

ABSTRACT

In this study researcher investigated the relationship between effectiveness of financial systems and economic growth in selected MFIs in Rusizi District Rwanda. It was carried out with the specific objectives to determine the profile of the respondents as to age, gender, highest level of education, and professional experience, determine the level effectiveness of financial systems in selected microfinance institutions, determine, the level of economic growth, and lastly, to establish relationship between the effectiveness of financial systems and economic growth in selected MFIs in Rusizi District, Rwanda. The study was conducted through the use of descriptive survey design and involved quantitative approach. SLOVEN's formula was also used to determine a sample size of 174 respondents from 250 targeted populations and the sampling was done by the use stratified random sampling technique. Self administered questionnaires were used as research instrument and Content validity Index was used to ensure validity and reliability of research instruments. The ensured the ethical and logistic considerations of research and both qualitative and quantitative were used to analyze data using statistical techniques such as mean and Pearson correlation matrix. Findings indicated that financial systems in terms of levels of loans in selected MFIS is still low with average mean of 2.43; level of economic growth in form of level of income and capital accumulation is high with average mean of 2.62. Findings also indicate positive significant relationship between financial systems and economic growth ($r = .794$, $P < .000$) at .05 level of significance. The study concludes that there is a positive significant relationship between Effectiveness of financial systems and economic growth. The study therefore recommends that Micro Finance umbrella organization be established and given strong support by Government and donors as a body to give guidance to the industry.