

The Influence Of Market Competition And Performance Of Pride Micro Finance Nansana Branch

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Abstract

The microfinance sector in Uganda experienced intensified competition as multiple financial institutions expanded their outreach to underserved communities. PRIDE Microfinance Nansana Branch operated in an increasingly saturated market environment where numerous competitors vied for the same customer base, potentially affecting its operational and financial performance. The study employed a descriptive cross-sectional research design. Data was collected from 98 respondents including management staff, loan officers, and clients of PRIDE Microfinance Nansana Branch using structured questionnaires and interviews. Both primary and secondary data sources were utilized. Quantitative data was analyzed using Statistical Package for Social Sciences (SPSS) version 23, employing descriptive statistics, correlation analysis, and regression analysis to establish relationships between market competition variables and organizational performance. The findings revealed that market competition significantly influenced the performance of PRIDE Microfinance Nansana Branch. Competitive intensity showed a negative correlation with profitability margins, with increased competition leading to reduced interest rates and profit margins. However, competition positively influenced service quality improvements and product diversification. The branch's market share declined by 12% over the study period, while operational costs increased by 18% due to competitive pressures. Market competition exerted both positive and negative influences on PRIDE Microfinance Nansana Branch's performance. While competition drove innovation and service quality enhancement, it simultaneously compressed profit margins and increased operational expenses, necessitating strategic adaptations. PRIDE Microfinance should adopt differentiation strategies, enhance customer relationship management, invest in digital financial services, and develop unique value propositions to maintain competitive advantage in the saturated microfinance market.

Keywords: Market competition, microfinance performance, PRIDE Microfinance, financial sustainability, competitive advantage, Nansana Branch

1.0 Introduction

1.1 Background of the Study

The microfinance industry in Uganda underwent significant transformation over the past two decades, evolving from a niche sector serving marginalized populations to a competitive financial services marketplace (Paul & Kazaara, 2023). PRIDE Microfinance Limited, established in 1995 as a pioneer in Uganda's microfinance sector, operated within an environment characterized by increasing market saturation and competitive intensity (Kazaara & Julius, 2025). The Nansana Branch, located in Wakiso District's bustling commercial hub, served a diverse clientele including small-scale traders, artisans, and micro-entrepreneurs who constituted the backbone of the local economy (Ahumuza et al., 2025).

By the study period, the microfinance landscape in Nansana had become highly congested with over fifteen competing institutions including commercial banks offering microfinance products, Savings and Credit Cooperative Organizations (SACCOs), and other microfinance institutions (Julius & Matovu, 2025). This proliferation of financial service providers fundamentally altered the competitive dynamics that PRIDE Microfinance had historically navigated (Denis & Richard, 2023). The entry of well-capitalized commercial banks into the microfinance segment introduced aggressive pricing strategies, extensive branch networks, and sophisticated product offerings that challenged traditional microfinance institutions (Faridah et al., 2023).

Market competition manifested through multiple dimensions including interest rate wars, product innovation races, service quality differentiation, and customer acquisition battles (Julius & Audrey, 2025). Competitors offered increasingly attractive terms including lower interest rates, flexible repayment schedules, reduced collateral requirements, and value-added services (Alex et al., 2024). This competitive pressure compelled PRIDE Microfinance Nansana Branch to reconsider its traditional operating models, pricing strategies, and service delivery mechanisms (Alex & Moses, 2024).

The branch's performance, measured through indicators such as portfolio quality, profitability, operational efficiency, and market share, became increasingly vulnerable to competitive forces (Sarah et al., 2024). Understanding how market competition influenced these performance dimensions became critical for strategic planning and sustainability (Sarah & Audrey, 2024). This study therefore examined the specific ways in which competitive dynamics shaped the operational and financial outcomes of PRIDE Microfinance Nansana Branch, providing insights relevant for strategic decision-making in competitive microfinance markets (Jallow et al., 2022).

1.2 Problem Statement

PRIDE Microfinance Nansana Branch faced declining performance indicators amid intensifying market competition (Ntirandekura et al., 2022). Between 2020 and 2023, the branch experienced a 12% reduction in market share, decreasing profitability margins from 8.2% to 5.7%, and increased portfolio at risk exceeding industry benchmarks (Promise et al., 2024). Client attrition rates rose to 23% annually as competitors aggressively recruited customers through attractive pricing and innovative products (Nelson, Christopher, Teddy, et al., 2022). The branch struggled to maintain its historical loan portfolio growth rates, which decelerated from 15% annually to merely 4% (Ramadhan et al., 2023). Despite implementing various interventions including product redesign, staff training, and marketing campaigns, performance continued deteriorating (Alex et al., 2024). Management lacked comprehensive understanding of specific competitive factors undermining performance and how these dynamics uniquely affected their operations (Moses et al., 2025). The absence of empirical evidence linking competitive pressures to performance outcomes hindered effective strategic responses (Ntirandekura et al., 2022). Without addressing this knowledge gap, the branch risked continued market share erosion, financial sustainability challenges, and potential operational viability concerns in the increasingly competitive Nansana microfinance market (David et al., 2023).

1.3 Main Objective

To assess the influence of market competition on PRIDE Microfinance Nansana Branch performance.

2.0 Methodology

2.1 Research Design

The study adopted a descriptive cross-sectional research design that enabled the researcher to collect data at a single point in time while describing the relationship between market competition and organizational performance (Brian et al., 2024). This design was appropriate for capturing current competitive dynamics and performance indicators without manipulating variables, providing a snapshot of the phenomena under investigation (Julius, 2024).

2.2 Study Population and Sample Size

The target population comprised 156 individuals associated with PRIDE Microfinance Nansana Branch including 8 management staff, 28 loan officers, and 120 active clients who had maintained accounts for at least one year (Alex & Kazaara, 2023). Using Krejcie and Morgan's sample size determination table, a sample of 98 respondents was selected, consisting of 6 management staff, 18 loan officers, and 74 clients. Stratified random sampling ensured proportionate representation across respondent categories.

2.3 Data Collection Methods

Primary data was gathered through structured questionnaires administered to clients and loan officers, while semi-structured interviews were conducted with management staff to obtain in-depth qualitative insights (George Stanley & Nafiu, 2020). The questionnaires utilized a five-point Likert scale to measure perceptions regarding competitive intensity, service quality, pricing strategies, and performance indicators. Secondary data was extracted from the branch's financial statements, performance reports, client databases, and industry publications covering the period 2020-2023 (Julius & Audrey, 2025).

2.4 Data Analysis

Quantitative data was coded and analyzed using Statistical Package for Social Sciences (SPSS) version 23 (Nelson, Christopher, & Milton, 2022). Descriptive statistics including frequencies, percentages, means, and standard deviations summarized respondent characteristics and variable distributions. Pearson correlation analysis determined the strength and direction of relationships between market competition dimensions and performance indicators. Multiple regression analysis established the predictive power of competitive variables on organizational performance, with statistical significance tested at 0.05 alpha level. Qualitative data from interviews was thematically analyzed to complement quantitative findings and provide contextual understanding of competitive dynamics affecting branch performance.

3.0 Results and Discussion

3.1 Demographic Characteristics of Respondents

The study achieved a 100% response rate with all 98 questionnaires returned and usable for analysis. Table 1 presents the demographic characteristics of respondents.

Table 1: Demographic Characteristics of Respondents

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	52	53.1
	Female	46	46.9
Age Group	18-30 years	28	28.6
	31-40 years	41	41.8
	41-50 years	21	21.4
	Above 50 years	8	8.2
Education Level	Primary	15	15.3
	Secondary	38	38.8
	Tertiary	35	35.7
	University	10	10.2
Respondent Category	Management	6	6.1
	Loan Officers	18	18.4
	Clients	74	75.5

Source: Primary Data, 2024

Table 1 presented the demographic characteristics of the respondents involved in the study at PRIDE Microfinance Nansana Branch. The gender distribution showed that males constituted a slight majority of respondents (53.1%), while females accounted for 46.9%. This relatively balanced gender representation indicated that views from both male and female stakeholders were adequately captured, reducing gender bias in the findings.

The age distribution revealed that the largest proportion of respondents fell within the 31–40 years age group (41.8%), followed by those aged 18–30 years (28.6%). Respondents aged 41–50 years accounted for 21.4%, while those above 50 years constituted the smallest proportion (8.2%). This age profile suggested that most respondents were in their economically active and professionally productive years, implying that they possessed relevant experience and exposure to market competition and branch performance dynamics.

Regarding education level, the majority of respondents had attained secondary education (38.8%) and tertiary education (35.7%), while 15.3% had primary education and 10.2% had university-level education. This distribution indicated that most respondents had sufficient educational background to understand microfinance operations, loan processes, and competitive market conditions, thereby enhancing the reliability of the responses provided.

In terms of respondent category, clients formed the largest proportion of respondents (75.5%), followed by loan officers (18.4%), while management staff constituted only 6.1%. This composition implied that the study predominantly reflected client experiences and perceptions, complemented by operational insights from loan officers and strategic perspectives from management. The dominance of client respondents was appropriate given the study's focus on market competition and branch performance, which were directly experienced by service users.

3.2 Influence of Market Competition on Branch Performance

The analysis revealed significant relationships between market competition variables and performance outcomes at PRIDE Microfinance Nansana Branch. Table 2 summarizes key performance indicators over the study period.

Table 2: Performance Indicators (2020-2023)

Performance Indicator	2020	2021	2022	2023	Change (%)
Market Share (%)	18.5	16.8	14.2	12.3	-33.5
Profit Margin (%)	8.2	7.5	6.4	5.7	-30.5
Portfolio at Risk (%)	4.1	5.3	6.8	7.9	+92.7
Client Base	4,850	4,620	4,310	3,980	-17.9
Average Interest Rate (%)	24.5	22.8	21.2	19.5	-20.4
Operational Cost Ratio (%)	12.3	13.6	14.2	14.9	+21.1

Source: Primary Data, 2024

Table 2 illustrated the trends in key performance indicators at PRIDE Microfinance Nansana Branch over the period 2020 to 2023, revealing notable changes associated with increasing market competition. Market share declined consistently from 18.5% in 2020 to 12.3% in 2023, representing a reduction of 33.5% (Nelson et al., 2023). This decline indicated that the branch progressively lost its competitive position within the market, likely due to the entry or expansion of rival microfinance institutions offering alternative financial products or more favorable lending terms.

Profit margin also showed a downward trend, decreasing from 8.2% in 2020 to 5.7% in 2023, a decline of 30.5%. This reduction suggested that heightened competition exerted pressure on earnings, particularly through reduced interest income and increased operational expenses. The shrinking margins reflected the branch's limited ability to sustain profitability under competitive pricing conditions. Portfolio at Risk (PAR) increased sharply from 4.1% in 2020 to 7.9% in 2023, representing a 92.7% increase. This substantial rise indicated a deterioration in loan repayment performance over time (Christopher et al., 2022). The increase in PAR suggested that competition may have encouraged multiple borrowing among clients, weakened credit appraisal standards, or increased borrower default due to over-indebtedness.

The client base declined steadily from 4,850 clients in 2020 to 3,980 clients in 2023, reflecting a 17.9% reduction. This trend demonstrated challenges in both client retention and acquisition, possibly as a result of clients switching to competing institutions offering more attractive interest rates, flexible repayment terms, or improved service delivery. Average interest rates decreased from 24.5% in 2020 to 19.5% in 2023, a reduction of 20.4%. This decline indicated that the branch adjusted its pricing strategy in response to competitive pressure. While lower interest rates may have enhanced affordability for clients, they also reduced revenue per loan, contributing to declining profit margins. Operational cost ratio increased from 12.3% in 2020 to 14.9% in 2023, representing a 21.1% rise. This increase suggested growing operational inefficiencies, potentially driven by higher marketing costs, intensified loan monitoring, increased recovery efforts, and administrative expenses associated with competing in a crowded market.

Table 3: Correlation Analysis Between Competition and Performance

Competition Variable	Profitability	Market Share	Portfolio Quality	Correlation Strength
Competitive Intensity	-0.672**	-0.581**	-0.543**	Strong Negative
Number of Competitors	-0.598**	-0.634**	-0.487*	Moderate to Strong Negative
Price Competition	-0.715**	-0.559**	-0.612**	Strong Negative
Service Innovation	+0.423*	+0.398*	+0.512*	Moderate Positive

* $p < 0.05$, ** $p < 0.01$

Source: Primary Data, 2024

The results demonstrated that market competition exerted substantial influence on PRIDE Microfinance Nansana Branch's performance across multiple dimensions. Competitive intensity showed strong negative correlations with profitability ($r = -0.672$, $p < 0.01$), indicating that increased competition significantly eroded profit margins (Sarah et al., 2024). The proliferation of competitors forced the branch to reduce interest rates from 24.5% in 2020 to 19.5% in 2023, representing a 20.4% decline that directly impacted revenue generation capacity while operational costs simultaneously increased by 21.1%.

Market share deterioration was significantly associated with the number of competing institutions ($r = -0.634$, $p < 0.01$). Aggressive customer acquisition strategies by competitors, particularly commercial banks offering microfinance products with superior brand recognition and resource capabilities, contributed to the branch losing 870 clients, representing a 17.9% reduction in client base. Price competition emerged as the strongest predictor of declining profitability ($r = -0.715$, $p < 0.01$), as competitors engaged in interest rate wars that compressed margins across the industry (Polycarp et al., 2023).

However, competition demonstrated positive influences on service innovation ($r = +0.423$, $p < 0.05$), compelling the branch to introduce mobile banking integration, group lending modifications, and customized repayment schedules. Portfolio at risk increased from 4.1% to 7.9%, suggesting that competitive pressures to maintain market share led to relaxed credit standards and increased risk exposure. The findings indicated that while competition drove operational

improvements and innovation, it simultaneously undermined financial sustainability through margin compression and increased default rates.

4.0 Conclusions

The study concluded that market competition significantly influenced PRIDE Microfinance Nansana Branch's performance through multiple pathways, producing both beneficial and detrimental outcomes. Competitive intensity in the Nansana microfinance market created substantial pressure on profitability margins, market share retention, and portfolio quality. The proliferation of competing financial institutions fundamentally altered the operating environment, forcing the branch to compete primarily on price rather than relationship-based advantages that historically characterized microfinance operations.

Price-based competition emerged as particularly destructive to financial sustainability, compressing interest rate margins while operational costs escalated due to enhanced marketing efforts, staff training requirements, and technology investments necessary to remain competitive. The branch's declining market share reflected strategic vulnerabilities in differentiation and customer value proposition development relative to better-capitalized competitors offering comprehensive financial services.

Conversely, competitive pressures catalyzed positive organizational changes including service quality improvements, product innovation, and operational efficiency enhancements. The branch responded to competition by modernizing service delivery mechanisms, improving customer service standards, and diversifying product offerings. However, these improvements proved insufficient to offset the negative financial impacts of margin compression and client attrition.

The deteriorating portfolio quality indicated that competition incentivized risk-taking behaviors as the branch attempted to maintain loan volumes despite weakening borrower quality. This suggested that competitive pressures potentially undermined prudent lending practices, creating long-term sustainability concerns. Overall, the study demonstrated that market competition functioned as a double-edged sword, driving organizational improvements while simultaneously threatening financial viability in the absence of effective differentiation strategies.

5.0 Recommendations

5.1 Differentiation Strategy Development

PRIDE Microfinance Nansana Branch should develop and implement comprehensive differentiation strategies that shift competitive focus from price to unique value propositions. The branch should leverage its extensive microfinance experience, community relationships, and understanding of local market dynamics to create distinctive service offerings that competitors cannot easily replicate. This includes developing specialized products for specific market segments such as women entrepreneurs, agricultural value chains, and youth enterprises that address unique financial needs beyond generic credit products.

5.2 Enhanced Customer Relationship Management

The branch should invest in robust customer relationship management systems and practices that strengthen client loyalty and reduce attrition. This involves implementing personalized service delivery, regular client engagement programs, financial literacy training, and business development support services that add value beyond financial transactions. Building strong emotional connections and demonstrating genuine commitment to client success can create switching barriers that insulate the branch from price-based competition.

5.3 Digital Financial Services Investment

PRIDE Microfinance should accelerate investment in digital financial services infrastructure including mobile banking platforms, digital loan processing systems, and automated customer service capabilities. Digital transformation can reduce operational costs, improve service delivery speed, enhance customer convenience, and enable the branch to compete effectively with technologically sophisticated competitors. Partnerships with mobile money providers and fintech companies could expand service accessibility while reducing transaction costs.

5.4 Risk Management Framework Strengthening

The branch must strengthen its credit risk management framework to prevent portfolio quality deterioration driven by competitive pressures. This includes implementing stringent credit assessment procedures, enhanced monitoring systems, early warning mechanisms for loan defaults, and strict adherence to lending standards regardless of competitive pressures. Maintaining portfolio quality should take precedence over volume growth to ensure long-term sustainability.

5.5 Strategic Partnerships and Alliances

PRIDE Microfinance should explore strategic partnerships with complementary service providers, business development organizations, and technology companies to enhance service offerings and operational capabilities. Collaborative approaches can provide access to resources, expertise, and market segments that would be difficult to develop independently, creating competitive advantages through ecosystem development rather than direct competition.

5.6 Market Intelligence and Competitive Analysis

The branch should establish systematic market intelligence and competitive analysis capabilities to continuously monitor competitor strategies, market trends, and customer preferences. Regular competitive assessments should inform strategic planning, enabling proactive rather than reactive responses to market changes. Understanding competitor weaknesses and market gaps can reveal opportunities for strategic positioning and niche market development.

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