

**KAMPALA INTERNATIONAL UNIVERSITY**

**THE ROLE OF UMURENGE SACCO IN PROMOTING RURAL DEVELOPMENT IN  
RWANDA: A CASE OF KIBIRIZI DIVISION**

**PRESENTED BY**

**MBONYUWONTUMA JEAN LUC**

**BBA/42003/133/DF**

**A DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS AND  
MANAGEMENT SCIENCES IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR THE AWARD OF THE DEGREE OF  
BACHELOR OF BUSINESS ADMINISTRATION OF  
KAMPALA INTERNATIONAL UNIVERSITY**

**JUNE 2015**

## APPROVAL

This research report has been submitted for examination with my approval as University Supervisor.

Signed: .......... Date: 6<sup>th</sup>/03/2015

Ms. NAKAYISO ESEZA

### DECLARATION

I, Mbonyuwontuma Jean Luc, hereby declare that this dissertation is my original work and has not been submitted for any award to any institution and where the work of others has been consulted, due acknowledgement has been made.

Signed .....  ..... Date ..... 6<sup>th</sup> / 03 / 2015 .....

MBONYUWONTUMA JEAN LUC

BBA/42003/133/DF

## DEDICATION

I dedicate this work to the almighty God and to my family.

## **ACKNOWLEDGEMENT**

I feel overwhelmed with indebtedness to my family which has been there for me in all my days of pursuing this course who showed me love and parental care in the time when i needed it.

My warm thanks and appreciation go to my supervisor Ms. Nakayiso Eseza who guided me through this challenging task. May God bless you.

My heartfelt gratitude goes to my lecturers for all the guidance and encouragement whenever I needed it.

I wish to thank the staff and management of Umurenge SACCO for the warm cooperation during this study.

Thanks to all the respondents, may the Lord reward you.

I wish to thank the entire staff and management of Kampala International University for the effective coordination, administration and management of my education. Your parental approach to pressing students' issues, perseverance and tolerance inspired me a lot. I ask the Almighty God to bless you all.

## **LIST OF ABBREVIATIONS AND ACRONYMS**

MINECOFIN: Ministry of Finance and Economic Planning

SACCO: Saving and Credit Cooperative

ICA: International Cooperative Agency

BNR: National Bank of Rwanda

SAG: South African Government

NGO: Non Governmental Organization

GNP: Gross National Product

UNDP: United Nation Development Program

GNA: Ghana News Agency

URT: United Republic of Tanzania

US: United States

UN: United Nations

WB: World Bank

## TABLE OF CONTENTS

APPROVAL .....	i
DECLARATION .....	ii
DEDICATION .....	iii
ACKNOWLEDGEMENT .....	iv
LIST OF ABBREVIATIONS AND ACRONYMS .....	v
TABLE OF CONTENTS.....	vi
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1 Introduction.....	1
1.2 Background of the study .....	1
1.3 Statement of the problem .....	3
1.4 Purpose of the study .....	3
1.5 Specific objectives .....	3
1.6 Research questions.....	3
1.7 Study Hypothesis .....	3
1.8 Scope of the study .....	4
1.81 Subject scope .....	4
1.82 Geographical scope.....	4
1.83 Time scope .....	4
1.9 Significance of the study.....	4

<b>CHAPTER TWO</b>	6
<b>LITERATURE REVIEW</b>	6
2.1 Introduction	6
2.2 Umurenge SACCO	6
2.3 Rural areas	7
2.4 Development	7
2.5 Rural development	9
2.6 Rural development strategy	12
2.7 Rural development programs and policies	14
2.8 Rural bank and credit cooperatives	14
 <b>CHAPTER THREE</b>	 17
<b>METHODOLOGY</b>	17
3.1 Introduction	17
3.2 Area of the study	17
3.3 Study design	17
3.4 The study population	17
3.5 Sample size	17
3.5 Source of data	18
3.6 Data collection instruments	18
3.7 Documentary study	18
3.8 Questionnaire	19
3.9 Interview schedule	19
3.10 Data processing	19
3.11 Editing	19

3.12 Tabulation .....	20
3.13 Limitation of the study.....	20
<b>CHAPTER FOUR .....</b>	<b>21</b>
<b>DATA ANALYSIS AND INTERPRETATION.....</b>	<b>21</b>
4.1 Introduction.....	21
4.2 Characteristics of respondents .....	21
4.21 Sex.....	21
4.22 Age.....	22
4.23 Marital status.....	23
4.24 Education level.....	23
4.3 Customers' occupation.....	24
4.4 Starting of membership with SACCO: .....	26
4.5 Membership and duration in saving of SACCO members .....	27
4.6 Customer saving place before joining the SACCO .....	28
4.7 Reasons of customers for not to save before joining SACCO.....	29
4.8 Distance to SACCO .....	29
4.9 Major activities of cooperative members.....	30
4.10 Members' level of satisfaction of activities and the advantages met after joining SACCO.	31
4.11 Members' perception about causes of under development.....	32
4.12 Objectives of joining the SACCO.....	34
4.13 SACCOs contribution towards rural development .....	34
4.14 encouragement of joining SACCO .....	35
4.15 Inducement of the customers .....	36
4.16 Challenges and problems faced by their SACCO.....	36

**CHAPTER FIVE** ..... 39

**SUMMARY OF THE STUDY, FINDINGS AND POLICY IMPLICATIONS.**..... 39

5.1 Introduction..... 39

5.2 Summary of the findings..... 39

5.3 Findings of the study ..... 40

5.31 Saving mobilization ..... 40

5.32 Credit extension ..... 40

5.4 General conclusion..... 40

5.5 Policy implications of the study..... 41

REFERENCES ..... 42

APPENDIX 1 ..... 43

QUESTIONNAIRE ..... 43

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

The study was about the role of Umurenge SACCO on rural development in Kibirizi division, Rwanda. This chapter looks at the background of the study, statement of the problem, purpose of the study, specific objectives, research questions, scope of the study, significance of the study, and the conceptual framework.

#### **1.2 Background of the study**

Since 1950s, development theory has been evolving both in terms of how “rural development” is conceived and how it can be best achieved. By early 1970s, a number of major actors in international development had begun to agree that rural development could no longer be defined strictly in terms of productivity and efficiency, that to be effective and sustainable; the majority of rural people had to participate in the process of ongoing change (Robert B. Charlick 1984).

The World Conference on Agrarian Reform and Rural Development called for policies to promote growth with equity redistribution of economic and political power and public participation in decision-making at the local level in order to transform the rural life and activities without all their economic, human aspects. The syndrome of poverty in rural areas of developing countries in particular is characterized by a low level of relative productivity in agriculture, and low level of participation in community affairs. World Conference on Agrarian Reform and Rural Development of 1979 focuses on the problems of rural poverty is the interpreter of international concerns by stating that the fundamental objective of development is to advance individuals and societies to promote the skills of national and improve living standards of life for all men, especially the rural poor.

According to UN in its 6 December 2010 report, over 350 million rural people have escaped poverty over the ten past years, the bulk of the poor are still found in rural areas, An overall decline of extreme poverty people living on less than \$ 1.25 per day in rural areas over the past decade, from 48 per cent to 34 per cent. Despite the gains, the report found that 70 per cent of developing worlds’ extremely poor people lives in rural areas.

On the other hand IFAD in its 2011 rural poverty report says that rural poverty is particularly acute in sub-Saharan Africa and south Asia. Sub-Saharan Africa is home to nearly a third of the world's extremely poor rural people those numbers swelled from 268 million to 306 over the past decade. While sub-Saharan Africa's rate of extreme poverty in rural areas declined from 65 to 62 per cent, it remains by far the highest of any region, in south Asia which now has the largest number of poor rural people about 500 millions of any region of sub-region. The report makes clear that it is time to look at poor smallholder farmers and rural entrepreneurs in a completely new way- not as a charity cases but as poor people's innovation, dynamism and hard work will bring prosperity to their community and greater food security to the world in decade ahead.

Rural areas need to be the leading element in overall strategy of poverty reduction in contemporary third world countries. Most development economist say that if development is to be realized and become self sustaining it will have to start in rural areas since the wide spread poverty, growing inequality, rapid population growth and raising of unemployment all find their origins in stagnation of economic life in rural areas (Todaro 200:419).

Rwanda as one of the poorest countries in the world has a rural sector that is still underdeveloped. This has been attributed to its traditional methods of farming and civil war led to 1994 genocide. The latter genocide destroyed rural based economic activities; rural based project and credit unions in particular. The immediate result of the genocide was also deterioration I well being of rural people to data 60.3% of the population lives under the poverty line. It is noteworthy that majority of population live in rural areas and depends on agriculture (ROR, 2002).

Therefore rural development is to be emphasized by improvement of agricultural techniques and improvising measures to protect environment, where by SACCOs are putting more effort in uplifting rural areas. It is an indisputable fact that SACCOs could promote by a mutual aid, the economic welfare and social of its members in their granting loans to cover their economic needs, by supporting the spirit of initiative and agriculture or industrial local work, by the carefully use of the saving produced locally.

SACCOs came into existence as a necessary solution to the population of Rwanda. It target the majority in villages, whereby most of population had limited access to domestic savings and more than 50% of population totally excluded from financial services, even from informal ones.(MINECOFIN,2009).

### **1.3 Statement of the problem**

Rural areas in Rwanda like elsewhere in developing countries contribute much towards National development. This is mostly portrayed by the contribution of agricultural sector to the economy in general. In spite of Umurenge SACCO's continuous effort in mobilizing resources, their contribution towards rural development has not been as significant as expected. All people are not committed comparatively to rural areas all over the country and are not performing their role in helping people, to save their money and easy way of getting credit. This study seeks to find out the role of Umurenge SACCO in promoting rural development, as it should have been the priority in view of the need for rapid rural development policy. This study will attempt to assess the role of the SACCO in promoting development in the rural area, in comparison with the period before the introduction of the SACCO.

### **1.4 Purpose of the study**

The purpose of the study was to investigate the role of Umurenge SACCO in promoting rural development in Rwanda.

### **1.5 Specific objectives**

- (i) To know the needs for rural development promotion in Rwanda.
- (ii) To identify activities of SACCO towards rural development.
- (iii)To evaluate the contribution of SACCO activities in terms of rural development promotion.

### **1.6 Research questions**

- (i) What are the requirements for achieving rural development in Rwanda?
- (ii) What are the activities of SACCO towards rural development?
- (iii)Do SACCOs' activities play role in rural development promotion?

### **1.7 Study Hypothesis**

- (i) H1 There is a relationship between SACCOS and rural development in Rwanda.

(ii) H2 There is a relationship between the activities of SACCO and rural development.

(iii) H3 SACCOs' activities play a role in rural development promotion

## **1.8 Scope of the study**

### **1.8.1 Subject scope**

The study focused on the activities of Umurenge SACCO in Gakenke district, Kibirizi division in Terimbere village in Rwanda.

### **1.8.2 Geographical scope**

The study was carried out in Kibirizi division in Terimbere village, Rwanda

### **1.8.3 Time scope**

The study focused on the activities of Umurenge SACCO for the past five years and its effect on rural development.

## **1.9 Significance of the study**

This study was attempted to identify the benefit of members by joining the SACCO. Identification of the reasons for benefit of members will be an important input for designing appropriate for policy formulation and will be important feed back to the SACCO and to improve their cooperative.

The research was to hint on new strategies to be implemented by SACCOS for mobilizing rural people to be committed to savings and acquire loans to invest in their economic sector especially agriculture, as far as rural development is concerned.

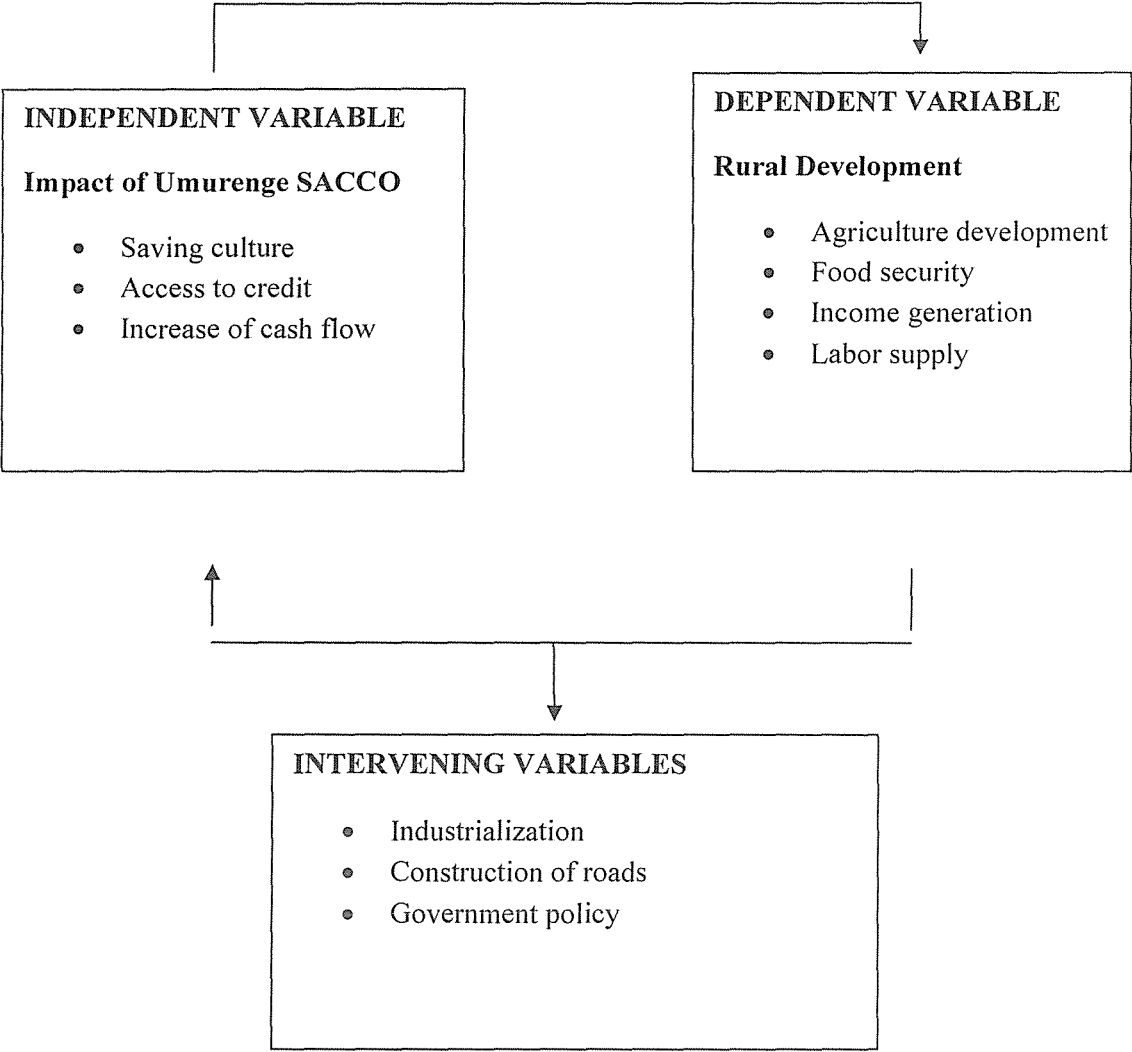
The research helped the researcher to understand the real needs of rural population for achieving their development to the large extent, so as to set priorities to satisfy their needs.

Cooperative members got from this study a clear picture of cooperative operations and importance of its activities towards their home area.

This study was to help students who want to conduct similar research with a current status and achievements of SACCOs in rural areas.

CONCEPTUAL FRAME WORK

Figure 1: Conceptual frame work



The study was carried out basing on the interrelationship between the variables in the research problem. It explored the connection between the independent, dependent and the intervening variables. The independent variable is the impact of Umurenge SACCO which works hand in hand with the other intervening factors like industrialization, construction of roads and the government policy to predict, control, determine, and influence the dependent variable which in this case is rural development.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

The purpose of this chapter is to review previous studies on SACCO, focusing on investigating the role of Umurenge SACCO in promoting rural development and some general concepts and practices. Therefore, this review intends to identify the research gap so as to make this study more relevant and timely for the development of rural areas in Rwanda.

#### 2.2 Umurenge SACCO

Umurenge SACCO was elaborated in the Vision 2020 development agenda that aims to increase access of financial services to citizens. (BNR, 2008). The concept of Umurenge SACCO 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. As such, establishing a SACCO at every Umurenge would bridge this gap. This would in effect, encourage local citizens to break the stigma of fearing financial institutions. Local citizens would thereafter be able to save; access loans and credit for different business activities, thus allowing them to invest and graduate from chronic poverty. Since the introduction of Umurenge SACCO, different government and non government departments especially working in the areas of decentralization and local governance have made efforts to mobilize Rwandans towards this program.

According to MINECOFIN - Ministry of Finance and Economic Planning, a SACCO is a financial institution under a cooperative form. As such it is a cooperative which operate in the financial system; it is a legal entity in which individuals save their money and can get loans in order to invest in their various activities. The basic structure of the SACCOs and credit unions is what differentiates them from banks; they are user-owned financial intermediaries. Members typically have a “common bond” based on geographic area, employer, community, industry or other affiliation. Each member has equal voting rights regardless of their deposit amount or how many shares they own. Their principal products are savings and credit, however some offer money transfers, payment services and insurance.

### **2.3 Rural areas**

Rural development concerns geographical areas in which primary production takes place and where populations are found in varying densities. These areas are characterized by activities related to primary and secondary processing, marketing and services that serve rural and urban populations (URT 2009). According to John and Patricia la Caille, rural areas are areas that are not urbanized, though when large areas are described country towns and smaller cities will be included. They have a low population density, and typically much of the land is devoted to agriculture. The degree to which areas of wilderness are included in the term varies; very large wilderness areas are not likely to be described by the term in most contexts.

Rural areas throughout the world tend to have similar characteristics. Populations are spatially dispersed. Agriculture is often the dominant, and sometimes the exclusive economic sector and opportunities for resource mobilization are limited. These characteristics mean that people living in rural areas face a set of factors that pose major challenges to development. The spatial dispersion of rural populations often increases the cost and difficulty of providing rural goods and services effectively. The specific economic conditions in rural areas result in fewer opportunities than in non-rural locations. Consequently, the tax base is limited, so rural areas are rarely able to mobilize sufficient resources to finance their own development programs, leaving them dependent on transfers from the centre. Factor markets in rural areas often operate imperfectly, rendering the search for efficient outcomes an extremely challenging one. Furthermore, rural areas are often politically marginalized, leaving little opportunity for the rural poor to influence government policies. In many developing countries, policies have also consistently discriminated against agriculture through high levels of taxation and other macroeconomic policies that have adversely affected agricultural performance and the rural tax base. A net transfer of resources out of rural areas has resulted. (SAG 2000:2)

### **2.4 Development**

Development has been defined by many scholars and developmental organization in deferent ways. Some focus on improving growth income per capita, others argue that development involves improving living conditions of the people by reducing inequality of income distribution. While Recent United Nations documents emphasize “human development,” measured by life expectancy, adult literacy and access to all three levels of education, as well as people’s average

income, which is a necessary condition of their freedom of choice. In a broader sense the notion of human development incorporates all aspects of individuals' well-being, from their health status to their economic and political freedom.

Achieving human development is linked to a third perspective of development which views it as freeing people from obstacles that affect their ability to develop their own lives and communities. Development, therefore, is empowerment: it is about local people taking control of their own lives, expressing their own demands and finding their own solutions to their problems.

From the above indicators people can determine which countries are more developed and which are less. But indicators of wealth, which reflect the quantity of resources available to a society, provide no information about the allocation of those resources. for instance, about more or less equitable distribution of income among social groups, about the shares of resources used to provide free health and education services, and about the effects of production and consumption on people's environment.

Todaro :(1981) defines development as "a multi dimension process involving the organization and re-orientation of the entire economic and social systems" (p.56) he further urged that development is a physical reality and a state of mind in which society has, through some combination of social economic and political process secured the way of obtaining better life. Basing on Todaro's view development is not purely an economic phenomenon, as most people tend to think, in this case in encompasses more than material and financial side of people' lives.

Fisher (1992) put forward the idea of political social and economic structures. He defined development in these words. "The process by which the political, social and economic structures of country are improved for the purpose of assuring the well being of its populace" (p.140).

Todaro (2000) concluded that whatever the specific components of the better life, development in all societies have at least the objectives to increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health and protection, to raise levels of living including in addition to high incomes, the provision or more jobs, better education and greater attention to cultural and humanistic values, all of which will serve not only to enhance maternal well-being but also to generate greater individual and national self-esteem, to expand the range of economic and social choice available to individuals and nations by freeing them from

servitude and dependence, not only in relation to other people and nation-states, but also to the forces of ignorance and human misery.

Different scholars highlighted on development strategies that as a practical path which has to be pursued by international agencies, states, NGOs, community based organizations and individuals in an effort to stimulate change within particular nation, region and continent. Those strategies are also efforts to change existing economic and social structures and institutions to the problems facing decision-makers. Those suggested strategies include: diversification of industrial base, agricultural development, free market, trade, population control and encourage savings and investment. Some development economists argue that most of development planners aim at attaining a high gross rate in the Gross National Product (GNP) regardless of the real goal of development, which is social economic growth justice. Economic growth is not an end itself; it has a human, social and economic magnitude. However, viewing the above definitions as put forward by several writers, development is to be attained only if the low income are put into consideration by accessing them with the means of production and become the source of development other than being a an obstacle to development and this will be achieved through provision of income generating activities, creation of rural based industries and improved educational facilities.

## **2.5 Rural development**

According to World Bank report, “rural development is a strategy designed to improve the economic and social life of a specific group of people (rural people). It involves extending the benefits of development of the poor especially the rural poor and these include small scale farmers, tenants and land less” (p.12) rural development refers. To the combined efforts aimed at the transformation of rural area from low to high standards of living. It is a strategy designed to improve the economic and social life of a specific group of people- the rural poor.

SAG (2000) defines rural development as a is multi-dimensional and much broader than poverty alleviation through social programs and transfers; it places emphasis on changing environments to enable poor people to earn more, invest in themselves and their communities and contribute toward maintenance of key infrastructure; a successful strategy will make people less poor, rather than more comfortable in their poverty.

Kocher (1979:25) asserts that rural development could include three components including general improvement in material well-being of rural people, the capacity of sustaining continuous improvement over time, absence of inequalities in distribution of the gains during this process. Rural development essentially means continuous and self-sustaining improvements in the level of rural people both economically and socially. In Rwanda and other developing nations the development process is limited by the health care, education, malnutrition and limited food supply. This cannot allow physical well being of rural poor to enhance rural development.

Todaro (2000) asserted that: "the present unnecessary economic activities for rural economic activities for rural-urban migration need to be minimized through creation and well designed programs of the integrated rural development. These should focus on income generation; on farm and non-farm, employment (electricity, water, roads) and the provision of both amenities. The provisions of these necessities of life will not only solve the problems of short-run but also long-run problems. (p.312). From this perspective, it is clear that rural development is only possible when rural people have access to employment, which will increase their incomes and improve their standards of living. Since agriculture is the basic economic activity for rural people, providing employment to the majority of the rural people, modernizing it will permit improved living standards for them.

The causes of rural underdevelopment are many. Specific countries have specific problems that have caused their retardation. Different authors, give different arguments to explain the causes of rural underdevelopment. Professor Frithjof Kuhnen in his perception the underdevelopment and backwards of villages of India is due to a cumulative effect of factors like, dynastic politics has been monopolized by a handful of families, be it Haryana, UP or Rajasthan. Once in power, these leaders exert their energies in accumulating money for themselves and their relatives, also I the indifferent attitude of educated youth towards politics and development of their area where majority of modern educated youth who migrate to cities or abroad stay away from politics considering it a dirty game which is a wrong perception overlooking the fact that politics is an inalienable part of their life and their indifference comes handy to the type of politicians mentioned above. Another concern is the lack of political awareness among the villagers: Due to inadequate knowledge, they fail to pursue their agenda with administration in an effective manner; fail to pressurize the concerned officials responsible for implementation of the projected

schemes. In addition the illiteracy is a fundamental cause of rural underdevelopment. In developing world, more than 840 million are illiterate adult, 588million are woman. It is pointed that most of peasants cannot write and read. As such therefore, they cannot adhere to social, political and economic sphere of rural development. Another important factor is the dependence on agriculture because a report on rural development (1975) reveals that 75%-85% of the rural populations depend on agriculture either directly. This agriculture is affected by number of problems ranging from institutional framework, land tenure to geographic factors that all in combination limit the agricultural productivity. A failure in agriculture means direct failure in rural development because agriculture is the basic means of survival for rural people. So developing rural areas necessarily requires first developing agriculture.

The evolution of approaches to rural development can be traced to the mid 1960's two changes began to be noticeable in rural development literature. First, some analysts observed that certain factors seemed to limit or facilitate rural economic growth. While still retaining a purely economic growth requires greater equality in access to such benefits as income and employment opportunities. They also noted that popular participation, largely in the form of mobilization of rural support, complemented economic growth. Rural development as a phenomenon to be explained or promoted development was now multifaceted, and no single measure would suffice.

During the 1970s, in an effort to extend the benefits of development to rural people, a regional or area-based approach was developed and adopted by many countries and by many international agencies. The approach aimed to tackle rural poverty in a cross-sectoral manner through integrated rural development projects. But the mixed experience with latter led to the development of a detailed critique, which, among other things, highlighted the failure to involve local people properly in a participatory process and the failure to build capacity as major shortcomings. In addition, an overly centralized, blueprint approach to programs design left implementation agencies unable to respond to the demands of local people. The subsequent retreat of national governments and the development agencies from an integrated approach back to more traditional, single -sector approaches left development practitioners looking for new opportunities to support rural development. Recent experience from a number of developing countries suggests that programs of decentralization accompanied by parallel efforts to promote

greater power and autonomy in decision making for local communities can offer genuine opportunities to improve outcomes.(SAG 2003).

The World Bank report (1975:3) on rural development specifies the objectives of rural development as to; increase productivity in rural sector, provide employment thereby increasing their incomes and provide minimum acceptable level of food, shelter and health. In most of the poor countries agriculture is constrained with institutional and land tenure problems. This does not only reduce employment but also provide other services. Nevertheless, careful analysis reveals that each level of development, a country can have different objectives depending on its size, population and its political background. However, each economy has what it call rural development in its sense. In Rwanda and other developing nations, the major rural development objectives should focus on creation of alternative sources of income, employment, goods and services especially through improving agriculture as the sources of livelihood of rural people and establishment of rural based industries. This will alleviate chronic poverty, which is major problem for rural people.

Rural development remains important generally in the Third World countries and particularly in Rwanda so it's important because of reasons including the role of feeding urban sectors with food, cash crop production that is a larger contributor of GNP and country's exports thus high foreign earnings, employment in agriculture sector is rural based, it provides the impetus for the growth of other sectors for example growth of agro-industries and has huge potential for natural resources (minerals, forests) and tourism.

## **2.6 Rural development strategy**

Many countries over the world are formulating strategies for rural development because of different reasons: past Government policies and strategies failed to build up the necessary capacity that was needed to bring about a sustainable development in the rural areas. The implementation of the various rural development strategies depended almost wholly on the Government. The unsatisfactory performance of the agricultural sector, the economic base of the rural areas, the performance of most food crops has remained poor, mainly due to extreme rainfall patterns and low technology used. As a result the food security situation has remained one of the major problems in the rural areas. (URT 2001)

Many developing countries as well as transition economies and even some western industrialized countries are now discovering that rural (and urban) communities, if appropriately empowered, can often manage their own local development efforts, and sometimes considerably better than any agency of the state. If rural areas now had a foundation that would support greater earning and spending power, the rural economy would be stronger, would grow, and would create more opportunities for wage and self-employment. (SGA 2000). Moreover rural development strategy will support the implementation of the Poverty Reduction Strategy and create a development environment that will contribute to enabling rural communities and households achieving sustainable livelihoods. In this respect the Rural Development Strategy will identify short and medium term priorities that will support the goal of sustainable livelihoods, and contribute to the long term goal, outlined in Visions adopted by some countries, of sustained economic growth.

The World Bank report (1975:4) on rural development sector policy paper stated that approximately 85% of 750 million people in the developing world are considered to be in absolute poverty based on annual capita income equivalent to \$5 or less. The remaining 155 are considered to be relatively poor having income above \$5. Three-fourth of those in absolute poverty is in developing countries and 80% of that population lives in the rural areas. From the above background, there must be strategies designed to raise rural production and income. This calls for social and other services.

The World Bank report (1975) on rural development gives a guideline that can be followed by particular country, including central leadership and coordination that is concerned with development of national programs providing coordinating role, identification preparation and monitoring on-going programs, research-expanded technical and economic research in small farms for crop and animal husbandry, decentralization and participation, which encompass devolution of responsibilities to local bodies, training is concerned with training efforts to achieve larger scale rural development, intermediaries creating farmers associations and cooperatives to enhance rural development, with this regards to United Nations Development assistance framework (200:1).

Rural people in developing countries are poor because of the constraints that prevail to them, these include, low agriculture productivity declining soil fertility and environmental degradation, land fragmentation, insecurity of land, poor environmental conditions, including drought

diseases, lack of access to markets, absence of rural commercial activities and alternative income earning opportunities, poor agricultural extension service, and lack of access to improve inputs. All in all a rural development strategy should seek to raise the production capacities of the rural poor.

Fundamental components of rural development include developing the regional economy, supporting small business and entrepreneurship, developing the workforce, developing Telecommunications and improving access to education.

## **2.7 Rural development programs and policies**

Rural areas concern more than how nature and man use land. It relates to economic and social structures in which farming and forestry, handcraft and small, middle, or large companies produce and trade, where services, from the most international (such as tourism), are provided. All these factors interact, compete, create, and evolve. Thus low developed countries have taken a considerable step in effort to uplift rural areas through designing rural development policy and programs. Among those that came up with good results, which deserve a recommendation, include U.S and Malawi. In US in the post-World War II era, widespread rural poverty, most notably among farmers, dominated rural policy concerns. The Eisenhower Administration's Undersecretary for Agriculture, True D. Morse, began a Rural Development Program in 1955 to assist low-income farmers. Because agriculture was the major economic activity in many rural areas of the time, a focus on farms and farm households became de facto rural policy. The 1980s farm financial crisis and economic dislocation in rural America brought the importance of rural structural change to the forefront of policy concerns.

## **2.8 Rural bank and credit cooperatives**

Approach to the problem of providing rural areas with sufficient capital for development is to establish rural banks and credit cooperatives that will lend to farmers. In traditional agriculture, a farmer has only two sources of credit: member of his family and the local; money lenders. Since the interest rates charged by moneylenders typically are large, ranging from 30 to 40%, a farmer goes to moneylenders only when desperate. Peasants do not borrow from moneylender in order to buy more fertilizers to improve their productivity because of high interest rates charged to them by moneylenders. The majority of the world's population are poor and lives in rural areas most of this population lacks adequate access to financial services, particularly working capital credit.

Rural is an area with vast demand for broad based financial services. Unfortunately financial sector has been the slowest sector because urban banks lack the knowledge and skills necessary to operate in rural areas. Therefore rural banks and credit cooperatives come as a solution of the above problem of lending to farmers (Planet finance 2005)

Rural credit cooperatives were originally envisaged as a mechanism for pooling the resources of people with small means and providing them with access to different financial services. Rural credit cooperatives was also an effective instrument for development of degraded waste lands, increasing productivity, providing food security, generating employment opportunities in rural areas and ensuring social and economic justice to the poor and vulnerable.

Farmers' tend to be small, and hence the cooperatives tend to be financially weak. More seriously, farmers in developing nations have little experience relevant to the effective operation and management of cooperatives. In addition, economic, social and political conflicts within the village may make it possible to decide the ways and who to be loaned. Because of these and other problems the establishment of rural credit institutions usually requires significant injection of both money and personnel from outside the village usually from government. A common occurrence is for rural credit institution to be set up with funds from the central government's budget. These funds are then lent to local farmers at rates below those charged by private credit sources. Since the rates are low and government personnel run the credit institutions, local farmers with political clout have the incentive and mean to grab the lion's share of the financing available. The problems involved in setting up effective rural credit operations can be overcome. Nations with well-trained banking personnel and strong government administration capable of drawing up sensible procedures and enforcing them are certainly able to make rural credit institutions work (Gillis 1987:503).

The savings and loan association/cooperative banks system can be traced way back in 19<sup>th</sup> century in 1831. The first was formed in U.S in 1831. It was Oxford provident Building association headquartered Philadelphia County, Pennsylvania. Like thousands of other saving and loans set up across the country in subsequent years Oxford provident was really cooperation saving and home financing association composed of neighborhood individuals and families. Each member of association was expected to contribute his or her savings to a common pool.

Eventually, each member becomes eligible to borrow the association's pooled resources to purchase his or her home needs. Peter, S. Rose et al. (1993: 27

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the methodological aspects of how the research was conducted. It includes the description of the area of the study, study design, population survey and sample size. It proceeds with the description of the methods, techniques the researcher applied during the research process. The chapter further describes various methods used in sample selection of data and data processing. Finally, the chapter discusses the various problems encountered in the study and how they were minimized.

#### **3.2 Area of the study**

The study was conducted in Umurenge SACCO found in Terimbere village of Gakenke district in Kibirizi division, Northern Province. It located approximately 40km away from Kigali city.

#### **3.3 Study design**

The researcher intended to assess the role of Umurenge SACCO in rural development. The study adopted a case study approach and it is restricted to Umurenge SACCO of Kibirizi division, focusing on the activities of the SACCO towards rural development. Based on the results from interviews and questionnaires, an analytical research design was applied to assess the gathered data from different sources and categories of people under study, as the entire process of the study formation through dissemination of findings. The study was designed to collect and analyze the information needed to satisfy the objectives at a lowest cost.

#### **3.4 The study population**

The population under study comprised of 4 respondents from cooperative staff. That is one accountant, a cooperative manager, one teller and loan officer, 1,992 were cooperative members, which gives a total population of 1,996 people.

#### **3.5 Sample size**

Due to the inadequate resources, it was not possible to investigate the whole population, as such, a sample was deemed necessary. A sample is portion of the population selected to achieve the

objectives of the study. As per the study's accuracy and efficiency, a representative sample size chosen was 66 respondents. The formula applied is one of Alain Boucard used as follow:

$$n = \frac{No}{1 + \frac{(No-1)}{N}}$$

$$No = \frac{z^2 * p(1-p)}{d^2} = \frac{(1.67)^2 * (0.5)^2}{(0.1)^2} = 69.7$$

$$n = \frac{69.7}{1 + \frac{69.7-1}{1992}} = 66.3 \sim 66$$

n stands for sample size, N is the size of the population, No is the sample size of defined population, d is the error term estimated, to be 10%, p is the estimated frequency of the sample with size n while Z is the figure obtained from the Z-value statistical table.

According to the above results; the sample of 66 members was drawn from the population of 1996 members which compose Umurenge SACCO of Kibirizi division

N=1992, estimated frequency of the sample and q is 0.5 of being non-selected.

### 3.5 Source of data

Both primary and secondary sources of data were used. The primary data was obtained from SACCO's officials and members through self-administered questionnaires and interviews. Secondary data on the other hand was obtained through consulting textbooks, journals, SACCO annual reports and magazines

### 3.6 Data collection instruments

The methods used in data collection included; documentary study, questionnaires and interview schedules.

### 3.7 Documentary study

This is defined as the data collection process based on reading books and documents to get the background and find out information from other studies on similar topics it is the method used to collect secondary data through reading books and documents. This involved visiting libraries and other documents centers.

### **3.8 Questionnaire**

Kakinda (1990:25) defines a questionnaire as “a set of related questions designed to collect information from a respondent”.

This method of data collection was used because it is easy to administer and saves time. The researcher distributed questionnaires to 4 SACCO officials because they were literate and they preferred to answer them in their free time. The questionnaires contained both open-ended and close-ended questions.

### **3.9 Interview schedule**

Interview schedule is a list of questions read by an interviewer to a respondent with the interviewer writing down the respondent's answers on the schedule (Kenneth, D.Bailey 1978:434). This method of data collection was used because some of them are illiterate. This was done by the researcher reading the questions to the respondent and recoding the answer(s) given by those respondents. This helped the researcher to obtain concrete information from both illiterate and literate respondents that enabled him to make a comparison between respondents given by these groups and drawing conclusions.

### **3.10 Data processing**

After data collection, it was duly processed to get meaningful results. During data processing, relevant data to the subject of the study was considered and transformed into meaningful information for easy interpretation and understanding, which enabled the researcher to draw a general conclusion on the study. The data processing involved editing, and tabulation of results.

### **3.11 Editing**

The researcher edited all the questionnaires himself by interviewing each respondent. Moser and Kalton (1979:441) state, “Editing in survey is intended to detect and as far as possible eliminate errors in the completed questionnaires. Editing was done to ensure that answers were accurate and consistent. Again through editing the researcher was able to deduce from answers given to see whether all questions were uniformly interpreted according to the instructions. Editing was also done to check completeness of the questionnaires and see that all applicable questions had been answered and where errors and omissions were encountered, the researcher tried to fill in the collect answers by inference from answers given to other questions in the same

questionnaire. Some respondents gave incomplete answers and the researcher tried to look for inconsistencies among answers given.

### **3.12 Tabulation**

Tabulation is putting together of data into some kind of tables. This data may then undergo certain statistical manipulation. Under this study, tabulation was done after editing. Tabulation was done by hand; tabulation by hand is essentially establishing frequency distribution and then calculating the researcher used. Data was presented in 9 tables and 7 figures and each is followed by explanations about the nature of the relationship between variables indicated in the table. All this was aimed at presenting understandable data.

### **3.13 Limitation of the study**

The SACCO members who were targeted by the study as the reliable and the potential respondents seemed not to have time to answer the questions that were being asked to them. So, the researcher spent a lot of time in negotiating with them such that they could answer the questions. This resulted in delays in obtaining data.

Most of respondents gave unnecessary information to open ended questions. Selecting the relevant information was a problem. This was due to the fact that, the respondents' attitudes towards the researcher was that, the researcher was in position to solve their problems, or present their problems to the high authority. The researcher only picked the information, which is relevant to the study.

Nevertheless, the study was conducted successfully despite the above constraints and managed to come up with information contained herein.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter analyses data collected for the study and interprets it to enable the researcher to draw conclusions in light of the study objectives. It deals with elements that proved relevant in assessing the role of Umurenge SACCO towards rural development. Findings of the study are based on both primary and secondary data analysis, and are presented in the form of tables, percentages and descriptions.

Respondents were divided into two categories. That is SACCO customers and SACCO officials that are employees. Respondent were selected following methodology presented in chapter three. The researcher investigated 4 SACCO officials and 66 SACCO members, which altogether add up to 70 respondents.

#### **4.2 Characteristics of respondents**

Sex, age, marital status, education level and experience were considered as characteristics of respondent.

During the course of this study, information was sought from respondents regarding their characteristics, which include sex, age, marital status, level of education and experience provide a background for the operation of Umurenge SACCO.

##### **4.2.1 Sex**

The research sample includes both officials and SACCO members of Kibirizi. The distribution of these respondents by sex is presented in table 4.1 below.

**Table 4.1 Respondents distribution by sex**

Sex	Members		Officials		Total frequency	Total percentage
	Frequency	Percentage	Frequency	percentage		
Male	41	62.1	3	75	44	62.9
Female	25	37.9	1	25	26	37.1
Total	66	100	4	100	70	100

**Source: Primary data**

As the table 4.1 below shows of the 70 respondents, 37.1% are female while 62.9% are male. 66 of the respondents are SACCO's members. Out of whom 62.1% are male while 37.9% are female. SACCO's officials are 4 of whom 75% are male while 25% are female. This implies that male in rural areas respond positively to rural development activities.

#### 4.2.2 Age

Another important demographic characteristic of respondents considered was age. This is because age was considered to be a factor having significant influence on development. Respondents' distribution by age is presented in table 4.2

**Table 4.2 Distribution of respondents by age**

Age	Members		Officials		Total frequency	Total percentage
	Frequency	Percentage	Frequency	Percentage		
18-24	7	10.6	1	25	8	11.4
24-30	20	30.3	1	25	21	30
30-36	12	18.2	2	50	14	20
36-42	9	13.6	0	0	9	12.9
42-48	7	10.6	0	0	7	10
48-54	6	9.1	0	0	6	8.6
54-60	2	3	0	0	2	2.9
60+	3	4.5	0	0	3	4.2
Total	66	100	4	100	70	100

**Source: Primary data.**

The table above shows that the proportion of respondents lies between middle age group 24-30 and 30-36 categories, constituting 30% and 20% of the total respondents. The young group category constitutes a little percentage and old age as the table shows.

#### 4.2.3 Marital status

As demographic characteristics, marital status was considered to be an element in credit extension by SACCOs. In this respect, table 4.3 shows the respondents according to their marital status.

**Table 4.3 Marital status for members**

Marital status	Members		Officials		Total officials	Total percentage
	Frequency	Percentage	Frequency	Percentage		
Single	23	34.8	2	50	25	35.7
Married	37	56.1	2	50	39	55.7
Widow/widower	6	9.1	0	0	6	8.6
Total	66	100	4	100	70	100

**Source: Primary data**

The above table shows that 55.7% of the total respondents are married, 35,7 are single while 8.6 are widow/widower. Analysis shows that out of 66 respondents who are customers 37 of them are married constituting 56.1%. In the officials' category, a married respondent constitute 50%. It can be said that married people are dominate customers of Ummerenge SACCO of Kibirizi.

#### 4.2.4 Education level

Since awareness of the services offered by SACCOs require knowledge of cooperative operations it was necessary to collect data regarding this from both cooperative customers and employees. Table 4.4 presents the education level of respondents.

**Table 4.4 Distribution of respondents according to education level**

Education level	Members		Officials		Total frequency	Total percentage
	Frequency	Percentage	Frequency	Percentage		
None	7	10.6	0	0	7	10
Primary	37	56.1	0	0	37	52.9
vocational	9	13.6	0	0	9	12.9
Secondary	9	13.6	3	75	12	17.1
Higher education	4	6.1	1	25	5	7.1
Total	66	100	4	100	70	100

**Source: Primary data**

From the above table it is clear that 52.9% of the total respondents have primary education, 12.9% have vocational education while 17.1% have secondary education and 7.1% have higher education while 10% have no education level. It is also clear that of the 66 of the respondents 56.1% are primary educated, 13.6 have vocational school education while 9% have secondary education and 6.1% have higher education while 10.6% have not gone to school. From cooperative officials 75% have secondary education while 25% have higher education level.

This analysis shows that since most of customers have primary education and below, the members' knowledge about importance of SACCO's services is low and this indicated by members' low demand of cooperative services. It can be also noted that uneducated people are less applied for loans since they have limited knowledge on project formulation, as also it was indicated by the W.B in the chapter two( p.18) of this study that illiteracy is a fundamental cause of rural underdevelopment in developing world.

#### **4.3 Customers' occupation**

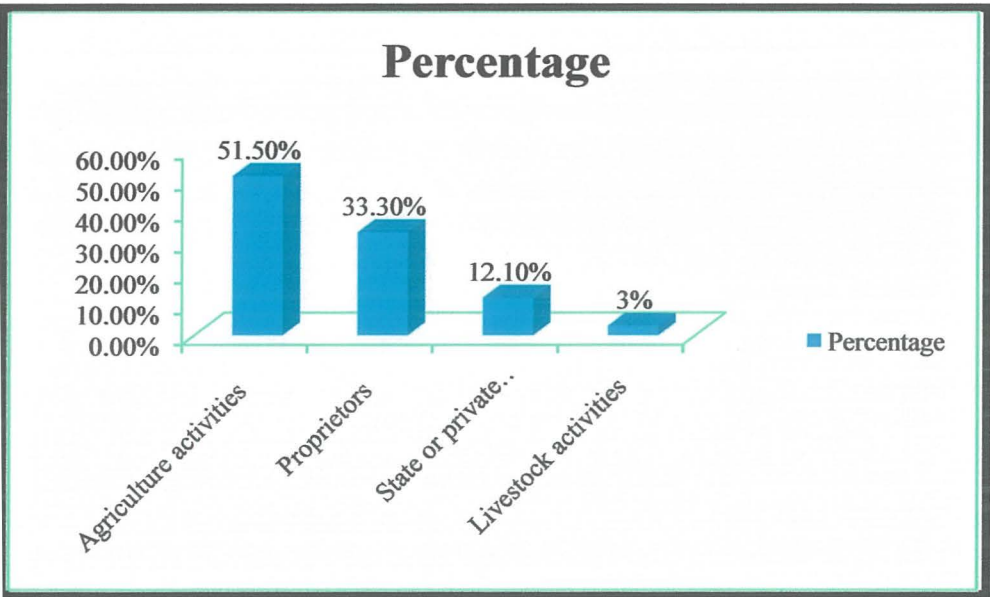
In order to know the categories and economic class of the members it is important to know the occupation of cooperative members. It is in this regard that has been asked their every day occupation and it is demonstrated on a figure below.

**Table 4.5 Customers’ occupation**

Occupation	Frequency	Percentage
Agricultural activities	34	51.5
Proprietor	22	33.3
State / private	8	12.1
Livestock	2	3
Total	66	100

**Source: Primary data**

**Figure 4.1 Customers’ occupation**



**Source: primary data**

From the above figure agriculture and proprietors are constitute the big percentage of cooperative members’ occupation. Where 51.5% of the total respondents are occupied with agriculture activities, while 33.3% of them are proprietors. Meaning that majority of cooperative members are form rural areas, and that SACCOs are mainly operating in rural areas. As it is mentioned in chapter two of this study agriculture is the dominant activity of rural areas. State or

private companies’ workers constitute the percentage of 12.1% of the total respondents, followed by 3% of the total respondents who are occupied by livestock activities.

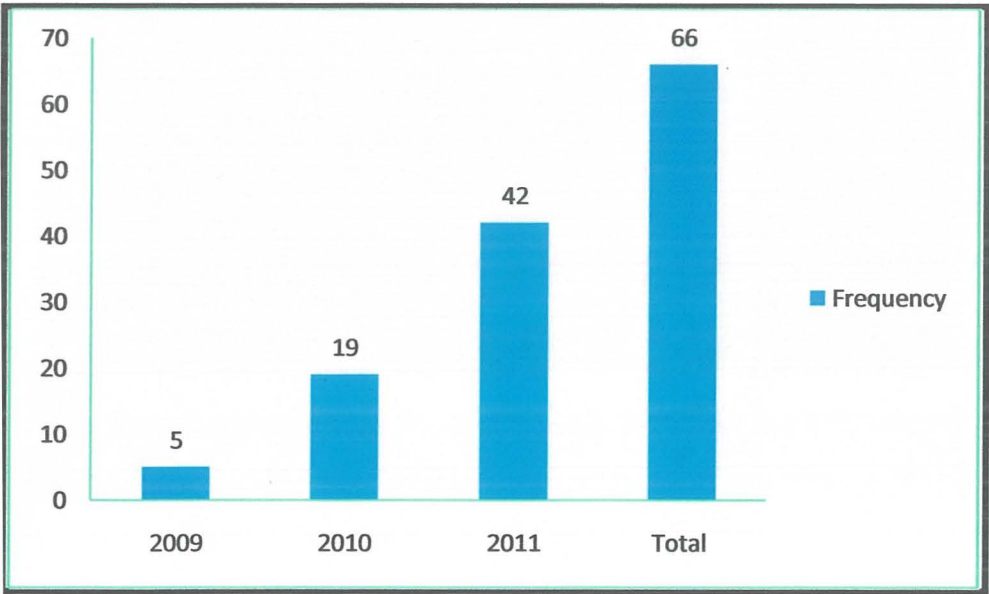
**4.4 Starting of membership with SACCO:**

In order to know the extent to which cooperative members are aware of SACCO of Kibirizi operations and its role in rural development, members were asked the their starting time with the cooperative. Table 4.6 shows their responses.

**Table 4.6 Starting of membership with SACCO**

Year	Frequency
2009	5
2010	19
2011	42
Others	66

**Figure 4.2 Customers’ starting of membership with SACCO**



**Source: primary data**

It is evident that 63.6% of the cooperative member’s category has been with the cooperative this year (2011). This means that people’s understanding on cooperative’s operations is increasing

and the number of members is growing so quick. Compared to the percentage of pervious years which are 7.6% in 2009 and 28.8% in 2010.

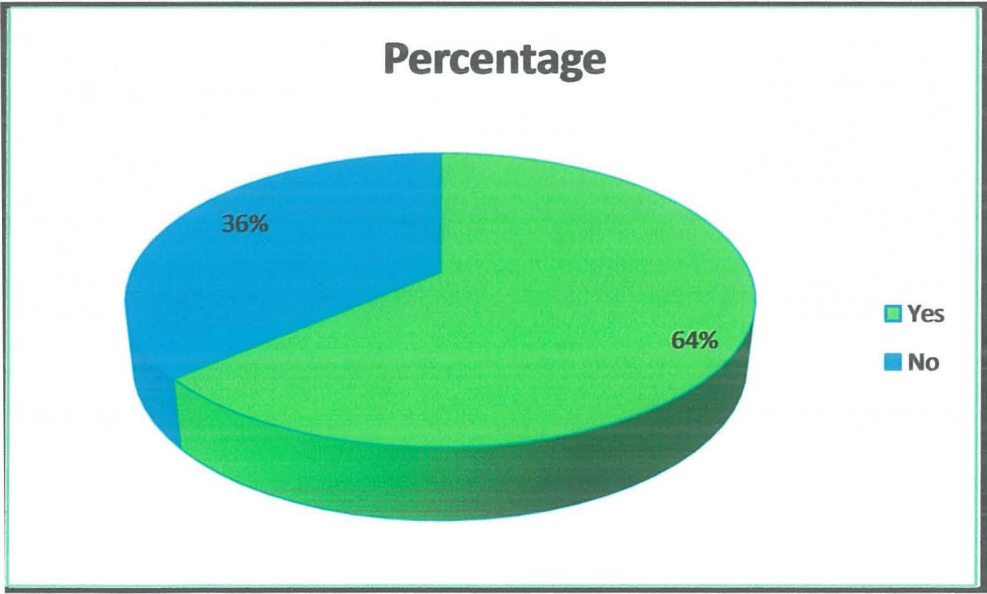
**4.5 Membership and duration in saving of SACCO members**

In order to benefit from SACCO of Kibirizi one has to be a member of the cooperative at least three mouths. Becoming a member requires opening an account within such cooperative. For that case the members were asked whether before joining SACCO they used to save or if it was their first time, as the starting point of adoption of saving culture of population as far as far as rural development is concerned.

**Table 4.7 Duration in saving of SACCO members**

Saving before joining SACCO	Frequency	Percentage
Yes	42	64
No	24	36
Total	66	100

**Figure 4.3 Umurenge SACCO of Kibirizi members’ lengths of saving**



**Source: primary data**

From the above chart it is evident that 64% of the respondents were saving before joining SACCO. Which means that there are some advantages that induced customers from their previous saving institutions. 36% of respondents joined SACCO for their first time of saving with an institution regulated by the National Bank of Rwanda.

#### 4.6 Customer saving place before joining the SACCO

**Table 4.8 Customers' saving place before joining SACCO**

Manner of saving	Frequency	Percentage
With relatives	1	1.5%
In a secret place	6	9.1%
With informal group	2	3.0%
With institution regulated by BNR	33	50
Total	42	100

**Source: Primary data**

The above table reveals that most of members 50% of 42 who saved before joining SACCO reveled that they saved in other institutions regulated by the National Bank of Rwanda, while 9.1% used to save in a secret place and 3% used to save with informal group, while 1.5% used to save with relatives. From the above data one can say that most of cooperative members have knowledge on importance of saving.

According to the respondents during interview, SACCOs has advantages that are not found in their saving institutions like removal of transaction charges each month, reduction of the amount to open an account which is 5000 Rwf which has to be refunded at the closure of the account and credit facilities, which mark the different between SACCOs and commercial banks.

Furthermore it is important to note that SACCO has been a motivation to join financial services for those who used to save with relatives, secret place and informal groups.

#### 4.7 Reasons of customers for not to save before joining SACCO

**Table 4.9 Reasons of customers for not to save before joining SACCO**

Reasons	Frequency	Percentage
Low income	10	15.2%
Long distance to the saving institutions	6	9.1%
Ignorance	8	12.1%
Total	24	100

**Source: primary data**

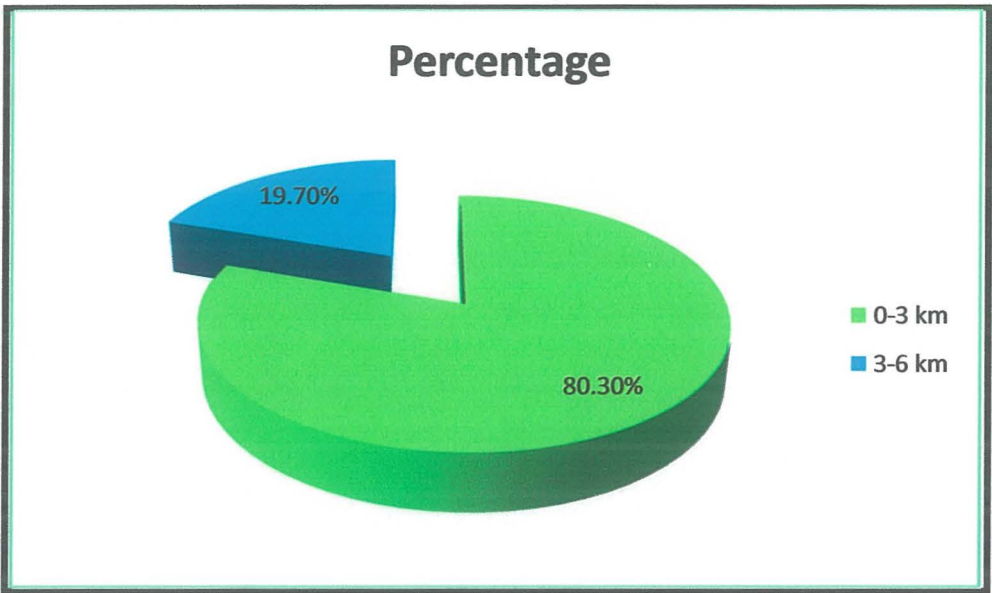
As shown by the above table the big percentage of reason for not to save is 15.2% which is equivalent to 10 of 24 respondents, who put forward low income as their reason for not to save. Further analysis shows that 6 of 24 respondents which constitutes 9.1%, were having long distance to the saving institution as their as their reason for not to save. This means that SACCOs has made easy access to financial institutions and has been a motivation for them to save. 8 of 24 respondents which constitute 12.1% advanced ignorance as their reason for not to save before joining SACCO. This is a clear picture of the fruit of the mobilization strategies used by SACCOs to induce their members.

#### 4.8 Distance to SACCO

**Table 4.10 Distance to SACCO**

Distance to SACCO	Frequency	Percentage
0 -3 km	13	19.7
3 - 6	53	80.3
Total	66	100

**Figure 4.4 Members’ distance from home area to the cooperative**



**Source: primary data**

This was put forward in order to know how far is the cooperative from home area as the motivating factor to the cooperative services. As shown by the table, the greatest percentage, 80.3% of respondents live near the cooperative boundaries not more than 3km, while 19.7% of the respondents do not more than 6km, from home areas to the cooperative. This indicates that, the lowness about members’ understanding of cooperative services is not caused by long distance to the cooperative but inadequate knowledge in relation to the importance of the cooperative as far as rural development is concerned.

**4.9 Major activities of cooperative members**

The study also intended to investigate the main activity of cooperative’s their source of income and their responses are in table below.

**Tale 4.11 members' major activities of income**

Source of income	Frequency	Percentage
Salary and wage	9	13.6%
Agriculture activities	21	31.8%
Artisans	15	22.7%
Temporally job	14	21.2%
Small business	5	7.6%
Livestock activities	2	3%
Total	66	100

**Source: primary data**

The table above shows that the major activity of source of income of rural people is based on agriculture activities which cover 31.8% of the total respondents followed by 22.7% derive their income from artisans, 13.6% from salary and wage, while temporally job constitute 21.2%, small business with 7.6%, and 3% from livestock activities. This clearly shows that an agriculture activity employs the majority of rural population, and therefore it should be put on the top agenda in terms of credit extension in order to develop the majority of the population.

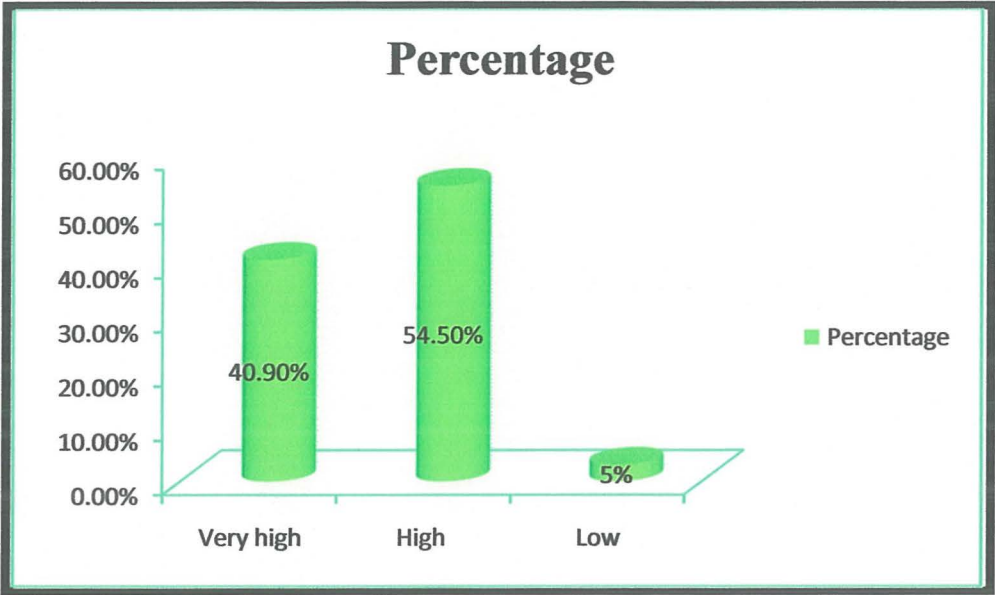
#### **4.10 Members' level of satisfaction of activities and the advantages met after joining SACCO**

In order to come across if cooperative members' level of satisfaction on cooperative activities and if there is any improvement of their life conditions after joining SACCO.

**Table 4.12 showing level of satisfaction**

Level of satisfaction	Frequency	Percentage
Very high	27	40.9
High	36	54.5
Low	3	5
Total	66	100

**Figure 4.5 Members’ satisfaction of activities after joining cooperative**



**Source: primary data**

From the above figure it is clearly shown that 40.9% of the total respondents are very highly satisfied and appreciate cooperative services, 54.5% are highly satisfied while 5% of them are lowly satisfied by the cooperative services. This implies that so far the cooperative activities are highly appreciated by the majority of members and it is unwise not to mention that increase the cooperative credibility as a key factor for the cooperative to increase the number of members, as a way to rural development achievement as far as SACCOs’ activities are concerned.

**4.11 Members’ perception about causes of under development**

The major concern of this section is to examine the members’ perception about causes of rural underdevelopment. To acquire concrete information, cooperative members and officials were asked whether it is due to lack of access to saving and credit facilities in rural areas. Table below shows their responses.

**Table 4.13 respondents' opinion on lack of access to saving and credit facilities in rural areas as cause of underdevelopment.**

Response	Members		Officials		Total frequency	Total percentage
	Frequency	Percentage	Frequency	Percentage		
Strongly agree	46	69.7%	2	50%	48	68.6%
Agree	10	15.2%	2	50%	12	17.1%
Disagree	9	13.6%	0	0	9	12.9%
Strongly disagree	1	1.5%	0	0	1	1.4%
Total	66	100	4	100	70	100

**Source: primary data**

On the basis of the findings of the table above the majority of respondents 85.7% supported the statement that lack of access to saving and credit facilities in rural areas is major cause of rural underdevelopment while 14.3% does not support the statement. This also has been emphasized by (Planet finance 2005) in chapter two of this study that: "The majority of the world' populations are poor and lives in rural areas most of this population lacks adequate access to financial services, particularly working capital credit" it continues in criticizing urban banks lack of knowledge and skills necessary to operate in rural areas.

According to the interview held with the respondents, when financial institutions are closer to rural people it is a motivation for them to save and open accounts. Since the rural people's income is not regular and most of the time with a little amount, thus there is no willing for income earners like this to open a saving account as a way to loan application, when financial institutions are far from them. Meaning that this is a limiting factor to access to financial institution for rural people.

On this view point one can conclude that lack of access to saving and credit facilities is a major cause of rural underdevelopment but it is also important to mention that ignorance of rural population is another factor.

#### 4.12 Objectives of joining the SACCO

**Table 4.14 members' main objective for saving**

Objectives	Frequency	Percentage
Saving for the future	45	68.2%
Credit accessibility	5	7.6%
Security of money	4	6.1%
Emergency	12	18.2%
Total	66	100

**Source: primary data**

On the basis of the percentages illustrated in the above table. It is clear that 68.2% of the respondents save their money with the objective of having a better future of their family. With this objective rural people will improve their future life standard, therefore wellbeing of rural population. 18.2% of the respondents save for the emergency situation while 7.6% save with the main objective of access to loan and 6.1% have the objective of assure the security of their money.

#### 4.13 SACCOs contribution towards rural development

**Table 4.15 respondents' opinion on SACCO's activities toward rural development**

Contributions	Frequency	Percentage
Credit facilities	45	68.2%
Easy access to financial services	2	3%
Saving culture	19	28.8%
Total	66	100

**Source: primary data**

Planet finance 2005 again views saving and credit cooperatives as a solution of easy access to financial services problem for rural people by giving credits to rural farmers. The reason why the above table shows that the majority of the cooperative members expect from SACCO getting loans to invest in their economic sectors, as to develop themselves and their home areas, this was supported by 68.2% of the respondents. 28.8% supported that SACCO's activities will contribute

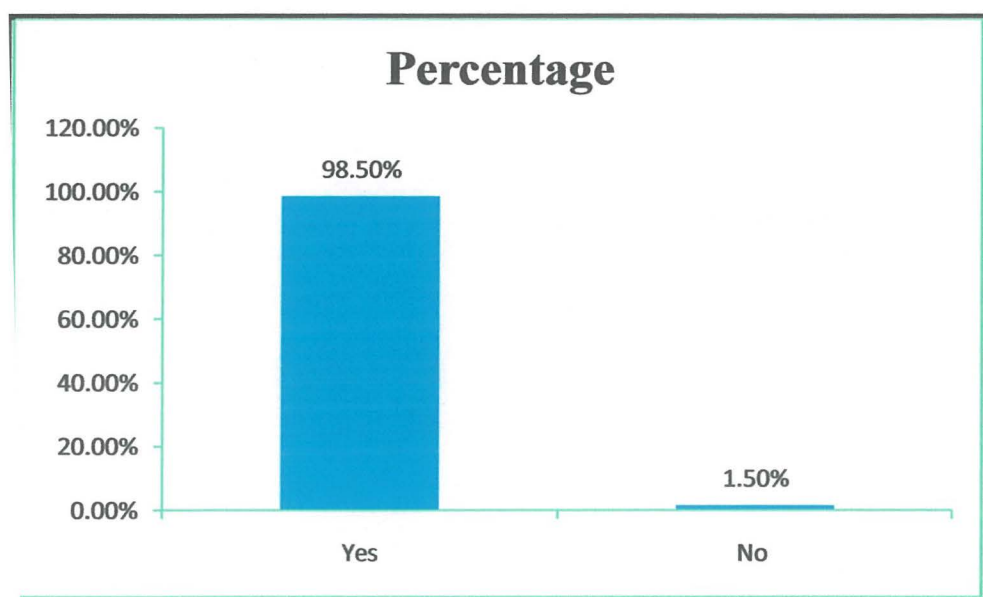
to rural development through the improvement of saving culture to the concerned population while 3% find easy access to financial services as a way to rural development.

#### 4.14 encouragement of joining SACCO

**Table 4.16 Members' response to the encouragement of joining SACCO**

Encouragement to join SACCO	Frequency	Percentage
Yes	65	98.5
No	1	1.5
Total	66	100

**Figure 4.6 Members' response to the encouragement of joining SACCO**



**Source: Primary data**

From the percentages of the above figure it clearly demonstrated that 98.5% of the respondents agreed that SACCO encourages them to save and joining them. Only 1.5% disagreed with the statement.

#### 4.15 Inducement of the customers

**Table 4.17 the way used by SACCO to induce their customers**

Response	Members		Officials		Total frequency	Total percentage
	Frequency	Percentage	Frequency	Percentage		
Mobilization	17	25.8%	2	50%	19	27.5%
Local government	38	57.6%	2	50%	40	58%
Media channels	10	15.2%	0	0	10	14.5%
Total	65	100	4	100	69	100

**Source: primary data**

According to the table 4.9, 58% of the respondents revealed that SACCO use local government during the local meetings and after community work, as the way of induce members and encourage rural people to save. 27.5% revealed that population are mobilized by the cooperative officials where they meet rural population to their living areas, while 14.5% revealed the use of media channels.

It is important to note that fact that SACCOs are mobilizing rural population; it shows that the targeted populations are rural based. Basing on this fact it is unwise not to note that SACCOs are contributing to rural development process.

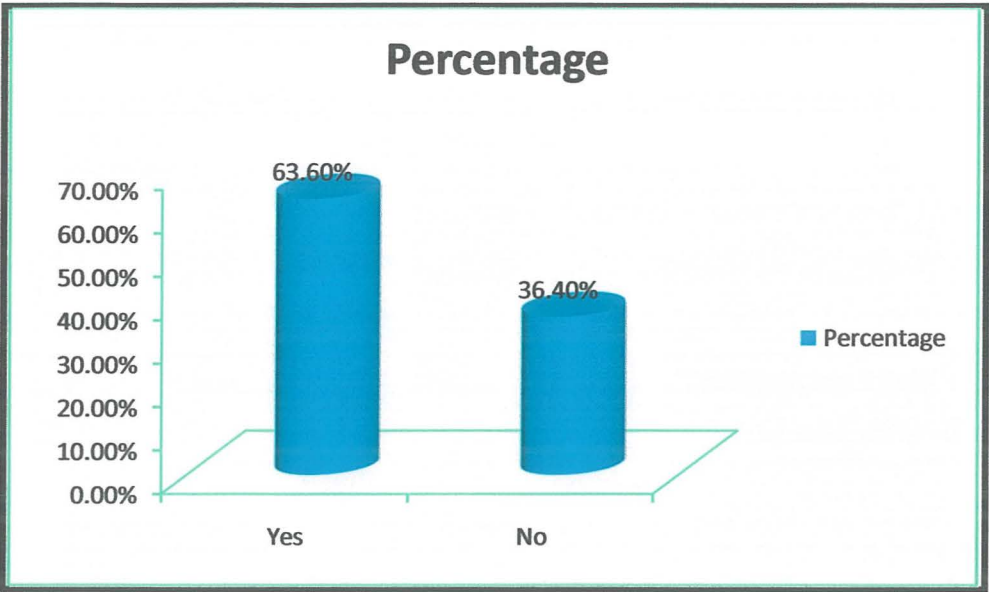
The 1.5% of the respondents which is equivalent to 1 respondent who disagreed with the statement, suggested the local government as the way that should be used by SACCOs to induce their members and encourage more savings to the existing members.

#### 4.16 Challenges and problems faced by their SACCO

**Table 4.18 Challenges and problems faced by their SACCO**

Encouragement to join SACCO	Frequency	Percentage
Yes	42	63.6
No	24	36.4
Total	66	100

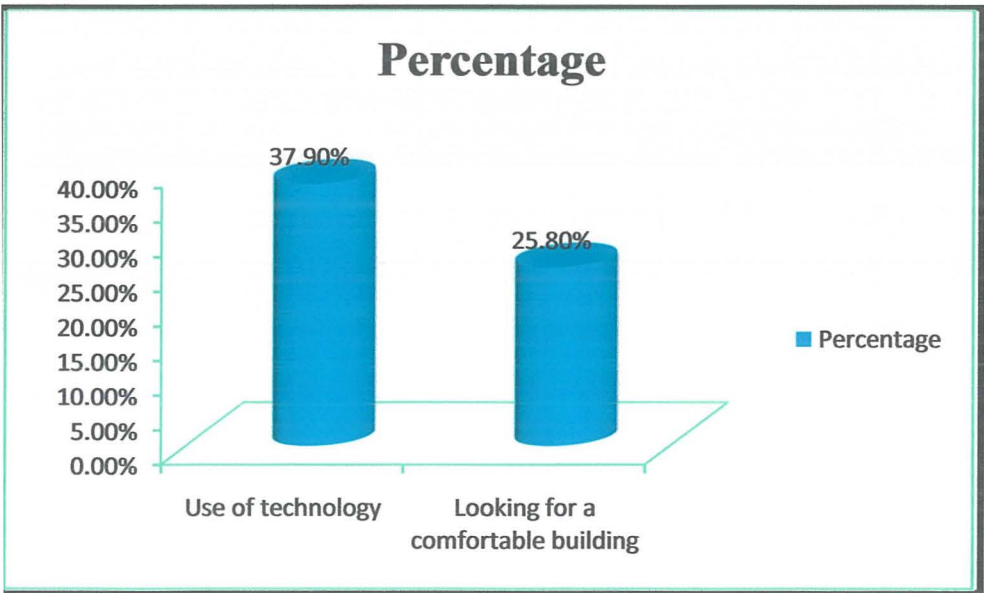
**Figure 4.7 Members’ response to the challenges and problems faced by their SACCO**



**Source: primary data**

On the basis of the findings of the presented figure, 63.6% of the respondents revealed that their cooperative is facing some challenges and problems while 36.4% of the respondents revealed that there are no problems or any challenge to their cooperative so far.

**Figure 4.7 solution proposed by cooperative members for solving problems faced by their SACCO.**



**Source: primary data**

According to the above figure 37.9% which is equivalent to 25 of respondents suggested the use of technology to facilitate quick services to the members and use of database to keep their record rather than papers. 17 of the respondents which constitute 25.8% suggested to look for a comfortable building since the currently used is not big enough to receive more than six members at the same time.

While cooperative officials illustrated population ignorance to the importance of SACCO's activities toward rural development process, as their main challenge to induce more cooperative members. Meaning that more effort is required to reinforce the existing ways and invent new strategies. Furthermore lack of technology is also another hinder to the quick service deliverance and record keeping.

## **CHAPTER FIVE**

### **SUMMARY OF THE STUDY, FINDINGS AND POLICY IMPLICATIONS.**

#### **5.1 Introduction**

This chapter highlights a summary of major findings concerning the role of Umurenge SACCO in promoting rural development in Rwanda. The chapter further presents the possible measures that can be put into place to improve the performance of Umurenge SACCO so as to improve on the well being of rural people.

#### **5.2 Summary of the findings**

The major objective of this study was to assess the role of SACCO in promoting rural development in Rwanda. It adopted a case study of one of the rural based SACCO. The basic primary data were obtained from 70 respondents, whereby 66 were cooperative members and 4 were cooperative officials. Kibirizi was chosen as a representative of SACCOs serving rural population in Rwanda. By this fact, it was found out that Kibirizi is a semi-rural area as depicted from the result of the study.

The study tested the influence of education, the experience in saving, people's main source of income reasons for people to save, the level of satisfaction to the members after joining SACCO and other limiting factors to cooperative services.

The respondents were selected using convenience sampling for the cooperative members and all cooperative officials. Interview schedules and questionnaires were employed during the process of data collection. The results of the study indicated that lack of knowledge about the project formulation for credit, collateral securities are major factors that limit credit acquisition, transaction charges long distance to the saving institutions and low income associated with ignorance, are main factors to rural underdevelopment.

Major problems facing Umurenge SACCO of Kibirizi are a lack of computer machines for loan management and quick service delivery, ignorance of rural population toward cooperative activities, and uncomfortable house in terms of receiving many members.

### **5.3 Findings of the study**

According to an analysis made in this study. The study revealed that, Ummerenge SACCO of Kibirizi like other SACCOs was established to mobilize savings and extend credits and other development services to the rural areas.

#### **5.3.1 Saving mobilization**

The study indicated that the agriculture sector is the largest contributor to the deposits, since it contribute the 31.8% of the findings. Since the majority of rural people are farmers and the number of cooperative members is growing each year, the cooperative's role of saving mobilization is being achieved.

#### **5.3.2 Credit extension**

SACCOs gives medium and short-terms loans equivalent to 20% of the money on member's account. The loan is offered to individual or a group (co-operatives) who have at least spent 3 months making account operations. SACCOs emphasize activities that are meant for rural development.

In short SACCOs are playing a notable role in promoting rural development in Rwanda since the time for eligibility to loan for members has been reduced compared to commercial banks and interest rate on loans has been also reduced, agriculture sector is the priority as a principal activity conducted by the majority of cooperative members.

On the other hand however, development has not yet been achieved since most of SACCOs have a little number of members as the data analysis shows in chapter four and most of the cooperative members are new, meaning that they are not eligible to credit application.

### **5.4 General conclusion**

From the results of the research in chapter four and on the objectives of the study it is important at this stage to note that there is a need to make easy access in terms of financial institutions to rural people so as provide saving mobilization and credit facilities, which has been failed by urban banks. This excluded rural people to this sector and rural economic activities dominated by agriculture were left behind.

Saving mobilization and credit provision to rural people are the main activities assigned to SACCOs and mainly operating in rural areas. Basing on the above paragraph, there is enough evidence to drop a conclusion in accepting that there is a strong relationship between rural underdevelopment and lack of access to saving and credit facilities in rural areas, where it has been found that easy access to financial institution is a motivation to spread saving culture to rural people and credit acquirement, as far as rural development activities are concerned.

Therefore, there is a satisfactory evidence to affirm that SACCOs has been a solution to rural economic activities, since they are providing credits not only to rural farmers which constitutes the majority of rural people's economic activities but also further analysis shows that SACCOs work with other sectors especially those with small business concerned. Thus, the findings affirm that SACCOs are playing a positive role in rural development process.

### **5.5 Policy implications of the study**

Considering the above-mentioned findings and results of data analysis plus the urgent need to increase the well being of rural people through development, a number of recommendations are in order.

It is recommended for SACCOs to offer discounts or put in place an award for members who meet their repayment schedule so as to encourage cooperative members' loan repayment.

SACCOs should reinforce mobilization strategy to rural people like educate them to spend when only they must and that saving is not for high income earners since majority of rural people put forward low income as their reason for not to save.

The SACCOs should mobilize adequate capital to meet all the financial needs for all members especially high income earner so that they can stay in SACCOs.

For the government's contribution to develop rural areas, should put in place a guarantee fund to enable the rural poor who cannot provide collateral securities. This will enable them to have access to credit, since this is a hinder for loan acquisition.

It is advisable for SACCOs in collaboration with the government to build capacities in project formulation and management. Specialists could train rural people on how to design own projects so that they can apply for loans easily.

## REFERENCES

- BNR, (2008) *the governor, National bank of Rwanda mobilizes citizens towards Umurenge SACCO*.
- Cocher E.J (1973), *rural development income*, New York, Longman
- GNA (2010), *rural urban migration a major cause of rural underdevelopment*
- John and Patricia Lacaille, (2008) *rural information center* National agriculture library.
- KAIZU K. rural development and agricultural policy in central Western Zambia. (2000) African studies center.
- MINECOFIN, (2009) *Umurenge SACCO strategy*
- Planet finance (2005), *rural credit cooperatives in china*
- Republic of Rwanda, (2002) *Rwanda development indicator*
- Robert B. Charlick (1984) *rural development center for international studies* 1970uris holl. Cornell University, New York.
- SAG (2000), *integrates rural development strategy*
- The Journal of Institute of Development vol. VIII (1986, 1987) *an introduction to development theories*, University, Peshawar.
- Todaro P. Michael (1981, 1982) *economic development in third world*, New York, Longman
- UN (1996), *human development report*,
- URT (2001), *rural development strategy for Tanzania*
- World Bank, *Country economic report* (1975), Washington D.C 2043, USA.
- World Bank, *rural development sector, policy paper*, (1975) Washington D.C
- [www.modernghana.com](http://www.modernghana.com) 4/8/2011

## APPENDIX 1

### QUESTIONNAIRE

Dear respondent,

This questionnaire forms part of my research and is intended to find out the role of Umurenge SACCO in promoting rural development in Rwanda. The questionnaires will be used to collect information that I can use for my research. You have been selected to provide information to the above topic by kindly responding to the questions contained herein with sincerity and honesty. Please spare some of your precious time and answer the questions below by providing a tick in the boxes provided as appropriate. The research is purely for academic purposes; your responses shall be treated with maximum confidentiality and your identity shall remain absolutely anonymous.

#### PART A: General data

For this section tick the appropriate alternative

##### 1. Sex

- |           |                          |
|-----------|--------------------------|
| a) Male   | <input type="checkbox"/> |
| b) Female | <input type="checkbox"/> |

##### 2. Age of the respondent

- |            |                          |
|------------|--------------------------|
| a) 18 - 24 | <input type="checkbox"/> |
| b) 24 -30  | <input type="checkbox"/> |
| c) 30 - 36 | <input type="checkbox"/> |
| d) 36 – 42 | <input type="checkbox"/> |
| e) 42 - 48 | <input type="checkbox"/> |
| f) 48 – 54 | <input type="checkbox"/> |
| g) 54 – 60 | <input type="checkbox"/> |

h) 60+

### 3. Education level and experience

a) None

b) Primary

c) Vocational

d) Secondary

e) Higher Education

### 4. Marital status

a) Single

b) Married

c) Widow/ widower

## PART: B

1. When did you join the Umurenge SACCO?

a) 2009

b) 2010

c) 2011

d) Others

2. What is the nature of economic activity or occupation that you do?

a) Agricultural activities

b) Proprietor

c) State or private

d) Livestock activities

3. Where you saving before joining the SACCO?

a) Yes

b) No

4. What was your saving place before you joined the SACCO?

a) With relatives

b) Secret place

c) With informal group

d) With institution regulated by BNR

5. What where your reasons for not saving before you joined the SACCO?

a) Low income

b) Long distance to the saving institution

c) Ignorance

6. What is your distance from home area to cooperative?

a) 0 - 3 km

b) 3 - 6 km

7. What is your major activity or source of income?

a) Salary and wages

b) Agricultural activity

c) Artisan

d) Temporary job

e) Small business

f) Livestock ☐

8. What is your level of satisfaction with activities and the advantages met after joining Ummerenge SACCO?

- a) Very high ☐
- b) High ☐
- c) Low ☐

9. What is your main objective of saving?

- a) Saving for the future ☐
- b) Credit accessibility ☐
- c) Security of money ☐
- d) Emergency ☐

10. What activities of the SACCO contribute to rural development?

- a) Credit facilities ☐
- b) Easy access to financial services ☐
- c) Saving culture ☐

10. Activities of SACCOs encourage you to join them?

- a) Yes ☐
- b) No ☐

11. How did you learn about SACCOs?

- a) Through mobilization ☐
- b) Through local government ☐
- c) Through media channels ☐

12. Is the SACCO facing challenges and problems?

- a) Yes ☐
- b) No ☐

13. What solution do you propose for solving problems faced by your SACCO?

- a) Use of technology ☐
- b) Looking for a comfortable building ☐

This part kindly requires you to express your view on the issue being asked by ticking appropriately;

(1) Strongly Agree- SA (2) Agree – A (3) Not sure- NS (4) Disagree – DA (5) Strongly Disagree SD

#### Reason for under development in rural areas

	SA 1	A 2	NS 3	D 4	SD 5
Under development is due to a lack of access to saving and credit facilities in rural areas					

#### Contribution of credit facilities

	SA 1	A 2	NS 3	D 4	SD 5
There is a contribution of credit facilities to rural areas by SACCOs					