

FACTORS AFFECTING THE CAPITAL STRUCTURE OF A FIRM

CASE STUDY: BANK OF AFRICA-JINJA ROAD BRANCH

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ABSTRACT

The purpose of the study was to establish the Factors affecting the capital structure of a firm. The research is based on three major objectives of the study which include examining the nature of capital structure of a firm, examining the challenges affecting the choice of capital structure and suggesting the possible strategies to improve the capital structure of Bank of Africa.

The literature reviewed suggests that there exist various components of business financing with debt capital and equity financing as the predominant form of financing.

The research methodology was based on descriptive research design because the researcher intended to acquire sufficient information through description and also the need to save time especially during the process of data collection.

Bankruptcy costs, high interest rates, conflicts on resource allocation; insufficient pay back periods, high operating costs and declining profits were highlighted as the main challenges affecting the choice of a firm's capital structure.

The researcher that recommended management of financial institutions should ensure a well-integrated system management which can promote good relations and cooperation between the bank and its stakeholders