

**CREDIT MANAGEMENT AND FINANCIAL PROFITABILITY OF MICROFINANCE  
INSTITUTIONS  
A CASE STUDY OF COPEDU LTD – KIGALI CITY**

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**ABSTRACT**

The purpose of this study was to examine the influence of credit management to the financial profitability of microfinance institutions. It was carried out in COPEDU Ltd as the case study with the following objectives: To identify the ways used by the Microfinance institution for credit management especially in COPEDU Ltd, to examine the strategies used by COPEDU Ltd for effective credit management, and analyze the influence brought by effective credit management on to the microfinance institution's financial profitability, especially COPEDU Ltd. The researcher reviews literature related to credit management in general as well as credit risk relating to its management in financial institutions which lead to any financial profitability of a given Microfinance institution; also the way of measuring this profitability will be examined, where some tools for measuring profitability of the company "profitability ratio" will be analyzed. The research used descriptive and analytical research based on both qualitative and quantitative data. The population of the research was 80 employees of COPEDU LTD where 44 respondents were selected as the sample size using purposive sampling technique. Data collection was done using questionnaires, interviews and documentary review and were collected from both primary and secondary sources. Data presentation was done using tables and figures while analysis and interpretation were based on frequencies and percentages. Finally suggestions and recommendations were given to COPEDU Ltd, especially those relating to credit management and its influences on the microfinance institution. The research found that there is a relationship between credit management and financial profitability. The influence of credit management to the financial profitability of microfinance institutions, in this study is identified in terms of membership increasing, market size increasing and the level of financial profitability. Also it can be identified by the evolution of saving / deposits, credit obtainers, Net income, Return on Asset, Return on Equity and Return on Investment, which were in increasing process evolution, which made the researcher to confirm that the relationship between credit management and financial profitability is positive. After conclusion being presented to the research, the researcher presented the recommendations that were felt necessary in this research including the following among others; COPEDU Ltd should emphasis and keeps in its mind the spirit of effective credit management because it has been effective in increasing its financial profitability. Also the researcher recommended that all other microfinance institutions in Rwanda and beyond should learn from experience of COPEDU Ltd and know how to manage their credits management so as to increase their level of financial profitability.