



**CORPORATE GOVERNANCE PRACTICES AND FINANCIAL SUSTAINABILITY OF  
PRIDE MICROFINANCE IN UGANDA**

**BY**

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**BU/UP/2020/2858**

**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF MANAGEMENT  
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## DECLARATION

### DECLARATION

I BICHEKWA JULIUS; REGN NO BU/UP/2020/2858, hereby declare that the contents of this research work are purely my original work and that no other study has been conducted on the topic. To the best of my knowledge, this work has never been submitted before; in any other university or higher institution of learning for any award of either a degree or any other related qualification. In all cases where other people's ideas were quoted, they have been duly acknowledged by complete references.

Signature: .....  .....

Date: ..... 21/01/2024 .....  
.....

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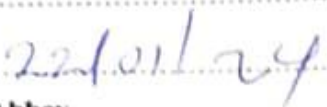
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## APPROVAL

### APPROVAL

This is to certify that this Research Proposal by BICHEKWA JULIUS REGON NO. BU/UP/2020/... on the topic "**Corporate Governance practices and financial sustainability of pride micro finance**" has been under my supervision and is now submitted for examination with my approval as the University supervisor.

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## **DEDICATION**

I dedicate this research work to my beloved brother Bichekwa Ronald and my friend Sikuku Derick ouma who provided me with both financial and non-financial assistance that enabled me accomplish this course and above all the almighty GOD.

## **ACKNOWLEDGEMENT**

I am grateful to the almighty God that he has given me the gift of life, the gift of my beloved parents and friends, who gave me the opportunity to be in school and guided me throughout this study and writing of this report. My thanks go to all Busitema University lecturers without forgetting my special supervisor Mr. Kalenzi Abbey who guided me in the right direction from the beginning till the end of this work and he has greatly contributed in making a difference in my performance. Profound thanks to all the people who have been resourceful throughout this study. It is due to your support and ideas that I have been able to produce this work. Utmost thanks to the Head of Department, Busitema University, my sincere thanks go to my uncles, sisters, brothers, friends, course mates and lectures especially for their dedicated support throughout this research and the entire three years of the course.

## TABLE OF CONTENTS

DECLARATION .....	i
APPROVAL .....	iii
DEDICATION .....	iv
ACKNOWLEDGEMENT .....	v
LIST OF FIGURES .....	ix
LIST OF TABLES .....	x
LIST OF ACRONYMS .....	xi

### CHAPTER ONE

#### INTRODUCTIONS

1.0 introduction .....	1
1.1 Back ground .....	1
1.2 Statement of problem .....	3
1.3 Purpose of the study .....	4
1.4 Research objectives .....	4
1.5 Research questions .....	4
1.6 Scope of the study.....	4
1.6.1 Content scope.....	5
1.6.2 Geographical scope .....	5
1.6.3 Time scope .....	5
1.7 Significance of the study.....	5
1.8 Conceptual frame work.....	6
CHAPTER TWO .....	7
LITERATURE REVIEW.....	7
2.0. Introduction .....	7
2.1 Theoretical review .....	7
2.2 Board Transparency on financial sustainability .....	8
2.3 Board Accountability on financial sustainability .....	9
2.4 Board composition on financial sustainability .....	10
2.5 Summary of the literature reviewed .....	11

CHAPTER THREE  
RESEARCH METHODOLOGY

3.0 Introduction: .....	12
3.1 Research design.....	12
3.2 Study Population.....	12
3.3 Sample Size .....	13
3.4 Sampling technique .....	13
3.5 Data types .....	14
3.5.1 Primary data .....	14
3.5.2 Secondary data.....	14
3.6 Data collection method.....	14
3.7 Data Analysis plan.....	14
3.8 Data Analysis Techniques and Methods .....	15
3.9 Validity .....	15
3.10 Reliability .....	15
3.11 Ethical consideration.....	16

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, AND INTERPRETATION OF FINDINGS .....	17
4.0 Introduction .....	17
4.1 Response Rate .....	17
4.2 Demographic Information.....	18
4.2.1 Gender of Respondents .....	18
4.2.2 Age bracket of Respondents.....	18
4.2.4 Position served.....	19
4.2.5 period worked .....	19
4.2.6 Education Level.....	20
4.3 Findings from the Objectives .....	20
4.3.1 Spearman’s Correlation Analysis .....	20
4.3.1 Board Transparency and Financial Sustainability .....	21
4.3.2 Board Composition and Financial Sustainability.....	21

4.3.3 Board Accountability and Financial Sustainability. ....	21
4.4 Regression Analysis .....	21
4.4.2 Regression analysis of board composition and financial sustainability .....	22
4.4.2 Regression analysis of board accountability and financial sustainability. ....	23

## CHAPTER FIVE

### DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction .....	24
5.1 Discussion of findings .....	24
5.1.1 Board Transparency and Financial Sustainability. ....	24
5.1.2 board composition and financial sustainability.....	24
5.1.3 Board Accountability and Financial Sustainability .....	25
5.2 Study Conclusions .....	25
5.3 Study limitations .....	26
5.4 Recommendations for the study.....	27
5.5 Areas for further studies.....	28
REFERENCE .....	30
Appendix 1 .....	33
questionnaire S .....	33
Research proposal Budget.....	40
Work Plan .....	41
Krejcie and Morgan (1970) table for determining a sample size.....	42



**LIST OF FIGURES**

Figure 1:1the conceptual framework table. .... 6

## **LIST OF TABLES**

Table 3.1 showing reliability analysis .....	16
Table 4.1 showing response rate.....	17
Table 4.2 Shows gender of respondent.....	18
Table 4.3 show the age bracket of the respondents .....	18
Table 4.4 Position served.....	19
Table 4.5 Period worked.....	19
Table 4.6: Academic level of education attained.....	20
Table 4.7 correlation results.....	20
Table 4.8 Regression analysis of board transparency and financial sustainability.....	22
Table 4.9: Regression analysis of board composition and financial sustainability .....	22
Table 4.10: Regression analysis of board accountability and financial sustainability.....	23

## LIST OF ACRONYMS

FS	Financial sustainability
CGAP	Consultative Group to Assist the Poor
MFI	Micro finance institutions
IFRS	International financial reporting standards
WB	World bank
IMF	International Monetary Fund's
CEO	Chief Executive Officer
PMF	Pride micro finance
ROA	Return on Assets
ROE	Return on Equity
BC	Board Composition
BT	Board Transparent
BA	Board accountability
CVI	Content Validity Index
SPSS	Social Package for social science
DV	Dependent Variables
IV	Independent Variables

## ABSTRACT

This study aimed at determining the impact of corporate governance practices on financial sustainability of micro finance institutions in Uganda with the study objectives; To assess the effect of board transparency on financial sustainability of pride microfinance in Uganda, to examine the impact of Board accountability on financial sustainability of pride microfinance in Uganda. To find out the influence of board composition on financial sustainability of pride microfinance in Uganda the study was anchored on the agency theory that was postulated by Alchain and Demsetz in 1972 and was further developed by (Jensen & Meckling, 1976). In addition to that, the study applied a cross sectional research design and quantitative approach. The study had a target population of 35 employees across all the branches of pride micro finance and collected data from a sample size of 32 respondents as guided by Krejcie and Morgan (1970). Data was collected using close ended questionnaires. Furthermore, data analysis was done using statistical package for social sciences (SPSS) version 20 from which frequency tables, descriptive statistics, reliability, validity, correlation and regression results were obtained. The study findings showed that board transparency ( $\text{Adj } R^2 = 0.681, p < 0.01$ ), board composition ( $\text{Adj } R^2 = 0.741, p < 0.01$ ) and board accountability ( $\text{Adj } R^2 = 0.124, p < 0.01$ ) have a positive and significant effect on financial sustainability. Based on the findings of the study, the researcher therefore concludes that board transparency, board composition and board accountability acts tools for improving financial sustainability. The study also concludes that quarterly audit reports should be routinely done to boost on the financial sustainability of pride micro finance. The study therefore, recommends that micro finance institutions should transparency of board members, composite the gender of members and practice routine audits in order to improve on the financial sustainability of micro finance institutions in Uganda.

## CHAPTER ONE

### INTRODUCTION

#### 1.0 introduction

This chapter consists of the back ground of the study, statement of the problem, purpose of the study, research objectives, research questions, and scope of the study, conceptual framework, the significance of the study.

#### 1.1 Back ground

According to Ahlin et al (2011), financial sustainability is referred to as the ability to achieve financial objectives inform of owner's value generation, continuity provision without external support. Consultative Group to Assist the Poor (CGAP, 2006) defines Microfinance as the provision of basic financial services to impoverished clients who otherwise lack access to financial institutions. The main activity of microfinance is microcredit, which refers to the extension of very small, uncollateralized loans; usually of less than \$100 (Micro Banking Bulletin, 2006). Microfinance institutions are institutions that offer microfinance services to the poor. Corporate governance on the other hand is concerned with maintaining a balance between economic and social goals, and between individual and collective aims, while encouraging efficient use of resources and higher levels of accountability (Kansiime, 2009). Majorly MFIs, have two fundamental goals, i.e. to contribute to development which involves reaching more clients and poorer population strata, and secondly to achieve financial sustainability, preferably independence from donors.

However, many microfinance institutions worldwide have been finding difficulties in providing solutions to the problem of poor financial sustainability right from the era of grameen bank founded in Bangladesh in late 1980s to the present period of massive production and consumption.

In a global lens, research conducted by IFRS foundation monitoring board shows that interests in micro financing are wide spread and long standing, for instance today MFIs services are required for use by more than 200 jurisdictions and about 65% of the world's jurisdictions have either adopted or converged (IFRS annual report, 2021). The rapid expansion and uncontrolled growth

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