Contribution of Microfinance Institutions Towards Wealth Creation in Rwanda: The Case Study of Kagarama Umurenge Sacco in Kicukiro District

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Abstract

The general objective of this study was to assess the microfinance institutions and the wealth creation in Rwanda. The study was carried out in Kagarama Umurenge SACCO as case study. The findings were intended to supplement the body of knowledge on microfinance organizations and how their operations impact members' ability to create wealth in Rwanda. The following goals guide this study: To assess the influence of micro saving services (Ease of access and cost-effective savings) on the wealth creation in Kagarama U-SACCO, to assess the impact of the lending process (credit access and collateral) on the wealth creation in Kagarama U-SACCO, and to assess the impact of business development (outreach and digital financial services) on the wealth creation in Kagarama U-SACCO. The study population, 623 SACCO members who had received two or more loans since the Kagarama U-SACCO's founding, was selected using a descriptive research approach. With the aid of stratified sampling, a sample size a sample size of 162 respondents was established through calculations carried out using Wayne (2014) formula. The researcher used primary and secondary data in this study. A closed end questionnaire will be utilized. Descriptive research design and correlation analysis were also utilized to assess the data and results generalized for the entire population, while multiple regression will be used to test hypotheses. To compute and analyze the data in this study, available statistical packages was used. Secondary data was obtained from available documentation in Kagarama U-SACCO and elsewhere on the project. The multiple regression analysis proved that other factors being constant, Lending Process increases the wealth creation of Kagarama U-SACCO per 28.7%, Micro-saving services by 41.4%, and Business Development by 32.1% meaning that microfinance institutions have an important effect on the wealth creation of Kagarama U-SACCO in Rwanda. The study recommended that Kagarama U-SACCO may involve members in the determination of service fees and a reasonable percentage of the loan that is supposed to be saved in advance. Also, the U-SACCO is recommended to adopt technological utilization in its services.

Keywords: *Microfinance Institution, Wealth Creation, Kagarama Umurenge Sacco, Kicukiro District, Rwanda*

1. Introduction

Rwanda is currently experiencing the development in banking sector and more emphasis has been put in microfinance so that the economy it is easy for set goals of the country.

In order to reduce poverty from 60% in 2007 to 20% in 2030, the Rwandan government established savings and credit cooperatives (MINECOFIN, 2022), and U-SACCOs has made a positive impact on the Rwandan society's economic development. To increase financial capabilities and provide financial accessibility to all Rwandans who cannot obtain a large loan from commercial banks, the Rwandan government formed and sponsored Umurenge SACCO (Ndabananiye, *et al.,* 2021). However, Rwanda is still grappling with the issues of impoverished households and a lack of financial resources (Ntuite, 2020). According to FINSCOPE (2021), 10 percent of the Rwandan population's standard of living decreased as a result of people being forced to sell their homes for lack of loan repayment, increased market competition, and decreased profits from their businesses.

Umurenge SACCOs were created as a way to encourage society to pool their savings in order to access loans and engage in business activities for wealth creation and socio-economic development (Mbabazize & Uwingenzi, 2018). This way, businesses could be improved or new ones could be started while still being able to repay the loan thanks to its low interest rate and lack of restrictions (Ndabananiye, 2021).

Despite its acknowledgement, actual research on the extent to which U-SACCOs aid in the wealth creation of their members is lacking (Ndabananiye, *et al*., 2021). Therefore, in order to bring valuable knowledge to the topic, the researcher felt the necessity to conduct such a study. With Kagarama Umurenge SACCO, Kagarama sector, Kicukiro District as a case study, this study intends to evaluate the impact of the microfinance institutions and the wealth creation in Rwanda.

1.2 Objectives of the Study

1.2.1 General Objective

The main objective of this study is to assess the microfinance institutions and wealth creation in Rwanda, specifically in Kagarama Umurenge SACCO (U-SACCO).

1.2.2   Specific Objectives

 (i)   To determine the effect of the lending process (credit access and collateral) on wealth creation in Kagarama U-SACCO.

(ii)   To assess the influence of micro-saving services (Ease in access and cost-effective savings) on the wealth creation in Kagarama U-SACCO.

(iii)   To analyze the contribution of business development (Outreach and digital financial services) on wealth creation in Kagarama U-SACCO

1.3 Hypothesis of the study

The present research led to the following hypothesis below:

 H_01: There is no statistically significant effect of the lending process (credit access and collateral) on wealth creation in Kagarama U-SACCO.

H_02: There is no statistically significant influence of micro-saving services (Ease in access and service fees) on the wealth creation in Kagarama U-SACCO.

H$_0$3: There is no statistically contribution of business development (Outreach and physical expansion) on wealth creation in Kagarama U-SACCO.

2.1 Empirical Review

2.1.1. Effect of the lending process (credit access and collateral) on wealth creation

Datta and Sahu (2019) looked at how microfinance institutions in India should respond to changes in borrowers' methods of subsisting. The effect of microfinance on the lives of 350 West Bengali borrowers as a whole has been objectively observed by using various statistical approaches. In this study, it was found that MFIs' products helped to gradually change the beneficiaries' patterns of living. Using microcredit enables borrowers to develop businesses that generate income and hire labor both inside and outside of their homes. By contrasting the pre- and post-loan phases, this study adds to the body of existing research on microfinance and determines the current function of MFIs.

In their 2019 study, Nabawiyah and Amrizah investigate the social collateral strategy for Malaysian microfinance firms (MFI). The results of this study show that the social collateral model is employed as a supportive tool to encourage loan repayments and help borrowers build human and economic capital. Peer pressure, training, and social capital (trust and network) are its main components. The results show that the social collateral model provides the MFI with instructions for successfully allocating microloans to borrowers and evaluates their capacity to repay loans. This would increase the borrowers' level of social and economic growth and guarantee their survival in the microloan program. For the MFI in the microfinance sector to be financially and managerially sustainable, a significant social collateral model would be advantageous.

Shamsuddin, Abul, and Mohammad (2021) sought to learn more about how the microfinance program in Bangladesh affected the acquisition of assets by loan borrowers. To accomplish these goals, the study combined descriptive and statistical methodologies. With the aid of survey questions, primary data were gathered from 192 Bangladeshi respondents. The model of multiple linear regression was used to analyze the data. The majority of borrowers claimed that their assets, including their farms, lands, and livestock, stayed the same, which suggests that microfinance borrowers are still lagging behind in building their family assets. Yet, there was a slight improvement in living quality and home appliances. The regression result shows that, among other things, the size of the loan taken out from microfinance institutions and how long the borrower has been a customer are the most important determinants of the borrower's long-term well-being.

Eleke-Aboagye and Acheampong (2019) evaluated the impact of microfinance on SSEs in Ghana in terms of wealth generation and poverty alleviation 85 SSEs operating in Abossey Okai and 5 MFIs collectively make up the study's respondents. The respondents from MFIs were purposefully selected, but those from SSEs were chosen at random. According to the survey, the primary funding sources for the establishment and growth of SSEs were private sources. In comparison to personal sources, other sources like commercial and microloans only slightly aid in startup and growth. The existing MFI financing arrangements for SSEs were also discovered to comprise a variety of loans, despite the fact that the main difficulties SSEs encounter in acquiring credit include a protracted loan application process and the requirement for nonexistent collateral, among other things. In contrast, default and MFIs' incapacity to recover loans are the main problems MFIs encounter while lending to SSEs.

Ssembajjwe (2021) looked into the issues microfinance institutions were facing in the context of four districts and made policy recommendations for Uganda. Mpigi, Wakiso, Luwero, and Mukono were among them. The study included both qualitative and quantitative approaches of analysis. 136 respondents, including credit officers and top management officials, completed a standardized questionnaire to provide information. For the purpose of interpreting the results, responses were categorized using a likert scale, and means were calculated using the SPSS software. According to the study's findings, challenges include a lack of collateral security, high bank rates, little government support, a lack of client information, limited management capacity, high default rates, insufficient loan funds, and microfinance institutions that have turned out to be profit-driven.

Ndabananiye, *et al.* (2021) is primarily concerned with evaluating the impact of savings and credit cooperatives on improving the living conditions of SACCO members in Rwanda. The study, which focused on Mahembe Umurenge SACCO, sought to determine whether saving and credit cooperatives in Rwanda were effective and whether its members' living standards had actually increased. This study was quantitative and descriptive in design. The data for this study were analyzed using Statistical Product and Service Solutions (SPSS) version 20 with a sample size of 70 individuals chosen at random. The results show that saving and credit cooperatives have a considerable impact on their members' living standards and make a major contribution to raising those levels. Also, there is a considerable and beneficial link between the credits given and the rise in members' living standards.

2.1.2. Influence of micro-saving services (Ease in access and cost-effective savings) on the wealth creation

Datta and Sahu (2019) looked at how microfinance institutions in India should respond to changes in borrowers' methods of subsisting. The effect of microfinance on the lives of 350 West Bengali borrowers as a whole has been objectively observed by using various statistical approaches. In this study, it was found that MFIs' products helped to gradually change the beneficiaries' patterns of living. Using microcredit enables borrowers to develop businesses that generate income and hire labor both inside and outside of their homes. By contrasting the pre- and post-loan phases, this study adds to the body of existing research on microfinance and determines the current function of MFIs.

Menza and Tsegaw (2020) in Ethiopia set out to determine how microfinance (ACSI) affected household saving in Dega damotworeda. To choose 150 rural homes and 5 sample kebels, a two-stage sampling process was created. To gather quantitative data from sampled homes, a structured questionnaire was created. Focus groups were also employed to get qualitative data. A censored Tobit regression model and descriptive statistics were used to analyze the collected data. According to the study's findings, 30% of the studied households did not save any money or other resources, while 70% of the households saved money and other resources. It's interesting to note that just 26.73% of respondents came from the control group, while 73.27% of respondents were from the treatment group. This result demonstrates that ACSI had a positive effect on household savings in the research area. The ability of the country to mobilize domestic resources and foster economic growth should therefore be improved by financial policy that tries to support rural households and expand formal banking institutions.

In the Welmera area of the Oromia Special Zone Around Finfine, Oromia Regional State, Ethiopia, Chomen (2021) aimed to evaluate the effects of Oromia Credit and Saving Sharing Corporation, a microfinance institution. Both random and purposeful sampling techniques

were used to gather the data. 357 respondents from 12 different localities were chosen to take part in the data collection. To determine the critical factors influencing the respondents' income growth, a binary logistic regression was utilized in the study. The research revealed that the respondents' level of education, their willingness to save money, and their utilization of loans for their intended objectives all contributed to an increase in their income in the study area. The results showed that after enrolling in the program, the majority of respondents' income increased, which had a favorable impact on raising their standard of life.

Jumanne, *et al.* (2020) conducted research on the role microfinance institutions played in Tanzanian women's emancipation (A Case of Serengeti District Council). The Serengeti District Council in Tanzania's Mara region provided the study with both quantitative and qualitative data. To gather the data for the study, cross-sectional studies were performed, which accumulate data throughout time. The survey had a total of twenty female respondents. To examine the data, statistical product and service solutions were used (SPSS). According to the study, microfinance institutions have a substantial impact on the empowerment of women in Tanzania. Women who use microfinance organizations have more control over their savings, company income, and household finances. Yet, the decision on who will receive the household's assets does not involve the women.

According to Ntuite, SACCOS (saving and credit cooperatives) in Rwanda have been proved to increase members' socioeconomic growth (2020). The study's research strategy mixes descriptive and correlational techniques. According to the study, Umwalimu SACCO's member services have a positive effect on improving member welfare. It was shown that the Huye District USACCO services had a negligible effect on members' income levels, assets amassed, access to healthcare and education, as well as the small companies' members created to generate revenue.

2.1.3. Contribution of business development (Outreach and digital financial services) on wealth creation

Naveeda, Raja, Fayyazm, and Muhammad (2021) looked into the expansion of microfinance institutions as well as the difficulties that Microfinance Banks (MFBs) and Microfinance Institutions had to deal with (MFIs). Data is gathered through MFBs and MFIs operating in Muzaffarabad as well as through focus group talks, interviews, and interviews. Results are based on lending, headcount ratio, offers, the worth of their offer, and potential growth opportunities for microfinance in Muzaffarabad. Also, during analysis, the difficulties with microfinance outreach were brought to light, and MFBs and MFIs were given instructions on how to improve their outreach. The industry's reliance on traditional funding sources is the cause of its financial instability. The industry encounters a number of environmental obstacles to expansion, both exogenous and endogenous. Additionally, it gives the foundation for future research projects and aids in the policymakers' efforts to promote regional development.

Tripathi and Badugu (2019) look at the impact of e-microfinance on India's economic growth. It is emphasized that the main function of microfinance institutions in India is to reduce poverty. In India, microfinance organizations used assets, deposit liabilities, loans, and advances, and gross domestic product was employed as a measure of economic growth. After doing a review of the prior research, it was discovered that electronic microfinance offers data flow, security, and loan access. The ability of microfinance institutions to effectively integrate electronic technology into their lending and borrowing processes was constrained by cost and electronic microfinance. Although the results show that the gaps brought on by

the various issues with the recent advances in technology, electronic microfinance operations could be resolved. However, many microfinance institutions are delaying the implementation of technology due to the high cost and lack of significant client participation, which has an impact on supply and demand in the electronic microfinance market of India.

Using the Autoregressive Distributed Lag (ARDL) method of regression analysis, Onyele and Onyekachi-Onyele (2020) evaluated the impact of microfinance banks (MFBs) to poverty reduction in Nigeria from 1992 to 2018. The ARDL limits test showed that the activities of MFB and the poverty rate were constrained by a long-run link with a two-lag order VAR selection. According to long-term estimates, the MFB's loans-to-deposit ratio and liquidity ratio both contributed to a general decrease in poverty. Even though all the variables showed significant coefficients within a year, the short-run estimates showed that the MFBs were unable to alleviate poverty in a timely manner. These results suggest that MFBs need time to successfully alleviate poverty.

Also, a SACCO in Kenya, according to Luoga (2019), analyzed SACCOs and the social economic growth of members and discovered that it is an easy way to bring people together in one location to pool their resources and save money. A SACCO, which is founded in the community, uses local savings to mobilize funds and distributes earnings to members in the form of loans. As a result, the community owns and operates it. The author points out that this collaborative achievement of success aids in the establishment of a saving and investing culture as well as a sense of place-ownership and pride.

Mbabazi and Uwingenzi have performed research on how savings and credit cooperatives might improve rural socioeconomic development (2019). Examination of a case by selecting a sample to study and find events, this research was carried out in the Imboni Sacco Kageyo Sector using a present-oriented methodology to look into the people. Using primary and secondary data, documentary, interview, and questionnaire research, it developed a numerical representation of a population segment and documented events. The findings of their study allowed the researchers to consider factors like economics, quick data collecting, and the ability to understand a community from a sample of the population. All respondents agreed, according to the study's findings, that Umurenge SACCO positively affects rural socioeconomic development, with an improvement in financial performance being the most noticeable benefit. Imboni SACCO and Social Development in Rural Area are crucial providers of financial services, according to 43.3 percent of respondents.

2.2 Critical Review and Research Gap identification

An examination of previous literature led to the fact that there is limited research that purposefully examined the microfinance institutions by Rwandan scholars, and even less study was undertaken in the African context. The review literature revealed that most studies were undertaken in a different geographical context than the present study. Other were carried using different data analysis method than the one which is used in this study. Furthermore, there was no quantitative methodology applied to study the phenomenon in the Rwandan context. To the researcher's knowledge, the current study will utilize its own set of respondents at its own period in order to understand the effect of microfinance services on the wealth creation. Therefore, this study aims at filling the gap by undertaking a study on microfinance institutions and wealth creation within the U-SACCO Kagarama.

2.3 Conceptual Framework

Independent variables, dependent variables, and intervening variables are all connected by the conceptual framework. A model that displays and elucidates the relationship between numerous variables is known as a conceptual framework (Creswell & Creswell, 2018). The variables of interest in the current study are shown in Figure 2.1 together with their respective dimensions. The independent variable tries to evaluate microfinance organizations, while the dependent variable examines wealth creation.
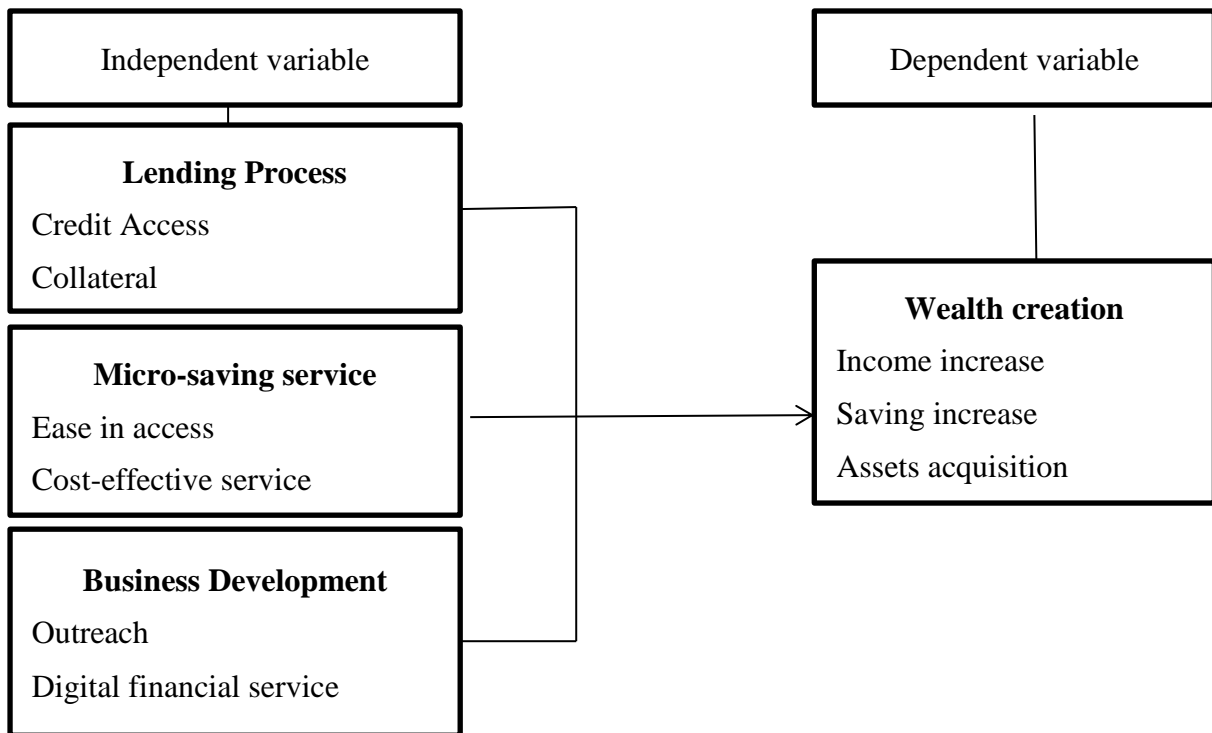
3. Materials and Methods

The research design, influenced by Yin (2014), established the need for a descriptive research approach to gauge Kagarama U-microfinance SACCO's impact on wealth generation. With a target population of 11,874 members, the researcher chose a sample of 162 using the Wayne formula. Stratified random sampling was utilized to ensure a representative selection. Data was collected through questionnaires and secondary sources, with Likert scales employed for the questionnaire design. The pilot study ascertained the clarity of questions. Validity was guaranteed through expert validation, while reliability was evaluated using Cronbach's Alpha coefficient, ensuring internal consistency.

The SPSS version 23.0 was used for data analysis, incorporating descriptive statistics, Pearson correlation, and multiple linear regressions. Post-estimation diagnostic tests were conducted to verify model validity. The study upheld ethical principles, emphasizing informed consent, voluntary participation, fairness, anonymity, and confidentiality. An introductory letter from Mount Kenya University to Kagarama U-SACCO initiated the ethical process, ensuring the respondents' rights were protected throughout the research.

The study is characterized by its descriptive research approach, targeting the microfinance sector's impact on wealth creation. It demonstrates careful consideration of statistical methods and ethical protocols to ensure accurate data collection and analysis. By implementing a comprehensive research strategy, the study aligns with established scientific standards, presenting a robust framework for investigating the complex relationship between microfinance institutions and wealth generation.

4. Presentation of findings

4.1 Descriptive results

The following part presents the findings of the study based on the specific research objectives. The findings and their discussions of the case study microfinance (Kagarama U-SACCO). The used descriptive statistics such as frequency, percentage, mean and standard deviation. The assumption was made on the basis of lower the score, the more important are the variables as evaluative criteria. Interpretation of mean and standard deviation were interpreted as follow: Mean between 4.00-5.00 implies that very great extent (i.e., strong evidence of the existence of the fact), Mean between 3.01-4.00 implies to a great extent (i.e., the fact appears more); Mean between 2.01-3.00 implies to small extent (i.e., the fact appears less), and Mean between 1.00-2.00 implies to no extent (i.e., the fact does not appear). Standard deviation less or equal $0.5 (\sigma) \leq 0.5$ implies that homogeneity otherwise heterogeneity.

4.1.1 View on Lending Process and wealth creation in Kagarama U-SACCO

The study sought to examine the effect of Lending Process on the wealth creation in Kagarama U-SACCO. The respondents were questioned if they agreed or disagreed with the statements and findings are presented in the table 4.2.

Table 4. 1: View on Lending Process and wealth creation in U-SACCO

Statement	SD		D		N		A		SA		M	SD
N=149	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
The interest rate on loans within Kagarama U-SACCO is worthy and fair	25	17	35	23	9	6	50	34	30	20	3.17	0.82
The loan repayment period is long enough for the clients in Kagarama U-SACCO	25	17	38	26	11	7	47	32	28	19	3.10	0.83
Loans are quickly processed in Kagarama U-SACCO	22	15	28	19	15	10	53	36	31	21	3.29	0.74
Kagarama U-SACCO requires a reasonable percentage of the loan that is supposed to be saved in advance.	40	27	49	33	11	7	31	21	18	12	2.58	0.62
Collateral required within Kagarama U-SACCO is affordable	27	18	28	19	25	17	44	30	25	17	3.08	0.64
Kagarama U-SACCO implemented the group lending approach as response to the absence of collateral assets.	8	5	3	2	32	21	59	40	47	32	3.90	0.54
women borrowers are capable to develop more social capital in U-SACCO due to social collateral.	8	5	7	5	45	30	54	36	35	23	3.68	0.63
Overall Mean											3.26	

Source: Primary Data (2023)

The results from table 4.1 indicated a mean of 3.17 and standard deviation (SD) of 0.82 with 50% of the respondents agreed that the interest rate on loans within Kagarama U-SACCO is worthy and fair to a great extent. The mean of 3.10 and SD of 0.83 with 47% of respondents asserted that the loan repayment period is long enough for the clients in Kagarama U-SACCO to a great extent. The mean of 3.29 and SD of 0.74 with 36% of the respondents agreed that Loans are quickly processed in Kagarama U-SACCO to a great extent.

However, the mean of 2.58 and SD of 0.62 with most respondents 49% disagreed that Kagarama U-SACCO requires a reasonable percentage of the loan that is supposed to be saved in advance. The mean of 3.08 and SD of 0.64 with 30% of respondents agreed that Collateral required within Kagarama U-SACCO is affordable. The mean of 3.90 and SD of 0.54 with 40% of respondents agreed that Kagarama U-SACCO implemented the group lending approach as response to the absence of collateral assets. The mean of 3.68 and SD of 0.63 with 36% of respondents agreed that women borrowers are capable to develop more social capital in U-SACCO due to social collateral. The overall mean of 3.26 tends to 4 which is the second highest score of to a great extent which implies that Lending Process is applied to a great extent in Kagarama U-SACCO to ensure wealth creation of its members.

4.1.2 Views on Micro-saving services and wealth creation in Kagarama U-SACCO

The study sought to assess perception of respondents on the Micro-saving services in Kagarama U-SACCO, the respondents were questioned if they agreed or disagreed with the statements with regard to Micro-saving services. The findings were presented in the table 4.3.

Table 4. 2: Micro-saving services and wealth creation of U-SACCO

Statement	SD		D		N		A		SA		M	SD
N=149	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
Saving policies in Kagarama U-SACCOs are well set	12	8	14	9	4	3	65	44	54	36	3.91	0.58
Members of Kagarama U-SACCO get their savings on demand and easily.	6	4	5	3	11	7	40	27	87	58	4.32	0.47
Members of Kagarama U-SACCO get fair interest on their term deposit	30	20	28	19	26	17	34	23	31	21	3.05	0.68
Security of Kagarama U-SACCO members' deposits is ensured	20	13	18	12	17	11	67	45	27	18	3.42	0.57
The service fees in Kagarama U-SACCO are affordable.	28	19	47	32	25	17	31	21	18	12	2.76	0.64
The management of Kagarama U-SACCOs does mobilization and financial education across the Kagarama Sector.	26	17	33	22	13	9	54	36	23	15	3.10	0.67
Overall Mean											3.43	

Source: Primary Data (2023)

The results from table 4.2 show that the mean of 3.91 and SD of 0.58 with 44% of respondents agreed that saving policies in Kagarama U-SACCOs are well set. The mean of 4.32 and SD of 0.47 with 58% of respondents strongly agreed that Members of Kagarama U-SACCO get their savings on demand and easily. The mean of 3.05 and SD of 0.68 with 23%

of respondents agreed that members of Kagarama U-SACCO get fair interest on their term deposit.

The mean of 3.42 and SD of 0.57 with 45% of respondents agreed that Security of Kagarama U-SACCO members' deposits is ensured. The mean of 2.76 and SD of 0.64 with 32% of respondents disagreed that the service fees in Kagarama U-SACCO are affordable. The mean of 3.10 and SD of 0.67 with 36% of respondents agreed that the management of Kagarama U-SACCOs does mobilization and financial education across the Kagarama Sector. Thus, the overall mean of 3.43 tends to the highest score of 4 which implies that a big number of respondents agreed that Micro-saving services plays a significant effect in wealth creation in Kagarama U-SACCO.

4.1.3. Views on Business Development and wealth creation in Kagarama U-SACCO

The study sought to assess perception of respondents on the Business Development and wealth creation of Kagarama U-SACCO. The respondents were questioned if agreed or disagreed with the statements with regard to Business Development within U-SACCO. The findings were presented in the following table 4.4

Table 4. 3: Views on Business Development in Kagarama U-SACCO

Statement	SD		D		N		A		SA		M	SD
N=149	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
Kagarama U-Sacco serves many persons that were previously denied access to formal financial services.	5	3	9	6	4	3	44	30	87	58	4.34	0.42
In addition to the loans, Kagarama U-Sacco provides other variety of financial services as money transfers.	32	21	23	15	14	9	56	38	24	16	3.11	0.57
A large portion of Kagarama U-SACCO clients are active members considering their accounts' movements.	18	12	28	19	13	9	57	38	33	22	3.40	0.68
Kagarama U-SACCO use technology to serve its customers.	25	17	57	38	17	11	25	17	25	17	2.79	0.62
Customers of Kagarama U-SACCO are able to make secure transactions anytime and anywhere due to digital financial services offered in Kagarama U-SACCO. .	84	56	55	37	10	7	-	-	-	-	1.50	0.95
Overall Mean											3.03	

Source: Primary Data (2023)

The results from table 4.3 indicated that the mean of 4.34 and SD of 0.42 with 58% of respondents strongly agreed that Kagarama U-Sacco serves many persons that were

previously denied access to formal financial services. The mean of 3.11 and SD of 0.57 with 38% of respondents agreed that in addition to the loans, Kagarama U-Sacco provides other variety of financial services as money transfers. The mean of 3.40 and SD of 0.68 with 38% of respondents agreed that a large portion of Kagarama U-SACCO clients are active members considering their accounts' movements. The mean of 2.79 and SD of 0.62 with 38% of respondents disagreed that Kagarama U-SACCO use technology to serve its customers. The mean of 1.50 and SD of 0.95 with 56% of respondents strongly disagreed that Customers of Kagarama U-SACCO are able to make secure transactions anytime and anywhere due to digital financial services offered in Kagarama U-SACCO. Thus, the overall mean of 3.03 tends to the second score of 4 which is to a great extent which implies that a big number of respondents agreed that Business Development plays a significant effect in wealth creation in Kagarama U-SACCO.

4.1.4 Views on the Wealth creation in U-SACCO

The study sought to assess perception of respondents on the wealth creation in Kagarama U-SACCO as measured by Increased Income, Increased saving and Living Standard Improvement. The respondents were asked whether agreed or disagreed with the statements regarding wealth creation, and the results were presented in the table

Table 4. 4: Views on the Wealth creation of Kagarama U-SACCO

Statement	SD		D		N		A		SA		M	SD
N=149	Fr	%	Fr	%	Fr	%	Fr	%	Fr	%		
Kagarama U-SACCO services allowed me to start a new business and expansion which generate additional income to me	5	3	3	2	4	3	65	44	72	48	4.32	0.42
The loan I got from Kagarama U-SACCO gave me the opportunity to become self-employed and other income-generating activities	5	3	8	5	11	5	49	33	76	51	4.23	0.47
Thanks to Kagarama U-SACCO, now I save money compared to prior life before joining the U-SACCO	11	7	28	19	11	7	67	45	32	21	3.54	0.56
Now that Kagarama U-SACCO exists, I may set savings objectives.	10	7	7	5	11	7	67	45	54	36	3.99	0.49
Due to Kagarama U-SACCO services, I am able to pay for school fees and supplies of my children	11	7	8	5	5	3	57	38	68	46	4.09	0.52
Services i got from Kagarama allowed me to acquire new properties and assets	12	8	12	8	13	9	69	46	43	29	3.80	0.67
Overall Mean											**4.0**	

Source: Primary Data (2023)

The results from table 4.4 indicated that the mean of 4.32 and SD of 0.42 with 48% of respondents strongly agreed that Kagarama U-SACCO services allowed them to start a new business and expansion which generate additional income to them. The mean of 4.23 and SD of 0.47 with 51% of respondents strongly agreed that the loan they got from Kagarama U-SACCO gave them the opportunity to become self-employed and other income-generating activities. The mean of 3.54 and SD of 0.56 with 45% of respondents agreed that Thanks to Kagarama U-SACCO, now they save money compared to prior life before joining the U-SACCO. The mean of 3.99 and SD of 0.49 with 45% of respondents agreed that now that Kagarama U-SACCO exists, they may set savings objectives. The mean of 4.09 and SD of 0.52 with 46% of respondents strongly agreed that Due to Kagarama U-SACCO services, they are able to pay for school fees and supplies of their children. The mean of 3.80 and SD of 0.67 with 67% of respondents agreed that Services i got from Kagarama allowed them to acquire new properties and assets Thus, the overall mean of 4.00 tends to the highest score of 5 which is very great extent and implies that majority of respondents agreed that wealth creation is achieved to a very great extent in Kagarama U-SACCO, thanks to its microfinance services.

4.2. Inferential statistics

The study used inferential statistics such as correlation analysis and multiple regression to determine the effect of Microfinance institutions on wealth creation in U-SACCOs in Rwanda, specifically by examining the effect of Lending Process on the wealth creation of the Kagarama U-SACCO, by assessing the effect of Micro-saving services on the wealth creation in Kagarama U-SACCO, and by determining the effect of Business Development on the wealth creation in the Kagarama U-SACCO. Based on the results from regression analysis, the study can show the effect of each predictor such as (Lending Process, Micro-saving services, and Business Development) on the wealth creation.

4.2.1. Correlations analysis

The correlation is one of the most common and most useful statistics. Linear correlation coefficient, measures the strength and the direction of association between the study variables was assessed using Pearson coefficient of correlation. The Pearson's coefficient of correlation ranges between +1 to -1. A zero (0) coefficient indicates that there is no association between the two variables. A coefficient value of greater than 0 indicates a positive relationship between the variables and hence an increase in the value of one variable leads to an increase in the other values of the other variable and the converse is true. A value less than 0 indicate a negative association between the variables that is as the values of one variable increases the values of the other variable decreases (Lohrey, 2014).

The study sought to determine the correlation between the independent variables (Lending Process, Micro-saving services, and Business development) and the dependent variable (wealth creation measured by Increased Income, Increased saving and Living Standard Improvement). To calculate the correlation (strength) between the study variables and their findings the Survey Data used the Pearson's coefficient of correlation (r). The findings are presented in tables.

Table 4. 5: Correlation analysis between Lending Process and wealth creation

		Increased Income	Increased saving	Living Standard Improvement
Lending Process	Pearson correlation	.717**	.712**	.683**
	Sig. (2-tailed)	.000	.000	.000
	N	149	149	149

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

The results of the study in Table 4.5 show that there is a positive and significant relationship between Lending Process and wealth creation because the calculated Pearson correlation and significance level between Lending Process and Increased Income is positive and significant (r=0.717 and sig=0.00<0.01) level of significance. The calculated Pearson correlation and significance level between Lending Process and Increased saving is positive and significant (r=0.712 and sig=0.00<0.01) level of significance. The calculated Pearson correlation and significance level between Lending Process and Living Standard Improvement is positive and significant (r= 0.683 and sig=0.00<0.01) level of significance. Thus, this implies that Lending Process plays a positive and significant effect on wealth creation in Kagarama U-SACCO. Basing on that, the null hypothesis stating that there is no statistically significant effect of the lending process on wealth creation in Kagarama U-SACCO is rejected.

The results of the current research proved a positive and significant relationship between Lending Process and wealth creation of Kagarama U-SACCO. Thus, the results of this current research are supported by the results of the study of Shamsuddin, Abul, and Mohammad (2021) sought to learn more about how the microfinance program in Bangladesh affected the acquisition of assets by loan borrowers, and the findings revealed that that, among other things, the size of the loan taken out from microfinance institutions and how long the borrower has been a customer are the most important determinants of the borrower's long-term well-being.

Table 4. 6: Correlation analysis between Micro-saving services and wealth creation

		Increased Income	Increased saving	Living Standard Improvement
Micro-saving services	Pearson correlation	.696**	.647**	.626**
	Sig. (2-tailed)	.000	.000	.000
	N	149	149	149

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

The results of the study in Table 4.6 proved that there is a positive and significant relationship between Micro-saving services and wealth creations because the calculated Pearson correlation and significance level between Micro-saving services and Increased Income wealth creation is positive and significant (r=0.696 and sig=0.00<0.01) level of significance. The calculated Pearson correlation and significance level between Micro-saving services and Increased saving wealth creation is positive and significant (r=0.647 and sig=0.00<0.01) level of significance. The calculated Pearson correlation and significance level between Micro-saving services and Living Standard Improvement is positive and

significant (r= 0.626 and sig=0.00<0.01) level of significance. Thus, this implies that Micro-saving services have a positive and significant effect in wealth creation in Kagarama U-SACCO. Basing on these results, the null hypothesis stating that There is no statistically significant influence of micro-saving services (Ease in access and service fees) on the wealth creation in Kagarama U-SACCO is rejected.

The results of the study from the correlation analysis between Micro-saving services and wealth creation have revealed that Micro-saving services and wealth creation have a positive and significant relationship. This is supported by the previous study of Ndabananiye, *et al.* (2021) who assessed tha impact of savings and credit cooperatives on improving the living conditions of SACCO members in Rwanda and whose results show that saving and credit cooperatives have a considerable impact on their members' living standards and make a major contribution to raising those levels.

Table 4. 7: Correlation analysis between Business Development and wealth creation

		Increased Income	Increased saving	Living Standard Improvement
Business Development	Pearson correlation	0.705**	0.650**	0.644**
	Sig. (2-tailed)	0	0	0
	N	149	149	149

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

The results of the study in Table 4.7 revealed that there is a positive and significant relationship between Business Development and wealth creations because the calculated Pearson correlation and significance level between Business Development and Increased Income is positive and significant (r=0.705 and sig=0.00<0.01) level of significance. The calculated Pearson correlation and significance level between Business Development and Increased saving is positive and significant (r=0.650 and sig=0.00<0.01) level of significance. The calculated Pearson correlation and significance level between Business Development and Living Standard Improvement is positive and significant (r= 0.644 and sig=0.00<0.01) level of significance. Thus, this implies that Business Development plays a positive and significant effect on wealth creation in Kagarama U-SACCO. Basing on these results, the null hypothesis stating that there is no statistically contribution of business development (Outreach and physical expansion) on wealth creation in Kagarama U-SACCO is rejected.

The results of the research revealed that Business Development has a positive and significant effect on wealth creation of the Kagarama U-SACCO which is supported by the research of Datta and Sahu (2019) looked at how microfinance institutions in India should respond to changes in borrowers' methods of subsisting. In this study, it was found that MFIs' products helped to gradually change the beneficiaries' patterns of living

4.3.2. Diagnostics test of the regression model

After running the regression model, post-estimation tests were conducted to ensure that the model was a good fit and the estimates received from the model were efficient and reliable. This study satisfactorily performed conditional diagnostics statistical tests. The study tested for normality, and multicollinearity

4.3.2. 1.Multicollinearity test

Multicollinearity is the undesirable situation where the correlations among the independent variables are strong. Variance Inflation Factor (VIF) was used to assess multicollinearity in the multiple regression models. Zikmund, Babin, Carr and Griffin (2013) mentioned when there are two or more variables have a Variance Inflation Factor (VIF) of 5 and above, amongst them one should be removed from the regression analysis as this shows multicollinearity. Thus, in a study, if two or more variables have a Variance Inflation Factor of 5 or more than that one of them must be removed out if the same.

Table 4. 8 : Test for Multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
Lending Process	0.803	1.245
Micro-saving services	0.596	1.678
Business development	0.461	2.167

Source: Primary Data (2023)

Table 4.8, indicated that all the independent variables were not highly correlated with each other as indicated by the Variance Inflation Factors (VIF) of below five. Since all 3 variables has VIF which is less than 5 indicating that there is no multicollinearity. Therefore, all variable of predictors will be included in the model.

4.3.3. Multiple linear regression on effect of M&E on wealth creation

The study sought to identify the effect of Microfinance institutions on wealth creation in U-SACCOs in Rwanda by using multiple linear regression model to determine the effect of independent sub-variables on each dependent variable in Kagarama U-SACCO. The regression models were run to test whether the model is significant or not. The statistical significance was verified by the Coefficient (β), t-statistic and Prob. In additional, statistically significant relationship between the dependent variable and independent variable from the model were accepted at 5% significance level. The analysis applied the Statistical Product & Service Solutions (SPSS) version .27 to compute the measurements of the multiple regressions for the study. Model relationship with Microfinance institutions these variables can be arranged in a function or equation as follows:

Wealth creation = $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, Model 1
X_1 = Lending Process (LP), $=X_2=$ Micro-saving services (MSS), $X_3=$ Business Development (BD), ε = error term

Table 4. 9: Model summary on effect of Lending Process on wealth creation

Model	R	R Square	Adjusted R Square	Std Error of the estimate
1	.856a	.733	.732	1.96168

a. Predictors: (Constant): LP, MSS, and BD

The results from the above table 4.9, the value of coefficient of determination (R-Square) was 733 (73.3%) an indication that 73.3% of variation in wealth creation in Kagarama U-SACCO was due to changes in Microfinance institutions. This means that other factors not included in this model influence the wealth creation of Kagarama U-SACCO at only 27.7% level, and Microfinance institutions influence it at 73.3%.

Table 4. 10: ANOVA between Microfinance institutions and wealth creation

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	8.869	3	2.956	109.331	.000b
	Residual	2.492	145	.023		
	Total	**45.999**	**148**			

a. Predictors: (Constant): LP, MSS, and BD

b. Dependent variable: Wealth creation

The findings in the table 4.10, indicate that the overall model was significant shown by F statistic of 109.331 and p-value calculated =0.000 is less than Critical p-value =0.01 level of significant. Therefore, this implies that jointly the variables Lending Process, Micro-saving services, and Business Development had significant effect to the variation of wealth creation in Kagarama U-SACCO. Therefore, it can be concluded that the R and R2 between microfinance institutions and wealth creation in Kagarama U-SACCO is statistically significant, and Microfinance institutions can significantly affect wealth creation in Kagarama U-SACCO.

Table 4. 11: Regression coefficients between Microfinance institutions and wealth creation

Model		Unstandardized Coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.128	0.274		2.167	.867
	LP	.287	0.093	.231	3.098	.002
1	MSS	.414	0.096	.385	4.317	.000
	BD	.321	0.091	.330	3.526	.001

a. Dependent Variable: Wealth creation

The findings in table 4. 11, indicate the coefficients of the regression where Lending Process (LP) has 0.287 with a significance of 0.002, Micro-saving services (MSS) 0.414 with a significance of 0.000 and Business Development (BD) 0.321 with a significance of 0.001. The constant .128 is the predicted value for the dependent variables (wealth creation of Kagarama U-SACCO) if all independent variables, Lending Process=0, Micro-saving services =0 and Business Development =0.

The resulting regression equation is:

$$Y = -0.128 + 0.287LP + 0.414MSS + 0.321BD$$

Other factors being constant, Lending Process increases the wealth creation of Kagarama U-SACCO per 28.7%, Micro-saving services by 41.4%, and Business Development by 32.1% meaning that microfinance institutions have an important effect on the wealth creation of Kagarama U-SACCO in Rwanda.

Therefore, the study rejected the null hypotheses that stated that there is no significant effects of the microfinance institutions (Lending Process, Micro-saving services, and Business Development) on the wealth creation of the Kagarama U-SACCO (Increased Income, Increased saving, and Living Standard Improvement). The findings are in agreement with Jumanne, et al. (2020) conducted research on the role microfinance institutions played in Tanzanian women's emancipation (A Case of Serengeti District Council). According to the study, microfinance institutions have a substantial impact on the empowerment of women in Tanzania.

5.1 Conclusion

Based on the comprehensive analysis conducted in this study, it is evident that Microfinance institutions (MFIs) play a significant role in fostering wealth creation within Kagarama U-SACCO. The study findings suggest a substantial positive correlation between the MFIs and wealth creation, with a notable 73.3% variation in wealth creation attributed to changes in the Lending Process, Micro-saving services, and Business Development. This positive impact on wealth creation was further elucidated by the significant improvements observed in Increased Income, Increased Savings, and Living Standard Enhancement within the U-SACCO.

In addition, the hypotheses testing results strongly supported the presence of a positive and significant relationship between the various study variables, leading to the rejection of all null hypotheses at a 0.1 level of significance. Consequently, the study's objectives were effectively accomplished, affirming the crucial role of MFIs in the wealth creation process.

Moreover, the research findings shed light on the primary motivations behind members' involvement with the U-SACCO, primarily driven by the attractive array of products and services offered, particularly the Lending Process and Micro-saving services. However, it was noted that despite the benefits provided by these services, there remains a traditional approach to the lending process, with minimal innovations to meet the specific needs of the members.

Furthermore, certain Microfinance services remain relatively unknown, limiting access for economically disadvantaged members of society. Nevertheless, the support provided by the lending process has contributed significantly to the development of businesses, as well as directly addressing the financial responsibilities of the members, particularly in terms of educational obligations for their children.

5.3 Recommendations

The research revealed significant shortcomings in Kagarama U-SACCO's operations, emphasizing the need for critical improvements. Members' participation in determining a reasonable percentage of the loan to be saved is recommended to ensure fairness and satisfaction. Additionally, involving members in the determination of service fees can help ensure affordability and customer satisfaction. Moreover, the adoption of advanced technology within Kagarama U-SACCO's operations is crucial to enhance customer experience and facilitate secure transactions, thereby improving the institution's overall performance.

5.3 Acknowledgement

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