International Journal of Research in Business, Economics and Management

Vol.5 Issue 6 Nov-Dec 2021

www.ijrbem.com

Analysis of Credit Management Practices in Selected Savings and Credit Cooperatives in Eswatini

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ABSTRACT

The focus of the research was understanding credit management strategies used in savings and cooperative societies with the view to improve management effectiveness. The research analysed practices such as vetting of loan applicants, rating of borrowers, classification of credit and reporting of credit. Thirty five participants participated in in-depth interviews and focus group discussions. The participants gave insight on how Eswatini savings and credit cooperatives managed the issuance of loans to clients. Results showed that the participants were generally satisfied with the manner in which credit was managed in their cooperatives. However, it emerged that some of the processes in use were not cost effective as they were implemented to meet regulatory requirements at the expense of credit management principles and customer requirements. There was high risk of giving loans to potential defaulters because there was no integration between local cooperatives and the international credit bureau. The fact that information gathered during the vetting process was not effectively implemented when loans were issued to clients exacerbated the risk of advancing loans to potential defaulters. The research recommends the adoption of appropriate pricing strategies for savings and cooperative society's services, training of staff and borrowers, encouraging cooperation and collaboration among stakeholders.

Key words: Credit management practices, Credit management principles, Issuance of loans, Potential defaulters, Savings and Credit Cooperatives (SACCOS).

INTRODUCTION

The Savings and Credit Cooperatives (SACCOS) are financial institutions owned and controlled by members and operated for the purposes of supplying loans, savings, and other basic financial services to their members at low interest rates (Tumwine; Mbabazi; & Shukla, 2015). While well managed SACCOS have potential to improve the wellbeing of the members and to socially and economically empower them they also promote and preserve the Ubuntu philosophy in the African culture.

Credit management refers to the to the collecting and controlling of credit payments from clients (Nelson, 2002) while credit management practices are the strategies that organizations use to maintain an acceptable level of credit and to manage this level effectively (Myers, & Brealey, 2013). Practices that are integral to credit management, particularly for SACCOS, are the analysis of credit, rating of credit, classification of credit and reporting of credit (Bailey, 2001). Therefore, effective credit management entails prudently and efficiently managing customer credit lines in order to and reduce risks like, failure to recognize potential frauds, under-estimation of the contribution of current customers to bad debts, getting caught off-guard by bankruptcies, failure to take full advantage of technology, and spending too much time and resources on credit evaluations that are not related to the reduction of credit defaults (Nzotta, 2004; Wabungu,2010; Gatuhu, 2011). In SACCOS, credit risk is a concern because most lending is insecure owing to lack of collateral (Ahimbishwe, 2002). Most SACCOS members cannot access credit from banks and other formal financial institutions because they do not have collateral owing to their social and economic situation, and the former categorising them as high default risk clients (Gatuhu, 2011).

In Eswatini, SACCOs are governed by the Cooperative Act No.5 of 2003, and the Financial Services Regulatory Authority (FSRA) Act of 2010. Legislation prescribes that the SACCOS administration include management, credit and supervisory committees whose duties include, evaluating the character and capacity of the member to repay the loan and to approve and reject loan applications (Cooperative Societies Act No 5,2003). By 2019, 123 cooperatives were registered under the department of cooperatives but only 83 were active, and 40 had closed down (Department of Cooperatives, 2019). In addition, the collapse of the Central Cooperative Union in 2006 and its subsequent liquidation confirms that the Eswatini SACCOS sector was not performing well. Furthermore, Central Bank of Swaziland (2017) reported that, the negative trajectory for survival and growth of SACCOS is aggravated by the fact that SACCOS profits have been on a downward trend in recent years. The sector recorded E49.4 million profits in December 2013 which went down to E33.2 million at the end of December 2016.

Studies on local SACCOS tended to focus on the impact of SACCOS on poverty alleviation for members (Zikalala, 2016). Little has been done to analyse and develop a better understanding of credit management practises among Eswatini SACCOS, a gap which the current study endeavours to address. Therefore, the researchers` thesis in this paper is that, in order to have an effective credit management system, lenders (SACCOS) need to do credit analysis, credit rating, and credit classification and credit reports and to review these practices regularly.

The study sought to answer the following specific research questions:

1. What analysis (screening) of credit strategies are used when processing loans in SACCOS in Eswatini
2. How are customers rated for loans in SACCOS in Eswatini
3. How are customers classified for loan qualification in SACCOS in Eswatini and
4. How do SACCOS in Eswatini report their credit management performance.

A research on credit risk management practices in SACCOS in front office service activities in Kenya noted that, credit management risk starts at loan application stage, scale up to approval and also exists in monitoring and evaluation stages (Wambugu,2010). Additionally, the lack of risk management guidelines and loan terms policies and procedures aggravated the situation while these problems were more serious in developing countries (Wambugu, 2010). The author concluded that, loans approval management, risk analysis and assessment, risk monitoring and evaluation were instrumental in the entire credit management process.

A related study by Yaw,Adu & Asante (2015) contends that, effective credit management practices can improve loan performance. The authors reiterate that, high incidence of non-performing loans were recorded in organizations that did not have well diversified and efficient strategies for credit delivery.

Recommendations proffered for improving credit management performance of SACCOS include embracing risk management to reduce credit defaults, effective communication with members, training of credit management staff, effective monitoring, improving internal controls and training loan beneficiaries before the disbursement of the loans (Wambugu, 2010; Yaw,Adu & Asante,2015). Another study that focused on operationalizing credit management performance in cooperatives looked at the performance of credit allocation, risk management and loan portfolio in Micro Finance Institutions (MFI). The study concluded that, credit allocation and risk management significantly predicted 23.9% of loan portfolio performance (Ssekiziyivu, Mwesigwa, Mayengo & Nabeta, 2017). The research encouraged managers of MFIs to conduct pre-disbursement training for successful loan applicants on how to utilize their loans as an effort to reduce the default rate. Similarly, Tumwine, Mbabazi and Shukla (2015) recommends that Board members must review credit terms annually, assess relationships between terms and desired economic development of members and insure the inclusion of major stakeholders in all critical deliberations.

An international workshop organized by the World Bank for financial system specialists, financial cooperatives experts and practitioners interrogated issues in regulation, supervision and institutional strengthening of financial cooperatives (Cuevas & Buchenan,2018). Members at the workshop agreed that, to avoid the risk of stunting financial cooperatives development and undermining trust among potential clientele there was need for financial soundless, effective regulation and strong supervision. The following recommendations were adopted for implementation in financial cooperatives: institutional strengthening, regulatory reforms and capacity building, mitigating failure and dealing with failing entities and reviewing the role of Government in cooperative societies business (Cuevas & Buchenan, 2018).

In another survey, changes in Government policies on loans, insufficient disbursement of funds, lack of qualified personnel and poor loans queues management were identified as challenges which affected delivery of SACCOS (Ohen, Ofem & Arikpo, 2018). The study suggested capacity building for cooperative members as a way to enable SACCOS to adequately source funds and effectively manage loan disbursements and repayments by members. The study by Ohen, Ofem and Arikpo (2018) also observed that cooperative membership was going down owing to the fact that members lacked information, late approval rate of loans, high interest rates and members did not believe that the cooperatives could solve their problems.

According to Moti, Masinde and Sindani (2012) engagement of credit officers had a significant effect on loan performance. This is because credit officers are professionals who are in touch with customers and thus understand their needs. Moti et al., (2012) also found out that the character of the borrower had an effect on loan performance. Therefore, client appraisal is important to lower default rate among members of the SACCOS. It was also necessary to consider the individual borrower`s repayment history when appraising them, before granting a loan. In addition, the adoption of stringent collection policies can influence loan performance hence it is encouraged (Moti et al., 2012).

In a related study, Moti, Masinde, Mugenda and Sindani (2015) found out that, involvement of customers in policy formulation had an impact on loan performance because customers are key stakeholders in loan contracts hence their involvement can greatly affect performance. Vincent, Byusa & Nkusi (2012) investigated the effects of credit policy on performance of banks using selected banks' data. They used literature review and triangulated methods in evaluating the performance of banking industry, profitability and efficiency. The findings revealed that owing to the effective credit management commercial banks of Rwanda increased their accounts, and customer base which increased their profitability. It was recommended that, banks should continue to improve their lending policies to eradicate the continued existence of bad debts (Vincent, Byusa & Nkusi, 2012).

Ntiamoah, Egyri, Fiaklou & Kwamega (2014) carried out a research on assessing credit management and loan performance using some selected microfinance in the Greater Accra region of Ghana as a case study. The research used qualitative and quantitative methods and data was collected from microfinance companies. The study concluded that there was a high positive correlation between the credit terms and policy, lending, credit analysis and appraisal, and credit risk control and loan performance. Owizy (2013) conducted a study on the impact of credit management on the financial performance of banks with particular reference to UBA Plc. In the study, secondary data for the years 2004 to 2008 was obtained from the banks' annual reports. As a measure of bank performance, analyses of regressive, descriptive and correlations were used to generate financial ratios. The study concluded that there were tangible effects on profits in Nigerian banks due from management of credits.

Haneef (2012) and Mwithi (2012) investigated the impact of risk management on non-performing loan and profitability of banking sector of Pakistan and Kenya respectively. The results of the study revealed that there was no proper mechanism for risk management in banking sector of Pakistan and non-performing loans are increasing due to lack of risk management which threatens the profitability of banks (Haneef, 2012). Mwithi (2012) found out that, in Kenya, the level of credit risk assessment and management was high in the SACCOS because of ineffective management of their institutions which was attributed to liquidity, profitability, and information asymmetry challenges.

Furthermore, Murigi (2018) investigated the relationship between credit risk management practices and loan losses among banks in Kenya. The study aimed to see if there was a relationship between credit risk management practices and loan portfolio losses in commercial banks. The findings indicated that a significant number of commercial banks had not put in place credit risk management information systems to effectively measure, monitor, and control and identify risks. The majority of the management of commercial banks recognized the need for information sharing among players within the industry in order to mitigate the risks (Ibid). It was concluded that management of these banks appreciated government legislation relating to credit risk management through the introduction of the Credit Sharing Information Act, and that there is a significant negative relationship between credit risk management practices and loan losses in banks.

CONCEPTUAL FRAMEWORK

Credit management practices

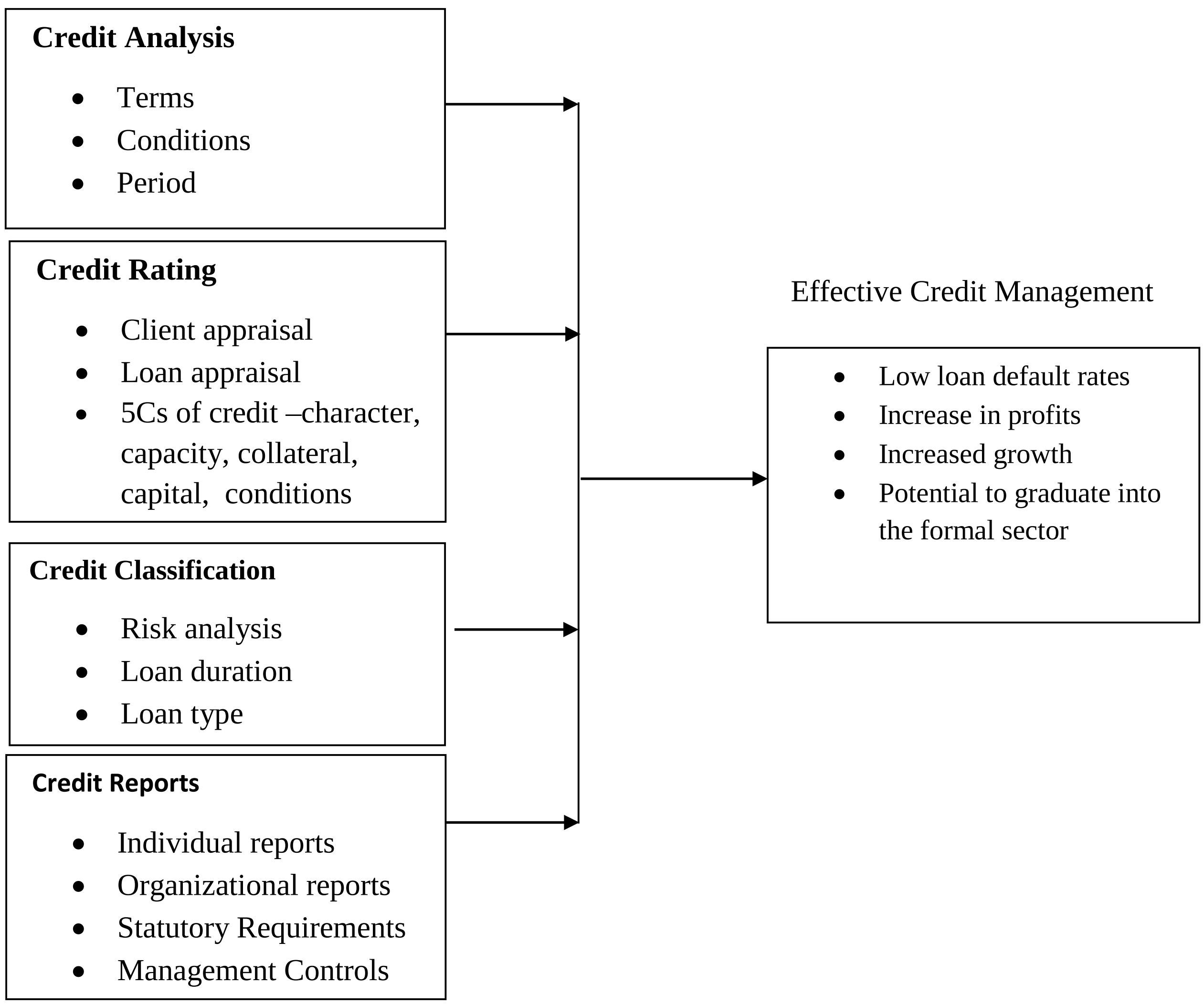

Figure 1: Conceptual framework. Researchers developed (2020)

Credit analysis in SACCOS

According to Moti Masunde and Sindani (2012), credit analysis is concerned about credit terms and conditions under which a lender extends credit to its customers. If a MFI extends credit to a customer, then the credit terms will specify the credit period and interest rates. This will have an effect on the performance of loans since it stipulates the time of loan repayments hence creating a timely repayment and decrease in default rate. Furthermore, these terms give the credit period and the credit limit. The MFI should make terms more attractive to act as an incentives to members without incurring unnecessary high levels of bad debts and increasing the institution's risks. Credit terms normally stipulate the credit period, interest rate, the method of calculating interest and frequency of loan installments (Wamasembe, 2002).

Credit Rating in SACCOS

Credit rating entails rating the client or performing a loan appraisal upon receiving an application or request for funds. The aspect to be focused in appraisal includes: purpose of the loan, genuineness of need, repayment capacity of the borrower, quantum of loan and security (Latifee, 2006; Boldizzonui, 2008). Client rating or loan appraisal plays an important role to keep the loan losses at a minimum level, hence, if the officers appointed for client or loan appraisal are incompetent then there would be high chances of lending money to non-deserving members (Boldizzonui, 2008). Collection procedure is a systematic way required to recover due amounts from clients within the lawful jurisdiction. The collection process should be compliant to existing laws such as the involvement of debt collectors in the processes (Latifee, 2006). Well administered collection is needed for better performance of the loans. If MFIs do not follow well administered collection procedures, this may result in loan defaults (Boldizzoni, 2008).

Client appraisal helps SACCOS to improve loan performance, as they get to know their customers. Rating a client may involve the five Cs of client appraisal (character, capacity, collateral, capital and condition). Cash flows of financial institutions are determined by examining future projections and existing statements of cash flows if available. The personality of a client to the lender, that is, the way he/she presents him or herself as a person, social behaviour, economic standing, and culture influences default rates (Moti et al., 2015).

Credit Classification

Loans can be classified as high risk loans and low risk loans depending on the lender`s level of exposure to default risk. This is basically the risk faced by SACCOS to lose money from borrowers who fail to make payments. This may result in default or default risk. SACCOS may lose interest and principal amounts and this could result in increased cost of collection and decreased cash flows (Ross, Westerfield & Jordan, 2008). Therefore, credit risk could be alleviated by utilizing danger based evaluation contracts, credit protection, tightening and broadening (Ross et al.,2008). Moti et al., (2015) argue that intelligent and effective management of credit lines is a key requirement for effective credit management.

Ohe, Ofem and Arikpo (2018) contend that, in addition to risk classification, loans can also be classified based on loan duration (short term, medium term or long term loans). Other means of classifying loans are by loan type (urgent loan, school fees loan) and classification by members status (does member have a clean repayment history or does one have a bad repayment record). All these will be factored into calculating interest and predicting risk levels.

Credit Reporting

Credit reporting is either driven by statutory requirements or management strategy or policy to recover all loans. Kariuki (2010) refers to rejection or acceptance of application and analyzing credit requests as an institutional method known as credit policy. Pandey (2001) states that, credit policy helps in the management of accounts receivable. He advocates that a clear credit policy will guide operations, time allowed for loan repayment and management`s attitude towards flexibility. Policies save time by ensuring that people in similar circumstances get similar treatment and that decisions are consistent and fair. Policies also ensure uniform standards and sound practices which are consistent with operations (Kariuku, 2010; Moti et al., 2015; Cuevas & Buchenan, 2018).

Therefore, credit policies are procedures, rules and guidelines set to determine benefits associated with credit and minimize costs to it. These are objectives, standards and parameters which guide financial officers responsible for granting loans and managing the loan portfolio (Ahimbishwe, 2002). These rules, guidelines and procedures aim to maximize benefits while minimizing costs associated with credit. Ohen et al., (2018) emphasise that, the main objective of credit policy is to ensure sustainability and profitability of financial institutions and commercial institutions by keeping an optimal investment in accounts receivables that minimises costs while maximising benefits.

Many SACCOS face liquidity and inadequate working capital problems due to lax credit standards and inappropriate credit policies. Therefore, developing a sound credit policy is considered to be one of the critical success factors in managing credit in SACCOS. Scheufler (2002) proposes that a credit policy must facilitate the creation of a common set of goals for the organization and recognizes the credit and collection department as an important contributor to the organization's credit management strategies. If the credit policy formulation and implementation processes are done professionally, most SACCOS can avoid risks and correctly assess the opportunities for business development.

MATERIALS AND METHODS

Most of the articles reviewed for the purpose of the study applied the quantitative research approaches for assessing and evaluating Credit management because their focus tended to be limited to SACCOS` financing to alleviate poverty, little has been done on investigating the effects of credit management practices in Eswatini SACCOS

(Tumwine et al., 2015; Yaw et al., 2015; Ohen et al., 2018, Zikalala, 2016). In the local market there was little information available on the phenomenon which has not been developed professionally hence the researcher wanted to explore the issue in order to get insight and new knowledge through analyzing different SACCOs cases in Eswatini. The study opted for a qualitative research approach and used a case study design. This approach aimed to collect, in more detail, the views of loan managers, executives and credit committee members from SACCOS. On a daily basis, these people are on the ground, practicing credit management and managing real loan adjudication processes. They are therefore in a better position to shed light on credit management practices of SACCOS. Scientific researchers and authors contend that, qualitative research has the advantage of capturing the deep experiences and views of the participants who will `tell it like it is (Banister et al., 2014; McMillan & Schumacher, 2014; Maree, 2016).

The case study design was selected for its rigor which ensures that the phenomenon under investigation is not explored through one lens, but a variety of lenses (triangulation) (Maree, 2016). Triangulation entails using more than one method or source of data in the study of a social phenomenon to achieve greater credibility in research findings (Bryman,2011), cross checking the findings (McMillan & Schumacher,2014) and giving the researchers a better and more substantive picture of reality(Maree, 2016). Therefore, five Eswatini SACCOS were purposively selected based on the fact that they seemed to be doing well in their business. The following data collection methods were triangulated: in-depth interviews, focus group discussions and document analysis.

In-depth interviews are used to collect rich descriptive data that can help the researcher understand participants' construction of knowledge and understanding of reality (Maree, 2016: 94). Under this method, five managers, one from each SACCO, were interviewed and digitally recorded.

Focus group discussions attract divergent views from respondents and the presence of more people at the discussion can influence more revelations and testimonies. Five focus group discussions were held with thirty management team members and committee members. Each focus group comprised of 6 members from each SACCO, 3 from supervisory and 3 from credit committee. Properly moderated focus groups have potential to provide an in-depth view not attainable from individual interviews (Maree, 2016:96).

Document analysis focuses on written communication that may shed light on the phenomenon being investigated and is a strong source when used in conjunction with other methods (Maree, 2016: 88-89). In the study, documents that were reviewed from the five selected SACCOS include annual reports, administrative documents, and policy documents. Table 1 below shows the distribution of research participants.

Table 1. Distribution of participants from the selected SACCOS

SACCO	Loan Managers	Supervisory Committee members	Credit Committee Members	Total Participants
Sacco A	1	3	3	7
Sacco B	1	3	3	7
Sacco C	1	3	3	7
Sacco D	1	3	3	7
Sacco E	1	3	3	7
Total	5	15	15	35

Source: Researchers` Compilation (2020)

Permission was sought from SACCOS management to interview their staff. Informed consent was obtained from the participants after they were briefed about the purpose of the research and they also signed consent forms in order to take part in the interviews. Confidentiality of information obtained in the study was observed by conducting all interviews in private rooms such as boardrooms to enable participants to express themselves without fear or intimidation. Research information was secured in researchers` laptops which can only be accessed with the use of private passwords. Researchers also ensured anonymity by not using real names. For example, the SACCOS were code named A, B, C, D and E so that they could not be easily identified.

RESULTS

Data analysis for the study proceeded according to the data analysis spiral recommended by Creswell (2013). This entails (1) organising the data into smaller units, (2) perusing through data to get a sense of what it contains and identifying possible categories, (3) developing themes and sub-themes and classifying all data accordingly and (4) summarising the data and describing relationship among data categories using tables. Responses from participants were categorized into themes and sub-themes. The four themes that emerged from the study align with the study questions about analysis of credit, rating of borrowers, customer classification and reporting on performance.

Theme1: Credit analysis

To assess the analysis of credit the researchers sought to establish strategies SACCOS used to screen customers for the purposes of granting a loan, loan types and credit limits to a member. This process identified sub themes in Table 2.

Table 2. Themes on analysis of credit

Theme	Sub-themes
Analysis of credit	Type of loan product
	Terms of loan
	Credit score

The results show that SACCOS categorized loans according to payment periods and based on whether a loan was secured or not and different loan products were offered under the different loan categories. Findings from focus group discussions revealed that short-term loans are payable over 3 to 18 months and offered products like helpline loan, special loan and emergency loan. Long term loans offered products like housing loans and loans for purchasing assets. The secured loans require collateral security and attract interest rates ranging between 17 and 20 % per annum. The unsecured loans require the borrower to submit documents such as bank statements, and proof of residence only and did not require collateral.

Commending on whether amounts under each loan type were the same across the SACCOs Participant# 5, from SACCO E, commended that, “It depends on which type of loan the member is looking for. For example, E5 000 in my SACCO is considered to be short term loan if paid within 18 months”

The results showed that, terms and conditions for granting loans include the interest charged and the repayment period. The interest rate was a factor when analyzing credit and that, normally, short-term loans have higher interest rates than long term loans at 10 to 15% per month with a repayment period of three to six months which then makes them expensive than long-term loans given at 17 to 20 per annum.

Participants from focus group discussions mentioned that the repayment of the loan was another essential thing to consider when screening members for credit. Participant# 6, said: You took the loan to help you in a financial crisis and not to put you in a financial crisis so you need to take your time before taking a short-term loan because you may find yourself going to other lenders to cover for repayment of the other loan.

Although participants from a focus group discussion from SACCO C expressed a positive notion of the importance of the credit score in credit analysis participants from SACCOs A, B, D and E concurred that they saw little evidence of this. One of the participants explained that before considering a short term loan they check if a member has rebuilt his/her credit score. The credit scores played a crucial role in the short term loan but at her SACCO they were not being used.

It emerged that credit scores can be obtained by visiting a tax consultant who can evaluate members` credit score and help in rebuilding the statement of their credit scores. An excellent credit score (800-850 points) helps you to get the lowest rate of interest. The credit scores range between 300 and 850 and are used to predict the likelihood that an individual will pay their obligations in due time. Higher credit scores help members to qualify for lower interest rates on loans while lower credit scores result in higher interest rates on loans for members.

The participants indicated that credit scores are generated using factors such as p*ayment history(* 35 % of the credit score focus on whether or not one pays their bills on time), c*redit utilization/ debt level(*30% of the score- it was revealed that people with the best credit scores have zero late payments and utilization rates of less than 10%), l*ength of credit history which* accounts for 15% of the credit score), r*ecent activity*- considers how much credit you've received or applied for in recent months which accounts for 10% of the credit score and o*verall capacity which* accounts for 10% of the credit score. Participants unanimously agreed that the credit scores have a significant effect on the interest to be charged when borrowing from SACCOs. This was confirmed by one of the supervisors who said an excellent credit core helps a member to get the lowest rate of interest because there is no fear of loan defaulting.

Theme 2: The rating of credit

The research identified characteristics that SACCOS consider in the evaluation of an applicant before availing credit and this included pay slip (focus is on one`s net pay and total expenses), member's total dependents, bank statements, members passbooks, blacklisting companies and purpose of the loan.. The sub-themes emerging from this category are shown in Table 3.

Table 3: *Theme: Rating of credit*

Theme	Sub-themes
Rating of credit	Pay slips (net pay and total expenses) Members` total dependents Purpose of the loan Bank statements Members' passbooks Blacklisting companies

Focus group discussions revealed that SACCOS were not well informed about other methods of investigating the rating of credit other than scrutinizing a member`s net earnings on the pay slip, bank statements, and members passbooks. It emerged that, the SACCOS normally request members to bring with them their current pay slips so that the loan officers could verify monthly deductions, hence loan decisions were based on the member`s net pay. Participants unanimously agreed that they were aware that there were other external methods such as blacklisting companies but these were used in rare occasions. One supervisor confirmed that, "Members bring with them their pay slips to update their passbooks so that the net pay can be ascertained." Managers and loan supervisors pointed out that, a member is required to bring his/her current pay slip to see if the member is still within the 1/3 rule" (Participant# 1, SACCO A & Participant# 2, SACCO B). Therefore, considering a member's net pay is in line with the laws and regulatory requirements. Participants indicated that members' total expenses formed part of the characteristics that SACCOS considered in evaluating a member before availing credit. They pointed out that, even though members are not honest in listing the expenses they have, SACCOS take into account what the member says, whether it was the truth or not, but this is for their records because they do not have a link with external sources of information for evaluating the member except from what the member decides to divulge to the assessment officers. One manager added that ,`` in the event that the loan amount was huge,--- we ask the member to give us a list of his/her assets, but we only ask the member to be honest in listing the monthly expenses so as to gauge if the member can afford to pay the loan installment" Some participants added that their SACCOS ask for a member's total dependents as an additional requirement from loan applicants because `the member's total dependents are important so that the SACCOS can be able to know the type of clients they have, in terms of the extent of their expenses" A supervisor from SACCO B insinuated that, "the purpose of the loan has an impact in granting the loan even though the SACCO does not make a follow up on whether the loan served its purpose" and Participant # 2 in SACCO D said they require a genuine purpose of the loan so as to make a sound decision in granting the loan.

Participants played down the importance of asking members to produce passbooks and bank statements because they did not really understand the need for three months bank statements. Participant# 4, SACCO E said, "The mistake we make in our SACCO is that we do not require a bank statement from our members because some of the expenses do not appear in their pay slips but are deducted through bank debit orders". However, Participant# 6, SACCO C, said, ``updating the passbooks every month by members ensures that their liquidity and credit records are up-to-date and Participant# 1, SACCO D said, comparing the member's passbook with the member's ledger gives us a clear picture of that member's credit history.

The participants from focus group discussions highlighted that lack of good ICT networks affected their efforts to get real time information about members` credit status from international credit management companies. Through the international credit bureau (ICB) SACCOS could easily identify members who have been blacklisted and block them from accessing our loans. One loan manager revealed that, when members changed their work places, they take huge amounts of loans with the intention of not paying them back because they know very well that their SACCOS are not on the international network and had challenges tracing loan defaulters.

Theme 3: Classification of credit

Table 4 below shows the classifications under which loans in SACCOS could be issued

Table 4. ***Theme 3 Classification of credit***

Theme	Sub-themes
Classification of credit	Long term loans Short term loans Special loans School fees loans

Long term loans also known as standard or ordinary loan

Findings from the focus group discussions showed that long-term loans are payable over 24 to 72 months. Respondents said members can borrow twice their general savings which become some form of collateral. Members are not allowed to apply for another loan while servicing another standard loan and standard loans will only be granted to members who have an operational stop order enough to cover the repayment of the loan. A participant from in-depth interviews said: “ordinary loans are granted to members; they get as much as two times their savings and the repayment period ranges from 2 years to 7 years and are made up from compulsory savings for every member” (Participant# 3, SACCO A)

Short term loans

Respondents echoed a sentiment that there were no difficulties in accessing short term loans which are usually taken to meet members` day-to-day expenses. One participant from SACCO D mentioned that in her SACCO there are three types of short loans. First, there is a personal loan (payable up to 18 months depending on the amount of loan borrowed). She added that, this type of loan is borrowed against members’ savings, whereby the member can borrow up to ¾ of their savings. Second, there is short-term loan of up to E2000 and payable over 4 months. Lastly, there is the helpline loan which is payable up to 12 months and is limited to E10 000.

Special loans

Findings from the study showed that focus group participants concurred agreed that special loans could be either long term or short term depending on the needs of the members. They can be long-term for immovable property with title deeds held as collateral and short term loans for emergencies, such as natural disasters. In the long term, the maximum amount a member can access is E500 000 which shall be payable over a maximum period of 15 years or before retirement age, whichever comes first. Participant# 1, SACCO A said, “ they are for building homes in title deed land and require the title deed as collateral and are up to E300 000”

School fees loans were said to be loans informed by the school fees savings. School fees savings are not a compulsory savings like the ordinary savings where all members are expected to save towards future borrowings. The school fees savings is for deposits from members so that they borrow against it in January when schools open for the payment of school fees. Deposits towards the school fees savings earn members a lot of interest. These savings can be withdrawn after 3 months, said some participants from individual interviews: `We call it school fees and is only applied for in January where a school bank deposit is required so that the loan is paid directly into the school account and has its own savings account for members and it is not compulsory"

Theme 4: Reporting of credit

Interviews revealed that reports can be generated mainly for meeting statutory requirements and as part of management practice.

Table 5. Themes on reporting of credit (Data from focus groups and individual interviews)

Theme	Sub-themes
Reporting of credit	Budget report
	Cash flow statements
	Income statements
	Balance sheets
	Auditors' report

In the pursuit to establish how SACCO's are being monitored and controlled, the researchers sought information about reports SACCOS are expected to submit to FSRA. These are listed as sub-themes in Table 5 above.

The budget reports

Participants mentioned that SACCOS budgets are required to show revenue and expenses over a specified future period of time, quarterly and annual budgets. They added that, the management committee is required to submit budgets to the Commissioner for Cooperative Development (CCD).

The cash flow statements

Loan supervisors explained that cash flow statements measure how well a SACCO manages its cash position, which means how well the SACCO generates cash to pay its debt obligations and finance its operating expenses. We submit the cash flow statements to complement the balance sheet and income statement and it is a mandatory part of a SACCO's financial reports (Participant# 2, SACCO A)

The income statement

Income statements indicate to the SACCO if it has surplus funds which can be loaned to members or deficit over a period of time. They are a statutory requirement and are drawn up monthly, quarterly and yearly. One supervisor said, ``because this is a statutory requirement to be produced monthly, quarterly and yearly, we are required to displays the SACCO's income, costs, gross surplus, operating and administrative expenses and income, tax paid, and net surplus in a coherent and logical manner``.

The balance sheets

In the balance sheet SACCOS are required to list the assets, liabilities, and owners' equities and is also used to determine how to meet the SACCO`s financial obligation and figure out the best ways to use credit to finance their operations(Credit Committee member, SACCO C)

Government requires SACCOS to include independent auditor's reports as part of their annual reporting. An independent audit firm that examined SACCOS books of accounts must write a letter containing the opinion of whether a SACCO's financial statements comply with generally accepted accounting principles.

CONCLUSIONS

The study hypothesized that in order to have an effective credit management system, lenders (SACCOS) need to do credit analysis, credit rating, and credit classification and credit reports and to review these practices regularly.

From the results it can be safely concluded that while the investigated SACCOS do practice due diligence in the name of credit analysis and credit rating, their efforts are handicapped by lack of adequate access to information owing to the fact that they are not integrated to key stakeholders like blacklisting companies which manage data bases with accurate credit records of individuals. The implication to the SACCOS is that with inadequate or inaccurate credit history data about their membership they run the risk of bad debts because money will be loaned to potential defaulters.

From the results, it is clear that there are instances where credit ratings are carried out as a way of fulfilling regulatory requirements, not in pursuit of value for money a company`s strategy. Things like members` pay slips, members total dependents, purpose of the loan, bank statements, and member's passbooks are evaluated though participants admit that information deriving from these documents is rarely validated and or followed up before issuance of loans to members. The implication to regulators and SACCOS management is that the authenticity of reports generated from the credit analysis and rating processes is questionable. Whether authorities have systems and capacity to pick such irregularities is another interesting issue although one cannot doubt the fact that there is great risk exposure to the SACCOS.

When it comes to credit classification the study can safely conclude that there are different non-standard credit products that are offered by SACCOS to their members and the individual SACCO may have different conditions and procedures for advancing loans to the members. However, all

SACCOS are covered by the same regulations and they are expected to comply with the relevant national policies which direct their operations. This implies distribution of prescribed products by all the SACCOS and compliance with financial regulations that apply to real financial institutions yet SACCOS have a special target to promote Ubuntu among their members. SACCOS have challenges in balancing these two tangential objectives.

Lastly, it can be concluded that the demand for credit reports by the authorities has been complied with religiously and no real issues were raised by the participants. However, with the recorded declining overall performance of the sector one would have anticipated revelation of poor, unethical and lack of transparency in the SACCOS dealings. This implies a lack of coordination of the SACCOs sector activities in the country. All the good reports that participants claimed to be happening tend to contradict results generated from other sources for the same sector. This does not align with the spirit of cooperativeness that seems to be alive among the SACCOS which participated in the study. A SACCO member who is not gainfully employed and does not have a bank account will find it difficult to successfully apply for a loan despite the fact that have informal sources of funds.

RECOMMENDATIONS

Coming out of the above lessons and implications, the researchers are making the following recommendations for improving SACCOS credit management in Eswatini and beyond. The study identified some policy recommendations, recommendations for practice and for further research

Policy recommendations

- Since the study indicated the importance of credit risk management practices, there is need for the parent Ministry, The Ministry of Commerce, Industry and Trade (The Cooperative Development Department) to develop tools and procedures that will establish support to the operations and development of SACCOs. For example, recognition and involvement of best performing SACCOS in formulating and implementing credit management practices.

- The Ministry of Finance (Financial Services Regulatory Authority) needs to provide sufficient support to strengthen the existence of SACCOS by providing training, expert facilitators, establish and promote co-operation among SACCOS for partnering in the SACCOS movement

- The regulating authorities (Department Cooperative Development and Financial Services Regulatory Authority) need to come up with a single Act parliament that will regulate and register SACCOs to avoid any conflicts. Such a strategy can result in the merging of departments under one roof to eliminate duplication of tasks and unnecessary bureaucratic processes.

Recommendations for practice

- The credit committees which deal with the screening or analysis of credit worthiness of a member in order to minimize credit risk default must be involved in the development of the appropriate dossier that must be completed by loan applicants. People tend to be more motivated when implementing decisions they made as opposed to implementing decisions made elsewhere as a way of fulfilling regulations

• Another recommendation is the participatory consultative process by the regulating authority (FSRA) on credit risk management from all SACCOS loan managers, supervisory and credit committees. These players are responsible for the daily operations of the SACCOS and they deal with different stakeholders in their everyday tasks. Therefore, such officers must be better positioned than anyone else to articulate and respond to customer expectations.

Recommendation for further research

• Leading evidence in the study` s background section indicates that the SACCOS sector is on a downward trajectory but information from focus group discussions and in-depth interviews seem to paint a rosy picture for the SACCOS sector. The two sets of information must be used as the next stage for generating more reliable information about credit management practices in SACCOS. Therefore, a more comprehensive nationwide research could yield more informative results about SACCOS operations.

• The study was a qualitative study that did not permit the collection of quantitative information that could assist in qualifying the discrepancies that result from lack of or poor application of credit management practices, in particular, the screening of members before granting loans that are illustrated by the high default rates or none performing loans in a particular SACCO. Quantification of some of those issues could shed a more accurate picture of what is happening.

• This study failed to establish the clear strategies used in determining prices for the various SACCOS services. Further research is recommended in this area based on problem statement which indicated that the profitability levels among SACCOS were on a downward trend.

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