



SUB-THEME FIVE: ENVIRONMENTAL AND SOCIAL ASPECTS OF BUSINESS ACCELERATION

Barriers Faced by Micro Finance Institutions in the Diversification of their Products in Nairobi

Jane Damaris Wakinyua
Jane_damaris@yahoo.com
Mount Kenya University, Kenya

Abstract

Today, Microfinance Institutions (MFIs) play an important role in the economic development of poor communities. MFIs include non-governmental organizations (NGOs), credit unions, non-bank financial intermediaries, and even a few commercial banks. The World Bank estimates that there are now more than 7,000 microfinance institutions, serving some 16 million poor people in developing countries. To the extent that these MFIs become financially viable, self-sustaining, and integral to the communities in which they operate, they have the potential to attract more resources and expand services to clients. The majority of these microfinance organizations are donor funded, which is an obstacle to their sustainability. Micro credit and microfinance have changed the lives of people and revitalized communities in the world. The main objective of the study was to identify the barriers faced by micro finance institutions in the process of diversifying their financial products. The study was both qualitative and quantitative where all registered micro finance institutions in Nairobi was done. Data was collected using both primary and secondary data. Data was analyzed using Statistical Package of Social Sciences (SPSS), and presented using tables and frequencies. From the study it was established that the micro finance institutions faced some barriers. The major barriers were politics and legal policies, economic and financial social aspect and donor aspect. An important component of financial sector reforms is the liberalization of interest rates. There is need for a policy that advocates for better access to capital sources and investment opportunities for microfinance sustainability, and also encourages MFIs to increase their accessibility, build capacity, be more transparent, adopt acceptable performance standards, and promote professionalism that in turn enhances service delivery.

Keywords: *Microfinance Institutions, Non-governmental organizations, Revitalized communities*