

**CENTRAL BANK REGULATIONS AND THE PERFORMANCE OF MICROFINANCE
INSTITUTIONS IN RWANDA
A SURVEY OF MICROFINANCE INSTITUTIONS IN NYARUGENGE
SECTOR/KIGALI CITY**

**BY
RICHARD RUHUMURIZA
MBA/3316/11**

ABSTRACT

This paper looks at the model and contribution of the Rwanda regulatory framework to the microfinance sector's development. It was an attempt to find out how regulation enables or creates barriers to increasing access to financial services and reaching the unbanked population in Rwanda.

The specific objectives of this research proposal were: to investigate to what extent microfinance institutions comply with Central Bank regulations, to analyze the performance of microfinance institutions before and after enactment of Central Bank regulations and to find out the challenges faced by the microfinance institutions vis a vis establishment of the Central Bank regulations. The study analysed the performance of MFIs for the periods of 2003-2005 and 2008-2010 (before and after the enactment of the Central Bank regulations) in Nyarugenge Sector.

The period of 2006 and 2007 was the inspection, liquidation and establishment of laws, regulations, manuals and policies by Central Bank. The sample was composed by 20 microfinance institutions which existed before and after the enactment of the Central Bank regulations. The questionnaires were distributed to 20 Microfinance Institutions in Nyarugenge Sector only 14 were responded due to differences reasons (included: some were expansion period, other were in liquidations period, and audit period as well).

To do with methodology, on the perspective of the objectives, the researcher have chosen to go through analytical, historical, statistical and comparative research using survey as methods of accessing the data. The methodology of this study is purely qualitative. Information was collected mostly through primary data sources and questionnaires administered to the MFIs. All 20 Microfinance institutions were included in the sample.

The findings of this study benefited different categories of people: namely the research gained knowledge for the impact of Central Bank regulations on the performance of MFIs in Rwanda; the beneficiaries were more informed about the performance of MFIs before and after enactment of Central Bank regulations; to the District and National Bank of Rwanda the findings revealed where to put more effort to strengthen MFIs. The Government of Rwanda must enforce the microfinance sector. to future researchers in the same field as the study serve them as secondary data; to the community as whole they were been informed about the performance of MFIs through the establishment of the Central Bank regulations.

The research recommended that MFIs should keep up the spirit of complying with the Central Bank regulations because it has been an effective and right instrument of increasing the performance of the MFIs. SACCOs that are new in sector of MFIs in Rwanda should learn more from experience of some MFIs in Rwanda that are performing well in the sector and know how to manage their portfolio, non-performing loan and increase the level of the performance. Capacity building programs from AMIR, BNR and other support agencies must be put in place to train the employees of various microfinance institutions in Rwanda.