



# IMPLICATIONS OF LOAN DEFAULT AND VARIANCE

KENVERSITY SACCO SOCIETY LIMITED  
EDUCATION DAY 28<sup>TH</sup> FEBRUARY 2026

# OBJECTIVES OF THE PRESENTATION

- ❖ Explain loan default and loan variance
- ❖ Understand effects on members
- ❖ Understand effects on the SACCO
- ❖ Highlight preventive measures and responsibilities

# KEY DEFINITIONS

1. **Loan Default** – failure to repay loan as agreed
2. **Loan Arrears** – delayed installments beyond due date
3. **Loan Variance** – difference between expected and actual loan performance. Includes underpayments, delays or rescheduling

# Common Causes of Loan Default

- Loss of employment or income
- Poor financial planning
- Over-borrowing
- Business losses
- Emergencies or medical expenses
- Lack of understanding of loan terms

# What is Loan Variance?

- Occurs when repayments do not follow the approved schedule
- Late payments or skipped installments
- Reduced deposits affecting deductions
- Loan restructuring or extension
- Impacts expected cash flow of the SACCO

# Implications to Individual Members

The logo for KENVERSITY SACCO features a stylized green figure with arms raised, positioned to the left of the text. The text "KENVERSITY SACCO" is in a bold, sans-serif font, with "KENVERSITY" on the top line and "SACCO" on the bottom line. Below the text, the tagline "Forward Together" is written in a smaller, italicized font.

- Increased interest costs
- Reduced net take-home income due to deductions
- Stress and financial strain
- Risk of legal recovery processes

# CREDIT AND ACCESS IMPLICATIONS

- Poor credit history within the SACCO
- Reduced future loan eligibility
- Lower loan limits
- Longer approval times
- Guarantors may hesitate to support

# IMPACT ON GUARANTORS

- Guarantors become liable for unpaid balances
- Their savings may be attached
- Loan eligibility may be restricted
- Possible conflicts among members
- Encourages careful guarantee decisions

# IMPLICATIONS TO THE SACCO

- Reduced cash flow
- Lower interest income
- Difficulty issuing new loans
- Higher recovery and legal costs
- Strained liquidity position

# FINANCIAL EFFECTS ON THE SACCO

- Increased non-performing loans
- Higher provisioning for bad debts
- Reduced surplus/profit
- Lower dividends and rebates
- Weak financial stability

# OPERATIONAL AND REPUTATION RISKS

- More time spent on debt collection
- Administrative burden
- Member dissatisfaction
- Loss of trust
- Reduced member growth

# WHY MEMBERS SHOULD CARE

- SACCO funds belong to members collectively
- Defaults reduce everyone's benefits
- Lower dividends affect all members
- Strong repayment ensures sustainability

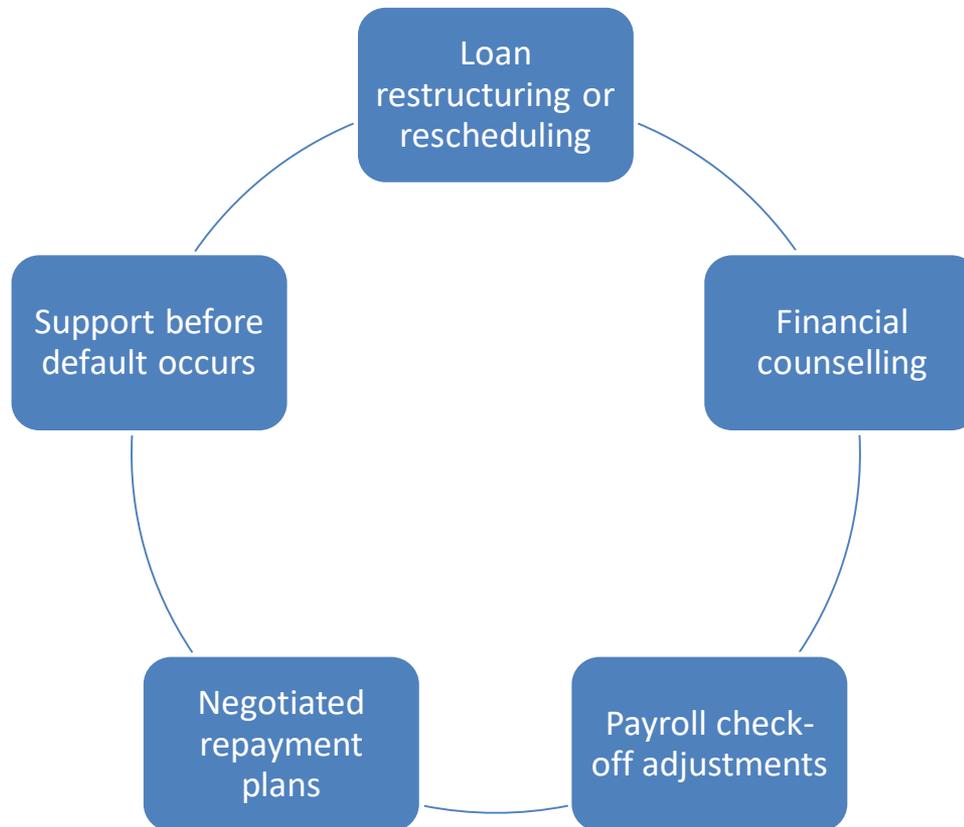
# PREVENTIVE MEASURES FOR MEMBERS

1. Borrow only what you can repay
2. Prepare a personal budget
3. Maintain emergency savings
4. Communicate early if facing challenges
5. Understand loan terms before signing

# PREVENTIVE MEASURES FOR THE SACCO

1. Proper credit appraisal
2. Member education and training
3. Realistic loan limits
4. Regular monitoring of loans
5. Early follow-up on arrears

# EARLY INTERVENTION STRATEGIES



# ROLES AND RESPONSIBILITIES



MEMBERS – REPAY ON TIME AND HONOR GUARANTEES

GUARANTORS – ASSESS RISK BEFORE SIGNING

CREDIT COMMITTEE – PROPER APPRAISAL

MANAGEMENT – MONITORING AND RECOVERY

EVERYONE – PROTECT THE SACCO'S STABILITY

# Key Takeaways



Loan default harms both borrower and SACCO

Variance affects cash flow and planning

Responsible borrowing protects everyone

Early action prevents bigger problems

A strong SACCO benefits all members

# Thank You



## Questions and Answer