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LOAN COLLECTION PROCEDURES AND FINANCIAL PERFORMANCE OF SACCOS IN MBARARA CITY

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ABSTRACT

The study flexed off to establish whether a relationship occurs amid loan collection procedures and financial performance of SACCOs in Mbarara City. This undertaking championed a non-experimental crosssectional research design with both descriptive and analytical styles where mixed method approach was used to collect and analyse data. The undertaking 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 mounted employed to ascertain statistical significance between the loan collection procedures besides financial performance of SACCOs in Mbarara city. The undertaking findings uncovered a slight positive connection amid loan collection procedure besides financial performance of SACCOs ($r=0.259$, $p<0.001$). Qualitative data was obtained by use of an interview guide that were subjected to the SACCO managers to give deep insight concerning the variables being undertaken. This undertaking resolved that loan collection procedures positively influences SACCOs' financial performance. The undertaking commends SACCOs towards adopting unique revised loan collection procedures if the collections are to be realized on the agreed time as per the loan contract to ensure better loan performance hence improving the financial performance of the SACCOs.

Keywords: ***Loan collection procedures, financial performance and SACCOs***.

Background

SACCOS are referred to as cooperative financial models where savings are mobilized from the members and credit access encouraged for improvement of standards of living (Ndiege et al., 2016) the SACCOs have got the capacity to grow and accumulate its profits for sustainability when the members borrow the money and return it on time with the interest which makes it accumulated by the time its repaid to the SACCO (Said et al., 2019) when the rightful procedures are followed by the SACCO to recover the loans, there is no doubt that the profitability will be realized (Bongomin et al., 2017). A SACCO is able to accumulate profits and build a self-sustaining grown when the borrowers contribute much towards loan portfolio quality through proper loan collection as the amount collected encompasses the interest on loans (Keitany, 2013), (Wagofya, 2018).The borrowers capability to ensure the loan is paid back and interest at the same time is influenced by the financial literacy of the deficit spending units which greatly contributes to the financial performance of the SACCOs (Moki et al., 2019).

However, Most realistic undertakings reveal that financial performance of SACCOS if determined by a diverse factors in ensuring that the loan portfolio becomes quality especially when repayments by the borrowers are promptly made as per the loan agreement, in managing loan delinquency among SACCOs, loan collection procedure stands out as one of the best strategies which is the major contributing factor towards profitability of the SACCO (Maithya, 2017) and (NJERI MURAGE, 2018). Financial performance of SACCOs was intellectualized through liquidity, loan recovery and profitability (Kule et al., 2020) and (Hesborn et al., 2016).

Loan collection procedures are put in place to ensure that the loans together with the interests as per the loan schedule are collected back timely from the borrowers for the better management and control of the loan portfolio (Paul & Musiega, 2020). For the better financial performance of the SACCOs, a clear strategy concerning the collection of the loans needs to be sought out and implemented by the concerned loan operation team as this would guarantee the quality of the loan (Makupe, 2016). When the credit reminder strategy is not well followed and implemented, the chance of borrowers compliance towards payment becomes low hence there is a need to put procedures of collection to improve the loan repayment rate (Paul & Musiega, 2020).

Most studies have been carried out on loan delinquency management through consideration of other unidimensional variables like credit terms relating them to the financial performance of financial institution among which SACCO are inclusive (Luoga, 2013), inadequate attention has been directed towards loan collection procedures which has rendered the borrowers relectunt in paying back the loan at the stipulated agreed time hence compromising the financial performance with little or no profits at all (Mamet, 2018).

Besides the competitive strength of a financial institution lies the power to control the risk of loan repayment therefore SACCOs need to revise and strengthen their loan delinquency management strategies to stand a better position towards financial performance by gearing and streamling their loan collection procedures (Kamau, 2015).

In Uganda, a good number of SACCOs have faced financial performance challenges due to the fact the managing loan delinquency and other associated credit risks have failed among which loan collection procedures have not been given much consideration (Kamau, 2015) in other developing countries with concern to the operation of SACCOs have not waited to see SACCOs struggling financially other than bailing them out a case in a point is Tanzania and Rwanda have set good examples of financially helping the SACCOs putting into consideration their financial literacy provision to the natives (Ndiege *et al*., 2016) for the case of Uganda particularly SACCOs in Mbarara city, financial performance has continuously been registered due to poor loan recovery caused by the inefficiency in implementing the loan delinquency management strategies particularly loan collection procedures (commercial officers' SACCO business status report 2019).

This situation has greatly affected some SACCOs as they have failed to meet their financial obligations like meeting the customer needs, failing to pay the workers and other operational costs at hand. Additionally, all this is attributed perhaps to the mode of administering loan collection procedures which leads to low recovery rate of the loans from the borrowers hence less or no profitability by the SACCOs.

However, much as SACCOs in Mbarara city are considering the procedures of loan collection to manage loan delinquency, a loophole seems to exist in the implementation of the said strategy which is clearly evidenced by low financial performance. A case in point was Ankole Diocese Millennium SACCO whose profitability level reduced by 2% from the financial year 2019 to 2020 as a result of poor loan recovery (P & L Report 2019), Bessenia SACCO whose loan recovery rate was only 12% in 2019 (Bessenia SACCO P&L report 2019) and Mbarara Hawkers SACCO which made profits of UGX 42,307,710 (financial report 2018) in the financial year 2018 and a loss of UGX 9,747,080 due to loan under recovery in 2019 (financial report 2019). To this end, there is light empirical evidence on how loan collection procedures relate to the financial performance of SACCOs in Mbarara City thus upsetting the researcher to carry out the undertaking, which intended at establishing the relationship amid loan collection procedures besides financial performance of SACCOs in Mbarara City.

Study Purpose

This undertaking purposed to establish the association amid loan collection procedures besides financial performance among SACCOs within Mbarara City.

Review of Literature

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 & 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 (NJERI MURAGE, 2018).

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 realise more returns provided the loan collection has been diversified as this minimises 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 & Faustin, 2016). Hence the delayed loan repayment greatly affects the income statement of the SACCOs 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 minimise the loan default (ANTONY et al., 2019), (Njogu & Omagwa, 2018). However, in most instances, SACCOs are characterized by side stepping internal control systems put in place due to trust and faith in their members which results in loan defaults (Maithya, 2017).

Loan collection procedures and financial performance of SACCOs

Loan collection procedures are one of the loan delinquency management strategies that need be given maximum attention in as far as loan repayment is concerned which is a major weigh of loan portfolio quality and guarantees a good financial performance (Makori & Sile, 2017). Loan policies needs to be reviewed by the SACCO management in a direction of prioritising the procedures of loan collection as this will greatly contribute to high rate of loan repayment thus profitability of SACCOs (Kamau, 2015).

There is need for loan follow up procedures in terms collection that is very flexible for the borrowers to comply.

This procedure needs to be friendly and less costly to the deficit spending units as it will boost the compliance rate hence stimulating profitability of the SACCO (Katula & Kiriinya, 2018) and (Lagat et al., 2013).

Loan collection procedures are very vital in ensuring that the borrowers pay on time as it provides different modes of paying back the loan which are convenient to the clients like payment to the field staff, paying using mobile money option with the current evolution of MSACCO. These techniques encourages the borrower to find it easy to pay back the loan (NJERI MURAGE, 2018).

Following the loan collection procedures clearly by the loans officers, give them more insight on provisions of other options that can help the borrower to pay back the loan and this sometimes calls for sale of collateral security in agreement with the borrowers to ensure that the money is collected in the due course, the SACCO benefits in terms of loan performance hence a positive financial performance (Makupe, 2016).

(Maithya, 2017) revealed that there is a need to revise the loan policies regularly to ensure that they fit within the area of operation to basically favour the borrowers. In a view that once the borrowers' conditions are put into consideration by the lending authority which is the SAACO, then borrowers can easily negotiate on the instalment payment monthly and even on the mode of payment to ensure that at the end of the period, the loan has fully been paid and to this end, the SACCO will be benefiting in terms of loan recovery and other financial benefits following prompt loan recovery towards the financial performance.

Loan collection procedures remain important in the aspect of debt collection because most clients before even taking the loan from the SACCO, they fast scan the mode of payment, the penalties involved in situation of failure to comply (Mamet, 2018). The mode of debt collection plays a big role to ensure the clients pay back their loan at ease and on the stipulated time hence there is need for the SACCO management to set and follow flexible collection procedures to aid the high rate of collection as this will manage the issue of loan delinquency (Kamau, 2015).

Administering the loan collection procedures effectively would also require professional implementers to ensure a smooth transaction between the borrower and the debt collector. Here the concept of character by the loans officer is very key as it would derive the borrower to understand, trust and eventually get convinced of the benefits of paying the loan on time hence benefiting the SACCO towards its financial performance (Duncan et al., 2015).

Juma *et al*., n.d. reveals that debt recovery strategies have got a great contribution towards the financial performance of a given financial institution if it is well managed by the implementers especially the loans officers. All the customers are much interested in the effectiveness of the collection procedure put in place basing on the convenience, the trust in that procedures among others will stimulate the borrowers to meet their loan obligations as they fall due (ANTONY *et al*., 2019).

A study by (Paul & Musiega, 2020) revealed that among these strategies to give much attention as far as managing credits risk is concerned specifically on the loans given out is the collection procedure because any loan that is given out must be collected when it falls due and this calls for streamlined proper means of collecting back this loan otherwise the borrower may be rendered reluctant if no means of collection are reached upon by the concerned financial institution.

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Additionally, it's imperative to note that SACCOs basically depend on loans as their major asset and meaning the quality of the loans matters a lot concerning the financial performance of the SACCOs (Kamau, 2015) and (Katula & Kiriinya, 2018). In a position where the administered loans get collected as expected per the loan agreement prior endorsed by both parties, the SACCO has got absolute capacity to maintain and sustain itself and meet the expectations of the shareholders if the concept of loan collection procedures is well implemented and controlled for the betterment of the SACCO as regards financial performance (Miriti, 2014).

From the reviewed literature concerning the phenomenon undertaken which is loan collection procedure and financial performance of SACCOs in Mbarara city, the following hypothesis was generated.

H02: A statistically significant association does not exist amid loan collection procedures and financial performance of SACCOs in Mbarara city.

Research question

Does a statistically significant association exist amid loan collection procedures and financial performance of SACCOs in Mbarara city?

Methodology Study setting

In Uganda, instances of SACCOs struggling with financial performance are on the increase as a result of loan delinquency which is exhibits a loophole in the procedures used in loan collection. This study set out to examine the association amid loan collection procedures 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 downturned 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 other related innovations as concerns the operation of SACCOs. Mbarara City has forty-nine registered SACCOs which is the highest in the region.

This study considered the twenty-four most performing SACCOs in Mbarara City to assess their level of financial performance putting into consideration the procedures used in loan collection from the borrower on the due date. The fact that loans play a vital role as regards SACCO financial performance, collection from the borrowers is key and therefore need maximum attention for the betterment of the SACCO business in Uganda.

Study Design

The undertaking assumed a cross-sectional survey research design which was both descriptive and analytical with a mixed method approaches of collecting and analysing data. The undertaking 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, stratified sampling technique was considered by the researcher 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 loan collection procedures 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 collection procedures and financial performance of SACCOs. It 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 variable was loan collection procedures 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

Quantitative 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 collection procedures and financial performance of SACCOs occurs. And qualitative data was managed through thematic content analysis and narrative reasoning.

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Analysis and Results

Loan collection procedures and financial performance of SACCOs

Quantitatively, statistical description was done to clearly describe how the participants responded to the loan collection procedures 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 respond 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.

Qualitatively, data from key informants was analyzed using thematic content analysis and narrative reasoning. Thematic content analysis involved shrinking responses from the participants into theme of same meaning and mixing into the interview schedule guide to simplify the

Table1: Statistical description of Loan collection procedures.

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. deviation
Our SACCO has developed a system which recovers loans	0 (0.0%)	4 (4.3%)	4 (4.3%)	69 (75%)	15 (16.3%)	4.05	.783

from guarantors incase of overdue dates of payment.							
We have effective penalties in case a default by the customers	0 (0.0%)	3 (3.3%)	2 (2.2%)	32 (34.8%)	55 (59.8%)	4.54	.674
We strictly maintain collection deadlines from debt holders	0 (0.0%)	0 (0.0%)	0 (0.0%)	32 (34.8%)	60 (65.5%)	4.63	.848
Discounts are made to make timely payments	0 (0.0%)	10 (10.9 %)	7 (7.6%)	50 (54.3%)	25 (27.2%)	3.05	.397
We apply tougher collection efforts to minimize slow payments	0 (0.0%)	0 (0.0%)	9 (9.8%)	39 (42.4%)	44 (47.8%)	4.38	.650
We closely monitor loans that fall under arrears	0 (0.0%)	0 (0.0%)	0 (0.0%)	43 (46.7%)	49 (53.3%)	4.55	.700
Clients who delay to pay are fined	0 (0.0%)	0 (0.0%)	9 (9.8%)	40 (43.5%)	43 (46.7%)	4.37	.948
We regularly review of debt	0 (0.0%)	0	25 (27.2%)	52 (56.5%)	15 (16.3%)	3.86	.659

collection procedures		(0.0%)					
We analyse particular cases that arise	0 (0.0%)	0 (0.0%)	9 (9.8%)	40 (43.5%)	43 (46.7%)	4.37	.648
We are ever in contact with our clients	0 (0.0%)	0 (0.0%)	0 (0.0%)	29 (31.5%)	63 (68.5%)	4.69	.765

1. Strongly Disagree. 2. Disagree. 3. Neutral.
4. Agree. 5. Strongly Agree.

Table 1 results indicate that popular of the participants, (75%) Agreed; (16.3%) strongly agreed that they have developed a system which recovers loans from guarantors in case of overdue dates of payment. In the same line, (4.3%) disagreed whereas (4.3%) were not sure about this opinion. This confirmed by (mean = 4.05; and the standard deviation = 0.783). This is an indication that SACCOs in Mbarara city have developed a system of recovering loans from guarantors in case the borrowers fail to meet their obligations on the agreed duration. This view is supported by one of the key informants who had this to say:

"We ensure that every member who applies for a loan has a guarantor who happens to be a member of this SACCO with adequate shares and economically stable, well known in the area where he/she stays. Such guarantors act as a security, in case the borrower fails to refund our money we go for the guarantor, we ensure that every guarantor stands in for only one borrower at a time. (MNG C3)".

The scrutiny also shows that SACCOs effect penalties customers who in case a default (59.8%= strongly agreed, 34.8%= agreed) with this statement. On the same view (3.3%) disagreed whereas (2.2%) disagreed with this argument. This is further stressed by (Mean= 4.54; Standard deviation= 0.674). This analysis designates that SACCOs have taken a significant step of punishing the borrowers who fail to meet their financial obligations as a means to minimize loan default.

In addition, popular of the respondents (65.5%) strongly agreed that they strictly maintain collection deadlines from debt holders whereas the rest (34.8%) agreed with this opinion (Mean= 4.63; Standard deviation= 0.848). This analysis shows that SACCOs are strict on loan collection from debt holders as means to minimize loan delinquency related issues in their operations.

With regard to discounts made to make timely payments, majority of the participants (54.3%) agreed with this opinion, (27.2%) strongly agreed, (10.9%) disagreed whereas (7.6%) were not sure (Mean= 3.05; standard deviation= 0.397). This analysis shows that SACCOs give discounts to its clients as incentives to enable them to get motivated to meet their deadlines.

Results additionally show that all respondents (47.8%= strongly agreed; 42.4%= agreed) that they apply tougher collection efforts to minimize slow payments (Mean=4.38; Standard deviation= 0. 948). This scrutiny implies that in order to manage loan delinquency, SACCOs have adopted tougher loan collection procedures as a measure to counter cases of default in delays towards paying back.

Also, results show that majority of the respondents (53.3%) strongly agreed that they closely monitor loans that fall under arrears whereas the rest (46.7%) agreed with this argument (Mean=4.55; Standard deviation= 0.700). This analysis shows that loans that fall under arrears are closely monitored to devise means of recovering them as soon as possible.

In addition, majority of the participants (46.7%= strongly agreed; 43.5%= agreed) that clients who delay to pay are fined (Mean= 4.37; Standard deviation= 0.648). On this, (9.2%) were not sure about this argument. This is an indication that SACCOs are using non-lenient measures of managing loan delinquency in their operations. This is in support of the key informants' views who had this to say:

"Members are required to observe their deadlines and respect them as this is agreed upon at the beginning. In an event that the borrower has failed to meet the obligation in terms of observing the payment debts. Such fines and penalties have helped us in enforcing discipline among our borrowers. (MNG K10)".

The analysis further shows that SACCOs regularly review of debt collection procedures as agreed upon by the participants in this study (15.6%= strongly agreed; 55%= agreed). This is confirmed by (Mean =3.86; and the standard deviation = 0.659). This shows that the SACCOs take a kin interest in revising debt collection procedures in order to eliminate loopholes that may arise within these procedures.

In addition, (45.9%= strongly agreed; 45%= agreed) of the participants agreed they analyse particular cases that arise (Mean= 4.37; Standard deviation= 0.648). This shows that cases which arise in debt collection procedures are critically analysed to avoid escalating challenges in the process.

Finally, the findings revealed that popular of the respondents (68.5%) strongly agreed that they are ever in contact with their clients from time to time whereas the rest

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(31.5%) agreed with this opinion (Mean=4.69; Standard deviation= 0.765). This analysis shows that SACCOs are ever in touch with their borrowers as a means to make contact follow-up towards timely payment of their loans.

Financial performance of the SACCOs

Statements from the questionnaire together with their responses which were scored by the use of a five-point Likert scale were used by the research for analysis. Analysis was done and presented using statistical description by use of percentages, mean and standard deviation.

Elicited results are presented in Table 2 below:

Table 2: Statistical Description of Financial performance among SACCOs

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. deviation
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	.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	.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	.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	.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	.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	.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	.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	.926

Source: Generated results from SPSS version 20.

Results above 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 viceversa.

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 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 the table below show that a slight but positive association exists amid loan collection procedures and financial performance of SACCOs ($r=0.259$, $p<0.001$). This observation depicts clear evidence that loan collection procedures have an impact on financial performance of SACCOs. Therefore, the verdicts reveal that, if loan collection procedures are conducted diligently there are higher chances of improving financial performance among SACCOs in Mbarara city. A signal that any single component positive change in loan collection procedures

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stimulates a positive adjustment in the SACCOs financial performance of by a margin equal to 25.9%.

Table 3: Loan collection procedures and Financial Performance of SACCOs in Mbarara City

		Loan Collection Procedures	**Financial Performance**
Loan Collection procedures	Pearson relationship Sig. (2-tailed) Number	1 92	.259** .001 92
Financial Performance	Pearson relationship Sig. (2-tailed)	.259** .001	1
	Number	92	92
**. Significant Correlation at the 0.01 level (2-tailed).			

Source: SPSS version 20 generated results.

Discussion

Loan collection procedures and financial performance of SACCOs in Mbarara City.

Findings obtained in relation to the association between loan collection procedures amid financial performance of SACCOs in Mbarara city revealed that there is a slight but positive relationship exist. This shows that much as loan collection procedures are important in managing loan delinquency among SACCOs, they are still lacking in the mode of implementation or the strategies themselves may not be compatible to the expectations of the borrowers' other ways the contribution of loan collection procedures seem not much towards the financial performance as per the revealed study findings.

However, the revelation of a positive though weak association signifies that when improvement is done in the collection procedures by the SACCOs, there are chances of financial performance improvement. The undertaking findings agree with those of (Paul & Musiega, 2020), (ANTONY et al., 2019) and (NJERI MURAGE, 2018) who conducted studies regarding the same phenomenon and resolved that a positive relationship exist between the two variables under consideration for this particular study.

Kamau, 2015, on realising a positive association between the loan collection procedures with financial performance, recommended SACCOs to greatly rely on loan delinquency management strategies in order to minimize loan default and generate profits for better financial performance of SACCOs.

Reviewing the policies regarding the loan repayment is also very important as it puts into consideration the economic concerns of the borrowers to ensure flexibility in operation for the good towards loan repayment. This calls for regular review of collection procures to best suit the interest of the SACCO in ensuring loans are fully collected as they fall due (Makupe, 2016).

Conclusion

From the present undertaking judgment and discussion, a conclusion can be derived that a weak, significantly

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positive relationship occurs amid Loan collection procedures besides financial performance of SACCOs ($r = 0.259^{**}$ $p < 0.001$). These verdicts statistically reject the hypothesis on which the study was anchored and therefore, an authentication can be taken that loan collection procedures are imperative in the process of loan management regarding collecting back the loans from the borrowers. The issue in giving out the loan by the SACCO is to ensure that it is repaid back on time in order to realise a profit in terms of the total collection which incorporates the interest charged on loan and in most cases considered as profits hence better financial performance of the SACCOs.

Recommendations

Loan collection procedures should be regularly revised and modified to meet the convenience of the borrowers in paying back the loans as this would motivate them to pay with ease hence maximizing the loan collection rate and minimizing loan delinquency possibilities thus gearing a positive financial performance of SACCOs.

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Conflict of Interest declaration

There is no declaration of interest by the authors.

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