CAUSES OF LOAN DEFAULTS IN MICROFINANCE INSTITUTIONS; A CASE OF PRIDE MICRO FINANCE.

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ABSTRACT

This study was about the causes of loan default in Microfinance a case of Pride Microfinance. Although Microfinance Institutions have been recognized and accepted by the Government and development Agencies as effective tools for poverty alleviation, economic development, jobs creation and industrialization, loan default has been a major setback to these programmes. The major concern of this study was to find out the main causes of loan defaults in Microfinance institutions with an overall aim of proposing measures that can help in controlling and managing loan default in these Microfinance institutions. The study was conducted at Pride Microfinance. A sample size of 59 respondents was drawn using stratified and simple random sampling and questionnaires were used to collect data. The same study found that 33.3\% of the respondents were male and 67.3\% were female. According to the results it was concluded that age of respondent, education level, sex of borrowers were some of the economic variables that are important in explaining loan defaults in Micro Finance Institutions. Loan defaults was associated with the level of income and the type of project undertaken since some clients invest in risky projects and fail to pay back the loans in time and others default completely. Also some recommendations were established so as to address the high loan default rate.