

**MICROFINANCE SERVICES AND CUSTOMER SATISFACTION
IN SELECTED MICROFINANCE INSTITUTIONS (MFIs)
IN KAKAMEGA TOWN, KENYA**

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ABSTRACT

Incessant investment in the financial sector has created pressure on the market share; such pressure sometimes results into neglect of core customers' interest. Research findings has indicated an influx of microfinance institutions with effort to outsmart each other, introducing newly packaged services to attract new customers. Consequently this has led to de-registration or multiple registration of customers to more than one microfinance due to neglect of customer needs leading to dissatisfaction. This study highlights the need of tracking customer satisfaction levels for microfinance institutions and indeed improvement of the quality of service based on identified gaps. The purpose of this study was to examine cause and effect relationship between Microfinance Services and Customer Satisfaction. The following research objectives were used to achieve the research purpose: To establish the level of microfinance services, to determine the level of customer satisfaction to microfinance services and to determine the relationship between microfinance services and customer satisfaction. Descriptive correlation strategies was employed to establish the relationship between the research variables. A sample size of 325 was computed through systematic random sampling from total population of 1561. The relationship between study variables was established through correlation matrix and regression model analysis. Research findings revealed that there is positive and significant correlation between microfinance services and customer satisfaction, indicating that a unit change of micro finance services would result into 0.492 change in customer satisfaction. As contribution to the financial sector, the study recommend that the financial institutions management should ensure proper communication to clients and development of an effective complaints management system where clients' complaints are addressed swiftly. The need to be keen on the initial client training was highlighted, this being the entry point, customers' expectations are founded on promised service from these institutions. If not handled well, financial institutions may raise customer's expectation and fail to meet them, consequently leaving customers dissatisfied. Adoption of money disbursement channels (bank and mobile money transfers) was proposed in favor over disbursements though cheques, this was to address the need to reduce the turnaround time for disbursements. As noted the main product offered by MFIs are financial products. Regular evaluation of customer satisfaction should be conducted to determine areas of improvement in terms of service delivery and creation of new products that fit customers' need.