

**AN INVESTIGATION INTO CHALLENGES FACING MICROFINANCE
INSTITUTIONS: A CASE STUDY OF KENYA WOMEN FINANCE TRUST**

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Abstract

The purpose of the study was to investigate the challenges facing Microfinance institutions. The study objectives included establishing the extent to which programme capacity, business related challenges, policy and, natural and agricultural related risks affect microfinance institutions. This study would assist the MFIs and other stakeholders in the industry understand the challenges facing microfinance institutions. The study focused on the challenges facing microfinance institutions targeting KWFT in Nairobi only. The findings of the study may therefore not be generalised to other Microfinance institutions in other regions. The study will be carried out between May and June 2015. The study assumptions were that the respondents will give true and honest answers to the research questions and there were challenges facing microfinance institutions. The study was limited to Kenya Women Finance Trust.(KWFT).Case study design was adopted in carrying out this study. The study targeted the 3 managers and 30 credit officers of Kenya Women Finance Trust. Census sampling was used to select a sample of 25 respondents comprising 3 managers and 22 credit officers. The researcher randomly selected 22 credit officers and 3 managers of Kenya Women Finance Trust. The researcher used questionnaire as the main research instrument. The researcher made a preliminary visit the KWFT to get information concerning credit officers before the actual administration of the questionnaires to each of the respondents. This helped to ensure the achievement of a good return ratio and also the respondents to get a chance to seek for clarification on the items of questionnaires. On completion of data collection, the researcher checked all the instruments for completeness and then coded them. The data was then arranged and grouped according to particular research questions. This data was tabulated and analyzed using descriptive statistics. In summary, it was found out from the study that Program Capacity, Client Capacity, Business Risks, Policy and Environment, Natural Risks that affect businesses are challenges that are faced by microfinance institutions. Based on the above findings, the study recommends that KWFT should train their clients before disbursing loans to them, encourage the businesses to maintain business records and train their clients on diversification especially those in agriculture. This will cushion them during natural disasters. The study recommends that further study be conducted on strategic responses of MFIs to changes in the business environment and factors causing loan default by microfinance clients