

**Risk assessment and loan performance of KCB Bank, South Sudan: A cross-sectional study.**

Maduok Thiep Geng Aduong\*, Dr Ssendagi Mohammad, Edmand Bakashaba  
School of Graduate Studies and Research, Team University.

**ABSTRACT**

**Background:**

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Currently, banks have witnessed rising non-performing credit portfolios, which have significantly contributed to financial distress in the banking sector. The study aims to establish the relationship between risk assessment and loan performance of KCB Bank, South Sudan.

**Methodology:**

The study employed the descriptive correlation cross-sectional research design, and this design involved the A collection of data at one point in time is a random sample representing some given population at that time. Demographic characteristics were analyzed using frequencies and percentages in frequency tables. Data were analysed using SPSS version 22 to generate descriptive statistics of means and standard deviations.

**Results:**

The majority age category was 48-57, with 30 (39% of the respondents). The 38-47 category had 28% of respondents recorded, the 18-27 category had the 25% of the respondents, the 28-37 category had 7% of the respondents, while 58+ had 1% of the respondents. There exists a significant relationship between the Risk Assessment and Loan Performance in KCB Bank South Sudan (sig = 0.002). The sig value was small enough and below the 0.05 level of significance. Findings indicated that Risk Assessment did significantly correlate with loan performance constructs. The null hypothesis was rejected while the alternative was accepted because the corresponding p-value (sig=0.002) was small enough and below the 0.005 level of significance.

**Conclusions:**

Risk analysis is fundamental in enhancing Loan performance. The study concludes that effective client training is necessary for Loan performance, indicating that utmost work performance is fundamental for loan portfolio response.

**Recommendations:**

The management needs to provide a sound internal mechanism through control of expenditures to attain a financially stable business.

**Keywords:** Risk assessment, Loan performance, CB Bank, South Sudan.

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**Corresponding Author:** Maduok Thiep Geng Aduong.

**Email:** [maduookthieb79@gmail.com](mailto:maduookthieb79@gmail.com)

*School of Graduate Studies and Research, Team University Kampala*

**Background**

Currently, banks have witnessed rising non-performing credit portfolios, which have significantly contributed to financial distress in the banking sector. Credit Risk management is an important function of financial institutions in creating value for shareholders and customers (Pagano, 2001). By recognising, understanding, and managing risks, more risks can be assumed, and performance can be increased. Credit management practices are important as MFI's reduce their exposure to non-repayment of loans and enhance their ability to compete in the market with other well-established financial institutions like banks.

As with any financial institution, the biggest risk in microfinance is lending money and failing to recover it. Credit risk is a particular concern for Microfinance

Institutions (MFIs) because most micro lending is unsecured (Chege, 2010). Many credit unions do not extend credit to these kinds of clients due to the high default risk for repayment of interest, and in some cases, the principal amount itself. Deposit

Microfinance Institutions are required to design sound credit management practices that entail the identification of existing and potential risks inherent in lending activities to improve financial performance.

A Circuit Court has found considerable actuarial evidence that credit scores are a good predictor of risk of loss in the United States (Djankov, McLeish & Shleifer, 2007). Wendel& Harvey (2003) in their study on credit risk management strategies of selected financial institutions in Malaysia, observed that the majority of financial institutions and banks' losses stem from outright default due to the

inability of customers to meet obligations in relation to lending, trading, settlement, and other financial transactions. The study aims to establish the relationship between risk assessment and loan performance of KCB Bank, South Sudan.

## METHODOLOGY

### Research Design.

The study employed the descriptive correlation cross-sectional research design, and this design involved the collection of data at one point in time, a random sample representing some given population at that time. The design is considered important as it allowed for the collection of data from a relatively large sample at a single time period; it did not require subsequent follow-ups of respondents. The research drew from both the qualitative and quantitative analysis approaches in order to get a bigger picture, both in terms of numbers and data.

### Research Population

The study contacted the employees of KCB headquarters located in Juba, and these were operational and managerial staff of the bank. The study population of the study was therefore 117 staff of the bank who were deemed as potential respondents.

### Sample Size

The study used Sloven's formula to determine the sample size of the actual respondents. Sloven's

$$\text{Formula states: } n = \frac{N}{1+N(\alpha)^2}$$

Where;  $n$ =sample size;  $N$ =target population; and  $\alpha$ =0.05 level of significance

$$n = \frac{117}{1 + 117(0.05)^2}$$

$$n = \frac{117}{1 + 117(0.0025)}$$

$$\frac{117}{1.542}$$

**n=76 respondents for questionnaires**

### Sampling Procedure

The respondents were selected using stratified and simple random sampling procedures to select the sample population and the respective people for data collection. After stratifying the population, the study used a simple random sampling method to select the respondents from the respective departments. This was done to give an opportunity to all respondents without bias to participate in the study. Convenience sampling was used in the selection of managerial staff of the banks.

### Sources of Data

Data was collected using a primary data collection technique.

### Primary Data

Primary data was gathered basically through structured questionnaires and interviews with informant members. This was aimed at getting first-hand information from the staff of the KCB bank.

### Methods of Data Collection

The study involved the use of the following data collection methods interviewing and questionnaires.

### Questionnaires

A self-administered set of questions was distributed to the staff. The obtained information using this method was general on the subject matter. This instrument was preferred in that it allowed respondents ample time to think and probably gave accurate information. It was also convenient in that the respondents filled out the questions at the time of their choice.

### Interview Guide

This method was applied to the staff of KCB Bank of South Sudan. This instrument allowed flexibility in asking questions as initially posed, but important to the study are brought forward. The tool was also convenient to the respondents and to the study, as it took less time in collecting needed information.

### Validity and Reliability

#### Validity

Validity refers to the degree to which evidence and theory support the interpretation of test scores entailed by the use of tests. The validity of an instrument is the extent to which it measures what it is supposed to measure. Tool validity was checked and confirmed using the retest method. For the content validity index (CVI), judges were used to establish validity for each item. Where judges were selected to judge each item. The inter-judge coefficient validity was computed  $CVI = (\text{number of judges declared item valid}) / (\text{total no of judges to arrive at an average acceptable for the study using the research instrument})$ .

#### Reliability

Reliability is the ability of a research instrument to consistently measure characteristics of interest over time. It is the degree to which a research instrument yields consistent results or data after repeated trials. The study measured the reliability of the questionnaire to determine its consistency in testing what they are intended to measure. The test-retest technique was used to estimate the reliability of the instruments. This involved administering the same

test twice to the same group of respondents who had been identified for this purpose.

A single statement (item) was presented to each respondent, and then this same statement was presented to the other respondents weeks later. A test-retest reliability coefficient was calculated on this individual statement (item) since individual items cannot have a Cronbach's alpha internal consistency reliability calculated. The respondents were asked to respond to the statement using a five-point Likert scale ranging from 1 (Strongly Disagree) to 4 (Strongly Agree).

### Data Gathering Procedures

Before the commencement of data collection, the study obtained all the necessary documents, including an introductory letter from the University. An audience with the sampled staff in the bank was held to clarify the purpose of the study. Upon getting clearance, the study personnel distributed the questionnaires to the respondents.

### Demographic characteristics of respondents

**Table 1: Gender of the respondents**

Response	Frequency	Valid Percent
Male	46	61
Female	30	39.4
<b>Total</b>	<b>76</b>	<b>100.0</b>

*Source: Primary Data, 2026*

The study findings regarding the gender of respondents reveal that the majority of the respondents were male, who constituted 61% of the total population, while the females were 39%. The findings imply that both the female and male

### Data Analysis

Quantitative data were derived from closed-ended questions. Demographic characteristics were analysed using frequencies and percentages in frequency tables. Data were analysed using SPSS version 22 to generate descriptive statistics of means and standard deviations.

### Ethical Considerations

The study sought clearance from the University to be able to collect data in the target area. The study ensured that all their responses were treated in strict confidentiality.

The study obtained informed consent from authorities to interview the respondents, and the study explained to the people in the study area the objectives of the study, introduced itself, and explained why the particular respondents were picked.

### RESULTS

genders are prevailing in cost management, with the males being the majority. It further implies that males dominated in the study organizations; otherwise, the study cannot be doubted on gender grounds.

### Age of the Respondents

**Table 2: Age of Respondents**

Response	Frequency	Valid Percent
18-27	19	25
28-37	5	7
38-47	21	28
48-57	30	39
58 above	1	1
<b>Total</b>	<b>76</b>	<b>100.0</b>

*Source: Primary Data, 2026*

The findings on the age categorization of respondents showed that the majority age category was 48-57, with 30

(39% of the respondents, 38-47 category had 28% of respondents recorded, 18-27 category had the 25% of the

respondents, 28-37 category had 7% of the respondents, while 58+ had 1% of the respondents. The findings imply that the study was taken from educated mature respondents;

therefore, the information attained can be used for decision-making.

### Education of Respondents

**Table 3: Education of respondents.**

	Frequency	Valid Percent
Certificate	13	17
Diploma	17	22
Degree	25	33
Others	21	28
Total	76	100.0

**Source: Primary Data, 2026**

On the education characteristics of respondents, the majority of the respondents were degree holders who constituted 33% of the respondents, others had 21% of the respondents, and diploma had 22%, and certificate had 17% of the

respondents. The findings on this imply that the majority of the respondents were educated, it is no doubt that the study attained data from the educated people.

### Marital Status of Respondents

**Table 4: Showing Marital Status of Respondents**

Marital status		
Response	Frequency	Valid Percent
Single	31	41
Married	39	51
Divorced/Separated	6	8
Total	76	100.0

**Source: Primary Data, 2026**

On the marital status of the respondents, the findings were that the majority of the respondents were married, with 51% of the respondents. Single respondents were 41% of the respondents, and those divorced were 8% of the respondents. The findings imply that results were taken from responsible people; it is prudent to argue that information can be relied upon for decision-making.

### Relationship between Risk Assessment and Loan Performance at KCB Bank South Sudan using PLCC.

The Pearson's Linear Correlation Coefficient (PLCC) was used to determine if there was a significant relationship in the levels of Risk Assessment and Loan Performance in KCB Bank South Sudan at a **0.05 level** of significance, and to determine the significance of the relationship in the variables, and to help the study accept or reject the null hypothesis and the alternative hypothesis.

**Table 5 shows the level of significant relationship between Risk Assessment and Loan Performance at KCB Bank South Sudan.**

	Mean	Std. Deviation	r-value	Sig	Interpretation	Decision on Ho
Risk Assessment	3.5414	.36551	0.737**	0.002	Significant Relationship	Null hypothesis Rejected
Loan Performance	3.2311	.31789				

\*\* Correlation is significant at the 0.01 level (2-tailed).

There exists a significant relationship between the Risk Assessment and Loan Performance in KCB Bank South Sudan (sig = 0.002). The sig value was small enough and below the 0.05 level of significance. Further, the findings indicated that Risk Assessment did significantly correlate with loan performance constructs. The findings also indicated that the null hypothesis was rejected while the alternative was accepted because the corresponding p-value (p=0.002) was small enough and below the 0.005 level of significance.

The study concludes that the two variables, i.e., Risk Assessment and Loan Performance, have a significant relationship with each other.

### Discussion

The study reveals that risk assessment was not done well; it had a significant effect on the loan performance of KCB Bank, South Sudan. It was significant, indicating that a significant effect existed between risk assessment and loan performance. The results are in line with Muli (2003), who conducted an investigative study on the assessment of property risks in Kenya using a case study of the insurance sector. Even Siba (2012) carried out a study on the relationship between financial risk assessment and the financial performance of commercial banks in Kenya. The study found that the majority of the Kenyan banks were practicing good financial risk management, and as a result, the financial risk management practices had a positive correlation to the financial performance of commercial banks in Kenya. The results are in disagreement with those of Hameeda and A.L. Ajmi (2012), who carried out a study on conventional and Islamic banks in Bahrain. The objective of the study was to find out the risk assessment of these banks. Their study found that banks in Bahrain had a clear understanding of risk and risk management, and also had efficient risk identification, risk assessment analysis, risk monitoring, and credit risk analysis. Though the analysis seems to be limited, the effect of the variables is high.

### Conclusions

Risk analysis is fundamental in enhancing Loan performance. The study concludes that effective client training is necessary for Loan performance, indicating that utmost work performance is fundamental for loan portfolio response.

### Recommendations

Regarding the risk assessment, the management needs to provide a sound internal mechanism through control of expenditures to attain a financially stable business. The management needs to institute management teams to enhance direct operations for the organizational establishments.

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### List of abbreviations

KCB Kenya Commercial Bank  
 MFIS Micro Finance Institutions

### Source of fundings

The study was not funded

### Conflict of interest

The author did not declare any conflict of interest

### Data availability

Data is available upon request

### Author contribution

Maduok Thiep Geng Aduong collected data and drafted the manuscript of the study.

Dr. Mohammad Ssendagi supervised the study

### Author biography

Maduok Thiep Geng Aduong is a student of a master's degree in finance at Team University.

Dr. Mohammad Ssendagi is a supervisor at Team University.

Edmand Bakashaba is a supervisor at Team University.

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