The Effect of Umurenge Saving and Credit Cooperatives Services on Poverty Reduction in Rwanda

The Case of Icyerekezo Mushishiro Sacco (2015-2019) in Muhanga District

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Abstract

This study was conducted for achieving these specific objectives; To assess how regular saving deposits services received by Icyerekezo Mushishiro Sacco contribute to poverty reduction of its members, to analyse the effect of credits services provided by Icyerekezo Mushishiro Sacco on poverty reduction of its members, and to analyse if financial advisory services given by Icyerekezo Mushishiro Sacco makes changes on poverty reduction of its members. The targeted population was 3482 active members of Sacco from which a sample of 359 members was randomly selected. In this study, quantitative and qualitative approaches were used where primary data was obtained by the use of questionnaires, interviews, and documentation for secondary data. The analysis of data was done via SPSS. The findings revealed that 94.7% have a current account where they deposit and withdraw at any time, few from them 4.2 % have a saving account and 1.1% for children. These accounts helped them to accumulated money for different use. The members requested loans and used them in different activities which helped them to fight against poverty. The advisory services provided by Sacco have interacted on poverty reduction as confirmed by respondents. From these findings, the researcher concluded that Umurenge Sacco positively contribute on the poverty reduction of the population in Rwanda. The study recommends that Sacco should reinforce saving education and help every member access financial services especially youth,the members are recommended to continue increasing their saving to enable Sacco to have enough capacity to serve all efficiently. Also, the government of Rwanda is recommended to help Sacco to have IT infrastructure.

KeyWords: Services; Umurenge Sacco; Poverty Reduction.

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1. Introduction

Comparatively to other countries, Rwanda's microfinance sector is relatively young. Although small self-help peasant organizations have existed for some time, the sector growth accelerated with the creation of the Rwanda Banques Populaire or Union des Banques Populaires du Rwanda (UBPR) in 1975. The National Dialogue Meeting of December 2008 proposed an integration strategy of the rural population in the financial system, and create at least a Coopec on the level of each Umurenge throughout the country with the name of Umurenge Sacco [1]. The aim was to boost up rural savings and provide Rwandans with loans to improve their earnings and enhance their livelihoods.The Umurenge Sacco was established after carrying out a study that showed 52 % of Rwandans had no access to formal financial institutions and keeping the money by traditional means such as digging a hole [2].It was initiated on the understanding that banks and other financial institutions are more concentrated in towns and less spread in rural areas to serve the poor. The establishment of a Sacco at every Umurenge would in effect, encourage local citizens to break the stigma of fearing financial institutions, they would be able to save, access loans and credit for different business activities, thus allowing them to invest and graduate from chronic poverty [3]. Poverty was still the main challenge facing Rwanda toward the achievement of vision 2020 where it intends to become a knowledge-based economy from an agriculture-based economy. Rwanda's economy is increasingly experiencing the predominance of the service sector as it gained importance relative to agriculture over the recent years [4].The economic development agenda of Rwanda can't be achieved without an effective financial sector, in particular, that is capable to expand access to credit and financial services, and enhancing saving mobilisation and mobilising long-term capital for investment [5]. Many societies have embraced microfinance based on economic theory as a major strategic tool to combat the severe poverty, particularly in rural areas. This stems mainly from the belief that providing small loans, savings facilities, insurance products, money transfer services and skills training to poor people, and more especially women, could be a way of providing opportunities to be self-reliant and play active roles in their households, communities and the economy as a whole[6]. In his research Bashimubwabo [7] found that MFIs helped members to get access to education, to increase positive relationships among them, to finance their activities, and to accumulate wealth and get access to health insurance which improved their health, to increase their financial literacy and skills in project management as well as in financial planning. Nyirantezimana [8] revealed in her research that Sacco has contributed to the development of its members where 90.8% of respondents confirmed that Nzahaha Sacco has significantly contributed to the improvement of their living conditions. The different researches worked on the contribution of Saccos and their effects on the population but they didn't go in deep, where business made from getting services, investment and productivity, business creation and other things which can empower people to alleviate poverty were not studied in large especially in Rwandan rural areas. The Umurenge Saccos were attributed to be the best engine for combating poverty. Even though many of microfinance and Saccos exist, poverty was still a big challenge in Rwanda. It was a low-income country with a gross national income per capita of $ 784 [9]. The researcher assessed the effect of Umurenge Sacco services on the poverty reduction of the population. The study was conducted in Icyerekezo Mushishiro Sacco, Muhanga District in Rwanda from June up to September 2021 , it was limited by the period where Covid-19 was an issue due to preventive measures and the rural location where it was far to reach Sacco members.

2. Research Methodology

The quantitative approaches were employed based on Icyerekezo Mushishiro Sacco from different members and employees of Sacco. The quantitative technique was used to collect and analyze data in form of a statistical approach like frequency and mean. The qualitative approach was used to examine the data in way of ideas. The study population was 3482Sacco's active members and a sample of 359 respondents was selected randomly. The significance level was 0.05.The study used both descriptive and inferential statistics in analysing the data that was collect and summarized the information in statistical tables generated by a statistical package for social sciences (SPSS, 23.0). A pilot test of the research instrument was conducted, questionnaires were given to 15 Saccos members, and the answers were submitted to a reliability analysis for the computation of the Cronbach's Alpha. And the results showed us the degree of consistency.

3. Results and Discussion of findings

3.1. Reliability test

The table below was extracted with SPSS23. It shows the Cronbach's alphas scores.

Table1: Reliability test.

Variables	Number of Items	Cronbach's alpha
Saving services	15	0.761
Credits services	15	0.901
Financial advisory services	15	0.952
Government poverty reduction programs	15	0.938

As table 1 shows above, the Cronbach's Alphas of extracted questions from the questionnaire were more than 90%, for financial advisory services was 0.952, Excellent, Credits Services was 0.901 Excellent and Government poverty reduction programs was 0.938 Excellent and 0.761 for Saving Services which is acceptable, as many writing says, the coefficient above 0.7 is Acceptable for most social sciences situation. The more you have a high coefficient the more the questionnaire is reliable. As in this study, the Cronbach's alphas were 0.761, 0.901, 0.952, and 0.923, there is relatively high internal consistency.

3.2 Results and discussion of findings

The first objective was to assess how regular saving deposits services received by Icyerekezo Mushishiro Sacco contribute to the poverty reduction of its members,The assessment of this objective has revealed that members of Sacco used mostly current accounts 94.7% where they were able to deposits and withdraw at any time. Few members opened saving accounts 4.2% which generated interest for them and 1.1% were children's accounts. The accumulated deposits of members were used for different activities which would help them to fight against poverty.

Table 2: Respondents Savings and poverty reduction.

Activity performed	Frequency	Percent	Valid Percent	Cumulative Percent
Pay school fees of children	63	17.5	17.5	17.5
Access to loan	66	18.4	18.4	35.9
To buy land	15	4.2	4.2	40.1
To be able to domestic animal	35	9.7	9.7	49.9
To have a shelter	36	10	10	59.9
Able to hold social ceremonies	23	6.4	6.4	66.3
To invest in income generating activities	70	19.5	19.5	85.8
Open new business	51	14.2	14.2	100
Total	359	100	100	

Table 2 shows that most respondents 19.5% used their savings to invest in income-generating activities, 18.4 % were helped by their savings to access to loan, 17.5% pay school fees for their children, 14.2 % opened a new business, 10.0% used their savings to buy shelter, 9.7 % used their savings in livestock activities where they bought domestic animals, 6.4 % used them in holding ceremonies such as wedding, baptisms of their children, etc, and last,4.2% respondents said that they saved and have accumulated amount to buy land. These activities done in their savings are poverty indicators, the fact that they performed them, was a meaning that saving is helpful for poverty reduction of people.The second objective was to analyse the effect of credits services provided by Icyerekezo Mushishiro Sacco on poverty reduction of its members. The study showed that 42.9% of respondents took loans in Icyerekezo Mushishiro Sacco, this was admirable,They invested in different activities such as trading, agriculture businesses, and Livestock businesses, handicraft businesses, service providing (M2U and MOMO Cash, Irembo agent), Transport business and arts. These activities where they used their loans helped them to increase their income.

Table 3: Respondents income before and after receiving Credit services.

Monthly income	Before		After	
	Frequency	Percent	Frequency	Percent
Less than 20 thousand	116	32.3	56	15.6
Between 20 to 50 Thousand	135	37.6	85	23.7
Between 50 to 100 Thousand	74	20.6	152	42.3
Between 100 to 300 Thousand	29	8.1	51	14.2
Between 300 and more	5	1.4	15	4.2
Total	359	100	359	100

The compared income before and after being served by Sacco showed the increase of money earned per month. This had a good impact on the members who were able to extend their projects.

Table 4: Outcome of using Sacco services.

Items	Frequency	Percent	Valid Percent	Cumulative Percent
Business diversification	37	10.3	10.3	10.3
Increase of investment	48	13.4	13.4	23.7
Creation of new investment	56	15.6	15.6	39.3
Food sufficiency	54	15	15	54.3
Access to education	23	6.4	6.4	60.7
Build or renew a house	46	12.8	12.8	73.5
Purchase of household materials	34	9.5	9.5	83
Purchase of a car or motorcar for business	12	3.3	3.3	86.4
Market expansion	23	6.4	6.4	92.8
Increasing savings	6	1.7	1.7	94.4
Money security	8	2.2	2.2	96.7
Expenses and costs management	12	3.3	3.3	100
Total	359	100	100	

Source: Primary data,2021

The table 4 describes the role assumed by respondents that were achieved due to SACCO Services. They helped them to create new investment with 15.6%, they were able to feed their family where food sufficiency rated at 15%, there were an increase of investment on rate of 13.4%, building or renew their houses have ranked on 12.8%, Business diversification rated on 10.3%, Purchase of household materials were 9.5%, Market expansion and access to education were 6.4% every one, purchase of transport vehicle were 3.3% ,Expenses and cost management were also 3.3%, money security rated on 2.2 and the increase of their savings were 1.7%.

The third objective was to analyse if financial advisory services given by Icyerekezo Mushishiro Sacco make changes on poverty reduction of its members.

The findings of the third objective revealed that members of Icyerekezo Mushishiro Sacco were agreed on financial advisory services received and appreciate how they changed their behaviour in poverty reduction journey.

Table 5: Changes made by SACCOs' members in poverty reduction from 2015 to 2019 due to financial advisory services received.

Items	Frequency	Percent	Valid Percent	Cumulative Percent
I approached financial services without fear	51	14.2	14.2	14.2
I were able to diversify my business	71	19.8	19.8	34
I owned a land and shelter	69	19.2	19.2	53.2
I were able to nourish well my family (food sufficiency)	63	17.5	17.5	70.8
I created new employment and off farm business	39	10.9	10.9	81.6
I were able to investment in agribusiness	20	5.6	5.6	87.2
I gained ability to save for Purpose and no fear for Loan	46	12.8	12.8	100
Total	359	100	100	

As seen on the table 5, most of respondents 19.8 said that they were able diversify their business, 19.2% were able to buy land and have shelter, 17.5% were able to nourish their families, 14.2% were able involve in financial services without fear of losing, 12.8% ameliorated their financial literacy where they gained ability to save for purpose, they could afford loan without fear of losing, 10.9% created new business and leave the agricultural activities to the off farm business, 5.6% were able to invest in agri-business project which can generate more income. They have shown financial advisory services received like investing in productive projects, saving with purpose, Open saving account which generating interest, Take loans, financial management, budgeting, and market expansion. Respondents said that this financial advice helped them in fighting against poverty and they revealed some changes made from these advisory services. People didn't yet fear financial institutions, they know how to conduct business diversification, they owned land and shelter, they created new employment especially off-farm business, they invested in agribusiness and they were able to save and request a loan without the fear of loss.

Table 6: Matrix correlations.

Variables		Savings services	Credits services	Financial advisory services	Poverty reduction
Savings services	Pearson Correlation	1	.926[**]	.860[**]	.843[**]
	Sig. (2-tailed)		.000	.000	.000
	N		359	359	359
Credits services	Pearson Correlation	.926[**]	1	.956[**]	.774[**]
	Sig. (2-tailed)	.000		.000	0
	N	359		359	359
Financial advisory services	Pearson Correlation	.860[**]	.956[**]	1	.919[**]
	Sig. (2-tailed)	.000	.000		0
	N	359	359		359

**. Correlation is significant at the 0.01 level (2-tailed).

From the above table 6, the Pearson correlation between the saving services and poverty reduction was 0.843 and sig.(2tailed) was .000, the meaning is that there is strong positive relationship between these variables. With this correlation measure, the findings indicate that there are benefits from regular saving deposits services received by Icyerekezo Mushishiro Sacco which contribute to poverty reduction of its members.The Pearson correlation is the value between -1 and +1 and variables become statistically significant when Sig. (2-tailed) is less or equal to 0.5. As seen from the above table, Pearson correlation between credits services and poverty reduction is equal to +0.774, this means strong positive relationship between those variables. This can push a researcher to confirm that there is positive effect of Credits provided by Icyerekezo Mushishiro Sacco on Poverty reduction of its members as it was needed to be analysed in a second objective of the study.The table also show the Pearson correlation between Financial advisory services and poverty reduction which is +0.919, this indicates the significant relationship between financial advisory services and poverty reduction.

Saving services and Poverty reduction

Table 6: Regression Model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843a	.710	.709	1.38170

a.   Predictors: (Constant), Saving services

From the table no.6, the results of findings indicate that the correlation (R) is 0.843, saving services where people deposit and withdraw their money according to their needs and some amount of money still be on their accounts for future intended purpose, they found very important in poverty reduction strategies. They use their savings in different activities which helped them to face poverty issues. The value of R-square in this study is 0.710, it indicates that savings services in USacco contribute more in reducing the poverty. Therefore, the independent variable explains and interacts more on the dependent variable.

Table7: anova.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1667.147	1	1667.147	873.270	.000b
	Residual	681.543	357	1.909		
	Total	2348.691	358			

a. Dependent Variable: poverty reduction

b. Predictors: (Constant), Savings services

From the table 6 of the ANOVA, it is revealed that saving services provided by Usaccos have significant contribution on poverty reduction of its members. This is explained by the sig. which is 0.000 where it indicates the linear relationship between independent variable (Saving services) and dependent variable (Poverty reduction). Decision is taken according to P-Value where it is assumed that if the p-value is less than 0.05, then there is a significant relationship between the independent variable and the dependent variable and when it is the opposite, the meaning is that there is no significant relationship between variables.

Credits services and Poverty reduction

Table 8 : Regression Model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	.804	.803	1.25541

a. Predictors: (Constant), Credits services

In the table 7, R squared of findings in this study is 80.4%, this percentage indicates that the model is strong, people receive loans to invest in different activities with the purpose of fighting against poverty. In our model, the independent variable is interacting more on the dependent variable which means that credits services provided by Usaccos play an important role and have a positive impact on poverty reduction of Usacco members and the population in general.

Table9: anova.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2308.302	1	2308.302	1464.597	.000b
	Residual	562.656	357	1.576		
	Total	2870.958	358			

a. Dependent Variable: Poverty reduction

b. Predictors: (Constant), Credits services

In the above table 8. From the Anova, P-value is 0.000 which is under the significance level of 0.5. This indicates that there are effects of independent variable to dependent variable, which means that the credits received by Usacco members helped them in poverty reduction and this allows the researcher to reject null Hypothesis and accept the alternative one.

Financial advisory services and Poverty reduction

Usacco members received financial advisory services which helped them to fight against poverty.

Table 10: Regression Model Summary**.**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922a	.850	.850	.33127

a. Predictors: (Constant), Financial advisory services received which contribute to poverty reduction

In the table above, the results of findings indicate that the R is 92.2%, it shows strong relationship, and the financial advisory services make changes on poverty reduction of the people, if people financially advised, the result is seen in poverty alleviation matters. The adjusted R squared equals to 0.899 which can explain the variation between variables and show how independent variable fit the dependent. This helped a researcher to confirm that there was a strong relationship between advisory services provided by Usacco and poverty reduction to its members.

Table 11: anova**.**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	222.657	1	222.657	2028.999	.000[b]
	Residual	39.176	357	.110		
	Total	261.833	358			

a. Dependent Variable: poverty reduction

b. Predictors: (Constant), Financial advisory services

On table 10. The findings revealed that financial advisory services received by Usaccos 'members have significant contribution in poverty reduction of them, this explained by p-value of 0.000 which is under 0.5. It implies that there was linear relationship between financial advisory services received and poverty reduction and the regression model is significant.

Table 12: Multivariate Regression indicating the contribution of Usacco services on Poverty reduction.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.83	0.424		4.316	0
Savings Services	0.719	0.074	0.205	9.735	0
Credit services	0.851	0.057	0.305	14.922	0
Financial advisory services	0.658	0.047	0.374	13.982	0
a. Dependent Variable: Poverty reduction					

Regression equation is: Y =a+ bx+ e

Y=Dependent variable, Poverty reduction

a=Constant

e=Error margin

b =Coefficient

x= Independent Variables in x1, x2, x3

In this study the formula of the equation is **Y= a+ bx1+bx2+bx3+ e**

The equation to predict poverty reduction from savings services, Credits services, and financial advisory services can be stated as:

Poverty reduction = 1.83 +0.719x1 + 0.851 x2 + 0.658x3+ e

From the multivariate regression table above, there is positive relationship between saving services and poverty reduction and the relationship is significant where p-value is less than 0.5 (p-value < 0.5). The positive relationship indicates that the relationship is in line with the priori expectation, this shows that at the unit increase in savings services will result to a corresponding increase in poverty reduction. The credits services and financial advisory services have p-value inferior than 0.5. They are significant and fit to the study. It indicates the relationship between them and poverty reduction and they are in line with priori expectation. The unit increase of credit service will cause corresponding increase in poverty reduction and the same to financial advisory services. In this model, all independent variables have positive relationship with poverty reduction which means that saving and credits cooperatives services have an impact on poverty reduction of the population.

3.3. Conclusion

Based on regression analysis results from independents variables and dependent variable; regular savings, credit services, financial advisory services and poverty reduction which indicate the relationship between variables and the p-values lay under 0.05; the researcher concluded as the results of findings showed that the members of Icyerekezo Mushishiro Sacco have improved their standard of living where the members can support their families with food security, they have land and build a house, they create new investment and expand the existing and they became familiar with financial services. Therefore, Icyerekezo Mushishiro Sacco has had an important contribution to its members, it helped them to move out of poverty by offering to them saving services, loans services as well as advisory services.

3.4. Recommendations

The SACCO is recommended to reinforce saving education and help every member access financial services especially youth, and it should also automate its financial system to help its members access the services wherever they are in Rwanda.

The members are recommended to serve as role models to other citizens who do not yet open the account in Umurenge Sacco. They are recommended to continue increasing their saving to enable Sacco to have enough capacity to serve all efficiently. They are also recommended to request a loan and use them forthe intended purpose and ensure its repayment on time.The government is recommended to continue financially educating people in their villages and create the platform for Sacco's coordination at a high level which can ensure the mutual arrangement between them, it should also help Sacco to have IT infrastructure.

3.5. Suggestions for further studies

Other researchers interested in this domain should work on the role of the automated system on the performance of Umurenge saving and credit Cooperatives, The effect of non-performing loans on the performance of Umurenge saving and credit cooperatives, and/orthe contribution of efficient accounting analysis to the performance of saving and credits cooperatives.

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