

**UMURENGE SAVINGS AND CREDIT COOPERATIVES AS BUILDING BLOCKS  
FOR SOCIO-ECONOMIC DEVELOPMENT OF RURAL RWANDA**

Dr. Isaboke Peter Kennedy Nyataya <sup>1</sup>

<sup>1</sup>(Senior Lecturer and Director of Academic Affairs and Quality Assurance, University of Tourism, Technology and Business Studies, Rwanda)

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**Abstract:** *The study was conducting with a view to having a better understanding how in general KAVISACCO of Kagogo Sector of Burera District of Rwanda has contributed towards the enhancement of socio-economic lives of its members and that of the residents of the area in general. Besides, the identification of the challenges of the SACCO and measures that can be adopted with a view to overcoming the challenges faced. The explanatory research design was adopted for the study. The total population for the study was 4572, members of the KAVISACCO. In determining the representative sample size, the researcher applied the Alain Bouchard's Mathematical Formula. Hence, 92 respondents were selected for the study. Data were obtained from primary sources and secondary sources using interview method and questionnaire method. The members/beneficiaries of the SACCO were noted to have been able to lead a better living, had increased their incomes through the establishment of income generating activities; mobilised savings and opened personal bank accounts; they were able to raise school fees for their school-going children and managed to purchase household property such as furniture, land, houses, solar equipment, beds and beddings, clothes and food. The present researcher is of the view that KAVISACCO should explore the possibility of increasing the amount of money given to its beneficiaries as loans to make somewhat adequate to enable them enough room to use in expanding their respective income generating activities. The SACCO should organise regular sensitisation and training programmes with a view to creating conscious-awareness among them in all aspects pertaining to the benefits and services the SACCO is rendering. Members and beneficiaries of KAVISACCO should be encouraged to continue sharing their respective and relevant skills. Besides, they should diversify their business investment projects. The local government should provide clear guidelines directed towards ensuring SACCOs, in general, are able to manage themselves well and according to the set standards, if they want to remain relevant in the area and its surrounding environs. Hence, it can be conclusively stated that KAVISACCO is/has acted as a building block for the socio-economic development of the people of Kagogo Sector and the people of Burera District in general.*

**Keywords:** Umurenge SACCOs, Building blocks, Socio-economic Development

**Research Area:** Social Science

**Paper Type:** Research Paper

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## **1. BACKGROUND OF THE STUDY**

Poverty is an overarching problem in Africa which is deeply rooted in rural areas. Despite rapid urbanisation, over 70 % of the poor still live in rural areas and up to 45 % of the people of the African continent live in absolute poverty (ADB, 2008). About 90 % of the people of Rwanda are poor and live in rural areas. Agriculture and agriculture-related activities being their mainstay with limited access to credits and other financial services from commercial banks or micro-finance institutions mainly due to demand for securities (guarantees). Through Rwanda The National Dialogue Meeting of December 2008, an initiative was made of

introducing at least a cooperative society in all the sectors in all the districts of the country, as a development strategy to ensure equal access to the rural population.

Fairbairn and Hammond (1997) observed that financial cooperatives are created in situations where people cannot obtain essential services from investors' owned firms. In addition, Fulton and Hammond (1992) identified that financial cooperatives may reduce the obstacles faced by the farmers or other people and encourage them to create income-generating activities, hence, participating in poverty alleviation efforts.

A SACCO (saving and credit cooperative) is a financial institution under the cooperative form. It is a legal entity, in which individuals save their money and can get loans to invest in various other income generating activities. The basic structure of SACCOs and credit unions is what differentiates them from banks for they are user-owned financial intermediaries. Members typically have a "common bond" based on geographic area, employer, community, industry or other affiliation (MINICOFIN, 2007). Each member has equal voting rights regardless of the deposited amount of money or the number of shares owned. The principal products of SACCOs are savings and credit, however, some offer money transfers, payment services and insurance; they sometimes join together to create second-tier associations for the purposes of building capacity, liquidity management and refinancing; these second-tier associations can play a useful role in monitoring.

Mavenga (2010) noted that a SACCO is an easy way of organising a community to save and recycle savings in a given locality. The nature of a SACCO being that it is local, mobilises savings from within the community and profits are shared among members in the form of loans. Hence, it is community owned and community managed. This mutually achieved success helps not only in building a sense of ownership and pride in a given area but also creates a culture of saving and investing, as observed by McAuthur and Stuard, (1993).

According to Henderson (2006) is of the view that SACCOs need to be strongly supported in political terms by secondary structures such as the Ministry of Commerce and the Ministry of Local Governments. In addition, governments need to facilitate alliance formation between SACCOs and MFIs so SACCOs are able to delegate functions to their respective secondary structures in order to benefit not only from economies of scale and scope but also provide their clients with the opportunity to upgrade in order to access larger loans. The creation of such cooperatives is being promoted in urban and rural areas in order to improve the socio-economic development of communities (MINICOM, 2006). This development is sustainable if members of these cooperatives get access to financial services in general. However, at present adequate knowledge of these important financial institutions which have so far proven their worthiness in enhancing rural communities' livelihood and economy, is lacking and data on the same is very scanty.

### ***1.1. Statement of the Problem***

Inadequate of lack of financial resources is one of the major problems facing poor households. The emergence and development of microfinance institutions, the SACCOs inclusive, has been gaining its popularity in providing financial services to the poor ever since their inception in 2009 as an instrument for antipoverty development programmes. The ultimate aim of Rwanda's long-term development plan is to transform the country into a middle-income country by the year 2020.

At Kagogo Sector, KAVISACCO has been observed to have created a remarkable impact on the enhancement of people's saving culture and hence, facilitating them in accessing

loans which in the long run has enabled their households to invest in various activities and projects.

Despite the existence of such financial cooperative services in the sector, it was found that there is paucity of literature on their operations and the magnitude of the impact the SACCO services have had on the development of this rural community; how loans are accessed and utilised with a view to attaining the ultimate aim, socio-economic development of the people in the area. Besides, the extent to which the SACCO has become part of the solution for financial problems of the rural community of Kagogo Sector is well understood and known. Hence, it against the aforementioned backdrop, the present researcher decided to undertake the present study in order to have a better understanding on how KAVISACCO has effectively and positively transformed the socio-economic lives of its members/beneficiaries through the execution of its planned and unplanned activities.

### ***1.2 Objectives of Study***

The main objective of the study was to understand how KAVISACCO has contributed towards the enhancement of socio-economic lives of its members in particular and that of residents of Kagogo Sector in general.

#### ***1.2.1. SPECIFIC OBJECTIVES***

- To identify KAVISACCO's benefits directed towards its members.
- To examine the challenges faced by the SACCO
- To seek the respondents' views on how to improve operations of the SACCO in the selected area

### ***1.3 Significance of the Study***

The findings of the study will be presented in a form report and the copy of the same shall be shared with the management of KAVISACCO. Hence serving as database and reference document to facilitate the management in decision making on matters concerned with activities of the SACCO. The local leaders might find the outcome of the present study to be of use to them and therefore adopted them as a base for initiating advocacy and related activities in seeking more membership and support for the selected SACCO and other would-be emerging SACCOs in the area and its surrounding environs. Through the data gathered for the present study, the members of KAVISACCO will be able to have a better understanding the important role their SACCO is playing towards their own socio-economic development and that of others in the area.

The study, too, will add value to the existing literature on SACCOs in general and KAVISACCO in particular and therefore, benefiting academics as well as researchers as study reference material.

### ***1.4 Scope of the Study***

The study was carried out on KAVISACCO which is operating in Kagogo Sector, Burera District of Northern Province of Rwanda. It covered the between 2013 and 2017 for this is the period in which the SACCO was perceived to be active, besides, the availability of relevant data on the SACCO and hence, for the study.

## **2. OVERVIEW OF SAVING AND CREDIT COOPERATIVES**

Studies conducted on saving and credit cooperatives have shown that countries of the world with high membership include the United States (87 million), India (20 million), Canada

(11 million), South Korea (4.7 million) and Japan (3.6 million). By the end of 2006, there were 46,377 credit unions in 97 countries around the world, which, collectively served 172 million retail members with over US\$1.1 trillion in terms of assets. Today, a good number of credit unions are existing with a view to furthering not only sustainable community development at local but also at international level as well. Saving and credit cooperatives are known in different countries by different names, for example, in a number of countries in Africa, they are referred as savings and credit cooperative organisations (SACCOs), with an emphasis on savings before credit.

The nature of financial services that a credit cooperative provides depends on, to some extent, its size. The Vancouver City Savings Credit Union in Canada, for example, by the end of 2002 had more than 340,000 members and \$10.5 billion assets, had forty-two branches and provided to its members with every kind of financial service that was available. Credit unions have not only played a distinct and significant role in providing financial services to Canadians but also in the small business sector and are, the second largest lenders to small businesses in the Canadian economy (World Bank, 2008).

SACCOs in Africa are intended to offer alternative development approaches directed towards improving the desirable situations in low-income countries. They are community membership based-financial institutions that are formed and owned by their members with a view to promoting and enhancing their members' economic interests, hence, contributing favourably to the Human Integrated Development.

## *2.1 Savings and Credit Cooperatives*

Financial Cooperatives or savings and credit unions have specific values, including self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. In the pursuit of these values, the cooperative movement has developed principles that guide the transaction of their activities, as noted by Fulton and Hammond (1992) and on which brief description is indicated in the preceding paragraphs.

*2.1.1 Voluntary and open membership:* Open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination;

*2.1.2 Democratic member control:* They are controlled by their members who actively participate in setting their policies and making decisions. Members have equal voting rights (one member, one vote). Democratic control requires that credit unions be sensitive to issues that affect ordinary members because it is the ordinary members who control credit unions;

*2.1.3 Member economic participation:* Members contribute equitably to capital, and democratically control, their business interests;

*2.1.4 Autonomy and independence:* They are self-help organizations controlled by their members. If they enter into agreements with other organizations or raise capital from external sources, they do so on terms that ensure democratic control by members and maintain their co-operative autonomy;

*2.1.5 Education, training and information:* They provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives;

**2.1.6 Co-operation among co-operatives:** They serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures;

**2.1.7 Concern for community:** They work for the sustainable development of their communities through policies approved by their members. These principles have been adopted internationally as guidelines for all type of co-operatives including credit unions.

## **2.2 Commercial Banks**

The regulatory structure of the financial services sector plays an important role in the operations of banks and credit unions. For banks, individuals and personal businesses constitute a large share. Their clients include municipalities, farmers, the non-profit sector and those doing business. Commercial banks provide credit needs to big businesses with larger and usually more complex credit needs. The said banks are regulated by Central Banks with three main goals: protecting depositors' funds; ensuring the maintenance of cash reserves and promoting the efficiency of the financial system through competition. They are closely held together and owned by foreign companies. Government controls the size of starting capital owned by banks which are exempted, keeping in line with the provisions of the free trade agreement.

## **3. SAVING AND CREDIT COOPERATIVES' PLACE IN DEVELOPMENT**

McAthur and Stuard(1993), have pointed out the major developmental role played by cooperatives in the modern world as mentioned below.

### **3.1 Economic Role**

The economic role involves the provision of opportunities for improved incomes to members. Besides, playing an important role in the economies of countries, as evidenced by their market share of the GDP, cooperatives are used as a tool to help alleviate poverty. They facilitate access to credit, procurement and storage, distribution of inputs and marketing of products. Hence, cooperatives supplement the functions of state credit institutions and marketing corporations. In general, the main economic activities in which cooperatives have ventured in include agriculture, fishing, financial services, production and labour, mutual guarantee or insurance, in retail and wholesales, housing and public services.

## **4. SOCIAL ROLE**

The social role includes protection of members from risks not only through mitigating risks and solving social problems but also by improving living and working conditions of farmers and factory workers: providing their members with financial services with a view to facilitating them with needful in responding to unexpected problems; making production and consumption credit available to small-scale producers and agriculturists; offering production, health, funeral and life insurance and protecting consumers from adulteration of commodities; taking other social responsibilities such as providing care to the aged, children and handicapped, and the creation of employment for socially disadvantaged population as well.

### **4.1 Political Role**

In democratic countries, cooperatives express their views on different issues concerning their communities' welfare such as environmental conservation and the provision of services such as health care, education, the creation of employment and taxation, amongst others. Above

all, they defend the interests of their members and that of the public in general. For instance, consumer cooperatives set standards for consumer protection. The contribution of cooperatives to civic life is embedded in the fact that they are viewed and serve as schools of democracy. The principles of voluntary and open membership, as well as democratic membership control, ensure cooperatives are seen as schools of values comprising honesty, transparency and equity.

## **5. MICRO-FINANCE SECTOR IN RWANDA**

Financial sector reforms in Rwanda started in 1994 with the establishment of five banks. The Central Bank of Rwanda embarked on strengthening prudential supervision and regulation of the financial sector. The National Bank of Rwanda also began comprehensive annual inspections of all banks. With a view to supporting the mobilisation of long-term savings, the Government set up a working committee to spearhead the establishment of the Capital Market Advisory Council to help develop the Capital Market in Rwanda, facilitate the trading of debt and equity securities and enable securities transactions, as well as perform regulatory functions over the Rwanda Securities Exchange (MINECOFIN,2009).

*At present, Rwanda's financial system is dominated by the banking sector, which has witnessed the significant transformation. Changes that have taken place are in connection with the number of institutions, ownership structure and regulatory landscape. The said developments were supported by the Central Bank of Rwanda within the framework of systemic stability as supervision and regulation with efforts to ensure that only fit and proper institutions were granted banking license. Other changes included the entry of international and regional players into the sector as shareholders and competitors. To date, the banking sector comprises nine commercial banks, three microfinance banks, one development bank and one cooperative bank (BNR, 2009).*

Besides, the banking sector expansion, in 2008, witnessed Urwego Opportunity Bank (UOB) licensed as a microfinance bank in 2007 after more than a decade of smaller scale operation in Rwanda and in 2008, the conversion of the Union des Banque Populaire du Rwanda (UPBR) into a cooperative bank. In 2010, three of the larger microfinance institutions, for instance, Ageseke Bank, Unguka Bank, Zigama Credit and Savings Society obtained their respective banking licences.

### **5.1 Emergence and Development of Saving and Credit Cooperatives in Rwanda**

Saving and Credit Cooperatives (SACCOs) is not a new concept in Rwanda. Diverse small SACCOs and “Banque Populaire du Rwanda” (BPR), the most important credit union, have a long history in the country, However, despite that, SACCOs coverage remain quite limited, with only 3% of the population saving with all MFIs in general, SACCOs included, a situation identified as major factor hindering economic development during the National Dialogue Meeting held in December 2008, which, then, recommended the creation of at least one SACCO at the level of each Administrative Sector as noted by Kantengwa (2009).

In 2008, there were 125 MFIs consisting of 112 COOPECS and 3 limited liability companies, which number confirms the degree of attractiveness of the COOPECS model to the entire microfinance sector. The geographical distribution of MFIs in Rwanda is not uniform for they are mainly concentrated in major towns of the country such as Kigali, Muhanga, Musanze and Nyamagabeer of them followed by Huye, Gicumbi and Rusizi with medium numbers and Ngoma, Rubavu, Nyagatare and Karongi with the least. All MFIs are required to

use the public credit bureau managed by BNR, in all new credit with a value in not exceeding 200.000 RWFs and to check the credit history of any applicant beyond this threshold(ibid).

Umurenge SACCO is a micro-financial institution under the cooperative form and as such, it is viewed as a cooperative which operates in the financial system; it is a legal entity, in which individuals save their money and can get loans in order to invest in various activities. The basic structure of the Umurenge SACCO and credit unions is what differentiates them from commercial banks. They are user-owned financial intermediaries and members typically have a “common bond” based on geographic area, employer, community, industry or other affiliation. Each member has equal voting rights regardless of the deposited amount or number of shares owned. The principal products they offer are mainly savings and credit, though some facilitate money transfers, payment services and insurance. Besides, SACCOs, at times, come together with a view to creating second-tier associations for the purposes of building capacity, liquidity management and refinancing.

### ***5.2 Essential Qualities of Umurenge SACCOs***

Studies conducted by various researchers and scholars have shown that rural population is unattractive to banks. Notably, that that has brought out in clear terms is the fact that Umurenge SACCO can provide access to members of the population who could normally neither save through the formal sector nor be able to physically access traditional financial institutions such as commercial banks more often than not due to locality and deposit restrictions. Savings is one of one of the main products of Umurenge SACCOs. Unlike most of the microcredit institutions, SACCOs provide saving products which offer interests and returns to their deposits, which enhance individuals’ income streams which then can be either be reinvested or withdrawn for other use.

Umurenge SACCOs have a solid base for small saving accounts which tend to create stable as well as relatively low-cost funding sources. The stability that they portray enables them to gain, to a large extent, a high level of confidence with existing financial institutions in particular and with the financial sector in general. As the level of confidence increases and does the use of financial products provided. Well-established and run Umurenge SACCOs are known for having low overhead and low administrative costs, which enable them to make loans at interest rates that are lower than those charged by other micro-credit providers.

## **6. SAVING SCENARIO IN RWANDA**

FinScope Rwanda (2008), in its study on the Rwandan financial sector revealed the following: only 47% of the adult population was found to be served by both formal and informal financial institutions, which included SACCOs and other MFIs; 54% of the adult population saved in various forms; 70% of those who claimed to be saving, keep their money at home in secret hiding places and were not making using of any of the formal or informal financial products meant for saving. Besides, it was noted that the most common form of saving amongst Rwandans was through tontine or ikimina membership (39% of those who save).It was observed, too, that the most important benefits for this kind of individuals who were using the aforementioned form of informal saving products seemed to be social rather than financial oriented, for their membership provide them with the opportunity to exchange ideas in the course of their socialisation. Other types of informal savings products identified were such as individuals giving money to their fellows for safe keeping (14%), Agricultural co-operative savings (10%) and employer saving schemes (1%). Discernible also was that formal saving product consumed by Rwandans who saved included making savings at banks (26%) and savings at an MFI/SACCO (5%). Brought to light, too, were the reasons that make Rwandans

to save. Among the mentioned were: to cover unexpected medical expenses (49%); putting money away to ensure that daily living expenses could be covered during hard times and dealing with other related emergencies.

### **6.1 Loans Provided by SACCOs**

Umurenge SACCO provides loans to members with a view to enabling them to invest in various economic activities that can lead to the generation of more activities and hence, more incomes in order to develop themselves and be able to afford the basic needs for their families. A number of loans are available and issued by Imirenge SACCOs, the notable ones are discussed in the paragraphs that follow.

#### **6.1.1 Open-Ended Loans**

This form of loans allows the members of Umurenge SACCO to make payments and charges or cash withdrawals. They exercise credit limits and are flexible loan products that provide the consumer with options. On an open-ended line of credit, a borrower is required to only pay interest if a balance is kept at the end of the statement period. As pointed out by Nahayo *et al* (2013), one of the benefits of an open-ended line of credit is that the credit limit can be increased if the card is managed responsibly.

#### **6.1.2 Closed-Ended Loans**

These are loans that are set from the beginning of the loan. The members of Umurenge SACCO can make payments into but cannot take money out. The money is loaned at a set amount and the member agrees to make payments towards the principal and interest. It is also referred as instalment loans, in which the borrower can make additional principal payments and pay them off early, however, once paid one does not have access to the equity in the property that one may have purchased. Typically, the early years of the loan are primarily interest and principal is paid towards the end of the loan period. The only way to access equity is to sell the property or to get a new loan, that is, refinance. Common types of closed-ended loans include mortgage loans, auto loans and student loans (*ibid*).

#### **6.1.3 Secured Loans**

They are a form of loans that rely on an asset as collateral in which a borrower (a member of Umurenge SACCO) can take possession of the asset and use it to cover the borrowed loan. The interest rate for such loans may be lower than those of unsecured loans and the asset may need to be appraised before a borrower can secure loans.

#### **6.1.4 Unsecured Loans**

Such loans may be more difficult to acquire and have high-interest rates. In order for a member to qualify for such loans, to a large extent, depend solely on a member's credit history and business income. In case of default, the lender has to exhaust collection options including debt collection and lawsuit so as recover the loan.

## **7. MICRO-FINANCE INSTITUTIONS' PLACE IN DEVELOPMENT**

Microfinance is a movement whose main objective is to see a world in which as many poor people and near-poor households as possible have had permanent access to an appropriate range of high-quality financial services. Traditionally, commercial banks have not been providing financial services such as loans to clients with little money or source of income due to the fact that costs incurred in processing loans have been high. Besides, the poor have had few assets that can be secured by banks as collateral. One may argue that they have land,

however, most of them do not have their land title deeds that they can pledge as collateral. Hence, the said leaves banks with no recourse against defaulting borrowers for when the poor borrow, they often rely on relatives or local money lenders whose interest rates are high and are accused of usury. It is, therefore, the role of microfinance institutions to ensure that the poor also have access to finance for productive purposes, as observed by Adams and Graham (1984).

Robinson(2001), summarises the role of microfinance institutions : Improving financial security; Facilitate growth of enterprises;Allow storage of excess liquidity for future use;Improve the livelihoods of low income earners and those of their dependents;Help people of low income reduce risk, improve management, and realize high return on investments and ensure social change through empowering women and changing gender relations in the community and households. Fisher *et al.*, (2002), rightfully, pinpointed that Micro-Finance Institutions (MFIs) can facilitate the poor people to work their way out of poverty by delivering financial services through appropriate mechanisms. The microcredit is necessary but not enough for microenterprise development, its promotion and the success of microenterprises depends on the whole range of resources, for instance, natural resources, human resources and financial resources. It has been noted that implementers of credit schemes have taken the claim that their work will eventually lead to progressive social change, for example, through empowering women and change in gender relations in society. Fairbairn and Hammond (1997) state that financial services are not the panacea for poverty alleviation, but other strategies are needed for the very poor who need food and employment before they can make use of financial services. Formal financial institutions are regulated and supervised, offer a wide range of financial services, and control branches of the network and can extend across the country as well as internationally. However, they have proven themselves to be reluctant to adopt social missions and due to their high cost of operation often cannot deliver services to the poor or to populations in remote areas.

- Study Area, Material and Methodology
- Profile of KAVISACCO

KAVISACCO is a savings and credit cooperative which was established on 11<sup>th</sup> September in 2009 under the initiatives of the Government of Rwanda and authorized to operate in Kagogo Sector of Burera District by the National Bank of Rwanda on 05/01/2012. The savings and credit cooperatives (SACCOs) are the financial institutions charged to collect funds from their members for saving and developing financial literacy. On the hand, the funds collected are used for lending to their members as credit that will be payback in accordance with respect of payback principles pre-elaborated by financial institution Umurenge SACCO and in the practice regarding all types of cooperatives (Minecofin, 2009). The major preoccupation of all Umurenge SACCOs and their objectives are to promote their members for regular savings, borrowing, as the major financial services needed.

### ***7.1 Vision of KAVISACCO***

KAVISACCO's Vision to reduce poverty its members in particular and the people of Kagogo Sector in general through the provision of financial services to them.

### ***7.2 Mission of KAVISACCO***

KAVISACCO's Mission is to encourage its members to do regular saving to enable them to acquire for themselves credit services and other non-financial essential services for improving and ensuring sustainable life conditions.

### **7.3 Objectives of KAVISACCO**

The general objective of KAVISACCO is to contribute on the improvement of the socioeconomic status of the households with no access to financial services and hence, facilitating them the necessary and constant assistance to enable them to execute their respective chosen projects.

### **7.4 Location of KAVISACCO**

KAVISACCO is located in Kagago Sector of Burera District, 25 Kilometers from Musanze Town Centre.

### **7.5 KAVISACCO'S Main Activities**

KAVISACCO's main activities are savings and credit mobilisation. Credit facilities offered to its members/beneficiaries are such as agricultural credits, business credits, livestock credits and bank overdrafts. The aforementioned credits are taken from deposits: individual deposits; cooperative deposit and care group deposits.

## **8. RESEARCH DESIGN**

The explanatory research design was adopted for the present study.

### **8.1 Source of Data**

The data for the study was obtained from primary sources and secondary sources as well.

### **8.2 Primary Data**

This includes data obtained from the respondents of the study who included KAVISACCO Members and staff through interviews conducted by the researcher and questionnaire administered, too.

### **8.3 Secondary Data**

Secondary data was drawn from journals, reports, published books, reports and internet articles searches.

### **8.4 Methods of Data Collection**

For gathering data for the study questionnaire method and interview method as well were employed.

### **8.5 Questionnaires Method**

The questionnaire was prepared scientifically and accordingly and, distributed to the staff of the SACCO under study.

### **8.6 Interview Method**

The researcher conducted in-depth interviews with the members/beneficiaries of the KAVISACCO with a view to getting their experience and perception on how financial and financial related services offered by the SACCO have helped improve their socio-economic development in particular and that of their households in general.

### **8.7 Population Study and Selection of Representative Sample Size**

The total population for the study was 4572 people who were the members of KAVISACCO. Hence, in determining the representative sample size, the researcher applied the Alain Bouchard's Mathematical Formula, which was then found to be 92 respondents.

### **8.8 Analysis of Data**

The collected data were tabulated manually, classified and analysed with the help of content analysis, frequency distributions and percentages were used in reporting the findings

## **9. FINDINGS**

The respondents' age, gender, marital status and level of education were looked into with a view to finding out not only whether they had any influence on members' use of financial services obtained through the selected SACCO but also any effect on their overall socio-economic development.

It was noted that the majority (68.5%) KAVISACCO members were male. However, Goodland *et al.* (1999), observed that women have a special position in the use of microfinance due to the fact they are often viewed as among the poor, who, again, make substantial contributions towards the general development of any given area. The fact that Women are found to be the main actors in the microfinance sector, this could be as result of their seen concern about the welfare of their household members and hence, their active involvement in activities that would enable them earn some income that could assist them in meeting their day-to-day basic needs but also the acquiring of other services such as health, education and land.

It was discernible that half (50.0%) of the respondents belonged to the age-group 36 to 45; 21.7% of them were between 25 and 35 years old; 16.3% were below 20 years old and those above 50 years old comprise 12.0% of the total respondents covered in the study. The majority of respondents being adults, this could then, mean that these are the people with the ability to negotiate the terms of loans provided apart from being able to acquire for themselves products that they are comfortable with. These are the people are well regarded and who command a great deal of respect in the community and from the leaders of the community as well. Hence, conditions that believed that can lead to the minimisation of chances for loan defaulting. The MFIs are also noted to be hesitant in providing loan facilities to the youth due to the fact viewed as being mobile in the community for they are likely to change to new locations before even completing the repayment of their respective borrowed loans. Thus, the MFIs concentrate on mature people who may have land titles are permanent residents of the area concerned and who are well established in the area.

It was worth noting that: the majority of the (77.2%) of the respondents were married, 16.3% of them were single; 6.5% widowed and none of them was divorced. The aforementioned finding demonstrates clearly that the married respondents are the most utilisers of the loans provided by the SACCO in the picture, probably, because they are viewed as being more stable, steady and can be trusted when it comes to repayment of loans than any of the remaining of the marital categories identified by the study. It was also found that women formed the majority beneficiaries of loans and were to a large extent, their husbands encouraged them to do so in order to enable them as family to start up business projects or pay school fees or even purchase household items and they, in turn, assist them in repaying the borrowed loans.

It was established that the majority (66.3%) of the respondents have acquired primary school, 18.5% have secondary school certificates, 13.0% illiterate, 9.8% have trained professional certificates and only 5.4% have attained university education. The respondents'

level of education attained is an indication the area under the study is rural with limited employment opportunities for the educated community members. The educated respondents could have been civil servants or individuals working with the microfinance institutions in the area.

Noticed also was the fact that the majority (63%) of the respondents were farmers, traders made 23.9%; professionals 6.5 %; civil servants 8.7% and artists 2.2% of the total respondents. The sources of income for the respondents help in determining the access, sources and utilisation of the MFI services. The civil servants and the professionals aside, most of the respondents were found to be self-employed and hence, making them the right people who required small amounts of money to invest in their respective small businesses.

It was observed that the majority (51.1%) of the respondents claimed that they had saved less than 100,000 Ruffs; 22.8% (100,000-300,000Rwfs); 15.2% (301,000-500,000Rwfs); 6.5% (501,000-800,000Rwfs) and only 4.3% had saved more than 800,000 Rwandan Francs. Data for the study also indicated that the majority (81.5%) of the respondents had current accounts with the KAVISACCO whereas the remaining (18.5%) had saving accounts. Brought to light was that the majority (59.8%) of the respondents received loans amounting below 200,000 Rwfs; 29.3% (200,000- 400,000 Rwfs); 7.6% (401,000- 800,000Rwf) and 3.3% obtained between 801,000-1,000,000Rwfs from the SACCO covered under the study.

Regarding the type of assistance extended to the beneficiaries of the SACCO, 34.8% of the respondents said that the staff of the SACCO helped them to select profitable projects for their respective investments; 40.2% indicated that the staff made follow-ups on business projects of their members and collect loan repayments from the borrowers. 25% of the respondents stated that the SACCO provides guidelines to beneficiaries in terms of planning and in the feasibility of their respective businesses. The aforementioned technical assistance enabled the beneficiaries to run business projects effectively and efficiently, hence, reducing the number of would-be failed projects. Some of the respondents pointed out that the acquired loans from the SACCO in terms of physical items such as agricultural inputs such as seedlings, fertilisers and hired land, which repayments were to be done after harvesting the cultivated crops.

Another notable observation was that 46.7% of the respondents invested their loans in agriculture and livestock; 41.1% in starting businesses; 7.6% on transport projects and 4.3% of them in housing projects. Hence, as it can be seen from the aforementioned projects, it is indeed the acquisition of capital from the SACCO that enabled the respondents to start up the indicated income generating activities which led to the increment of their respective incomes.

As concerns the amount of money generated through the projects established and run by the respondents, the study revealed that the majority(55.4%) of the respondents had earned themselves a monthly income of fewer than 50,000 Rwfs; 35.9 % earned between 50,000 and 100,000Rwfs ; 5.4%,101,000 to 150,000Rwfs and only 3.3% of them earned more than 150,00Rwfs from their respective projects.

Therefore, from the foregoing, it can be rightly stated that the amount of incomes earned through the established projects by respective households is an indicator of the socio-economic development of people any given area. The income earned is viewed as a contributing factor towards the need and the utilisation of family assets, for the larger the family, the higher the demands for the basic necessities of life such as foods, clothing, shelter

and education. It is during the period when there is more demand than the supply of these needs that the household heads, seek alternatives to enable them to provide for their respective families. It is also noted that one of the key objectives of the SACCO under the study was the provision of services and extend its support to the economic activities taken up by its beneficiaries with a view to helping raise the incomes of their households.

It noteworthy mentioning here that all the respondents (100%) claimed that they are now able to afford their needs such as food and clothes; 41.3% of them are able to pay for their health insurance; 32.6% are able to meet school fees for their school-going children; 23.9% have been able to expand their businesses and 2.2% improved state of their houses. Hence, it is evident that the members of the SACCO have progressively improved their social and economic status in the present community. Accessibility to health insurance, food and clothes, School fees for their children's education and improved housing conditions, ability to purchase household items such as modern beds, beddings, sanitary wares, utensils and hoes among others, a pointer towards their much-improved wellbeing in general, as result of the facilitation received through the SACCO in picture.

The respondents revealed that they face several challenges ranging from lack of loan collateral; inadequacy of the amount requested for a loan; short time for the loan payment to the long process, it takes to acquire loans. It was noticed that the SACCO demanded for collateral or security as a prerequisite for accessing loans and yet, most of the would-be beneficiaries happened not have any kind of collateral in sight. The majority (34.8%) of the respondents cited that lack of security as a key challenge they faced while accessing the loans from the SACCO. The long procedure followed in accessing the loan was also mentioned by 14.1% of the respondents as another challenge. Besides, the period between the receipt of the application and the actual disbursement the loans were noted to be long for the clients. The respondents, too, expressed their dissatisfaction with the initial amount of loan disbursed to them by the SACCO for they found it not quite enough for the business ventures that intended to undertake. The saying often resulted into the beneficiaries changing from the initially planned investment to make to others that were totally new to them and hence, often, leading to failure to recovery loans issued.

On suggestions to be adopted with a view to overcoming the challenges they faced while accessing the requested loans and proper utilisation of the loans, 60.9% of the respondents proposed to the SACCO to reduce the interests charged on the acquired loans; 17.4%, wanted the SACCO to increase the amount of money given to the Clients as loan so as to allow them to expand and diversify their investment opportunities; 13.0%, felt that it will good to them if the SACCO would issue the requested loans in time and 8.7%, were of the opinion that the SACCO should increase the period for loan repayment to allow the growth of the established enterprise to facilitate the said repayment. Too, the SACCO should continuously sensitise and educate their clients and its would-be clients on the importance of loans, their utilisation and their timely repayments as well.

## **10. RECOMMENDATIONS**

Based on the new understanding and knowledge acquired through the study, the present researcher is of the view that KAVISACCO should explore the possibility of increasing the amount of money given to its beneficiaries as loans to make somewhat adequate to enable them enough room to use in expanding their respective income generating activities. It is indeed necessary and counter productive should the SACCO organise regular sensitisation and training to be disseminated to the present and its would-be member's cum beneficiaries with a view to

creating conscious-awareness among them on all aspects pertaining to the benefits and services the SACCO is rendering leading to the individual as well as collective development.

Members and beneficiaries of KAVISACCO should be encouraged to continue sharing their respective and relevant skills with one another. Besides, they should diversify their business investment projects instead of concentrating on only on one project.

The local government should provide clear guidelines directed towards ensuring SACCO, in general, are able to manage themselves well and to the expected standards in all their programmes and activities if they are to maintain their present relevance in the area and its surrounding environs. The government should help in the sensitising the community on the importance of SACCOs in the present society.

## **11. CONCLUSION**

Savings and Credit Co-operatives play an important role in the socio-economic development of the people, they provide avenues for members to save regularly and borrow for productive as well as welfare purposes. Just like any other cooperative organisations, are guided by known and acceptable practices, fundamental principles, philosophy and values of cooperative movements world all over’.

SACCOs have the potentials for effecting the intended change to all, especially those in rural areas at all levels: individual level, household level, community level and enterprise level as well. The intervention of SACCOs can lead to increased personal savings, increased enterprise, increased assets and income. Besides, they can be used as appropriate tools for empowering its members in terms of the need skills in business management, in increasing household assets and income, in improving household health care and nutrition, in ensuring improved education and creation of jobs. It is against the said backdrop, the present study was chosen and conducted with a view to highlighting the contributions that KAVISACCO has made directed towards the socio-economic development of its members in particular and the community in general, besides, its surrounding environs. This was evidenced by the fact that the members of the SACCO under the present study were noted to have been able to lead a better a living, had increased their incomes through the establishment of income generating activities, mobilise savings and opened personal bank accounts. In addition, they were able to raise school fees for their school-going children and managed to purchase a household property such as furniture, land, houses, solar equipment, beds and beddings, clothes and food. Hence, it can conclusively be stated that KAVISACCO has played a significant role towards the socio-economic development of the people of Kagogo Sector and the people of Burera District in general.

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