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Credit Management and Financial Performance of Microfinance Institutions in Rwanda: A Case of Vision Fund Rwanda

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ABSTRACT

This study was about credit management and financial performance of microfinance institutions in Rwanda using a case study of Vision Fund Rwanda (VFR) Limited. The study assessed a right resolve on what measures to take when imbalance exists in which there is relatively good credit management vis-à-vis bad financial performance within a microfinance institution over time. To attain its resolve, the study aimed at investigating factors that influence credit management of Vision Fund Rwanda; assessing the impact of credit management challenges on finance performance of Vision Fund Rwanda; and establishing key pointers to increased financial performance of Vision Fund Rwanda. The research used both quantitative and qualitative approaches. It considered a population of 2,800 from which the sample was purposively selected. The researcher, therefore, used judgment to select key persons involved in VFR. The sample selection comprised: Staff who had more than one year of work experience with the microfinance institution; clients of VFR; observers; civil leaders; and policy makers. A sample size of 16 staff, 20 clients, 20 observers, 4 civil leaders, and 4 policy makers, totaling 64 participants was selected. The selection was gender sensitive at least by 50% female and 50% male for a qualitative investigation using both questionnaire and structured interview. Factors that influence credit management include. The impact of credit management challenges on finance performance of VFR are based on two major factors, namely: clientele based factor and organization-based factor. With the organization factor, the challenges include: Firstly, high cost of doing business in reaching out to clients, following them up, and issuing fresh loans. Secondly, technological innovations, and thirdly, competition with other MFI's. On the other hand, the clientele-based challenges include: lack of adequate business skills, the rural nature of business for most part, the tasking loan conditions, and poor business performance for many. Key pointers to increased financial performance of VFR include serve as a point of recommendation for the organization: Awareness campaigns among customers, especially in respect to rigor and appropriate ways of doing business; increased staff orientations and trainings to enhance better performance; engaging with increased rigor in respect to planning; deployment of appropriate management tools; the use of technological innovations. Concerning staff performance, at least two things were revealed in this study: The level of training in this organization on such basic things as key performance indicators is in question, There was need for performance monitoring tools; although, according to the author's finding, VFR has PMT but exploiting its use is the issue. The researcher recommends, among other things, that VFR should open up its marketing more on mobile banking solution. This study was significant to microfinance institutions as the study would add to existing research findings for future reference on microfinance Institutions, enabling managers to work smarter and placing their institutions at more favorable competitiveness in a progressively dynamic business world. It was further critical to potential clients of microfinance institutions, as this study would contribute to the general area of knowledge pertaining to microfinance institutions. It was vital to government leaders and policy makers in their monitoring and evaluating of microfinance businesses, which are not perfect, after all; they make mistakes often-gross mistakes.

Keyword: *Credit, Management, Financial, Performance, Microfinance, Rwanda*

I. BACKGROUND

Microfinance is becoming a global factor; and "its landscape is changing worldwide with institutional transformation, product diversification, and portfolio growth" (Hossain, 2013). "There are different types of Microfinance Institutions (MFIs) operating in terms of ownership, organizational composition, and funding" (Hossain, 2013). This shows, in the researcher's view, that the phenomenon of multifaceted Microfinance in its identity and products calls for a more detailed review of the subject as the implication here is that there is more to it than meets the eye.

The concept of Microfinance Institutions

"Microfinance has a wider meaning than just providing services to clients loans, savings facilities, insurance, guarantees, remittances, as well as non-financial services and products targeted at low income customers" (Hearth, 2018). Interestingly, we realise, it is not a new concept at all in world civilization. "The concept of Microfinance has existed for centuries in the world" (Hearth, 2018). "Most of the Microfinance practices were based on mutual trust and transactions were carried out by numerous traditional and informal systems that have existed in developing countries for centuries" (Hearth, 2018). "Most of the credit transactions were granted without personal or other kind of collateral" (Hearth, 2018).

Microfinance in history

Ironically, Hearth (2018) hails that, "The ancient microfinance clubs were more efficient than any of the financial institutions in the world without transaction cost and were able to recover 100 per cent debt on time". Hearth goes on to cite that, "Far back in 1720 in Bolivia, Bancosol provided microfinance to the poor people. In 1895, Java, Indonesia, operated microfinance activities through the Priyayi Bank" (Hearth, 2018). He adds that, "The informal credit activities 'Susus' in Ghana, 'Chit Fund' in India, 'Trantriers' in Mexico and numerous saving clubs and burial societies operated all over the world" (Hearth, 2018).

Motivation for Microfinance today

The researcher believes that, Microfinance institutions (MFIs) have a calling to bail the poor out of poverty; but MFIs, as banking institutions, are essentially business entities, a fact which places them among profit-focused institutions whose life, unassumingly, depends on profits. This assumption is well articulated by Mersland & Strøm (2014) who observe that "MFIs are measured according to two dimensions (Murdock, 1999). One is their outreach to poor people; that is, their ability to provide poor families access to financial services". They opine that, "This is the MFI's social mission. The other dimension is their financial sustainability, that is, their ability to pay their employees, lenders, and other suppliers, in short the ability to produce a profit from their operations" (Mersland & Strøm, 2014)

This study addressed the following specific objectives:

i. To investigate factors that influence credit management of Vision Fund Rwanda.
ii. To assess the impact of credit management challenges on finance performance of Vision Fund Rwanda.
iii. To establish key pointers to increased financial performance of Vision Fund Rwanda

II. LITERATURE REVIEW

Microfinance institutions across the nations

In the words of Benson (2008), "Microfinance organizations are primarily established as the vehicle to service poor who are unable to access credit from formal financial sources as poor are considered risky and un-bankable." Furthermore, Hartarska & Nadolnyak (2007) argues that, "It is a growing industry and MFIs are now controlling significant private and development aid resources." For Mersland, et. al. (2011), "Many of the microfinance institutions are not shareholder owned, not profit oriented, depend on donors or outside funds; some collect savings from poor and vulnerable clients who are mostly illiterate, and have low or no collateral in obtaining credit." Hartarska & Nadolnyak (2007) submit that "Operations of MFIs are also different in terms of lending technologies such as group lending, individual lending, non-collateralized and collateralized lending with different terms of interest rates" (Hartarska & Nadolnyak, 2007).

Microfinance sector in Africa

In a study they carried out, Lafourcade, Isern, Mwangi & Brown (2005) report that, "The 20 largest MFIs in Africa, as measured by number of borrowers, represent more than 71% of all outreach in the survey." They add, "Interestingly, Ethiopia is home to the two largest MFIs (Amhara Credit and Savings Institution ACSI and Dedebit Credit and Savings Institution DECSI), even though these institutions are only eight and seven years old respectively." Lafourcade, et al submit that, "Overall, MFIs in Africa are dynamic and growing. Of the 163 MFIs that provided information for their study, 57% were created in the past eight years – and 45% of those in the past four." They advance also that, "African MFIs appear to serve the broad financial needs of their clients. Unlike trends in most regions around the globe, over 70% of the reporting African MFIs offer savings as a core financial service for clients and use it as an important source of funds for lending."

Brown, Mackie, Smith & Msoka (2015) reporting on the microfinance landscape of Tanzania observe that, Tanzania has a rapidly developing finance sector, but microfinance provision still relies heavily on semi-formal or informal institutions. According to a recent study by the World Bank, by December 2011 of the 48 formal financial institutions offering microfinance, only 20 were deposit-taking and thus regulated by the Bank of Tanzania (WB 2013), (Brown, et. al.., 2015).

According to Lafourcade, et, al., (2005), The microfinance sector in Africa is rapidly expanding, and institutions have increased their activities. Actually, African MFIs are among the most productive across the globe, in terms of the number of people who borrow with those who save per staff member. MFIs in Africa also indicates that higher levels of portfolio quality, with an average portfolio at risk over 30 days are only 4.0%.

Okurut & Botlhole (2009) report that, In Botswana, like in many other developing countries, there is a dual existence of formal financial sector (FFS) and informal financial sector (IFS). The FFS consists of financial institutions that are regulated which include commercial banks, National Development Bank, Botswana Savings Bank and Botswana Building Society. The IFS institutions include money lenders, Rotating Saving and Credit Associations (ROSCAs), Cooperative Schemes, pawnshops, and professional microfinance

institutions (Okurut & Botlhole, 2009).

In Uganda, however, the growth of the industry has inevitably led to a number of challenges. According to Wright, Graham & Rippey (2003) the large number of MFIs means that available human resources are spread thin, and capacity building is a priority.

Microfinance is concentrated in urban areas, although three quarters of Ugandans are rural; expansion into rural areas will mean that existing MFIs will need new products, delivery systems, and business models. The sector is just beginning to move away from credit and into other products, but a number of major institutions remain overwhelmingly loan driven. While there is an excellent regulatory environment for the small number of larger formal sector institutions (banks and microfinance deposit-taking institutions), the majority of smaller institutions fall under a wide variety of laws, none of them particularly effective in providing appropriate regulation and safeguards. The industry suffers from information asymmetry, as many MFIs' products have complicated and confusing cost structures, which makes comparison of the cost of borrowing from them almost impossible for typical consumers (Wright, Graham & Rippey, 2003).

Microfinance institutions, therefore, provide alternative financial services to the poor with constrained access to banking services. "However, the microfinance loan terms are generally characterized by small loan amounts, short repayment periods and high interest rates (15% - 25% per month)" (Finmark, 2004). "The main microfinance institutions in Botswana include Letshego, Penridge Employee Benefits, Peo Holdings, Blue Employee Benefits, First Funding, Capricorn, non-government organizations (Women's Finance House Botswana; Kgetse ya Tsie, Youth in Development Trust; Emang Basadi; and Kuru Development Trust) (Finmark, 2004)" (Okurut et al, 2013).

Measure of efficiency of Microfinance Institutions In literature, measuring of efficiency of MFI's, commonly experts use total investment spending, total salaries, and credit portfolio as financial items by which to compute (Yılmaz, 2014). The horizon of microfinance is "changing across the world with their funding profiles. They are normally not owned by typical shareholders since MFIs depend on different entities such as donors, socially responsible investors, commercial investors, philanthropic organizations, individuals, commercial institutions, and retail savings" (Pugliese, 2010).

Rwanda financial sector

The banking sector has continued to be the largest sub-set of Rwanda's financial sector with 66.7% (in increase of 1.2%) of the total financial sector assets. In the same framework, total assets of banks increased by 15.1%, from Rwf 2,685 billion in December to Rwf 3,091 billion, compared to the increase of 12.9% recorded during the previous year. In terms of numbers, the banking sector saw no major changes: As by the end of December 2018, the banking sector consisted of 11 commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank. The banking sector operates a network of 189 branches, 175 sub-branches and 156 outlets across the country (MINECOFIN Rwanda, Budget Framework Paper 2019/2020-2021/2022, 2019).

Microfinance institutions (MFIs) remain an important component of the financial sector especially its role of driving financial inclusion. In 2018, the total number of MFIs reduced from 473 to 459 as result of two acquisitions - CLECAM Ejoheza acquired a network of 6 CLECAMS and Umutanguha Ltd acquired CLECAM Wisigara, Inzira Butare and CT Murambi Ltd. In December 2018, total assets of MFIs stood at Rwf 279.5 billion indicating growth of 14% from Rwf 247.7 billion compared to 10% in the previous year. According to the financial inclusion survey (Finscope 2016), around 2 million adults had/used Umurenge SACCO accounts for saving or borrowing in 2016. The improved growth of total assets of MFIs mainly reflects increased growth of deposits of 16% from Rwf 124.1 billion to 144.4 billion) where customer deposits remain the main source of MFIs funds.

Total outstanding loans by MFIs increased by 19% from Rwf 138.3 to Rwf 164 billion as of December 2018 (MINECOFIN Rwanda, Budget Framework Paper 2019/2020 2021/2022, 2019).

III. MATERIALS AND METHODS

The target population consisted of 2,800 from which the sample will be purposively selected. Based on simple random sampling and purposive sampling techniques, the sample selection comprised staff who have more than one year of work experience with the institution, its clients, observers, civil leaders and policy makers. As indicated in Table 3.1, a sample size 16 staff, 20 clients, 20 observers, 4 civil leaders, and 4 policy makers – totaling 64 participants were selected. Selection was gender sensitive at least by 50% female and 50% male for a qualitative investigation using both questionnaire and structured interview.

IV. RESULTS AND DISCUSSIONS

Table 1 What Constitutes Motivation to Improved Financial Performance in Respondent's View

S/№	Respondents	No of Respondents	Percentages (%)
1.	Solid commitment to ethical values	1	6%
2.	Very strong motivational pressures	1	6%
3.	Commitment to financial standard values	9	56%
4.	Good credit performance	2	13%
5.	Other	3	19%
Total		**16**	**100%**

Source: Primary Data (2021)

In regard to what constitutes motivation to improved financial performance, according to Table 1, a ratio of 56% of the respondents believed it was commitment to financial standard values. Yet, 13% believed it was good credit performance. Meanwhile, six percentthought it was solid commitment to ethical values. Another six percent held that it was verystrong motivational pressures that constituted improved financial performance. However, three percent of the staff felt that there were other reasons: citing, for example, the roles ofcash flow analyses, and availability of performance monitoring tools (PMTs).

Table 2 Respondent's Best Way to Assess Financial Performance of an Organization

S/№	Respondents	No of Respondents	Percentages (%)
1.	Donor support analysis	0	0%
2.	Key performance indicators (KPI)	4	25%
3.	Cash flow analysis	10	63%
4.	No one specific assessment method	2	13%
	Total	**16**	**100%**

Source: Primary Data (2021)

In so far as best way to assess financial performance of an organization is concerned, the respondents, according to Table 4.7, indicated that cash flow analysis was the best thing toconsider by 63%. Meanwhile, a ratio of 25% thought it was in key performance indicators(KPI). However, 13% differed, citing no one specific assessment method was to be regarded as best proposal when it comes to assessing financial performance of an organization like VFR. Waiting for donor support analysis was considered wrong and irresponsible approach.

Table 3 If VFR's Financial Performance Is Often Lower Than Credit Management Performance

S/№	Respondents	No of Respondents	Percentages (%)
1.	Yes	6	38%
2.	No	4	25%
3.	Not Sure	6	38%
Total		**16**	**100%**

Source: Primary Data (2021)

Seeking if VFR's financial performance is often lower than credit management performance revealed in Table 3, Yes, it is true that financial performance is often lowerby 38% and that no one is clearly aware if it is so by equal measure of 38%. However, thosewho thought it was not true that financial performance is often lower were 25%. This, meant
that those who say 'Yes' and those who were not sure implied there were lax tendencies inthe financial performance docket of the organization compared to what goes on in the creditmanagement docket.

Table 4 If Staff Respondent Has Access to Rwanda National Policy for MFIs

S/№	Respondents	No of Respondents	Percentages (%)
1.	Yes, and I have idea of the content	8	50%
2.	No, but I do have idea of the content	4	25%
3.	No, and I don't have any idea of the content	4	25%
	Total	**16**	**100%**

Source: Primary Data (2021)

If staff respondent had access to Rwanda National Policy for MFIs, Table 4 reveals that50% of the staff had both the access and the idea of the content. A ratio of 25% had no access to the policy. Another 25% had no idea of the content. This means that at least 50%of the staff operate without clear understanding of what the national policy is comprehensively about.

Table 5 Indicator(s) that Staff Considers as Reflecting Good Financial Performance of VFR

S/№	Respondents	No of Respondent	Percentages (%
1.	Accounts receivable performance	2	13%
2.	Revenue patterns and collections per week	3	19%
3.	The ending receivables level	2	13%
4.	Availability of performance monitoring tool (PMT)	8	**50%**
5.	Not sure	1	6%
	Total	**16**	**100%**

Source: Primary Data (2021)

Concerning what indicator(s) the staff considered as reflecting good financial performanceof VFR, Table 5 reveals that availability of performance monitoring tool (PMT) was ontop by 50%. That ratio is followed by revenue patterns and collections per week which earned 19%. An equal ratio of 13% was shared between accounts receivable performance and the ending receivable level. Yet 6% of the staff was not sure of the indicators that reflected good financial performance of the organization. At least two things are revealed in this assessment, according to the author: (1) The level of training in this organization onsuch basic things as key performance indicators is in question, (2) There is need for performance monitoring tools; although, according to the author's finding, VFR has PMTbut exploiting its use is the issue.

Table 6 What Clientele Thought Was Indicators of Good Financial Performance of VFR

S/№	Respondents	No of Respondents	Percentages (%)
1.	Ability to extend their services to the rural areas	4	20%
2.	Ability to facilitate staff on duty with transport, etc.	7	35%
3.	Ability to pay staff better and in time	6	30%
4.	The evident indication of good public relations	2	10%
5.	Not sure	1	5%
	Total	**20**	**100%**

Source: Primary Data (2021)

Concerning what indicator(s) the clientele considered as reflecting good financial performance of VFR, Table 6 reveals that ability to facilitate staff on duty with transport,etc. was on top by 35%. That ratio is followed by ability to pay staff better and in time which earned 30%. A ratio of 20% followed which advocated for ability to extend their services to the rural areas. That was followed by the evident indication of good public relations by 10%. Yet 5% of the clientele was not sure of the indicators that reflected goodfinancial performance of the organization.

Table 7 Clientele's View on What Factors Influence Financial Performance of VFR

S/№	Respondents	No of Respondents	Percentages (%)
1.	Its policy on its savings	1	5%
2.	Its policy on its investments generally	5	25%
3.	Its policy on its receivables	2	10%
4.	Its policy on its expenditures	3	15%
5.	Not sure	9	45%
	Total	**20**	**100%**

Source: Primary Data (2021)

In regard to what factors influence financial performance of VFR, according to Table 7,a ratio of 25% of the respondents believed it was its policy on its investments generally. Yet, 15% of the clientele believed it was the policy on its expenditures. Meanwhile, 10% thoughtit was the policy on its receivables. Another five percent held that it was its policy on its savings. However, a whopping 45% of the staff they were not sure. This was to be expected,since matters of financial performance are more technical in nature than can be a subject ofevery common person's discussion.

Table 8 In Clientele's View How VFR Should Adjust to Enhance Its Financial Performance

S/№	Respondents	No of Respondents	Percentages (%)
1.	Provide rigorous training to its financial performance staff	1	5%
2.	Work with strict observance of national policy requirements	1	5%
3.	Work with ending receivables level in mind	0	0%
4.	Deploy and engage performance monitoring tools (PMT)	3	15%
5.	All of these	15	75%
	Total	**16**	**100%**

Source: Primary Data (2021)

Table 8, VFR clientele's view on how the organization should adjust to enhance its financial performance, revealed that, providing rigorous training to its financialperformance staff is important only by five percent. Working with strict observance of national policy requirements was equally important by same ratio of five percent. Workingwith ending receivables level in mind was deemed unimportant by a score of zero percent. Deploying and engaging performance monitoring tools (PMT) was deemed important by 15%. However, a consideration of all these factors was deemed significant by a whopping 75%. Similarly, in view of the researcher perception, each of these exercises would be required in a more meaningful manner – based on training and good financial practice.

Table 9 Distribution of respondents of VFR Observers et al. by education

S/№	Respondents	No of Respondents	Percentages (%)
1.	Post Graduate (or its Equivalence)	4	29%
2.	Graduate (or its Equivalence)	10	71%
3.	Advanced School Certificate (or its Equivalence)	0	0%
4.	Ordinary Level School Certificate (or its Equivalence)	0	0%
	Total	**14**	**100%**

Source: Primary Data (2016)

Table 9 reveals that the clientele of VFR is remarkably well-educated with 29% holdersof post graduate degree (or its equivalence); a ratio of 71% holders of graduate degree (or its equivalence). This team was considered remarkably capable of responding to the questionson the questionnaire assigned to them.

If Cash Flow Analysis at VFR Usually Find Right Financial Entries

One person thought that, a cash flow analysis should give a continuity picture of the cash surpluses. He said, if there were mishaps on this, it could affect the general performance image of the finance of the organization. But he did not know if such practice of mishaps were available in VFR. One woman thought such occurrences were possible in VFR, depending on the level of professionalism involved among the accounting staff. Otherwise,it is not uncommon that organization's Accounts often appear healthy when in actual sensethe situation is devastating. Another woman said, she knew from experience that sometime,however, VFR had had cash shortfalls in its credit management; this, she affirmed, were often turned around to be signs of consequent successes – but in credit management.

If VFR Deploys Strategy That Promotes Diversity

Five of the respondents agreed that, 'Diversity management brings with it varied factors ofinstitutions, different cultural values, and high autonomous degree which is enjoyed by strong subsidiary'. They wondered if this was carried out in VFR by design or by situationalpressures. Otherwise the tendency of contextualization of management is usually made possible only because local staff are involved at the managerial level and, as such, they practice what is culturally known and acceptable among them.

One person concurred and discussed that contextualization with the mind of diversity wasa key to positive performance. He said, indeed this would contribute not only towards expected performance, concurring with authors who contend saying, "But also for the presence of factors that are related to socio-psychological power-related and financial burdens to sustain" (Gotsis & Kortezi, 2015). One respondent observed that this diversity sometimes serves the opposite purpose, bringing with it differed imbalances and disparities.

If VFR's Financial Performance Is Often Lower Than Its Credit Management Performance

One policy maker observed that, cases in which financial performance is lower than creditmanagement performance in a microfinance institution depends largely three things: (1) the level of training the institution offers its staff. If this is either lacking or insufficient, one can expect any manner of diversion from normalcy. The remedy is to provide trainingsand such are trainings that are authentic to the service delivery expected. (2) Another thingis the kind of supervision available in the Accounting department. If the supervision doesn'thave a sense of precision, it will either get satisfied with substandard work or could end upconfusing an established line of focus; and the staff end up operating in the dark. The remedy is staff complaint and request for assignment reviews. (3) Lastly, there could be a grave mistake at the level of organizational emphasis. If there is imbalance across the entire structure – so that there is lack of focus on what to expect, this will affect policy design, task assignment, work supervision, and consequently task delivery. Remedy is regular meetings, reviewing of audit counsels, and whistle-blowing for policy reviews.

The respondent's rating of the overall functionality of VFR in Rwanda

Table 10 Observers' rating of the overall functionality of VFR in Rwanda

S/№	Respondents	No of Respondents	Percentages (%)
1.	Excellent by 100%	0	0%
2.	Very good by between 90 and 100%	10	43%
3.	Good by between 70 and 90%	2	14%
4.	Fair by 70% or below	2	14%
	Total	**14**	**100%**

Source: Primary Data (2021)

The observers (See S/No 2 in Table 9) said, even though it is often hard to secure a loanfrom VFR, once you have got the money, the organization will help you make headway byoffering professional counseling and often securing market for your produce. To this end, they rate VFR by 90 to 100%. The policy makers (See S/No 3 in Table 4.28) thought VFRhas tried to work hard and could score between 70 to 90%. Civil leaders, for their part (SeeS/No 4 in Table 4.28) thought that VFR in its organizational culture, is hard to influence by members of civil leadership. The civil leaders thought it is because by policy VFR gives more allegiance to its donors. Their rating of the overall functionality of VFR among the civil leaders in Rwanda is about 70% and below. This assessment means that the Observeret al. rating of the overall functionality of the organization in Rwanda is as good-and-above-good by a whopping 85%.

V. DISCUSSION

Factors that influence credit management of VFR

Factors that influence credit management include: The partnership pressure between MFI and their funding NGO's, type of the loan issued, conditions attached to the loan, the abilityof accounting staff deployed, type of financial system and tools used, availability of financial management supervisor, motivation of staff, presence of diversity of management,presence of clientele awareness campaign and follow-up.For example, MFI borrows money from NGO in order to lend to clients in the system of 'bridge loan'. The NGO partner (MFI) is regarded as a customer of the NGO. The final beneficiaries of the 'bridge loan' are the MFI who are customers of the NGO. To qualify for these loans, NGOs are required to provide a guarantee (piece of land, pledging of property, vehicles, etc.).

Customers or beneficiaries from MFI who get Individual loans are granted usually for business development on the basis of compulsory savings with the Microfinance institution.They can also get Surety loan which can either be 'a loan to group' or 'a group loan.' The'loan to group' is a loan used to help the members of group of 5 to 30 people who carry outtogether or individually income generating activities. There are two types of 'loan to group'that are loan to 'group of entrepreneurs' and loan to 'business groups. 'The conditions attached to a loan. The study finds that compulsory saving are often requiredas collateral for micro credit. When business is slow on the part of the client that affects financial performance of the MFI. Other conditions attached to loan issuing include: (1) Amount: the amount of a loan depends on the needs expressed by the customer, his/her ability to run an activity to generate income to meet repayments, and his/her morality. (2) Repayment period: the repayment period of a loan is 2 years. Each borrower may requesta grace period of 1 to 6 months. In some cases, the assessment of the grace period is left tothe general management. The duration of reimbursement may go up to 5 years and 12 months grace period. (3) Repayment periodicity: the repayment periodicity can be monthly,bimonthly, quarterly or semi-annually. (4) Service charges: service charges consist of interest rate and administrative fees.

Concerning staff performance, at least two things are revealed in this study: (1) The level of training in this organization on such basic things as key performance indicators is in question; (2) There are need for performance monitoring tools; although, according to the author's finding, VFR has PMT but exploiting its use is the issue.

The rationale for formulating a redesigned National Microfinance Policy Implementation Strategy

(NMPIS) is to provide Rwanda with a realistic framework that defines the principles, objectives, sub-strategies and key lines of action for the country's microfinance subsector for five years. This policy articulates that, "The NMPIS has to ensure that growthof the microfinance sector continues and increasingly contributes to financial inclusion, thus facilitating economic growth and poverty reduction.

In order to foster the sound development of microfinance, the Government of Rwanda is committed to promote an enabling environment, including macroeconomic stability and a transparent and fair legal system. A conducive, stable macroeconomic and policy environment provided by the appropriate government entities is necessary to underpin a proper financial system. The primary macro-level entities are the MINECOFIN, the BNR and the RCA.

The government is also committed to support improvements in the legal framework for collateral, taxation, and business registration and promotes the enforcement of contracts. The policy promises that, "Where needed, the government will build the capacity of its keyinstitutions and expose its staff to information concerning the relevance, possibilities and limitations of microfinance".

Most MFIs lack the financial means to pay for external training and consultancy. MFIs aredependent on the free or almost free trainings offered by AMIR, RCA and others. The policy affirms that, "Practically all the offer of training and capacity building is funded withdonor money".

In a rapidly expanding market, the exchange of loan client information is crucial for risk management and contributes to maintaining sound loan portfolios." The policy urges that,"With banks, insurance companies, telecom providers and MFIs reporting to it, the CreditReference Bureau has become a successful part of the meso infrastructure."

In regards to human resource development of MFIs in Rwanda, the policy urges that, enhancing the supply of basic and advanced microfinance training is a key priority. Ideally,training programs are demand driven and distinguish between advanced and less advancedMFIs as well as between staff, management and board members. Also, trainings should beaccessible to MFIs within and outside Kigali. We foresee different roles for the different stakeholders to offer a suitable and complete training offer.

VFR has to ensure qualified accounting staff deployed. The organization has to ensure useof approved financial system and tools are used professionally. There has to be competitivefinancial management supervision. The organization has be vigilant on approved key performance indicators (KPI) and approved credit processing procedure. The accounting situation must always ensure there are correct and timely indications of every record, be itmonthly earnings, earnings per share, state of cash flow, return on investment, gross margin, return on capital employed, return on net asset, or sales growth. To attain all these, FVC is to ensure there are effective financial planning, effective financial adherence to rules, effective financial regulating, effective risk management undertaking, and effective credit management supervision.

The impact of credit management challenges on finance performance of VFR The impact of credit management challenges on finance performance of VFR are based ontwo major factors, namely: clientele based factor and organisation-based factor. With theorganisation factor, the challenges include: Firstly, high cost of doing business in reachingout to clients, following them up, and issuing fresh loans. Secondly, technologicalinnovations, and thirdly, competition with other MFI's. On the other hand, the clientele-based challenges include: lack of adequate business skills, the rural nature of business formost part, the tasking loan conditions, and poor business performance for many.

Such impacts themselves are divided into two: positive and negative impacts. The negativeimpacts include: low monthly financial returns, low morale among staff and which can affect the customers as well; low financial performance. On the positive note, the impacts include the fact that challenges provoke a hunt for solutions. Turning challenges into opportunities connotes high leadership acumen for potentially progressive organizations.

Key pointers to increased financial performance of VFR

Key pointers to increased financial performance of VFR include: Awareness campaigns among customers, especially in respect to rigor and appropriate ways of doing business; increased staff orientations and trainings to enhance better performance; engaging with increased rigor in respect to planning; deployment of appropriate management tools; the use of technological innovations with equal match to create awareness among clients on the use and benefits of these innovations; the inclusion of equipment and material packages in dealing with clients to inspire dedication and performance; and creating of fair competitive spirit among customers where they are prompt with payments of their loans and proving industrious.

VI. CONCLUSION

Managing credit in the best way possible is significant to any banking company – includingmicrofinance institutions. Complementarily, good financial performance of any banking institution ought to be basic to its continuity, so must it be with the financial practice of microfinance institutions anywhere. Yet, indeed, when it comes to microfinance institutions, there are times when their credit management is fine but their financial performance turns out to be wanting; so that they have to source for help from their stakeholders in order to be bailed out over time. A situation that undermines independenceand sustainability of an institution and establishes risks. The issue at hand was, therefore, the need for assessing a right resolve on what measures to take when imbalance exists in which there is relatively good credit management

VII. FUTURE RESEARCH

In terms of further research on related topic, the research proposes: “Risk-taking andfinancial performance of microfinance institutions in Rwanda”.

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