The aim of the study was to investigate the contribution of microfinance institutions in sustainable growth and development of SMEs in Rwanda. Objectives of the study were to determine the contribution of MFIs in the development of small and medium enterprises in Rwanda, to evaluate the challenges faced by SMEs in accessing credit and to examine the effective utilization of credit offered to SMEs. The study provided the government with the needed information in designing a policy framework to enhance the development of the SME industry. It also enlightens the public on the role MFIs play in the SMEs sector. The study used a combination of qualitative and quantitative research methods, questionnaires, interviews were used to collect data, and data collected was analyzed, summarized, and interpreted using descriptive statistical techniques such as total score and simple percentage. Study finding include: SMEs have made major contribution to the national economy in areas like Job creation, poverty reduction and Trade, however, they still face a number of challenges like access to capital. Financial institutions should create favorable and formidable business environment, creation of client-oriented and easy to access products.