



**FINANCIAL MANAGEMENT PRACTICES, COMPETITIVE
ADVANTAGE AND LOAN PERFORMANCE OF MFIS IN UGANDA**

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PLAN A

ABSTRACT

The study examined the relationship between financial management practices, competitive advantage and loan performance of MFIS in Kampala region. The study aimed at investigating the cause of a sharp rise in loan defaults in loan performance. A conceptual frame work was developed relating financial management practices (Risk management, Working capital management and Budgeting)

The motivation of this study was the fact that the Bank of Uganda and other stakeholders had directed their effort towards improving the performance of MFIS. Despite this, Bank of Uganda had highlighted declining loan performance of MFIS in Uganda.

The research adopted a blend of cross sectional and descriptive research design and simple random sampling was used for the study. The population included 84 MFIS from which a sample of 70 was obtained. A simple random sampling technique was used. Primary data was obtained from 61 MFIS, providing a response rate of 87%. The data were collected using a self-administered questionnaire with perceptions and beliefs sought to a five point Likert scale.

The data obtained were analysed using factor, correlation, regression and Normality tests. From the analyses, it was established that, financial management practices, competitive advantage have significant and positive effect on loan performance of MFIS with a total contribution of 43%.

In reference to the findings of the Study, the researcher concluded that a significant positive relationship existed between financial management practices, competitive advantage and loan performance of MFIS in Kampala region. As such recommendations were made in line with improving and enhancing the financial management practices and competition of these MFIS such as risk management and working capital gaps assessment in order to achieve a competitive advantage for MFIS products for future loan performance. MFIS strategies to minimize losses require effective Bank management practices that may reduce poor loan performance.