

**MICROFINANCE SERVICES AND SOCIO ECONOMIC DEVELOPMENT OF
RIM CUSTOMERS IN KIGALI CITY - RWANDA**

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In Partial Fulfillment of the Requirements For the Degree
Master of Business Administration

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SEPTEMBER, 2012



DECLARATION B

"I confirm that the work reported in the thesis is carried out by the candidate under my supervision."



Dr. Kibuuka Muhammad

Name and Signature of the Supervisor

Date: 03rd / 10 / 2012

DECLARATION B

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APPROVAL SHEET

This thesis entitled " Microfinance Services and Socio Economic Development of RIM Customers in Kigali City – Rwanda" prepared and submitted by Francine UMURERWA in partial fulfillment of the requirements for the degree of Master of Business Administration has been examined and approved by the panel on oral examination with a grade of PASSED.

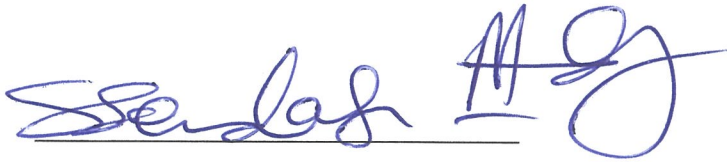


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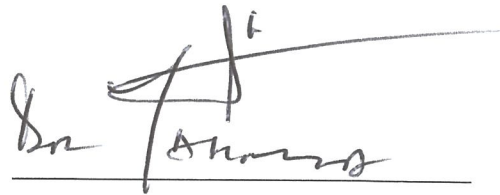

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DEDICATION

This report is dedicated to my beloved husband KARAKE Ferdinand and my children ISHIMWE KARAKE Ange Bruce and SHEJA KARAKE Osanna for their immeasurable support and guidance throughout my education career.

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Firstly, I would like to express my sincere gratitude to Dr. Kibuuka Mohammad, the supervisor of this paper for his inspirational guidance and constructive criticism I received while carrying out this work. I would acknowledge him for the endurance displayed in reading the drafts at each stage and for the invaluable suggestions made for the improvement of this paper.

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I also owe great thanks to the Authorities of RIM and to all the respondents whose views have been compiled to make this study. Without your views, this study would not be as it is now.

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ABSTRACT

The study intended to establish the relationship between access to microfinance services and socio economic development of RIM customers in Kigali City – Rwanda. The study used an ex-post facto, descriptive comparative, correlational and a cross sectional survey design. Using purposive sampling, data was collected from 254 respondents, through a researcher made questionnaire, to answer 3 research questions: respondents' profile, the level of access to micro finance services and the level of socio economic development of RIM customers. To analyze data, frequencies, percentages means, t-test and Pearson's Linear Correlation Coefficient were used. The findings indicated that most respondents were female (60%), between 20-39 years of age (80%), majority were primary dropout (54%) and over 61% had spent 1-4 years as members of RIM. The level of access to micro finance services was generally very low (average mean =1.49). The level of socio economic development was also found to be very low with (overall mean of 1.33). The findings indicated a significant difference in the level of access to micro finance services between male and female, ($t=16.849$, sig. =0.000) and level of socio-economic development between male and female ($t=16.571$, sig. =0.000). The findings indicated a positive significant relationship between the level of access to micro finance services and socio-economic development in terms of housing and domestic welfare ($r=.974$, sig. =0.000) level of income ($r=.964$, sig. =0.000) and health care ($r=.975$, sig. =0.000) and overall socioeconomic development ($r=.983$, sig. =0.000). The researcher concluded that an increase in access to micro finance services improves the socio-economic development and its decline leads to poor socio economic development in Kigali city Rwanda. The researcher recommended that there is need to improve the level of access to micro finance services, so as to improve people's socioeconomic development in Kigali city Rwanda.

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LIST OF ABBREVIATIONS

NGO	:	Non Governmental Organisation
NBR	:	National Bank of Rwanda
GDP	:	Gross Domestic product
MFI	:	Micro finance Institution
RIM	:	Réseau Interdiocésain de Micro finance
NEPAD	:	New Partnership for African Development
PNUD	:	Programme des Nation Unies pour le Développement
UNDP	:	United Nations Development Programme
ACCION	:	American Community Corporation In Other Nations
SPSS	:	Statistical Packages of Social Sciences
SAQs	:	Self Administrated Questions
SACCOs	:	Saving and Credit Cooperatives
HIV/AIDS	:	Human Immune Virus / Acquired Immune Deficiency Syndrome
ICT	:	Information and Communication Technology
CVI	:	Content Validity Index
ANOVA	:	Analysis of Variance
PLCC	:	Pearson's Linear Correlation Coefficient
BNR	:	Banque Nationale du Rwanda
WWW	:	World Wide Web
HTTP	:	Hyper Text Transfer Protocol
MBA	:	Master's in Business Administration
DVC	:	Deputy Vice Chancellor
CHDR	:	College of Higher Degree and Research

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background of the Study

The concept of microfinance originated in the mid-1970s in Bangladesh through a pioneering experiment by Dr Muhammad Yunus, then a Professor of Economics. His aim was to offer poor people financial services, entrepreneurship opportunities, an end to mistreatment by money lenders and a system where they could produce, manage and maintain their own finances.

Traditionally, commercial banks have not provided financial services to clients with little or no cash income. Banks must incur substantial costs to manage a client account, regardless of how small the sums of money involved. But the fixed cost of processing loans of any size is considerable: assessment of potential borrowers, their repayment prospects and security; administration of outstanding loans, collecting from delinquent borrowers and so on. There is a break-even point in providing loans or deposits below which banks lose money on each transaction they make. Poor people usually fall below it. In addition, most poor people have few assets that can be secured by a bank as collateral. As documented extensively by Hernando de Soto and others, even if they happen to own land in the developing world, they may not have effective title to it. This means that the bank will have little recourse against defaulting borrowers.

Seen from a broader perspective, it has long been accepted that the development of a healthy national financial system is an important goal and catalyst for the broader goal of national economic development (see for example Alexander Gerschenkron, Paul Rosenstein-Rodan, Joseph Schumpeter, Anne Krueger etc.). However, the efforts of national planners and experts to develop financial services for their nations' majorities have often failed since World War II,

for reasons summarized well by Adams, Graham & Von Pischke (1984) in their classic analysis 'Undermining Rural Development with Cheap Credit'.

Because of these difficulties, when poor people borrow; they often rely on relatives or a local moneylender, whose interest rates can be very high. Like everyone else, they borrow and save money to run their businesses, invest in improvements and make some expenses such as school fees, medical insurances, wedding celebrations, etc for instance. The financial services they have access to can be unsafe, expensive or not suitable. While there is a long history of informal small savings and credit services around the world, over the last twenty years a more systematic external approach has emerged, which is called microfinance.

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers (Robert Peck Christen, Richard Rosenberg & Veena Jayadeva, 2003). Those who promote microfinance generally believe that such access will help poor people out of poverty and enter in sustainable development.

After the 1994 genocide in Rwanda, the microfinance sector experienced dramatic progress through the support of relevant international humanitarian. They gave the people support equipment, but had their programs in a micro credit component. During the emergency period, the loan becomes indistinguishable in some cases, grants or donations and sowed confusion among the population. He then developed a culture of non repayment of loans. When the Government embarked on a development phase, a significant number of NGOs and projects have become microfinance institutions operating for the most part without too much professionalism. This proliferation occurred in the absence of policies and

national strategies for development of microfinance. In 1999, the NBR was assigned the task of regulating and supervising MFIs. The years 2002 and 2003 were characterized by the establishment of two directions, one governing the activities of microfinance in general and on No. 6 / 2002, the other specific to cooperatives of savings and credit bearing No. 5 / 2003.

Statement of the Problem

Rwanda is among the poorest countries in the world and has always been considered the country with the highest level of poverty, more pronounced in Rwanda's rural areas. The most critical periods have been those of political indecision, the civil war and genocide of 1994 which culminated in the destruction of social fabric and economy. Gross Domestic Product (GDP) per capita is \$ 355 U.S. and over 60% of individuals live in poverty and 42% in absolute poverty. Using the household as a unit, 57% live below the poverty line, 92% of Rwanda's population live in rural areas and rely on agriculture to generate income and ensure their subsistence. However, despite the large proportion of the population that lives on agriculture, the agricultural sector contributes only 39% of GDP. More Rwandans living mainly from agriculture have limited access to credit from commercial banks because of lack of collateral security and the fact that they are not considered bankable by traditional banking institutions (http://www.undp.org.rw/Poverty_Reduction.html).

Strategies have been developed and implemented at national and local levels to support the national economy. These strategies focus on financial sector reforms whose aim was to create an environment conducive to the development of this sector. The main actions of these reforms are to strengthen the regulatory framework for commercial banks through the introduction of new procedures and instruments of financial management, recapitalization, liberalization of interest rates and the facilitation of foreign banks to operate in the national financial

system. Unfortunately, these strategies did not answer the question of lack of access to financial services by the poor people.

Purpose of the Study

The major reasons for this study were to;

1. Identify the strength and weaknesses of respondents in terms of access to micro finance services and socio economic development.
2. Validate the theory by on which this study was based.,
3. Tested the null hypotheses of no significant relationship between access to micro finance services and socio economic development.
4. Identify existing gaps and contribute to existing knowledge by filling the gaps identified.

Research Objectives

General Objective

The general objective of this study was to correlate between microfinance services and socio economic development of RIM customers in Kigali Rwanda.

Specific Objectives

1. To determine the profile of respondents in terms of age, gender, education level and years of membership.
2. To determine the level of access to microfinance services by RIM customers
3. To determine the level of socio economic development of RIM customers.
4. To determine if there is a significant difference in level of access to microfinance services and level of socio economic development of RIM customers with respect to some profile characteristics of respondents.

5. To determine if there is a significant relationship between the level of access to microfinance services and level of socio economic development of RIM customers.

Research Questions

1. What is the profile of respondents in terms of age, gender, education level and years of membership?
2. What is the level of access to microfinance services by RIM customers?
3. What is the level of socio economic development of RIM customers?
4. Is there a significant difference in level of access to microfinance services and level of socio economic development of RIM customers with respect to some profile characteristics of respondents?
5. Is there a significant relationship between the level of access to microfinance services and level of socio economic development of RIM customers?

Research Hypotheses

1. There is no significant difference in level of access to microfinance services and level of socio economic development of RIM customers with respect to some profile characteristics of respondents.
2. There is no significant relationship between the level of access to microfinance services and level of socio economic development of RIM customers.

Scope of the Study

Geographical Scope

Due to the complexity of microfinance sector in Rwanda, time is the first constraint to this study because it is not easy to reach a lot of institutions in a limited time and obtain sufficient information. For this reason, this study focused

on “Réseau Inter-Diocésain de Microfinance” (RIM), one of microfinance institutions in Rwanda. As RIM has branches in different provinces and it is very difficult to cover all the country, this study was carried out in three districts (Nyarugenge, Gasabo and Kicukiro) of Kigali City.

Theoretical Scope

The study was based on neoclassical growth theory by Harrod-Dommar and Robert Solow’s theory as cited in Lipsey & Chrystal (1995). This theory states that Savings play an important role in sustaining growth and development. This theory put it that through savings there will be capital accumulation leading to investments hence economic growth and ultimately development. A high saving economy accumulates assets faster, and thus grows faster, than does a low saving economy (Lipsey & Chrystal, 1995).

Content Scope

The study intended to describe the level of microfinance services (which were limited to provision of deposits account services, loans, payment services, money transfers, insurance, supervised credit, providing ancillary banking services, supplying inputs and agricultural credit and providing assistance in marketing) and the level of rural socio economic development in terms of household income, housing facilities and healthcare. Other variables in the study were the profile characteristics of respondents in terms of age, gender, education level and years of membership in the microfinance.

Time Scope

The study was mainly based on present data, although such data had some stems from the near past. Respondents provided data pertaining to their current position on access to microfinance services and their current level of socio economic development. The researcher requested for the facts on the two

variables based on the way respondents judged themselves at the time of data collection (August, 2012).

Significance of the Study

The study provides policy makers, Non-Governmental Organizations (NGOs) and other stakeholders operating in the districts, with information on the services of microfinance institutions and their contribution towards socio economic development.

The study is helpful to Government Policy Makers, Donors, Directors, Managers, members and the private sector as it will reveal how microfinance services have promoted the peasants' living standards.

The study also enable Micro Finance Institutions (MFIs) in identifying the gaps that limit the relatively underdeveloped microfinance industry in Rwanda hence playing the critical role of catalyzing increase in household income and also in improving food security to alleviate poverty.

The study is also helpful to RIM members to adopt a policy of saving and credit as a way of promoting socio economic development among its members and encourage other potential members to join it as a way of increasing their working capital through saving and share capital mobilization.

The study can also be used by different academicians and the general public to stimulate further research on micro finance institutions to help in promoting socio economic development.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Ideas, Opinions From Authors/Experts

Micro Finance Services

According to Asian Development Bank (2007), Microfinance services refers to formal provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises. Microfinance services are provided by three types of categories: formal institutions, such as rural banks, saving and credit cooperative societies (SACCOs); semiformal institutions, such as nongovernment organizations; and informal sources such as money lenders and shopkeepers, however their service delivery systems hardly address customer needs so as to improve institutions of financial performance.

Many Microfinance institutions have demonstrated an ability to provide financial services to poor people on a sustainable, profitable basis. As a result, a growing number of markets are becoming extremely competitive and clients have an ever widening choice of financial service providers to choose from that make micro finance institutions to significantly contribute to economic development.

Presentation of Microfinance sector in Rwanda

Microfinance in Rwanda is a relatively young because the majority of MFIs are under 10 years of experience. Most MFIs are still searching for their professionalism and ability to adapt to an environment of increasingly competitive and dynamic remains low.

In its traditional form, the practice of microfinance is several years old. It is known as the tontine. As for the modern form and / or formal it appeared in 1975 with the creation of the first Nkamba Banque Populaire.

After the 1994 genocide in Rwanda, the microfinance sector experienced dramatic progress through the support of relevant international humanitarian. They gave the people support equipment, but had their programs in a micro credit component. During the emergency period, the loan becomes indistinguishable in some cases, grants or donations and sowed confusion among the population. He then developed a culture of non repayment of loans. When the Government embarked on a development phase, a significant number of NGOs and projects have become microfinance institutions operating for the most part without too much professionalism. This proliferation occurred in the absence of policies and national strategies for development of microfinance.

In 1999, the NBR was assigned the task of regulating and supervising MFIs. The years 2002 and 2003 were characterized by the establishment of two directions, one governing the activities of microfinance in general and on No. 6 / 2002, the other specific to cooperatives of savings and credit bearing No. 5 / 2003.

Since 2002, there has been an uncontrolled creation of MFIs is to say, often without reference to the instructions of the Central Bank. To properly control and regulate these structures, the central bank has granted final approval to meet IMF conditions. Some MFIs have received provisional approval could not meet the conditions for final approval. Consequently, 9 MFIs have experienced situations of insolvency and were taken to the liquidation.

The main reasons for these matters are -the low level of capitalization starting MFIs in terms of expenses and deposits mobilized by them, exceeding the level of transformation of deposits into credits in many MFIs in violation of rules on prudential ratios in place and poor credit risk analysis. The liquidation of these institutions had a negative impact on financial sector and on the Rwandan economy in general. In fact, the Rwandan have lost their confidence and trust in the financial institutions given that those bankrupts MFIs did not managed to pay

back their deposits. The bankrupts' institutions were the biggest microfinance in Rwanda that their liquidation has been a threat to the performance of the entire financial sector. To rebuild the population's trust in financial institutions, the government of Rwanda took a responsibility to reimburse the 50% of the deposits that were lost by those institutions and to intervene in loan recovery operation.

However, whatever the government can do to encourage the population to work with financial institutions; without the willingness of the management of those institutions, the stability of financial sector cannot be achieved. Since the quality of loans delivery is the most important source of income for financial institutions, managers who strive for the performance and sustainability of their institutions, should be guided, in their decisions making by the credit risk analysis and cost management.

The role of microfinance institutions in Rwanda development

The majority of the poor people in Rwanda live in rural areas where the triple objectives of microfinance institutions promotion in districts or sectors, and indeed across Rwanda, are to contribute toward the national goal of social integration, poverty reduction and economic empowerment of the people.

The role of microfinance institutions in social integration and poverty reduction

Social integration means bringing many different people to work together, to engage in common activities for the benefit of them and therefore to promote peaceful and friendly co-existence among them. All clients are expected to participate actively in running in their microfinance institutions through general meeting of members, committee meeting and decision making activities.

Microfinance institutions are expected to play a very important role in increasing opportunities for more interaction and understanding among their members and communities. In this way, microfinance institution will be achieving

one of their goals which is the social integration of the people of Rwanda in line with Vision 2020.

Poverty reduction means contributing toward increasing people ability to provide for themselves basic necessities of life such as food, housing, clothes, education, medical care and generally be able to increase their standard of living. Thus microfinance institutions enable peoples especially the poor to benefit in many ways. One, they help the poor to pool together their small amount of resources they have, e.g. milk, produce, savings etc.

Socio Economic Development

Socio-economic development is the relationship between economic activity and social life. The NEPAD Declaration implies that socio-economic development is the continuous improvement in the well-being and in the standard of living of the people. The socio-economic thematic area aims to ensure that Africans meet their basic needs that are essential to live a life of dignity. This includes access to quality education, better healthcare, decent housing, safe drinking water and good sanitation, as well as equitable distribution of a nation's wealth.

Socio economic development is measured with indicators such as GDP, life expectancy, literacy and levels of employment. The impacts of socio-economic development are seen in changes in laws, changes in the physical environment and ecological changes. The need to accelerate socio-economic development is vital, in order to address poverty. Poverty eradication may require actions to reduce the suffering of the poor and increase their access to social services. It also requires action to increase the poor's ability to generate an income in order to meet their needs.

There is also a need to strengthen policies, delivery mechanisms and outputs in key social development areas. Areas of concern include education, health, HIV/AIDS, Child Welfare, gender equity and the protection of vulnerable

groups. Over the past two decades social sectors have suffered from economic reform. This has contributed to the worsening of social indicators, including declining school enrolment rates, increase in under five mortality rates, increase in HIV/AIDS prevalence rates, increasing child labour, declining immunisation coverage, increase of child malnutrition rates etc. The reversal of these trends must happen if sustainable development is to be achieved.

According to <http://www.aprmzambia.org.zm>, the socio-economic objectives are:

- Promote self-reliance in development and build capacity for self-sustaining development
- Accelerate socio-economic development to achieve sustainable development and poverty eradication
- Strengthen policies, delivery mechanism and outcomes in key social areas including education, combating of HIV and AIDS, and other communicable diseases
- Ensuring affordable access to water, sanitation, energy, finance (including micro-finance), markets, ICT, shelter and land to all citizens, especially the rural poor
- Progress towards gender equality in all critical areas of concern including equal access to education for girls at all levels
- Encourage broad based participation in development by all stakeholder levels

The relationship between microfinance services and socio economic development

"By reducing vulnerability and increasing earnings and savings, financial services allow poor households to make the transformation from "every-day survival" to "planning for the future." Households are able to send more children to school for longer periods and to make greater investments in their children's education. Increased earnings from financial services lead to better nutrition and

better living conditions, which translates into a lower incidence of illness. Increased earnings also mean that clients may seek out and pay for health care services when needed, rather than go without or wait until their health seriously deteriorates." (<http://cgap.org>).

Some experiences of microfinance

Microfinance is increasingly popular, thanks to its innovative operating principles, such as joint guarantee and credit groups and their proximity to the beneficiaries. Experience shows that the latter are not only capable of saving, managing a viable micro-enterprise with limited resources, but also they are able to bear the market interest rate, through activities economically viable they do.

The experiences reported in sub-Saharan Africa and elsewhere, show that the repayment rate is around 98% (PNUD, 1998: 71). This shows that lending to the poor is one of the solutions to get out of vicious circle of misery, but also to stimulate economic development and reduce the burden of states, responsible to support them but without sufficient resources.

Among some success of microfinance in Africa, village banks in Mali's Dogon country can serve as an example. The Dogon, one of the poorest regions of Mali, is instructive in micro-savings. Microfinance has been particularly successful because the Dogon village banks are easily accessible, even to the poorest. Village banks never make access to credit offering. However, in order to protect their clients and funds organizations that mobilize savings must provide the means of a rigorous internal and external control. Banks have developed these mechanisms in the absence of official legislation and regulations of the State. Their network held in place thanks to the social cohesion of the Dogon. Their highly decentralized network of village banks also allowed them to overcome the long distances between villages and low population density, mobilize and capitalize substantial savings, denying the ideas that the mobilization of savings is expensive (UNDP, 1998:70).

In Kenya, Kenya Rural Enterprise Program operates in the rural and urban areas. This institution manages two Credit projects that work very well. A project of wholesale for savings associations and credit and a credit program, minimalist, however, a component of forced savings which was incorporated at least eight weeks before being entitled to credit. It should be noted that despite a number of apparently very high interest of 38%, the recovery rate is 95% (INYANGE, 2001:24) far exceeding that of conventional banks.

In America, it may be noted for the case of American Community Corporation In Other Nations (ACCION), an international NGO, which initially provided technical assistance to support programs for micro-enterprises, and it extended its experience in adjusting its services to the needs of smaller businesses. Initially, its model of financial assistance was based on a classical approach to credit, then, to reach the poorest companies, it has developed on the basis of the way informal markets operate. With self-sufficiency in its operations, it recorded a recovery rate of 95%. ACCION program is limited; however, to the need of credit for companies belonging to the poor, together with further technical assistance to business clients (www.lefeinafrica.com).

The work of these institutions shows that the microfinance system may be one of the best strategies for improving living conditions of poor people in underdeveloped countries in general and Rwanda in particular or this system has some initial encouraging.

Theoretical Perspective

The study was based on neoclassical growth theory by Harrod-Dommar and Robert Solow's theory which states that Savings are not an end in themselves however; they play an important role in sustaining growth and development. Through savings there will be capital accumulation leading to investments hence economic growth and ultimately development. A high saving economy accumulates assets

faster, and thus grows faster, than does a low saving economy (Lipsey and Chrystal, 1995:634).

Credit is considered to be an essential input to increase agricultural productivity, mainly land and labour. It is believed that credit boosts income levels, increases employment at household level and thereby alleviates poverty. Credit enables poor people to overcome their liquidity constraints and undertake some investments, especially in improved farm technology and inputs, thereby leading to increased agricultural production (Adugna & Hiedhues, 2000). Furthermore, credit helps poor people to smooth out their consumption patterns during the lean periods of the year (Binswanger & Khandker, 1995). World Bank (1989) also observed that improved consumption is an investment in productivity of the labour force.

According to Navajas et al (2000), the professed goal of microcredit is to improve the welfare of the poor people as a result of better access to small loans. Diagne and Zeller (2001) argues that lack of adequate access to credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes by alleviating the capital constraints on agricultural households, hence enabling poor households with little or no savings to acquire agricultural inputs. This reduces the opportunity costs of capital intensive assets relative to family labour thus encouraging the adoption of labour-savings, higher-yielding technologies and therefore increasing land and labour productivity. Access to credit in addition increases the poor households' risk bearing ability, improves their risk-copying strategies and enables consumption smoothing overtime. By so doing, microfinance is argued to improve the welfare of the poor.

Rhyne & Otero (1992) argued that financially sustainable MFIs with high outreach have a greater likelihood of having a positive impact on poverty

alleviation because they guarantee sustainable access to credit by the poor. Outreach is the number of clients served by the MFI.

Buckley (1997) argues that commonly touted indicators of success of microcredit programmes (namely high repayment rates, outreach and financial sustainability) says nothing about the impact on microenterprise operations and only tantamount to "microfinance evangelism". Based on a study on three countries (Kenya, Malawi & Ghana), Buckley (1997) concluded that there was little evidence to suggest any significant and sustained impact of Microfinance on the beneficiaries in terms of micro entrepreneurs graduating to higher or more sophisticated operations, increased income flows or level of employment. The main argument that was adduced was that improvement in access to microfinance and markets was sufficient unless there was an accompanying change in undertakings themselves (i.e. changes in techniques and/or technology).

Evidence by Coleman (1999) suggested that the village bank credit did not have any significant impact on physical asset accumulation; production and expenditure on education. However, the main conclusion from this study was that credit is not an effective tool for helping the poor to enhance their economic condition and that the poor are poor because of other factors (such as lack of access to markets, price shocks, inequitable land distribution) but not lack of access to credit. This was a similar view expressed by Adams and Von Pischke (1992).

Mosley and Hulme (1998) in their study of 13 MFIs in seven developing countries concluded that household income tended to increase at a decreasing rate, as the debtors' income and asset position improved. Results by Diagne and Zeller (2000) in their Malawi study also suggested that Microfinance did not have any significant effect on household income.

Despite these development opportunities which credit will offer to poor households, formal banks hardly lend to the rural people engaged in agriculture because they lack collateral that they could offer as security for loans.

Furthermore, because of the small sized loans, former banks are averse to lending to small borrowers because of high transaction costs. Another factor why formal banks are reluctant to lend to people employed in agriculture is the high uncertainty of their incomes, which is highly dependent on weather and sheer luck (World Bank, 1989; Adugna & Hiedhues 2000). As a result of these factors poor households rely almost exclusively on informal credit markets (Nissanke, 1994; Soyibo 1994; Hyuha et al 1993).

Related Studies

Luyirika (2011) examines the role of microfinance in the socio-economic development of women in a community: a case study of Mpigi Town Council in Uganda. The development of a community, especially a poor community, hinges on interventions from development workers in government and non-government organisations. In the recent past, microfinance has been strongly recommended as an intervention that could assist poor people to improve their quality of life by providing small amounts of money to initiate development enterprises. The microfinance services are provided through microfinance institutions. This study was aimed at establishing the role of microfinance in the socioeconomic development of women in a community. According to International Research Journal of Finance and Economics (2011) in Microfinancing for Poverty Reduction and Economic Development; a Case for Nigeria, the poor participate in microfinance programme with the expectation that borrowing will increase their income and sustain self-employment. According to Rutherford (2000), access to savings and credit facilities is very important as it enable the poor to create, own and accumulate assets and smooth consumption expenditure. Also in line with this, the United Nations Capital Development Fund suggest that one of the principles for poverty reduction efforts to have a long lasting impact is by developing the financial system which includes microfinance so that the poor and low-income people can have access to sustainable financial services. This implies

that microfinance involves the provision of credit and savings as well as other financial services to the low income groups and poor households, to create or expand their economic activities and improve their standard of living. This sets the notion that microfinance has a significant deal on poverty reduction.

Microfinance reduces poverty through accelerated employment rate, improved average productivity of labour and increased real wages. In some countries where the programme has been implemented, microfinance has successfully opened economic opportunities, improving the socio-economic conditions of the poor. Example of such countries with success story include: Bangladesh, Pakistan, Philippine, India, Uganda, etc. The impact of microfinance could be measured directly using variation in income, employment, and consumption on a sustained basis. It could also be directly measured by evaluating changes in socio-economic outcomes such as fertility rate, literacy rate, housing pattern, etc.

CHAPTER THREE

RESEARCH METHODOLOGY

Research Design

The study used an expost facto, descriptive comparative, correlational and a cross sectional survey design. The expost facto design was applied because respondents were asked to provide facts about what already exists and what had happened in the past. The descriptive comparative design was used to establish significant differences in the level of access to Micro finance services and level of socio economic development of RIM customers with respect to their demographic characteristics. The descriptive correlational design was used to establish the relationship between the level of access to Micro finance services and level of socio economic development of RIM customers in Kigali Rwanda. The use of cross-sectional design was employed since data was collected from all respondents at the same time.

Research population

The research population of this study was 700 clients of RIM in Kigali City. This included the customers from Nyarugenge, Kicukiro and Gasabo Districts.

Sample size

The sample size of this study was 254 determined by using the sloven's formula which is a random sampling technique formula to estimate sampling size, shown in Appendix VII.

Sampling Procedures

In this research, in order to obtain the sample which is representative to the population, we used systematic selection procedure sample which is a variant of a simple random sample in which a random number is chosen to select the first individual and so on from there. Using this procedure each element in the

population has a known and equal probability of selection. This makes systematic sampling functionally similar to simple random sampling. From the sampling frame, a starting point is chosen at random, and choices thereafter are at regular intervals.

A list of the customers of RIM is already predetermined and the starting point is number 3 and a regular interval is 2, this means that my sample customers are number 3, 5, 7, 9 and so on, on the predetermined list until to reach 254 customers.

Research Instruments

There were three sets of questionnaires directed towards customers of RIM in Kigali City Rwanda; 1) respondents' profile, 2) the level of access to micro finance services and 3) the level of socio economic development. All questions in the last two questionnaires were closed ended based on four point Likert scales where 1 = Strongly disagree, 2 = Disagree, 3 = Agree, 4 = Strongly agree. Respondents were required to rate each item by writing in the space provided before each question the right number corresponding to the scale above.

Validity and Reliability of the Instruments

To ensure the validity and reliability of the instruments, the researcher employed the expert judgment method. The researcher contacted experts in the study area who made adjustments on each question in the questionnaire, after which a content validity Index (CVI) was computed using the following formula:

$$CVI = \frac{\text{Number of Valid Items}}{\text{Total number of items}}$$

Where CVI refers to the Content Validity Index. A validity index of 0.819 was obtained and used to declare the instrument content valid. Reliability of the two researcher made instruments was tested using Cronbach's coefficient alpha

computed using SPSS. The results obtained revealed that $\alpha = 0.921$ which is greater than 0.70 indicating that the instrument was highly reliable.

Data Gathering Procedures

Before the administration of the Questionnaire

Before data gathering a letter was obtained from the Coordinator Business and Management School of Postgraduate Studies and Research of Kampala International University as an introductory letter to those who were involved in the exercise.

The researcher sought permission from the Chief Manager of RIM where the research exercise was carried out. The researcher together with research assistants visited the different RIM departments and selected 254 respondents randomly and each member of respondent population had the same probability to be chosen in the sample.

During the administration of the Questionnaire

During data gathering, the researcher made questionnaires were administered to respondents with the help of research assistants and after filling in, the researcher collected the instruments to prepare data on issues of interest for the area of study. The researcher with research assistants made constantly visited the sampled respondents ensuring that the questionnaires were filled in within three weeks.

After the administration of the Questionnaire

The data gathered was collated, encoded into the computer and statistically treated using the statistical packages of social sciences (SPSS)

Data Analysis

To analyze data on profile of respondents, frequencies and percentages were used. Basic descriptive statistics such as means were used to determine the

level of access to microfinance services and level of socio economic development of RIM customers. Based on the mean scores and ranks the strengths and weaknesses in terms of civic education and conflict resolution training as well as level of success of conflict resolution strategies were identified. To interpret the obtained means, the following numerical values and interpretations were used:

Mean Range	Response Mode	Interpretation
3.26 – 4.00	Strongly Agree	Very high
2.51 – 3.25	Agree	High
1.76 – 2.50	Disagree	Low
1.00 – 1.75	Strongly Disagree	Very low

The t-test and one way ANOVA were used to test for significant differences in levels of access to microfinance services and level of socio economic development of RIM customers, at 0.05 level of significance.

To determine whether there is a significant relationship between the independent and dependent variable, the Pearson’s Linear Correlation Coefficient was used and the 0.05 level of significance was used to accept or reject the study hypothesis. The analyses were done using the Statistical Package for Social Sciences (SPSS).

Ethical Consideration

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following instructions were implemented:

1. The respondent were coded instead of reflecting the names,
2. The principle of voluntary participation requires that people not be coerced into participating in research (Respondent consent),
3. Authors mentioned in this study were acknowledged within the text,
4. Presentation of the findings in general manner.

Limitations of the Study

Since the questionnaires were meant to be self-administered, some respondents reluctant to fill in and return the questionnaires. However, due to the researcher's efforts in making constant visitations to the respondents and keep reminding them, most of the questionnaires were filled in and returned.

The researcher was also faced with some financial constraints for proper facilitation in terms of transport, lunch, and accessing some of the relevant information for this researcher. To curb this limitation, the researcher struggled to respect the budget drawn for this research and mobilized some fund from friends and relatives.

Some respondents were not able to express themselves fully in English, for this reason the questionnaire has been translated in Kinyarwanda.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

Profile of the Respondents

Respondents were asked to provide their age, gender, education level, and years of membership to RIM. Their responses were summarized using frequencies and percentage distributions as indicated in table 1;

Table1
Profile of the Respondents

Profile	Frequency	Percent
Age		
20-39yrs	203	79.9
40-59yrs	49	19.3
60 and above	2	.8
Total	254	100.0
Gender		
female	152	59.8
male	102	40.2
Total	254	100.0
Level of education		
below primary	21	8.3
primary	137	53.9
secondary	79	31.1
university	17	6.7
Total	254	100.0
Years of membership		
less than 1	49	19.3
1-4 yrs	154	60.6
5-9yrs	48	18.9
10 and above	3	1.2
Total	254	100.0

Source; Field data, 2012

Results in Table1 indicated that respondents in this sample were dominated by those between 20-39 years (80%), suggesting that majority of the customers of RIM in Kigali city Rwanda are youths.

Concerning gender female customers (over 60%) were more than male (over 40%). This implies a slightly gender gap among customers of RIM in Kigali city

Rwanda, favouring men. This gender gap means that men are more able to save in the bank as compared to women. It also implies that women are relatively poorer compared to men. This is indicated by a high level of men who deal with banks such as RIM, meaning that they have the financial ability than women.

Regarding level of education, majority of RIM customers (54%) were primary level, followed by secondary school level (31%), while those with University education were only 6.7% and this indicates that customers of RIM in Kigali city Rwanda are less educated and this is indicated by a big percentage (over 93%) who are with only secondary level of education, confirming a low level of education among customers in Kigali city Rwanda.

About years of membership in RIM, majority of customers in the sample had spent 1-4 years (61%), followed those of less than one year (19.3%), 5-9 years (18.9%) and those above 10 years were only 1%. This indicates that majority of RIM customers in the sample (over 80%) have just joined this bank. This is also explained by the fact that the microfinance business in Rwanda is not very old and so few people have yet joined them.

Level of Access to Micro finance Services by RIM Customers

The independent variable in this study was level of access to micro finance services by RIM customers in Kigali city Rwanda. This variable was measured using 15 questions in the questionnaire, with each question was based on a four point Likert scale with the following response modes and ranks; 1=strongly agree, 2=agree, 3= disagree and 4= strongly disagree. RIM customers were required to rate their level of access to RIM micro finance services in Kigali city, by showing the extent to which they agree or disagree with each question. Their responses were analysed using means as summarized in table 2.

Table2
Level of Access to Micro finance Services by RIM Customers
Item Analysis (n=254)

Categories	Mean	Interpretation	Rank
Micro finance services			
RIM provides you with easy access to housing loans	2.85	High	1
RIM provides you with easy access to car loans	2.21	Low	2
RIM provides you with easy access to money transfer services (e.g. you can easily receive money from abroad through RIM).	1.60	Very low	3
RIM provides you with easy access to agricultural loans (e.g. agric. input loans)	1.57	Very low	4
RIM provides you with easy access to marketing information	1.48	Very low	5
RIM provides you with easy access to business loan services	1.44	Very low	6
RIM provides you with easy access to school fees loans	1.39	Very low	7
RIM provides you with easy access to a number of other accounts (e.g. current and fixed deposit accounts).	1.33	Very low	8
RIM provides you with financial literacy trainings (e.g. trains you on how to use loans and how to save).	1.32	Very low	9
RIM provides you with easy access to training services	1.30	Very low	10
RIM provides you with easy access to bill payment services (e.g. you can pay for electricity, water, telephone bills through RIM).	1.29	Very low	11
RIM provides you with easy access to insurance services.	1.22	Very low	12
RIM has provided you with easy access to saving deposit account	1.13	Very low	13
RIM provides you with training on how to start and manage small businesses.	1.11	Very low	14
RIM provides you with easy access to teams (people you can cooperate with)	1.07	Very low	15
Average Mean	1.49	Very low	

Source: Field Data, 2012

For interpretation of responses, the following mean ranges were used

Mean range	Response mode	Interpretation
3.26-4.00	Strongly agree	Very high
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very low

The results in Table 2 indicated that the level of access to micro finance services by RIM customers is generally very low, and this is indicated by the average mean of 1.49. This may be due to the poor services given to the customers plus poor cooperation amongst the members and not training members on how to start and manage small businesses. The most accessed service of RIM was 'provision of easy access to housing loans' (mean=2.85) which was rated high and the least accessed RIM service was 'access to other members in form of a team (mean=1.07) which was rated very low.

This low level of access to RIM services is attributed to a number of factors; for example, the strict regulations of microfinance institutions in Rwanda since 2002, which made these banks to be very careful, which reduces the number of services they provide. It is also attributed to the relatively young institution of the microfinance sector in Rwanda. Most of these services are provided by full commercial banks and micro finance institutions are more concentrated to micro loans to small business holders and famers.

Level of socio-economic development of RIM customers

The dependent variable in this study was level of socio-economic development in Kigali city Rwanda, which was sub-divided into three parts; 1) housing and domestic welfare, 2) income and 3) health care. All the three constructs were measured by 15 qualitative questions, with each question was based on a four point Likert scale with the following response modes and ranks; 1=strongly agree, 2=agree, 3= disagree and 4= strongly disagree. RIM customers were required to rate their level of socio-economic development, by showing the extent to which they agree or disagree with each question. Their responses were analysed using means as summarized in table 3. For interpretation of responses, the following mean ranges were used;

Table 3:**Level of Socio-Economic Development of RIM Customers****Item Analysis (n=254)**

Categories	Mean	Interpretation	Rank
ousing and domestic welfare			
our home has improved as a result of access to Rim services (e.g. you have built a house or improved house).	1.59	Very low	1
our skills have improved as a result of access to RIM services	1.43	Very low	2
ou always find it easy to pay school fees for all the children in time.	1.37	Very low	3
ou have acquired skills in entrepreneurship & small business management	1.13	Very low	4
our living conditions have generally improved as a result of access to RIM services	1.13	Very low	5
ou & your family easily access basic daily meals (breakfast, lunch & supper)	1.09	Very low	6
l children of school going age in your house hold are in school	1.00	Very low	7
verage Mean	1.25	Very low	
come			
ou always have some cash to meet unexpected financial needs	2.29	High	1
ou have assets which you can easily convert into cash (e.g. animals).	1.40	Very low	2
as a result of access to RIM services, you got business capital and now have a business or an income generating activity	1.28	Very low	3
our personal income has increased	1.12	Very low	4
ou have some cash saved on your bank account	1.06	Very low	5
verage Mean	1.43	Very low	
health care			
ou can finance unexpected expenses like illness	1.77	Low	1
ou can easily access and afford private treatment	1.17	Very low	2
ou and your family can easily access medical care services	1.02	Very low	3
verage Mean	1.32	Very low	
verall Mean	1.33	Very low	

Source: Field Data, 2012

For interpretation of responses, the following mean ranges were used

Mean range	Response mode	Interpretation
3.26-4.00	Strongly agree	Very high
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very low

The results in Table 3 suggested that concerning the aspect of housing and domestic welfare the level of socio-economic development is generally very low and this is indicated by a very low average mean of 1.25. The level of housing and domestic welfare was rated highest on improvement of the home as a result of access to Rim services (e.g. building a house or improving the existing house), with a mean of 1.59, and this was followed by improving skills as a result of access to RIM services, with a mean of 1.43. The level of housing and domestic welfare was rated lowest on having all children of school going age in the house in school, with a mean of 1.00, indicating that most respondents strongly disagreed with the assertion that all children of school going age in their households are in schools. This suggests that respondents in the sample rated their level of housing and domestic welfare as very low.

This very low level of housing and domestic welfare among the respondents in the sample is attributed to many factors, such as the recently concluded conflict (genocide) in which many lives of productive nationals were claimed and socio economic progress came to a standstill. It is also due to the fact that micro finance institutions and services are not yet spread in many parts of Rwanda, they are mainly in Kigali city and their services are limited to small loans for farmers and small businesses.

Results in Table 3 further indicated that concerning level of income, respondents rated themselves low and very low on all the aspects. The highest aspect was having some cash to meet unexpected financial needs (mean =2.29)

and the least aspect was having some cash saved on bank accounts (mean=1.06). These two aspects alone indicate that respondents in the sample usually keep some money in cash to prepare for the unseen problems and that they do not or rarely save their money in banks. It may also be true that they do not have such money to save in the bank. Keeping money in cash is a characteristic of poor communities and also keeping cash for the unseen problems indicates that such people do not have other sources like medical insurance or money in banks which they can use to solve their unforeseen problems. The average mean on level of income was 1.43, which falls into very low on the interpretation scale. This confirms that the level of income of the sampled respondents was generally very low.

Significant Difference in Level of Access to Micro finance Services and Level of Socio economic Development between Male and Female Customers of RIM

The fourth objective of this study was to establish whether there is a significant difference in the level of access to micro finance services and level of socio economic development between male and female customers of RIM in Kigali city, Rwanda. The null hypothesis was stated that there is no significant difference in the level of access to micro finance services and level of socio economic development between male and female customers of RIM. To test this null hypothesis, the researcher compared the mean scores for level of access to micro finance services (in Table 2) using the independent samples t-test and the results are indicated in table 4A;

Table 4A

**Significant Difference in Level of Access to Micro finance Services and
Level of Socio economic Development between Male and Female
Customers of RIM**

Level of Significance =0.05

Variables compare	Gender	Mean	t-value	Sig	Interpretation	Decision on Ho
Access to Micro finance services	Female	1.14	-16.849	.000	Significant difference	Rejected
	Male	2.01				
Socio economic development	Female	1.06	-16.571	.000	Significant difference	Rejected
	Male	1.74				

Source: Field Data, 2012

Results in Table 4A indicated a significant difference in the level of access to micro finance services between male and female customers of RIM ($t=16.849$, $\text{sig.}=0.000$). The results have indicated that the level of access to Micro finance services by male customers of RIM (mean=2.01) is higher than that of female customers (mean=1.14). Based on these results, the null hypothesis was rejected and a conclusion made that male RIM customers have a higher access to RIM services as compared to female customers.

The higher level of access to micro finance services by male customers as compared to female customers is due to the fact that there are more male customers of RIM as compared to females. Secondly men have a higher level of access to finance and they dominate in many things like education and employment. So they have more money they can save and also can easily get loans.

Concerning level of socio economic development of RIM customers, the results in Table 4A indicated a significant difference in the between male and female customers ($t=16.571$, $\text{sig.} =0.000$). The results have indicated that the level of socio economic development by male customers of RIM (mean=1.74) is higher than that of female customers (mean=1.06). Based on these results, the null hypothesis was rejected and a conclusion made that male RIM customers have a higher level of socio economic development as compared to female customers.

This higher level of socio economic development among men as compared to women is expected, since the history of Rwanda has it that men have always developed more than women in political, social and economic aspects. The cause of these differences is partly cultural and attitudinal. Culturally, women are taken to be at lower levels of all these aspects as compared to men. The attitude of women and men also creates these differences. Men have the belief that they have to work harder and maintain the family, while most women believe that they have to cater for by men, so they put in less effort towards working for self-advancement.

Significant Difference in Level of Access to Micro finance and Level of Socio economic Development of RIM Customers With Respect to Years of Membership

This was under the fourth objective, in which the researcher compared the means for level of access to micro finance services and level of socio-economic development with respect to years of membership to RIM. The researcher tested a null hypothesis that the two variables do not differ with respect to years of membership. To test this null hypothesis, the researcher used One- Way Analysis of Variance (ANOVA), computed using SPSS and the results are shown in table 4B.

Table 4B

**Significant Difference in Level of Access to Micro finance Services and
Level of Socio Economic Development of RIM customers With Respect to
Years of Membership**

Level of Significance =0.05

Variables compared	Years	Mean	F-value	Sig	Interpretation	Decision on Ho
Level of Access to Micro finance Services	< 1	1.03	428.995	.000	Significant difference	Rejected
	1-4 years	1.30				
	5-9years	2.45				
	10 +	3.56				
	Total	1.49				
Level of Socio Economic Development	< 1	1.0	312.660	.000	Significant difference	Rejected
	1-4years	1.19				
	5-9years	2.00				
	10 +	3.37				
	Total	1.33				

Source: Field Data, 2012

Results in Table 4B indicated a significant difference in the level of access to micro finance services with respect to years of membership ($F = 428.995$, sig. =0.000). The results indicated that the more years of membership or customer ship with RIM, the higher the level of access to the services and vice versa. The results showed that the mean scores for customers who have been members with RIM for 10 years or more (3.56) were very high while the mean scores of those members who had been members for one year or less (1.03) were very low. Basing on these sample results, the null hypothesis was rejected and a conclusion was taken to the effect that the level of access to micro finance services is significantly affected by the number of years of membership. So the more years one stays as a member, the more access he or she gets to the services of the bank and vice versa.

Concerning the level of socio economic development, results also indicated a significant difference with respect to years of membership with RIM ($F=312.660$, sig. =0.000). Again these results indicated that the more years of membership or customer ship with RIM, the higher the level of socio economic development and vice versa. The results showed that the mean scores for customers who have been members with RIM for 10 years or more (3.37) were very high while the mean scores of those members who had been members for one year or less (1.00) were very low. Basing on these sample results, the null hypothesis was rejected and a conclusion was taken to the effect that the level of socio economic development is significantly affected by the number of years of membership to RIM or to another micro finance. So the more years one stays as a member, the more he or she will attain socio economic development and vice versa.

Significant Relationship between the Level of Micro finance Services and Socio Economic Development

The last objective in this study was to establish whether there is a significant relationship between the Level of micro finance services and level of socio-economic development of RIM customers in Kigali city Rwanda, It was hypothesized that the level of access to micro finance services and level of socio-economic development are not significantly correlated. To test this null hypothesis, the researcher correlated the mean indices on level of access to micro finance services and those on level of socio-economic development using the Pearson's Linear Correlation Coefficient (PLCC) and results are indicated in table 5.

Table5**Significant Relationship between the Level of Micro finance Services and
Socio-economic Development****Level of Significance =0.05**

Variables correlated	r- value	sig	Interpretation	Decision on Ho
Access to Micro-finance services Vs Housing and domestic welfare	.974	.000	Significant relationship	Rejected
Access to Micro-finance services Vs Level of Income	.964	.000	Significant relationship	Rejected
Access to Micro-finance services Vs Level of Health care	.975	.000	Significant relationship	Rejected
Access to Micro-finance services Vs Over all socio-economic development	.983	.000	Significant relationship	Rejected

Source: Field Data, 2012

The PLCC results in Table 5, indicated that there is a positive significant correlation between the level of access to micro finance services and all aspects of socio-economic development (all sigs <0.05). For example, results indicated a positive significant correlation between the level of access to micro finance services and the overall level of socio-economic development. ($r = .983$, sig. =.000). The results still indicate a positive significant correlation between the level of access to micro finance services and all the other aspects of socio-economic development. Basing on the results, the null hypothesis was rejected and a conclusion made that the level of access to micro finance services and all the aspects of socio-economic development in Kigali city Rwanda are positively and significantly correlated and these results are significant at 0.05 level of significance. This suggests that an increase in access to micro finance services,

improves the socio-economic development and its decline leads to poor socio economic development in Kigali city Rwanda.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents a summary of major findings, conclusions and recommendations plus the suggested areas that need further research.

Findings

The purpose of this study was to establish whether there is a significant relationship between the Level of access to micro finance services and socio-economic development in Kigali city Rwanda. The study had five specific objectives, which include: i) to determine the profile of respondents in terms of age, gender, level of Education and years of membership ii) to determine the level of access to micro finance services by RIM customers iii) to determine the level of socio-economic development of RIM customers iv) to establish whether there is a significant difference in the Level of access to micro finance services by RIM customers and socio-economic development of RIM customers in respect with gender and years of membership v) to establish whether there is a significant relationship between Level of access to micro finance services by RIM customers and socio-economic development of RIM customers in Kigali city Rwanda.

The findings indicated that most respondents were female (60%), between 20-39 years of age, majority were primary dropout (54%) and over 61% had spend 1-4 years as membership of RIM.

The level of access to micro finance services is generally very low and this was indicated by the total mean of (1.487). The lowest aspect of micro finance services was 'RIM provides you with easy access to teams (people you can cooperate with) (mean= 1.07), while the highest aspect of micro finance services was 'RIM provides you with easy access to housing loans (mean= 2.85). The level of socio economic development was also found to be very low with the overall

mean of 1.332; this was so because of low levels of access to micro finance services in Kigali city Rwanda.

The findings also indicated a negative significant difference in the Level of access to micro finance services and socio-economic development between gender Male and Female, due to the sig. value being less than 0.05 which is the maximum level of significance required to declare a significant effect. The findings also indicated a positive significant relationship or positive significant correlation between the Level of access to micro finance services and socio-economic development in Kigali city Rwanda. This is because the sig. value is less than 0.05 which is the maximum sig. value of (0.05) considered in social sciences.

Conclusions

With reference to the purpose of the study, the null hypothesis is that there is no significant relationship between Level of access to micro finance services and socio-economic development in Kigali city Rwanda was rejected, since the sig-value was 0.000, which is below .05, the level of significance. This study drew upon neoclassical growth theory by Harrod-Dommar and Robert Solow's theory as cited in Lipsey and Chrystal (1995). This theory states that savings play an important role in sustaining growth and development. It still says that a high saving economy accumulates assets faster and thus grows fast, than does a low saving economy (Lipsey and Chrystal, 1995).

Recommendations

From the findings and the conclusions of the study, the researcher recommends that there is need to encourage members to go for further studies hence acquiring more skills since most of the customers of RIM were primary drop out and especially male in order to bridge the gap that is there between gender.

From the findings and the conclusions of the study, the researcher still recommends that there is need to improve on level of access to micro finance services in Kigali city Rwanda.

The researcher still recommends that the level of socio-economic development should also be worked upon in order to improve people's housing and domestic welfare, income and health care among the members of RIM in Kigali city Rwanda.

Areas for Further Research

The research does not and cannot guarantee that the study was completely exhausted. In any case, the scope of the study was limited in accordance with the space, and objectives. It is therefore, suggested that a national research covering the whole country be undertaken.

Also, prospective researchers and even students should be encouraged to research into the following areas:

1. Level of access to micro finance services and level of socio-economic development in Kigali city Rwanda.
2. Level of access to micro finance services and distribution of gender in Kigali city Rwanda.
3. Provision of easy access to savings deposit accounts in Kigali city Rwanda.

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18. PNUD (1998), *Progrès de la lutte contre la pauvreté en Afrique*

Internet Resources

<http://www.investopedia.com/terms/s/standard-of-living.asp>

<http://www.lefeinafrica.com>

<http://cgap.org>

<http://www.aprmzambia.org.zm>

http://www.undp.org.rw/Poverty_Reduction.html

APPENDICES

APPENDIX I

TRANSMITTAL LETTER FROM COLLEGE OF HIGHER DEGREES AND RESEARCH



Ggaba Road - Kansanga
P.O. Box 20000, Kampala, Uganda
Tel: +256 - 414 - 266813 / +256 - 772 - 322563
Fax: +256 - 414 - 501 974
E-mail: admin@kiu.ac.ug
Website: www.kiu.ac.ug

**OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND
MANAGEMENT SCIENCES
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)**

Date: July 04, 2012

**RE: REQUEST FOR UMURERWA FRANCINE MBA/10040/81/DF
TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing Masters of Business Administration.

She is currently conducting a research entitled " **Microfinance Services and Socio Economic Development of RIM Customers in Kigali City, Rwanda.**"

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

Any information shared with her from your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,


For Mr. Malinga Ramadhan
**Head of Department,
Economics and Management Sciences, (CHDR)**

NOTED BY:

Dr. Sofia Sol. T. Gaiter
Principal-CHDR

APPENDIX II

AUTHORIZATION LETTER

UMURERWA Francine
Kicukiro District
Kanombe Sector
Tel No: +250788690970
Email: umufra2000@yahoo.fr

Kigali, July, 16th, 2012

RECEIVED
13 JUL 2012

To: Chief Manager of RIM - KIGALI

BY: Senebaat R. N. Ltd

Re: Requesting for a permission to carry out a research in your Institution.

Dear Madam,

I am a student in Kampala International University in Masters Programme under the course of "MBA/ Banking and Finance" whereby I am supposed to conduct a research entitled "Microfinance Services and Socio Economic Development of RIM Customers / Kigali City – Rwanda"

Your institution was found to be much helpful on a successful conduct of this research. Kindly, we request you to allow us to conduct this research by getting some information through questionnaires from some of your staff or members and having an interview with them.

Thank you for your time and consideration and I look forward to hearing from you soon.

Sincerely yours,



UMURERWA Francine

APPENDIX III

TRANSMITTAL LETTER FOR THE RESPONDENTS

KAMPALA INTERNATIONAL UNIVERSITY
COLLEGE OF HIGHER DEGREES AND RESEARCH

Greeting Dear Sir/Madam!

I am a Masters student of Business Administration of Kampala International University. Part of the requirement is the award is a Thesis. My study is entitled **"Microfinance Services and Socio Economic Development of RIM Customers in Kigali City – Rwanda"**. Within this context, I kindly request you to take part in my study by answering this questionnaire. Kindly answer all questions if possible. All data you provide shall be used for academic purposes only and none of your information shall be disclosed in any way to any other person.

Please feel free to give your consent of answering this questionnaire by signing the informed consent at the end of this page. May the Almighty Allah Bless you!

Thank you very much.

Yours faithfully,

.....

UMURERWA Francine

APPENDIX IV

CLEARANCE FROM ETHICS COMMITTEE

Date_____

Candidate's Data

Name_____

Reg.# _____

Course_____

Title of Study_____

Ethical Review Checklist

The study reviewed considered the following:

- ☐ Physical Safety of Human Subjects
- ☐ Psychological Safety
- ☐ Emotional Security
- ☐ Privacy
- ☐ Written Request for Author of Standardized Instrument
- ☐ Coding of Questionnaires/Anonymity/Confidentiality
- ☐ Permission to Conduct the Study
- ☐ Informed Consent
- ☐ Citations/Authors Recognized R

Results of Ethical Review

- ☐ Approved
- ☐ Conditional (to provide the Ethics Committee with corrections)
- ☐ Disapproved/ Resubmit Proposal Ethics Committee (Name & Signature)

Chairperson _____

Members_____

APPENDIX V

INFORMED CONSENT

I am giving my consent to be part of the research study of UMURERWA Francine that focuses on **"Microfinance Services and Socio Economic Development of RIM Customers in Kigali City – Rwanda"**.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime. I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: _____

Date _____

APPENDIX VI A

FACE SHEET

QUESTIONNAIRE ON DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Instruction: Put a tick in front of the answer of your choice.

1. Age group:

20-39 years ☐

40-59 years ☐

60 years and above

2. Gender:

Female ☐

Male ☐

3. Educational level:

Below Primary ☐

Primary ☐

Secondary ☐

University ☐

4. How long have you been a member or customer of RIM

Less than a year ☐

1-4 years ☐

5-9 years ☐

10 years + ☐

APPENDIX VI C

QUESTIONNAIRE TO DETERMINE THE LEVEL OF SOCIO-ECONOMIC DEVELOPMENT

Direction: Please describe the extent to which you agree with each of the following items by using the scoring scale guide below. Kindly write your best rating in the space before each item. Be honest about your options as there is no right or wrong answers.

Score	Response	Description
4	strongly agree	you agree with no doubt at all
3	agree	you agree with some doubt
2	disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

A. Housing and Domestic Welfare

- ___1. Your home has improved as a result of access to Rim services (e.g. you have built a house or improved the house).
- ___2. Your living conditions have generally improved as a result of access to RIM services.
- ___3. You & your family easily access basic daily meals (breakfast, lunch & supper)
- ___4. All children of school going age in your house hold are in school
- ___5. Your skills have improved as a result of access to RIM services.
- ___6. You have acquired skills in entrepreneurship & small business management
- ___7. You always find it easy to pay school fees for all the children in time.

B. Income

- ___8. As a result of access to RIM services, you got business capital and now have a business or an income generating activity.
- ___9. Your personal income has increased.
- ___10. You always have some cash to meet unexpected financial needs.
- ___11. You have some cash saved on your bank account.
- ___12. You have assets which you can easily convert into cash (e.g. animals).

C. Health Care

- ___13. You and your family can easily access medical care services.
- ___14. You can finance unexpected expenses like illness.
- ___15. You can easily access and afford private treatment

APPENDIX VII

Sloven's formula for sample size computation

$$n = \frac{N}{1 + Na^2}$$

Where n = sampling size

N = total population

e = error margin

$$n = \frac{700}{1 + 700 (0.05)^2}$$

$$n = \frac{700}{1 + 700 (0.0025)}$$

$$n = \frac{700}{2.75}$$

$$n = 254$$

APPENDIX VIII

RESEARCHER'S CURRICULUM VITAE

IDENTIFICATION

SURNAME : UMURERWA
NAME : Francine
DATE OF BIRTH : July 1st 1975
PLACE OF BIRTH : Kamonyi / South
PLACE OF RESIDENCE : KANOMBE / KICUKIRO / Kigali City
NAME OF THE FATHER : UGIRASHEBUJA Félicien
NAME OF THE MOTHER : BANDIBANA Priscille
GENDER : Female
NATIONALITY : Rwandese
MARITAL STATUS : Married (Two children)
ADRESSES : Tel. 0788690970
Email: umufra2000@yahoo.fr

EDUCATIONAL BACKGROUND AND QUALIFICATIONS

2008-2012: Master's Program at Kampala International University
MBA / Banking and Finance
1997-2003: Studies at National University of Rwanda
Faculty of Social Sciences, Economics and Management
Department of Economics
Option of Development studies
Degree awarded: Bachelors degree in Economics
1990- 1996: Secondary studies at APACOPE College Secondary School
Awarded a "Diplôme des humanités en Economie"
« A2 » level in Economics
1981-1990: Primary school at Kirwa Primary School (Kamonyi District)

OTHER TRAININGS

May 14 to 25 May 2007: Training in Disarmament, Demobilisation and
Reintegration (DDR) at Rwanda National Academy
(Nyakinama)
Awarded a certificate in DDR Course

September 4, 2007 to April 16, 2008: A four months intermediary in computer skills at KIST.

Awarded a certificate of attendance in intermediary computer skills

March 25 to March 27, 2008: Training workshop on Gender concepts and Gender Analysis tools with certificate.

PROFESSIONAL EXPERIENCES

October 2011 until now: District Health Monitoring and Evaluation officer in Nyabihu

May 2004 – December 2009: Provincial Program Monitoring and Evaluation Officer in Butare Province, Northern Province and Kigali City respectively (Rwanda Demobilisation and Reintegration Commission - RDRC).

OTHER KNOWLEGDE

Language Spoken

Kinyarwanda: Excellent (Mother tongue)

French: Good

English: good

Computer Skills

Word

Excel

Power point

Internet

Publisher

CS PRO

SPSS



Upon my honor, I declare that the information given above is correct.

Francine UMURERWA