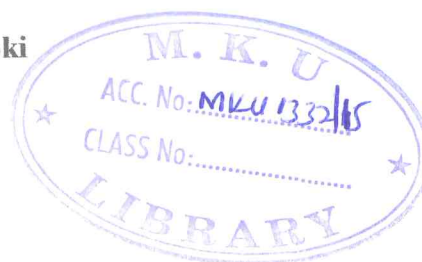


**FACTORS INFLUENCING THE GROWTH OF MICROFINANCE INSTITUTIONS IN
KENYA (A CASE STUDY OF FAULU KENYA)**

Alexander Muinde Munyoki

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ABSTRACT

The level of poverty in Kenya is relatively high. Access to finance is cited as one of factors hampering economic growth and poverty alleviation. Microfinance is seen as one of the effective tools that can address poverty alleviation by engaging the poor in sustainable economic activities. Microfinance services have existed in Kenya since the late 1990s, yet they have not attained growth.

The main providers of microfinance services in Kenya consist mainly of Micro-lenders, Savings and Credit Cooperative Societies (SACCOS), and to a less extent Commercial Banks (CB).

This research report aimed to study and identify the factors that impact on the growth of microfinance finance institutions (MFIs) in Kenya. The findings of this study revealed that level of education of the participants, lack of capital and high operational costs were the main problem areas hampering the growth of MFIs in Kenya. The study made recommendations which are aimed at enhancing the growth of microfinance institutions. The research study found out that the factors that influence the growth of Microfinance Institutions in Kenya include but not limited to level of education of the participants, investment income, utilization of loans and participation rate. In other words, the study sought to establish the factors that have contributed to the growth of MFIs in the country. Specifically to examine the extent to which the amount of investment influence the growth of these MFIs to assess how the level of education for the participants influence the growth of MFIs, to identify how the utilization of loans received are used in relation to the growth of the MFIs in the country and to determine how the participate rate in MFIs affect growth rate.