

Factors influencing customer retention in microfinance institution in Tanzania

Mainda Madiwa Chanyika

Master of Business Administration

University of Dar es Salaam, Business School, 2012

The aim of the study was to assess the factors influencing customers' retention among Microfinance Institutions (MFIs) in Tanzania. The challenges that MFIs face are a high rate of customer exit caused by the arrival of other microfinance, interest rates, credit delivery methods, customer satisfaction, minimum products and service available to customers. This study focuses on factors which affect customer retention behaviour in MFIs as well as their delivery of products and services in Tanzania. This study used both qualitative and quantitative methods with basic measurements and instruments such as survey, interviews and observation. Data were collected from in-depth, questionnaire and electronic (e mail) questionnaires. The sample in the study represented without any deviation the targeted Institution namely PRIDE Tz, FINCA and NMB. The qualitative data from open-ended questions and interviews was analyzed through content analysis where it was categorized through coding it to sort out the descriptive data, then sorting it into main themes and counting frequencies. The quantitative data collected was analyzed using Statistical Package for Social Sciences (SPSS) version 16.0. The findings of the study revealed that customer retention is affected by inappropriate credit delivery model, high interest rates charged and the low level of customer service satisfaction. It was recommended that MFIs should reduce the interest rates at a level that would cover operating cost and facilitate the growth of their customers and enhancing its branch network as well as to continue improving credit delivery model and service levels to its customers. Moreover, MFIs should restructure their training contents to include improving their customers' business skills.