Role of Saving and Credit Cooperatives in Improving Socio Economic Development in Rural Areas. Case Study Imboni Sacco Kageyo Sector

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This research highlights the role of UMURENGE Sacco Kageyo in improving the socio economic development in rural areas. The objective of the study was to find out the impact of this cooperative named “UMURENGE Sacco” in the socio economic development of shareholders in Kageyo Sector. This research was conducted through a research design to present oriented methodology used to investigate population by selecting sample to analyze and discover occurrences. It used primary and secondary data, with documentary, interview and questionnaires, to provide numeric description of some part of population, and describe events. This research enabled the researchers to consider issues such as economy, rapid data collection and ability to understand a population from a part. The research findings approved that all respondents agreed the positive impact of UMURENGE Sacco in the socio economic development in rural area and the most impact such as to increase financial performance in rural areas. 43.3% of respondents said that the relationship between IMBONI Sacco and Social Development in Rural Area is to plays an important role as financial services providers. Therefore, they inaugurated that the Capability of IMBONI Sacco to attract savings as source of social development in Rural Areas is that IMBONI Sacco is financial institution situated around rural areas. The researchers recommended that IMBONI Sacco’s Management should prepare the periodically relevant meetings, training programs for improving the knowledge and analytical skills about social development of their employees and clients and also IMBONI Sacco should recruit employees which they have profession competence for allowing customers to understand the features of product or service and explain the importance of social development in rural areas.

Key words: Role, Socio economic development, IMBONI Sacco, Kageyo Sector

INTRODUCTION

Today’s, the government of Rwanda has put in place more strategies to fight poverty that are striking a considerably bigger part of Rwandan population. Among these strategies there is sensitizing people and mobilizing them to save and using these savings to start up their own self-help projects that would finally help them come out of this poverty. Different savings and credit cooperatives including UMURENGE Saccos have been set up to provide the population with cheap and easy means to access themselves to micro credit facilities that may help them to become small village based entrepreneurs. All this is done through the development of entrepreneurial spirit many will come out of the miserable life they are living which is characterized by poverty. They may help themselves if they have access to the means to start up home based projects with the help of saving and credit cooperatives (MINECOFIN, 2007).

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UMURENGE SACCOs need to be strongly supported in political terms by secondary structures such as the Ministry of Commerce and the Ministry of Local Government. In addition, government need to facilitate alliance formation between SACCOs and MFIs so SACCOs are able to delegate functions to their respective secondary structures in order to benefit from economies of scale and scope and also provide their clients with the opportunity to upgrade in order to access larger loans. UMURENGE SACCOs are characterized by different aspects including savings, ease, reach, stability and low overhead which are detailed below (MINECOFIN, 2007).

In a competitive business environment SACCOs must follow sound business practices to survive and progress while following cooperative principles. On the other hand, entrepreneurship is a process of creating ideas and quickly seizing opportunities in the business world. The challenge is however, to see and anticipate ideas and opportunities before others see them and act. (Robert, 2007)

In recent years there has been a rapid increase in the number of UMURENGE SACCOs in Rwanda. This is in line with the national policy of promoting the spirit of saving and attracting the population to get loans to finance their personal income generating activities. It is long since the formal banking system was introduced in Rwanda. Despite this, poverty and unemployment have remained as alarming threats to the development of the large population of the Rwandans. The composition of the development started up in the economy is majority personal small and in in most cases micro. Great concern should therefore be put in this field to promote the personal initiatives to start up their own projects as this is the main employer and income earner to the majority of the people (True, 1987). The creation of cooperatives is being promoted in urban and rural areas in order to improve the socio-economic development of communities (MINICOM, 2006). This development is sustainable if members of these cooperatives get access to financial services in general; however, there is still a knowledge gap and missing data on the contribution of these financial institutions to the improvement of communities’ livelihood and economy.

It is against this agreement that the researcher will be studying the UMURENGE SACCOs as an alternative or one of the solutions to meet the requirements of the vulnerable layer of the Rwandan society that cannot easily get access to the credit allocation of the formal financial systems in the economy. In Kageyo sector, for a period of about six months, the researcher observed households who met quickly qualitative changes; they interact with their neighbors’ and society in general, there is a motive that drives the social change and essential living conditions on socio economic development of people through Imboni SACCO Kageyo. It is on this scenario the research study was set out to analyze the role of UMURENGE SACCO in improving the social development in rural area in Rwanda especially in IMBONI SACCO/Kageyo.

METHODOLOGY

Description of the Area of the Study

As it have been said above when the of creation of SACCO in each UMURENGE all over the country; at that time in KAGEYO Sector they elected three committees to conduct those activities those committees were: Administrative committee, Auditing committee and the Credit committee. And they were only one employee to carry out all activities of SACCO; how the task was very difficult and tiredness! But even though those committees were elected and one employee established, SACCO were not yet started because: apart from having nothing like deposits, savings, office and office materials (pens, papers, stamp, stapler, calculators, …) at that time the RCA’s requirements for conducting an institution as Microfinance were: minimum of at least 1,500 members and 10,000,000 Rwf (Ten million Rwandan francs) of savings. Those conditions were not yet fulfilled by SACCO Kageyo and at that time the name “SACCO Kageyo” was like an idea. The one employee was who had now the hard work of searching for the fulfillment of those requirements through heightening public awareness of that idea (MINECOFIN, 2007).

Finally, on January 7, 2011 SACCO Kageyo opens its doors at the name of SACCO Kageyo with one employee as manager. Its office was in Kageyo at ex-Umureng office. In the same period Imboni SACCO got a temporal authorization of exercising microfinance activities in Rwanda and granting a credit of 20% on its savings. July 2011 the first round of credit was granted for 11 persons. July 14, 2011 IMBONI retired from Umurenge office to Kageyo centre a well-known area in order to facilitate its customers. Till now it works in that centre in a rental house. Finally, on April 17, 2012 IMBONI got a final authorization of exercising its microfinance activities and granting a credit of 40% of its savings.

Location

SACCO IMBONI is working on this address:
IMBONI SACCO Northern Province, Gicumbi District, Kageyo Sector

Population and Sample Size

The entire population of the study was made up 1214 shareholders of IMBONI SACCO KAGEYO. As the entire population of the study was almost always large to work with, a sample was a best way to enable the success of this research under such hindrances. Various methods and instruments enable the researchers to collect significant data of the study. Two main methods namely interview and documents studies were used to gather necessary data for the research and data were collected on basis of the purposive sampling technique.

Concerning the sample selection, the researchers used purposive sampling technique and this enabled them to
pick respondents who meet the purpose of the study. The purposive sampling as method of sampling whereby the researcher uses his/her own judgment about those who met best the purpose of the study. Sample size was calculated by using the Yamane formula (1973) as stated below:

**Sampling technique**

Sampling is the selection of a small number of respondents to represent the survey population (Kenneth D. B., 1978). As the entire population of the study was almost always large to work with mainly due to factors such as time limit and financial constraints, a sample was a best way to enable the success of a research study under such hindrances. As mentioned above, data were collected on basis of the purposive sampling technique.

Concerning the sample selection, the researcher used purposive sampling technique and this enables her to pick respondents who meet the purpose of the study. Kenneth D. B. (1978) explains purposive sampling as method of sampling whereby the researcher uses his/her own judgment about those who met best the purpose of the study.

**Sample size**

Basing on purposive sampling technique, 49 respondents were selected as they made the management staff and stakeholders of IMBONI SACCO. Data will be collected with the interview from the total respondents.

Formula of sample size:

\[
n = \frac{N}{1 + Ne^2} = \frac{1214}{1 + 1214(0.05)^2} = 48.56 \approx 49 \text{ respondents}
\]

- \(n\) = Sample size
- \(N\) = Number of population
- \(e\) = Deviation of sampling (0.05)

**Research Instruments**

Various methods and instruments enable the researcher to collect significant data of the study. Two main methods namely interview and documents studies were used to gather necessary data for the research.

**Primary Data**

**Interview schedules**

An interview schedule is a data collection method, which involves a conversation between the researcher and interviewee. Interviews are of two types namely structured interview, which is similar to a questionnaire where respondents must be asked some questions; and an unstructured interview, which may provide only a framework of key points on the topic.

According to Andrey J.R. (1989), the most useful kind of interview for the research may be an expert in the one the researcher sets up himself-in person or over the telephone-but a face-to face interview excludes the use of telephone. The person to be interviewed may be expert in the field, or you may simply need some kind of personal response from individuals, you can get that by setting up one or more interviews.

**Questionnaires**

Questionnaire is a list of questions, usually printed, submitted for replies that can be analyzed for usable information. These were made up of both open and closed ended questions (Sawer B J., (1984). The questionnaires were used to collect data from the field by management staff of IMBONI SACCO. The purpose of using this instrument was to give them time to answer the questions given the busy schedule of their official duties.

**Observation**

This method also was used to validate and compare information collected from both interview schedules and questionnaires. This involved accurate watching of the reaction of the respondents and critical observation of the extent of the problem.

**Secondary Data**

**Documentation**

According to Paige W. (1989), documentation includes all references to sources within the text of your paper and to the full biographical entries at the end of the paper. It offers the reader away to retrace the steps as researcher and writer of a researcher took.

Bernard P. (1996) argues that documents refer to any written materials that may be used as a source of information about the subject. The document study involves reading and understanding the information contained in the documents. Various documents were used in this research among which texts books, financial statements and financial reports. However, the major emphasis was given on financial statements of IMBONI SACCO which is linked to researcher’s study.

**DATA ANALYSIS**

In terms of data analysis, qualitative analysis was used when the researcher was dealing with non-quantitative responses. This necessitated making on the views of the respondents on some phenomena, for the purpose of quantitative analysis, data collected were expressed in different tables and analysed by using
RESULTS AND DISCUSSIONS

Findings on the role of UMURENGE SACCO in improving socio economic development in rural area as case study of IMBONI SACCO/Kageyo (2012-2016). Accordance with the objectives of this study, the data was collected through the response of employees and clients. It gives the details on the findings by using tables, frequencies and percentages.

Table 1: Socio economic characteristic of respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>29</td>
<td>60.0</td>
</tr>
<tr>
<td>Female</td>
<td>20</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor level</td>
<td>20</td>
<td>40.0</td>
</tr>
<tr>
<td>Secondary level</td>
<td>15</td>
<td>33.3</td>
</tr>
<tr>
<td>Others</td>
<td>14</td>
<td>28.63</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ages of respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>3</td>
<td>6.7</td>
</tr>
<tr>
<td>20-40</td>
<td>32</td>
<td>66.7</td>
</tr>
<tr>
<td>40 and above</td>
<td>14</td>
<td>26.7</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 1 shows the gender, educational level and the age of respondents

The gender of respondents

The number of respondents included 60% of respondents were male and 40% of respondents were Female. The high percentage of participation in this study was male with 60%.

Educational level

The most of employees, accountants and clients of IMBONI SACCO/Kageyo have attained university degree education and this constitutes 40% of total respondents. 33% attained secondary level while remaining 13% of respondents attend masters’ degree and others level of education.

Age of respondents

From the results: 6.7% of respondents is under of 20 age, 66.7% of respondents had the range of age between 20-40 and 26.7% of respondents were 40 and above. This indicates that the majority of respondents were between 20-40 ranges of age.

Table 2: Main function

<table>
<thead>
<tr>
<th>Function of respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>3</td>
<td>10.0</td>
</tr>
<tr>
<td>Accountant</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>Manager</td>
<td>1</td>
<td>3.3</td>
</tr>
<tr>
<td>Clients</td>
<td>44</td>
<td>76.7</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 3: Positive impact of socio economic development in rural area

<table>
<thead>
<tr>
<th>Views of respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>49</td>
<td>100.0</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4: the performance of IMBONI SACCO on socio economic development

<table>
<thead>
<tr>
<th>Good (0-50%)</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8</td>
<td>16.7</td>
</tr>
<tr>
<td>Very good(50-70)</td>
<td>28</td>
<td>56.7</td>
</tr>
<tr>
<td>Excellent (70-100)</td>
<td>13</td>
<td>26.7</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social performance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>13.3</td>
</tr>
<tr>
<td>Financial performance</td>
<td>20</td>
<td>40.0</td>
</tr>
<tr>
<td>Institutional performance</td>
<td>16</td>
<td>33.3</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5: Capability of IMBONI SACCO to attract savings as source of social development in Rural Areas

<table>
<thead>
<tr>
<th>Rural areas are often lack financial services providers</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Financial institution situated around whole rural population</td>
<td>16</td>
<td>33.4</td>
</tr>
<tr>
<td>Umurenge Sacco is boosting village businesses</td>
<td>6</td>
<td>13.3</td>
</tr>
<tr>
<td>All above</td>
<td>12</td>
<td>23.3</td>
</tr>
<tr>
<td>Total</td>
<td>49</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The main position of respondents

Table 2 shows that, the majority of respondents (76.7%) points that were clients, 10% of respondents were employees of IMBONI SACCO/Kageyo, 10.0% of respondents were accountant and 3.3% of respondents were the manager of this financial institution.

The 56.7% of the total number of respondents said that the positive impact of IMBONI SACCO on social development in rural area is very good, and 26.7% of respondents said that the positive impact of IMBONI SACCO on social development in rural area is excellent While 16.7% of respondents showed that the positive impact of IMBONI SACCO on social development in rural area is good. This implies that the respondents expressed their opinion based on how they get information from IMBONI SACCO.

The most of performance of IMBONI SACCO in social development is financial performance with 40%, Institutional performance came on the second place with 33.3% and the last one is social performance and others with 13%. This means that the financial performance is very important in IMBONI SACCO because refers to the degree to which financial Objective is being or has been accomplished. Also it measures the Results of a firm's policies and operations in monetary terms. It is used to Measure overall financial health over a given period of time and can also be used to compare similar institution across the same industry or to compare industries or sectors in aggregation. IMBONI SACCO also provide training and skills development to enable the clients to plan, manage and evaluate the investment, keep the record of all activities of the investment and also to utilize the loan more effectively. The clients are also trained on how to analyze the income generating activities and investment opportunities. The training takes place before the clients receive the loan, after they have got the loan and at the end of the loan period. These training encounters assist the clients to share their experiences and challenges with the service providers whose strategies how to improve and adjust their programs and policies to suit their customers/clients accordingly.

Table 4 shows the relationship between IMBONI SACCO and Social Development in Rural Area

Result indicates that the majority of respondents (43.3%) agreed that the Relationship between IMBONI SACCO and Social Development in Rural Area is plays an important role as financial services providers and it is the most favorable for this institution. 26.7% of respondents showed that Giving rural population chances of accessing financial services, 23.3% of respondents approved that Umurenge Sacco increases credit and savings to rural businesses for objective of increase of relationship between IMBONI SACCO and Social Development in rural areas, and 6.7% of respondents agreed that all subjects are related to this relationship.

The Capability of IMBONI SACCO to attract savings as source of social development in Rural Areas.

The results showed that the respondents which are equal 33.4%, they agreed that the micro finance institution situated around whole rural population and 30% of respondents agreed that rural areas are often lack financial services providers. This implies that majority of respondents know that the Capability of IMBONI SACCO to attract savings as source of social development in Rural Areas is financial institution located around homeland of population.

The possible strategies to increase the contribution of IMBONI SACCO in improving the social development in rural area

The results shows that 50% of the total number of respondents selected that the most strategy to increase the contribution of IMBONI SACCO in improving the social development in rural area is to increase investment capital of IMBONI SACCO, the second confirmed that all above strategies (Increase sensitization around all rural areas, Increasing investment capital of IMBONI SACCO, Improving professional and skilled labor in this institutions and Introduce computerized system) can implement to increase the contribution of IMBONI SACCO in improving the social development in rural area.

CONCLUSION AND RECOMMENDATION

As matter of conclusion, along this research we have argued that UMURENGE SACCOS has an important in improving social economic development in rural area, as case study of IMBONI SACCO in Kageyo Sector during (2012-2016) and the findings obtained were considered to...
be the same in other micro finance institutions. The research examined a number of objectives which included: To assess the impact of UMURENGE SACCO in the social development in rural area at IMBONI SACCO/Kageyo, to suggest possible the strategies to increase the contribution of Umurenge SACCO in improving the social development in rural area.

The research was concluded in the following results:
The majority of respondents (43.3%) agreed that there is Relationship between IMBONI SACCO and Social Development in Rural Area because IMBONI SACCO plays great important role as financial services providers and it is the most favorable for this institution. At the end, suggested the possible the strategies that IMBONI SACCO’s can use in improving the social development in rural area. The total number of respondents selected that the most strategy to increase the contribution of IMBONI SACCO in improving the social development in rural area is to increase investment capital of IMBONI SACCO.

Different authors discussed that Sectors’ SACCOS have played an important role as financial services providers in rural area in Rwanda, giving the low income population the chance of accessing financial services (Wolff, et.al: 2011). The research found that there is positively impact of IMBONI SACCO on social development in rural area. This confirmed by all respondents (100%) of this research. The results indicated the correspondent’s rate of positively impact of IMBONI SACCO on social development in rural area. This argued by 56.7% of the total number of respondents. Financial performance confirmed with 40% as respondents the most favorable for IMBONI SACCO’s institution

Recommendations to IMBONI SACCO KAGEYO

The respondents recommended that IMBONI SACCO KAGEYO could reduce the interest rates, increase on the amount given as loans and assess repayment capabilities before loan provision.

IMBONI SACCO KAGEYO is urged to establish loan products like the school fees and asset loans and they should not ask for group security where groups are just formed for loan purposes.

Further requests are made to IMBONI SACCO KAGEYO to continuously supervise, monitor and follow up clients adequately and closely to avoid diversion of funds, to network and collaborate with other MFIs in the area, to improve on customer care and not to rely on groups only but also consider individuals on merit as well.

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