

**CHALLENGES FACING MICROFINANCE INSTITUTIONS
PERFORMANCE IN KENYA**

(A case of Kiambu County)

SIMON GITHUKI MWAURA

BCOM/09/213/1434

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT FOR THE AWARD OF THE DEGREE IN
BACHELOR OF COMMERCE**

MOUNT KENYA UNIVERSITY

NOVEMBER, 2015

ABSTRACT

The purpose of this study was to sought and explains challenges facing microfinance institutions performance in Kenya with a case of Kiambu County. The introduction of microfinance institutions was to provide financial services to poor people as well as micro and small enterprises (MSEs) with intention of eradicating poverty; however this has not been fully achieved due to various challenges which affect microfinance institutions. Hence, the research was carried out to examine those challenges that are faced by microfinance institutions which affect their performance.

The survey method and descriptive research design was used in examining the challenges facing microfinance institutions performance in Kenya. The data was collected from microfinance institutions employees using questionnaires filled by respondents. The population was all microfinance institutions operating in Kiambu County where employees were equally selected using cluster sampling method in which case each microfinance institution was represented in the sample.

The collected data was analyzed using charts and graphs to determine the challenges facing microfinance institutions performance in Kenya. The researcher was able to analyze data and was therefore able to establish the following; There are internal challenges emanating from how the MFIs operates such as high level of NPLs, minimal use of MIS and the level of corporate governance and transparency in MFIs management. There are also external challenges which are imposed by regulatory bodies such as following strict legal and regulatory guidelines. Also macroeconomic variables present some challenges to financial sectors including MFIs.

In conclusion, it is seems most MFIs are doing well despite the challenges. The performance improves only after following strict legal and regulatory requirements as is stated in CBK guidelines and in Microfinance Act. The management also aligns their policies with regulatory bodies in order to reduce NPLs, promote transparency and provide information on timely basis by use of MIS.