



Research Paper

Loan assessment and financial performance of SACCOs: Evidence as of Uganda

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ABSTRACT

The study kicked off to examine whether a relationship appears mid loan assessment and financial performance of SACCOs in Mbarara City. This undertaking espoused a non-experimental cross-sectional research design with both descriptive and analytical styles where a quantitative approach to data collection and analysis was considered. The study gathered quantitative data from 109 participants using questionnaires. Questionnaires were used to gather quantitative data which was then put into a data management tool, statistical package for social scientists version 20 for further description and inferences. The tool was then used to output a descriptive presentation and Pearson correlation coefficient stood employed to ascertain statistical significance between the loan assessment and financial performance. Findings from the undertaking exposed a solid positive affiliation amid loan assessment besides financial performance of SACCOs ($r=0.870^{**}$, $p<0.000$). This undertaking resolved that loan assessment influences financial performance of SACCOs positively. The study commends SACCOs to adopt well thought and efficient loan assessment strategies as means to improve their financial performance.

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Key word: Loan assessment, financial performance and SACCOs.

INTRODUCTION

Financial performance is a circumstance in which the firm earned revenues collected through its business operations over a certain period (Kibui and Moronge, 2014; Otieno et al., 2013). Financial performance of a SACCO is its ability to attain its intended objectives through maximizing profits at the end of a given quota. In most cases, SACCOs measure their finances through attaining returns on investment, profits, share capital growth and increase in market share (Katula and Kiriinya, 2018). In this regard, the study by (Kule et al., 2020) in mid-western Uganda, recommended an effort to reduce the loan default levels by revising clearly the loan assessment policies for implementation if SACCOs are to remain financially stable. In most cases, loan delinquency in SACCOs in Uganda is attributable to poor loan assessment in issuing out loans to members (Kalu et al., 2018). In effect, borrowers in these SACCOs end up failing to meet their obligations and they throw these SACCOs in a financial crisis manifested by loan delinquency (Kule et al., 2020). Loan assessment is a central tenet in

credit management among financial institutions including SACCOs as it helps in buffering the possibility of loan delinquency and other unnecessary financial losses (Bosco and Faustin, 2016). It includes among others obtaining necessary information from the borrower to ensure that he is in a position to repay the credit issued to him (Njogu and Omagwa, 2018). Loan assessment is specifically conducted to ensure that the borrower can pay back and in an event that he gets problems, mechanisms to secure the borrowed money are also set for instance through the guarantors (Katula and Kiriinya, 2018). This point to the fact that loan assessment plays a huge role in reducing the risk of SACCOs losing their money through borrowing members who cannot pay back or exposing the borrowed money to an insecure borrowing system that makes it had to be recovered.

In Uganda, a significant number of SACCOs have suffered financial losses through loan delinquency because of poor loan assessment (Kule et al., 2020). Such cases are not

unique to Uganda but also other developing countries like Rwanda and Tanzania where cooperative societies are formed based on providing startup capital to the most vulnerable and underprivileged groups of the society (Ndiege et al., 2016). Cases in Uganda indicate that much as SACCOs have continuously helped the rural poor, they are burdened by high rates of loan delinquency emanating from poor loan assessment practices. For instance, in Mbarara City, records from the Commercial Officer's Report FY 2016/2017 indicated that several SACCOs were experiencing financial challenges like failing to meet their operating costs because of non-performing loans due to poor loan assessment systems applied in the process of issuing loans. These systems were being poorly managed to lead to low profitability of SACCOs thus leading to financial performance related challenges. Much as SACCOs in Mbarara City are trying to conduct loan assessment as a means to manage loan delinquency issues, there is a loophole in implementing loan assessment, which has greatly led to compromised financial performance. A case in point was Mwizi SACCO Limited, which fell in a deficit of UGX 600 million unrecovered loans in the financial year 2017, prompting the board to interdict employees in its branches. To this end, there is scanty empirical evidence on how loan assessment influences the financial performance of SACCOs in Mbarara City thus bothering the researcher to carry out the study, which intended at examining the relationship amid loan assessment besides financial performance of SACCOs in Mbarara City.

Study purpose

This undertaking purposed to examine the association amid loan assessment besides financial performance among SACCOs within Mbarara City.

Undertaking hypothesis

H₁: An association exists amid loan assessment besides financial performance among SACCOs within Mbarara City.

LITERATURE REVIEW

Theoretical review

This undertaking was fastened on Modern Portfolio Theory which enlightens on how a given loan collection is used to exploit proceeds and diminish loan delinquency through helping the management integrated several loan components in an ethical manner (Njenga and Jagongo, 2019; Kule et al., 2020). The theory is advantageous in a way that a given loan collection be selected considering its impact on the others' performance (Njenga and Jagongo,

2019). The theory holds a notion that every investor in this case the SACCO is always expectant of the risk come along with investment. This is clearly based on the fact that a person or a financial institution can achieve greater financial returns by active divergence of credits in a specified loan portfolio. The theory clearly gives an insight on how a given person or financial institution strategically can realize more returns provided the loan collection has been diversified as this minimizes the rate of default by the borrowers hence realizing a promising monetary performance (Kule et al., 2020; Otieno et al., 2013) identified a relationship that is significant between risk and return within SACCO business meaning that an investor which is a SACCO in this case, must take on higher risk to achieve financial performance. Supportively, the Capital Pricing Model which is premised on the conception that the danger of giving out a unit of loan is proportional to the systematic of its consequence in its operational environment leaving other factors constant (Hesborn et al., 2016).

The fundamental idea is that SACCO financial performance is straightly associated to its loan portfolio quality putting into consideration the economic environment within which it functions. This is practically evidenced in the rate at which the customers take the loans and the rate of repayment where in most case the clients have attributed their failure to pay on time to the unfriendly economic condition (Bosco and Faustin, 2016). Hence the delayed loan repayment greatly affects the income statement of the SAACOs by being reflected as an expense thus diminishing the profitability at the end of the period. Therefore, SACCOs' managements should plan diverse loan categories that yield benefit of unlike situations together with the environment of operation with high chances of defaulters (Poot, 2020). Cumulating the loan ceiling as per the result of this study troubles the SACCOs' financial performance. In practice, there is amplified demand for general expansions when SACCOs have enough cash in circulation, emergency loans when the members are faced with unpredicted circumstances and asset funding loans when the debtor antic, updates acquiring an asset (Kalu et al., 2018; Maosa, 2020). These multiple loans when administered with good loan policies, will improve the profitability of the SACCOs by ensuring loan portfolio quality as a result of engaging the guarantors to minimize the loan default (Keitany, 2013; Kyazze et al., 2020). However, in most instances, SACCOs are characterized by sidestepping internal control systems put in place due to trust and faith in their members which results in loan defaults (Maithya, 2017).

Loan assessment and financial performance of SACCOs

Loan assessment plays a great role by ensuring loan portfolio quality where the loans are only advance to those

clients who meet the required standards and this absolutely reduces the chances of loan default. However, the credit team needs to excise clear competence in administering and implement the loan assessment procedure to ensure credit goes to only creditworthy customers (Keitany, 2013). He further stresses that SACCOs who apply adequate loan assessment practices tend to minimize the level of loan delinquency and in turn increase their financial performance. These findings share the same view with (Shieler et al., 2017) who found out a correlation between loan assessment with financial performance of MFIs and it indirectly contributed to reduction in loan delinquency. Loan assessment is a measure that ascertains whether collateral pledged by a borrower before obtaining a loan measure up to the amount of loan applied for (Bwoma et al., 2017; Katula and Kiriinya, 2018). Most SACCOs define collateral in form of land, motor vehicle, commercial building, or plot of land (Magali, 2013; Njogu and Omagwa, 2018). The assessment is done to ascertain collateral put before SACCO can be able to cover the issued amount in an event that the borrower fails to meet his obligations (Essendi, 2013). Some SACCOs have different conditions on collateral including collateral retention in case of issuing out huge loan amount to the borrower (Kibui and Moronge, 2014). Whether there is retention or not, the primary intention of collateral in loan assessment practice is to minimize the possibility of default which is the greatest cause of the financial crisis in SACCOs (Juma et al.,; Katula and Kiriinya, 2018). When a borrower evades his obligation to pay in an agreed timeframe, the collateral serves its purpose of covering the debt through auction by the SACCO (Osoro and Muturi, 2015). This shows loan assessment that evaluates collateral to ensure its worthiness predicts the financial performance of SACCOs as it plays a huge role in minimizing losses incurred through loan delinquency. The findings of the study by Bwoma et al. (2017) found out that loan assessment in microfinance institutions involves client appraisal, credit risk management, and loan collection policy are highly linked to financial performance.

In support of this claim, Mwangi (2012) reports that loan assessment predict financial performance in financial institutions. This is an indication that loan assessment is a very strong dimension to the extent that if well managed, it helps in the selection of credit worth borrowers, default control, loan approvals, product design, and streamlining loan recovery. The practice facilitates implementation of mechanisms that helps in managing forced savings, use of group peer pressure, visiting clients who miss a repayment, and presence of monitoring systems to ensure loan recovery was noted to be some of the loan recovery methods used to boost loan recovery and increase profits of the bank. Shieler et al. (2017) reveals that loan assessment involves loan appraisal of the borrower to confirm that he is worth the level of the loan being requested is worth it and can be paid back by such a borrower. These steps the basis upon which lending decision is premised. Loan

assessment facilitates appraising the borrower which ensures the safety of the loan being issued as the capacity of the borrower is measured at this stage. The appraisal stage influences the quality of the loan recovery system which predicts the financial performance of SACCOs. With loan assessment, the borrower's business is assessed to ascertain whether it can sustain loan payment in an agreed time frame. Before assembling information on the borrower to determine the boundaries of the credit, the officer in charge of loans endorsement needs to avail satisfactory evidence at present for assurance of low defaulting chance by the borrower. Njogu and Omagwa (2018) undertook a study to determine whether a significant relationship appears amid administration of loans and monetary performance of SACCOs. The findings of the study revealed a constructive significance amid loan product administration on monetary performance of SACCOs. The study then recommended the loan management team to always carry out continuous review of the loan policies so as to maintain, also advance financial stand.

Additionally, it further encouraged proper loan appraisal before the disbursement can finally be done by the loans officer. Keben and Maina (2018) revealed that liquidity management tactics are of great importance as concerns boosting the financial performance is concerned and that the management of liquidity should be given much attention especially the issuing of loans which should even be given a priority attention compared to other non-core assets of a given SACCO to invest in. Sebhatu (2012) reveals that SACCOs in Ethiopia depend on the efficiency of loan assessment to boost financial performance in their operations in rural communities of Ethiopia. Before issuance of loans, members are appraised to establish that their projects are in a position to service the loan obtained. The findings further reveal that some SACCOs which do not adequately conduct loan assessment were suffering huge financial losses through loan delinquency (Sebhatu, 2012). It is therefore imperative that SACCOs embark on effective loan assessment practices to imitate strategies and put in place rigorous evaluation methods to empower them in the identification of potential clients with high rate of compliance towards the loan obligations as per the schedule by the loans officer. SACCOs have got the capacity to grow very fast financially hence improving the living standards of the natives and the economy as well if only the economic environment together with the behaviors of the borrowers favour positively the financial operation of the SACCO (Miriti, 2014).

METHODOLOGY

Study setting

In Uganda, instances of SACCOs struggling with financial performance are on the increase as a result of loan

delinquency which is a manifestation of loopholes in loan assessment. This study set out to examine the association amid loan assessment and financial performance of SACCOs with a special focus on Mbarara City, Southwestern Uganda. In Uganda, savings and credit cooperatives emerged at the beginning of the 1990s during the economic recovery period from the 1980s economic downturn caused by political instabilities. They gradually picked towards the close of the 1990s and the early 2000s. SACCOs are operational in almost every village in Uganda and they have advanced their operations with the emergency of ICT and innovations. Mbarara City has forty-nine registered SACCOs which is the highest in the region. This study considered the twenty most performing SACCOs in Mbarara City to assess their level of financial performance in line with loan assessment. This is attributed to the fact that loan is the central business that sustains SACCO business in Uganda.

Study design

The undertaking assumed a cross-sectional survey research design which was both descriptive and analytical with a quantitative approach to data collection and analysis. The study considered 24 registered and well-performing SACCOs in Mbarara City. This study employed a purposive sampling technique in the selection of well-performing SACCOs within the Mbarara City. From the population of the study, the researcher used a stratified sampling technique to come up with strata of managers, credit managers, accountants, and credit officers. Simple random sampling was further applied in these strata except managers who were purposively selected because they have much insight as regards relating loan delinquency management with financial performance among the SACCOs they are managing. A sample size of 92 managers, credit managers, accountants, and credit officers from 24 registered SACCOs in Mbarara City was selected using simple random sampling techniques.

The questionnaire

A five-level Linkert scale questionnaire was designed and used in measuring participants' opinions regarding loan assessment and financial performance of SACCOs. This is a closed questionnaire intended to calculate the mean ratings in consideration of how the participants interpreted and responded to the statements presented to them in the undertaking.

Study variables' measurement

Independent variables are loan assessment whereas financial performance of SACCOs within Mbarara City was

considered dependent. The two variables were measured with knowledge from earlier revisited literature by scholars on the same phenomenon.

Data management and analysis

Data was managed using a tool SPSS (version 20) where it was processed. After data aggregation, statistical description together with correlation analysis stood undertaken. Findings were presented in frequencies, percentages, mean and standard deviations. Hypothesis was ascertained using person correlation to derive an inference on whether association amid loan assessment and financial performance of SACCOs exists.

ANALYSIS AND RESULTS

Loan assessment and financial performance of SACCOs

Statistical description was done to clearly describe how the participants responded to the loan assessment statements availed to them by the research using a five-point Linkert scale from 5-1 as per the set-up of the tool. Mean was highly considered to measure the level at which the participants gave their opinion where mean at 3 was considered the minimum to specify that the respondent was undecided about the statement, mean below the minimum 3 to specify the respondent disagreed to the statement and finally mean above the minimum specifies an agreement to the statement subjected to. Results from Table 1 specifies that majority of the respondents (53.3%) agreed that their SACCO conducts an efficient evaluation of clients' collateral versus loan requested. In the same line 46.7% strongly agreed with this statement (Mean= 4.46; Standard deviation= 0.701). This analysis shows that the evaluation of clients' collateral versus loan requested is mandatory in every SACCO. Also, the majority of the respondents (53.3%) strongly agreed that they conduct a thorough analysis of the loan condition set whereas the rest (46.7%) agreed with this opinion. The scrutiny attests how SACCOs conduct a thorough analysis of loan condition set. The analysis further shows that the majority of the respondents (53.3%) strongly agreed; (28.3%) agreed that approvals are made objectively based on the level of trust. In the same line 18.5% of the participants disagreed with this argument.

This analysis confirms that loan approvals are made based on the level of trust the SACCO has towards the member before the loan is disbursed. Also, the majority of the participants (73.9%) strongly agreed that they practice compulsory demand of collateral securities before the loan is issued whereas the least (26.1%) agreed with this view.

This analysis confirms that SACCO practice compulsory demand of collateral securities before the loan is issued.

Table 1: Statistical description of loan assessment.

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. dev
We conduct efficient evaluation of clients' collateral versus loan requested	0 (0.0%)	0 (0.0%)	0 (0.0%)	49 (53.3%)	43 (46.7%)	4.46	0.701
We conduct thorough analysis of loan condition set	0 (0.0%)	0 (0.0%)	0 (0.0%)	43 (46.7%)	49 (53.3%)	4.85	0.856
Approvals are made objectively based on the level of trust	0 (0.0%)	17 (18.5%)	0 (0.0%)	26 (28.3%)	49 (53.3%)	4.20	0.804
We practice compulsory demand of collateral securities before the loan is issued	0 (0.0%)	0 (0.0%)	0 (0.0%)	24 (26.1%)	68 (73.9%)	4.74	0.839
Loan repayment is restricted to credit terms	0 (0.0%)	9 (9.8%)	7 (7.6%)	42 (45.7%)	34 (37%)	4.11	0.896
Disbursement is timely	0 (0.0%)	7 (7.6%)	0 (0.0%)	25 (27.2%)	60 (65.2%)	4.51	0.835
We have a strong guarantee system	0 (0.0%)	8 (8.7%)	1 (1.1%)	50 (54.3%)	33 (35.9%)	4.17	0.815
We adhere to internal controls in place	0 (0.0%)	0 (0.0%)	1 (1.1%)	31 (33.7%)	60 (65.2%)	4.66	0.795
We have restructured loan recovery performance	0 (0.0%)	0 (0.0%)	18 (19.2%)	36 (39.1%)	38 (41.3%)	4.24	0.744
We have a special appraisal scheme for guarantors.	0 (0.0%)	9 (9.8%)	0 (0.0%)	49 (53.3%)	34 (37%)	4.21	0.851

Source: Generated results from SPSS version 20.

About loan repayment, the majority of the respondents (37%) strongly agreed; (45.7%) agreed that loan repayment is restricted to credit terms. In the same line 9.8% disagreed with this opinion whereas 7.6% were not sure. This analysis affirms that loan repayment is tied to the credit terms. The majority of the respondents (65.2%= strongly agreed; 27.2%= agreed) further agreed that loan disbursement is timely. On this issue, 7.6% disagreed with this argument. This confirms how members who apply for loans enjoy the privilege of timely disbursement. Also, the majority of the participants (35.9%= strongly agreed; 54.3%=agreed) reported that they have a strong guarantee system. On this, 8.7% disagreed with this view whereas 0.9% of the respondents were not sure. This analysis further reveals that SACCOs have a strong guarantee system. The analysis further revealed that the majority of the participants (65.2%) strongly agreed that they adhere to internal controls, (33.7%) agreed whereas the least (1.1%) were not sure. This indicates how controls in SACCOs are highly adhered to. Regarding guarantors, the majority of the respondents (41.3%) strongly agreed that there is a special appraisal scheme for guarantors, (39.1%) agreed whereas (19.2%) were not sure. This analysis shows that guarantors are highly appraised as a means to strengthen loan recovery.

Financial performance of the SACCOs

The researcher used the statements from the questionnaire together with their responses which were scored by the use of a five-point Likert scale. Analysis was done and presented using statistical description by use of

percentages, mean and standard deviation. Elicited results are seen in Table 2. Results from Table 2 indicate how popular of the participants (72.8%) highly decided that profitability is an indicator of financial performance within the SACCO whereas the least (27.2%) agreed with this statement. This indicates that profitability within the SACCO business is a clear signal that the SACCO is performing financially well. Also, the popular of the respondents (83.7%) strongly agreed in harmony that membership increment predicts the financial performance of the SACCO whereas the rest (16.3%) agreed with this statement (Mean 4.84; Standard deviation 0.764). This analysis confirms that when members increase in a SACCO, it is an indication of increased financial performance and the reverse is true. Also, the popular of the participants (84.4%= strongly agreed; 7.3%= agreed) that share capital growth within the SACCO is an indicator of financial performance (Mean= 4.76; Standard deviation= 0.692). This shows that share capital growth is a result of improved financial performance in SACCOs and vice-versa. The analysis further shows that popular of the participants (92.4%) strongly decided that an increase in savings is an indicator of financial performance within the SACCO whereas the rest (7.6%) also agreed (Mean= 4.93; Standard deviation= 0.862). This implies that the growth in savings is an indicator of improved financial performance and the reverse is true.

Results also indicate that majority of the participants (46.7%) strongly decided that ROE clearly designates SACCOs' competence to engender profits from capital while 27.2% also agreed (Mean= 4.21; Standard deviation= 0.817). This is an indication that when the return on equity is high, the SACCO financial performance will also be high. It

Table 2: Statistical description of financial performance among SACCOs.

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. dev
We consider Profitability as an indicator of financial performance within this SACCO	0 (0.0%)	0 (0.0%)	0 (0.0%)	25 (27.2%)	67 (72.8%)	4.71	0.858
Our Membership increment predicts the financial performance of this SACCO	0 (0.0%)	0 (0.0%)	0 (0.0%)	15 (16.3%)	77 (83.7%)	4.84	0.764
Our Share capital growth within this SACCO is an indicator of financial performance	0 (0.0%)	0 (0.0%)	8 (8.7%)	7 (7.6%)	77 (83.7%)	4.76	0.692
We consider Increase in savings as an indicator of financial performance within this SACCO	0 (0.0%)	0 (0.0%)	0 (0.0%)	7 (7.6%)	85 (92.4%)	4.93	0.862
ROE is an indicator competence of this SACCO to generate profit from equity.	0 (0.0%)	0 (0.0%)	24 (26.1%)	25 (27.2%)	43 (46.7%)	4.21	0.817
Our Return on investment predicts financial performance within this SACCO	0 (0.0%)	0 (0.0%)	7 (7.6%)	24 (26.1%)	61 (66.3%)	4.61	0.824
The level of our loan recovery predicts financial performance of this SACCO	0 (0.0%)	0 (0.0%)	0 (0.0%)	27 (29.3%)	65 (70.7%)	4.72	0.753
Our Growth in market share is an indicator of this SACCOs' financial performance	0 (0.0%)	7 (7.6%)	17 (18.5%)	32 (34.8%)	36 (39.1%)	4.06	0.926

Source: Generated results from SPSS version 20.

Table 3: Loan assessment and financial performance of SACCOs in Mbarara City.

	Loan assessment		Financial performance
Loan assessment	Pearson association sig. (2-tailed)	1	.870** .000
	Number	92	92
Financial performance	Pearson association sig. (2-tailed)	.870** .000	1
	Number	92	92

** . Significant Correlation at 0.01 level (2-tailed).

was found out that popular of the participants (45.9%= strongly decided; 29.4%= decided) that return on investment predicts financial performance within the SACCO (Mean= 4.61; Standard deviation= 0.824). This analysis shows and confirms how higher returns on investment clearly specify profitability of SACCOs. About loan recovery, the popular of the respondents (70.7%) strongly agreed that the level of loan recovery predicts the financial performance of the SACCO while (29.3%) also agreed with this statement (Mean= 4.72; Standard deviation= 0.753). This shows that the capability to recover loans is an indication of excellent financial performance in SACCOs' operations. Finally, the majority of the participants (38.5%= strongly agree; 36.7%= agreed) that growth in market share is an indicator of SACCOs financial performance (Mean= 4.06; Standard deviation= 0.926). On the same view, (17.4%) were not sure about this argument whereas the least (7.3%) disagreed. This analysis shows that growth in market share is an indication that SACCOs are financially performing well.

Correlations results

Results from Table 3 shows that a solid positive association exists amid loan assessment and financial performance

among SACCOs within Mbarara city ($r=0.870^{**}$, $p<0.000$). This observation displays evidence that loan assessment positively influences the financial performance of SACCOs. Additionally, this analysis specifies that if loan assessment is efficiently conducted and executed in its true fashion, with other factors held constant, there are higher chances that the financial performance of SACCOs will be improved. There is a signal that any component positive change in loan assessment procedures stimulates a positive modification in financial performance by a tune of 87%. Figure 1 shows a relationship that is significant and positive amid loan assessment and financial performance of SACCOs. It further clearly shows that as loan assessment increases, the financial performance also increases. Thus, the stated alternative hypothesis is accepted.

DISCUSSION

Loan assessment and financial performance among SACCOs within Mbarara City

Findings obtained about examining the association amid loan assessment and financial performance among SACCOs within Mbarara City discovered a strong, significant and positive association amid loan assessment besides financial

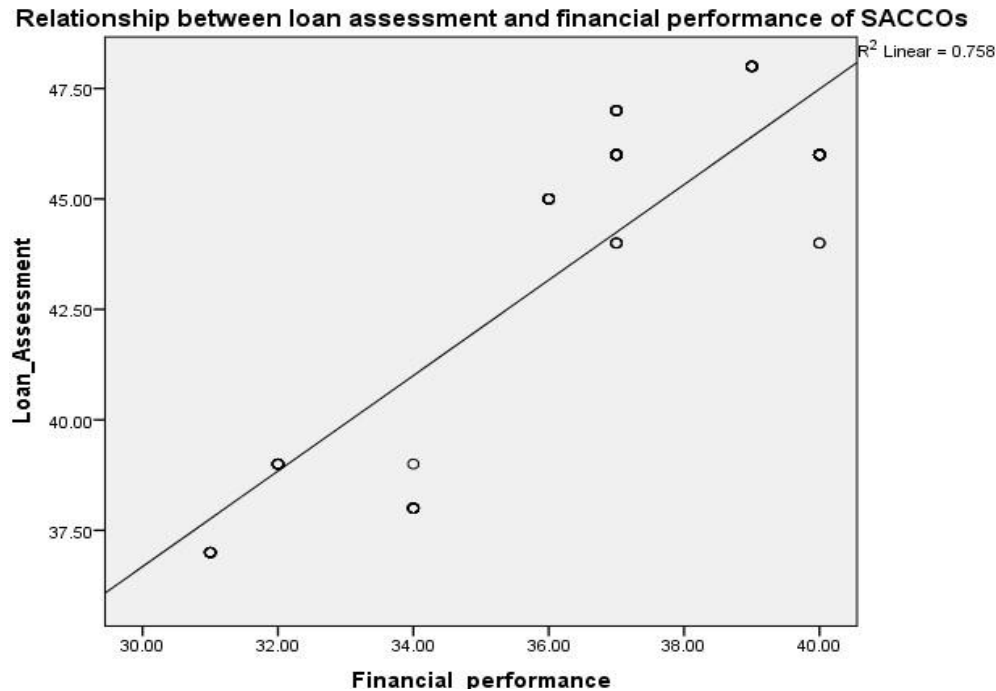


Figure 1: Scatter plot on loan assessment with financial performance of SACCOs

performance of SACCOs. Statistical significance confirms the association of loan assessment with the financial performance of SACCOs and it implies a proportion in financial business operation of SACCOs. Findings from the present study mean that loan assessment in the process of loan delinquency management plays a substantial role in influencing financial performance of SACCOs. This could further be demonstrated in ways through which SACCOs do an evaluation, analysis of loan condition set, approval, and appraisal. All these mechanisms predict the level at which loan delinquency management is and how it will influence the overall financial performance of a given SACCO. These findings are in agreement with Magali (2013) who conducted a study in Tanzania and found a significant association exists amid credit risk administration with performance of SACCOs. He recommended using strict mitigation measures including loan assessment to eliminate the possibility of loan delinquency and poor financial performance. Similar results were obtained by Njenga and Jagongo (2019), who maintains that inadequate credit appraisal and aggressive advancing of cash stand nearly of the aspects which contribute to the monetary breach and deprived financial performance in Kenya. Regarding similar vein, Ssekiziyivu et al. (2018), established that loan guarantee schemes are the most efficient ways of minimizing default in the lending sector. Where there is a guarantee that is properly assessed in relation to the amount of loan applied, there is lesser risk of default. This partakes a direct stimulus on the monetary performance of a lending institution. For our case, the SACCOs ought to

replicate this system through ensuring effective measures of loan assessment.

CONCLUSION

From the present study's findings and discussion, it can be concluded that a solid, significantly positive relationship occurs amid loan assessment besides financial performance of SACCOs ($r=0.870^{**}$, $p<0.000$). A confirmation can be taken that loan assessment is the cornerstone that guarantees loan payment by the borrowers since it is always done before the loan is advanced to the borrower and this ultimately leads to improved financial performance among the SACCOs since loans are only given to credit worthy customers.

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