



MAKERERE UNIVERSITY BUSINESS SCHOOL

**CORPORATE GOVERNANCE, CREDIT RISK MANAGEMENT AND FINANCIAL
PERFORMANCE OF SACCOS IN TESO SUB-REGION**

BY

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PLAN A

DECLARATION

I declare that this research report is my original work and has not been submitted to any Institution leading to an Academic Award.

Signature.....

Date.....

ABIYAR JENNIFER

APPROVAL

This research report has been submitted for examination with our approval as supervisors:

Signature.....

Date.....

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Signature.....

Date.....

DR. NKOTE ISAAC NABETA

DEDICATION

I dedicate this research report to my parents the late “Papa” Peterken Okiror Iporotum and “Toto” Winnifred Acen.

ACKNOWLEDGEMENT

With God all things are possible. Through Him, this report has been completed as a result of the concerted efforts of a number of people for whom I will forever be grateful.

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LIST OF ACRONYMS AND ABBREVIATIONS

AMFIU	Association of Microfinance Institutions in Uganda
BCBS	Basel Committee on Banking Supervision
BoU	Bank of Uganda
CGAP	Consultative Group to Assist the Poor
CSFI	Centre for the Study of Financial Innovation
IAIS	International Association of Insurance Supervisors
ICGU	Institute of Corporate Governance of Uganda
IMF	International Monetary Fund
MFIs	Microfinance Institutions
MoFPED	Ministry of Finance Planning and Economic Development
Rural SPEED	-Rural Savings Promotion and Enhancement of Enterprise Development
SACCOs	Savings and Credit Cooperative Organizations
UCSCU	Uganda Cooperative Savings and credit Union
WOCCU	World Council of credit Unions

ABSTRACT

The purpose of this study was to investigate the relationship between corporate governance, credit risk management and financial performance of SACCOs in Teso sub-region. The study was guided by the following research objectives; to establish the relationship between corporate governance and credit risk management, examine the relationship between credit risk management and financial performance, as well as examine the relationship between corporate governance and financial performance of SACCOs in Teso sub region. A sample of 87 SACCOs was selected from a population of 104 SACCOs in the eight districts of Teso sub-region that had been operational for at least three years and registered with the Registrar of Cooperatives by 2010 and a questionnaire was distributed to each of the SACCOs, collected and thereafter the data was analyzed using SPSS package and descriptive, correlation, and regression analysis were carried out.

Findings revealed that some SACCO managers are sheltered by the founder syndrome and there was a significant positive relationship between all the study variables corporate governance, credit risk management, and financial performance. Results from the regression analysis showed that corporate governance and credit risk management significantly predicted 34.1% of financial performance of SACCOs in Teso sub-region.

The study concluded that some SACCO managers are covered by the founder syndrome which may explain the relatively poor financial performance of these SACCOs. SACCOs were therefore advised to create awareness amongst the members as well as encourage SACCOs to implement and adhere to corporate governance principles and training of staff in related areas of credit risk management.