

**COMMERCIAL BANKS' LOANS AND ECONOMIC DEVELOPMENT OF RWANDA  
A CASE STUDY OF BANK OF KIGALI LTD (2007-2012)**

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**ABSTRACT**

This study was carried out in order to analyze loans offered by commercial banks and the economic development of Rwanda, particularly those offered by the Bank of Kigali. Specific objectives were to assess the relationship between loans granted and GDP, to analyze various types of loans offered, to evaluate the financing of SMEs and cooperatives, to evaluate the contribution of loans on improving living standards of the borrowers and to evaluate if loans offered helped create new jobs. Primary data was obtained by extracting information from questionnaires designed to get answers from different respondents composed of bank debtors and bank staff and conducted interviews with officials working in the credit department of the Bank of Kigali. Secondary data was collected from books, newspapers, internet materials and different BNR and Bank of Kigali reports. The data collected was analyzed, interpreted and presented in form of graphs, charts. Descriptive-survey was used and target population was composed of 1571 debtors financed by the Bank of Kigali and 6 employees. The researcher's sample size was 10% of debtors financed and all 6 employees, meaning total sample size was 163 people. After analyzing all data, the researcher concluded that there is a positive relationship between loans offered and GDP, that financing all sectors taking into account their contribution to the country's GDP is not relied on by commercial banks in Rwanda, that the Bank of Kigali does not have special credit facilities aiming at developing SMEs and cooperatives, that loans granted to debtors by the Bank of Kigali helped them improve their living standards, positively affecting the economic development of the whole country, and that loans offered to debtors helped them create some new jobs. Recommendations formulated were that the National Bank of Rwanda should sensitize commercial banks to grant loans to primary and secondary sector, considering their importance in the country's GDP; Agriculture, fishery, livestock and industry should be significantly financed so that all sectors of the economy develop; Commercial banks should finance vulnerable people, education and healthcare; The Bank of Kigali as well as all commercial banks which should put in place special credit facilities to SMEs and cooperatives, in order to contribute to the development of a big number of Rwandans. The final recommendation was that the banking system in Rwanda should mainly focus on the financing of projects oriented to the creation of new jobs.