

**CREDIT MANAGEMENT AND FINANCIAL PERFORMANCE OF
MICROFINANCE INSTITUTIONS IN KAMULI: A CASE STUDY OF PRIDE
MICROFINANCE KAMULI BRANCH**

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**UGANDA CHRISTIAN
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DECLARATION A

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“We confirm that the work reported in this Thesis was carried out by the candidate under our supervision”.



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DEDICATION

This book is dedicated to Almighty God, my father the late Mr. Van Peter Risa and Mrs. Ngiro Martha, my husband Mr. Ogulei Moses, my lovely daughters Jadrine Ernest and Jovia Elma together with my lovely sons Allan Blaine and Aaron Blaise for their unwavering support and encouragements have been my guiding light throughout this journey, your love, patience and understanding have meant the world to me.

To my colleagues and mentors have shared their expertise and wisdom, helping me grow both professionally and personally.

And to all those who have contributed to this research, thank you for your time, insights and dedication.’’

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LIST OF ACROYNMS

MFI.....Microfinance institution

NGOs.....Non-Governmental Organizations

SACCOs...Savings and credit cooperatives

ABSTRACT

The study examined the effect of credit management on financial performance of microfinance institutions in Kamuli a case study of pride microfinance Kamuli branch. The study had three objectives; to examine the effect of credit terms on financial performance of Pride Micro finance, Kamuli Branch, to analyze the effect of credit assessment on financial performance of Pride Micro finance, Kamuli Branch, to investigate the effects of credit control and financial performance of Pride Micro Finance, Kamuli Branch. The study adopted a cross-sectional survey and employed both quantitative and qualitative approaches to research. The study targeted a population of 141 and a sample of 103 respondents was selected using Yamane sample size formula. Both interview guides and survey questionnaires were used to collect data and analysis involved mixed approaches. Findings revealed the existence of a positive and significant effect between credit terms and financial performance ($r=0.441$; $P=.000$), a positive and significant effect between credit assessment and financial performance ($r=0.587$; $p=.000$) and a positive and significant effect between tax clinics and income tax compliance ($r=0.699$; $p=0.000$). The regression coefficient results revealed that credit control was the most significant predictor of financial performance ($\beta=.524$; $\text{Sig}=.000$) implying that credit management in Pride Microfinance in Kamuli district largely depends on good credit control policy, credit limit policies, good enforcement of credit policies and the like. The study concluded that all three independent variables are positive determinants of income tax compliance. The study recommended that the leadership of Pride Microfinance in Kamuli district should apply strengthen its credit management polices embracing credit terms, credit assessment and credit control as a way for promoting good financial performance and increasing business sustainability of Pride Microfinance in Kamuli district and beyond.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents an insightful background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, research hypotheses, scope of the study, justifications of the study and the significance of the study on credit management and the financial performance of microfinance institutions in Uganda a case study of Pride Micro finance.

1.1 Background

The background to this study is sub divided into four (4) sub-categories that is; the historical, theoretical, conceptual and contextual elements of the study respectively.

Credit management is the processes that involves qualifying the extension of credit to a customer, monitors the reception and logging of payments on outstanding loans, the initiation of collection procedures, and the resolution of disputes or queries regarding charges on a customer loan. When functioning efficiently, credit management serves as an excellent way for the microfinance institution to remain financially stable. A good credit management system will help the Micro Finance Institution (MFI) reduce the amount of capital tied up in loans and minimize the MFIs exposure to bad debts. Good credit management is vital to your cash flow. It is possible to be profitable on paper and but lack the cash to continue operating your business.

Brindley (2017) argues that credit management emerged in the 1960s and was mainly driven by global competition, technological change and the constant search for competitive advantage. (Alex & Kazaara, 2023) argue that in the 1980s there was no risk management department in financial institutions and only the chief trader of financial institutions had the experience and authority to decide on bad trades and let them go. In 2010, financial institutions began to recognize the impact of credit management by establishing risk management departments tasked with measuring risk rather than managing it. As all decision-making power was left on the head of the merchant, credit management became powerless (Derrick et al., 2023).

However, credit management became a booming industry in the early 1990s due to the increasing volatility of financial markets and derivatives, which led to significant financial losses suffered by companies without a credit management system (Kazaara & Christopher, 2023).

As stated in the theory, the study identifies four concepts namely; risk identification, credit rating, credit control and organizational performance (K. Paul et al., 2023). Credit management is the process of granting credit, determining the terms under which credit is granted, collecting that credit when it is due, and ensuring compliance with the company's credit policy, among other credit-related functions (Christopher, 2022). Risks in credit management can be considered as the probability of losses associated with a reduction in the credit quality of borrowers/counterparties or potential losses resulting from the customer's refusal or inability to repay the amounts owed in full and on time. It still remains the most important risk to manage (Richard et al., 2022). Credit risk arises when the borrower is unable to repay the loan or when the credit rating deteriorates (Polycarp et al., 2023). Credit management is defined as the identification, measurement, monitoring and control of risk arising from the possibility of loan default (Collins et al., 2023). Credit management was similarly conceived to include the three dimensions of risk identification, risk assessment and risk management.

Pride Microfinance Ltd (MDI) is a Microfinance Deposit- taking institution regulated and supervised by Bank of Uganda (BoU) under the MDI Act, 2003 and MDI Regulations, 2004. From inception in 1995, Pride has grown to become the leading MDI in Uganda, providing innovative financial solutions to the economically vulnerable people. Pride serves its customers through 42 networked branches spread across the country and, 4 Enhanced Contact Offices and 1 Contact office.

Pride Micro Finance has a credit management team, with sound and clear credit management guidelines, which are the primary source of reference and guidelines for credit management practices in financial banking (Akankwasa et al., 2022). The team's goal is to support Pride Microfinance goal by providing information and

guidance that enables the implementation and maintenance of an effective credit management system to identify, analyze and mitigate credit risks that threaten the achievement of the financial institution's goal of providing financial services to micro, small, medium and upscale entrepreneurs in rural and urban areas, through sustainable operations that promote social and economic growth of our customers. However, even with a good risk management department, Pride Microfinance still has problems managing credit risk among its lenders, yet the financial institution has to move along with tough competition in the financial sector, which means offering good interest rates, training its loan officers to be competent in disbursing and collecting loans (District et al., 2023), but this is inconsistent with the reality that bad loan portfolios are constantly growing, defaults and write-offs are high. Therefore, the objective of the study is to investigate the relationship between credit management and financial performance in Pride Micro finance in Kamuli district.

1.1.1 Historical Background

Frederick Willelin Raiffersin and his supporters developed the microfinance concept in Germany in 1870 motivated by the concern to assist the rural population to break out their dependence on money lenders and improve their welfare (CGAP 2006). In the early 1900s, microfinance models began to appear in parts of the rural Latin America world with specific objectives of commercialization of the rural sector by mobilizing idle savings and increasing investments through credit and reducing oppressive feudal relation that were enforced through indebtedness. However, over the years, these institutions became inefficient and at times abusive.

Compared to the well-advanced microfinance countries like Bangladesh and Bolivia, the microfinance industry in Uganda is new. In a bid to alleviate poverty through a social agenda, number of NGOs and other aid organizations started developing some of the micro credit as departments or functional areas in the 1980s and early 1990s owing to the real need of financial services by low-income people. These microfinance programs and institutions grew fairly in number and size, helping to fill the void left behind by the economic turmoil and bank failures of early years. At

about the same time, few specialized MFIs also started operations, mainly delivering micro credit backed up by compulsory savings used as collateral substitutes. Since then, the microfinance industry has experienced a continuous growth. Compared to the total client estimation of about 100,000 in 1996 for instance the industry by 2008 was serving over three million people (Uganda Microfinance Industry Assessment, 2008). However, with a population of 29.6 million people (New vision November 12, 2008) serving only three million was way below a small number given the majority of Ugandans were the rural and urban low-income earners in dire need of microfinance services to lift their standards of living. Additionally, some MFIs have not lived long in the industry due to their inability to sustain their operations. Poor quality of the loan portfolio, lack of sufficient and affordable capital, high level of operating costs has been cited as reasons behind some MFIs failure such as low levels of profitability to cover all the demands for loans from potential clients.

Historically Micro-finance is one of the ways of building the capacities of the poor who are largely ignored by commercial banks and other lending institutions and graduating them to sustainable self-employment activities by providing them financial services like credit, savings and insurance (Anand & Kanwal, 2011). Microfinance is associated with programs that benefit clients with serious subsistence problems in developing countries. For many years, microfinance overlapped with microcredit (small loans) often without traditional guarantees, aimed at improving the lives of clients and their families or at sustaining small-scale economic activities (Addisalem, 2015). The Microfinance sector has demonstrated that poor people are viable customers as long as their financing is approached in the right way, which required that moral hazard, adverse selection and other agency problems are mitigated (Dokulilova, Janda & Zetek, 2009).

1.1.2 Theoretical Background

Asymmetric Information Theory developed by Akerlof, Spence, and Stiglitz (1970) is what guided this study. The theory refers to a situation where business owners or manager know more about the prospects for, and risks facing their business, than do lenders (PWHC, 2002) cited in Eppy.I (2005). It 4 describes a condition in which all parties involved in an undertaking do not know relevant information. In a debt

market, information asymmetry arises when a borrower who takes a loan usually has better information about the potential risks and returns associated with investment projects for which the funds are earmarked. The lender on the other hand does not have sufficient information concerning the borrower (Edwards & Turnbull, 1994). Binks et al (1992) point out that perceived information asymmetry poses two problems for the banks, moral hazard (monitoring entrepreneurial behavior) and adverse selection (making it is not economical to devote resources to appraisal and monitoring where lending is for relatively small amounts. This is because data needed to screen credit applications and to monitor borrowers are not freely available to banks. Bankers face a situation of information asymmetry when assessing lending applications (Binks and Ennew, 1996, 1997). The information required to assess the competence and commitment of the entrepreneur, and the prospects of the business is either not available.

1.1.3 Conceptual Background

Credit Management

Credit management is one of the most important activities in any company and cannot be overlooked by any economic enterprise engaged in credit irrespective of its business nature. It is the process to ensure that customers will pay for the products delivered or the services rendered.

Myers and Brealey (2003) describe credit management as methods and strategies adopted by a firm to ensure that they maintain an optimal level of credit and its effective management. It is an aspect of financial management involving credit analysis, credit rating, credit classification and credit reporting.

Nelson (2002) views credit management as simply the means by which an entity manages its credit sales. It is a prerequisite for any entity dealing with credit transactions since it is impossible to have a zero credit or default risk.

The higher the number of accounts receivables and their age, the higher the finance costs incurred to maintain them. If these receivables are not collectible on time and

urgent cash needs arise, a firm may result to borrowing and the opportunity cost is the interest expense paid.

Nzotta (2004) opined that credit management greatly influences the success or failure of commercial banks and other financial institutions. This is because the failure of deposit banks is influenced largely by the quality of credit decisions and thus the quality of the risky assets. He further notes that, credit management provides a leading indicator of the quality of deposit banks credit portfolio. A key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. In order to minimize exposure to bad debt, over-reserving and bankruptcies, companies must have greater insight into customer financial strength, credit score history and changing payment patterns.

Credit management starts with the sale and does not stop until the full and final payment has been received. It is as important as part of the deal as closing the sale. In fact, a sale is technically not a sale until the money has been collected. It follows that principles of goods lending shall be concerned with ensuring, so far as possible that the borrower will be able to make scheduled payments with interest in full and within the required time period otherwise, the profit from an interest earned is reduced or even wiped out by the bad debt when the customer eventually defaults, Credit management is concerned primarily with managing debtors and financing debts. The objectives of credit management can be stated as safeguarding the company's investments in debtors and optimizing operational cash flows. Policies and procedures must be applied for granting credit to customers, collecting payment and limiting the risk of non-payments.

Financial performance

Financial performance is the ability of a MFI to cover the set of its expenses by its income and finance its growth (El Khatri, 2013). Financial performance is measured by the financial and operational self-sufficiency in addition to the ability to be profitable thanks to efficiency and productivity i.e., return on equity and return on assets (Sene, 2010; Adair & Berguiga, 2010). The Return on Equity (ROE) is important for commercial entities aiming at profits and to the ratio only used to measure

commercial viability by MFIs (Ledgerwood, 1999). Unlike the return on equity (ROE), the MFIs make use of the Return on Assets as a measure of profitability regardless of the underlying funding structure of the institution, making it possible to compare profit and nonprofit MFISs. Fersi and Boujelbéne (2016) advise that financial performance is measured by three accounting ratios; namely the ROA, ROE and the cash flow ratio.

1.1.4. Contextual background

A good performing microfinance industry is vital in sustaining the stability of the micro banking system. Poor financial performance deteriorates the capacity of MFIs to absorb negative shocks, which subsequently affect solvency (Yenesew, 2014). Better financial performance leads the lenders to recover full cost or make profit, and building institutions that can sustain themselves for a considerable period without continued reliance on government subsidies or donor funds. MFIs financial performance is based on the extent to which service users directly pay the full cost of providing services (Adhikari, 2014). As such operational efficiency, capital levels, liquidity risk, credit risk and size are some of the major factors that influence financial performance of microfinance banks. Operational efficiency refers to the ability of a microfinance program to deliver a specific service with minimum costs (Adhikary, 2014). Operational efficiency is performance measure that shows how well MFIs is streamlining its operations and takes in to account the cost of the input and/or the price of output (Ongore & Gemechu, 2013). Efficiency in expense management should ensure a more effective use of MFIs loanable resources, which may enhance MFIs profitability. Inefficiency is one of the significant risk factors for sustainable microfinance as large numbers of institutions are still far from minimal scale or the efficiency required to cover costs. Operational efficiency is usually measured using operating efficiency ratio (OER) where lower OER is preferred over higher OER as lower OER indicates that operating expenses are lower than operating revenues (Dufera, 2010)

Credit risk is the financial loss that a lender will suffer because of a borrower's failure to perform according to the terms and conditions of the credit or loan agreement. Effective management of credit risk through proper management results in the improvement of earnings and reduces insolvency (Sule, 2012). Credit risk is not

confined to a microfinance banks' loan portfolio alone, but can also exist in its other assets and activities. Credit risk affects the profitability and the general performance of any financial institution and is one of the major risks to microfinance banks sustainability. Thus, managing credit risk is an integral part of microfinance bank operating techniques, with reducing the risks requiring a major operational effort (Idama et al., 2014). The size of an institution plays an important role in determining the kind of relationship the firm enjoys within and outside its operating environment and hence profitability. The modern intermediation theory predicts efficiency gains related to size of a financial institution, owing to economies of scale (Kahiga, 2014). Smaller MFIs in particular are at a disadvantage, struggling to cover the industry's high operational costs and diversify their products in order to compete with larger microfinance providers (Muriu, 2011). In addition, large firms are more diversified than small ones, have greater market power, and during good times may have relatively more organizational slack (Addisalem, 2015). Size captures the economies or diseconomies of scale of an institution and normally the natural logarithm of total asset of MFIs is used as a proxy of size (Cull et al., 2007)

White and Frame (2002) stated that profit seeking enterprises and individuals are constantly seeking new and improved product processes and organizational structures that will reduce their costs of production, better customer demands and yield greater profits. Drucker (1998) stated that most innovations result from a concise, purposeful research for innovation opportunities, which are only found in only a few situations. Four areas of such opportunities exist within a company include unexpected occurrences, incongruities process needs and industry and market changes. Sources of opportunity outside a company in its social and intellectual environment include demographic and perception changes.

1.2 Statement of the problem

Pride Micro finance has an established credit management team, sound and clear credit risk management guidelines, which are the primary source of reference and guidance for credit management practices in financial banking (Kazaara & Kazaara, 2023). Indeed, because of its effective credit management, Pride Micro finance has experienced low credit risk, making its loan portfolio one of the best performing in

the commercial banking industry in Uganda (Zowena et al., 2023). Through its sophisticated credit manuals formulated in accordance with the credit policy of financial institutions focused on credit risk management, as well as continuous training of employees in the field of credit management, the institution has been celebrating profitability for the last five (5) consecutive years (Rashid et al., 2023). Despite all the above measures that Pride micro finance has taken to manage credit, it is unfortunate that the Micro finance institution continues to have some bad debts and declining levels of profitability (Moses et al., 2023). Poorly planned loan products and partnerships were common, a situation associated with a poorly managed credit management system in a micro finance (Oscar et al., 2023). For instance the micro finance Kamuli Branch registered an increase in non-performing loans from 360.82 million in 2018 to 390.8 million in 2019 and bad loans written off increased from 128.8 million to 125.9 million in 2018 and 2019 respectively (Pride Microfinance, Kamuli Branch report, 2019). The rate of growth of non-performing assets and foreclosure has steadily increased over time. It is evident that pride microfinance Kamuli Branch loan loss rate increased from 1.0% in 2018 to 1.2% in 2019 while the number of outstanding loans increased from 1.53 million to 1.74 million in 2019 (Pride microfinance Kamuli Branch, 2019). The increase in net loss and bad debts had an adverse impact on the decrease in sales revenue and profitability of the Micro finance institution (Musaibah et al., 2023). It is on this basis that this study was undertaken to examine the impact of credit management on the performance of financial institutions in Uganda using Pride Micro finance Kamuli as a case study.

1.3 Objectives of the Study

The general objective of this study was to determine the effect of credit management on financial performance of Pride micro finance institution in Kamuli.

Specifically,

- (i) To examine the effect of credit terms on financial performance of Pride Micro finance, Kamuli Branch
- (ii) To analyze the effect of credit assessment on financial performance of Pride Micro finance, Kamuli Branch
- (iii) To investigate the effects of credit control on financial performance of Pride Micro Finance, Kamuli Branch

1.4 Research Question

- i. What is the effect of credit terms on the financial performance of Pride microfinance?
- ii. What is the effect of credit Assessment on the financial performance of Pride microfinance?
- iii. To what extent does Credit Control affect the financial performance of pride microfinance?

1.5 Scope of the Study

The study focused on credit management and financial performance of microfinance institutions a **case study of Pride micro finance Kamuli.**

1.5.1 Geographical scope

The research was carried out in Pride Micro finance located in Kamuli municipality, Kamuli District is bordered by Buyende District to the north, Luuka District to the east, Jinja District to the south, and Kayunga District to the west. The district headquarters at Kamuli are approximately 74 kilometers (46 mi), by road, north of Jinja, the largest city in the Busoga sub-region.

1.5.2 Content scope

The research determined the effects of credit management on the financial performance of microfinance institutions, the extent to which credit management affects the financial performance and determine ways of improving credit management by microfinance institutions in Uganda

1.5.3 Time scope

A period of five (5) years was considered that is 2019 to 2024. This period is deemed appropriate for the researcher to get the required information regarding credit management and financial performance in Uganda Municipalities. High number microfinance institutions coming up in the different district in Busoga region characterized this period.

1.6 Significance of the Study

The study findings may help the management through improving on its credit management and financial performance of microfinance institutions, prompt settlement of claims and further investment.

The study findings may be useful to future researchers to widen their understanding in matters of credit management, as a tool for career development.

The study findings may be useful to students, companies and other interested parties who may need to understand more about credit management and financial performance of microfinance institutions.

1.7 Justification for the Study

This study may contribute in filling the information gap by assessing the key determinants to watch out for in case an MFI is to perform well financially. A study of this nature makes significant contribution by assisting government and other stakeholders to find lasting solutions to problems facing Microfinance institutions in the country.

The credit officers of pride microfinance may be able to recognize the role they have to play credit management and how the institution can effectively recovery overdue loans and reduce loan write offs.

The microfinance institutions managers and administration staff of Pride Microfinance (MDI) Ltd. to understand weak and strong points regarding credit management and this will help them formulate and design appropriate credit management policies to strengthen their loan recovery personnel.

The government, microfinance institutions policy makers and planners. The findings of this study may also help the government and other policy makers by guiding them on the right credit management and regulatory policies to be adopted implemented in financial institutions.

The Bank of Uganda will use the findings as empirical information to monitor within quality standards the provision and the use of resource inputs in schools.

Future researchers who will utilize the findings of this study to embark on related studies as the information generated will be intended to contribute to the literature about credit management policies and loan recovery and forms a basis for future research.

The study is very significant because it adds to the existing literature of research and works already written on microfinance in Uganda. The study thus helps Microfinance

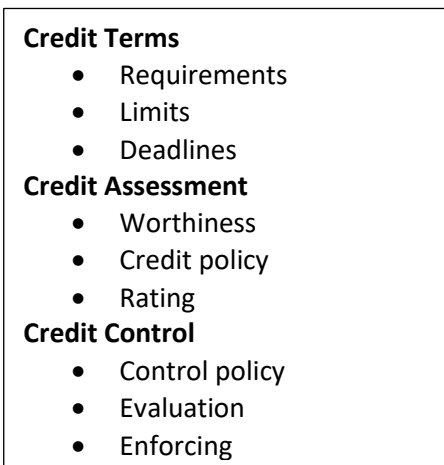
Institutions to put in place credible return bearing policies and programs that will help households and individuals to access their facilities while also remaining afloat financially.

1.8. Conceptual Framework

It shows the relationship between the independent Variable and dependent variables.

Independent Variable. (I.V)

Credit Management Practice



Dependent Variable (D.V)

Financial Performance

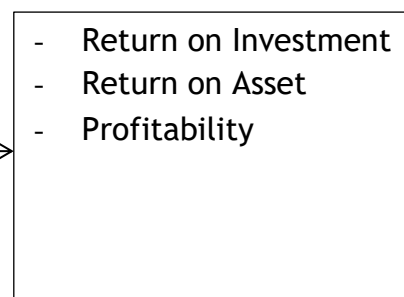


Figure 1.1: Conceptual framework

The conceptual framework above indicates that credit management which is the independent variable broken down as credit terms, credit assessment and credit control once well conducted result in financial performance which is the dependent variable and which can be measured in the form of return on investment, return on asset and profitability.

1.9. Definition of Key Terms

Credit Management: Refers to the policies and practices that a financial institution adopts to ensure that loans are granted responsibly, paid back on time, and risk is minimized. This study defines credit management as credit terms, credit assessment and credit control. **Credit terms:** These are stipulations or conditions under which a firm decides to offer credit to a customer (Pandey, 1993). Credit terms typically express the amount of the cash discount and the date of its expiration. After the firm has evaluated the credit applicant using the set credit standards and a decision to

extend credit made, it has to decide on the duration of the credit, the interest rate and the credit instrument to be used.

Credit terms: These are the payment agreements between a buyer and a seller, outlining when payment is due, any discounts for early payment, and potential penalties for late payments. These terms include Payment period, Discounts, Interest and Penalties, Credit limit among others,

Credit Assessment: Credit assessment is the process of evaluating the creditworthiness of an individual or an organization to determine their ability to repay debt. It involves analyzing the borrower's credit history, income/revenue, outstanding debt, assets and collateral security, credit utilization, and business stability

Credit Control: This refers to the process by which businesses manage the credit they extend to their customers. The main objective is to ensure that customers pay their debts on time, minimize risk of bad debts and maintain healthy cash flow for the business, credit control involves setting credit limits, monitoring accounts receivables, issuing invoices, sending reminders, and implementing strategies to handle late payments or defaults. The key components of credit control include things like credit assessment, setting credit limits, invoicing and payment terms, monitoring accounts receivables, and debt collection.

Financial Performance: The measurable outcomes of financial institution's operations, which are typically assessed through key indicators such as profitability (net profit margin), liquidity (current ratio), and solvency (debt-to equity ratio).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the already existing literature about credit management and the financial performance of microfinance institutions. This literature will be obtained from journals, publication, and periodicals research reports

2.1. Theoretical review

The study was guided by the asymmetric information theory which was developed by Akerlof, Spence, and Stiglitz (1970). The Information Theory alludes to the measure of credit to firms and people would be bigger if banks could better predict the likelihood of reimbursement by their potential clients. Along these lines, more monetary foundations think about the record of loan repayment of planned borrowers, the more profound credit markets would be. Open or private credit registries that gather and give expansive data to money related establishments on the reimbursement history of potential customers are vital for extending credit markets. The information that every party to a credit exchange conveys to the market would have imperative ramifications for the way of credit gets; the capacity of credit markets to match borrowers and loan specialists proficiently and the pretended by the rate of enthusiasm for apportioning credit among borrowers. The way of credit markets can prompt particular parts for various sorts of moneylenders and distinctive sorts of borrowers (Walsh, 2003). Hogue and Loughran (2000) observed that speculators tend to concentrate on current income and disregard bookkeeping collections and income proclamations while surveying a potential candidate, in spite of the way that these two ignored components may give better data and have more prominent prescient esteem than current profit. One method for enhancing decision making is to learn from past failures through provision of accurate information on each party.

2.2. Credit Management.

Brindley (2017) argues that credit management emerged in the 1960s and was mainly driven by global competition, technological change and the constant search for

competitive advantage. (Alex & Kazaara, 2023) argue that in the 1980s there was no risk management department in financial institutions and only the chief trader of financial institutions had the experience and authority to decide on bad trades and let them go. In 2010, financial institutions began to recognize the impact of credit management by establishing risk management departments tasked with measuring risk rather than managing it. As all decision-making power was left on the head of the merchant, credit management became powerless (Derrick et al., 2023). However, credit management became a booming industry in the early 1990s due to then creasing volatility of financial markets and derivatives, which led to significant financial losses suffered by companies without a credit management system (Kazaara & Christopher, 2023).

Credit management involves the collection, compilation, storage, analysis and retrieval of information regarding trading on credit (Halpen et al, 1983). Effective credit management requires that clear guidelines and procedures are laid down for granting credit to individuals and collecting individuals' accounts. (Pandy, 1995)

2.3. Financial Performance

A company's financial performance indicates how well it is doing financially over a given period of time. A number of measures, including revenue, profit, and return on equity, are used to evaluate it in order to determine how well the business generates income from its assets. Understanding financial performance is critical for stakeholders, including investors, executives, and regulators, to assess a company's market position and management effectiveness (Gungor & Gun, 2020). Simply put, a company's financial performance shows how well it makes profits and builds shareholder value over time. This entails assessing the efficiency with which the business employs its resources and meets its financial objectives. Key areas of concentration, as assessed by particular financial criteria, are expenses, equity, liabilities, and overall profitability (Lenglet, 2023). A more thorough understanding of financial performance examines how well a business achieves its goals and contrasts it with other businesses operating in the same sector or industry (Kaplan & Norton, 1992).

2.4. Empirical review

2.4.1. Credit Terms and financial performance

Credit terms encompass both the credit policy and the collection policy set up by the organization to attain its goals (Antoine, 2015).

Olawale (2015) suggested that management need to be cautious in setting up a collection policy that will not negatively affects profitability and also, they need to know how a collection policy affects the operation of their banks to ensure judicious utilization of deposits and maximization of profit. He concluded that improper credit risk management reduce the bank profitability, affects the quality of its assets and increase loan losses and non-performing loan which may eventually lead to financial distress.

Matunda (2016) investigated the effect of credit policy on the financial performance of microfinance institutions in Nairobi County. The research objective was to establish the effect of credit policy on financial performance of microfinance institutions in Nairobi County. The study adopted correlation research design where 13 Micro Finance Institutions were selected for the year 2012 to 2014. The data collected was analyzed using analyses of correlation and regressing multiples to find out the degree up to how much credit policy influence financial performance of Micro Finance Institutions in Nairobi. The findings revealed that there was a significant relationship between financial performance of Micro Finance Institutions and credit standards, credit terms and conditions, and collection effort with R ranging from 0.498 to 0.235. From the findings it was established that credit terms affect the financial performance by a relatively moderate per cent.

Coyle and White (2019), Credit terms, credit Management and their effect on the liquidity and Profitability of Firms, their review focused on how businesses set credit terms and manage credit risk to balance profitability with liquidity. They examine the effects of extended credit terms on the on the financial health of companies. The study highlights those businesses with longer credit terms often face challenges in managing cash flow, leading to potential liquidity issues. They argue that firms must carefully evaluate customer creditworthiness and economic conditions before offering extended credit terms.

Abdullah and Zainal (2021), A review of the impact of credit terms on the financial performance of manufacturing firms. This review on the impact of credit terms in manufacturing firms, focusing on how these terms influence financial performance, liquidity and overall business health. The study found out that while credit terms help companies increase sales, poorly managed credit policies lead to an increase in the cost of financing and a potential rise in bad debts. They stress the need for firms to assess the cost-benefit of offering extended credit in their sector and adjust credit terms accordingly.

Fazzari and Petersen (2015). Managing Trade credit: A literature review and Future Directions, provide a comprehensive review of literature on trade credit, focusing on the challenges and strategies firms employ to manage credit terms effectively. They examine the risks and rewards of offering trade credit, especially the balance between increasing sales and maintaining cash flow. The review highlights the importance of credit risk management and suggests that firms should employ more sophisticated tools such as credit scoring and risk assessment models, to financially stable customers, the author also calls for more research on the dynamics of trade credit in the global economy and in different market conditions.

Ganesh and Raju (2017) "Impact of Trade Credit on Working Capital Management: A literature review focusing on the relationship between trade credit and working capital management. Ganesh and Raju discuss how businesses manage their working capital by adjusting credit terms and how this affects liquidity, cash flow and financial stability. They conclude that while offering trade credit can help businesses increase sales, it requires careful management of accounts receivables and timely collections. They recommend that firms monitor credit usage regularly and adjust terms based on the payment behavior of customers.

Sindani (2012) in her study on Effectiveness of Credit Management System on Loan Performance: Empirical Evidence from Micro Finance Sector in Uganda found out that Credit terms formulated by the microfinance institutions do affect loan performance. The involvement of credit officers and customers in formulating credit terms affects loan performance. Interest rates charged had a negative effect on the performance of the loans, the higher the interest rates the lower the loan performance.

Anderson (2002), contends that credit terms are a set of policy actions designed to minimize costs associated with credit while maximizing the benefits from it. The objective of these terms is to have optimal recovery from debtors as a firm may follow a lenient or stringent credit policy. It is in the terms of MFIs that in order for the surplus funds to be invested, credit-issuing procedure must be adhered to, to achieve efficiency in institution's management hence the need for credit terms.

According to Stiglitz and Weiss (2007), credit terms are part of a general exercise to help determine the extent of risk for each borrower (that is, the screening problem). It is designed on the part to ensure that borrowers take actions, and facilitate repayment/make repayment likely (incentive problem), or to compel repayment (enforcement problem)

2.4.2. Credit Assessment and financial performance

Assessing credit risk is determining the likelihood that a borrower will miss payments on a loan or other credit commitment. This entails evaluating the borrower's credit history, financial stability, and ability to repay as well as the general state of the economy. Credit risk analysis has developed, with major contributions from a variety of finance.

Mutua (2016) investigated the impact of credit risk management on financial performance of savings and credit co-operative societies in Kitui County. The General objective of this study was to assess the impact of credit risk management on financial performance of Savings and Credit Co-operative Societies in Kitui County. The study used census survey on all 28 Saving and Credit Co-operative society in Kitui County. Multiple linear regression model was used to analyze the data on the impact of credit risk management on financial performance of savings and credit cooperative societies in Kitui County. The regression model established that there was a very strong positive relationship between credit monitoring and financial performance of SACCOs.

Credit assessments comprise those decision-making structures associated with the reduction of exposures to credit asset classification and loan loss provisioning. According to Nancy (2001), assessment of risk relates to the minimization of the potential that a borrower will fail to meet its 9 obligations in accordance with agreed

terms. This implies that before micro finance owners access loans, they are assessed to prevent loss due to defaults.

The creditworthiness assessment of borrowers should involve the gathering, processing and analyzing of information on the loan applicant (Feder and Just, 2011). The most reliable way of gathering information is by way of credit references and credit rating but Uganda is yet to have credit rating agencies, which will provide opinion on the credit standing of individuals and businesses in the system. Loan officers should have adequate knowledge about the borrower's business in order to determine the credit worthiness of the borrower.

Credit assessment should be designed to match each client's appetite for risk, while helping Micro finance owners reach their financial goals with broad diversification and excellent personal service (Richard, 2014).

2.4.3. Credit Control and financial performance

This refers to the set of guidelines and procedures that lenders or financial institutions follow to manage and recover loans that have not been repaid on time. These policies are essential to minimize cash flow and ensure that borrowers fulfil their repayment obligations and these include things like collection strategies for example preventive measures, early intervention, escalation procedures, recovery process, communication guidelines like friendly reminders, formal notice, personal contact ,Payment plan and modifications like restructuring debt, forbearance agreements, flexible payment options, Incentives and penalties for timely payments, late fees and penalties, interest rate adjustments.

Key Credit controls include loan product design, credit committees, and delinquency management. (Churchill and Coster, 200 l)

Achou and Tenguh (2008) also conducted research on bank perforJ11ance and credit risk J11anagement found that there is a significant relationship between financial institutions performance (in terJ11s of profitability) and credit risk management (interim of loan performance). Better credit risk management results in better performance thus, it is of crucial importance that financial institutions practice prudent credit risk management and safeguarding the assets of the institutions and protect the investors "interests. This is also true for micro finance institutions. Method used by the researchers is mixed research method.

Credit risk controls adopted by microfinance institutions have an effect on loan performance, credit insurance, signing of covenants with customers, diversification of loans, credit rating of customers, reports on financial conditions, refrain from further borrowing had an effect on loan performance. Collection policies adopted by microfinance institution had an effect on loan performance, stringent policy had a great impact on loan performance, and the lenient policy had an effect but was not as great as that of stringent policy.

JoEtta C. (2017), observed that computers are useful in credit analysis, monitoring and control as they make it easy to keep track on trend of credit within a portfolio. Hence banks need to develop and implement comprehensive procedures and information systems to monitor the condition of individual credits and single, obligors' across banks. Peacock, B (2000) added that these procedures need to define criteria for identifying and reporting potential problem credits and other transactions to ensure that they are subject to more frequent monitoring as well as possible correction actions, classification and or provisioning.

Inkumbi,M (2019), also observed that high quality credit risk management staffs are critical to ensure that the depth of knowledge and judgment needed is always available, thus successfully managing the credit risks in the Lending institutions. Marphatia & Jiwari (2004) argued that risk management is primarily about people-how they think and interact with each other. Technology is just a tool; in the wrong hands it is useless. This stresses further the critical performance of qualified staff in managing credit risk. Gitman, J. (2016), added in monitoring credit, banks are responsible for monitoring on an ongoing basis any underlying collateral and guarantees. Such monitoring assists the banks in making necessary changes to contractual arrangements as well as maintaining adequate reserves for credit losses. An important tool for monitoring the quality of individual credits, as well as the total portfolio, is the use of an internal risk rating system.

Wachowicz, J (2015), in his study on bank risk management held that banks and similar financial institutions need to meet forthcoming regulatory requirements for risk measurement and capital. However, it is a serious error to think that meeting regulatory requirements is the sole or even the most important reason for establishing a sound, scientific risk management system. It was held, managers need

reliable risk measures to direct capital to activities with the best risk/reward ratios. They need estimate of the size of potential losses to stay within limits imposed by readily available liquidity, by creditors, sales agents and regulators. They need mechanisms to monitor positions and create incentives for prudent risk taking by divisions and individuals.

Johnson(2017) revealed that risk management for lending institutions in Mozambique found that risk management is a dynamic process that could ideally be developed during normal times and tested at the wake of risk. It requires careful planning and commitment on part of all stakeholders. It is encouraging to note that it is possible to minimize risks related losses through diligent management of portfolio and cash-flow, by building robust institutional infrastructure with skilled human resources and inculcating client discipline, through effective coordination of stakeholders.

Pandey (2000), also conducted research on bank performance and credit risk management found that there is a significant relationship between financial institutions performance (in terms of profitability) and credit risk management (in terms of loan performance). Better credit risk management results in better performance. Thus, it is of crucial importance that financial institutions practice prudent credit risk management and safeguarding the assets of the institutions and protect the investors' interests. This is also true for micro finance institutions. Method used by the researchers is mixed research method.

Matu (2008) carried out a study on sustainability and profitability of lending institutions and noted that efficiency and effectiveness were the main challenges facing Uganda on service delivery.

2.5 Conclusion

The aim of the above literature review is to analyze the studies carried out on credit management on financial performance of micro finance institutions. In relation to the above discussion, the studies and theories have established the value of, credit management on financial performance of micro finance institutions. They, however, fail to highlight in clear terms the role of credit risk management on financial performance of micro finance institutions Therefore, the study aims to establish the

effect of credit management and financial performance of micro finance institutions in Kamuli Municipality.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The methodology presented shows how the general conduct of the study was handled and was presented in a subsequent order of the research design, study population, sample size determination and selection strategies, data collection methods, data collection instruments, validity and reliability, data collection procedure, data analysis, and measurement of variables.

3.2 Research Design

The researcher used a cross-sectional descriptive case study design, which collected data at one MFI only. The study took the form of a survey, getting information about the factors affecting credit management and the performance of microfinance institutions with Pride Micro Finance Limited being the case study. The study adopted both quantitative and qualitative approaches.

Descriptive survey approach enabled the researcher to give a general over view of the study as far as microfinance is concerned. The correlation approach enabled the researcher to present each factor contributory role towards the performance of microfinance institutions. It enabled the measurement of how well MFI performance will consider the factors affecting it. The combination of the two enabled a deep understanding of the study and fact finding (Amin, 2005). Babie (2004) in agreement with Lawrence (2006) argue that usually the best study design uses more than one research method, taking advantage of their different strength. This prompted the researcher to use triangulation method.

3.3 Study population

The study population was 141 who included 50 loan officers, 1 branch manager, 5 credit officers and 85 loan clients of Pride micro finance Kamuli branch.

3.4. Sample size and selection

A sample of 103 respondents was selected from a population of 141 people. The selection was based on the guidance of Krejcie and Morgan table (1970) as updated by Bukhari (2021) and shown below.

Table 1 Showing the study sample determination and techniques

Category	Population	Sample Size	Sampling Technique
Loan officers	50	40	Simple random
Branch Manager	01	01	Purposive
Credit Administrators	05	05	Purposive
Loan Clients	85	57	Simple random
TOTALS	141	103	

Source: HR department, Pride Microfinance, Kamuli Branch (2025)

3.5. Sampling techniques procedure

The study used random and non-random sampling methods during the selection of the sample. The former used the simple random and the latter used the purposive sampling technique.

3.5.1. Simple random sampling

This technique involved giving opportunity to all respondents to take part in the study (Amin, 2005). The technique applied to loan officers and loan clients as shown the table above.

3.5.2. Purposive sampling

This technique involves selecting respondents based on their expertise and experience. The application of this technique was on the Branch manager and the credit administrators. This was done in order to obtain first-hand information based on the face to face approach.

3.5 Data Collection Method

To improve data reliability, the researcher used triangulation i.e., use of multiple data collection methods. Both primary and secondary data source was accessed through questionnaires, interviews, and review of available documents.

Review of literature available on microfinance and its performance was done mainly through the existing literature. This involved reading journals, articles, books to compare and summarize findings in this area. Further document review on Pride micro finance as the case study was obtained to ascertain trends of performance of the specific indicators of the microfinance industry like profitability, portfolio size, outreach, sustainability, financial management, efficiency and productivity.

Interviews about the state of affairs were used to collect data from staff and the board members. Interviews were structured to enable response on the main issues in microfinance to be discussed with the respondents. The researcher used both face-to-face interviews to gain a more personal feeling with the respondents, pen-paper questionnaires to save time given that all respondents have a reasonable level of literacy.

Observation on the state of affairs at the branch was also used to ascertain the market outreach of Pride Microfinance in terms of the average number of clients served on a given day at the branch.

3.6. Data collection instruments

3.6.1. Questionnaire

Structured questionnaires were used for data collection from the staff and the board members because this was ideal instrument for the nature of the work at the MFI where staff are rarely free and a majority are always in the field operations. The questionnaires used a 3-point liker scale ranging from 3 (Disagree) to 2 (undecided) and then to 1 (agree). This enabled the respondents to easily express their opinion on the state of affairs.

3.6.2. Interview guide

Semi - structured interview guides were used to stimulate respondents into detailed discussions about the factors affecting MFI performance. The guides helped to

standardize the interview situation and to obtain data required to meet specific objectives of the study.

3.7. Validity and Reliability

The aspects of validity and reliability were carried out to determine the worthiness of the research tools to be used in the study and the findings are presented below.

3.7.1. Validity

The validity of the research tool was established with the help of the research superior

who assessed the research tool and provided feedback? The content validity index was used to compute the results using the formula as shown below

$$CVI = \frac{\text{Agreed items by all judges as suitable}}{\text{Total numbers of items being judged}}$$

$$CVI = \frac{32}{41} = 0.78$$

Having established the result above; CVI was 0.78 which was found to be valid implying that the instrument with a score above 0.7 was valid for the study (Mohajan, 2017).

3.7.2. Reliability

Reliability means the consistency to which an instrument measures the same way each time it is used under the same condition with the same subjects (Haynes et al; 2017).

The researcher used SPSS (Version 23) to determine the coefficient statistic of reliability. The study administered one type of questionnaire to the respondents using a Cronbach Reliability Test, and Alpha value of 0.830 was obtained which implies that the tool was found to be suitable for use in the study. Besides that, most authorities accept the minimum alpha value of 0.5. Therefore, this study produced an alpha value which indicated the reliability of the study.

Table 3.2: Shows Results from Reliability Test of the Questionnaire

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.826	.830	29

Source: Primary data (2025)

3.8. Data collection procedure

Interviews and questionnaires as data collection methods were administered to staff and the board member. This enabled easy comparison of the responses from each the respondents. Data clerks assisted the researcher in collecting data from respondents. A work plan on collection of data was shared with senior management to enable the researcher to easily interface with the respondents at the scheduled times. Relevant literature on microfinance performance was obtained from the library, internet and annual reports of Pride Microfinance Ltd as a form of review of the existing literature.

3.9. Data analysis

Data collected was thereafter processed and analyzed. There was an establishment of categories, then the application of these categories to raw data through coding, tabulation and then drawing statistical inferences. The data was condensed into a few manageable groups and tables for further analysis. Data was coded; statistical package for social scientists (SPSS) helped to summarize the coded data and facilitate quick interpretation. Qualitative data was presented against study objectives and analyzed using explanations. Quantitative data was generated through data coding that yields numbers. These numbers were analyzed using a computer package (SPSS) that yields descriptive and inferential statistics to answer research questions and relationships of variables and analysis of variance. Descriptive statistics were used to summarize and describe data. Figures, bar graphs, percentages and frequency tables will be used to present the results.

3.10. Measurement of variables

In microfinance, performance is measured in terms of outreach, profitability and sustainability. Accounting-based indicators will measure sustainability. In general, accounting measures are considered more appropriate for long-term studies because

managers may be able to manipulate financial statements for a year but their ability to manipulate statements for longer periods is limited (Bhagat and Jefferis, 2002) thus sustainability will be measured by return on assets (ROA), and by operational self-sustainability (OSS). Operational self-sufficiency measures how well the MFI can cover its costs through operating revenues. It is a better measure in this context because ROA is self-reported and does not necessarily include the value of donations, in-kind subsidies and inflation that MFIs should be incorporating in this ratio.

Outreach, in turn, will be measured in one dimension of breadth. Breadth of outreach will be measured by the logarithm of the number of active borrowers; that is, borrowers with active loans.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the major findings of the study that have been presented according to the study objectives. The major themes have been developed from the study objective where findings have been presented and interpreted accordingly. Frequency tables with computed frequencies, percentages and graphical illustrations especially for the quantifiable findings have been developed. In order to guide interpretation of the findings, the mean average of the studied items is measured in relation to the five-point Likert Scale that has been coded from 1-5 respectively as follows; SD=Strongly D=Disagree, NS=Not Sure, A=Agree and SA=Strongly Agree. The first part of the presentation constitutes the demographic characteristics of the respondents.

4.1 Response Rate

The researcher aimed at finding out the response rate of the respondents and the results are indicated in the table below.

Table 4.1: Response rate

	Frequency	Percent (%)
Expected response	103	100
Actual response	94	91
Non response	9	9

Source: Field Data 2025

According to table 4.1 above, generally, the study had a high response rate of 91% (n=94) while only 6% (n=9) never participated in the study. Therefore, the results of this study are representative of the sample size and consequently the study population.

4.2 Demographic Characteristics of Respondents

The background variables of interest to the study included: respondents' gender, age, religion, marital status, position, and length of service. Data on each of these background variables are summarized and discussed below;

4.2.1 Respondents' Gender

Table 4.2: Gender of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	66	70.2	70.2	70.2
Valid Female	28	29.8	29.8	100.0
Total	94	100.0	100.0	

Source: Field Data 2025

The findings of the study showed that majority of respondents (70.2%) were male, whereas female were represented by 29.8%. This may imply that men were more involved in banking activities as compared to women and that the findings of the study may depict more of masculine perspectives.

4.2.2 Respondents' Age

Table 4.3: Age of Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
20-29	30	31.9	31.9	31.9
30-39	48	51.1	51.1	83.0
Valid 40-49	11	11.7	11.7	94.7
50 Above	5	5.3	5.3	100.0
Total	94	100.0	100.0	

Source: Field Data 2025

The findings show that the largest number of the respondents, (51.1%) were aged between 30-39 years, followed by 31.9% that fell in the age range of 20-29 years, then (11.7%) were aged between 40-49 years, with the least, (5.3%) that were aged 50 years and above. The above age distribution suggests that majority of the Pride Microfinance staff, Kamuli branch and clients were youthful, hence energetic enough to carry out productive activities that can enable them ably manage credit activities.

4.2.3 Respondents' Religion

Table 4.3: Religion of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Christian	63	67.0	67.0	67.0
Valid Muslim	31	33.0	33.0	100.0
Total	94	100.0	100.0	

Source: Field Data 2025

The findings of the study indicate that 67% of respondents were Christians, whereas 33% were Muslims. The above religion distribution suggests that majority of the Pride Microfinance, Kamuli branch staff and clients are Christians.

4.2.4 Respondents' Marital Status

Table 4.4: Marital Status of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	40	42.6	42.6	42.6
Valid Married	52	55.3	55.3	97.9
Divorced	2	2.1	2.1	100.0
Total	94	100.0	100.0	

Source: Field Data 2025

According to the research findings, 55.3% of respondents were married, whereas 42.6% of respondents were single. 2.1% were divorced. This implies that majority of the Pride Microfinance, Kamuli branch staff and clients are married.

4.2.5 Respondents' Position

4.2.6 Respondents' Length of Service

Table 4.6: Length of Service

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 1 Year	17	18.1	18.1	18.1
Valid 1-3 Years	34	36.2	36.2	54.3
4-5 Years	18	19.1	19.1	73.4
More than 5 Years	25	26.6	26.6	100.0
Total	94	100.0	100.0	

Source: Field Data 2025

The findings of the study indicate that 36.2% of respondents constituting the majority had worked for a period of 1-3 years, followed by 5 years above, thereafter 4-5 years

and the least being less than 1 year. The above period of length of service distribution suggests that majority of the staff at pride microfinance are highly experienced.

4.3 Financial Performance

The study sought to establish the status of financial performance of Pride Micro Finance as a way of determining its financial performance and the findings were as follows.

Table 4.7: Financial Performance

	SA	A	N	D	SD	Mean	Std. D	Comment
Our Company has a strong cash flow position	30.9%	28.7%	33.2%	3.2%	4.3%	3.78	1.056	High
We maintain a healthy profit margin each year	17%	29.8%	40.4%	6.4%	6.4%	3.44	1.053	High
We usually consistently meet our short term obligations	18.1%	58.5%	20.2%	3.2%	0%	3.91	0.713	High
We have excessively invested in assets	26.6%	42.6%	21.3%	9.6%	0%	3.86	0.922	High
Return on assets has kept on growing year to year	21.3%	18.1%	50%	8.4%	2.2%	3.50	0.947	High
We have adequate capital in place	19.1%	14.9%	51.1%	11.8%	3.1%	3.38	0.962	High
We have a low debt to equity ratio	19.1%	29.8%	31%	14.9%	5.2%	3.53	0.969	High
Overall Mean						3.63	0.946	High

Source: Field Data 2022

When asked whether Pride Micro Finance ltd had a strong cash flow position, majority (59.6%) of the respondents were in agreement, while 7.5% of the respondents were in disagreement. 33.2% were not sure. With the opinion that Pride Micro Finance ltd maintains a healthy profit margin each year, majority (46.8%) of the respondents were in agreement, while 12.8% were in disagreement with the statement. 40.4% were not sure. Whether Pride Micro Finance ltd consistently meets its short term obligations, majority of the respondents (76.6%) were in agreement, with only 3.2% that were in disagreement with the statement. 20.2% were not sure. Regarding Pride Micro Finance excessively invested in assets, majority of the respondents (69.2%) were in agreement, with 9.6% of the respondents disagreed with the statement. 21.3% were not sure. Responses on the idea that return on assets has kept on growing year to

year, majority of the respondents (50%) were not sure, while 39.4% of the respondents were in agreement. 10.6% were in disagreement.

Findings on whether Pride Micro Finance Ltd has adequate capital in place, results show that majority of the respondents (51.1%) were not sure, while a significant percentage (34%) were in agreement with the statement. 14.9% were in disagreement. With the opinion that Pride Micro Finance Ltd has a low debt to equity ratio, majority (48.9%) of the respondents were in agreement, while 20.1% were in disagreement with the statement. 31% were not sure.

Generally, a high overall mean of 3.63 is an indicator that Pride Micro Finance, Kamuli Branch is performing effectively financially.

An interviewee stated that;

“We do at times have challenges with finances because as a private entity we entirely depend on clients for our survival and yet sometimes these clients delay or default, so it is hard to meet our obligations at times.”

Another interviewee stated that;

“The bank had not been able to pay its current expenditure using liquid assets. These finding suggest that the bank has a degree of financial instability such that even in the event of bad loans the bank may not survive”

4.4 Credit Terms financial performance

The study sought for responses on the credit terms, different statements were formulated in line with that and the following were the results.

Table 4.8: Credit Terms and financial performance

	SA	A	N	D	SD	Mean	Std. D	Comment
You have stipulated certain requirements in place before disbursing loans	56.4%	19.1%	5.3%	17%	2.1%	4.10	1.222	Very High
Loan applicants present a financial card as a borrowing prerequisite	23.4%	10.6%	4.3%	48.9%	12.8%	2.82	1.426	Low
Borrowers are usually given loan limits	28.7%	39.4%	4.3%	23.4%	4.3%	3.64	1.241	High

Customers are regularly reminded of the credit terms and payment deadlines	34%	39.4%	0%	11.7%	14.9%	3.65	1.433	High
Our credit terms include specific details on how credit limits are assigned	23.4%	52.1%	5.3%	9.6%	9.6%	3.70	1.207	High
We offer flexible credit terms based on the financial situation of the customer	26.6%	52.1%	0%	19.1%	2.1%	3.81	1.097	High
The credit terms offered to customers are fair and reasonable	33%	31.9%	18.1%	17%	0%	3.80	1.080	High
Overall Mean						3.65	1.244	High

Source: Field Data 2022

When asked whether Pride Micro Finance ltd has stipulated certain requirements in place before disbursing loans, majority (75.5%) of the respondents were in agreement, while 19.1% of the respondents were in disagreement. 5.3% were not sure. With the opinion that loan applicants present a financial card as a borrowing prerequisite, majority (61.7%) of the respondents were in disagreement, while 34% were in agreement with the statement. 4.3% were not sure. Whether Pride Micro Finance ltd gives loan limits to borrowers, majority of the respondents (68.1%) were in agreement, with only 27.7% that were in disagreement with the statement. 4.3% were not sure. Regarding whether Pride Micro Finance’s customers are regularly reminded of the credit terms and payment deadlines, majority of the respondents (73.4%) were in agreement, with 26.6% of the respondents disagreed with the statement. Responses on the idea that Pride Microfinance’s credit terms include specific details on how credit limits are assigned, majority of the respondents (75.5%) were in agreement, while 19.2% of the respondents were in disagreement. 5.3% were not sure.

Findings on whether Pride Micro Finance ltd offers flexible credit terms based on the financial situation of the customer, results show that majority of the respondents (78.7%) were in agreement, while a significant percentage (21.2%) were in disagreement with the statement.

With the opinion that Pride Micro Finance ltd credit terms offered to customers are fair and reasonable, majority (64.9%) of the respondents were in agreement, while 17% were in disagreement with the statement. 18.1% were not sure.

Generally, a high overall mean of 3.65 is an indicator that Pride Micro Finance credit terms are satisfactory.

An interviewee stated that;

“The bank has well formulated policies, whereby it is hard for us to make big blunders while issuing out loans. Well, some credit staff that can relax on some terms because they want to raise their clientele but in the long run, we get to know about it”

Table 4.9. Regression Model Summary on the effect of Credit Terms on financial performance of Pride Micro finance, Kamuli Branch

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.441 ^a	.195	.186	.52910	.195	22.232	1	92	.000

a. Predictors: (Constant), Credit Terms

Source: Field Data 2022

Regression analysis was undertaken to establish the effect of credit terms on financial performance of Pride Micro finance, Kamuli Branch. The results revealed that the correlation between credit terms and financial performance was 44.1% at $p = 0.000$. This implies that a unit increase in credit terms will significantly improve financial performance by 44.1%. In terms of effect, credit terms significantly improves financial performance by 19.5% at $p=0.000$. This implies that credit terms are significant determinant of financial performance of Pride Micro finance, Kamuli Branch.

4.5 Credit Assessment and financial performance

The study sought for responses on the credit assessment, different statements were formulated in line with that and the following were the results.

Table 4.10: Credit Assessment

	SA	A	N	D	SD	Mean	Std. D	Comment
We reassess the credit worthiness of clients on a regular basis	25.5%	52.1%	11.7%	10.6%	0%	3.92	0.894	High
You perform thorough credit assessments before approving credit for new clients	34%	44.7%	14.9%	5%	1.4%	4.06	0.865	Very High
The credit assessment is integrated with our overall credit control policy	41.5%	31.9%	17%	9.6%	0%	4.05	0.987	Very High
We utilize external credit rating agencies in our assessment process	41.5%	27.7%	20.2%	7.4%	3.2%	3.96	1.101	High

We check how someone handles money and their history of paying back money before giving them credit	39.4%	36.2%	9.6%	4.3%	10.6%	3.89	1.273	High
The results of credit assessments directly influence the credit limit assigned to customers	38.3%	31.9%	11.7%	2.1%	16%	3.74	1.406	High
The credit assessment process helps minimize the risk of bad debts	42.6%	27.6%	10%	5.8%	14%	3.76	1.440	High
Overall Mean						3.91	1.138	High

Source: Field Data 2022

When asked whether Pride Micro Finance Ltd reassess the credit worthiness of their clients on a regular basis, majority (77.6%) of the respondents were in agreement, while 10.6% of the respondents were in disagreement. 11.7% were not sure. With the opinion that the bank performs thorough credit assessments before approving credit for new clients, majority (78.7%) of the respondents were in agreement, while 6.4% were in disagreement with the statement. 14.9% were not sure. Whether Pride Micro Finance Ltd credit assessment is integrated within their overall credit control policy, majority of the respondents (73.4%) were in agreement, with only 9.6% that were in disagreement with the statement. 17% were not sure. Regarding whether Pride Micro Finance utilizes external credit rating agencies in the assessment process, majority of the respondents (68.6%) were in agreement, with 10.6% of the respondents disagreed with the statement, 20.2% were not sure. Responses on the idea that Pride Microfinance's checks how someone handles money and their history of paying back money before giving them credit, majority of the respondents (75.6%) were in agreement, while 14.9% of the respondents were in disagreement. 9.6% were not sure. Findings on whether the results of credit assessments directly influence the credit limit assigned to customers, results show that majority of the respondents (70.2%) were in agreement, while a (18.1%) were in disagreement with the statement. 11.7% were not sure. With the opinion the credit assessment process helps minimize the risk of bad debts, majority (70.2%) of the respondents were in agreement, while 19.8% were in disagreement with the statement. 10% were not sure.

Generally, a high overall mean of 3.91 is an indicator that Pride Micro Finance credit assessments are satisfactory.

An interviewee stated that;

“The bank usually assesses clients before giving out loans. Varied views were also expressed, but majority of them expressed that credit officers had the required information for assessing borrower risks and mitigating factors while giving out loans”.

Regression Model Summary on the effect of Credit Assessment on Financial Performance of Pride Micro finance, Kamuli Branch

Table 4.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.587 ^a	.344	.337	.47740	.344	48.316	1	92	.000

a. Predictors: (Constant), Credit Assessment

Source: Field Data 2022

Regression analysis was undertaken to establish the effect of credit assessment on financial performance of Pride Micro finance, Kamuli Branch. The results revealed that the correlation between credit assessment and financial performance was 58.7% at $p = 0.000$. This implies that a unit increase in credit assessment will significantly improve financial performance by 58.7%. In terms of effect, credit assessment significantly improves financial performance by 34.4% at $p=0.000$. This implies that credit assessment is a significant determinant of financial performance of Pride Micro finance, Kamuli Branch.

4.6 Credit Control and financial performance

The study sought for responses on the credit control, different statements were formulated in line with that and the following were the results.

Table 4.12: Credit Control

	SA	A	N	D	SD	Mean	Std. D	Comment
Our organization has a well-documented and clearly communicated credit control policy	59.6%	19.1%	14.9%	4.3%	2.1%	4.29	1.014	Very High
Credit limits for customers are established based on the formal credit assessments	41.5%	30.9%	10.8%	16.8%	0%	4.00	1.057	Very High
We regularly evaluate the credit worthiness of customers before granting credit	46.6%	28.7%	12.8%	3.2%	8.5%	4.02	1.226	Very High
There is a specialized team in place responsible for enforcing credit control policies	39.4%	54.3%	1.2%	5.1%	0%	4.29	0.685	Very High

Payment terms are clearly defined and communicated to all customers	37.2%	35.1%	13.8%	3.2%	10.6%	3.85	1.261	High
Customer payments are typically received within the agreed payment terms	8.5%	39.4%	28.7%	13.8%	9.6%	3.23	1.101	High
Delays in customer payments have caused cash flow challenges for the Institution	31.9%	37.2%	22.3%	6.4%	2.1%	3.90	0.995	High
Overall Mean						3.94	1.048	High

Source: Field Data 2022

When asked whether Pride Micro Finance ltd has a well-documented and clearly communicated credit control policy, majority (78.7%) of the respondents were in agreement, while 6.4% of the respondents were in disagreement. 14.9% were not sure. With the opinion that the Credit limits for customers are established based on the formal credit assessments, majority (72.4%) of the respondents were in agreement, while 16.8% were in disagreement with the statement. 10.8% were not sure. Whether Pride Micro Finance ltd regularly evaluates the credit worthiness of customers before granting credit, majority of the respondents (75.3%) were in agreement, with only 11.7% that were in disagreement with the statement. 12.8% were not sure. Regarding whether Pride Micro Finance has a specialized team in place responsible for enforcing credit control policies, majority of the respondents (93.7%) were in agreement, with 5.1% of the respondents disagreed with the statement, 1.2% were not sure. Responses on the idea that payment terms are clearly defined and communicated to all customers, majority of the respondents (72.3%) were in agreement, while 13.8% of the respondents were in disagreement. 13.8% were not sure. Findings on whether the customer payments are typically received within the agreed payment terms, results show that majority of the respondents (47.9%) were in agreement, while a (23.4%) were in disagreement with the statement. 28.7% were not sure. With the opinion that delays in customer payments have caused cash flow challenges for the Institution, majority (69.1%) of the respondents were in agreement, while 8.5% were in disagreement with the statement. 22.3% were not sure.

Generally, a high overall mean of 3.94 is an indicator that Pride Micro Finance credit controls are satisfactory.

An interviewee stated that;

“They have been raising the value of collateral to be higher than the requested loan amount as a control mechanism in order to limit the risk of the bank losing any moneys, as the collateral would be sold off and the loan recovered”.

Regression Model Summary on the effect of Credit Control on Financial Performance of Pride Micro finance, Kamuli Branch

Table 4.13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.699 ^a	.489	.484	.42134	.489	88.139	1	92	.000

a. Predictors: (Constant), Credit Control

Source: Field Data 2022

Regression analysis was undertaken to establish the effect of credit control on financial performance of Pride Micro finance, Kamuli Branch. The results revealed that the correlation between credit control and financial performance was 69.9% at $p = 0.000$. This implies that a unit increase in credit control will significantly improve financial performance by 69.9%. In terms of effect, credit control significantly improves financial performance by 48.9% at $p=0.000$. This implies that credit control is a significant determinant of financial performance of Pride Micro finance, Kamuli Branch.

4.7. Multiple Regression Analysis

Table 4.14: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	1.321	.259	.058	5.104	.000
	Credit Terms	.049	.075	.233	.662	.509
	Credit Assessment	.144	.059	.524	2.454	.016
	Credit Control	.398	.075		5.332	.000

a. Dependent Variable: Financial Performance

Source: Field Data 2022

Regression coefficient results above reveal that credit terms has a significant effect on financial performance of Pride Micro finance, Kamuli Branch; that credit assessment has a significant effect on financial performance of Pride Micro finance,

Kamuli Branch and finally, credit controls have significant effect on financial performance. The model shows that credit controls was the most significant predictor of variance of financial performance ($\beta=.524$; $t=5.104$; $Sig=.000$) suggesting that financial performance of Pride Micro finance, Kamuli Branch largely depends on credit policies and other support services that support credit management.

CHAPTER FIVE

DISCUSSION AND INTERPRETATION OF FINDINGS

5.0 Introduction

This chapter presents the discussion of findings which are arranged according to the study objectives

5.1 Discussion of the findings

5.1.1 Effect of Credit Terms on Financial Performance of Pride Micro Finance, Kamuli Branch

Objective one of the study was to establish the effect of credit terms on financial performance of pride micro finance, Kamuli branch. The findings revealed that the correlation between credit terms and financial performance was 44.1% at $p = 0.000$. This implies that a unit increase in credit terms will significantly improve financial performance by 44.1%. In terms of effect, credit terms significantly improves financial performance by 19.5% at $p=0.000$. This implies that credit terms are significant determinant of financial performance of Pride Micro finance, Kamuli Branch. These findings are in agreement with Matunda (2016) who investigated the effect of credit terms on financial performance of microfinance institutions in Nairobi County. The findings revealed that there was a significant relationship between financial performance of Micro Finance Institutions and credit terms. Similarly, a study by Coyle and White (2019), credit Management and their effect on the liquidity and Profitability of Firms, their review focused on how businesses set credit terms and manage credit risk to balance profitability with liquidity. They examine the effects of extended credit terms on the on the financial health of companies. The study highlights those businesses with longer credit terms often face challenges in managing cash flow, leading to potential liquidity issues. They argue that firms must carefully evaluate customer creditworthiness and economic conditions before offering extended credit terms. Additionally, a study by Abdullah and Zainal (2021), review of the impact of credit terms on the financial performance of manufacturing firms. The study found out that while credit terms help companies increase sales, poorly

managed credit policies lead to an increase in the cost of financing and a potential rise in bad debts.

5.1.2 Effect of Credit Assessment on the Financial Performance of Pride Micro Finance, Kamuli Branch

The findings indicated that the correlation between credit assessment and financial performance was 58.7% at $p = 0.000$, implying that a unit increase in credit assessment will significantly improve financial performance by 58.7%.

In terms of effect, credit assessment significantly improves financial performance by 34.4% at $p=0.000$. This means that credit assessment is a significant determinant of financial performance of Pride Micro finance, Kamuli Branch. The findings are agreement with. The findings correlated with the findings by Muturi (2016) which indicated that credit management practices positively and significantly influenced loan performance in deposit taking microfinance banks in Kenya.

The study findings also correlate with the findings by AIJUKA (2024), whose findings revealed that credit risk assessment has a greater contribution to financial performance in reference to Stanbic bank Uganda.

It further correlates with the study by Nyiramaliza and Kengere (2025) whose findings revealed that credit risk assessment practices positively and significantly affect the financial performance of COPEDU PLC as a microfinance institution in Rwanda.

Finally, the study findings relate with the findings by Nkwasiwe and Katsigire (2022) who revealed that credit risk assessment positively and significantly influenced the financial performance of SACCOs in Ibanda Municipality.

5.1.3 Effect of Credit Control on Financial Performance of Pride Micro-Finance, Kamuli Branch

The results revealed that the correlation between credit control and financial performance was 69.9% at $p = 0.000$. This implies that a unit increase in credit control will significantly improve financial performance by 69.9%. In terms of effect, credit control significantly improves financial performance by 48.9% at $p=0.000$. This implies that credit control is a significant determinant of financial performance of Pride Micro

finance, Kamuli Branch. The findings resonate well with the study findings by Obalim (2013) established the existence of a positive and significant effect between credit control and financial performance of selected commercial Banks in Kampala Uganda. Similarly the findings from this study compare with the study findings by Baguma (2016) whose study findings revealed the existence of a positive and significant effect between credit management and financial performance of solar energy companies in south western Uganda.

Further the findings of this study can be compared with the study findings by Kagoyire and Shukla (2018) in which they found the existence of a positive and significant effect of credit management on performance of commercial banks in Rwanda, a case of equity Bank of Rwanda. In addition, the findings from this study are in comparison with the findings by Kaazara (2023) whose study revealed the existence of a positive and significant effect between credit management and financial performance of financial institutions in Uganda, a case study of centenary Bank, Gulu Branch

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the conclusions, recommendations and suggestions of the study in relation to the effects of credit management on financial performance of Pride micro finance institution in Kamuli. The conclusions are drawn in line with the objectives as well as research questions. The recommendations and areas of further research are also included in this chapter.

6.2 Conclusion of the study

This section of the study explained the conclusions of each specific objective concerning the tax education initiatives and income tax compliance.

6.2.1 Effect of Credit Terms on Financial Performance

The current research clearly explains that credit terms were positively correlated with financial performance by 44.1% and p value of 0.000 implying the correlation was significant. This implies that credit terms determine financial performance of pride microfinance in Kamuli district. This powerfully shows that credit terms are significant on financial performance.

6.2.2 Effect of Credit Assessment on the Financial Performance

The finding of the study indicates that credit assessment is positively correlated with financial performance with R value 58.7% and this correlation was found to be significant with p value=0.000. This shows that credit assessment has the power to increase financial performance through activities like reassess the credit worthiness of clients on a regular basis and utilizing external credit rating agencies in it is assessment process in Kamuli district and other branches.

6.2.3 Effect of Credit Control on Financial Performance

The findings of the study show that credit control has a positive significant effect on financial performance in Kamuli district 69.9.8% with the correlation being significant as p value was found to be 0.000. This implies that credit control plays a large role in improving financial performance which helps Pride microfinance to keep afloat in business within the country.

6.3. Recommendations of the findings

From the study findings about the effect of credit terms on financial performance in Pride Micro Finance, Kamuli Branch, the researcher made the following recommendations:

6.3.1 Effect of Credit Terms on Financial Performance

The management of the institution should put more emphasis on ensuring that proper credit terms are in place. Such terms should include presentation of financial cards by borrowers prior to extension of credit.

They should put in place loan limits to borrowers and also sensitize clients about existing credit terms.

6.3.2 Effect of Credit Assessment on the Financial Performance

The management of the institution should check how clients handle money and their loan repayment history before giving them credit. This will help in minimizing defaulting rates.

The use of external credit rating agencies during assessment process is also necessary to arrive at unbiased decision.

6.3.3 Effect of Credit Control on Financial Performance

The management of the institution should document and clearly communicate credit control policies both to staff and clients.

There should be a limit in the loan repayment period and those that default should be penalized this will help in avoiding delays in loan payment.

6.4 Areas of further research

1. How effective is the credit assessment process in identifying creditworthy borrowers and minimizing default rates?
2. What credit control measures are most effective in reducing loan delinquency and improving financial performance in pride micro finance?

3. What is the relationship between credit terms and loan repayment rates in Pride Micro finance?

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Appendix 1: Questionnaire
MOLLY LONGOK UGANDA CHRISTIAN UNIVERSITY
MBALE CAMPUS
RESEARCH QUESTIONNAIRE

Dear Sir/Madam,

I am a Master student of the Department of Business, Molly Longok Uganda Christian University. This questionnaire is designed for data collection on how credit management practices at pride micro finance impacts its financial performance in Kamuli District. Your response will remain confidential and will be used for research purposes only.

Thanks for your cooperation.

Section 1: Socio-Demographic Characteristics of the Respondents

Thank you for taking the time to complete this questionnaire. Your responses will provide valuable insights into the effects of Credit management practices on the financial performance of Pride Microfinance in Kamuli District. If you have any further comments or concerns, please feel free to share them

S/N	Social Demographic Characteristics	Categories
1	What is your gender?	<input type="checkbox"/> Male <input type="checkbox"/> Female
2	What is your age?	<input type="checkbox"/> 20 - 29 <input type="checkbox"/> 30 - 39 <input type="checkbox"/> 40 - 49 <input type="checkbox"/> 50 – 59 <input type="checkbox"/> 60 Above
3	What is your religious affiliation?	<input type="checkbox"/> Christian <input type="checkbox"/> Muslim <input type="checkbox"/> Traditional <input type="checkbox"/> Others.....
4	What is your marital status?	<input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Divorced <input type="checkbox"/> Separated <input type="checkbox"/> Widowed

5	What is your Role at Pride Microfinance?	<input type="checkbox"/> Loan Officers <input type="checkbox"/> Credit Manager <input type="checkbox"/> Others (Specify):
6	How Long have you been associated with Pride Microfinance?	<input type="checkbox"/> Less than 1 year <input type="checkbox"/> 1-3 Years <input type="checkbox"/> 3-5 Years <input type="checkbox"/> More than 5 Years

SECTION B

Credit Management

In the following statements indicate to what extent do you agree that the credit management has been attributed to the following parameters

Strongly Agree - 5, Agree - 4, Not Sure - 3, Disagree-2, Strongly Disagree-1

Credit Terms						
S/N	Statement	SA	A	NS	D	SD
1	You have stipulated certain requirements in place before disbursing loans					
2	Loan applicants present a financial card as a borrowing prerequisite					
3	Borrowers are usually given loan limits					
4	Customers are regularly reminded of the credit terms and payment deadlines					
5	Our credit terms include specific details on how credit limits are assigned.					
6	We offer flexible credit terms based on the financial situation of the customer					
7	The credit terms offered to customers are fair and reasonable					
Credit Assessment						
S/N	Statement	SA	A	NS	D	SD
1	We reassess the credit worthiness of clients on a regular basis					
2	You perform thorough credit assessments before approving credit for new clients					
3	The credit assessment is integrated with our overall credit control policy					
4	We utilize external credit rating agencies in our assessment process					
5	We check how someone handles money and their history of paying back money before giving them credit.					
6	The results of credit assessments directly influence the credit limit assigned to customers.					
7	The credit assessment process helps minimize the risk of bad debts.					
Credit Control						
S/N	Statement	SA	A	NS	D	SD
1	Our organization has a well-documented and clearly communicated credit					

	control policy					
2	Credit limits for customers are established based on the formal credit assessments					
3	We regularly evaluate the credit worthiness of customers before granting credit					
4	There is a specialized team in place responsible for enforcing credit control policies					
5	Payment terms are clearly defined and communicated to all customers					
6	Customer payments are typically received within the agreed payment terms					
7	Delays in customer payments have caused cash flow challenges for the Institution					
Financial Performance						
S/N	Statement	SA	A	NS	D	SD
1	Our Company has a strong cash flow position					
2	We maintain a healthy profit margin each year					
3	We usually consistently meet our short term obligations					
4	We have excessively invested in assets					
5	Return on assets has kept on growing year to year					
6	We have adequate capital in place					
7	We have a low debt to equity ratio					

Appendix 2; Interview Guide

INTRODUCTION

Thank you for agreeing to participate in this interview. The aim of this interview is to understand the effects of credit management practices at Pride Microfinance and how they influence the financial performance of the institution. Your insights will be highly valuable in assessing the effectiveness of current practices and identifying areas for improvement.

Section 1: Background Information

1. Can you please tell me your role at Pride Microfinance and how long you have been with the organization?

2. How would you describe the overall mission and goals of Pride Microfinance in Kamuli?

Section 2: Credit Management Practices

3. What are the key credit management practices that Pride Microfinance employs to manage loan issuance and repayment?

Probe: (e.g., loan approval process, interest rates, collateral requirements, repayment schedules, etc.)

4. How do you ensure that customers understand the terms and conditions of their loans?

Probe: Do you use any educational tools, outreach, or communication channels to explain these terms?

5. What procedures are in place for monitoring loan performance and ensuring timely repayments?

Probe: How do you track loan delinquencies and defaults?

6. What challenges do you face in managing credit and loans effectively?

Probe: Are there any specific factors (e.g., economic conditions, customer behavior) that make credit management difficult?

7. How does Pride Microfinance handle loan defaults or late payments?

Probe: Do you offer grace periods, renegotiation of terms, or any other solutions?

8. To what extent do you believe Pride Microfinance has a robust credit risk management strategy in place?

Probe: Can you provide any examples of successful risk mitigation strategies?

Section 3: Impact on Financial Performance

9. How does effective credit management contribute to the financial stability and performance of Pride Microfinance?

Probe: In your opinion, what role does loan collection play in the financial success of the institution?

10. Can you describe any noticeable trends in Pride Microfinance's profitability or liquidity as a result of the credit management practices?

Probe: Have there been any significant improvements or declines over the years?

11. How does credit management impact the overall financial health of Pride Microfinance in terms of its ability to expand, serve more customers, and offer more products?

12. Have you observed any relationship between loan repayment behavior and the financial performance of the institution?

Probe: How do late repayments, defaults, or early repayments impact financial outcomes such as profits and liquidity?

13. Do you think Pride Microfinance's credit management practices help improve its competitive position in the market?

Probe: In what ways do you think good credit management attracts more customers or builds trust?

Section 4: Customer Relations and Impact

14. How does Pride Microfinance balance credit accessibility with maintaining financial discipline among its customers?

Probe: How do you ensure that loans are provided to individuals who will be able to repay them?

15. In your view, how does customer satisfaction with credit management affect the institution's performance?

Probe: Have you noticed that customer feedback (positive or negative) impacts the institution's ability to perform financially?

16. Do you believe Pride Microfinance has adequate systems for monitoring customer creditworthiness?

Probe: How do you assess a customer's ability to repay a loan before issuing credit?

17. How do you handle customer complaints or grievances related to credit management?

Probe: Do these issues affect the financial performance of the institution?

Section 5: Challenges and Recommendations

18. What are the major challenges that Pride Microfinance faces in credit management that could be impacting its financial performance?

Probe: Are there operational, systemic, or external challenges (e.g., economic conditions) that play a role?

19. What improvements would you recommend for enhancing credit management practices at Pride Microfinance?

Probe: Are there any best practices or strategies you think would improve both the financial performance and customer experience?

20. Looking ahead, how do you foresee the role of credit management evolving at Pride Microfinance in Kamuli?

Probe: Are there any changes in technology, customer expectations, or market conditions that will affect how credit is managed in the future?

Section 6: Closing Remarks

21. Is there anything else you would like to share about the relationship between credit management and financial performance at Pride Microfinance?

22. Do you have any final thoughts or recommendations for improving both credit management practices and the overall financial health of Pride Microfinance?

Conclusion

Thank you very much for your time and for sharing your insights. Your responses will greatly contribute to understanding the link between credit management and financial performance at Pride Microfinance in Kamuli. Should you have any further thoughts or suggestions, please do not hesitate to contact us.



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UGANDA CHRISTIAN UNIVERSITY

SCHOOL OF RESEARCH & POSTGRADUATE STUDIES

DISSERTATION CORRECTION COMPLIANCE REPORT BY THE CANDIDATE (POST VIVA FORM)

Date: ...15/09/2025.....

Name of Candidate: ...LONGOK MOLLY.....

Reg.No: J18/MUC/MBA/004.....

Title of Dissertation Credit Management and Financial Performance of Microfinance institutions in Kamuli. A Case study of pride Micro Finance Kamuli Branch.


SN	COMMENTS BY EXTERNAL EXAMINER	ACTION TAKEN	INDICATOR
1	Shorten and refocus the abstract on essentials (problem, purpose, method, findings, conclusion).	This problem statement, purpose, method, findings and conclusions were reduced to refocus on essentials.	Chapter 1
2	Rewrite the problem statement to present a clear research gap rather than a general overview.	The problem statement was revisited to bring out clearly the research gap than a general view as before.	Chapter 1
3	Recast the conceptual framework to integrate contextual realities like competition, regulation, and institutional inefficiencies.	The conceptual framework was improved to have reflection of realities.	Chapter 1.


4	Restructure the literature review to reduce descriptive definitions and increase critical comparison and synthesis.	The literature review was improved with more of critical comparisons compared to descriptive definitions as before.	Chapter 2.
5	Justify the sample size logically; review inconsistencies where the sample exceeds the population.	This was reviewed as it was reversed before so the population was 141 with 103 respondents	Chapter 3.
6	Provide detailed reporting of reliability/validity results and regression assumptions/diagnostics.	Details on reliability/Validity of the results and regression assumptions were provided.	Chapter 4.
7	Strengthen qualitative analysis by developing themes and integrating them with quantitative findings.	Qualitative analysis has been improved by developing themes and aligning them with quantitative findings.	Chapter 5.
8	Improve interpretation of statistical results; go beyond reporting numbers to explain implications.	Statistical results' interpretation has been improved.	Chapter 5.
9	Align conclusions more directly with objectives and findings.	Conclusions aligned more to objectives and the findings.	Chapter 6.
10	Make recommendations specific, prioritized, and explicitly evidence-based.	Recommendations improved to be more specific and prioritizing the evidence.	Chapter 6.
11	State the study's contributions more clearly (theoretical, methodological, practical).	The contributions of the study improved more on theoretical, methodological and practical.	Chapter 6.
12	Correct all referencing inconsistencies and format to APA 7th edition.	Referencing improved with all the citations from the text appearing on the list and a format of APA7 7th edition.	Appendix
13	Edit thoroughly for grammar, clarity, and conciseness.	Grammar well edited and clarity and conciseness well taken care of.	Over all book

SN	COMMENTS BY INTERNAL EXAMINER	ACTION TAKEN	INDICATOR
1	There is unnecessary repetition of content within this chapter.	The unnecessary repetition of content within this chapter was cleared.	Chapter 1: Introduction
2	The problem statement has room for improvement by providing statistical evidence of the problem.	Statistical evidence has been provided on the problem statement	Chapter 1: Introduction
3	It would be good to include a theoretical review. This can easily be done by reducing on what was presented under theoretical background and then creating content for the theoretical literature review.	A theoretical review has been included and what was presented under theoretical background reduced to create content.	Chapter 2 Literature Review
4	Unlike chapter one where the candidate overwrote, this chapter can benefit from additional Literature review especially for the third objective. The current review is shallow and does not bring out the gaps in existing literature besides the candidate bringing out their voice.	The concept and definitions length were reduced to avoid crowding and discussion of the gaps improved.	Chapter 2 Literature Review
5	The writing style of the candidate can benefit from a language editor to enable appropriate structuring of the content. The way this is written makes it difficult for a reader to fully understand what is being communicated.	The writing style improved to bring out clear communication.	Chapter 3 Methodology
6	This was done well and some Table have wrong totals on sample total and percentage total of the respondents.	The tables with wrong totals corrected.	Chapter 4 Presentation of Results
7	No comparisons were made in line with chapter two literature review and the current findings. There room for improvement here.	The comparisons with literature review and the current finding made clear.	Chapter 5
8	Can only be written after addressing	This was addressed in line with	Chapter 6

	comments in chapter 5 above	chapter five comments corrections	
9	Candidate should review all references in this dissertation to align them with APA referencing style as well as correct those which are wrong.	References realigned to APA referencing style and those that were wrong corrected.	References

SN	COMMENTS BY VIVA VOCE PANNEL	ACTION TAKEN	INDICATOR
1	The background to the study looks crowded with unnecessary content	This was organized to bring out the real ground to the problem being researched on.	Chapter 1.
2	Recast the conceptual framework to integrate contextual realities like competition, regulation, and institutional inefficiencies.	The conceptual framework was improved to have reflection of realities.	Chapter 1.
3			
4			
5			

Candidate's Name.....HONGGOK MOHUT.....Signature .....

Supervisor's NameMAENA DANIEL...Signature .....

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