

**MICROFINANCE LOANS AND PERFORMANCE OF SMALL AND MEDIUM
ENTREPRISE IN RWANDA
A CASE STUDY OF COOPEDU LTD 2009-2012**

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ABSTRACT

This study was carried out on microfinance loans and the performance of SMEs in Rwanda in the framework of reaching the poor people and improving their lives. The choice of the topic was due to the great contribution by the sector of Micro finance in most developing countries. During years from 1990 the field of microfinance has grown substantially and since then it was considered as a useful development approach to combat poverty in developing countries. Within that framework, donors had actively supported and encouraged microfinance activities, focusing on microfinance institutions (MFIs) that are committed to achieving performance of SMEs and financial sustainability. The objectives of the study were to analyze whether SMEs were able to access loans from MFI, to assess if loans provided by MFIs were effectively utilized by SMEs and to investigate whether the loans obtained by SMEs from MFIs increase product diversification and competitiveness of SMEs.

To achieve these objectives and answer research questions, a semi-structured questionnaire was used to collect primary data from 72 targeted clients and employees, while books and other documents was used to collect secondary data. Data was analyzed using SPSS. Thus, the research was equally qualitative and quantitative. The study found out that microfinance loans were very important for performance enterprises in which SMEs are involved. Regarding the findings of the study, a considerable number of (with average of 88%) of respondents confirmed that microfinance loans facilitated SMEs especially in rural areas and urban areas in term of diversification of the product and services. The study recommended that the goal of micro financial institutions is to support the competitiveness and long-term growth of enterprises, and then the economic development of a country. The study are also suggested some measurement to the micro financial institutions and policy makers. For financial institutions it was recommended that they should create a level playing field as well as lowering transactional costs of financial services. At the policy level it was recommended government should put in place appropriate regulatory and support services.