
**CREDIT MANAGEMENT AND FINANCIAL PERFORMANCE OF MICRO
FINANCE INSTITUTIONS IN UGANDA, A CASE OF ASA MICRO FINANCE (U)
LIMITED, PALLISA BRANCH.**

BY

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UNIVERSITY.**

APRIL, 2022

DECLARATION

I, the undersigned do hereby declare that the work in this report proposal is my original work and to the best of my knowledge it has never been submitted for award of a diploma in any other University for examination purposes

Signature.....

Date.....

KOOWA ADAM

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APPROVAL

This is to certify that this research report proposal has been written by **KOOWA ADAM** under my supervision and it is now ready for submission to the Department of Economics and Management, Faculty of Management Sciences as a partial fulfillment of the requirement for the award of Diploma in Business Administration of Busitema University.

Signature

Date

Mr. EMUSUGUT DESTERIO

(Supervisor)

DEDICATION

I wish to dedicate this piece of work to my beloved father Mr. Wankya Muhammad and my mother Kataike Hamida who have given me all the support financially morally and spiritually during this demanding time of the study and also the sacrifice and patience they exhibited towards me during my time of study.

I also dedicate this work to my supervisor Mr. Emusugut Desterio thank you so much for the great support that you rendered to me. I wouldn't have managed to make it without your help. May the Almighty ALLAH reward you abundantly.

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ABSTRACT

To examine the impact of Credit management on financial performances of MFIs in Uganda, case study of ASA Micro finance (U) Ltd, Pallisa district. Effective credit management is the ability to intelligently and efficiently manage customer credit lines. It is perceived that demand for loans has increased due to the availability of fast lending rates, which are enhanced through credit management policies that ensure that customer information is properly assessed to reduce the number of defaulters. Credit management is measured in terms of: credit terms, credit appraisal, credit risk controls.

ABBREVIATIONS

BoG:	Bank of Ghana
BON:	Bank of Negara
BOU:	Bank of Uganda
CB:	Central Bank
CBoK:	Central Bank of Kenya
DFCU:	Development Finance Company of Uganda
DV:	Dependent Variable
ECoA:	European Court of Auditors
IV:	Independent Variable
Ltd:	Limited
MFIS:	Micro Finance Institutions
NBCU:	National Bank of Commerce Uganda
NPLs:	Non-Performing Loans
SPSS:	Statistical Package for Social Sciences
U:	Uganda

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter comprises of the background of the study, statement of the problem, purpose of the study, research questions, research objectives, scope of the study, content scope, geographical scope, time scope, significance of the study, conceptual frame work, assumptions of the study, limitations of the study and definitions of the study

1.2 Background of study

A microfinance institution is one that offers financial services to low-income population which does not have the financial capacity to acquire the services from big financial institutions such as banks, thus it plays a very critical role in the provision of financial services to people living in poverty and those that cannot access credit from banks. Today it is a highly utilized means of financial assistance and survival for most low-income earners especially in least developed nations where the economy does not permit citizen the luxury of commercial banking institutions. Petty traders, house wives and even students can save, borrow and transfer of funds to an affordable interest rate here through microfinance institutions, (Mbah 2019).

For example, Globally, according to the annual report of European Court of Auditors (ECoA, 2018/2019) in Luxembourg, there was a poor financial performance on the budget status at the end of 2019 due poor efficiency in the usage of resources in that in 2018 the resources that was utilized was only 46% as compared to 64% efficiently and also the profitability level also reduced from 40% to 26% hance poor financial performance in Luxembourg.

Similarly, according to annual reports of bank of Negara (BoN 2015) In Malaysia, it indicated that there was a deficiency or declined in financial performance in that in the FY 2011/2012 there was a declined from 5.3% to 3.2% due to poor profitability and also in the FY 2013/2014 Where by financial performance also declined from 6.6% to 4.2% due to low liquidity power, and for this Bank of Negara faced a shortfall in their financial performance in Malaysia.

In Africa, according to the annual report of central bank (CB 2020/21) in South Africa there was a short fall in their financial performance in that the performance revealed that the financial performance reduced from 4.0% in the year 2020 to 2.2% in 2021 and these was due

extreme secrecy and confidentiality. The researcher maintained a close relationship with the respondents and data was collected without framing for the success of this study and therefore, it ensured that all respondents fully understand all the details pertaining to the study. No respondent was forced to take part but it was rather done voluntarily.

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