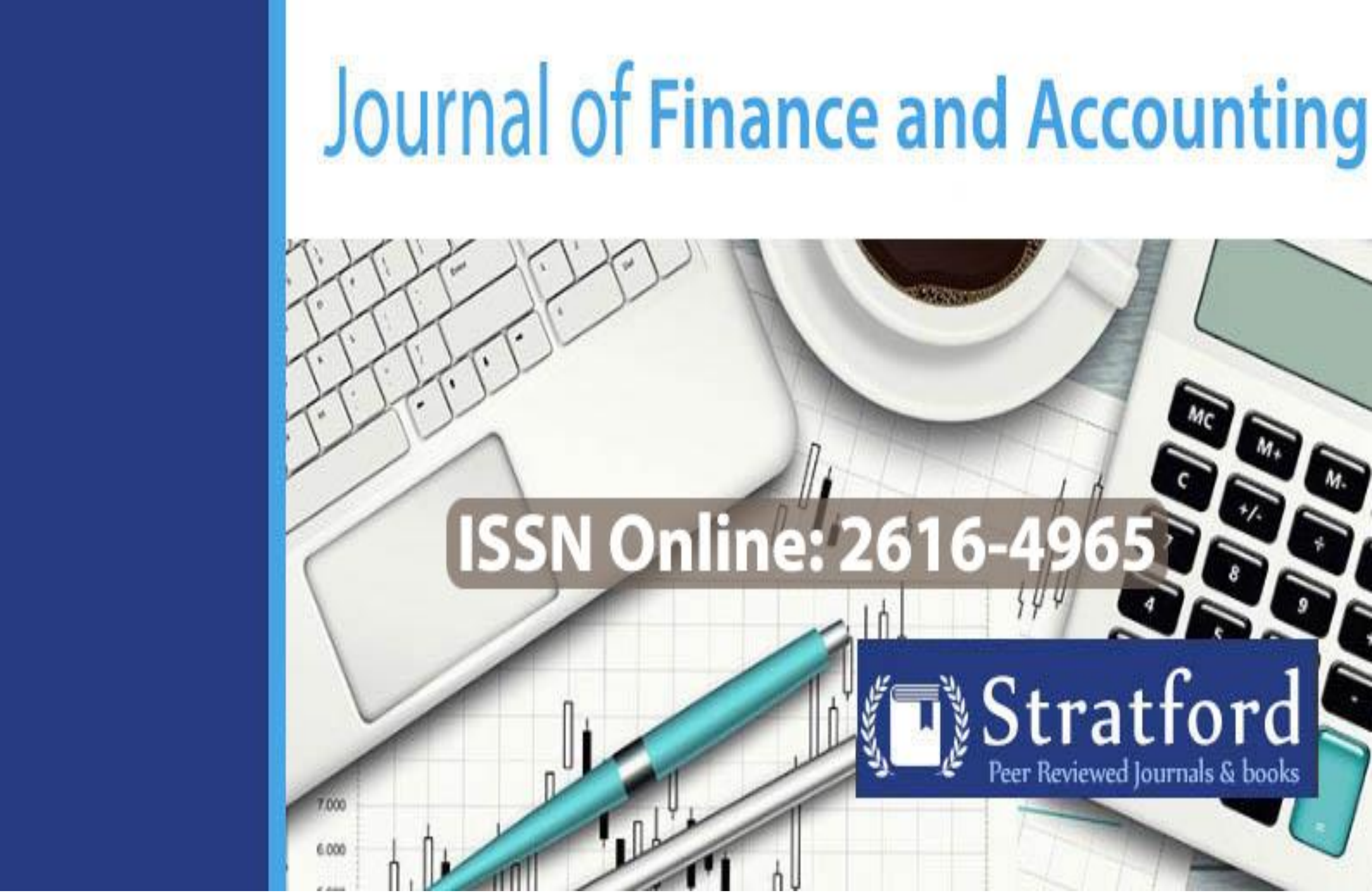

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Effect of Microfinance Institutions Services on Socio Economic Welfare of Women in Rwanda. A Case of Selected Umurenge SACCOs in Kigali City

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Abstract

The general objective of this study was to assess the effect of microfinance institutions services on socio economic welfare of women in Rwanda. The following were the specific objectives; analyse the effect of access to credit on socio-economic welfare of women in Kigali City, evaluate the impact of savings facilities on socio-economic welfare of women in Kigali City and assess how collaterals facilities affect socio-economic welfare of women in Kigali City. The study used descriptive and correlational research design. For this study, the entire population was 1463 including 1455 women members, 9 BDF staff, 4 Managers and 4 loan officers of Umurenge SACCOs of Nyarugenge, Kimisagara, Kicukiro and Kimironko. The sample size was 314 respondents. Data was analysed using both descriptive and inferential statistics. The findings indicated that access to credit and social-economic welfare of women have a positive and moderately strong correlation ($r = 0.614$, $p<0.05$). Saving facilities and social-economic welfare of women also have a positive and moderately strong correlation ($r = 0.606$, $p<0.05$). Collaterals facilities and social-economic welfare of women have a positive and strong correlation ($r = 0.536$, $p<0.05$). These correlations suggest that women's socio-economic welfare of women in Kigali City is positively influenced by better access to credit, saving facilities, and collateral facilities. The multiple regression R is 0.704, indicates the strength and direction of the overall linear relationship between the study variables. Indicating a moderately strong positive relationship between the predictors and the dependent variable. The coefficient of determination (R Square) represents the proportion of variance in the dependent variable that is explained by the predictors. In this model, the R Square value is 0.495, which means that approximately 49.5% of the variance in the dependent variable can be explained by the combined effects of collaterals facilities, access to credit, and saving facilities. Microfinance institutions should further enhance access to credit for women, providing flexible loan products with reasonable interest rates and simplified application processes.

Key words: *microfinance institutions services, access to credit, savings facilities, collaterals facilities, socio economic welfare of women.*

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1. Introduction

The World Council of Credit Unions (2020) reports that women account for more than 60% of SACCO members globally. SACCOs have been effective in lowering poverty among women in underdeveloped countries and advancing gender equality. SACCOs provide a viable option for women in many regions of the globe who face difficulties accessing official financial services owing to cultural, social, and economic factors. Women's economic empowerment has been shown to increase dramatically when they join SACCOs. They are now able to establish enterprises, amass property, and finance their own and their children's education. Women may find mentors and develop supportive networks via SACCOs since they offer a space for them to meet and exchange ideas. Especially in Africa, Asia, and Latin America, SACCOs have played a crucial role in advancing women's economic independence (World Council of Credit Unions, 2020).

Research on the link between SACCOS and women's economic independence has been conducted in other parts of Africa. Access to microcredit, for instance, has been shown to favorably contribute to both economic and non-economic improvements in the lives of women in Dar es Salaam research conducted by D'arc (2015). It is crucial for microfinance programs to be effectively constructed in order to best fulfill the genuine needs of impoverished women, as shown by Chepkemoi's (2017) research in Ethiopia showing that SACCOs provide one method for women's empowerment.

The government of Rwanda has been working for the better part of two decades to broaden access to financial services in the hopes of fostering long-term economic development. According to the FinScope Survey conducted in 2008, just around half of Rwandans have access to formal financial services. Umurenge SACCOs were founded in 2008 by the government with the goal of boosting up and giving loans to Rwandans to improve their wages and welfare. According to the 2012 FinScope Survey, Umurenge SACCOs increased the number of people with bank accounts by a factor of five in only four years after they were first established (Moïse, 2017).

More than 6,500 female street sellers got funding and resources between 2015 and 2020 to form cooperative mini-markets. By 2022, 3,832 street sellers might be helped to access capital and take advantage of emerging markets. The numbers for the Gasabo, Kicukiro, and Nyarugenge districts each come in at 1,800, 952, and 1,080, respectively, for street sellers. The first step for these ladies to join the program is to open a savings account with Umurenge SACCO so they can get used to the saving culture as well (Muyombano, 2016).

Given the aforementioned, research problem is that despite the efforts of the Rwandan government and the Kigali city authorities to create a conducive legal and political environment to support women's participation in SACCOs, their contribution to women's development, especially in Kigali city, is not adequately documented. Research in this area evaluated how microfinance services have helped socio-economic welfare of women in Kigali's small business sector.

1.2 Objectives of the Study

The general objective of this study was to assess the effect of microfinance institutions services on socio-economic welfare of women in Rwanda.

Specific objectives

i. To analyse the effect of access to credits on socio-economic welfare of women in Kigali City.
ii. To evaluate how savings facilities effect on socio-economic welfare of women in Kigali City.
iii. To assess how collaterals facilities affect socio-economic welfare of women in Kigali City.

1.3 Research hypotheses

H_0a: There is no significant effect of access to credits on socio-economic welfare of women in Kigali City.

H_0b: There is no significant effect of savings facilities on socio-economic welfare of women in Kigali City.

H_0c: There is no significant effect of collaterals facilities on socio-economic welfare of women in Kigali City.

2. Literature review

2.1 Theoretical review

This study refers and uses the theories like Financial Intermediation Theory, Group Lending Theory and Goal setting. In this section the researcher explained how all the used theories are applied by consideration of main and specific objectives of the study.

2.1.1 Financial Intermediation Theory

Gurley and Shaw (1960) established financial intermediation theory as a topic of study. They reasoned that as long as surplus units are placed with accessible banking institutions, those institutions would be prepared to lend comparable amounts to excess expenditure in the economy, which is a critical aspect of direct investment. According to Babiarz and Robb (2014), financial activities are further classified into four groups: the first group includes fixed-term deposits, while the second group includes rapid deposits compared to similar assets. The third category consists of assets and responsibilities that cannot be readily transferred. As a result, the major job of financial intermediaries is to provide a steady money flow from deficits to surpluses.

For this study, financial intermediation theory used to examine the role and functions of financial intermediaries in facilitating the flow of funds between savers and borrowers. It focused on the intermediation process, where SCCOs collect funds from individuals or institutions with excess savings and allocate those funds to borrowers in need of capital. The theory will explore how intermediaries reduce information asymmetry, manage risks, and provide valuable financial services to promote efficient allocation of resources in an economy. Financial intermediary played a crucial role in mobilizing savings, channeling funds to productive investments, and providing liquidity and risk management services.

2.1.2 Group Lending Theory

The Group Lending Theory was developed by Nobel laureate Muhammad Yunus and practiced by the Grameen Bank in the 1970s. It focuses on the use of joint liability and social collateral, where borrowers form self-help groups, and each member is responsible for the repayment of other members' loans. This approach promotes peer monitoring and reduces the need for traditional collateral, making microcredit accessible to the poor.

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For this study, The Group Lending Theory emphasizes used of joint liability and social collateral, where borrowers form groups. This approach helped enhancing accessibility to financial services for women who may have limited access to traditional collateral or formal banking services. By forming groups, women can pool their resources and provide mutual support, increasing their chances of accessing microcredit.

2.1.3 Goal Setting Theory

The goal-setting theory's assumption is that conscious goals and intentions impact outcomes. Based on the goal-setting theory of motivation, Locke (1986) and Latham (1990) suggest that an individual's personal objectives are likely to affect how well they perform related activities. Specific, well-defined, and more demanding goals promote higher levels of productivity than imprecise, simple, or do your best goals. Individuals must be devoted to the goal, seek feedback, and be able to accomplish the job for goal-setting theory to be effective. This suggests that when money literacy initiatives are motivated by views and worries about future financial stability, they should be more successful.

Goal setting theory examined the process by which individuals or organizations establish and pursue specific objectives. It explored how setting clear and challenging goals can motivate individuals to perform better, enhance productivity, and improve outcomes. The theory suggests that goals should be specific, measurable, attainable, relevant, and time-bound (SMART) to be effective. Goal setting theory also emphasized the importance of feedback and commitment in goal attainment. By setting meaningful goals and providing feedback on progress, individuals and organizations can enhance their focus, drive, and performance, leading to improved outcomes and success.

2.2 Empirical Review

Sebhatu (2012) did research on the effects of savings and credit cooperatives in the Ofla Wereda in Ethiopia's Tigray region. SACCOS have been shown to have a positive effect on members' wealth, with 62.5% of respondents in the study reporting being able to make improvements to or purchases of new housing, livestock (including sheep, goats, cows, oxen, donkeys, and chickens), or other household goods and furnishings (including tape recorders, radios, televisions, chairs, and tables) as a result of their membership. They also suggested that SACCOS help alleviate poverty by encouraging its members to work together on commercial projects that would benefit the community as a whole, the members individually, and the local economy as a whole.

Isaboke (2018) examined Umurenge savings and credit cooperatives as foundations for the economic growth of rural Rwanda. He found that its members and beneficiaries had been able to improve their standard of living, earn more money thanks to the launch of new businesses, save more money and open bank accounts in their own names, and pay for their children's education. Some additional interesting findings from the report include the fact that 46.7% of respondents used their loans for agricultural and livestock purposes, 41.1% used them to establish enterprises, 7.6% used them for transportation-related endeavors, and 4.3% used them for housing-related endeavors. In light of the preceding, it is reasonable to conclude that the level of socioeconomic development in a region may be gauged by the level of money received by individual families from their own initiatives.

Ruvugiro (2015) performed research on the influence of microfinance on rural poverty reduction in Rwanda, focusing on the Gakenke area (2010-2014).The research discovered that microfinance operations had a beneficial influence on member poverty reduction. It was discovered that microfinance operations had a favorable impact on members' income levels, housing, wealth (asset ownership), occupation, access to education and medical care services, and business performance in Gakenke District. The study discovered six variables that have an impact on a member's poverty alleviation: educational background, family size/number of dependents, occupation of a member, and number of loans obtained from microfinance, government anti-poverty programs, and membership duration. Except for family size and the number of dependents of respondents, all factors were shown to have a positive influence on rural poverty reduction.

According to th study by Aimé and Mbabazi (2016) teachers in Rwanda have benefited from the Umwalimu Savings and Credit Cooperative. District of Gasabo as an example. Using a case study that in-depth described the experience of one person, family, group, community, or institution through the method of direct observation and interaction with the subject, the researcher adhered to the qualitative research paradigm as a systematic subject approach used to describe life experiences and give meaning with the goal of gaining insight. This study demonstrated the significant impact of Umwalimu Sacco on socio-economic development based on data collected from Umwalimu Sacco officials, teachers at 121 primary schools and 82 secondary schools in the Gasabo District, and officials at the district level. The findings, however, suggested that this had a major bearing on the progress of society and the economy. In order to draw conclusions and make recommendations about the impact of the Umwalimu Saving and Credit Cooperative on improving the social welfare of Rwanda, questionnaires were used to collect data, and content analysis was performed to give meaning to the qualitative data collected.

2.3 Conceptual framework

A conceptual framework in research refers to a theoretical or conceptual structure that guides the process of conducting a study. It provides a foundation for understanding the research problem, developing research questions, and interpreting the findings. A conceptual framework consists of interconnected concepts and variables that help researchers make sense of the phenomenon under investigation.

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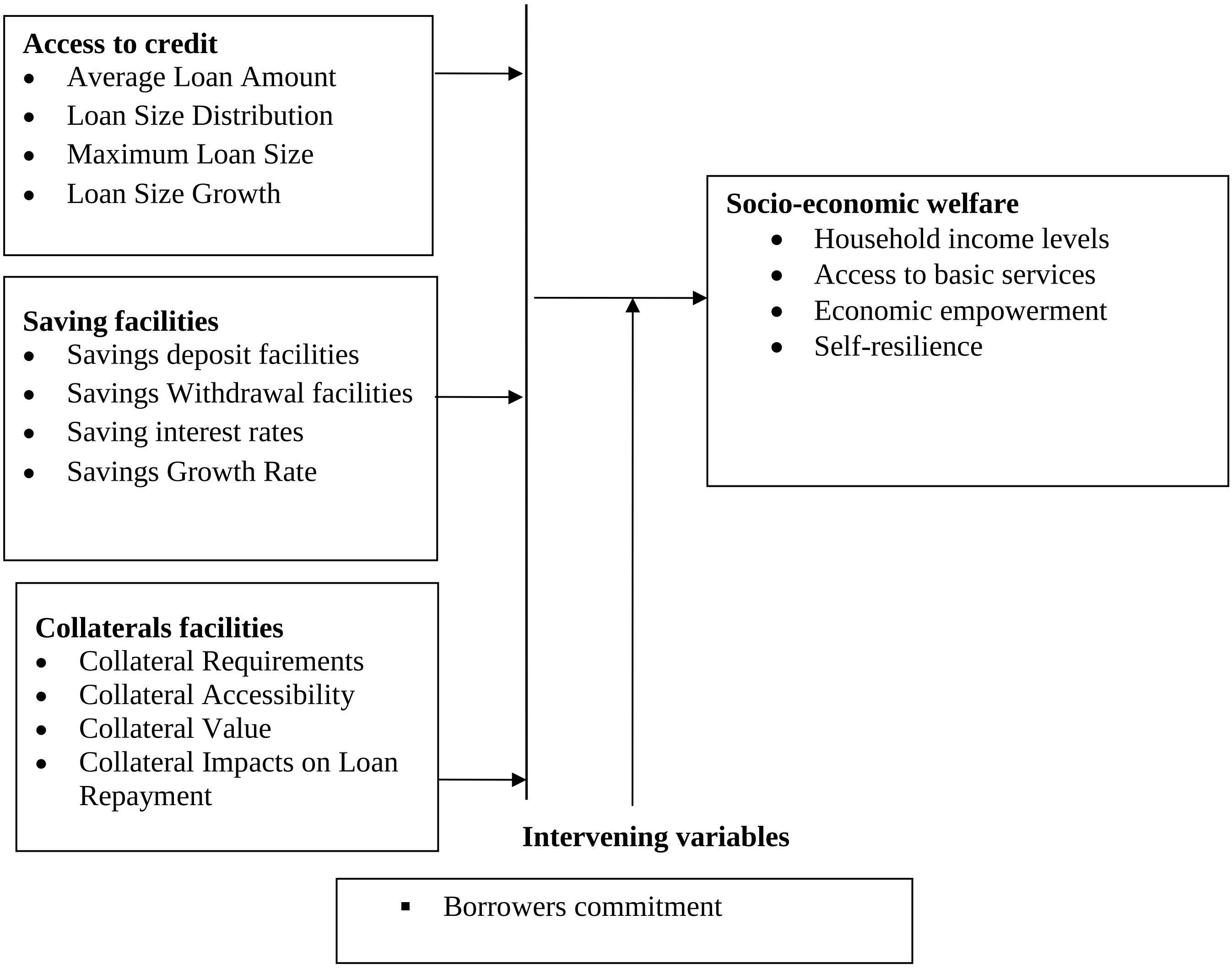
Figure 1: Conceptual Framework

Independent variables **Dependent variable**

Microfinance institutions



Source: Compiled by the Researcher, 2023.

3. Research methodology

For this study, the researcher used quantitative and qualitative data. Explanatory design used for association between variables, researcher used correlational design.

For this study, the entire population was 1463 including 1455 women members, 9 BDF Staff, 4 Managers and 4 loan officers of Umurenge SACCOs of Nyarugenge, Kimisagara, Kicukiro and Kimironko. They are recorded from registered members. The sample size was determined by the help of Solvin (1960) formula. The researcher selected 314 respondents. The questionnaire, interview and a documentation research used as instruments of data collection.

The chapter used descriptive (percentage, mean, and standard deviation) and inferential (regression and correlation) analysis through the Statistical Package for Social Sciences (SPSS).

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4. Research findings

The following null hypothesis were proposed by the researcher: H_0a: There is no significant effect of access to credits on socio-economic welfare of women in Kigali City. H_0b: There is no significant effect of savings facilities on socio-economic welfare of women in Kigali City. H_0c: There is no significant effect of collaterals facilities on socio-economic welfare of women in Kigali City.

Table 1: Correlations matrix

		Access to credit	Saving facilities	Collaterals facilities	Social economic welfare
Access to credit	Pearson Correlation	1	.510**	.633**	.614**
	Sig. (2-tailed)		.000	.000	.000
	N		314	314	314
Saving facilities	Pearson Correlation		1	.606**	.606**
	Sig. (2-tailed)			.000	.000
	N			314	314
Collaterals facilities	Pearson Correlation			1	.536**
	Sig. (2-tailed)				.000
	N				314
Social economic welfare	Pearson Correlation				1
	Sig. (2-tailed)				
	N				314

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

Table 1 presents correlations between different variables related to access to credit, saving facilities, collateral facilities, and socio-economic welfare. The table displays Pearson correlation coefficients between each pair of variables. The variables include Access to credit, Saving facilities, Collaterals facilities, and Social economic welfare. The table also provides the significance level (p-value) for each correlation, indicating the strength and statistical significance of the relationships. Access to credit and social-economic welfare of women have a positive and moderately strong correlation ($r = 0.614$, $p<0.05$). Saving facilities and social-economic welfare of women also have a positive and moderately strong correlation ($r = 0.606$, $p < 0.05$). Collaterals facilities and social-economic welfare of women have a positive and strong correlation ($r = 0.536$, $p< 0.05$). The social-economic welfare of women in Kigali City is positively and strongly correlated with access to credit ($r = 0.614$, $p < 0.05$), saving facilities ($r=0.606$, $p< 0.05$), and collateral facilities ($r = 0.536$, $p<0.05$). These correlations suggest that women's socio-economic welfare of women in Kigali City is positively influenced by better access to credit, saving facilities, and collateral facilities. The strong and significant correlations indicate a substantial impact of these variables on socio-economic welfare. Women who have better access to credit and utilize saving and collateral facilities tend to experience improved socio-economic well-being. These findings highlight the importance of providing comprehensive financial services and support to empower women economically and enhance their overall socio-economic welfare.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704[a]	.495	.490	.46505

a. Predictors: (Constant), collaterals facilities, saving facilities, access to credit

Table 2 presents the model summary for a regression analysis examining the relationship between the predictors (collaterals facilities, access to credit, saving facilities) and the dependent variable (socio-economic welfare) in the model. The multiple correlation coefficient R is 0.704, indicates the strength and direction of the overall linear relationship between the predictors (collaterals facilities, access to credit, saving facilities) and the dependent variable. Indicating a moderately strong positive relationship between the predictors and the dependent variable. The coefficient of determination (R Square) represents the proportion of variance in the dependent variable that is explained by the predictors. In this model, the R Square value is 0.495, which means that approximately 49.5% of the variance in the dependent variable can be explained by the combined effects of collaterals facilities, access to credit, and saving facilities.

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.699	3	21.900	101.260	.000[b]
	Residual	67.044	310	.216		
	Total	132.742	313			

a. Dependent Variable: social economic welfare
b. Predictors: (Constant), collaterals facilities, saving facilities, access to credit

Table 3 presents the results of an analysis of variance (ANOVA) for a regression model that examines the relationship between the predictors (collaterals facilities, access to credit, saving facilities) and the dependent variable (social economic welfare). The F-value, which is 101.260, determines the overall statistical significance of the regression model. A higher F-value indicates a stronger and more meaningful relationship between the predictor variable (collaterals facilities, access to credit, saving facilities) and the dependent variable (social economic welfare). The p-value (Sig.) associated with the F-statistic indicates the probability of obtaining the observed F-value by chance alone. In this case, the p-value is reported as .000b, which means it is less than 0.05. The p-value is very small, indicating a highly significant relationship between the predictors and the dependent variable. The predictors in the model collectively explain a significant portion of the variance in social economic welfare, indicating that these factors play a crucial role in influencing women's socio-economic well-being in Kigali City.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.731	.166		4.411	.000
	Access to credit	.407	.057	.380	7.139	.000
	Saving facilities	.363	.051	.368	7.092	.000
	Collaterals facilities	.077	.061	.073	1.260	.029

a. Dependent Variable: social economic welfare

Table 4 presents the coefficients from a multiple linear regression analysis that examines the relationship between the predictors (access to credit, saving facilities, collaterals facilities) and the dependent variable (social economic welfare).The constant term (α) is representing the value of the dependent variable (social economic welfare) when the independent variable is zero. In this case, a constant of 0.731. The coefficient for access to credit is 0.407. It indicates that, on average, a one-unit increase in access to credit is associated with a 0.407-unit increase in the dependent variable (social economic welfare). $p<0.05$ suggesting a significant positive relationship between access to credit and social economic welfare. The coefficient for saving facilities is 0.363. This means that, on average, a one-unit increase in saving facilities is associated with a 0.363-unit increase in social economic welfare. $p<0.05$ suggesting a significant positive relationship between saving facilities and social economic welfare. The coefficient for collaterals facilities is 0.077. It suggests that, on average, a one-unit increase in collaterals facilities is associated with a 0.077-unit increase in social economic welfare. $p<0.05$ suggesting a significant positive relationship between collaterals facilities and social economic welfare. All three predictors have positive coefficients, indicating that they contribute positively to social economic welfare.

5. Conclusion

The study's findings underscore the critical role microfinance institutions play in promoting financial inclusion and empowering women. By providing access to credit, savings, and collateral facilities, these institutions contribute significantly to women's economic and social empowerment. Women in Kigali City have access to opportunities for growth and development, leading to improved well-being and sustainable livelihoods. The implications of this study are manifold. Policymakers should recognize the importance of supporting microfinance institutions and implementing policies that foster an enabling environment for their growth and outreach. Governments and regulatory bodies must design frameworks that encourage financial institutions to offer gender-sensitive financial products and services that cater to the unique needs of women. To optimize the impact of microfinance services, capacity-building initiatives should be prioritized. Financial literacy programs can enhance women's understanding of financial management, enabling them to make informed decisions about credit utilization and savings. Entrepreneurship and business management training can equip women with the skills to effectively manage their businesses and utilize financial resources for growth. Continuous monitoring and evaluation of microfinance programs are essential to assess their effectiveness and identify areas for improvement. Stakeholders should collaborate and share best practices to ensure a coordinated approach that maximizes the impact of microfinance services on women's socio-economic welfare. Furthermore, the study emphasizes the importance of gender-responsive policies and interventions in addressing gender inequalities and promoting women's economic empowerment. Beyond microfinance, comprehensive approaches that address social norms, legal frameworks, and cultural barriers are necessary to create an inclusive and supportive environment for women's economic participation and advancement. Therefore, access to credit, saving facilities, and collaterals facilities are powerful instruments that empower women, improve their financial well-being, and enhance their overall quality of life in Kigali City.

6. Recommendations

Microfinance institutions should further enhance access to credit for women, providing flexible loan products with reasonable interest rates and simplified application processes. Tailored financial literacy programs can also improve women's capacity to utilize credit effectively.

Microfinance institutions should encourage women to utilize saving facilities by offering attractive interest rates, creating savings mobilization initiatives, and conducting awareness campaigns to highlight the benefits of savings.

Umurenge SACCO should streamline the process of providing collateral facilities, ensuring that women can use their assets effectively to secure loans. Awareness and training programs on collateral requirements can also empower women in understanding and fulfilling the criteria.

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