (Polite & Beck, 2006).

Validity of the questionnaire was tested using the content validity test (CVI).

Where; Relevant (R), Neutral (N), Irrelevant (IRR). This is indicated below:

$$CVI = \frac{R}{R+N+IRR}$$

$$CVI = \frac{20}{20+1+2}$$

CVI= 0.869

Thus content validity was 0.87 which was within the range of confidence interval and standard measure of significance level which justifies the validity of the instruments as supported by Odiya, (2009).

3.7.2 Reliability

The questionnaires were pre-tested on three (3) SACCO members with business in KabaleDistrict. The reliability of the questionnaires was assessed using Cronbach's Alpha at 0.05 According to Agaba (2022), Cronbach's alpha is used when the instrument has more than two responses provided for each item. To measure the internal consistency of the research instrument, in this case a questionnaire, the researcher applied Cronbach's alpha. This is asserted by Javali (2011) who confirms that the preferred statistical index to measure reliability of the instrument for collecting primary data is Cronbach's alpha which should be analysed using sensitivity analysis in SPSS. The Content Validity Index was computed and all items scored above 0.9 which was above 0.7. The instrument was also checked for accuracy, reliability, consistency and completeness using the Alpha Cronbach test (Cronbach, 1951). The acceptable reliability results were those of 0.7 points and above hence reliable for data collection.

3.8 Data analysis

3.8.1 Quantitative

Quantitative data was coded and entered in SPSS version 20.0 to generate the ANOVA, mean, standard deviation, Pearson correlation, and regression. Quantitative analysis involved the use of tables that showed the frequency or occurrence of descriptive statistics and inferential statistics that establish the statistical relationships between variables (Saunders, 2011). The results were analysed and converted into tables and percentages. Data for the various research questions was analysed using percentages obtained to show the distribution of opinions and perceptions of respondents. The statistical summaries of the results were presented in the form of percentages and tables using computer data analysis package such as the Statistical Package for Social Science (SPSS) version 20.0 and other relevant software to help interpret results.

3.8.2 Qualitative data

Qualitative data was presented and analysed by assigning codes to develop meaningful themes from the data collected through interviews. It was further handled using VIVO software to merge the related opinion into meaningful themes as recommended by Hsieh and Shannon (2005), who define qualitative content analysis as a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns. According to Bryman and Bell (2011), content analysis is also an approach to the analysis of documents and texts that seek to quantify content in terms of predetermined categories and in a systematic and replicable manner. Qualitative content analysis went beyond merely counting words to examining language intensity for the purpose of classifying large amounts of text into an efficient number of categories that represent similar meanings (Weber et al., 1990). The goal of content analysis provided knowledge and understanding of the phenomenon under study.

3.9 Ethical considerations

After the proposal defence, the researcher sought a letter of introduction from Kabale University allowing him to proceed to collect data and prepare the report. A letter of introduction was attached. The researcher presented this letter to the SACCO branches where the study was conducted. The questionnaires were administered to SACCO clients by the researcher with assistance from his research assistants. With regard to face-to-face interviews, the researcher contacted the key informants and provided them with a snapshot of what the study was about and thereafter requested for their consent to participate in study. The consent was verbal on SACCO members' enterprises and formal on SACCO staff. Emphasis was made to both the research assistants and the respondents that the study and its findings were solely a requirement going to be conducted in partial fulfilment for the award of Master's degree of Business Administration of Kabale University and would not cause any harm to them.

3.10 Study Limitations

Information witholding: At first, some study respondents hid some information thinking that when they disclose their information to the research would make their stay at the SACCO insecure. However, the researcher considered a well elaborative and clear consent which informed the study participants that this research considers privacy and confidentiality and that the views and opinions shared were specifically for academic purposes. Their names thus did not appear anywhere on the data collection tools.

Time: The time dedicated to this process of data collection and the entire research was not enough considering the task of covering the whole district. However, as a solution to this, the researcher employed data collectors that were well trained on how to interpret the consent and the data collection tool. This helped in fastening the data collection process in time

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the analysis of field findings that were got after interviewing the study respondents. The chapter is made up of two parts namely: bio data of respondents and the research questions that included: establishing the effect of borrower character on loan repayment during COVID -19 at Lyamujungu SACCO; examining the effect of borrower's capacity to pay on loan repayment during COVID-19 pandemic at Lyamujungu SACCO; and, establishing the effect of borrowers' credit period on loan repayment during COVID-19 pandemic at Lyamujungu SACCO. Results are presented in form of tables as frequencies, percentages, p-value and significance values.

4.1 Respondent's Response Rate

During the study field, the researcher had a sample size of 108 clients from the Sacco's branch. The returned items are indicated in the table below.

Branch	**Tools distributed**	**Tools returned**	**Percentage (%)**
Kigongi-Kabale Branch	18	18	100
Buhara Branch	18	18	100
Kamwezi Branch	18	18	100
Kahondo Branch	18	18	100
Rubaya Branch	18	18	100
Kyanamira Branch	18	18	100
Total	**108**	**108**	**100**

Source: Field Data, 2023

From the above table, all 108 research instruments distributed were returned, giving a response rate of 100%. This was possible after the researcher distributed the questionnaires to SACCO clients, waited for filling and returned them to him immediately. Mugenda and Mugenda (2003) and Kothari (2004) advises that a response rate more than 50% or more is ideal for data analysis. Babbie (2004) also asserted that return rate of 50% is accepted to analyse and publish; 60% is good; and 70% is very good. Based on these assertions from renowned scholars, 100% response rate was adequate for the study.

4.2 Section A: Demographic characteristics of respondents

The gender demographics included gender, age of respondents, occupation and the highest education level of respondents. Demographics were considered and are vital in any study because they easily reveal the level of eligibility of the study respondents (Connelly, 2013). Therefore, the respondents' qualification to participate in the study and to rely on their opinions was measured using the demographics as presented below.

Table 2: Demographic characteristics of the study respondents

Description		Frequency	Percentage
Gender	Male	71	65.7
	Female	37	34.3
Age	15-30	25	23.1
	31-40	46	42.6
	41-50	19	17.6
	51-60	9	8.3
	61 and above years	9	8.3
Occupation of respondents	Community farmer	64	59.3
	Entrepreneur	17	15.7
	Civil servant	8	7.4
	Unemployed	2	1.9
	Boda-boda	17	15.7
Highest level of education	Never studied	11	10.2
	Primary level	29	26.9
	Secondary level	26	24.1
	Certificate/diploma	30	27.8
	Degree level	12	11.1
Total		**108**	**100**

Source: Field Data, 2023

The Table above presents the results about the demographic characteristics of the study respondents. According to the results, males dominated in the study with 65.7% compared to females with 34.3%. Perhaps males being household heads were more engaged in loan borrowing than females.

About the age distribution of the study respondents, 42.6% of the respondents were aged between 31 and 40 years, 23.1% respondents were aged between 15 and 30 years, 17.6% respondents were aged between 41 and 50 years, 8.3% of the respondents were aged 51 and 60 years as well as respondents in the age bracket of 61 years and above.

In addition, 59.3% of the study participants borrowing money at Lyamujungu Sacco were community farmers, entrepreneurs and boda-boda shared the same percentage of 17% respectively, 7.4% of the respondents were civil servants and the remaining 1.9% respondents were unemployed. This implies that most of the borrowers at Lyamujungu Sacco were farmers that used the credit for their agricultural production.

Finally, results about the education of the respondents indicated that the majority of the respondents had certificates and diplomas as their highest education levels (27.8%). In addition, 26.9% respondents had completed primary level, 24.1% respondents had completed secondary level. The education levels that were represented by few respondents included degree level with 11.1% and respondents that never studied with 10.2%. According to the findings, the majority of the respondents were literate and could interpret how to effectively utilize credit from the Sacco.

4.3 Borrower’s character on loan repayment during COVID-19 among SACCO loan members of Lyamujungu SACCO

Table 3: Borrowers’ character on loan repayment during Covid-19 among SACCO loan members

Description	N	Mean	Std. Deviation
The outbreak of covid-19 led to a drop in labour productivity growth and thus less income	108	4.73	.523
The covid-19 pandemic led to a reduction in investment which lead to less income in the labour market	108	4.56	.765
Our jobs and sources of income were put at a standstill during the covid-19 pandemic and we could not earn at all	108	3.91	1.501
The consumption at home was high which was not backed by production during the covid-19 pandemic period	108	4.52	.859
I was affected by the covid-19 pandemic and could not do anything to repay the borrowed money from the SACCO	108	3.78	1.307
I could not repay the borrowed loan because I was not sure whether I would survive	108	3.99	1.286

Source: Field Data, 2023

The Table above shows the effect of borrowers on loan repayment during Covid-19 among SACCO members. According to results, the outbreak of Covid-19 led to a drop in labour productivity growth and thus less income had the mean score of 4.73, SD =.523. This is a strongly agree response, an implication that respondents strongly agreed with the tool item.

Respondents further strongly agreed that the Covid-19 pandemic led to a reduction in investment which lead to less income in the labour market (M=4.56, SD=.765). This implies that respondents strongly agreed that there was a reduction in investment which led to less income in the labour market.

Findings on whether the consumption at home was high which was not backed by production during the Covid-19 pandemic period had a mean score of 4.52, and a standard deviation of .859. This is a strongly agree response on the Likert scale hence the consumption at home was high and was not backed by production during the Covid-19 pandemic.

Responses that scored agree responses included: I could not repay the borrowed loan because I was not sure whether I would survive (M=3.99, SD=1.286); Our jobs and sources of income were put at a standstill during the Covid-19 pandemic and we could not earn at all (M=3.91, SD=1.501) and I was affected by the Covid-19 pandemic and could not do anything to repay the borrowed money from the SACCO (M=3.78, SD=1.307). This implies that during Covid-19 pandemic, Lyamujungu SACCO clients could not repay borrowed loan because they were not sure whether they would survive, their jobs and sources of incomes were put at a standstill, hence had no earning and thus they were doing nothing and could not repay the borrowed money from the SACCO.

Responses from the key informants also were no different such as:

> *Respondent 1: The pandemic period was terrible to our clients, whenever we called for loan repay they always complained that they did not work during the lock-down as so request for grace period and loan relief.*
>
> *Respondent 2: Almost 70% of our clients are community farmers engaged in businesses that are on small scale. So during the covid-19 pandemic, their business was put at a standstill and could not earn income to repay.*
>
> *Respondent 3: The pandemic situation that involved closure of business enterprises, institutions and industries threatened our clients and eventually influenced their character even if they were able to pay, They were not sure of when the pandemic would deteriorate.*
>
> *Respondent 4: In this branch we had loyal and longtime clients that would borrow money and repay in time, however the outbreak of the pandemic influenced them to keep home consuming without working. This eventually could affected their character and influencing them to take a decision of holding in loan repayment*

Respondent 5: It can clearly be accepted that were all shocked and not sure of tomorrow. Any human being would not pay the amount he had yet he/she was not sure of the next destination. To me this affects that character and decisions hence the repayment became less compared to normal days.

4.3 Borrower's Capacity on loan repayment during COVID-19

Table 4: Borrowers' capacity on loan repayment during Covid-19

Descriptive	N	Mean	Std. Deviation
The SACCO gives fewer loans compared to what we apply for.	108	4.05	1.256
Since the outbreak of covid-19, the SACCO closes very early yet we will be in need of services	108	3.73	1.378
My account is dormant because I don't have what to save there	108	3.03	1.443
Some SACCOS staff were unemployed due to the outbreak of the covid-19 pandemic	108	3.02	1.571

Source: Field Data, 2023

The Table above presents the effect of borrowers capacity on loan repayment during Covid-19 pandemic as: respondents agreed that the Sacco gave few loans compared what they apply for (M=4.05, SD=1.256); since the outbreak of Covid-19, the Sacco closes very early yet we will be in need of services (M=3.73, SD=1.378).

The implication is that during Covid-19 outbreak, SACCOs like Lyamujungu SACCO gave few loans compared to what the clients applied for and closed early yet clients wanted to access the services. This affected their capacity to repay their loans.

Respondents that scored the 'not sure' responses included: my account is dormant because I don't have what to save there (M=3.03, SD=1.443); and, Some SACCOS staff were unemployed due to the outbreak of the covid-19 pandemic (M=3.02, SD=1.571).

Responses from the key informants were as below:

Respondent 1: Although this SACCO branch has few civil servants, during the outbreak of covid-19 pandemic, there was salary cuts and delays while the self-employed were locked in their homes with no way out, this seem to have contributed to reduction in the capacity of borrowers to repay the SACCO loans.

Respondent 2: during the outbreak of covid-19 pandemic, us as a SACCO, we decided to offer loans that were in line with their collateral security because we realized that there was a reduction in their capacity to repay the loans they had initially paid. Therefore as a SACCO, we were making loan cuts in relation to what the borrowers had applied for.

Respondent 3: as a SACCO, were also affected by the lockdown in two ways; the first being that were regulated to work until mid-day, an implication that were started losing some clients and second being that the clients would not have the capacity to access the services. Even those that were in position to repay could not access the SACCO in their way of convenient.

4.4 Borrower's Credit period on loan repayment during Covid-19 pandemic in Lyamujungu SACCO

Table 5: Borrower's credit period on loan repayment during Covid-19

Description	Mean	Std. Deviation
Covid-19 is associated with reduction or loss of labor to work on land which leads to lack of productivity	3.11	1.659
The existence of covid-19 is associated with loss of lives of clients that possessed SACCO loans	4.23	1.181
Loss of savings and Absolut poverty are some of the consequences of covid-19 pandemic	4.56	.600
Covid-19 pandemic creates a burden of orphans which reduces and income and leads to loan defaults	4.22	1.079
Covid-19 is associated to increased health expenses, quarantine and social distancing indicating opportunities blockage	4.78	.418
Covid-19 pandemic effects go hand in hand with the consequences that drive SACCO members into loan repayment failure.	4.70	.459

Source: Field Data, 2023

The table above presents the findings about the effect of borrowers' credit period on loan repayment during Covid-19 pandemic in Lyamujungui SACCO. According to the findings, tool items that scored highly included: Quarantine and social distancing indicating opportunities blockage (M=4.78, SD=.418); Covid-19 pandemic effects go hand in hand with the consequences that drive SACCO members into loan repayment failure (M=4.70, SD=.459); and, Loss of savings and Absolut poverty are some of the consequences of Covid-19 pandemic (M=4.56, SD=.600). The strong responses on such items imply that quarantine and social distancing which blocked opportunities, loss of savings and absolute poverty were all consequences of the Covid-19 pandemic on SACCO loans, hence affected borrowers' credit period to repay the loans.

Tool items that scored agree responses included: the existence of Covid-19 is associated with loss of lives of clients that possessed SACCO loans (M=4.23, SD=1.181); and, Covid-19 pandemic creates a burden of orphans which reduces and income and leads to loan defaults (M=4.22, SD=1.079). The implication of the findings is that clients at Lyamujungu agreed that the pandemic was associated with loss of lives of clients that had SACCO loans and the pandemic created the burden of orphans that reduces income and creates defaults.

Responses from the key informants were almost similar to the above results as indicated below:

> *Response 1: During the period of the outbreak of covid-19, as a SACCO we received suggestions and requests from our clients for tax holidays on some concerned clients while others just kept silent even when the borrowed money had accumulated. This was a great effect of the pandemic because not only clients but the entire economy was not easy.*
>
> *Respondent 2: Even during the recovery, loans repayment is still a challenge because of the expenses that were incurred by clients during the pandemic period. When contacted they present factors such as looking after families that lost their beloved ones, an implication that there was a wide gap left*
>
> *Respondent 3: well, no one was prepared for the pandemic outbreak and this eventually was like a disaster so it drove the clients that had loans into a dilemma that affected their period. In our policy, when one exceeds the agreed period of loan repay, fines are attached and many clients became culprits.*
>
> *Respondent 4: the outbreak of covid-19 came as a disaster that instilled hopeless in people's hearts. As a SACCO we had no way for the clients that had borrowed and at the*

same time savings were also slightly reduced as a result of factors such as lockdown, quarantine, social distancing among others. This therefore affected the period the borrowers had agreed with the SACCO.

4.5 Hypothesis testing

Checking the distribution of the data in order to determine whether to use parametric or non-parametric methods for data analysis or not.

Table 6: Hypothesis testing for normality

Tests of Normality

	Kolmogorov-Smirnov[a]			**Shapiro-Wilk**		
	Statistic	**df**	**Sig.**	**Statistic**	**Df**	**Sig.**
Mean score of borrower's character on loan repayment period.	.130	108	.000	.896	108	.000
Mean score of borrower's capacity on loan repayment period.	.135	108	.000	.960	108	.003
Mean score of borrower's credit period on loan repayment.	.126	108	.000	.930	108	.000

a. Lilliefors Significance Correction

The Table above shows the results of normality tests for three variables, "Mean score of borrower's character on loan repayment period", "Mean score of borrower's capacity on loan repayment period", and "Mean score of borrower's credit period on loan repayment period". The tests used were the Kolmogorov-Smirnova test and the Shapiro-Wilk test. For each of the three variables, the table provides the test statistic and degrees of freedom (df) for both the

Kolmogorov-Smirnova and Shapiro-Wilk tests, as well as the significance level (Sig.). The significance level indicates the probability that the sample came from a normal distribution.

In general, if the significance level is less than a predetermined significance level (often .05), then the null hypothesis of normality is rejected and the data is considered to be not normally distributed.

Based on the results in the table, all of the variables have a significance level of less than .05 for both tests, indicating that none of the variables are normally distributed.

In such cases, it is often recommended to use non-parametric statistical methods instead of the more commonly used parametric methods, which assume normality of the data. Non-parametric methods are more robust and do not require the assumption of normality, making them suitable for use with non-normally distributed data. This is the reason why I used a non-parametric method to test for hypothesis.

Table 7: Hypothesis testing for null hypothesis

	Null Hypothesis	**Test**	**Sig.**	**Decision**
1	The distribution means score of "Borrower character has no effect on loan repayment during COVID -19 at Lyamujungu SACCO" is the same across the ability to repay the borrowed loan.	Independent - Samples Kruskal – Wallis Test	**.000**	Reject the null hypothesis
2	The distribution mean score of the "Borrower's capacity to pay has no effect on loan repayment during COVID-19 pandemic at Lyamujungu SACCO "is the same across the ability to repay the borrowed loan.	Independent - Samples Kruskal – Wallis Test	**.040**	Reject the null hypothesis
3	The distribution means score of "Borrower's credit period has no effect on loan repayment during COVID-19 pandemic at Lyamujungu SACCO" is the same across the ability to repay the borrowed loan.	Independent - Samples Kruskal – Wallis Test	**.001**	Reject the null hypothesis

Asymptomatic significance are displayed. The significance level is .05.

The above shows the results of non-parametric statistical tests for three null hypotheses. The test used is the Kruskal-Wallis Test, which is a non-parametric test for comparing the median of two or more independent groups.

For each of the three null hypotheses, the table provides the hypothesis being tested, the type of test used, the significance level (Sig.), and the decision based on the test result. The significance level is set at .05, meaning that if the significance level is less than .05, the null hypothesis is rejected.

Based on the results in the table, the null hypothesis for all three variables is rejected, with significance levels of ***(p = <.000, p = <.040, and p = <.001)*** for "Mean score of the borrower's character on loan repayment period ", "Mean score of the borrower's capacity on loan repayment period ", and "Mean score of the borrower's credit period on loan repayment period" respectively.

This means that there is evidence to suggest that the distribution of the mean score of each of the three variables is not the same across the ability of the borrower to repay the borrowed loan.

4.6 Summary and discussion of findings

4.6.1 Discussion of findings on the effect of borrower's character on loan repayment during COVID -19 pandemic

The study findings on the effect of borrower's character on loan repayment during COVID-19 pandemic revealed that there was a strong association between Covid-19 outbreak and a drop in labour productivity growth and thus less income (M=4.73, SD =.523). These findings are based on presentation of many agree responses to the tool item. Similarly, Gogo and Oluoch (2017) claim that the economic crisis brought on by the pandemic during COVID-19 appears to have affected people's personalities. By the mere fact that the Covid-19 pandemic was associated with threats to the economy that influenced the closure of industries and people could no longer earn, created a bad character among the credit borrowers and eventually ended up making a small return.

Other effects included reduction in investment which led to less income in the labour market (M=4.56, SD=.765); high consumption in homesteads and not backed by production (M=4.52, SD=.859), and yet some clients could not repay loans because of not being sure whether they would survive (M=3.99, SD=1.286). Gogo and Oluoch (2017) indicated that the COVID-19 pandemic outbreak in the first quarter of 2020 sparked a number of unusual emergency measures, including travel bans, the requirement to shut down non-essential businesses, restrictions on meetings, and the requirement to work from home. Economic activity has been significantly damaged by the crisis, with output losses frequently exceeding those seen during the global financial crisis (GFC) which began more than 10 years ago. Due to COVID-19, several debtors rapidly saw their money flow substantially decline or completely stop.

However, Ondieki, et al, (2017) argued that In the case of Europe and Central Asia (ECA), Borrower relief schemes have been swiftly implemented and these programmes have mainly taken the form of brief payment moratoria, where choices on which borrowers qualify are typically left to banks, paired with momentary legislative steps to flatten the bankruptcy curve. Therefore policies to address such effects were to some extent implemented by SACCOs like Lyamujungu as a way of eliminating defaulters. These ranged from the borrower’s credit history to his capacity.

4.6.2 Discussion of findings on the effect of borrower's capacity to pay on loan repayment during COVID-19 pandemic

Findings on the effect of borrower's capacity to pay loan repayment during the Covid-19 pandemic revealed that the significant factors included offering less loans compared to what clients applied for (M=4.05, SD=1.256) and the SACCOs closing early yet clients still needed services(M=3.73, SD=1.378). During the Covid -19 pandemic, it was revealed that SACCOs decided to cut the amount the clients applied for as loans because of doubting their capacity to repay back. In addition, the bank regulatory body especially the Bank of Uganda reduced the set working hours for all financial institutions to operate, thus limiting the capacity of the clients to access the services and failure to repay back the credit borrowed.

Similar findings are argued by Kule et al. (2020) who asserted that although each lender is unique, many prefer a candidate's DTI to be around 35% or less before approving an application for fresh credit. It is important to remember that lenders are occasionally forbidden from giving loans to customers with higher DTIs as well. DTI is determined by multiplying the borrower's gross monthly income by the sum of all monthly debt payments (Agaba & Turyasingura, 2020). The applicant's chances of being approved for a new loan are better the lower their DTI is. However, since COVID-19 first started to spread, a lot has changed.

4.6.3 Discussion of findings on the effect of borrower's credit period on loan repayment during COVID-19 pandemic

Findings about the effect of borrowers credit period on loan repayment during the Covid-19 pandemic revealed that the major effects included quarantine and social distancing that blocked opportunities for clients (M=4.78, SD=.418); consequences that drove clients into loan repayment failure and Loss of savings (M=4.70, SD=.459); and, Absolute poverty (M=4.56, SD=.600). The study's field respondents strongly agreed to the mentioned effects as significant in loan repayment during the outbreak of Covid-19 pandemic.

In contrast, Muriithi (2017) clarifies that a loan's term is the length of time it takes to pay off the debt. Long-term or short-term notes can be used as loans. Therefore, despite the fact that uncertainty has always been a part of lender business models, before the pandemic finance providers were better able to assess a borrower's ability and willingness to repay as well as the likelihood of default by considering credit and payment histories, income, or assets; non-financial information (such as home address, the relevant sector of the borrower's business, and length of banking relationship) that can serve as a proxy for income; and the purpose of the loan (such as covering a short (visibility tends to be higher over shorter time horizons).

Other items that respondents agreed with and to have affected their credit period on loan repayment included loss of lives of some clients (M=4.23, SD=1.181) and creation of orphanage that reduces income and leads to loan default (M=4.22, SD=1.079). Clients were not sure whether they would survive the pandemic in accordance with the announced international signs and the rate at which it was claiming people's lives in countries like China, USA, Italy, among others. This therefore interrupted their period for paying their loans. In addition, some clients claimed that the loss of some people made them have a burden of the orphans they were looking after and these required all basic life necessities that influenced the credit period, hence delay in loan repayment.

According to the IMF (2020a), Banking systems had more capital and liquidity than in previous crises when the COVID-19 crisis began (EBA, 2020b; FED, 2020a). Vulnerabilities are visible in a number of places, though. Numerous banks continue to experience poor valuations, low profitability, and large levels of non-performing assets, particularly in various regions of the world (IMF, 2020a; ECB, 2020a). In addition, according to a report by Seep-Network (2020), COVID-19 creates serious health and financial concerns for Savings Groups because to market instability, mobility restrictions, and restrictions on community gathering. Due to the fact that the majority of the members are female, they will probably be the main caretakers during the health crisis, putting them at a higher risk of additional burdens in addition to an increased risk of intimate partner and sexual violence. As a result, Covid-19 has an effect on SACCOs' development because it is linked to other external stressors like family violence.

4.6.4 Discussion of findings on Hypothesis testing

In testing the hypothesis, findings revealed that the null hypothesis for all three variables is rejected, with significance levels of ***(p = <.000, p = <.040, and p = <.001)*** for "Mean score of the borrower's character on loan repayment period ", "Mean score of the borrower's capacity on loan repayment period ", and "Mean score of the borrower's credit period on loan repayment period" respectively. Therefore the findings indicate that borrower's character, borrower's credit period and borrower's capacity had a significant on loan repayment period after the rejection of a null hypothesis.

It was revealed that these factors played a key role in determining the rate of loan repayment during the Covid-19 pandemic, particularly at Lyamujungu Sacco. In the same way, numerous studies have shown how the Covid-19 epidemic has affected agriculture (Chelangat, & Mutai, 2021). Due to labour shortages, households impacted by the COVI-19 pandemic may lower the amount of land they cultivate or possibly stop using some labour-intensive crops or agricultural practices. If a household belongs to an agricultural cooperative, especially if several member houses are impacted, the cooperative organization could be severely harmed.

According to a research Miller et al. 2019 conducted in Malawi, households with members who had chronic illnesses lost nearly 70% of their labour force. According to the survey, delayed agricultural activities (reported by 45% of the affected households), fallow land (23%), a change in crop mix (26%) and a change in source of income (36%), among other things, were also recorded. According to a comparable study conducted in Uganda in 2011 by Asingwire, 77% of families reported decreased agricultural production during the previous ten years, primarily as a result of the effects of the Covid-19 pandemic. More than a quarter of the families reported animal deaths owing to neglect and bad management due to illness and family member deaths (Claude, & Edison,2018).. The majority of these participants are SACCO members who have debts in SACCOs; as a result of the epidemic, they are unable to raise the necessary capital, which results in bad loan payback.

CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the conclusions reached in the study after the summary and discussion of findings while relating them to the existing literature, as well as the recommendations made by the study. The chapter ends by highlighting the recommended fresh fields that need to be tackled by future researchers.

5.2 Conclusions

5.2.1 Conclusion on the effect of borrower character on loan repayment during COVID -19 pandemic

The study concluded that drop in labour productivity growth and thus less income, reduction in investment which led to less income in the labour market and high consumption during Covid-19 pandemic not backed by production were influencing factors that affected borrower's character on loan repayment at Lyamujungu SACCO. The conclusion was based on such tool items scoring highest mean and standard deviation on the Likert scale.

5.2.2 Conclusion on the effect of borrower's capacity to pay on loan repayment during COVID-19 pandemic

The study concluded that factors such as SACCOs offering fewer loans compared to what was applied for by clients and closure of the SACCO early yet clients needed services, affected the borrowers capacity on loan repayment during Covid-19 pandemic at Lyamujungu SACCO

5.2.3 Conclusion on the effect of borrower's credit period on loan repayment during COVID-19 pandemic

The study concluded that borrower's credit period had a significant effect on loan repayment during the COVID-19 pandemic as portrayed by factors such as Quarantine and Social distancing indicating opportunities blockage; Covid-19 pandemic effects go hand in hand with the consequences that drive SACCO members into loan repayment failure; and Loss of savings and Absolut poverty are some of the consequences of Covid-19 pandemic.

5.2.4 Conclusion on hypothesis testing

The conclusion on the overall hypothesis testing is that there was a contradiction on the null hypothesis since it was rejected. Thus the three assumptions of "Borrower's character on loan repayment period", "Mean score of the borrower's capacity on loan repayment period", and "Mean score of the borrower's credit period on loan repayment period" respectively were rejected hence a significant of variables observed in the results.

5.3 Recommendations

From the findings of the study analysed in the previous chapter and the conclusions reached, the researcher made various recommendations, which in his opinion, if properly considered, have the potential to improve the effectiveness of Bank credit and thereby improve loan repayment rates among SACCOs. These recommendations are:

5.3.1 Effect of borrower character on loan repayment during COVID -19 pandemic

SACCOs are recommended to seriously consider having in place effective credit standards, credit policy, credit terms and collection policies or procedures as mechanisms to guide their business, since the effectiveness of credit management is important to the successful management of banking institutions. In order to ascertain the level of credit to issue out to a borrower, the banks should use credit standards to appropriately evaluate the borrower's liquidity and cash flow, as well as the performance of their business and saving culture, that can be used in determining the borrower's ability to repay the loan.

5.3.2 Effect of borrower's capacity to pay on loan repayment during COVID-19 pandemic

The study further recommends SACCOs to operate their credit businesses based strictly on established lending guidelines that clearly outline the business growth priorities of the senior management, as well as the conditions to satisfy in order to qualify for loan approval. These lending guidelines (credit policy) should be regularly updated in order to keep their consistency with the prevailing changes in the credit market and the overall outlook of the economy.

5.3.3 Effect of borrower's credit period on loan repayment during COVID-19 pandemic

Finally, the study recommends SACCOs to be extra careful while making prior customer evaluation before loans are granted, and a continuous process of assessment before and during the course of loan repayment. In this way, the bank will be in position to accurately ascertain the trajectory of the borrower's performance in terms of repayment. This should be cemented by effective customer relationship management, where the bank not only acts as a source of credit, but also as a source of vital information on business management in order to improve the business performance of the borrowers, which will consequently improve loan repayment and performance.

5.5 Areas for further research

Further research should be carried out to determine the relationship between customers’ financial information, the level of credit worth and the performance of SACCOS. This will help to generate more knowledge on the effect of accurate customer credit rating on the performance of loans in SACCOs.

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APPENDICES

Appendix 1: A consent form for respondents

Title of Study: Bank credit and loan repayment rates amongst Sacco members in Kabale District. A case of Lyamujungu SACCO.

Dear Respondent,

You have been selected to participate in the above titled study, which is being done as part of educational research in partial fulfillment of requirements for the award of Masters Degree of Business administration, directorate of research and training, Kabale University.

You are a volunteer. You can choose not to take part and if you join, you may quit at any time. There will be no penalty if you decide to quit the study.

Study Description: The purpose of this study is to investigate the effect of the Covid-19 pandemic on SACCO member's loan repayment rates in Kabale municipality considering a case study of Lyamujungu SACCO. This study will look at the SACCOs general managers, Assistant Manager, staff of Lyamujungu SACCO as well as the SACCO clients.

Purpose of the research project: This is a research study that will sample 135 respondents. The purpose of this study is to investigate the effect of the Covid-19 pandemic on SACCO member's loan repayment rates in Kabale municipality. As a SACCO manager, assistant manager, staff or client you may be asked to participate. Your participation includes answering a piece of questionnaires that will take about a total of 30 minutes of your time.

Procedures: You will first be asked to consent to participate in this study. Following your acceptance you will be interviewed by one of the research assistant who will ask you several questions and they will write down your responses. They will ask you about your response about the impact of covid-19 on SACCO members' loan repayment rates in lyamujungu SACCO. You will be asked to be as genuine as possible as you respond to the questions. You are free to ask any question during the course of the interview. You will be asked these questions in a private space to maintain the confidentiality of your answers.

Risks / discomforts: There is minimal risk. Your answers will be kept confidential by using numbers instead of names on the forms and they will be securely locked when not using for analysis. After the completion of the study the form will be destroyed.

Benefits: There will be no direct benefit to you from the study but the information will be used to implement measures concerning the effect of the Covid-19 pandemic on SACCO member's loan repayment rates in Kabale municipality.

Who do I ask/call if I have questions or a problem?

1. Mr. Dicky Byamukama: Tel: 0772475869 (Principal Investigator)

What does your signature (or thumbprint/mark) on this consent form mean?

Your signature on this form means:

- □ You have been informed about this study's purpose, procedures, possible benefits and risks.
- □ You have been given the chance to ask questions before you sign
- □ You have voluntarily agreed to be in this study

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Print name of participant of adult participant	Signature/Thumb-print	Date
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Print name of person obtaining consent	Signature	Date

Thank you very much for your cooperation. God bless you.

Appendix 2: Questionnaire for the study clients
Section A: Demographic characteristics of the study respondents

1. Gender of the respondent

a) Male ☐
b) Female ☐

2. Age of the respondent

a) 15-30 years ☐
b) 31-40 years ☐
c) 41-50 years ☐
d) 51-60 years ☐
e) 61 years and above ☐

3. Occupation

a) Community farmer ☐
b) Entrepreneur ☐
c) Civil servant ☐
d) Unemployed ☐
e) Others (specific)____

4. Highest level of education

a) Never studied ☐
b) Primary level ☐
c) Secondary level ☐
d) Certificate/diploma level ☐
e) Degree level ☐
f) Others (please specify)____

Section B: Borrowers character on loan repayment during COVID-19 among SACCO loan members of Lyamujungu SACCO

Note that in the tables of questions below, 5 represent Strongly Agree(SA), 4 represent Agree(A), 3 represent Not sure(NS) , 2 represent Disagree(D), 1 represent Strongly Disagree(SD).

SN	Variable	Response				
		5	**4**	**3**	**2**	**1**
5.	The outbreak of covid-19 led to a drop in labour productivity growth and thus less income					
6.	The covid-19 pandemic led to a reduction in investment which lead to less income in the labour market					
7.	Our jobs and sources of income were put at a standstill during the covid-19 pandemic and we could not earn at all					
8.	The consumption at home was high which was not backed by production during the covid-19 pandemic period					
9.	I was affected by the covid-19 pandemic and could not do anything to repay the borrowed money from the SACCO					
10.	I could not repay the borrowed loan because I was not sure whether I would survive					

Section C: Borrowers Capacity on loan repayment during COVID-19

SN	Variable	Response				
		5	**4**	**3**	**2**	**1**
11.	The SACCO gives fewer loans compared to what we apply for.					
12.	Since the outbreak of covid-19, the SACCO closes very early yet we will be in need of services					
13.	My account is dormant because I don’t have what to save there					
14.	Some SACCOS staff were unemployed due to the outbreak of the covid-19 pandemic					

Section D: Borrowers Credit period on loan repayment in Lyamujungu SACCO

SN	Variable	Response				
		5	4	3	2	1
15	Covid-19 is associated with reduction or loss of labor to work on land which leads to lack of productivity					
16	The existence of covid-19 is associated with loss of lives of clients that possessed SACCO loans					
17	Loss of savings and Absolut poverty are some of the consequences of covid-19 pandemic					
18	Covid-19 pandemic creates a burden of orphans which reduces and income and leads to loan defaults					
19	Covid-19 is associated to increased health expenses, quarantine and social distancing indicating opportunities blockage					
20.	Covid-19 pandemic effects go hand in hand with the consequences that drive SACCO members into loan repayment failure.					

Appendix 3: Interview guide for key informants

1. What qualities do you consider while offering loans in this SACCO?
2. Did you offer loans to your members during covid-19 lockdown?
3. If yes, how was the turn up in terms of repayment?
4. How do you rate the loan repayment during covid-19 lockdown and in the post covid-19 pandemic?
5. What do you think is the cause of the above response?
6. Do you think the outbreak of covid-19 pandemic has affected the overall performance of this SACCO?
7. If yes, how the outbreak of covid-19 pandemic has affected the overall performance of this SACCO?
8. What are some of the actions that happened during covid-19 pandemic that affected the loan repayment by members of this SACCO?
9. How did you try to copy up with these set actions?
10. What is your conclusion on the outbreak of covid-19 and the market base of this SACCO

Thank you for your time

Stay blessed

Appendix 4: Table of size determination

N=Population size, n=Sample size

N n	N n	N n	N n	N n
10 - 10	100 - 80	280 - 162	800 - 260	2800 - 338
15 - 14	110 - 86	290 - 165	850 - 265	3000 - 341
20 - 19	120 - 92	300 - 169	900 - 269	3500 - 346
25 - 24	130 - 97	320 - 175	950 - 274	4000 - 351
30 - 28	140 - 103	340 - 181	1000 - 278	4500 - 354
35 - 32	150 - 108	360 - 186	1100 - 285	5000 - 357
40 - 36	160 - 113	380 - 191	1200 - 291	6000 - 361
45 - 40	170 - 118	400 - 196	1300 - 297	7000 - 364
50 - 44	180 - 123	420 - 201	1400 - 302	8000 - 367
55 - 48	190 - 127	440 - 205	1500 - 306	9000 - 368
60 - 52	200 - 132	460 - 210	1600 - 310	10000 - 370
65 - 56	210 - 136	480 - 241	1700 - 313	15000 - 375
70 - 59	220 - 140	500 - 217	1800 - 317	20000 - 377
75 - 63	230 - 144	550 - 226	1900 - 320	30000 - 379
80 - 66	240 - 148	600 - 234	2000 - 322	40000 - 380
85 - 70	250 - 152	650 - 242	2200 - 327	50000 - 381
90 - 73	260 - 155	700 - 248	2400 - 331	75000 - 382
95 - 76	270 - 159	750 - 254	2600 - 335	100000 - 384