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Microfinance Institutions' Operational Challenges in Service Delivery: A case Study of MRT SACCOS in Moshi Rural District, Kilimanjaro Tanzania

Despite the success archived by Micro-Finance Institutions (MFIs) on poverty reduction programmes especially in less developed and developing countries, it has all never been achieved smoothly. They have encountered a number of difficulties that affect the effectiveness and efficiency of the services delivered. The research was done at MRT SACCOS in Moshi Rural District - Kilimanjaro, Tanzania as a case study with the following objectives; to identifying MFIs' operational challenges in poverty reduction in Tanzania, to find out why MF services are still limited in outreach, analysing the reasons that cause MFIs to deviate from their core mission and, to suggest appropriate strategies that will help in increasing MFIs' efficiency on poverty reduction. The Challenges identified during research were: MFIs' liquidity problem (shortage of capital), stiff and unhealthy competition within the microfinance industry, unfavourable policies and regulations governing microfinance institutions, health problems such as HIV/AIDS and other pandemic diseases, unfavourable interest rates, shortage of skilled human capital, shortage of MFIs members and geographical location of these MFIs. The research pointed out reasons that limit the outreach of MFIs and these were: lack of clients' loans repayment ability, little education given by MFIs, shortage of MFIs capital, unfavourable interest rate on loans, restrictions by MFIs in accessing services, the location of MFIs given the type of clients they have, poor infrastructure, poor supervision aligning with lack of transparency and lack of customer motivation. The study also intended to find out why MFIs deviate from their core mission of sustainability and outreach to reduce poverty. Findings pointed out that customers need more than loans to deviate from poverty environment and hence, MFIs had no means but to adjust with the situation. Then the emergence of institutions camouflaging as MFIs but in actual fact, they are doing business with the aim of earning supper profits. The research findings suggested some strategies that will help to increase MFIs' efficiency in the provision of services. The suggestions were as follows: MFIs should reduce the loan interest rates, increase microfinance education especially in the rural areas, expanding microfinance capital, increasing the loan amount a customer can access, subsidy by the government to MFIs that will be aligning with the core MFIs motives of sustainability and outreach and take MFIs services where targeted groups of people are located. Finally, the research has shown that there are a number of challenges facing MFIs, but still there is room for increasing efficiency in service delivery. Outreach of MFIs can also be increased if the rural people are greatly put into consideration and; MFIs should not deviate from their core mission of sustainability and outreach; the government should intervene by subsidizing such MFIs.

Key words: Microfinance, Delivery, Service, Challenges