

ABSTRACT

This research is entitled “Non Performing Loans Management and Performance of Microfinance Institutions in Rwanda: A Case Study of Amasezerano Community Banking Ltd”. Non Performing Loans have been one of the obstacles that hindered microfinance institutions in Rwanda from functioning effectively. This has led to the closing of more than 19 microfinance institutions during the years 2006 and 2007. The study was aimed at finding out how non performing loans can be managed for better performance of MFIs. It specifically sought to establish the effects of low level of skills in project management on the timely repayment of loans, to demonstrate how high interest rates charged on loans limit the repayment capacity of borrowers and to illustrate how short maturity periods of loans contribute to the late repayment of loans. The stratified random sample composed by 49 borrowers and staff was used to select the respondents from a population of 228 individuals. The qualitative and quantitative data collected from the field by means of questionnaires and interview as well as secondary was presented using tables. Most of data analysis was based on SPSS by using the chi-square tests of homogeneity. The study established that borrowers lack skills necessary for conducting their business successfully and this is one of the obstacles for repaying loans on time. In addition, interest rates charged on loans are high and increase at a great extent the total repayable amount. Last but not least, findings indicated that maturity period is not sufficient enough to allow repayment on time. As a result, respondents insisted that their skills in project management should be increased. Similarly, they claimed that both interest rate and the percentage of compulsory saving should be reduced. Finally, respondents wished that both the maturity period and the installment maturity for loans should be increased. For better performance, microfinance institutions are recommended to enhance training in project management, to reduce interest rate and to increase the maturity periods. The Government of Rwanda should support microfinance institutions by availing experts in microfinance and long term loans at lower interest rates.