ABSTRACT

The three major challenges facing microfinance institutions in achieving their goals include;

Difficulty in exchange of information with remote clients, management and processing of data at the **institution** level and collection and delivery of money to remote rural areas. Review of literature in this study revealed that major operational challenges faced by microfinance institutions can be addressed by incorporating MIS thereby introducing efficiency. In Kenyan context, majority of microfinance services rely on loan officers to collect and disburse information and money since proprietary software is prohibitive in terms of procurement and licensing costs yet open source software has been proposed as an alternative to proprietary software in Asia and Latin America. This project study was conducted to identify an open source MIS and integrate mobile money as a mechanism for exchanging money between the clients and the institution and integrates a USSD platform to the MIS to offer clients an avenue of accessing services through the mobile phone. The customization of the open source software was done to improve the flow of information and movement of money between microfinance institutions and their clients thereby improving ' efficiency of microfinance operations. Design Science Research was employed as the methodology in this study since it allows building of artifacts/prototypes for the purpose of research and gaining knowledge from the building process. This research also established that there exists an open source project in Kenya that has developed an application interface known as pesaPI that helps application developers integrate mobile money to other applications.