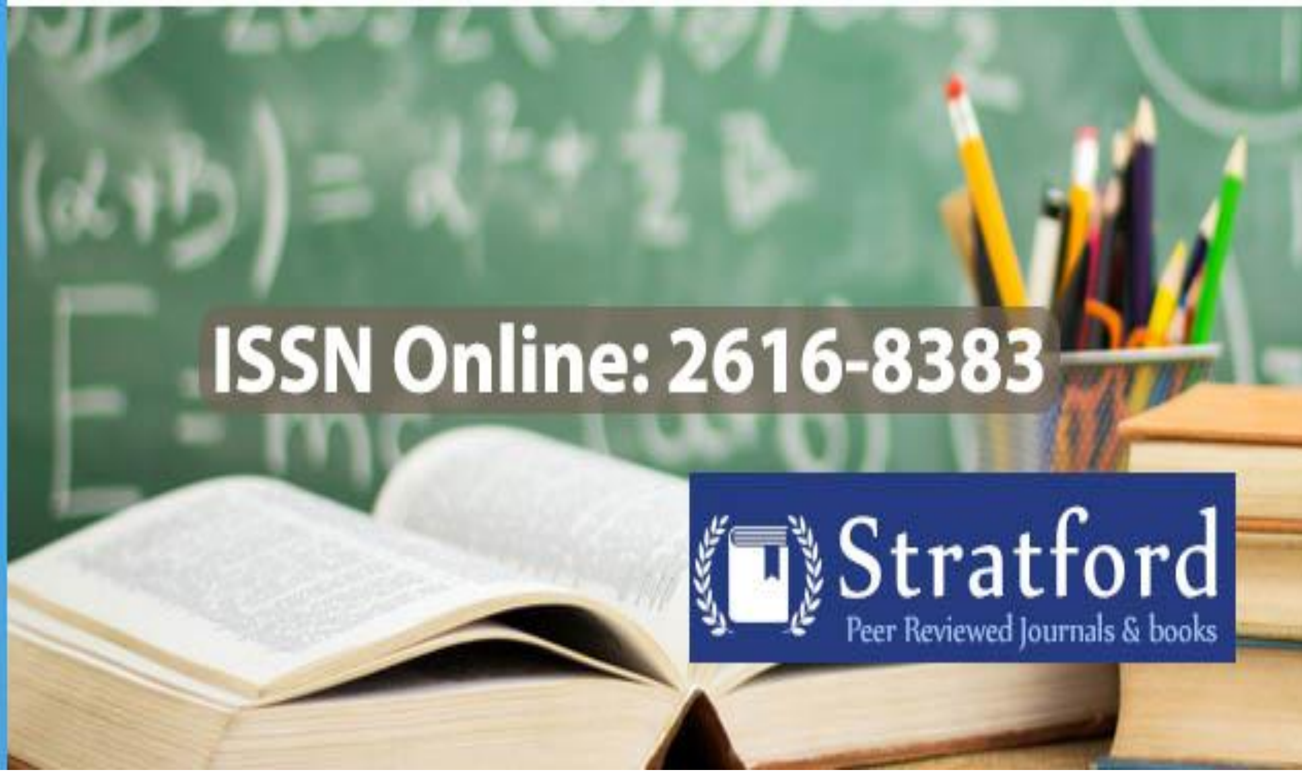
Journal of Education



Saving and Credit Cooperatives Services and Socio-economic Empowerment of Teachers in Rwanda

Ntamwaga Emmanuel, Kamau Kungu Gabriel & Dr. Claude Rusibana

ISSN: 2616-8383

Stratford Peer Reviewed Journals and Book Publishing
Journal of Education
Volume 3||Issue 4 ||Page 1-20 ||August||2020|
Email: info@stratfordjournals.org ISSN: 2616-8383

Saving and Credit Cooperatives Services and Socio-economic Empowerment of Teachers in Rwanda

[1*]Ntamwaga Emmanuel, [2]Kamau Kungu Gabriel, [3]Dr. Claude Rusibana

[1]Post graduate student, Mount Kenya University, Rwanda

[2]Assistant Lecturer, Mount Kenya University, Rwanda

[3]Associate Deputy Vice Chancellor of Academics, University of Kigali

***Email of the corresponding Author: ntamwagaemmanuel@yahoo.com**

***How to cite this article*: Ntamwaga E., Kamau K. G. & Rusibana C. (2020). Saving and Credit Cooperatives Services and Socio-economic Empowerment of Teachers in Rwanda. *Journal of Education. Vol* 3(4) pp. 1-20.**

Abstract

The provision of better services to members of UMWALIMU SACCO in Rwanda especially in Nyagatare branch, enhance the socio-economic empowerment of teachers ready to get various service and build their lives. The purpose of this paper was to investigate the effect of credit services on members' social economic empowerment at Sacco in Nyagatare. This paper adopted survey descriptive research design. The target population was 140 people and sample size was 72 respondents using solvin' formula. The data was collected by using questionnaire and interview guide and analyzed using SPSS software version 21 for quantitative findings and thematic approach for qualitative approach. The findings indicated that the amount borrowed depended on the savings made and shares owned, amount borrowed linked to the purpose of the loan, amount borrowed being adequate to undertake a reasonable investments were all friendly. On credit period, results showed that credit period depending on the type of the loan, credit period changing with the size of the loan and affordable credit period were friendly to members. However, members not aware of the policies on credit period and credit periods given by SACCO not favorable for business growth were not favorable to members. The findings also revealed that the increase of SACCO's services (receive cash deposit, Grant loans, provision of salary advance and accept collateral for loans) can affect starting new business and expending the existing business at 95.3%. This implies that the remaining 4.7% can be affected by other variables. The findings also revealed that the increase of SACCO's services can affect the members' investments opportunity at the level of 96.2% while the remaining 3.8% can be affected by other variables. Though, the increase of SACCO's services can also affect members' health members at 96.4%. This also implies that the remaining 3.6% can be affected by other variables. However, it was also showed that there is a statistical relationship between saving money using saving account and investing in other business r = .880 and P-value = .000 < .05. This paper also recommends that SACCO should allow its members to withdraw their savings as needed and the minimum balance and be friendly to members.

Keywords: *Saving and Credit Cooperatives, Socio-Economic, Empowerment, Teachers & Rwanda.*

1.1 Introduction

Savings and Credit Co-operatives (SACCOs) are community membership based financial institutions that are formed and owned by their members in promotion of their economic interests (Nuwagaba, 2012). According to Owen (2007), SACCOs offer a much broader range of services to broader clientele. Deposit services offered typically include business accounts, savings accounts, and fixed deposits. SACCCOs also offer both non-financial and financial services to its members. Its non-financial services are critical to the sector. These services include representation, advocacy, education, training, business plan development and consultancy services. Its financial services include savings, credit and insurance products.

Globally, like economists, international organizations and governments in developing countries have placed increasing emphasis on the mobilization of deposits, not only to increase domestic savings to achieve sustained economic growth and development, but also to strengthen domestic financial intermediaries (Admass & Vogel, 2004; Besley, 2006).

In Germany, the principle of cooperation in the field of saving and credit was the first to be established. The cooperative saving and credit movement was started in Germany in the middle of the 19th century. At that time, the economic condition of German was extremely deplorable and the peasants and artisans felt crushed under the heavy weight of indebtedness. Jews ruled over the market and the poor laborers and farmers had no way out but to buy articles of their requirement from them and sell their product to them. Hence, German laborers and peasants were passing such bad time. Raiffeisen tries to reduce the suffering of the people who are living in rural areas while Schulze adopted the new measures for giving relief to the people in the urban areas (John, 2014).

In Africa, SACCOs are promoted not only for money; they contribute to the promotion of total human development. SACCOs develop people's minds by providing motivation, creating initiative, promoting self-development and self-reliance and providing leadership. They also develop material well-being by raising the living standards of members, making possible regular savings and wise use of money, providing loans at low interest rate and by making possible economic emancipation of members (Dejene, 2001). MFIs in Africa tend to report lower levels of profitability, as measured by return on assets, than MFIs in other global regions. The microfinance sector in Africa is quickly expanding, and institutions have increased their activities. In fact, African MFIs are among the most productive globally, as measured by the number of borrowers and savers per staff member. MFIs in Africa also demonstrate higher levels of portfolio quality, with an average portfolio at risk over 30 days of only 4.0 percent (Lafourcade et al, 2005) still, African MFIs face many challenges. Operating and financial expenses are high, and on average, revenues remain lower than in other global regions. Efficiency in terms of cost per borrower is lowest for African MFIs. Technological innovations, product refinements, and ongoing efforts to

Stratford Peer Reviewed Journals and Book Publishing
Journal of Education
Volume 3||Issue 4 ||Page 1-20 ||August||2020|
Email: info@stratfordjournals.org ISSN: 2616-8383

strengthen the capacity of African MFIs are needed to reduce costs, increase outreach, and boost overall profitability.

In East Africa, The professionalization of the micro-finance sector, increased competition in urban areas (also from commercial banks offering microfinance) and the adaptation of new technology are driving the outreach of savings and credit services into rural areas. However, the remoteness of certain areas, the high costs of services, financial illiteracy, and the unattainability of financial products for agriculture restrict the reach of microfinance. The main opportunities contribute to the development of financial services include strengthening of client entrepreneurial awareness and skills; support of financial institutions in the rural outreach and in the development of financial services appropriate for small holder farmers; and creation of links between village banks and more formal financial institutions to increase the scope and capacities of the former (The International Trade Centre, 2011).

In Rwanda, Gatete (2004) indicated that the National Bank of Rwanda developed a policy on SACCOS in the country where by the majority of the poor were put in safe and sound way. Rwanda like any other Sub-Saharan country, the formal financial position is under developed, small and in financial super structure to mobilize financial resources for economic development. Given that SACCOS in Rwanda have more to lose in case of default lending should be made available with minimum risk. This is in the line with Vogel's (1996) observation that it is the lender not the borrower who causes or prevents high level of delinquency in credit programs. The Cooperative movement in Rwanda dates back to 1940 when the first farmers association was founded in response to the exploitative forces of middlemen the Asian traders and the colonial government (Kyamulesire, 2002).

1.2 Problem Statement

According to lipsey and Chrystal (2001) savings and credit cooperatives refers to the provision of credit, savings and financial services to very poor people by providing these services to poor households and small income earners and give opportunities to the people to create their own and accumulate assets, smooth consumption and to operate small businesses. The introduction of Savings and Credit Cooperatives (Sacco) is seen as the best alternative source of finance services for low income earners in the country among others being the teachers as a means to improve their savings hence reducing their poverty level, National Bank of Rwanda (2008). However evidence has shown that these savings and credit cooperatives have limited coverage, lack of mortgage loans by teachers which leads to low access to loans, poor organizational structures, low salary payments, Financial and social viability of the Cooperatives has not yet been attained due to lack of enough funds to finance long term project like solar energy, teacher's enterprise cooperatives and one laptop loan per teacher. These findings stimulated the researcher to assess the savings and credit cooperatives services and economic empowerment of teachers in Rwanda in regards to Umwalimu Sacco Nyagatare Branch.

1.3 Objective of the Paper

The objective of this paper was to analyze the effect of credit services on members' socio economic empowerment at Sacco in Nyagatare.

2.0 Literature

2.1 Review of SACCOs

According to Getachew. (2006), Sacco's or Credit Unions have been developed to meet the fundamental human need to find a way of saving and borrowing methods without taking risks and without handing over too much power to a moneylender. They were invented in south Germany in 1846 at the time of agricultural crisis and continues heavy drought in Europe, by two community business leaders who are considered as the founding fathers of the saving and credit cooperatives (SACCO) movement: Herman schultze Delitsche, who established a saving and credit cooperatives for minor artisans and the urban middle classes, and Freidrich Reifeisen, the founder of the rural saving and credit cooperatives (Adugna & Heudhes, 2000).

In Italy, Luigi Luzzatti established saving and credit cooperatives, which combined the principles established by his two German predecessors. Both forms spread rapidly all over Europe, Northern America, Latin America, and Asia from 1900 to 1930 and to Ghana by one Catholic Bishop. Today SACCO societies have significant role in empowering their members Socio-Economic Status all over the world. The International Cooperative Alliance (ICA) (2003) defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise". The two fundamental function of a SACCO Society are financial intermediation and investment.

As ICA (2003), the most basic function of SACCO Society is financial intermediation. That is bringing savers and borrowers together in a system that enables them to pool their money as savings and shares, and after capturing funds transforming into loans by calculating all of the costs of doing this business to make profitable/useful to both parties (the SACCO Societies and its members). SACCO Societies as financial institutions can raise their funds internally (self-financing) and externally (outside financing). However, SACCO Societies are basically advised to finance themselves internally from members Savings, share mobilization and retained earnings, to avoid interference of decision on SACCO issue by fund owners, to be self-secured and sustainable in the future. Cooperative principles are guidelines by which cooperatives put their values into practice.

According to Baarda (2006), cooperative principles are fundamental and immutable doctrine or tenet that defines and identifies distinctive characteristics of the cooperative organization. They are the settled rules of action and are identified as the coordinates that go to make a cooperative society and as such are indispensable. They were evolved out of experiments and practices, and represent the cooperative's philosophy, evolved by Rocha dale Pioneers, improved and embellished by movement and are recognized by the ICA congress.

According to ICA (2003) the seven internationally recognized cooperative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community. That means cooperatives are organizations for mutual benefit, where members own, control and benefit from the co-operational output. The objective is to first and foremost serve members' interests, rather than that of capital invested and to adopt democratic control for socio-economic output, to make distinctions between cooperatives and other forms of business. Cooperatives are based around the concepts of self-help, self-responsibility and self-organization (Cooperative Futures, 2006). Cooperative is community based business. The basic characteristics of cooperative that differentiate it from other type of business are its principle, values and norms. This basically orients general business toward community focused, member centered, democratically controlled and voting right assigned in membership rather than staking of shares (Birchall, 2003).

Laidlaw (2001) examines the difference between cooperatives and other businesses in relation to three main groups of people responsible for bringing them into existence and keeping them in operation. The three groups are: the persons who own them (the shareholders, the investors), the persons who control them (the effective decision makers) and the persons who use them (the customers).

According to him, in typical capitalist business, especially large enterprise and multinational corporations, these three are separate and distinct groups. In small private business the situation is generally much better because of the close connection between shareholders (investors) and control. In a small retail business, for example, the first two components are often identical. But still the users, the customers, are a separate group. In a cooperative, all three are coming together to form a unity; those who own, those who control, and those who use are one. Cooperative touches no man's fortune, it seeks no plunder, it causes no disturbance in the society, it contemplates no violence, it subverts no order, it envies no dignity, and it asks no favor, it keeps no terms with the industrious. It means, self-help, self-dependence, and such share of the competence as labor, skill or thought can win and this it intends to have (ILO, 2000).

Primitive concept of cooperative is related with religious, cultural, and political conditions. It is not formal. But the modern concept of cooperative is related to special way of doing business. It is formal (ICA, 2003).

Development International Desjardins (2005), asserts that the fundamentals objectives of cooperative is to maximize "user" benefits to all members of the certain cooperatives according to their laid down principles and not to maximize profits as the case for profit making organizations. Savings and Credit Cooperative Society (SACCOS) is one type of cooperative societies with the principal objective of accumulating savings and create a source of credit to its members at a fair and reasonable rate of interest (URT, 2004).

The saving and credit cooperative are considered as semi-formal financial institutions, which are not regulated and supervised by NBE. The informal financial system includes Equib, Eddir, and others, which are not regulated (NBE annual report, 2009).

Credit: The terms loan and credit are used interchangeably. The study adopts the credit definition of credit as an arrangement in which a lender gives money to a borrower, and the borrower agrees to repay the money, usually along with interest, at some future in time (Aryeetey, 2002). Saving: A Savings is a program designed to encourage savings through small but regular deposits or automatic deduction from salaries or wages. Savings and credit scheme aims at poverty alleviation to the poor and law income families (Peace, 2011). Savings and credit cooperatives are becoming a beacon of hope to the developing countries. These institutions grant loans to members at reasonable rates of interest in times of need. The lent money helps entrepreneurs in impoverished societies to start essential businesses in their communities (Guilford, 2007).

Stratford Peer Reviewed Journals and Book Publishing
Journal of Education
Volume 3||Issue 4 ||Page 1-20 ||August||2020|
Email: info@stratfordjournals.org ISSN: 2616-8383

2.2 SACCOs Services and Social Economic Empowerment

The Economic theory predicts that the absolute amount of saving should be increased with income. This is because people with more income have more resources available to save; Theory also predicts that saving is related to income and the savings rate will increase with income (Deaton, 2000) Andrew et al (2001), argued that one benefit from an increase in income is that in addition to enjoyed consumption today, an individual can also plan for the future consumption by saving a part of the current income.

However, in developing countries like Rwanda to break from poverty trap to a self-sustained growth in generating enough saving is still difficult; Low income earners need microfinance institutions like Sacco's that constitute an efficient financial intermediation system in economic growth process. Rwandan teachers intend to improve their economic welfare if their increment income is injected in savings. This can improve capital formation for low income earners and as a result increase in investment that leads to the improvement in income. Savings has a close relationship with wealth. Savings empowers teachers by shifting the savers' perception of their situations from "a day-to-day struggle to survive to a longer term view based on planning with a growing cushion of savings (Diagne & Zeller, 2001).

According to Robinson. (2001), among the active poor of the developing world, there is a strong demand for small scale commercial services for both credit and savings. Where available, these and other financial services help low income people improve household and enterprise management, increase productivity, smooth income flows and consumption cost, enlarge and diversify their microbusiness and increase their income. Household income of families with access to credit is significantly higher than for comparable households without access to credit. Poor households that have had access to microfinance services show significant increases in asset accumulation, providing them with both a safety net against misadventure as well as resources for self- help investment. Increased household income improves nutrition, and improves the probability that children from poor families will go to school (Versluysen, 2012).

Therefore, Sacco's are concerned with teachers as households and how they are affected economically in the level of income on increasing their socio-welfare through loans provided by Umwalimu Sacco. Thus, there are the impacts that can certainly provide the teachers with increased access to working capital and other financial services through Umwalimu Sacco; they reduce risks and protect them from life's financial shocks and helping to stabilize their income. Due to their democratic organization and their economic orientation, cooperatives contribute significantly to social integration, job creation and the reduction of poverty. Cooperatives are thus stabilizing regional economic cycles and can generate regional employment. The United Nations general assembly declared 2012 as the international year of cooperatives and thus acknowledges their worldwide impact on economic and social development (Georg, 2012).

According to Mellor (2009), the high cost and low profit margins which discourage formal banks from providing financial services to low income and poor people; when individuals recognize that individually they cannot access financial services they badly need, they decide to collaborate and cooperate with others who have the same needs and together they become members of this special group of people with a common need and goal of self service. It is from above opinion that Umwalimu Sacco has focused on mobilizing teachers to form cooperatives at the school centers and come up with income generating projects which Umwalimu Sacco finance. (Example of a cargo truck that was bought in the loan from Umwalimu Sacco to the Teachers' Cooperative at St

Joseph Secondary School in Rwamagana District, Eastern Province); The security of loan depends on the type of loan given and the level of risk related. However, it is possible for members to get a collateral free large loan when they form licensed cooperative, (Usacco action plan, 2015).

Economic development is the adoption of measures or actions, small scale or large scale, by a community, that enables, them to secure the effort, entrepreneurial and inspirational potentials of the individuals of that community, (or supports them in) activities with learning in its productive structure that leads to attainment, with reasonable resilience, of basic living standards for that community. Co-operatives have been an important part of development in East Africa. While they have seen many successes and failures, no other institution has brought so many people together for a common cause. Following the Arusha declaration, cooperatives became the main tool for building a spirit of self-reliance during the Ujaama period. However, following the introduction of free markets, cooperatives have struggled to compete with the private sector and many have not been able to provide their members with services they need. The government responded to this problem by introducing a new cooperative development policy (2002) to help cooperatives regain their importance in the economic lives of people. A policy aimed at how government plans to facilitate the development of particular area of the economy such as agriculture, education or cooperatives (Adera, 2006).

According to Hulmes (2000) cooperatives savings society refers to the provision of financial services to the poorest of the poor who cannot access such services from formal commercial banks. MFIs therefore are organizations which include nongovernmental, rural farmers' schemes and savings societies that provide savings and credit facilities to micro and small scale business people who have experienced difficulties in obtaining such services from formal financial institutions. MFIs started with a major emphasis to bridge the gap between the economically rich and economically poor people that is to say to combat poverty and improve standards of living. (Ledgerwood, 2000).

Sentral (2000) also defines cooperative savings and credit society as the provision of financial services such as deposits, loan (small) payment services, money transfers and insurance products to the poor and low income households. This is to enable micro enterprises and small businesses to raise their income levels and improve their standards of living.

Improving one's economic status requires the ability to earn income, to spend it wisely, to save part of it for the future benefit and to have access to credit in order to move into a productive or income generating activity (Kabuga *et al* 2003) Government recognizes that the pace of growth of SACCOs has been slow, especially in rural areas. Most have been established in urban areas and work places. As a result, members of rural primary societies have been unable to access adequate credit. To improve this situation, government must encourage development of SACCOs in all rural areas to strengthen people's capital base and hence development. However, these SACCOs will have rules on interest rates, loan terms, loan security and default rules which will play some important part as people access the services of SACCOs (Tanzania Federation of Cooperatives, 2006).

More often than not, one hears a question like what has a cooperative done to assist its members and yet the valid question would have been how have the members utilized the cooperatives to enhance the social economic status? Cooperatives differ from other forms of business in that they are member centered as contrasted to companies where capital is at the center in order to earn profits. Through pooling resources, members are able to put up infrastructure for production, agro-

Stratford Peer Reviewed Journals and Book Publishing
Journal of Education
Volume 3||Issue 4 ||Page 1-20 ||August||2020|
Email: info@stratfordjournals.org ISSN: 2616-8383

processing and marketing for example establishment of ginneries, processing plants, dairy products processing and for a well-functioning cooperative organization, at least two people are employed directly and many others indirectly through various trades facilitated by a cooperative. SACCOs through their varied activities are in many countries significant social and economic actors in national economies thus making not only personal development a reality but, contributing to the well-being of the entire humanity at the national level. Production and productivity enhancement cooperatives play an important role in delivery of agricultural inputs so that they are easily accessed by the producers (Thomas, 2007).

Many MFIs in Rwanda started as Non-Governmental Organizations with missions and objectives for poverty eradication, social development and economic development of poor communities after the 1994 genocide. In general terms, MFIs operated outside the regulatory framework of Financial Institutions Statute 1999, though they provided both savings and credit services. Some MFIs were mobilizing client deposits either as part of their lending methodology (compulsory savings linked to loans) or for safe custody which they kept on their bank accounts with commercial banks. Some MFIs even developed a habit of illegally intermediating these public deposits which was against the provision of the financial Institutions Statute 1993. As a result of this development, the National Bank of Rwanda got concerned about the safety of public savings being intermediated by the unregulated informal financial sector. This concern by National Bank of Rwanda was heightened by the commercial bank failures which hit the financial system, (Hanning & Bohnstedt, 2011).

A consultative process was put in place to design a regulatory framework for the microfinance sector. The key players in the consultative process included the Bank of Rwanda as a regulator of financial system. The Microfinance practitioner and policy makers and the development partners. The policy framework for microfinance sector was designed with the overriding goal that Microfinance must be run as business and guaranteeing the safety of public deposits. For this reason the critical issues that were covered in the policy included sustainability and outreach, capital adequacy requirements, liquidity requirements, ownership and governance. The Micro Deposit taking Institutions Act 2003 was subsequently enacted by parliament and promulgated into law in May 2003.The sustainability issue concerns the ability of the MFIs to sustain their operations without un due reliance on donor funds which are not sustainable. The challenge here is that most MFIs have hitherto been reliant on donor grants funds to subsidize their operations. The policy change therefore focuses to ensure that MFIs sustainable growth to guarantee continuity of access to financial services thus increased outreach (Okurut *et al*, 2004).

The major objective of a micro finance is to fight and eradicate poverty (Mbonigaba, 2002). MFIs aim at empowering the poor who make up a significant proportion of the population and to develop the overall financial system of the country through integration of financial markets (Okurut *et al* 2004, Rehman 2006).The scholars argued that micro finance thrived on the assumption that by providing saving services to the poor, they will be able to acquire assets, business skills and creation of self- employment by establishing micro enterprises. Gittel and Vidal (2004) also argued that micro finance aims at improving access of the poor to savings services to make them bankable clients and to promote savings mobilization among the poor through self -help groups in order to help them reduce their vulnerability by enhancing their individual and household incomes, improving their standards of living, empowering and improving household health. SACCOs promote saving culture amongst their members as a recent research reveals (Ahimbisibwe, 2007).This is crucial because increased savings lead to increased capital accumulation leading to increased investment that also leads to employment that ultimately generates income for economic development.

SACCOs have in significant ways stepped in at a time when the restructuring process of banks left more than 50% of the population without basic financial services in Uganda. Ironically what was previously considered unbankable is what banks are now targeting using micro finance programmes through the same cooperative institutions. Kabuga *et al* (2003) A SACCO is an essential link in bridging large segments of communities into a formal financial structure. It benefits the member by improving his economic status while making all members enjoy the same or similar economic advancements. SACCOs are organized around the needs and desires of interested groups. The types of services offered are produced by members themselves as based upon what they need to do in order to improve their economic conditions. There are shareholders to skin off the members' funds. Instead, the members receive the benefits of their savings and through periodic distribution of dividends in proportion to the amount saved. A SACCO's saving account could be personal, joint, minor, group or institutional and should be opened by members only. According to Thomas, (2007). Current ordinary savings lack incentive for members to increase average savings' balances even when they do pay some interests on account. Ordinary savings accounts have an interest structure to encourage members to increase their balances. This determines which members are the best candidates for fixed deposit account based on their ability to increase savings balances to earn from higher interest rates. Some SACCOs offer ordinary savings account as the basic account to be opened when a member joins, others offer current saving products as the basic account while the rest may offer their members a choice when joining of either the current savings account or the ordinary savings account as their base account.

Gittel and Vidal (2004) argued that microfinance aims at improving access of the poor to saving services to make them bankable clients and to promote savings mobilization among the poor through self-help groups in order to help them reduce their vulnerability by enhancing their individual and household incomes, improving their standards of living, empowering and improving household health. On contribution to empowerment those self-help groups and other savings based community groups offer to members is the pride of ownership and autonomy. Even though some self-help groups are given training and support from Non-Governmental Organizations, the majority of even these externally supported groups rely primarily on members savings for their capital instead of external capital as most village banks or solidarity groups do.

Savings based approaches that rely on minimal external support charge lower interest rates and a large percentage of that interest goes back to the members inform of interest on their savings and community projects.

The empowerment benefits derived from independence and autonomy are often partially offset, however, by weaker economic empowerment benefits. By depending on the savings of very poor community members' capital is limited than it would be with external support, which in turn limits the growth potential of members' enterprises and income. Currently, all SACCOs reward poor savers and good severs at the same rate; that is a flat interest rate is paid regardless of average balances and this discourages those that would be willing to save more and for longer periods (Thomas, 2007).

Credit is considered to be an essential input to increase agricultural productivity mainly land and labor. It is believed that credit boosts income levels at the household level and thereby boosts economic development. Credit enables poor people to overcome their liquidity constraints and undertake some investments especially in improved farm technology and in puts thereby leading to increased agricultural production (Huidhues, 2000). Furthermore, credit helps poor people to smooth out their consumption patterns during the lean periods of the year (Binswager and Khandker, 2005) and by so doing, credit maintains the productive capacity of the poor households.

According to the Grameen Bank model, there is emphasis on savings as a prerequisite to access loans where clients should access the savings at any time. However, these savings always act as security for loans and clients cannot access it at any time they wish to do so. If the savings requirements are too high then members who cannot meet the stated amounts are automatically pushed out of the credit programme (Nabulya, 2007). According Obina (2009), the historical objective of microfinance was to raise productivity and boost incomes of the poor communities. During the 1980s micro enterprise credit aimed at providing loans to the poor to invest in tiny businesses enabling them to accumulate assets and raise household incomes and welfare.

Nugroho *et al* (2009) noted that microfinance aims at meeting the credit needs of those excluded from formal financial services to help them finance their income generating activities, build assets, stabilize consumption and protect them against risks. This explains why these services are not limited to credit though this is arguably the basis of the most common services but also they include savings (deposits) insurance and money transfers.

Generally, the basic theory is that microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This empowerment is expected to generate increased self-esteem, respect and other forms of empowerment for women beneficiaries. Involvement in income generating activities should translate into greater control and empowerment and attainment of a bargaining platform in their communities (Cheston & Kuhn, 2002).

However, much as some evidence has been presented by different studies to support this view, other scholars have remained critical that this equation may not always hold true and that complacency in these assumptions can lead microfinance institutions to overlook both opportunities to empower women more profoundly and failures in empowerment. It was also argued that the ability of a person to transform his life through access to financial services depends on many factors, some are linked to terms involved in getting a service, individual situation and abilities and others depend upon the environment and status of a person as a group.

Cheston and Kuhm (2002) however emphasized that microfinance programmes have potential to transform power and empower a person economically. They observed that although micro finance does not address all barriers to people's empowerment micro finance programmes when properly designed can make an important contribution to economic empowerment. According to Yawe (2002), microfinance has helped to empower women economically. In her study, the most positive indicator included acquisition of assets, increased knowledge, easier life (relief from economic burdens), unity (doing things together, sharing experiences, improved social ties and problem solving) and tapping their leadership potential. Yawe further observed that micro finance helped women to improve on their decision making abilities, ownership and control of assets purchased and use of loan and moneys generated from business, improved health and living standards.

Loan size is the amount advanced to the client. It can be small, medium or big. Sewagudde (2009) argues that efficient loan sizes should fit the borrower's capacity and stimulate economic empowerment. Therefore, for a loan to be useful it should be adequate to allow production. Karamaji (2011) says that for a loan to have an effect on empowerment and to be repaid, it should be adequate enough to allow empowerment to take place. He adds that loans that are too small to produce commitment to their productive use or repayment should be avoided while a loan smaller than the amount required may also encourage clients to divert funds to other purposes. Chirwa (2000) argues that relatively large loans may tempt poor borrowers to divert a portion of the loan for non-business thus reducing business performance; households obtaining smaller loans are likely to default in difficult economic and political situations, than those who obtain bigger loans. Thus it can be argued that loan sizes granted to borrowers should depend on the purpose for which the money is borrowed.

Many critics show that Microfinance does not reach the poorest of the poor (Scully, 2004), or the poor are deliberately excluded from the microfinance programs. Several critics also argue that group loans which are often used by microfinance institutions lead to high transaction costs since most microfinance schemes have regular meetings. These costs probably reduce the positive income generating effect from access to credit substantially. In addition, it has been argued that the size of the needed loans often exceeds the maximum amount that can be borrowed from microfinance institutions. This especially hampers productivity, growth agents who would have invested in successful and growing projects.

Credit period can be short, medium or long. Evidence exists in the literature that most MFIs prefer extending loans with short term payback period (PPSFU, 2010) their report indicates that MFIs basically give short term loans starting from a period of six months to one year where repayment is done immediately after getting the loan on a weekly basis. In a study by Wright (2001), it was noted that weekly repayment become big to be paid promptly within a week as loans grows bigger. Microfinance groups may put severe strains on women existing networks if repayment becomes a problem (Rahman, 2008).The savings required of these women seem to exert pressure on women's meager income. Some women resort to borrowing from different informal and expensive money lenders in order to be able to qualify for the future low cost loans. The resulting indebtedness may lead to loss of business and property which are potentially disempowering.

Literature shows that another major loan term is interest rate. This refers to the price of accessing and utilizing credit resources and it determines the borrowers demand for a loan as a source of financing (Mc Naugton, 2008), thus interest rate is a cost to the borrower which must be paid out of profit, charge interest on their loans to raise income from which they will pay interest on saving deposits, to generate income from which they will be able to pay dividends on the members share capital and to generate income to meet their operating expenses among others. Interest on loans should be high enough to enable the SACCO to raise sufficient income to meet its financial commitments but should be affordable to members so that they are helped in meeting the financial service need and acquire loans for productive purposes thus development.

The provisional of financial services to the poor is obviously a difficult task because the poor usually live in remote and inaccessible places without basic infrastructure. It is not only difficult to make personal contact with these remotely located poor but such contacts are also expensive. It is well argued that in microfinance, unless the cost of microfinance operation is passed on to the borrowers, the institutions will fail to be sustainable. An Asian Development Bank note justifies charging high interest rates on account of higher cost of services incurred by the MFI. It argues that the interest charged on loans is the main source of income for these institutions and, because they incur huge costs, the rates are correspondingly high (Fernando, 2006).

From the above presentation it can be noted that access to financial services by small scale earners is normally seen as one of the constraints limiting their benefits from credit services. However, in most cases the access problem especially in financial institutions is one created by the institutions mainly through their lending policies. This is in form of prescribed minimum loans amount, restriction on credit for specific purposes, credit duration, and terms of payment and required security which do not fit the needs of the target group. Potential borrowers will not apply for credit even where it exists and when they do, they will be denied access (Schmidt & Kropp, 2001). Financial Institutions fail to carter for the needs of small scale earners mainly due to their lending terms and conditions. It is generally the rules and regulations of the financial institutions that have created a myth that the poor are not bankable and since they cannot afford collateral, they are considered uncredit worthy (Adera, 2008). Hence despite the efforts to overcome lack of financial services, the majority still have limited access to these services.

3.1 Methodology

This paper employed a cross sectional correlation and survey designs. The paper employed cross sectional because it was conducted across participants over a short time. The target population was 140 people comprising 20 management and staff and also 120 clients corresponding to the sample size of 72 respondents got using Solvin's formula that gave 17managent and staff and 55 clients. Questionnaire and guided interview were used as data collection instruments. The respondents were selected using stratified, purposive and simple random sampling techniques.

4.1. Findings

This paper examined the effect of credit services on members' socio-economic empowerment at sacco in Nyagatare, Rwanda. This paper, also described the characteristics of Sacco's services such as to receive cash deposit, grant loans, provide salary advances and accept collateral for loans while members' socio-economic empowerment was characterized by increased household income, starting of new business and expanding the existing business, provision of investment opportunity as well as health caring.

4.1 Credit services

This paper described various services developed due to getting credit from Umwalimu Sacco in Nyagatare and presented in Table 1.

Table 1: Descriptive Statistics on credit services

Statements	Frequency	Minimum	Maximum	Mean	Std. Deviation
Amount borrowed is used in Education purpose	72	1.00	5.00	3.9306	1.31435
Amount borrowed is used in Small business	72	1.00	5.00	3.3889	1.58830
Amount borrowed is used in Service activities	72	1.00	5.00	2.6389	1.45646
Amount borrowed is used in House construction	72	1.00	5.00	2.4028	1.48855
Amount borrowed is used in Health care	72	1.00	5.00	3.6944	1.41061
Amount borrowed is used in Medium Business	72	1.00	5.00	2.9306	1.60392
Overall mean				3.1603	

From the results in Table1, Amount borrowed, used in education purpose was rated highly (Mean=3.9306) and it was best done. Amount borrowed, used in health care was rated high(Mean=3.6944) and ranked the second best done . Amount borrowed, used in small business was rated moderate (Mean=3.3889) and was ranked the third best done. Amount borrowed, used in medium business was rated moderately (Mean= 2.9306) and was ranked the fourth. Amount borrowed, used in service activities was rated low (Mean= 2.6389) and was ranked fifth. Amount borrowed, used in in house construction was also rated low (Mean= 2.4028) and was ranked sixth meaning that it not at all done.

The overall mean (3.1603) indicates an agreement between management staff and clients of SACCO which suggest that the credit services were moderate that is neither favorable nor unfavorable. However, SACCO should try to improve on weak areas.

4.2 Socio-economic empowerment

This paper some ways of socio-economic established in terms of increasing household income and Starting of new business and expansion and presented in the Table 2 and Table respectively.

Table 2: Descriptive Statistics on increased households' income

Statements	Freq	Min	Max	Mean	Std. Deviation
SACCO loans have tremendously improved my income in last five years	72	1.00	5.00	2.7361	1.48222
My savings have increased as a result of my increased income	72	1.00	5.00	2.6528	1.53971
I can now pay school fees for my children because of increased incomes	72	1.00	5.00	2.8472	1.50735
I have acquired new domestic properties because of my increased income	72	1.00	5.00	2.5972	1.51667
I can now adequately carter for my domestic needs	72	1.00	5.00	3.5278	1.43372
Overall mean				2.8722	

From the Table 2, on increased household income, cater for my domestic needs because of increased income was rated high (Mean= 3.5278) and was ranked first. Ability to pay school fees for their children because of increased income was ranked moderately (Mean= 2.8472) and was ranked the second. Improved income from SACCO loans for the last five years was also moderately rated (Mean= 2.7361) and was ranked third. Savings increased as a result of increased incomes was rated low (Mean=2.6528) and was ranked fourth. Acquiring new domestic properties because of my increased incomes was rated the lowest (Mean= 2.5972) and was ranked fifth.

The overall mean (2.8722) indicates an agreement between management staff and clients of SACCO which suggests that increased household income was moderately attained that is to say some members' household incomes had increased while the rest had not. The SACCO should strive to improve every member's household income to achieve economic development.

Table 3: Descriptive Statistics on starting of new business and expansion

Statements	Freq	Min	Max	Mean	Std. Dev
I have been able to start up business in the last five years	72	1.00	5.00	3.6806	1.45182
I have been able to get a productive loan	72	1.00	5.00	3.3472	1.45505
I have been able to acquire business management skills from SACCO trainings	72	1.00	5.00	3.3611	1.48519
I have had successful business	72	1.00	5.00	2.6806	1.58182
Overall mean				3.2673	

Further from the Table 3 on starting of new business and expansion of the existing ones, ability to startup businesses in the previous five was rated moderately (Mean= 3.6806) and was ranked first. Member's ability to acquire business management skills from SACCO trainings was also rated moderate (Mean= 3.3611) and was ranked the second. Ability to get productive loans was rated moderately (Mean= 3.3472) and was ranked the third. Having had successful businesses was rated low (Mean= 2.6806) and was ranked the fourth. The overall mean (3.2673) indicates an agreement between management staff and clients of SACCO which suggests that some members had been able to start and expand on their businesses while others were not. This puts a task to SACCO to find out why and improve where necessary to achieve socio-economic empowerment could be improved, the following ways were suggested: Provision of more specific and improved members' targeted products such as motor- cycles, machinery, vehicles. Provision of training to develop members' management skills.

4.3 Effect of credit services on members' socio-economic empowerment at Sacco in Nyagatare, Rwanda.

This paper analyzed the effect of credit services on members' socio-economic empowerment at Sacco in Nyagatare, Rwanda. This paper adopted regression analysis in order to find out the extent to which on independent variables can affect the dependent variables.

Table 4: Model Summary for increased household income on independent

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.982[a]	.964	.962	.28827

a. Predictors: (Constant), Accept collateral for loans, Receive cash deposit, Grant loans, Provision of salary advances.

From the Table 4, it clear that SACCO Services strongly affect socio-economic empowerment (R=0.982) with variations in aspects of SACCO Services contributing the R Square of 96.4% to variations of households income. This implies that the variables of SACCO services are able to affect the socio-economic empowerment in terms of households' income at the level of 96.2% and the remaining 3.6% can be determined by other factors.

Table 5: Model Summary for starting of new businesses and expanding the existing businesses on independent variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.976[a]	.953	.950	.34289

a. Predictors: (Constant), Accept collateral for loans, Receive cash deposit , Grant loans, Provision of salary advances

According to results in the Table5, SACCO Services strongly affect socio-economic empowerment (R=0.976) with aspects of SACCO Services contributing the R Square of 95.3% with variations of starting of new businesses and expanding the existing businesses. This implies that the variables of SACCO services are able to affect the socio-economic empowerment in terms of starting of new businesses and expanding the existing businesses at the level of 95.3% and the remaining 4.7% can be determined by other factors.

4.4 Relationship between saving money using savings account and Investing in other business

Table 6: Correlation Matrix

		Saving money	Investing in other business
Saving money using	Pearson Correlation	1	.880**
	Sig. (2-tailed)		.000
	N	72	72
Investing in other business	Pearson Correlation	.880**	1
	Sig. (2-tailed)	.000	
	N	72	72

Pearson correlation coefficient, (r = 0.880) shows that there was a positive and significant relationship (sig = 0.000) between saving money using saving account and investing in other business. This was an indication that if procedures for saving money using saving account are good or improved, investing in other business are also enhanced.

5. Summary of major findings

The findings of this paper, was based objective which was to examine the effect of credit services on members' socio-economic empowerment at Sacco in Nyagatare. Therefore, as reflected in this paper, the effect between variables was established as produced by the linear regression analysis. Each indicator Sacco' services significantly affect the socio-economic empowerment members of Sacco in Nyagatare.

6. Conclusion

From the findings and the corresponding discussions, the study concludes that savings and credit services at SACCO have got significant effect on social economic empowerment teachers. Both saving and credit services are significantly correlated with social economic empowerment of teachers and significantly predict social economic empowerment of teachers. SACCO had services in place but was not being communicated properly to members and their review was not involving all stakeholders. Both savings and credit services were rated moderately.

7. Recommendations

This paper recommends the following recommendation as a result of the major findings and discussions:

- SACCO should involve all stakeholders in the review of the service terms and the same terms should be properly communicated to all those concerned.
- SACCO should allow its members to withdraw their savings as needed and the minimum balance should be friendly to members.
- The national bank should establish interest rates on savings should always be communicated to members and the same members should be aware of how interest is calculated and the method used in calculating it.

Recommendations for further studies

This paper based on saving and credit cooperatives services and socio-economic empowerment of teachers in Rwanda was not exhausted because it is only limited to the case study of umwalimu Sacco Rwanda Nyagatare branch. Therefore, further study could explore the effect of SACCO services' terms to other aspects of members' development such as social development, political development in Rwanda and elsewhere.

Acknowledgments

This difficult work would not have been successful if there was not a moral; financial support and guidance from various person. I would like to extend my sincere gratitude and heart-felt appreciation firstly, to my Almighty God, to whom I owe my life, wisdom, and good faith in my entire Endeavour. I praise him for enabling me on my academic journey and carry out this academic research in particular. Infinite thanks go to my Parents for their love, care and comfort from my brothers and sisters my God bless you all. Special thanks go to Dr. Claude Rusibana, (PhD) and Mr Kamau Kungu Gabriel my Supervisors, whose guidance, encouragement and correction of this study were indispensable for the success completion of this study. Without you this task could not have been accomplished. I thank all my friends for their effort that directly or indirectly had a positive impact on this work. I also thank my classmates, who made life at campus worth living.

References

Adam, D. W., & Nhman, G. (2003). *Borrowing Costs and the Demand for Rural Credit*.

Adams, D., & Von, P. (2004). *Micro enterprise Credit Programmes*: "Déjà vu" World Development, Vol 20 pp 1463-1470.

Adera, A. (2008). *Instituting Effective Linkages between Formal and Informal Financial* Agenda in Africa.

Ahimbisibwe, F. (2007). *The effects of savings and credit cooperatives on members' saving culture*. Report to Ntungamo District. And Oxford: Oxford University Press.

Atwongyeire, R. (2010) .*The contribution of cooperative savings and credit society towards development of small scale business*. Research report submitted to Makerere Business School Kampala Uganda.

Binswager, H.P., & Khandker, S. (2005).The impact of formal finance on the polar economy of India. *The Journal of Development studies Vol.32 No.2.*

Bolnick, R. (2012). *Evaluating loan collection performance;* An Indonesian example: World Development Vol 16 pp 501-510. *Cases*. New York: McGraw-Hill, Inc, 1981, p.362

Cheston, S. & Kuhn, D. (2007). *Empowering Women through Microfinance*. Draft Report Research Sponsored by Women's opportunity Fund and Gems of Hope, USA.

Coleman, B. (2006).*The impact of group lending in Northeast Thailand*. Journal of development economics, Vol 60 pp105-141.

Dimitri, C. (2004). *Understanding Rural Development with Cheap Credit, Research observer*.

Gatete, L., Torgny, H., Micheal, A. & Daniel, D. (2004). Aid and Reform in Rwanda.

Gittel, H., & Vidal, R. (2004). *Assessing the impact of Women's Savings and Credit programmes on household poverty*: Impact studies, In Finance Journal, 9(4), pp 18-26.

Hanning, A., & Bohnstedt, A. (2011).Sharing the market for a Mature Microfinance sector in Uganda. *Journal of the Uganda Institute of Bankers, Vol 7 No 4 pp24-26.*

Hossain, M. (2003). *Credit for the alleviation of Rural Poverty*: *The Grameen Bank in Bangladesh IFPRI Research Report No 65*.Washington DC.

Huidhes, F. (2000). Rural Finance markets. An important Tool to Fight Poverty. *Quarterly Journal of International Agriculture, Vol.34 No 2 pp 105-108.*

Hulme, D. (2001). *Impact assessment Methodologies for Microfinance Theory*, *Experience and Better Practice* University of Manchester, Manchester UK.

Kabuga, C., & Batarinyebwa, P. (2003) Cooperatives*: Past, Present and Future, 1st Ed*. Rwanda Cooperative Alliance Ltd.

Kabuga, C. (2003). *Cooperative Movement in Rwanda, 1st Ed*. Fountain Publishers.

Karamagi, J. (2011). *Microfinance Loan Terms and Economic Empowerment of Rural Women in Uganda*. A Dissertation Submitted to Ndejje University, Kampala Uganda.

Stratford Peer Reviewed Journals and Book Publishing
Journal of Education
Volume 3||Issue 4 ||Page 1-20 ||August||2020|
Email: info@stratfordjournals.org ISSN: 2616-8383

Katimbo, M. (2012). Policies of regulating and supervising Microfinance. *The Journal of the Uganda Institute of Bankers, Vol. 7 No 4 pp 20-23.*

Kholeka, B. (2004). *An evaluative study of the psychology collection at the University of Transkei*.

Kyamulesire, A., R. (2002). *A History of the Uganda Cooperative Movement*, UCA Ltd.

Ledgerwood, B. (2002). The Uganda Microfinance Industry: Prospects for regulation. *Journal of Uganda Institute of Bankers, Vol.10, 4, pp21-25*

Ledgerwood, J. (2007). *Sustainable Banking with the Poor: Microfinance Hand Book, an Institutional and Financial Perspective First Ed*. Washington DC

Lipsey, R.G., & Chrystal, K. (2001).*An introduction to Positive Economics, 8th Ed.*

Logemann, J. (2012). *The Development of Consumer Credit in Global Perspective: Business, Regulation, and Culture.* New York: Palgrave Macmillan.

Marguerite, S. (2001).*The Microfinance Revolution: Sustainable Finance for the Poor,* Washington, D.C. The World Bank, Open Society Institute.

Martin, J. (2007). *Managing credit for the rural poor*. Lessons from Grameen Bank. *Microfinance Institutions in Africa.* Microsave-Africa, 2000.

Muhendo, J. (2011). *Microfinance Institutions Credit Terms and Performance Of selected small Enterprises.* Kigali, Rwanda.

Muhwezi, M. (2010).*Microfinance and Women empowerment in Uganda. Research report submitted to School of Post Graduate studies Ndejje University Kampala Uganda*.

Nsubuga, J. (2004). *Recognizing the role of cooperative savings and credit society in Uganda.* Research report submitted to Makerere University Business School Kampala Uganda.

Nugroho,Y.& Miles, I. (2009). *Global Reviewing of Innovation Intelligence and Policy studies; Mini study 06-Microfinance and innovation.* A Project of DG Enterprise and Industry, University of Manchester.

Obina, S. (2009). *Microfinance lending methodologies, Microcredit and Women empowerment in Rwanda*, IRC Concept Note.

Okurut, F, Nathan, M. & Mukungu, A. (2004).*Microfinance and poverty reduction in Uganda: Achievements and challenges: Economic Policy Research Center.* Research series No.41.

Rahman, A. (2006). *Women and Microcredit in Rural Bangladesh: An Anthropological study of Grameen Bank lending*. Boulder, CO: Westview Press.

RCA, (2006).Old Age Saving Insurance Scheme Training Manual Kigali CRFS Unit.

Sanderate,N.(2001). An analytical approach to small farmer loan defaults. *Savings and Development no 11, pp 270-330.*

Sector in Africa. A Proposal "Savings and Development, 1/1995:5-22.

Tanzania Federation of cooperatives (2006). Cooperatives and development in Tanzania. At *http/www*.tzonline.org/pdf/cooperativepolicy.pdf

Tendler, J. (2003). *Whatever happened in poverty alleviation.* The Ford Foundation New York. The workshop of Women's empowerment or Feminization of Debt. Towards a New

Thomas, K. (2007). *SACCO saving product development training guide: USAID funded project.* Chemonics international Inc.

Todaro, P. (2002). .*Economic Development.* Addison Wesley Publishing Company.

Uchtman, D.L., Looney, N., & Krausz, H. *(*2005). *Agricultural Law: Principles and Uganda, Research* Report submitted to Makerere University Business School.

Von, P. (2004).*Finance At the Frontier: Debt Capacity and the Role of Credit in The Private Economy*. *EDI Development Studies.* Washington DC: World Bank.

Wasswa, B. (2000). *Small Scale Business*, *2nd Ed.* The Business Publishing Group, Kampala Uganda. World Bank Development vol.2. No 1

Wright, A. (2000). *A critical review of savings services in Africa and Elsewhere.*

Yawe, A. (2002). *Engendering Services: Beyond Access Microfinance.*

Yunus, M. (2007). *Creating a World without Poverty*, Public Affairs, New York .ZIGAMA Magazine (2012). *Financial Literacy a Pillar of Development*. Vol 1 No 1.