LENDING POLICIES AND ACCESS TO CREDIT BY WOMEN ENTREPRENEURS IN SELECTED COMMERCIAL BANKS IN RWANDA

A Research thesis

Presented to the College of Higher

Degree and Research,

Kampala International University,

Kampala-Uganda

In Partial Fulfillment of the Requirement for the award

Of Master of Business Administration

By

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August, 2012

DECLARATION A

I declare that this thesis is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning

MIGISHA Janvier

Name and signature of the candidate

Date: 20/08/2012

DECLARATION B

I confirm that the work reported in this thesis was conducted by the candidate under my supervision.

KASOZI Geoffrey

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Date: 20/08/2012

APPROVAL SHEET

This thesis entitled ***"lending policies and access to credit by women entrepreneurs in selected commercial banks in Rwanda"*** prepared and submitted by Migisha Janvier in partial fulfillment of the requirements for the degree of Master of Business Administration has been examined and approved by the panel on oral examination with the grade of PASSED.

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DEDICATION

This thesis is dedicated to my wife NYIRACUMI Généreuse whose prayers have enabled me to reach heights that I would never have reached.

ACKNOWLEDGEMENT

First and foremost the researcher thanks the Lord Almighty, without whose inspiration, guidance and wisdom the researcher would neither have tackled nor accomplished his studies.

Special thanks to the Deputy Vice Chancellor College of Higher Degrees and Research of Kampala International University, Dr. Novembrieta R. Sumil for continuous guidance and support throughout the course

The researcher acknowledges the contribution made to this study by his supervisor Mr. Kasozi Geoffrey who helped to shape his ideas and writing in the field of human resource management.

Acknowledgement is also due to the panelists, Chairman Dr. Yahaya Ibrahim, Dr. JONES Orumense and Mr. Ssendagi Muhamed's and others who contributed ideas from their experience and guidance for the successful design and presentation of this research.

The researcher thanks all the lecturers who taught him in the CHDR, local authorities and respondents for their time and participation in the study enabled him to accomplish his masters' degree successfully; special thanks go to his wife NYIRACUMI Genereuse for the continuous financial and spiritual support that she rendered towards the researcher's education.

Lastly, the researcher wishes to thank his family members, friends and workmates, who provided him with vital moral and spiritual support. Thank you very much.

LIST OF ACRONYMS

BCR:	Banque Commerciale du Rwanda
BPR:	Banque Populaire du Rwanda
CBO:	Community Based Organization
CGAP:	Consultative Group to Assist the Poorest
DFID:	Department for International Development
DG:	Director Manager
DVC:	Deputy Vice Chancellor
EAC:	East Africa Community
FHA:	Federal Housing Administration
GB:	Grameen Bank
GDP:	Gross Domestic Product
IFC:	International Finance Corporation
ISHCR:	Integral Survey on household conditions in Rwanda
KCB:	Kenya Commercial Bank
KIU:	Kampala International University
MDGs:	Millennium Development Goals
MFIs:	Micro Finance Institutions

MIFOTRA: Ministry of Public Services and Labour

MIGEPROFE: Ministere du Genre et de la Promotion de la femme

MINECOFIN: Ministry of Economy and Finance

NGOs: Non-Government Organizations

PMI: Private Mortgage Insurance

SAQ: elf-Administered Questionnaires

SEWA: Self Employed Women's Association

SHGs: Self Help Groups

SMEs: Small and Medium Enterprises

SPSS: Statistical Packages for social scientist

PLCC: Pearson's Linear Correlation Coefficient

UN: United Nations

UNDP: United Nations Development Program

UNFW: United Nations Fund for Women

USAID: United States Agency for International Development

VA: Veterans Administration

ABSTRACT

The study on lending policies and credit access among women entrepreneurs in selected Commercial Banks in Rwanda was based on descriptive correlation survey designs. The researcher used SAQ to collect primary data from 162 customers, using simple random sampling. Data analysis was done using SPSS's relative frequencies on respondents profile; means and standard deviations on lending policies and credit access; and PLCC on the relationship between independent and dependent variables.

The study was based on four specific objectives: (i) to determine the respondent's profile in terms of age, marital status, level of education, type of business, experience in that business, name of the bank and experience with the bank, (ii) to determine the extent of the of existing lending policies in selected commercial Banks in Rwanda, (iii) to determine the level credit access among women entrepreneurs in Rwanda, and (iv) to determine the relationship between lending policies and credit access among women entrepreneurs in the selected commercial banks in Rwanda.

This study findings revealed that majority of the respondents were above 40 years and married, those with A- level academic qualification dominated the study, most were engaged in retail business with experience of at least 2years and above, majority were customers of BPR particularly Remera branch and they were customers for these banks for relatively a very long period ranging from three years and above. The study went ahead to reveal that the level of lending policies was very high at (mean=3.78); the level of credit access by female entrepreneurs was found to be moderate at (mean=2.79); and the study went ahead to reveal that lending policies positively and significantly influence access to credit by female entrepreneurs in selected commercial Banks in Rwanda.

The researcher recommended that Government should make lending policies flexible to reduce bureaucracy and time spent on loan processing. Banks should make thorough investigation need to be made to ascertain customer's ability to service the loan, help customers in business initiation inform of training and capacity building.

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CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the study

Commercial banks are at the heart of the economic system. Since their creation in the 15th century, the commercial banks have done more to promote innovation and economic growth than almost any other institution. Responsible in many ways for the commercial revolution, as well as for the agricultural and industrial revolutions that followed, the commercial bank plays a crucial role in today's economy. Little can be understood about how the economic system works if you don't take into account the various functions of the commercial bank (Gaile, 1996).

Commercial banks have devised a number of ways to aid clients in the payment of their debts. The first paper currency was created by commercial banks as issued credits on physical wealth, such as gold kept in bank vaults. Commercial bank customers can use checks as well as debit cards and online bill-paying services to make payments in a quick, easy way.

For any new business to get off the ground and begin operations there must be capital available that can be used to purchase necessary equipment and property. Commercial banks make this capital available to new entrepreneurs through the great number of loans that they provide. If it wasn't for the role that commercial banks play, capital for starting a business would only be available to the very rich (Kakuru, 1998).

The provision of credit has increasingly been regarded as an important tool for raising the incomes of the populations, mainly by mobilizing resources to more productive uses. As development takes place, one question that arises is the extent to which credit can be offered to the poor to facilitate their taking advantage of the developing entrepreneurial activities. The generation of self-employment in non-farm activities requires investment in working capital. However, at low levels of income, the accumulation of such capital may be difficult. Under such circumstances, loans, by increasing family income, can help the poor to accumulate their own capital and invest in employment-generating activities (Khandker, 1998).

Commercial banks and other formal institutions fail to cater for the credit needs of smallholders, however, mainly due to their lending terms and conditions. It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they can't afford the required collateral, they are considered uncreditworthy (Cheston and Kuhn 2000). Hence despite efforts to overcome the widespread, lack of financial services, especially among smallholders in developing countries, and the expansion of credit in the rural areas of these countries, the majority still have only limited access to bank services to support their private initiatives (Mead and Liedholm, 1998).

In the recent past, there has been an increased tendency to fund credit programs in the developing countries aimed at small-scale enterprises. A 1995 survey of small and microenterprises found that up to 32.7% of the entrepreneurs surveyed, mentioned lack of capital as their principal problem, while only about 10% had ever received credit (Daniels *et al.*, 1995). Although causality cannot be inferred a priori from the relationship between credit and enterprise growth, it is an indicator of the importance of credit in enterprise development. The failure of specialized financial institutions to meet the credit needs of such enterprises has underlined the importance of a needs oriented financial system for entrepreneurs in their development.

Empirical research has found lack of capital to be one of the main causes of small business failure (Fredland 1976, DiPietro and Sawhney 1977, Peterson and Shulman 1987). For many small business owners, this lack of capital results from their difficulty in obtaining bank loans (Jean-Luc, 2006). They claim that it is very difficult to get loans, especially from the commercial banks. These small business owners feel that commercial banks are not sympathetic to their needs. Commercial bank officers tend to emphasize the importance of establishing and maintaining relationships with their major corporate customers. This is because corporate customers generally bring more income to the bank and carry less risk (Hulme and Mosley, 1996). On the other hand, Buerger and Ulrich (1986) argue that small businesses provide a potentially profitable market for commercial banks. They claim that small businesses are dependent on commercial banks for both short- and long-term financing and that meeting the financing needs of small businesses helps to build the local economy, which in turn benefits the banks as loans and deposits grow.

In most regions of the world the majority of small scale entrepreneurs are women and the vast majority of them are in the informal sector. They make a substantial contribution to national economies. But few have access to reliable banking services, even those that are successful at a small scale, and to develop and grow they require financing and business support services (Gibb, 1988).

First, banks lack familiarity with this market segment. Second, specific barriers to collateralisation and other economic activity placed on women derive directly from their gender. In a country where women have restricted ownership of resources and land, the ability to obtain a loan based on collateral is automatically restricted. In many countries women own other kinds of assets – moveable assets such as jewellery and other household objects – or are able to demonstrate excellent repayment histories in a micro or other credit scheme, but this usually cannot be translated into financing.

The accessibility of small business to the loan facilities of commercial banks varies from country to country. Early this year the World Bank Doing Business report 2010 placed Rwanda ahead of other EAC states due to reforms that have eased the process of starting and running a business.

The Reforms included facilitating trade across borders, property registration and access to credit through commercial laws and institutions.

Most studies on women access to credit were done in Nigeria showed constraints of lending policies in commercial banks. Hence the decision of the researchers to carry out an empirical study in Rwanda's commercial banks to see the improvement of lending policies in alleviating problems of access to credit for smallholders.

Statement of the problem

Third world nations with a vision to develop need to put in place strategies of involving women in the economic function/ activities of the country. From time immemorial, women are viewed as weaker sex and lesser being in most countries; they are malnourished, vulnerable to physical violence and sexual abuse. Unlike men, most women are illiterate, lack pre-professional or technical education. Should they attempt to enter the workplace and political life? They face greater obstacles from family members, discrimination in hiring, and sexual harassment, less paid among other

In 1994, the Rwandan Genocide saw about a million people killed and the country left with a battered economy. Given that 70% of the country's population is female, rebuilding the economy would see significant female participation. This rebuilding process began with political measures to strengthen the role of women in the constitution. The government is accelerating the efforts to empower women economically knowing that if they succeed, they will help to lift the entire nation out of poverty. The genocide forced women to think of themselves differently and in many cases develop skills they would not otherwise have acquired. Today Rwandan are very active in all spheres of business.

However, despite the government efforts to empower women both economically and socially, Rwanda women entrepreneurs face barriers in accessing credit to either initiate or boost their business; and this is as result of stringent loan eligibility requirements, transaction costs in connection with depositing and with-drawing savings, transaction costs of borrowing and debts service payments and collateral and security requirements.

Secondly the barriers is also associated with the practice of reminding women that their place is in the kitchen and child bearing as well as the belief that any investment on women in education is a wasted venture. Therefore it is against this background that the researcher got an impetus to conduct a study on lending policies and access to credit by women entrepreneurs in the selected commercial Banks in Rwanda.

Purpose of the study

The purpose of this study was to determine the problems faced by bankers in dealing with women entrepreneurs and to determine the extent to which these problems influenced the banker's decision making processes.

Research objectives

General objective

The general objective of this study was to investigate the role of lending policies of commercial banks in determining the access to and use of credit facilities by women entrepreneurs in Rwanda.

Specific Objectives

The study was guided by the following specific objectives

1. To determine the respondent's profile in terms of age, marital status, level of education, type of business, experience in that business, name of the bank and experience with the bank.
2. To determine the extent of the of existing lending policies in selected commercial Banks in Rwanda
3. To determine the level of credit access among women entrepreneurs in Rwanda
4. To determine the relationship between lending policies and credit access among women entrepreneurs in the selected commercial banks in Rwanda

Research questions

The study was intended to investigate the following questions:

1. What are the respondent's profile in terms of age, marital status, and level of education, type of business, experience in that business, name of the bank and experience with the bank?
2. What is the degree of the of existing lending policies in selected commercial Banks in Rwanda

3. What is the level credit access among women entrepreneurs in Rwanda
4. What is the relationship between lending policies and credit access among women entrepreneurs in the selected commercial banks in Rwanda

Hypothesis

There is no significant relationship between lending policies and access to credit by women entrepreneurs in the selected commercial banks in Rwanda.

Scope of the study

Geographically; the study will be conducted in selected six branches of four Commercial Banks in Huye, Nyanza, Ruhango, Muhanga, Nyabugogo and Remera market in the southern province and capital of Rwanda; and these banks were BPR, BCR, KCB and Bank of Kigali.

Theoretical scope; the study was guided by the modern economic theory and development which was advanced by Joseph E. Stieglitz and Andrew Weiss in 1981 which attempts to explain the functioning of credit rationing in markets with imperfect information.

Content scope; the study limited itself to respondent's profile, the degree of existing lending policies, level of credit access and the relationship which exist between independent and the dependent variables

Time scope; the study took 10 months, began from September 2011 to July 2012.

Significance of the Study

The study findings are likely to assist commercial banks to come up with policies which intended to promote and empower women entrepreneurs financially through accessing credit.

It is anticipated that the findings of the study will be used as references by future researchers in this area of study because it is an academic contribution

The finding of this study are likely to assist policy makers in different Banks including BPR, BCR, KCB and Bank of Kigali, government and general public as reference in reviewing and drafting policies that often act as guidelines on the approach that thev always consider to ensure women entrepreneur access credit.

The government in its efforts to alleviate poverty shall be able to come up with better legal and operational framework that can support the commercial banks to lend women entrepreneurs.

Lastly the study is likely to help women entrepreneur to express their feelings and perceived position on lending policies, with expectation to receive improved policies hence credit access. Women entrepreneurs will have a better understanding on the importance of the policies and procedures applied by commercial banks.

Operational definitions of keys terms

Accessibility to credit; in this research accessibility to credit will refer to how easy or difficult to get credit.

Credit; in this study the credit will be understood as a loan which is an amount of money you borrow from a bank. An arrangement with a bank, that allows you to buy omething and pay for it later.

Entrepreneur; In this study the word entrepreneur will be understood as omeone who starts new business or arranges business deals in order to make money, ften in a way that involves financial risks.

Commercial bank; the term commercial bank will be used as synonymous with ıll Service Bank. Because many commercial banks supply trust services, foreign xchange, trade financing, and international banking. Hence a commercial bank is a ıancial institution authorized to provide a variety of financial services, including nsumer and business loans, checking services, credit cards and savings account, ovides services such as accepting deposits and giving business loans.

Collateral; the word Collateral has different meaning, in our study collateral will be understood as property or other goods that you promise to give someone if you cannot pay back the money they lend you.

Eligibility criteria; Eligibility criteria in this research will be used as requirements that borrower must fulfill in order to get bank loan.

Down payment; in this study we will use down payment as a payment borrower make when is he/she buys something that is only part of the full price, with the rest to be paid later.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

Concepts, opinions, Ideas from author/expert

Women entrepreneur

A Women entrepreneur is one who has clear vision and is ready to take risks and committed to hard work in fulfillment of that vision by setting realistic goals and achievable objectives through strategic planning (Ackrley, B., 1995).

Women entrepreneur run for most successful small business ventures in developing countries. However, there are many ways of enhancing women access to markets and rendering their activities more effective. First conducive policy frameworks need to focus removing the constraints that prevent rural women embarking entrepreneurship.

According to a new survey, the genders' differing natures play out in the world of entrepreneurship, too, with women feeling more confident in their success than men.

The Hartford Financial Services Group's survey of 1,004 small business owners included 271 women and 733 men. More than 90 percent of the women entrepreneurs viewed their business as a success. Only 80 percent of men felt the same way.

What factors contribute to women's confidence? Here are some clues from the survey's findings:

More risk averse. About 55 percent of the women viewed themselves as conservative in taking risks in their business, compared with 47 percent of men. Also, 80 percent of women responded that they did not think taking more risks would make them successful.

Not blaming the economy. While women were less optimistic about the economic situation than men, they weren't focused on the economy as their biggest problem. Instead, they cited the increased cost of doing business as they top problem, followed by government red tape. Only 21 percent said lack of demand or customers was their top concern.

- More women than men said they would vote a pro-business slate of candidates in November--89 percent of women vs. 79 percent of males. Perhaps their increased level of empowerment at the ballot box makes them feel more confident they'll have a business climate they like.

(http://www.entrepreneur.com/blog/223299).

It is believed that the welfare of a family is enhanced, when women are helped to increase their incomes. This is due to the fact that women spend more of their incomes on their households. Hence, assisting women generates a multiplier effect enlarging the impact of the family needs and, therefore, another justification for giving priority to them (Cheston and Kuhn, 2002). Another argument in favor of priorities to women is their efficiency and sustainability. Women are believed to be better in their repayment records and cooperatives (Cheston and Kuhn, 2002).

According to USAID (1995) financial institutions that offer deposit services are very attractive to women. Commercial bank services target people who have initial capital. A gender sensitive approach is inclusive rather than exclusive (Jahan, 1995). Gender sensitivity is assumed when taking into account the needs and constrains of both women and men during the design and delivery of finance.

Relationship between lending policies and access to credit

Lending policy; lending institution's statement of its philosophy, standards, and guidelines that its employees must observe in granting or refusing a loan request. These policies determine which sector of the industry or business will be approved loans and which will be avoided, and must be based on the country's relevant laws and regulations. Banks' lending policies affect the ability of consumers to get loans. To a consumer, a bank's lending policies may seem capricious and illogical. From the lender's standpoint, though, consistent lending policies should help it to make less risky loans.

Access to financial services by small holders is normally seen as one of constraints limiting their benefits from credit facilities. However, in most cases the access problem, especially among formal financial institutions, is one created by the institutions mainly through their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes Sichanthongthip(2004).

Unlike formal finance, informal lenders often attach more importance to loan screening than to monitoring the use of credit. Screening practices often include group observation of individual habits, personal knowledge by individual moneylenders and recommendations by others, and creditworthiness. In group lending programs, members are made jointly liable for the loans given. The joint liability plus the threat of losing access to future loans motivates members to perform functions of screening loan applicants, monitoring borrowers and enforcing repayment. Investigations of the effect of intra group pooling of risky assets show that groups exploit scope and scale economies of risk by pooling risks and entering into informal insurance contracts. This confirms the role of social cohesion in group repayment Zeller (1998).

One of the most important rationales for group lending is the information and monitoring advantages that member based financial institutions have compared with individual contracts between bank and borrower. The main argument in the rationale is that in comparison with distant bank agents, group members obtain information about the reputation, indebtedness and wealth of the applicant. They are also able to use social sanctions to compel repayment.

However, it has been shown that a number of factors may undermine repayment performance of group lending under joint liability. These include reduced repayment incentives for individual borrowers where other members default, and the incentive to borrow for riskier project under group based contracts.

There are strong incentives for individuals with similar risk characteristics to form credit groups (Zeller, 1998), while other scholars have indicated that group lending schemes work well with groups that are homogeneous and jointly liable for defaults (Huppi and Feder, 1990). Little evidence exists showing substantial investment in loan monitoring by informal lenders. Aryeetey and Udry (1997) conclude that the observation that commercial lenders spend more time screening new applicants than on monitoring activities of current borrowers suggests that they are more concerned with adverse selection than moral hazard.

For small-scale enterprises, reliable access to short term and small amounts of credit is more valuable, and emphasizing it may be more appropriate in credit programs aimed at such enterprises. Schmidt and Kropp (1987) further argue that the type of financial institution and its policy will often determine the access problem. Where credit duration, terms of payment, required security and the provision of supplementary services do not fit the needs of the target group, potential borrowers will not apply for credit even where it exists and when they do, they will be denied access.

Notable disadvantages of the formal financial institutions are their restriction of credit to specific activities, making it difficult to compensate for losses through other forms of enterprises, and their use of traditional collateral like land. There is need for a broad concept of rural finance to encompass the financial decisions and options of rural economic units, to consider the kind of financial services needed by households, and which institutions are best suited to provide them.

Characteristics of credit markets in Africa have mainly been characterized by the inability to satisfy the existing demand for credit in rural areas. However, whereas for the informal sector the main reason for this inability is the small size of the resources it controls, for the formal sector it is not an inadequate lending base that is the reason Judith (2011).

Rather, the reasons are difficulties in loan administration like screening and monitoring, high transaction costs, and the risk of default. Credit markets are characterized by information asymmetry, agency problems and poor contract enforcement mechanisms Liedholm and Mead (1999). They are mainly fragmented because different segments serve clients with distinct characteristics. Because of this, lending units are unable to meet the needs of borrowers interested in certain types of credit. The result is a credit gap that captures those borrowers who cannot get what they want from the informal market, yet they cannot gain access to the formal sources. Enterprises that want to expand beyond the limits of self-finance but lack access to bank credit demand external finance, which the informal sector is unable to satisfy.

Magume & Obwona (2001) examined some of the factors that influence demand for formal savings and lending facilities in Ghana and observe that incomes, bank formalities and banks' preference for large transactions were the major ones. Travel costs and time are among other factors that determine transaction costs to the entrepreneurs.

Stieglitz (1990) classified major features of rural credit markets that can be used to explain the existence of formal and informal credit markets in Africa. Among these are the existence of collateral security and covariant risk. Collateral security is often beyond the reach of many borrowers in rural areas. But even where this is not the case, the ability of the lender to foreclose is often limited, making enforcement of loan repayment difficult. Such difficulties help to explain the use of informal financial markets, which use social sanctions to ensure enforcement. In rural areas, shocks in incomes that create borrowers' potential to default will affect the operation of credit markets. In most rural economies, borrowers are faced with risks arising from uncertainties about their incomes. By diversifying their loan portfolios, lenders can avert such risks.

However, credit markets in rural areas are segmented, with lenders' loan portfolios being concentrated on borrowers facing common shocks to their incomes. An important cost of segmentation is that funds fail to flow across groups of individuals despite the benefits of doing so. According to Chakraboty (2008) this kind of segmentation may also be reinforced by government regulations.

In incomplete markets, rural households could use partially functioning credit markets to provide insurance against income shocks mainly by trading insurance. However, due to incomplete information about the nature of the risk faced by each individual, and possible changes in the private behavior of other individuals, insurance arrangements are only partial Andy(2011) or are totally absent Amodu (1988)

Another important factor of both formal and informal markets relates to penalties. In the absence of formal contract enforcement mechanisms, both formal and informal institutions rely on lending practices that emphasize loan screening rather than monitoring, which appears to suggest more concern with adverse selection than moral hazard. Differences emerge in the methods used by formal and informal institutions. Whereas formal lenders rely more on project screening, informal lenders rely more on the character and history of the borrower, particularly on personal knowledge of the borrower Salman(2009).

Loan monitoring is rarely done by informal lenders due to the lenders' knowledge of borrowers, while in the formal market it is mainly due to lack of facilities. Transaction costs are generally lower in informal markets than in formal ones. One of the issues that emerge from this market structure is which financial institutions are accessible to the rural poor, and which factors determine their demand for credit from the different sources as determined by their participation decisions.

The foregoing literature review shows that financial markets in African countries are characterized by imperfect and costly information, risks, and market segmentation, resulting in credit rationing. This is one of the underlying factors in the coexistence of both formal and informal credit markets serving the needs of the different segments of the market. On the other hand, policy-based and structural-institutional explanations attempt to explain the coexistence of both segments of the market as a result of policy and structural-institutional rigidities. This review provides a conceptual background for an empirical investigation of borrowers' participation in credit markets and access to different sources.

Imperfect information emerges as an important explanation for credit rationing. This is because, due to information asymmetry, loan terms and conditions are used that affect the behavior of borrowers. The literature also shows that the assumption that formal interests rates are the reason borrowers do not use formal credit is not correct.

Rather, the unique characteristics of credit services explain segmentation in the credit market. In addition, lack of effective contract enforcement and the consequent default risk are also important in loan rationing.

The failure of many government-subsidized credit programs to reach the targeted groups has prompted the emergence of alternative means of administering rural credit so as to reduce the access problem Robinson (2003).

Informal credit markets have developed in rural areas, providing faster services to their clients. That informal finance is more important than formal finance has been proven by different approaches used to measure its magnitude in different countries, namely Chipeta and Mkandawire (1992) for Malawi and Aryeetey and Gockel (1991) for Ghana.

In the informal financial markets, loans and deposits are often tied, enabling individuals to increase their access to credit by improving their deposit performance. This allows participants to enhance their creditworthiness through their savings and repayment record. All these lessons emphasize the fact that financial intermediaries at the small-scale level must be prepared to offer the financial services demanded by clients if microfinance is to succeed Schmidt and Kropp (1987).

Grameen Bank is unlike any that I have heard of. It has 8.36 million borrowers, 97 percent of them are women, the loans are unsecured and there is no legal instrument, that is, written contract. You may be thinking they never get a cent back – on the contrary, the bank has a 97 percent repayment rate and is profitable. Borrowers are put into groups of five and a system of peer pressure ensures repayment (*www.grameen-info.org*)

Loan screening, monitoring and contract enforcement unlike formal finance, informal lenders often attach more importance to loan screening than to monitoring the use of credit. Screening practices often include group observation of individual habits, personal knowledge by individual moneylenders and recommendations by others, and creditworthiness Manfred (2003).

In group lending, the financial intermediary reduces the recurrent transaction costs by replacing multiple small loans to individuals by a large loan to a group. This enables financial intermediaries to bank with poor loan applicants who would not receive any loans under individual loan contracts due to excessive unit transaction costs.

It is generally assumed that different factors such as gender, religion, culture, education and lack of collateral contribute to women's limited access to commercial bank loans in.

However, in a study by Anyanwu (1991) the following observations were made: (a) women do not have limited access to commercial bank credit, rather fewer women than men apply for credit; (b) commercial banks do not discriminate against women on the basis of gender when approving credit applications. Nor are women generally constrained by tradition and/or religion; (c) A woman's age, educational level and occupational group are not a limitation to her access to credit facilities from commercial banks; (d) the size of a woman's business and income, assets or wealth can be a limitation to her access to commercial bank credit; (e) women are not denied access to commercial bank credit facilities because of their physical and/or biological condition; (f) the cost of credit, loan application procedures, paperwork and a woman's distance from a financial institution are not impediments to her access to credit; (h) language problems (especially English) are not a constraint to women's access to commercial bank credit; (h) the fear of not being able to repay and the fear of being refused credit impede women's access to commercial bank credit. Banks' fear of women's poor business management hinders women's access to commercial bank credit facilities;

From the observations above, it would seem that banks do not discriminate against women because of their gender. Rather, women do not obtain credit because only very few of them apply for it. This view is supported by recent empirical evidence on loan applications and approvals from the Nigerian Agricultural and Cooperative Bank (NACB).

An analysis of the data obtained shows that among male applicants at the bank's Kabba Branch in 1992, 44 percent of applications were approved while, among women, 49 percent were approved. Women had a 35 percent approval rate for the same branch in 1993 while men had only 28 percent.

At the Kaduna Branch, about 97 percent of women's applications were approved while 88 percent of applications by men were approved. These results support the hypothesis that women do not have limited access to bank loans; rather, few of them apply for such loans. This is a pointer to the ineffectiveness of extension services which are supposed to educate rural women in the methods and procedures of obtaining agricultural loans.

The unique characteristic of Rwandan Women Entrepreneurs is that the majority of them are relatively young. And their businesses are also young; most of the small enterprises owned by women are less than ten years old but have already been successful.

Women in Rwanda have proven to be the most efficient cultivators and producers of quality coffee in the country, often with more effectiveness than their male counterparts. Male workers in general, resisted innovations introduced by outsiders to help produce better coffee. Women now produce Rwanda's Bourbon coffee available in the US and UK stores. According to the International Finance Corporation (IFC) report published in October 2008, titled "Voices of Women Entrepreneurs in Rwanda", Women entrepreneurs are a significant force in Rwanda's private sector, heading 42 per cent of enterprises. They comprise 58 per cent of enterprises in the informal sector, which accounts for 30 per cent of GDP.

The majority are engaged in the retail sector (82%), with the rest focusing on services (16 – 17%) and manufacturing (1-2%) sectors. Women entrepreneurs are increasingly able to secure bank loans and purchase or inherit land. Changes to matrimonial, inheritance, and land laws have sought to give women the right to inherit land. Unlike in many neighboring countries, the new laws override customary law, which often denied women property rights.

All this appears to be good news for female entrepreneurs in Rwanda, but there remain challenges. Women are not fully aware of the legal reforms in the country and the opportunities presented with regard to access to finance, inter-border trade ventures and skills development programs. Women-owned businesses have expressed the need for management, technical skills and access to training facilities to grow their businesses.

While women own 58% of informal enterprises, they own only 40 per cent of partially formal or formal enterprises. One of the key objectives of the Rwanda Development Board, the agency tasked with the registration process, is the sensitization and mobilization of women to invest in doing business. But registration does not automatically guarantee loans for women-owned businesses. Many women in rural areas complain they still face difficulties in accessing loans under the Women's Guarantee Fund, established last year.

The Rwandan financial sector comprises of insurance services and banking (commercial banks, development banks and microfinance institution). The banking sector has seen tremendous growth over the past 5 years and seen increased participation by multinational banks and foreign equity.

As in many other countries in sub-Saharan Africa, the performance of formal financial institutions and credit programs in Rwanda in terms of alleviating the financial constraints of the smallholder sector has met a lot of criticism.

The criterion of creditworthiness, delays in loan processing and disbursement, and the government approach to preferential interest rates, resulting in non price credit rationing, have limited the amount of credit available to smallholders and the efficiency with which the available funds are used Atieno (1994). This can be seen as an indication of the general inadequacy of the formal credit institutions in meeting the existing credit demand in the country.

Hence, despite the existence of a sophisticated financial system, it has not guaranteed the access to credit by small-scale enterprises.

Many financial institutions, especially commercial banks, rarely lend to small and microenterprises (SMEs) since they emphasize collateral, which most SMEs lack. Few enterprises are able to provide the marketable collateral and guarantee requirements of commercial banks, with the result that SMEs lacking such requirements have not been able to obtain credit from banks. Most of them therefore rely on their own savings and informal credit Amin and Ajab (2002).

The advantage of commercial banks is that they have a wide branch network that can reach most microenterprises. They also operate accounts, which make it possible to monitor their clients closely. Most of them are located in urban areas, however, making it difficult to provide services to those enterprises located in rural areas. Given that up to78% of the SMEs are located in rural areas, this is a major limitation on the extent to which commercial banks can serve them.

Theoretical Perspective

The study was guided by the "modern economic theory and development" which was advanced by Joseph E. Stieglitz and Andrew Weiss in 1981. This theory attempts to explain the functioning of credit rationing in markets with imperfect information. Challenging the paradigm of competitive equilibrium, the theory explores the implications of incomplete markets and imperfect information for the functioning of credit markets in developing countries.

In this explanation, interest rates charged by a credit institution are seen as having a dual role of sorting potential borrowers (leading to adverse selection), and affecting the actions of borrowers (leading to the incentive effect). Interest rates thus affect the nature of the transaction and do not necessarily clear the market. Both effects are seen as a result of the imperfect information inherent in credit markets.

Adverse selection occurs because lenders would like to identify the borrowers most likely to repay their loans since the banks' expected returns depend on the probability of repayment. In an attempt to identify borrowers with high probability of repayment, banks are likely to use the interest rates that an individual is willing to pay as a screening device. However, borrowers willing to pay high interest rates may on average be worse risks; thus as the interest rate increases, the riskiness of those who borrow also increases, reducing the bank's profitability.

The incentive effect occurs because as the interest rate and other terms of the contract change, the behavior of borrowers is likely to change since it affects the returns on their projects. Stieglitz and Weiss (1981) further show that higher interest rates induce firms to undertake projects with lower probability of success but higher payoffs when they succeed (leading to the problem of moral hazard). Since the bank is not able to control all actions of borrowers due to imperfect and costly information, it will formulate the terms of the loan contract to induce borrowers to take actions in the interest of the bank and to attract low risk borrowers. The result is an equilibrium rate of interests at which the demand for credit exceeds the supply. Other terms of the contract, like the amount of the loan and the amount of collateral, will also affect the behavior of borrowers and their distribution, as well as the return to banks.

CHAPTER THREE

METHODOLOGY

Research Design

The study took a quantitative paradigm because it was based on variables measured with numbers and analyzed with statistical procedures. The research design was descriptive co-relational in that it was interested in measuring the existing relationship between the extent of the existing lending policies and level of credit access by female entrepreneurs. Secondly, a survey design was employed since the population was too large.

Research Population

The study used mainly primary data from individual entrepreneurs receiving credit from commercial banks as well as those who did not. Among those who never used credit, there are those who did not apply because they did not need credit, and others who did not apply because they did not perceive any chance of getting credit. Those who did not apply because of lack of need for credit can be classified as not credit constrained, while those who did not apply because of other reasons are considered as credit constrained.

The study focused on Bank customers (women entrepreneurs) in the selected Commercial Bank in Rwanda. The study was conducted in six branches of four commercial Banks which are; BPR, BCR, KCB and Kigali Bank and the study was conducted in their six branches of Huye, Nyanza, Ruhango, Muhanga, Nyabugogo and Remera. The total population of female entrepreneurs in these Banks was 272 customers.

The branches have been chosen because these towns are dominated by commerce and trade activities mostly. Up to 61% of the enterprises are involved in trade. These results have been confirmed by the 2009 Central Bureau of Statistics survey, which shows that 66% of the enterprises are in these areas. Further, up to 64% of all credit to micro and small-scale enterprises have gone to those enterprises located in mentioned areas.

Sample Size

From the total population of 272 customers from the selected commercial Banks, the sample size was 162 customers. The sample size was determined using the Sloven's formula; which states as follow:

$$n = \frac{N}{1 + N a^2}$$

Where **n** is the sample size, **N** stands for population and **a²** is 0.05 level of significance

The sample size was selected from the following categories. Table 1 shows the distribution of population and sample size.

Table 1:

Categories of respondents

Category	Target Population	Sample size
BPR	176	105
BCR	8	5
KCB	54	32
Kigali Bank	34	20
Total	272	162

Source: customer record, January 2012

Sampling Procedure

The study was conducted using stratified sampling to reduce costs and the time of doing research and to increase the degree of accuracy of the study. The researcher set a selection criterion, where Banks were selected basing the availability of branches in the in certain locations. A list of female customers was obtained from the records departments categorized in their respective jobs to act as the sample. Strata were made according to customers' job/ employment. There after a sample was obtained from only female entrepreneurs strata using convenient sampling

Research Instrument

Researcher made Self-Administered Questionnaires were distributed to selected respondents in order to avoid subjectivity from researcher and this allowed respondents to feel free while responding. The researcher explained and clarified to respondents in areas where they needed more clarity. The questionnaire consisted mainly three sections. Section one was respondent's profile, section two was on the degree of existing lending policies in selected commercial Banks in Rwanda, and section three was on level of credit access among women entrepreneurs in Rwanda. All questions in the questionnaire were close ended and used four scales 1, 2, 3, and 4: where 1 = strongly agree, 2 = agree, 3 = disagree and 4 = strongly disagree. Respondents were required to rate each item by writing the right number/figure in the space provided before the each question.

Validity and Reliability of the Instrument

To ensure the validity and reliability of the instrument, the research employed the expert judgment method. After constructing the questionnaire, the researcher contacted experts in the study area to go through it to ensure that it measured what it was designed to measure and necessary adjustments were made after consultation and this ensured that the instrument was clear, relevant, specific and logically arranged.

Secondly, a pre-test was conducted in order to test and improve on the reliability of the questionnaire. Alternatively, the reliability and validity of the instrument was established by corn-Bach's Co-efficient alpha variable. Variables with corn-bachs and Co-efficient alpha test value for less than 0.5 were not used. Corn -Bach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. Corn -Bach's alpha is a coefficient of reliability (or consistency). Corn -Bach's alpha can be written as a function of the number of test items and the average inter-correlation among the items (Allen, M.J., & Yen, W. M, 2002). Below, for conceptual purposes, we show the formula for the standardized Corn Bach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Here N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance. Alternatively, the Corn -bach's α can also be defined as

$$\alpha = \frac{K\bar{c}}{(\bar{v} + (K-1)\bar{c})}$$

where K is as above, $\bar{v}$ the average variance, and $\bar{c}$ the average of all co variances between the components across the current sample of persons.

Corn –back's alpha Internal consistency

α ≥ .9	Excellent
.9 > α ≥ .8	Good
.8 > α ≥ .7	Acceptable
.7 > α ≥ .6	Questionable
.6 > α ≥ .5	Poor
.5 > α	Unacceptable

Data Gathering Procedures

Before data gathering

Upon accomplishment of defending and acceptance of the research proposal, the researcher obtained an introductory letter from the College of Higher Degrees and Research of Kampala International University, seeking for permission from the directorate of human resource management of the selected Commercial Banks in Rwanda to allow him to get access to employee to participate in the study.

During data gathering

Due to the nature work and busy schedule of some prospected respondents, the researcher through the heads of departments and supervisors scheduled appointment for such respondents. The researcher was available to give necessary explanation on some question where need was. Then the researcher carried out a pilot study before the actual research to check feasibility of the research instrument, in order to make necessary improvement and adjustments in the and to avoid wasting time. The researcher also made use of secondary data by reviewing available relevant text books, journal articles, periodicals, manuals dissertations, publications and visiting websites of the concerned organization.

After data gathering

After two weeks, primary data was collected through questionnaires which respondents returned back to the researcher which allowed the researcher to go ahead to analyze the data. Completed (SAQs) were coded, edited, categorized and entered into a computer for the Statistical Package for Social Scientists (SPSS) for data processing and analysis.

Data Analysis

Data on completed (SAQs) was edited, categorized and entered into a computer for the Statistical Package for Social Scientists (SPSS). Frequencies were used to analyze Respondent's profile; means and standard deviations were used to analyze the degree of existing lending policies and the level of credit access was analyzed. Pearson's Linear Correlation Coefficient (PLCC) was used to determine whether there exists a significant relationship between lending policies and access to credit. The 0.05 level of significance was used to determine the strength of the relationship between independent and dependent variables.

Ethical Considerations

To ensure that ethics was practiced in this study as well as utmost confidentiality for respondents and the data provided by them, the following was done: (a) coding of all questionnaires; (b) the respondent were requested to sign the informed consent; (c) authors mentioned in this study were acknowledged within the text; (d) findings were presented in a generalized manner.

Limitations of the Study

The anticipated threats to the validity in this study were as follows:

1. **Intervening or confounding variables extraneous variables:** Some respondents have got personal biases and honesty is a very big threat. To minimize this threat, the researcher requested respondents to avoid being subjective while answering the questionnaires.
2. **Testing:** There was a likelihood of research assistants being inconsistence in terms of the day and time of questionnaire administration. There was thorough briefing and orienting the research assistants in order to address this threat
3. **Instrumentation:** The data collection instrument was not standardized and this problem was solved through testing it for validity and reliability.
4. **Attrition:** There was a likelihood of some respondents of not retuning back the questionnaires and this was to affect the researcher in meeting the minimum sample size. To solve this threat, the researcher gave quit more questionnaire exceeding the minimum sample size.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

Description of respondents

Respondents in this study included female customers (entrepreneurs) from selected commercial banks in Rwanda and were described in line with the first objective which was set to determine the profile of respondents in terms of terms of age, marital status, level of education, type of business, experience in that business, name of the bank and experience with the bank. In each case, customers of the selected commercial banks in Rwanda were asked to provide the researcher with their profile characteristics, using a closed ended questionnaire. Their responses were analyzed using frequencies and percentage distributions as indicated in table 2 below;

Table 2:

Respondent's profile

Category		Frequency	Percent
Age	Below 25years	12	7.4
	26 - 39years	61	37.7
	40 - 44years	67	41.4
	55years and above	22	13.6
	Total	**162**	**100.0**
Marital status	Single	26	16.0
	Married	61	37.7
	Divorced	21	13.0
	Widowed	54	33.3
	Total	**162**	**100.0**

Highest level of education	O-level and below	44	27.2
	A-level	49	30.2
	Certificate	22	13.6
	Diploma	29	17.9
	Degree	14	8.6
	Postgraduate	4	2.5
	Total	**162**	**100.0**
Type of business	Hardware	23	14.2
	Retail business	55	34.0
	Clothes	19	11.7
	Agriculture produce	20	12.3
	Saloon	14	8.6
	Stationary	7	4.3
	Drug shops	12	7.4
	Others	12	7.4
	Total	**162**	**100.0**
Experience in business	1 year and below	28	17.3
	2-4 years	25	15.4
	5-8 years	32	19.8
	9 years and above	77	47.5
	Total	**162**	**100.0**
Name of your bank	BPR	105	64.8
	BCR	5	3.1
	KCB	32	19.8
	Kigali Bank	20	12.3

Category		Frequency	Percent
Age	Below 25years	12	7.4
	26 - 39years	61	37.7
	40 - 44years	67	41.4
	55years and above	22	13.6
	Total	**162**	**100.0**
Bank Branch	Huye	29	17.9
	Nyanza	22	13.6
	Ruhango	17	10.5
	Muhanga	23	14.2
	Nyabugogo	30	18.5
	Remera	41	25.3
	Total	**162**	**100.0**
Duration of transacting business with this bank	1-3 years	34	21.0
	4-6 years	27	16.7
	7-9 years	27	16.7
	10 years and above	74	45.7

Source: *Primary data, 2012*

The results in table 2 show that respondents in the age bracket of 40 – 44years were the majority with 67(or 41.4%), age bracket 26 – 39years, was in the second position with 61(or 37.7%), followed by bracket of 55years and above at 22(or 13.6%) and in the last position was the age bracket of 25years and below 12(or 7.2%).

Regarding marital status, majority of the respondents were married 61(or 37.7%), followed by widowed with 54(or 33.3%), single respondents came third with

26 (or 16%) and in the last position were divorced respondents constituting 21(or 13%).

Concerning the level education, respondents with Advanced level of education (A-level) dominated the study with 49(or 30.2%), followed by those with Ordinary level of education (O-level) with 44(or 27.2%), Diploma holders came third with 29(17.9%), followed by certificate holders with 22(13.6%), degree holders and postgraduate qualification holders followed with 14(or 8.6%) and 4(or 2.5%) respectively.

In line with the type of business these respondents were involved in, it was discovered that majority were in retail related kind of business with 55(or 34%), followed by hardware business with 23(or 14.2%), the rest of the business followed in the order given; agricultural produce dealer with 20(or 12.3%), cloths traders 19(or 11.7), saloon business 14(or 8.6%), drug shops and other business both scored 12(or 7.4%) and in the last position was stationary traders with 7(or 4.3%).

When it came to experience these respondents have as far as the businesses they were involved in, the study revealed that majority of the respondents had a reasonable experience in their business of 9 years and above 77(or 47%), those with experience of 5 – 8 years came second with 32(or 19.8%), in the third position there was with experience of 1year and below 28(17.3%) and experience of 2 – 4 years came last in the fourth position with 25(or 15.4%).

The study focused on majorly four Banks were respondents had accounts/borrow funds from; the study showed that over half of the respondents transacted business with BPR with 105(64.8%), followed with KCB 32(19.8%), Kigali Bank and BCR had 20(or 12.3%) and 5(or 3.1%) respectively.

In regard with the bank branches were these respondents had branches, it was found out that Remera Branch had the biggest number of respondents 40(25.3%), followed by Nyabugogo with 30(or 18.5%), in the third position was Huye with

29(17.9%), Muhanga came in the fourth position with 23(14.2%), while Nyanza and Ruhango came last with 22(or 13.6%) and 17(10.5%) respectively.

Lastly, when it came to the duration these respondent have spent while Banking or transacting business with these Banks, the study revealed the following: 74(or 45.7%) have taken 10years and above while banking or transacting business with these Banks and were the majority, followed by 34(or 21%) with a duration ranging between 1 – 3 years where and those with periods of 4 – 6 years and 7 – 9 years tied both with 27(or 16.7%).

If we consider the respondent profile in the above table, we can confirm with reserve of a dipped study that information provide by respondent reflect the truth.

The extent of existing Lending policies in selected Commercial Banks in Rwanda

The independent variable in this study was about the lending policies in selected commercial, banks in Rwanda when bringing customers on board and it was set to determine the degree of existing lending policies in selected commercial in Rwanda, for which the researcher intended to find out how effective these policies are and adherence to the same. Lending policies were broken down into 14 aspects, and all the 14 items were measured using qualitative questions in the questionnaire, with each question having four points answer range, where 1=Strongly disagree ; 2=Disagree; 3=Agree; and 4=Strongly agree. Customers were required to rate how satisfactory each item by showing the extent to which they agree with each. In doing this each respondent was directed to tick a number corresponding to his or her own best opinion, perception and thinking. Their responses were analyzed using SPSS and summarized using means, as indicated in table 3;

Table 3:

The extent of the existing Lending policies in selected Commercial Banks in Rwanda

	Mean	Std. Deviation	Interpretation	Rank
tomers provide collateral security with documents ing the cost/value of personal or business property to as loan security	3.99	.07857	Very high	1
k requires provision of personal background rmation like name, current and previous addresses, iinal record, education background e.t.c before loan ess	3.98	.15566	Very high	2
ks ask to submit legal documents like business license, le of incorporation, contract or franchise, commercial e e.t.c	3.90	.29927	Very high	3
bank requires down payment of about 20% when hasing certain property	3.86	.35011	Very high	4
omers provide evidence of management or business ership and experience to Bank before giving out any	3.85	.45371	Very high	5
omers attach business plan on the loan application clearly spelling out the projected financial statement, it and loss, cash flow and balance sheet	3.85	.36238	Very high	5
omers are required to prepare and submit a business it report whenever they apply for a loan to boost their ness	3.78	.45573	Very high	6

ıks asks for personal and business bank statement as t of the requirement for the loan application package	3.77	.46324	Very high	7
ıtomers are required to submit both personal and iness income tax return for the previous three years le applying for a loan	3.77	.45333	Very high	7
ıtomers are required to submit both the current signed ıncial statement and project financial statement	3.75	.46038	Very high	8
ıtomers are required to produce personal credit report part of the loan application process when starting iness	3.73	.44293	Very high	9
tomers are expected to reveal sufficient sources of ɔme for the loan's repayment to commercial Banks ɔre they get any loan	3.71	2.43597	Very high	10
tomers expected to have referees to serve as rantee during loan application	3.54	.65122	Very high	11
tomers are expected to have sufficient personal ncial contribution as compared to the loan applied for	3.51	.71573	Very high	12
ɛrage mean	**3.78**	**3.7848**	**Very high**	

Source: *Primary data, 2012*

Key:

Rating Scale

Mean Range	Response mode	Interpretation
1.00-1.75	Strongly disagree	Very low
1.76-2.50	Disagree	Low
2.51-3.25	Agree	High
3.26-4.00	strongly agree	Very high

Results in table 3 indicate that all items or aspects on lending policies were rated very high (with means ranging from 3.99 to 3.51), all of which fall under strongly agree on the answer range. The most highly rated aspects of lending policies lie in the question of banks asking for collateral security with the documents stating the cost/value of personal or business property (mean=3.99), followed by bank asking for personal background information like name, current and previous addresses, criminal record, education background e.t.c (mean=3.98) and thirdly Banks ask to submit legal documents like business license, article of incorporation, contract or franchise, commercial lease e.t.c (mean=3.90). This implies that Banks have got stringent lending policies which govern loan issuance in order to reduce loan defaulting by offering loans to only those individuals who can properly identify themselves to the banks by proving information about themselves; and this accompanied by the customers providing collateral security gives the bank assurance that it will not make any financial loss in case such a customer fails to pay the loan. Some of the items which did not score to much even although they were rated very high, included the following; banks asking for several referees to serve as guarantee during loan issuances (mean=3.54) and having sufficient personal financial contribution as compared to the loan requested for (mean=3.51). This implies that Banks can not lend a person without any thing, in fact for a person to get any loan he/she must be having an existing business and the loan will serve as a boost but not to start and secondly, any person to access loan, there must be some people seconding the borrower just in case the customer fails to service the loan, these referees will be held liable to settle the loan.

To summarize the whole thing, the degree of lending policies in selected commercial Banks in Rwanda, gave an overall mean index (grand average mean) for all the 12 items on the tool computed, which turned out to have a mean of 3.78, which confirms that the lending policies in selected commercial banks are too strict (very high level) indicating that there is no room for customers to default or intentionally to go and corn Banks.

The level of access to loans in the selected Commercial Banks in Rwanda

The dependent variable in this study was access to loans by female entrepreneurs was broken down into 12 items/aspects. All the 12 aspects on level of loan access by female entrepreneurs in selected commercial Banks were measured using qualitative questions in the questionnaire and each question had an answer scale ranging between one to four; where 1=Strongly disagree; 2=Disagree; 3=Agree; 4=Strongly agree. Customers in selected commercial Banks in Rwanda were required to rate their access to loans against the items by ticking the relevant number in the corresponding box in the table. Their responses were analyzed using SPSS and summarized using descriptive statistics showing means as indicated in table 4;

Table 4:

The level of Credit Access among Women Entrepreneurs in Rwanda

	Mean	Std. Deviation	Interpretation	Rank
from commercial Banks is a steady source of working al	3.98	.24799	Very high	1
nercial Banks charge low interest rate compared to other es of finance	3.90	.52995	Very high	2
is bureaucracy in loan application from commercial Banks	3.55	.76453	Very high	3
ility criteria of commercial bank affect credit access	3.52	.79752	Very high	4
are much document work in the process of loan cation	3.48	.81294	Very high	5
ntrepreneurs have got an upper hand in credit access ared to smaller and young entrepreneurs without collateral ities	3.41	.91668	Very high	6
ot easy for low income entrepreneur to apply for loans	3.40	.94218	Very high	7
always give only short term loans	3.38	.66888	Very high	8
provide given loan to caters for only capital investment	3.04	.34078	High	9
provide enough loans for the entire project	2.80	.86218	High	10
es very short period to access the loan applied for	1.81	1.11021	Low	11
give loan wholesomely applied for	1.80	1.14121	Low	12
iercial Bank helps in the business initiations and operating ies in form of training e.t.c	1.60	.85944	Very low	13
from commercial Banks have easier guarantee than other lternatives	1.14	.54037	Very low	14

est rate ceilings discourage Banks from lending higher-risk wer	1.06	.30010	Very low	15
age mean	**2.79**	**.12838**	**High**	

Source: *Primary data, 2012*

Key:

Rating Scale

Answer Range	**Response mode**	**Interpretation**
1.00-1.75	Strongly disagree	Very low
1.76-2.50	Disagree	Low
2.51-3.25	Agree	High
3.26-4.00	strongly agree	Very high

The means in Table 3 indicate that respondents rated differently the level of loan access among female entrepreneurs in Rwanda on different aspects. For example commercial Banks loans are source of working capital (mean=3.9753), commercial banks charge low interest rates compared to other (mean=3.8951), much bureaucracy in loan application from commercial Banks (mean=3.5494), Eligibility criteria of commercial bank are impediments to credit access (mean=3.5247), much document in the course of loan application (mean=3.4753), Big entrepreneurs have got an upper hand in credit access compares to smaller and young entrepreneurs without collateral securities (mean=3.4136), Bank gives short term loans (mean=3.3765), and low income entrepreneur don't apply for a loan (3.4012) were rated very high as far as the level of credit access is concerned in commercial banks by female entrepreneurs in Rwanda. This implies that female entrepreneurs entire rely on funding from commercial banks in running their business because their interest rates are very low and affordable according to the nature of their business. However, this group of customers (female entrepreneurs) exhibited dissatisfaction in regard to the bureaucracy in loan application.

Loan caters for only capital investment (mean=3.0432) and enough loans for the entire project (mean=2.8025) both equivalent to agree on the answer range, were rate high by female entrepreneurs. Majority of the respondents agreed that the loan received from commercial banks in Rwanda was large enough to cater for only capital investments, this means that banks provide funding to cater for they key areas within the project.

On the duration spent by customers (female entrepreneurs) to process loans, in selected commercial banks were rated as low (mean=1.8148). Provided the customer finishes all the paper work, it would take a very short period for a customer to access the loan he/she has applied for. Secondly, customers also ranked low the item of getting the loan applied for wholesomely (mean=1.8025). This means that the bank will give the loan according to the feasibility of the project and available loanable funds at the bank's coffers.

Commercial Bank helps in the business initiations and operating activities in form of training (mean=1.5988), Commercial Banks have easier guarantee than other loan alternatives (1.1358)and Interest rate ceilings discourage Banks from lending higher-risk borrower (mean=1.0556) were rated very low which is an equivalent of strongly disagree. This implies that customers are not helped in form of training and provision of necessary information for the benefit of the business.

To get a final picture on the level of loan access at, the researcher computed an overall Grand average mean for all aspects in Table, which came out to be 2.79, which confirms that loan access to female entrepreneurs in Rwanda stands at a moderate level (high).

Relationship between existing Lending Policies and the Level of Loan Access by Female Entrepreneurs in selected Commercial Banks in Rwanda

The fourth objective in this study was to establish whether there is a significant relationship between the extent of the existing lending policies and the level of loan access by female entrepreneurs in selected commercial Banks in Rwanda. On this, the researcher stated a null hypothesis that there is no significant relationship between the extent of existing lending policies and the level of loan access among female entrepreneurs in selected commercial banks in Rwanda. To achieve this last objective and to test this null hypothesis, the researcher correlated the means for all aspects of lending policies and loan access using the Pearson's Linear Correlation Coefficient, as indicated in table 5.

Table 5:

Pearson's Linear Correlation Coefficient for Lending Policies in Commercial Banks and Access to credit by Women Entrepreneurs in Rwanda

		Lending Policies	Credit access	Interpretation	Decision on Ho
Lending Policies	Pearson Correlation	1	.323	Positive and significant	Rejected
	Sig.		.000		
	N	14	14		
Credit access	Pearson Correlation	.323	1		
	Sig.	.000			
	N	14	15		

Source: *Primary data, 2012* ***(Level of significance at 0.05)***

Table 5 shows that Lending policies in Commercial Banks and Access to credit by Women Entrepreneurs in Rwanda are positively correlated (r = 0.323). The sig. value indicate that there is positive and significant correlation (sig. = 0.000 > 0.05), leading to a conclusion that lending policies in Commercial Banks significantly influence access to credit among women entrepreneurs in Rwanda at a 5% level of significance.

Therefore the null hypothesis which states that "there is no significant relationship between lending policies in Commercial Banks and Access to credit among women entrepreneurs in Rwanda" was rejected.

Table 6

Regression Analysis of the level of Credit Access by Women Entrepreneurs and the degree of Lending Policies in Commercial Banks in Rwanda

odel	Sum of Squares	df	Mean Square	Adjusted r^2	F	Sig.	Interpretation	Decision on Ho
egression	.277	1	.277	.990	18.679	.000	Significantly effect	Rejected
esidual	2.376	160	.015					
tal	2.653	161						

Source: *Primary data, 2012* ***(Level of significance at 0.05)***

The Linear regression results in Table 6 above indicate that Lending policies significantly affects loan access (F=18.679, sig. =0.000). The results indicate the lending policies (independent variable) on regression model contribute over 99% towards variations in access to loans (dependent variable) in the selected commercial banks in Rwanda (Adjusted R^2 =0.990). This implies that strict lending policies should be put in place and the existing ones be improved if the commercial Banks in Rwanda are to reduce the rate of loan defaulting hence boosting the profitability of these banks and encourage and promote female Entrepreneurs who will boost the economy of Rwanda.

CHAPTER FIVE

FINDINGS, CONLUSIONS AND RECOMMENDATIONS

Findings

The study was done with the main focus of establish whether there is a significant relationship between lending policies and access to credit by female entrepreneurs from selected commercial banks in Rwanda. It was basically guided by four specific research objectives that were set to determine the respondent's profile in terms of age, marital status, level of education, type of business, experience in that business, name of the bank and experience with the bank; to determine the extent of the of existing lending policies in selected commercial Banks in Rwanda; to determine the level credit access among women entrepreneurs in Rwanda and to determine the relationship between lending policies and credit access among women entrepreneurs in the selected commercial banks in Rwanda

Following Data analysis that was done using SPSS's descriptive statistics it was found out that the level of lending policies stands at very high level (mean=3.78). Results also indicated that access to credit amongst female entrepreneurs from selected commercial banks is high for all the aspects of credit access (mean=2.79).

Results using Pearson's Linear Correlation Coefficient found that lending policies and access to credit are significantly and positively correlated at (r=0.323, sig.=0.000). Regression analysis results indicated that aspects of lending policies have got effect towards credit access (r^2=0.990, sig=0.000). On the overall, the aspects on lending policies were found responsible for over 99% towards variations in the access to credit by female entrepreneurs from the selected commercial banks in Rwanda.

Conclusions

In this section, the researcher gives conclusion to the study findings in relation to the study objectives and the tested null hypothesis.

The extent of existing Lending Policies in selected Commercial Banks in Rwanda.

The first objective was set to determine the extent of lending policies in selected commercial banks in Rwanda and it was found out that the level of lending policies in selected commercial banks in Rwanda is very high at (mean=3.78). The main attributes of this level are imbedded in provision of collateral security with the documents stating the cost/value of personal or business property (mean=3.99), availing for personal background information like name, current and previous addresses, criminal record, education background e.t.c (mean=3.98) and submission of legal documents like business license, article of incorporation, contract or franchise, commercial lease e.t.c (mean=3.90).

The level of access to credit by female entrepreneurs (customers) in selected commercial Banks in Rwanda

This objective of the study was set to determine the level of credit access by female entrepreneurs in selected commercial banks in Rwanda and it was found out that the overall level of credit access by female entrepreneurs in Rwanda was high at moderate level (mean=2.79) due to moderate ability of Banks loans serving as source of working capital, charge low interest rates compared to other, bureaucracy in loan application, Eligibility criteria of for credit access, documentation in the course of loan application, provision collateral securities to serve as loan security among others. The fact that the overall picture divulges high level of access to credit by female entrepreneurs in selected commercial banks in implies a lot need to be done in strengthening lending policies so that competent/potential entrepreneurs who are ready to develop the economy are brought on board by getting access to credit to set up and improve their businesses.

The relationship between the existing lending policies and credit access by female entrepreneurs in selected commercial Banks in Rwanda

The last objective was also set seeking for whether there is a significant relationship between existing lending policies and level of access to credit by female entrepreneurs in selected commercial Banks in Rwanda for which it was hypothesized there is no significant relationship between existing lending policies and access to credit by female entrepreneurs from selected commercial Banks in Rwanda. Basing on the findings, the null hypothesis is rejected leading to a conclusion that existing lending policies positively and significantly influence credit access by female entrepreneurs in selected commercial Banks in Rwanda. The justification to this is revealed by the level of significant value that is less than 0.05 for example (r=0.323, sig=0.000). The same results are supported by the Linear regression results which also indicate that all the lending policies influence credit access by female entrepreneurs from selected commercial Banks in Rwanda (F=18.679, sig. =0.000). The same results also indicate that all the aspect on lending policies on the regression model contribute over 99% towards variations in credit access by female entrepreneurs from the selected commercial Banks (Adjusted R^2 =0.990).

Recommendations

Government and the Ministry of Finance

The study realized several circumstances demanding government and the ministry attention in lending policies and improvement of credit access. The access to credit depends very much on the environment prepared by commercial banks. The study noticed that the government holistic system can determine credit access, as the most primary determinant. Such environments are recommended to have the following characteristics to be adhered:

(i) Transparency inform of requirements for credit access especially to new and small businesses/companies and high risk borrowers.

(ii) To make the lending policies easy quick so as to reduce on the time spent by employees in the process of loan application and the too much bureaucracy.

Commercial Banks (Public and Private)

(i) The Banks before extending credit to customers (female entrepreneurs) must be certain whether this person will be in position to utilize and service the loan applied for appropriately. Based on the lending policy, if not partial perceived, there must be maximum considerations as far as project feasibility is concerned.

(ii) Banks should remove interest rate ceilings which discourage Banks from lending higher-risk borrower and second time borrowers. Things like top up loan should be introduced to ensure that these individuals to boost their businesses.

(iii) Commercial Bank should help its customers (particularly female entrepreneurs) in the business initiations and operating activities such as training and capacity building

Customers (Female entrepreneurs)

(i) Loan applicants to should acquire entrepreneurial skills for them to be in position to handle and utilize these loans for the purpose they apply it for. Lack of such skills puts their business at risk. Sometimes, when the most competent entrepreneurs apply for loans can easily be given credit.

(ii) Customers (female entrepreneurs) should reveal/have sufficient sources of income for the loan's repayment to commercial Banks before they get any loan to prevent themselves from ending up in jails due to failure to service their loans.

(iii) Customers are expected to have sufficient personal financial contribution as compared to the loan applied for. In other words, not getting loan to start but to already existing boost business.

Areas for future Research

The study recommends future researchers to concentrate on factors that contribute credit access and credit performance reforms in order to explore the reasons behind reforms more than credit access.

The study recommends future researchers to take attention on the mechanisms for policy improvements so as to involve the needs of customers' in the lending policy, basically other factors that improve credit performance.

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APPENDICES

Appendix I: Transmittal letter from CHDR

KAMPALA INTERNATIONAL UNIVERSITY

Ggaba Road - Kansanga
P. O. Box 20000, Kampala, Uganda
Tel: +256- 414- 266813 / +256- 772 322563
Fax: +256- 414- 501974
E- mail: admin@kiu.ac.ug
Website: www.kiu.ac.ug

OFFICE OF THE HEAD OF DEPARTMENT, EDUCATION
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

Date: 23 Dec. 2011

RE: REQUEST MIGISHA JANVIER MBA/43716/92/DF
TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing Masters in Business Administration.

He is currently conducting a research entitled "**Lending Policies and Access to Credit By Women Entrepreneurs in Selected Commercial banks in Rwanda.**"

Your organization has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with the pertinent information he may need.

Any information shared with him from your organization shall be treated with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan
Head of Department,
Economics and Management Sciences,(CHDR)

NOTED BY:
Dr. Sofia Sol T. Gaite
Principal-CHDR

"Exploring the Heights"

Appendix II: Transmittal letter from The Government

REPUBLIC OF RWANDA

MINISTRY OF LOCAL GOVERNEMENT
P.O .BOX 3345 KIGALI
TEL 583595/FAX: 58227
Website: www.minaloc.gov.rw
20, January 2012

To:
The District Mayors,
The Manager of Commercial banks of Rwanda,

I am writing to keep you informed that KAMPALA INTERNATIONAL UNIVERSITY wishes we received its student, MIGISHA Janvier who is pursuing Masters in Business Administration. The mentioned student is conducting a research entitled "**Lending Policies and Access to Credit by Women Entrepreneurs in Selected commercial banks in Rwanda**"

The purpose of this letter is to facilitate the mentioned student to collect the most appropriate information as indicated in the questionnaires. Any data from you shall be for academic purpose only and will be kept with utmost confidentiality.

Yours faithfully

Dr. MUKABARANGA Alvera
Permanent Secretary in charge of Social Welfare in Ministry of Local Government

Appendix III :Informed Consent

In signing this document, I am giving my consent to be part of the research study of Mr. Migisha Janvier that will focus on work stress and staff performance.

I shall be assured of privacy, anonymity and confidential and that I will be given the option to refuse participation and the right to withdraw my participation any time

I have been informed that the research is voluntary and that the results will be given to me if I ask for them.

Initial:__________________________________

Date:___________________________________

Appendix IV: Research instrument

Questionnaire on lending policies and access to credit by women entrepreneurs in selected commercial Banks in Rwanda

FACE SHEET:

Code#............ Date received by respondent.................

SECTION 1: RESPONDENT'S PROFILE

Age: Below 25_____ 26-39_____ 40-54____ 55 & above_____

Marital Status

Single___ Married___ Divorced___ Widowed ___

Highest Level of education

O-level & Below___ A-level___ Certificate___ Diploma___ Degree___ Postgraduate____

Type of Business

Hardware___

Retail Business___

Cloths___

Agriculture produce___

Saloon___

Stationary___

Drug shops___

Others (Specify)________________________________

Experience in the Business

1year and below___ 2-4years___ 5-8years ___ 9years and above___

Name of your Bank

BPR___ BCR___ KCB___ Kigali Bank___

Branch

Huye___ Nyanza___ Ruhango___ Muhanga___ Nyabugogo___ Remera___

Experience (Duration of transacting business with this Bank)

1 - 3 years___ 4 - 6 years___ 7 - 9years___ 10 years and above___

SECTION 2: DEGREE OF THE EXISTING LENDING POLICIES IN SELECTED COMMERCIAL BANKS IN RWANDA

Please respond to the options and kindly be guided with the scoring system below. Please write your rating in the space provided before each item.

Score	Response Mode	Interpretation
4	Strongly Agree	I agree with no doubt at all
3	Agree	I agree with some doubt
2	Disagree	I disagree with some doubt
1	Strongly disagree	I disagree with no doubt at all

____ 1. To access loan the bank requires me to provide personal background information like name, current and previous addresses, criminal record, education background etc

____ 2. I am required to present to the Bank evidence of management or business ownership and experience before am given the loan

____ 3. I am always asked to attach business plan on the loan application form clearly spelling out the projected financial statement, profit and loss, cash flow and balance sheet

____ 4. A required to produce personal credit report as part of the loan application process when starting business

____ 5. A required to prepare and submit a business credit report whenever I apply for a loan to boost my business

____ 6. I am required to submit both personal and business income tax return for the previous three years while applying for a loan

____ 7. I am required to submit both the current signed financial statement and project financial statement

____ 8. My bank asks for personal and business bank statement as part of the requirement for the loan application package

____ 9. I am asked for a collateral security with the documents stating the cost/value of personal or business property to be used as loan security

____ 10. Banks ask to submit legal documents like business license, article of incorporation, contract or franchise, commercial lease e.t.c whenever I ask for a loan

___ 11. The bank requires down payment of about 20% when purchasing certain assets like vehicle/ land/ house or mortgage insurance as a loan requirement to demonstrate the commitment to purchase and repayment

___ 12. I am expected to have sufficient personal financial contribution as compared to the loan I request

___ 13. I am expected to have several referees to serve as guarantee during loan application

___ 14. I am expected to reveal sufficient sources of income for the loan's repayment to commercial Banks before giving me the loan

SECTION 3: THE LEVEL OF CREDIT ACCESS AMONG WOMEN ENTREPRENEURS IN RWANDA

___ 1. I get the loan wholesomely as I apply for it

___ 2. It takes me a very short period of time to access the loan I have applied for

___ 3. I am given loan which caters for only capital investment

___ 4. I am charged low interest rate from commercial banks compared to other informal sources of credit

___ 5. I get loan from commercial Banks because it has easier guarantee than other loan alternatives

___ 6. I get enough loans for the entire project

___ 7. Loan from commercial Banks is a steady source of working capital

___ 8. I encounter much bureaucracy while applying for loan from commercial Banks

___ 9. Eligibility criteria of commercial bank do not allow me to access credit

____ 10. Because I am a low income entrepreneur it is not easy to apply for a loan easily in commercial bank

____ 11. I fill in a lot of document in the process of loan application

____ 12. Big entrepreneurs have got an upper hand in credit access compares to smaller and young entrepreneurs without collateral securities

____ 13. Interest rate ceilings discourage Banks from lending me because I am a higher-risk borrower

____ 14. My Bank always gives only short term loans

____ 15. Before giving me the loan, commercial Bank helps in the business initiations and operating activities in form of training e.t.c

Appendix V: SAMPLE OF COMMERCIAL BANKS'CREDIT POLICY

BANQUE POPULAIRE DU RWANDA LTD.

CREDIT POLICY

REVIEWED VERSION 23rd September 2011

Marcdj

9/23/2011

This version of the Credit Policy is Approved during the Board Subcommi ee on Credit which has been held on the 22nd of September 2011. This approval has been ra ed during the Board Mee ng on the 23rd of September 2011This documents describes the Credit Policy which should be applied in the Gran ng and Maintenance of Loans. This document is replacing the Credit Policy approved by the BPR board on the 24th of June 2011 and all previous versions of the Recovery Policy.

	Author	Approved By	Date	Changes
0.1	Tom Borghols	N/A	Sept 2008	First Draft
0.2	Tom Borghols	MT	22 October 2008	Second Draft
0.3	Tom Borghols		27 November 2008	Third Draft Branch Managers Comments
0.4	Tom Borghols	Board Credit Committee	12 December 2008	Fourth Draft
1.0	Tom Borghol	Board	12 December 2008	Final Version
1.1	Tom Borghols	Board	20 April 2009	Authorities of Sub Branches included
1.2	Tom Borghols	Board	15 January 2010	Insider Lending HO CC
2.0	Marc de Jong	Board/Board Committee on Credit	25 March 2011	Various Changes in Authorities and Composition of CC. Changes in Paragraph 1.1; 2.5; 2.9;
3.0	Marc de Jong	Board/Board Committee on Credit	24 June 2011	Merging the Recovery Policy with the Credit Policy. Updating Credit Policy with the Regulation No2/2011 of the Central Bank. Changes in Authorization of Sub Branches
3.1	Marc deJong	Board/Board committee on credit	23 September 2011	New Pricing System

Contents

1 INTRODUCTION

The credit policy aims to provide the officers in charge of credit activities with tools of support and permanent consultation in order to manage the activities of credit efficiently. Managers and staff in charge of loans need to have a thorough understanding of all documents related to the service of loan provided to customers. It is also recommended that members of the board of directors of Banque Populaire du Rwanda (is 'BPR' or 'Bank') are familiar with the credit policy and procedures to be able to make the best decisions in granting loans. Moreover, all the people intervening in the loan process, especially managers and credit officers, must:

- Have the necessary competences for these loan functions according to the job description manual of BPR.

- Know the Rwandese banking chart of account as published by the National Bank of Rwanda (is 'BNR').

- Know the banking law and other instructions of the National Bank of Rwanda, the structure of taxes and duties as well as other laws of Rwanda concerning loans.

The document may be amended from time to time, marked as well as written, following developments in BPR

1.1. Purpose of this manual

The credit policy describes the general rules and regulations which must be applied in the granting and management of credits in BPR. The instructions given in order to apply these rules and regulations are described in procedures instructions and product descriptions.

1.2. Related documents

In order to optimize good management of the BPR loan portfolio to the instructions of BNR, a comprehensive loan management system is established. The credit risk management program consists of the present credit policyprocedures for credit granting and recovery of credits and product cards for each type of loan. Also, there is a separate policy paper on granting loans to staff members of BPR. Manuals for new loan products can be developed in accordance with the guidelines of this credit policy and the risk levels tolerated by the bank.

Other related policies are:

- Asset and Liability Management policy
- Anti Money Laundring policy
- Relevant regulations of the Central Bank of Rwanda

1.3. Revision and modi ication of this manual

The validation of BPR credit policy or any proposition for its amendment is effected by the Board of Directors of BPR, following an initiative by the Risk Management Department, which has been approved by the Management Team (is 'MT') prior to sending it to the Board of Directors. However, departments concerned with the loan portfolio of the bank can, on an annual basis, propose amendments to the credit policy which will be analyzed by the Risk Management Department, which determines whether or not a proposal for amendment will be submitted to the Board Committee on Credit.

2. CREDIT PRINCIPLES

This chapter lists the principles that apply to the credit process of BPR.

2.1. Balance between risk and return

This policy aims at maintaining an adequate balance between the risk of granting credit and the return for granting the credit. All (potential) customers and the securities/collateral presented by the customers are rated to indicate the inherent risk of the customer and the quality of the collateral. Pricing of loans is based on these ratings (see 4.1.1). Granting of a loan is mainly based on the customer's capacity to service the loan. This can be demonstrated by a cash flow analysis valuation and assessment of the collateral and an assessment of the integrity of the customer. In order to assess these factors it is obligatory to use the tools which are provided by the bank. Starting point for the granting of credit is a sufficient repayment capacity.

2.2. Balance between risk and effectiveness

The Bank should maintain an adequate balance between the safety of granting credit and the competitiveness and quality of the service offered by the bank regarding the analysis process and the time period of approval. This balance is obtained through a process of analysis proportional to the risk incurred by the bank, i.e. the higher the required amount is and greater the risk, the deeper will be and the requirements by BPR.

Safeguarding the timeliness of the activities in the credit process implies that the Bank must give its decision on a loan application within a reasonable period (see service standards in the product cards) and disburse the funds at the right time the customer needs them. Customers of BPR have the right to present an application for a loan and to receive a response to this one, whether positive or negative, within a reasonable time period.

For a (potential) customer the effectiveness of a loan application depends on the adequacy of the amount (next to the timeliness of the process). For the customer, this means that the granted funds must be sufficient to meet all the financing needs of the customer and that he / she has the capacity to repay the loan and other fees.

2.3. Segregation of duties

Segregation of duties exists between the commercial office and the credit agent.

2.4. Tiered credit approval process

The adequacy of a loan is reviewed and approved (or rejected) according to the credit approval limits as set further in this policy. These approval limits are set by the Board of BPR upon recommendation of the corporate credit committee in accordance with the applicable BNR regulation. All the decisions of the Credit Committees are properly documented.

2.5. Documentation

Duly signed and proper documentation is obtained before granting a loan and is archived by BPR. This documentation includes a justification of the customer's financing needs, an indication of the repayment capacity and copies of official documents evidencing the identity of the customer, as required by the AML policy. The activities performed in the process of granting credits are properly documented and filed (e.g. the review whether a client is known to have been in default as a customer of one of Rwanda's banks). In written correspondence with a customer it is only allowed to use credit documentation which has been issued/authorized by the legal department of BPR.

2.6. One obligor principle

The bank uses a "one obligor principle" in accordance with BNR regulations: all entities that form part of the customer's business are taken into account when determining the creditworthiness of the customer and all loans granted to the customer (and its related entities) is considered. A customer who requests an additional loan whereas he/she already has another loan in the bank can obtain this other loan if he/she proves sufficient refunding capacity and provides suitable guarantees. However, clients with more than one loan are not allowed to have more than one personal loan, next to one or more commercial loans. All loans have to be concentrated in one (sub) branch of BPR.

2.7. Full information

Before granting a loan to a client, full information on the client and all his (or his family's or adjacent companies', as the case may be) loans and commitments with BPR and other banks are obtained.

2.8. Monitoring

All customers are monitored to determine if the loan is used for the originally indicated purpose, changes in the repayment capacity and changes in the value of the collateral (see 4.11.1).

2.9. Credit concentration

The risk management department monitors that the composition of loan portfolio conforms to the strategy and level of risk tolerated per sector and per maturity class. Twice per year the Board Committee on Credit reviews the existing concentrations and determines if a policy is required to reduce the concentration.

The maximum level of direct or indirect debt which BPR can grant to a customer is equivalent to The lowest amount of 10% of the bank's net equity or 30% of the last reported net profit. On a selective basis a deviation of this rule could be considered. However the maximum level of direct or indirect debt to an individual customer will never exceed 25% of the net equity of the bank. For branches and sub branches, the limits of their competence are defined in item 4.3 of this policy. The instructions of the BNR concerning staff loans and related loans are applicable to BPR. A Bank's related party exposure shall not exceed 5% of BPR net worth. Aggregate loans or commitments to employees of the bank should not exceed 15% of its net worth.

In addition, BPR is subjected to the instructions of BNR relating to the standards of division and covering of the risks applicable to the banks and other financial institutions. The Risk Management Department ensures the follow-up and the application of this instruction.

2.10. Asset / Deposits ratio

The Bank is not, allowed to grant a volume of loans that exceeds 80% of its deposits (at consolidated bank level). The measures for monitoring this ratio are included in the ALM policy.

2.12. Client acceptance

Only clients that comply with the AML principles as outlined in the AML policy are granted loans.

2.14. Collateral coverage

Unless stated otherwise on the product card a loan must be collateralized for at least 125% of the value of the loan if the total exposure on a customer exceeds Rwf 2.000.000,=. In order to have any collateral value the collateral should meet the following conditions:

1. Value of the collateral should be determined by a BNR recognized appraiser.
2. The registration of the collateral should ensure that BPR is preferential to all other creditors with regard to receiving any revenues
3. In case of a mortgage the collateral should be registered with RDB .

In all other cases below Rwf 2.000.000,-- the appropriate collateral should be stated in the loan contract but no registration is necessary.
Exemptions to this rule on both product and or individual loan level can only be approved by the head office credit authority or by any other entity which received a written authorization from the executive management team of the bank.

2.15. Provisioning of loans

All loans are categorized and provisioned according to the requirements of BNR for regulatory purposes. Financial Statements will be in compliance with IFRS requirements.

2.16. Regulatory environment

The Bank and its credit process comply with all applicable rules and regulations such as the banking law and other instructions of the National Bank of Rwanda and other requirements (if applicable).

3. SCOPE OF LOAN OPERATION

3.1. Geographical working environment

BPR performs its activities on the Rwandan territory through its branches, sub branches and counters.

3.2. Types of credit facilities

A "credit facility" is a service whereby BPR, in exchange for compensation, lends or promises to lend funds to a person or company, or accepts in that person's interest a signed pledge or another form of collateral taking into account the surety's status.

3.2.1. Credit types

Credit facilities are classified according to predefined credit types. Facilities of each type can only be amended following approval of the modalities in a policy card, by Head Office Credit Committee and by the MT. The different credit facilities are classified as follows:

a. Retail loans: loans for private individuals, such as salary advances and personal loans.
b. Seasonal credits: loans adapted to the seasonal characteristics of rural business.

c. Leasing: a contract by which one party undertakes to provide to another party the right to use a fixed asset at a determined price that the latter pays periodically.
d. Real estate loans: loans for constructing or remodeling residential or commercial buildings.
e. Commercial loans: term loans in anticipation of receipts expected by the customer.
f. Investment loans: medium term loan to finance the investment in material fixed assets.
g. Overdraft facilities: Fluctuating balances within an agreed credit limit until further notice.
h. Bank guarantees: BPR guarantees to irrevocably and unconditionally pay on behalf of the customer to its supplier.
i. Letter of credit: a guarantee issued by BPR that guarantees on behalf of the purchaser/customer to irrevocably and unconditionally finance trade, by paying its beneficiary.

Details and sub types per credit facility are or will be specified in product cards.

3.2.2. Applicable loan periods

BPR grants loans of duration varying from the very short term up to 10 years (15 years for staff loans) according to the types of credit. Credits are classified according to the terms as follows:

a. Until further notice (overdrafts)
b. Short term (up to one year)
c. Medium term (up to 5 years)
d. Long term (more than 5 years)

The maximum loan periods per type of loan are included in the product cards.

3.2.3. Other features

Other features of loans are or will be:

a. Disbursement in local or foreign currency
b. Equal annual installments (possibly preceded by a grace period in accordance with the nature of the project and the anticipated cash flows) or bullet payment
c. Overdraft facility or revolving loan
d. Refinance of a loan. The conditions for refinancing of a loan are specified in the product card.
e. Consortium loans: financing a customer as part of a consortium of several banks (club deal, syndication).

3.3. Categories of borrowers

BPR offers its loan services to individuals or to companies, who fulfill credit related and other requirements for obtaining a credit facility. Borrowers/customers are classified according to the following categories:

a. Retail banking and microfinance: This category includes employees, customers and owners of small projects who are not subjected to the rigor of commercial regulation (craftsmen, small shopkeeper).

b. Small and medium enterprises: Companies or institutions which are officially identified by statutes and a trade register.

c. Corporate and large customers: important customers, recognized as such by BPR because of the size and the organization of their companies as to be defined by the MT. These customers are exclusively registered companies and can forward their applications directly to the head office of BPR.

d. Agri-business: companies/institutions or individuals who are involved in agricultural activities and require financing for these activities, including the financing of cooperatives.

BPR does not finance the sectors and/or customers of a following nature:

- Activities considered illegal under the terms of laws of Rwanda and international laws.
- The nuclear sector and the arms sector.
- Gambling.
- Pornography, prostitution and related industry.
- The manufacture and distribution of drug and related industries.
- Except for cases of restructuring of existing customers it is not allowed to grant loans to customers who have a loan (have loans) in category 3, 4 or 5 or have a written of loan. in BPR or another bank. In order to verify this it is obligatory to verify the status of the Customer in the CRB Africa database or a similar database.
- Customers suspected of tax avoidance or involved in money laundering activities or otherwise refused under the framework of the AML policy.

3.4. Collateral

In order to limit its risk, BPR requires comfort in the form of securities, insurance and/or collateral according to the level of risk of the project to be financed. BPR distinguishes the following types of securities:

a. Personal or corporate guarantees
b. Hard collateral: such as real estate
c. Soft collateral: more liquid collateral, such as cars and livestock

d. Insurance

Details and sub types per security type are specified in the product cards.

4. CREDIT PROCESS

The credit process of BPR consists of the following main activities:

- Interview with the customer (possibly succeeded by an application)
- Visit customer (in case where this is deemed relevant example is the inspection of collateral)
- Write proposal
- Assessment of proposal
- Decision on loan
- Draw credit letter
- Obtain collateral
- Sign loan contract
- Approve disbursement
- Disbursement
- Monitoring of client and his loan and review of the credit application
- Recovery

4.1. Commercial of icers

The commercial officer at the (sub) branch is in contact with the customer and is responsible for the first three activities. The interview with the customer and the visit to the customer result in a proposal that should include details on:

- The customer
- The collateral
- The financials of the customer
- The customer's project
- The market
- Proposed conditions of the credit (see 4.1.1)

The commercial officer is also responsible for obtaining, securing and monitoring the collateral and monitoring of the customer and his loan. The commercial officer monitors all customers and their loans on a daily basis and takes action when the customer does not repay on time, to ensure payment.

The loan contract is signed by the Branch Risk Head (or a delegated credit officer), the (Sub) Branch Manager and the commercial officer. In the case of a loan which falls within the approval authority of the sub branch, the loan contract is signed by the commercial officer and the Sub Branch Manager.

4.1.1. Credit conditions

The conditions of the credit consist of:

1) The base interest rate (N), which is based on the pricing matrix as approved by the Board of BPR.. ALCO and MT may decide to temporarily increase credit rates in case of imminent liquidity deficits. The following table will be used:

Customer rating based on Risk

		Loan history*		Payment capacity (Total installment/net income#)		Collateral coverage (% of the loan)	
	Risk level	indicator	score	indicator	score	indicator	Score
1	low	The customer has always been in class 1 in the last 2 years	5	60% and below	5	more than 150%	3
2	medium	The customer has been in class 2 or has no loan history in the last 2 years	3	61% to 70%	3	131% to 150%	2
3	high	The customer has been in class 3 to 5 in the last 2 years	1	71% to 80%	1	125% to 130%	1
4	very high	The customer has been in class 6 whatever the period	0	more than 80%	0	below 125%	0

* Loan history: according to BNR classification of bad repayment
\# Net income: all other expenses (Family and business) have been deducted
\# Total installment: including existing loans
N = Base rate

Overall risk

	Overall score (sum of the above scores)	Risk level	Interest rate
1	9 to 13	low	N
2	6 to 8	Medium	N+1
3	3 to 5	high	N+2
4	0 to 2	very high	N+3

NB: <u>For salary advances</u>: Apply **N (the base interest rate)** to all salary advances as they have low risk level.

Deviation from the General Pricing

It consists in creating competence levels to deviate from standard pricing for the Individual Customer Owner within our physical distribution network therewith giving such competence to the Branch Management and the overall Network Management.

The price deviation competence levels are:

- Branch Manager: Maximum Deviation from Standard Pricing 1%
- Chief Network Officer: Maximum Deviation from Standard Pricing 2%

II.2.1. Maximum Overall % of individual pricing decision:

As a deviation from standard pricing will have a negative effect on the income per loan the number of individual pricing decision as a percentage of the total number of application should be capped on a branch level (branch + relevant sub branches).

The limit number of accepted loan applications with an individual pricing decision is 5% of the total number of accepted applications per annum.

II.2.2. Exclusions

Not all loan applications are eligible for an individual pricing decision within the process. Excluded from such decisions are at least:

- Loans to BPR staff members and/or their spouses;
- Loans within the category of special arrangements (e.g. local leaders);
- Loans granted in a restructuring process;
- Loans to direct relatives of a price decision maker.

Deviation from the agreed standard pricing for the categories mentioned can only be approved by the Head Office Credit Committee

Corporate loans are obviously also excluded from this retail pricing policy. Given the special character of the corporate customer market the interest rate for this customer segment will be set on an individual customer level in all cases. Relationship Management will propose the price level including an explanation for this proposal. After approval by the relevant line management the Head Office Credit Committee will decide on the rate to be offered to the corporate customer involved.

2) Credit maturity, which is fixed according to the customer's repayment capacity, his/her cash flows and the product features.
3) Applicability of a limited grace period for the refunding of the capital if this is justified by the cash-flow. The grace period is dependent on the loan and has a maximum of one year.

4) Repayment schedule
BPR accepts daily, weekly, monthly, quarterly, annually and bullet installment periodicities according to the specification of the project to be financed, the repayment period, the customer's debt servicing capacity and/or the frequency of income generation of the project and the product features.

5) Applicability of advance payments
Advance payments are negotiable, for loan with single expiry date or loan with constant monthly installment. The customer is charged the applicable commission for advance payments. Such exceptional case must be approved by Head Office Credit Committee.

4.2. Credit officer

The credit officer assesses the proposal drawn by the commercial officer and gives a written recommendation. He is also responsible for drawing the credit letter (the contract) for all loans that are not approved at the sub branch level (see the table below). The credit letter is signed by the Branch Risk Head (or delegated credit officer) and the Branch Manager and handed over to the customer by the commercial officer. Furthermore the credit officer gives written approval for disbursement of loans.

4.3. Credit Committees - Loan decision levels

Working of the Credit Committee
The decision on granting a loan application is taken by the applicable Credit Committee. However a higher ranked Credit Committee will only take an application into consideration if a lower ranked committee has given their positive recommendation. The decision making authority is based on the total exposure of the client (including his/her spouse and taking into account the controlling interest the client has in a company) and the ceiling of the committees. All decisions made by credit committees must be taken in unanimity. If there is no consensus on a proposal the proposal is considered to be rejected. Credit Committees (except the Board Committee on Credit) must convene at least once every week.
Next to deciding upon individual loan applications the branch credit committee addresses the following topics on at least a monthly basis:

- Development of the NPL portfolio
- Local Strategy towards recovery
- Evaluation of the local recovery strategy

The chairman of a branch credit committee is responsible to send the minutes of this meeting ,before the end of each month, to the Head of Recovery and the (Deputy) Chief Network Officer.
Approval Authorities
The authorization level of a sub branch is limited to salary advances or quinzaines up to a maximum of Rwf 4.000.000,=. and. small loans of less than Rwf 100.000. However if circumstances dictate the Branch Manager and/or the EMT can decide to limit or totally revoke this authorization.

The Branch limit is set on a "need to have basis" The decision concerning the authorization levels is made by the Head Office and is based upon:

A) The liquidity of the branch
B) The quality of the branch measured in:
B1) (The development of the) Delinquency rate.
B2) Timeliness and Quality of Reporting
B3) Latest Credit Audit Report
B4) Occurrence of Major incidents
B5) Quality of the staff
B6) The quality of Credit Applications
B7) The commercial performance of the branch
B8) The fact that an adequate number of branches applications should be reviewed by head office credit analysis.

Changes in Branches Authority Levels are made upon by the EMT or a delegated committee. Authorization levels may vary with a maximum of 100 million Rwf. Within the maximum total authorization level The Branch Credit Committee can approve upon loan applications to staff in sub branches (The policy towards granting these loans is addressed in a separate staff credit policy).
The Authorization level of the Head office Credit Committee is set on a total exposure of 300 mio RWF per customer. Up and above this authorization level the Head office Credit Committee can decide upon temporary (up to 1 month) credit facilities not exceeding 10% of the exposure approved by the Board Committee on Credit unless the Board Committee on Credit Explicitly exempted this option in their approval of an application. The Head office Credit Committee should notify the Board Committee on Credit immediately after approval of the facility.
Senior (EMT) members of the credit committee have an individual authority to grant temporary (up to 1 month) credit facilities of RWF 5 mio per customer. Two members of the credit committee combined have the authority to grant temporary (up to 1 month) credit facilities of RWF 10 mio per customer. However after exercising this authority the decision should be ratified in the next Credit Committee.Composition of Credit Committees

Level	Limits and approval Authorities	Responsible	Members
Sub Branch	Limited to salary advances and "quinzaine" up to RWF 4.000.000 and small loans less than 100.000RWF		Sub Branch Manager Customer Care Officer
Branch	Limit set by Head office 1 time restructuring of Credit Facilities in all classes within branch authorization	Branch Credit Committee	Voting Members - Chairman Branch Manager in his absence Branch Risk Head - Branch risk head in his absence or when he is

			acting as Chairman Credit Officer -Recovery Officer. The credit committee should appoint one well qualified staff member who is able to replace a member of the credit committee. This replacement member is not allowed to act as the chairman of the committee. Secretary - Credit officer
Branch	Limited to salary advances and quinzaine up to *RWF 4.000.000* and small loans less than 100.000RWF	Branch Manager	
Head Office	-Until a total exposure of RWF 300 mio per customer Above 300 mio the authority to grant a (1 month) temporary facility of 10% of the approved obligor per customer Loan applications of staff in branches		The CEO is the Chairman of the Credit Committee. He can be replaced by the CRO or the DCEO.Members of the Credit Committee are: -CCO -CNO -CFO -CRO -DCEO -Head of Credit -Head of RecoveryThe minimum quorum required is 4 including the CEO or the DCEO or the CRO.
Board Committee on Credit	All exposures above 300 mio RWF Loan applications by board members/EMT member's relatives to the third degree and companies in which		At least three board members elected by the board for a three years term. The board will appoint one chairman. In the case an application of one of the

	board members own shares and/or have a position in management/executive management.		members of the Board Committee on Credit is being discussed the member must leave the meeting and his voting rights are being suspended.

The Board Committee on Credit can take lending decisions when 2/3 of the members, including the chairperson (or his replacer), are present. The Head office credit committee is allowed to appoint subcommittees however the credit committee is obliged to ratify the sub committee's decisions.
At branch level, credit committees can take lending decision when 2/3 of the members are present (including the chairman and or his/her replacer). At the sub branches, the Sub Branch Manager has to approve the loan proposed by the commercial officer.

4.3.3. Minutes of the meetings

The secretary at every decision making level must have a register of minutes for all necessary information on each analyzed credit application. The minutes are checked and signed by the chairman and the secretary. All decisions are documented on a standardized form and included in the credit file of the loan under decision making.

4.3.4. Monthly report of rejected loan applications

At each first monthly meeting of the branch and head office Credit Committee, the Branch Risk Head presents in the Credit Committee the monthly report of the rejected loan applications following the report of the credit officers.
The purpose of this report is to inform members of the Credit Committee about the loan requests received and analyzed but found unacceptable. This helps in knowing the needs of the customers and to ensure uniformity in decision making.

4.4. Other functions involved in the process

Disbursement is done by the Accountant based on approval from the credit officer. The recovery officer is responsible for recovery of loan for customers who fail to timely repay the loan or pay the interest. The Recovery officers at the branch are responsible for recovery of non performing loans. This activity is captured in the recovery policy and related manual.

5. PERFORMANCE OF THE LOAN PORTFOLIO

5.1. Overall performance of the loan portfolio

The Branch Risk Head of the sub branch provides the reporting officer at the branch with all the relevant information relating to the performance of the loan portfolio. The reporting officer consolidates and analyses this information for management information purposes of the Branch Manager and for consolidation of all branches at Head Office in a frequency as is required by the Risk Management Department. Head Office Risk Management transmits to BNR required reports about the status of its loan portfolio. The Head Office Risk Management department also reports to the Board Committee on Credit.

5.2. Monitoring of customers

5.2.1. Credit Classi ication

Every Credit Facility is Classified according to the following definitions

Class 1: A) The loan is in a Good financial Condition
B) There is Adequate supporting documentation
C) If Supported by collateral the collateral is unimpaired
D) In Case of a loan the debtor is up to date in payments
E) In case of overdraft an unexpired credit line operating within approved limit, interest charges covered by deposits and turnover equivalent to or greater than the approved credit line + interest charges

Class 2: A) There are signs that borrowers future ability to service the account are in danger (also due to market, sector or industry issues)
B) There is evidence of impairment of the collateral
C) In case of a renogiated facility which is up to date in repayments and adequately secured for a minimum period of three months after renegotiating
D) In case of a credit facility with fixed repayment dates when principal or interest is due for 30 days to less than ninety days have been capitalized refinanced or roled over
E) In Case of an overdraft or other facility without fixed payment dates when the credit limit has been exceeded for thirty days to less than ninety days, has not been covered by deposits pr the account had turnovers which did not conform to the business cycle of 12 months.

Class 3: A) Credit Facilities display a well defined credit weakness that jeopardize the liquidation of the debt such as inadequate Cash Flow, to service the debt undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal
B) Credit facilities are not protected by the current net worth and paying capacity of the borrower
C) Credit facilities on which the principal or interest remain unpaid or where the credit line is exceeded or expired for 90 days to less than 180 days.

Class 4: A) Collection of the debt in full is highly questionable or improbable

B) Credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the bank's exposure
C) Credit facilities on which the principal or interest remain unpaid or where the credit line is exceeded or expired for 180 days to less than 1 year.

Class 5: A) Credit facilities that are considered uncollectable or which may have some recovery value but it is not considered practicable nor desireable to defer write off (even though partial recovery may be effected in the future)
B) An account classified in class 4 with little or no improvement over the period it has been classified as such
C) Credit facilities on which the principal or interest remain unpaid or where the credit line is exceeded or expired for more than 1 year.

Class 6 After remaining 360 days in class 5 a credit facility is transferred to class 6, "written off" status

5.2.2. Responsibilities in the Monitoring of Loans

All loans granted by the bank fall under the responsibility of a bank employee. For performing loans the bank has decided to centralize the management of credit facilties with a single customer exposure above 300 mio in the Corporate Department. However the responsibilities of the commercial officers in the corporate department don't differ from other commercial officers.

The commercial officer is responsible for monitoring all the customers and their loans in class 1 and 2. For this they follow up on the daily performance of the loan and take adequate action in case a loan is in arrears.

The recovery officer is responsible for monitoring all the customers and their loans in class 3,4 and 5 and written of. For this they follow up on the daily performance of the loan and take adequate action in case a loan is in arrears.

All single customer exposures remaining in class 1 below RWF 50 mio will be reviewed on a portfolio level on a monthly basis. All single customer exposures above 50mio are revised at least after every subsequent 12 months by the credit committee which authorized the loan. . This revisioning includes interviewing and/or visiting the customer by the employee responsible for the customer. This in order to determine if the assumptions made when the credit was granted are still valid. This includes determining:

- Structural changes in the customer's (personal) situation
- Current status of the project the loan was granted for
- Changes in the credit history of the customer at BPR and other banks
- Changes in the customer's equity
- Changes in the cash flow generated and projections of the cash flow and the customer's capacity to repay

- Changes in the market the customer is operating in
- Changes in the customer rating
- Changes in the value of collateral /securities
- Based on these activities the customer can be reclassified (see 4.1.1), which does not lead to changes in the interest rate. The results of the revision are documented in a predefined form (see credit procedure). All commercial credits are sent to the applicable credit committee for revision
-

5.2.3 Class 1/2 Credit Facilities in Arrears

For class 1 credit facilities in arrears/non complying with covenants the Commercial Officer is obliged to take adequate action. This action involves contacting the customer and discuss possibilities to solve the situation. In case there is no possible solution for the forseable future the loan should be immediately handed over to the Recovery Department and reclassified to a class appropriate for the severity of the situation (at least class 3). The Branch Credit Committee has the authority to approve restructuring of the loan according to the authorization scheme mentioned in Chapter 4.3

For class 2 credit facilities in arrears/non complying with covenants the Commercial Officer is obliged to take adequate action. This action involves contacting the customer and discuss possibilities to solve the situation. In case there is no possible solution for the forseable future the loan should be immediately handed over to the Recovery Department and reclassified to a class appropriate for the severity of the situation. If the loan has been restructured before the loan should be brought back to the classification it had before the last restructuring. The Branch Credit Committee has the authority to approve restructuring of the loan according to the authorization scheme mentioned in Chapter 4.3 and under the conditions mentioned under Chapter 5.2.3.1

5.2.4 Class 3,4,5 Credit Facilities in Arrears

When a credit facility is transferred from class 1 or 2 into the NPL categories 3,4 or 5 all the customer's credit facilities are supposed to be in default it is obligatory that the commercial officer hands over a complete credit file of the customer, containing the original proposal(s), collateral(s), the loan contract(s) and a memo describing all the actions made by the commercial officer towards the customer and the arrangements the commercial officer made with the customer.

The Recovery officer will review the file and come up with a proposal on a course of action towards the file. The proposed strategy always should take care of an improvement of the position of the bank with regard to the maximization of recovery of the outstanding amount. The proposal should be approved by the authorized Credit Committee according to the authorization scheme mentioned in Chapter 4.3 and under the conditions mentioned under Chapter 5.2.3.1.

5.2.4.1 Restructuring of Credit Facilities

An authorized Credit Committee can decide to restructure a credit facility according to the authorization scheme mentioned in Chapter 4.3. As mentioned in Chapter 5.2.3 the decision should be based upon the fact that the position of the bank improves with regard to the maximization of recovery of the outstanding amount. To improve the position of the bank the restructured credit facility meet the following criteria which should be proved in the file:

1. There is clear evidence that the financial position of the borrower can service the debt under the new condition
2. An account classified as doubtful or loss shall not be restructured unless an up-front payment id made to cover, at least unpaid interest, or there is an improvement in the security or collateral taken which will make them restructured account, including unpaid interest, a well secured account.
3. A credit facility other than overdraft shall not be restructured more than twice over the life time of the original facility.

Once a credit facility is restructured it can be reclassified to higher class under the following conditions:

From↓ To→	Class 1	Class 2	Class 3	Class 4	Class 5/Written Off
Class 1	NA	After Restructuring of the Loan	NA	NA	NA
Class 2	After 3 months servicing good servicing of the loan	NA	NA	NA	NA
Class 3	-After all past due principal and interest is repaid at the time of renegotiation -If a renegotiated loan has a 12 months	-After all past due interest is repaid at the time of renegotiation -If a renegotiated loan has a 6 months sustained	NA	NA	NA

	sustained record of interest and principal paymements according to the modified repayment scheme	record of interest and principal paymements according to the modified repayment scheme			
Class 4	NA	-After all past due principal and interest is repaid at the time of renegotiation -If a renegotiated loan has a 12 months sustained record of interest and principal paymements according to the modified repayment scheme	-After all past due interest is repaid at the time of renegotiation -If a renegotiated loan has a 6 months sustained record of interest and principal paymements according to the modified repayment scheme	NA	NA
Class 5/Written off	NA	NA	-After all past due principal and interest is repaid at the time of renegotiation -If a renegotiated loan has a 12 months sustained record of interest and principal paymements according to the modified repayment	-After all past due interest is repaid at the time of renegotiation -If a renegotiated loan has a 6 months sustained record of interest and principal paymements according to the modified repayment scheme	NA

5.2.4.2 Liquidation of Collateral

In the case where restructuring is not possible legal action has to be taken. The decision to take legal action is taken by the branch Credit Committee. The recovery officer is in charge of following up on all files and report to the Branch Credit Committee on a monthly basis.

5.3. Concentration monitoring

The risk management department monitors that the composition of loan portfolio conforms to the strategy and level of risk tolerated per sector, the loans per maturity class and other applicable concentrations. Twice per year the Risk Management department provides the Head Office Credit Committee with an overview of existing concentrations per sector and maturity bucket for reviews. If a policy is required to reduce the concentration in a specific sector or maturity bucket, the committee will make this.

FINAL DISPOSITIONS

Deviations from this credit policy require explicit and documented approval from the Board of Directors. Any employee of BPR who violates the rules of authorization can be suspended. If he/she has benefited directly or indirectly from this violation the employee is subject to disciplinary action. Any contrary disposition former to the present policy or making dual employment is repealed. The present policy comes into force the day of its signature.

Done at Kigali, on 23-09-2011

Appendix VI: Research curriculum vitae

IDENTIFICATION

Surname: MIGISHA

First name: Janvier

Father's name: MWANZI Antoine

Mother's name: ZANINKA Gaudence

Martal status: married

Date of birth: 01/01/1979

Nationality: Rwandese

Home address: Tumba Sector, Huye District in Southern Province

Current address: Cyabakamyi Sector, Nyanza District in Southern Province

Tel : +250788533385, E-mail : migishajanv@yahoo.fr

EDUCATIONAL BACKGROUND

Ongoing: Master's of Business Administration, Kampala International University

2006 – Bacher's Degree in Education from National University of RWANDA – BUTARE

1999- Advenced Certificate of Upper Secondary Education , Shyira Secondary School

1992 – Primary School Certificate from Nyundo Primary School

WORK EXPERIENCE

2006-2012: Sector Social Welfare in Nyanza District

I solemnly declare that the information provided above is true and sincere.