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EFFECT OF SACCO FINANCIAL SERVICES ON RURAL HOUSEHOLD WELFARE IN SACCO NZIGE OF RWAMAGANA DISTRICT, RWANDA

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ABSTRACT : This research was investigated the effect of Sacco financial services on rural household welfare in Rwamagana district, Rwanda, a case of Sacco Nzige. This research achieved the following objectives: to examine the effect of financial accessibility on the rural household welfare of Rwamagana District; to assess the effect of financial affordability on the rural household welfare of Rwamagana District and to find out the effect of financial education on the rural household welfare of Rwamagana District. The research also compared two variables which are independents and dependents variables. This study was designed as a case study of Sacco Nzige using the survey method; a case study is described as analysis of Sacco financial services on rural household welfare in Rwamagana district, Rwanda, assuming that the researcher acquired knowledge regarding the subject under review from in-depth exploration of a single case. It is a qualitative analysis that involves careful observation of a situation. All the respondents from the population of Sacco Nzige to respond to research questionnaires. The researcher used questionnaires to collect data, As far as this study was concerned, the population was comprised of employees of Sacco Nzige in different departments targeting 5531 Population . To describe target population of a study as the point of focus from which a generalization was made regarding the research findings. Thus a sample size of 376 respondents. Research used primary and secondary data to get all information needed in this study, the quantitative data was analyzed using descriptive and inferential statistics after running the data collected through the Statistical Package for Social Sciences. The strong mean and standard deviation of 4.09 and 1.072 respectively, implies that there is process of learning the skills and knowledge on financial matters related with rural household for welfare of Nzige sector. The majority of SACCOs have interest rates affected by the nation's inflation rate, which has resulted in high interest rates since they limit participants' ability to quickly improve their socioeconomic standing. The results indicated that financial education has a but insignificant effect of rural household welfare in Rwamagana District has positive but insignificant effect on financial education at rural household welfare in Rwamagana District ($\beta 1= -.430$; $t= -1.597$; p-value < 0.05). This means that 1% change in Sacco financial services leads to the change in financial education. The researcher's findings show that entrepreneurship knowledge is lacking. Some of them fail to increase the welfare of rural households in the Rwamagana District and even lead to extreme poverty due to poor loan management. Interest rates are the issue that limits the effectiveness of SACCOs to their members. Before disbursing a loan, SACCOs should educate new members on the necessary knowledge and skills, particularly in the areas of entrepreneurship and loan management, to lower the risk of failure and promote the development of their active members. Another issue relates to how SACCO members perceive the organization. Financial institutions should educate their customers sufficiently about the organization's goals and workings in order to lower the likelihood that customers will view borrowing money from SACCOs as a chance to take advantage of government handouts.
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INTRODUCTION

Worldwide, for past decades different studies revealed that access to finance is the shortest way to development of any country and whole world concern about ending poverty by opening up easy accessibility to finance for household, so poverty rate went on decreasing since past two decades (Rewilak, 2017). The promise of Saving and Credit cooperative is ability to reach out the poor household in both mobilizing and finance accessibility to them. SACCOs are playing big role in most of developing country in helping their members to increase income (Anania *et* *al.,* 2015) and it is believed that microfinance enabled smallholder farmers to easily access to credit facilities without big collateral (Girabi *et al.,* 2013). Saving and Credit Cooperatives (SACCOs) movement started in 2010 in different parts of Africa by establishing the law regulates these Microfinances. Some scholars confirmed that Saving and Credit cooperatives has been a good strategy for poverty reduction in some countries in Africa, according to the study done in Tanzania shows that Saving and Credit cooperatives is key among the factors for poverty reduction reduction (Kihwele *et al.,* 2015).

Ergetew Temeche (2014) added also that, 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. Now days, SACCO societies play a very important role in empowering their members Socio-Economic status all over the world. Africa is considered to be the poorest continent in the world followed by Asia and Latin America (PHDR, 2009). World statistics indicated that three of every four people in the developing countries live in rural areas; most of them were found in Sub-Sahara Africa whose livelihood depends on agriculture economy (Kopoka, 2006). Within Africa, the Sub-Saharan region is the poorest region where poverty is unique in the sense that majority particularly rural people are extremely poor. Rwanda is one of Sub-Saharan countries where poverty is also extreme.
The available statistical data from World Economic Forum Africa (2015) showed that, the country has reduced the percentage of people living below the poverty line from 57% in 2005 to 45% in 2010. Despite this, 63% of the populations still live in extreme poverty, as defined by the World Bank as they live with less than $1.25 a day. Furthermore, only 17% of Rwandans live in urban areas where 83% of Rwandans are living in rural areas where the incidence and severity of poverty is twice as high as those who are living in urban areas (Human Development Report, 2018).

However, in some countries of Africa, the Savings and Credit Cooperatives were promoted between 1965 and 1989; The first SACCO was introduced by Father John Necnulty in Ghana with purpose to assist villagers improve their economic conditions (Fredrick, O., W.2013). The African Confederation of Cooperatives saving and Credit Associations (ACCOSCA) was formed in Kenya in 1968 having goal to attain sustainable and viable SACCOs in Africa. In recent years, in developing countries consideration of the potential of Savings and Credits Cooperatives and Credit Unions as tool for sustainable poverty alleviation has been increasingly recognized (Jonathan, M, et al. 2002). Many of the first savings and credit cooperatives emerged in the English- speaking countries, primarily in Ghana 1955, Uganda 1946 and in Nigeria dates back to 1951-1953 (Mbwana, K., and J. Mwakujonga, 2013). In Tanzania SACCOS emerged in 1954, Kenya in 1964 and Liberia1965.

According to Johnson (2004), financial inclusion through Savings and Credit Co-operatives (SACCOs) is one of the crucial factors that influence the performance of organizations and the welfare improvement within a country. As discussed by Demirguç-Kunt, Beck and Honohan, (2008), Savings and Credit Co-operatives (SACCOs) play a crucial role in allocating finance from the surplus units to deficit units that need the finance. In this, the financial institutions play a role in the flow of funds from idle source to points where the funds are needed to generate economic activities. The Fin Scope 2008 and 2012 surveys have revealed that in 2008, 21% of Rwandans, 18 years or older, were using formal financial institutions such as banks and cooperatives. This percentage has increased to 42% in 2012. Before 2008, among the half million who are banked in Rwanda, 97% were holding a bank account at UBPR (Banques Populaires) and within 3 years, Umurenge SACCOs multiplied by 5 the number of banked people and have an impact on households representing more than half of the total population, (MINECOFIN,2009).

Credit Unions and SACCOs are nothing new to developing countries and Rwanda is no exception. "Banque Populaire du Rwanda" (BPR), the most popular private institution for banking, has operated as a credit union until its recent merger with Rabobank. Organizations such as BPR and other credit unions and SACCOs play a vital role in the welfare of a country by providing access to services to all members of the population with a particular focus on the lowest income members and increase microfinance outreach, capacity, liquidity management and refinancing; these second-tier associations can play a useful role in monitoring, (Umurenge SACCOs Strategy, 2009).

SACCOs reach out to low savings and income individuals by offer products geared towards their unique needs within a secure and accessible structure. In order to ensure that appropriate financial intermediaries for the poor to exist, appropriate external and internal incentives must exist. High performance standards required by regulatory authorities and effective supervision will necessarily translate into higher management capabilities, especially with regard to cost, liquidity and risk management (Umurenge SACCOs Strategy, 2009). Indeed, Rwanda's welfare agenda can't be achieved without a financial sector that is effective, in particular that is capable to expand access to credit and financial services, and to enhance saving mobilization and to mobilize long-term capital for investment. No welfare will be possible as long as the current situation will persist with domestic savings consistently negative and more than 50% of the population totally excluded from financial services, even from informal ones (MINECOFIN, 2009).

Statement of the problem

Developing countries attach great importance to the development of the financial sector and deepening of poverty alleviation goals. The financial sector is believed to play a key role in promoting economic growth by mobilizing savings, facilitating payments and trade in goods and services, and promoting efficient resource allocation, thereby contributing to poverty reduction (Juzhong et al., 2019). In African countries such as Nigeria, Savings Cooperatives and Credit Cooperatives (SACCOs) play an important role in providing financial and banking services to low-income households who cannot accept formal banking and financial institutions for financial reasons (Mwakajumilo, 2021). Two decades ago, Rwanda was one of the poorest countries in Sub-Saharan Africa; today its per capita income (around $800 as of 2018) places it ahead of more than 20 countries in the region; thanks to the second highest economic growth rate on the continent. Poverty rates defined by the international poverty line of $1.90 a day have fallen from 77.2% in 2001 to 55.5% in 2017. Yet the challenges of reducing extreme poverty and increasing shared prosperity are enormous. Poverty has been less responsive to growth than in other strong performers on the continent. While Rwanda has made strides in human development, particularly in areas such as health and welfare and gender equality, its Human Capital Index of 0.37 is below other comparable income level countries, mainly due to a high level of under-five stunting rates (38%), a high dropout rate, and poor quality of learning.

Indeed, Rwanda's welfare agenda can't be achieved without a financial sector that is effective, in particular that is capable to expand access to credit and financial services, and to enhance saving mobilization and to mobilize long-term capital for investment. No welfare will be possible as long as the current situation will persist with domestic savings consistently negative and more than 50% of the population totally excluded from financial services, even from informal ones, (MINECOFIN, 2019). According to FinScope (2016), 89% of adults in Rwanda are financially included (including both formal and informal financial inclusion). About 68% of adults in Rwanda use formal financial products or services, including banked and other formal (non-bank) financial products or services. 65% of adults in Rwanda use other formal but non-bank financial products or services. The same report shows that only 26% of adults in Rwanda are banked. This poses a problem of showing a high number of financially included (89%), while only 26% of adults are banked in Rwanda.

A SACCO performs three main functions in relation to its members and the overall welfare of the country. In particular, these functions collect savings from their members, provide loans to their members and provide financial and non-financial advice to their members so that SACCO members can fully utilize the micro-credits borrowed from the SACCO. In Rwanda, the government's desire is to advance the country's vision for 2030. To achieve more sustainable economic growth and development, the country has deepened, expanded and developed its financial system, which is well-regulated and competitive, with an inclusive and financially oriented population to accelerate growth. Unfortunately, most people in Rwanda are economically poor because they have very low savings and lack access to formal banks. The level of financial inclusion is relatively high in Rwanda at 93%, narrowing the gap in reaching the 2024 target of 100% financial inclusion. There is still room to further reduce the level of those who do not have transaction accounts. Furthermore, a review of Rwanda's financial sector highlighted that despite the sector's impressive achievements, the population still faces major challenges such as underinvestment in capital, poverty, lack of savings mindset and difficulty accessing credit (MINECOFIN, 2018). Using the international poverty line of $1.90 PPP, the incidence of poverty fell from 68.3 percent in 2005-06 to 56.5 percent in 2016-2017. An even greater reduction in poverty is observed based on the nation's official poverty line: from 56.7 in 2005-06 to 38.2 percent in 2017. That is why this research was intended to find out the effect of Sacco financial services on rural household welfare in Rwamagana district, Rwanda with reference of Sacco Nzige.

General objective

The main objectives of this study are to analyze the effect of Sacco financial services on rural household welfare in Rwamagana district, Rwanda.

Specific objectives

i. To examine the effect of financial accessibility on the rural household welfare in Rwamagana District;
ii. To assess the effect of financial affordability on the rural household welfare in Rwamagana District;

iii. To find out the effect of financial education on the rural household welfare in Rwamagana District.

Research hypotheses

H1: There is no significant effect of financial accessibility on the rural household welfare in Rwamagana District;

H2: Financial affordability has not effect on the rural household welfare in Rwamagana District;

H3: Financial education affects rural household welfare in Rwamagana District.

Literature

Theoretical Framework

Liquidity Preference Theory

The concept was first developed by John Maynard Keynes in his book The General Theory of Employment, Interest and Money (1936) to explain determination of the interest rate by the supply and demand for money. The demand for money as an asset was theorized to depend on the interest foregone by not holding bonds (here, the term "bonds" can be understood to also represent stocks and other less liquid assets in general, as well as government bonds). Interest rates, he argues, cannot be a reward for saving as such because, if a person hoards his savings in cash, keeping it under his mattress say, he will receive no interest, although he has nevertheless refrained from consuming all his current income. Instead of a reward for saving, interest, in the Keynesian analysis, is a reward for parting with liquidity. According to Keynes, money is the most liquid asset. Liquidity is an attribute to an asset. The more quickly an asset is converted into money the more liquid it is said to be (Gauti, 2008).

Liquidity preference theory is a model that suggests that an investor should demand a higher interest rate or premium on securities with long-term maturities that carry greater risk because, all other factors being equal, investors prefer cash or other highly liquid holdings (JAMES Chen, 2019). This theory will be fruitful because, it will help in explaining and showing how people prefer to have liquidity to assure basic transactions, and how the amount of liquidity demanded is determined by the level of income. Secondly, this theory will express how people prefer to liquidity in the case of social unexpected problems that need unusual costs. Lastly the theory will be useful in showing how, people retain liquidity to speculate that bond prices can fall. When the interest rate decreased people demand more money to hold until the interest rate increases, which would drive down the price of an existing bond to keep its yield in line with the interest rate. Thus, the lower the interest rate, the more money demanded. Liquidity preference theory is a model that proposes that investors should demand higher interest rates or premiums for riskier, long-term securities because, other things being equal, investors prefer cash or other highly liquid assets.

Moral Hazard Theory

This theory attributed to Arkelof (2010), Spence (2014) and Stiglitz (2016) in their respective papers discussed the problem that exists in financial transaction where information asymmetry exists. According to their arguments, information asymmetry exists between two or parties if they do not hold similar information and one party could significantly change their decision if such information were to be supplied. Further, due to this asymmetry, moral hazard and adverse selection can occur in a transaction. Moral hazard occurs when one party in an agreement provides misleading information or change behaviour after the agreement. On the other hard adverse selection involve one party possessing material information and does not provide to the other party.

Credit and insurance markets are characterized by serious principal agent problems, which include adverse selection (the fact that borrowers with less intention of repaying a loan are more willing to seek out external finance) and moral hazard (once the loan is received borrowers may use funds in ways that are inconsistent with the lenders interest). One aspect that characterise financial exclusion is involuntary exclusion as a result of market imperfection such as asymmetric information. Rural residents, the poor and micro and small enterprises usually face exclusion due to opaque information and the risks involved in gathering their creditworthiness. This theory is applicable to the current research because it provides basis for the need to develop financial markets that facilitate information flow to promote financial inclusion (Siddik, *et al.* 2019).

Because banks do not have perfect information about the creditworthiness of prospective borrowers, the supply of loans will be backward bending at rates above the bank's optimal rate. This means that financial exclusion will persist even in market equilibrium. Since it is not profitable to supply more loans when the bank faces excess demand for credit, the bank will deny loans to borrowers who are observationally indistinguishable from those who receive loans. The rejected applicants would not receive a loan even if they offered to pay a higher rate (Rao & Baza, 2017). Therefore, the gap existing with Moral Hazard and Adverse Selection Theory is that, in practice it is often poorer and less well-connected people who are not given the financial services, as lenders or financial institutions preferred to lend to or ensure those who have more money to start with, and those who can provide collateral. They also prefer to lend to those about whom they can easily collect information. Another reason why poor people, particularly the rural poor, might not be provided with financial services is because they demand services on such a small scale, be those savings deposits or loans. It is more difficult for those providing the services to make a profit on such small transactions, because each transaction has an administrative cost. On the other side, this theory will be useful in this research because, moral hazard occurs when there is asymmetric information between two parties, but where a change in the behaviour of one party is exposed after a deal is struck and Adverse selection was helpful when there's a lack of symmetric information prior to a deal between a financial institution and lender. Moral hazard is a situation in which one party gets involved in a risky event knowing that it is protected against the risk and the other party will incur the cost. It arises when both the parties have incomplete information about each other.

Finance-Growth Theory

This is a theory that can be attributed to Schumpeter (1912) which postulates that financial system development lead to economic growth in a country. According to this theory, which is also known as supply leading theory, the supply of financial services is seen to significantly influence the economic activities within a country and hence the overall economic output. This theory is further widened to show that the supply and accessibility of the financial services increase per person or per sector activities that spur growth in return. Accordingly, therefore, financial services that the financial sector provides can effectively lead to development.

According to the empirical findings by Okoye, Erin & Modobe, (2017), financial exclusion is regarded as involuntary if individuals or enterprises cannot access financial services because of cost barriers, unavailability among other causes. All the barriers to accessing finance that are attributed to the supply side of finance are seen to lead to involuntary financial exclusion. Hence, the need to develop financial sector to bridge financing gap can help in increasing financial inclusion and thereby lead to welfare improvement. In addition, the usage of financial services is dependent on whether such services are provided for by the financial sector. This theory will be applicable for this research because it attempts to connect the need for developing financial sector that promotes inclusive finance that eventually leads to development.

The existing gap of Finance-Growth Theory based on the accessibility of financial services includes; expansion of financial institutions branches, minimizing a barrier in access to finance and contribution of banking sector. However, it would be worthwhile to the policy makers to play their part in increasing network branches, penetration of financial services and also eradicate all barriers toward accessing financial services in order to ensure welfare sustainability derived from financial inclusion. On the other side, Finance-Growth Theory will assist in this study to show how financial systems can be valuable in pooling together resources and allocate them to most profitable enterprises which still hold today and the economy at large gains from multiplicative effect from its positive spill over and in this case financial system played a role in fostering economic growth. The new growth theory offered a fresh take on what engineer's economic prosperity. It emphasizes the importance of entrepreneurship, knowledge, innovation, and technology, challenging the view of exogenous growth in neoclassical economics that economic progress is determined by external, uncontrollable forces.

Empirical review

The empirical review is basically talking about the various studies done by other researchers concerning the Implication of Sacco Financial services on the on Rural Household welfare. Empirical review was based on observed and measured phenomena and derives knowledge from actual experience rather than from theory or belief.

An exploratory study by Byrne et al. (2020) assessed the role of credit unions in building the financial capacity of members. The survey found that most credit unions engage in some form of financial education in the community, although some are limited to so-called low-commitment activities. Some individual credit unions, and to a lesser extent, target community members who are economically disadvantaged due to low levels of financial capacity. The study also found that in two surveys of new members, the majority did not say the credit union had a significant impact on their financial behavior. Finally, the study suggests that credit unions need to keep in mind their original goal of financial inclusion for all. Sound financial markets play a great role in mobilizing savings and directing resources to the most economic viable activity. They therefore play a part in the development of a country and of the households. However, the authors also note that having developed financial systems does not necessary translate to financial inclusion. Hence, there should be concentrated efforts in increasing the financial outreach within a country to ensure that a larger proportion have access to financial services. Without inclusive financial systems, the financially excluded population like individuals, small enterprises may find it difficult accessing the finances they need to meet their basic financial needs (Beck, Demirguc-Kunt and Honohan, 2009).

This is a key element of financial inclusion strategy, as having access to products and services is only one part of financial inclusion. According to Rendek, Wiedmaier (2014), access to finance refers to the ability of households (individuals) or enterprises to obtain financial services from formal financial institutions. These financial services include credit, deposit, and payment, among others. The ease of access to finance is an essential factor when

measuring financial inclusion. As described by Beck and Levine, (2018), financial exclusion in particular focusses on those individuals or enterprises who have need for but cannot access financial services, referred to involuntary exclusion.
An empirical research by Rao and Baza (2017), discuss the main factors that hinder financial inclusion. These include insufficient income, discrimination, contractual informational/framework and/or cost of financial service. In the first group, the individuals or enterprises are regarded as 'un-bankable' by commercial financial institutions and the markets due to their low income which present high lending risks. In the policy making, one way of ensuring access to finance for those regarded as un-bankable is through creation and use of microfinance institutions. For instance, in Rwanda, Umurenge SACCOs, as well as other MFIs have contributed substantially to increasing financial inclusion, mobilizing savings and contributing to financial development through reaching out to low-income earners regarded as high-risk individuals by commercial banks. At the heart of their formation and objectives, microfinance institutions are key players to increasing access to finance for the marginalized low-income earners (BNR, 2014).

Kushoka (2019) assessed the affordability and ability of employee-based SACCOs to satisfy their membership. The purpose of the study is to understand whether the SACCO is able to meet the needs of its members and to test its affordability. The population consisted of 45 members of the Sacco, Dar es Salaam City Council, and the sample size was 15 individuals representing 33% of the population. Analyze data using descriptive and inferential statistics. Findings show that employee-based funding of SACCOs is insufficient to meet membership requirements. The demand for credit cannot be met, which greatly dampens the enthusiasm of the members. The loans offered are smaller in size and have a higher interest rate. The study shows that employee-based SACCOs are vital to the welfare of their members, and recommends that member and employer contributions be increased to help raise funds.
Affordability is considered one of the greatest barriers to access to financial services. Affordability pertains to the costs associated with using services, including both interest rates and fees. The term emphasizes a threshold (e.g. an "affordable" loan interest rate), but as a broad concept it relates to products that provide a positive value for service. It is often thought of only in terms of credit, but as a broader concept (value for service) it also applies to savings, insurance and payments. For example, if the rate of return on savings is lower than inflation, the savings account does not retain the real value of the client's savings (Neil, 2010).
Affordability assessments take your incomings and outgoings into consideration to help lenders assess whether you can afford to make repayments over the full length of a loan and if the loan is sustainable for you. Whether you're getting a mortgage or taking out a home collected loan, any responsible lender will look at your financial situation to help determine if you can afford to pay back the money you've applied to borrow plus any interest and charges. A lender will typically look at your financial circumstances to understand whether a potential loan would be affordable, sustainable and suitable. This is known as the creditworthiness assessment. This will involve the lender reviewing information provided by the applicant, such as incomings and outgoings, alongside information gained by doing a credit reference check. Each lender's criteria will vary, so the information you're required to provide will differ depending on the loan provider. Generally, they'll require things like: Proof of any regular income you have, including your net monthly or weekly wage, benefit payments, or any extra income you receive (such as child maintenance); Information about your personal and living expenses, which may include your mortgage payment or rent, utility bills, food bills, and other outgoings including any other loan repayments you might have; and a credit reference check. Taking all this into account, the lender will calculate whether you'll be able to afford the loan and keep up with the payment schedule that's been proposed. They can then decide to lend you the amount you've requested, based on whether the loan is suitable (Godwin, 2019).
The two aspects of affordability from the government fiscal perspective and the user perspective are linked. Since there are typically constraints on public budgets, careful attention needs to be given to the design and delivery of efficient and well-targeted subsidy mechanisms. Ability to Pay (also sometimes known as Affordability to Pay or ATP), is a measure of end users' spending capacity and is typically based on their household income and expenditures. Secondly, Willingness to Pay (WTP) is a measure of the maximum amount that a consumer will agree to pay for the use of loan service or any other service provided by financial institutions (The World Bank Group, 2016).

Hezron's (2015) study aimed to assess the impact of financial education on the performance of SACCOs in Kenya. Specifically, his study determines the impact of managerial competence on the performance of Kenyan SACCOs; assesses the impact of technology on Kenyan SACCO operations and ascertains the impact of financial education on Kenyan SACCO operations. A descriptive research design was used. A stratified random sampling technique was used to select a sample of 69 respondents from a target population of 234 registered SACCOs in 78 SACCOs in Kissi County, Kenya. Using SPSS, data were analyzed using descriptive statistics, including mean, standard deviation, and correlation analysis, and were presented using tables and bar graphs. His researches findings help develop the necessary policies to build trust in SACCOs. Based on the findings, the study shows that by borrowing capital, the SACCO was able to increase its loan portfolio.

It is believed that financial education affects financial security, well-being, and prosperity of people (PRI, 2005). Financial education could be considered from two points of view, the first one is related to financial knowledge which includes such things as understanding the concept of interest rate, inflation rate, different types of loans etc.; the second point related to a confidence component such as a self-estimated level of financial knowledge and self-reported abilities to make effective financial decisions (PRI, 2004).It is generally assumed that financial education could change people's behaviour towards financial services and products, however, as West emphasizes financial education does not provide sustained changes in and optimal of financial behaviour (West, 2012). Financial education is aimed at providing people with such knowledge which could help them to maintain household budgets, choose among various saving plans, control their debts, as well as be prepared for making investment decisions (United States Senate, 2003).

There are various definitions of financial education presented in literature. According to Policy Research Initiative (PRI, 2004), financial literacy is the ability to understand and distinguish financial options, feel comfortable talking on personal finance topics, make decisions protecting against future insecurities as well as be prepared to solve every day financial problems effectively. PRI (2005) considers financial literacy as a concept that "emphasizes objective knowledge on specific topics related to money, economics, welfare improvement or financial matters, and subjective measures of self-reported confidence". Financial literacy could be also defined as an ability of a person to understand and process information to be able to make a proper financial decision (Gaurav & Singh, 2012). Financial literacy is very often associated with knowledge on saving and borrowing, which means possessing sound financial management skills and habits in turn (Hogarth, Hilgert & Schuchardt, 2012).

Critical Review

Frank et al. (2015) highlight the benefits of microfinance for its participants. According to him, the basic concept of microfinance and Sacco is to empower its members by putting capital in their hands and empowering them to earn independent income and contribute financially to society. Such empowerment can increase self-confidence, respect and other forms of empowerment for both men and women. Urassa and Kwai (2015) highlight that income poverty can be reduced by studying the performance of Sacco s. He said the impact of Sacco on reducing income poverty is very significant and Sacco s play an important role in reducing income poverty. Magali (2013) also assessed whether rural Saccos are sustainable. He found that 46 percent of rural SACCOS were unsustainable because they had accumulated large amounts of non-performing loans.

However, while various studies have provided some clues to support this idea, others such as Magali (2013) still criticize that this equation does not always hold. A person's ability to change their life through access to Sacco financial services is believed to depend on many factors, some of which are related to the conditions of service, personal circumstances and abilities, while others are related to the individual's relationships and status. Several other variables affect members' savings mobilization, such as household size and income level; thus, these factors can have a strong and significant impact on the savings mobilization of Sacco members. However, it is worth noting that household size and income level can have significant negative or positive effects on members' savings mobilization, but this is within the SACCO context and may differ elsewhere (Thomas, Catherine and Susan, 2012).

Gap Identification

According to Zerfeshewa (2010), Sako membership fees are limited and monthly contributions are also limited because their members belong to the lower middle class. Therefore, cooperatives are initially not suitable for large companies that require a lot of capital, which can cause a lack of motivation among members and employees. Because of this frustration, Sacco's may sometimes fail to positively promote member development, which contradicts Frank et al. (2015). Moreover, the culture of savings depends more on the quality of management and governance. Government involvement can thus influence board decisions, which may or may not be in the best interest of society and its members. Kushoka (2011) tried to understand whether Sacco is able to meet the needs of the members and tested its sustainability. He shares the same opinion as Zerfeshewa (2010), saying that the employee-based Sacco does not have enough funds to meet the membership requirements.

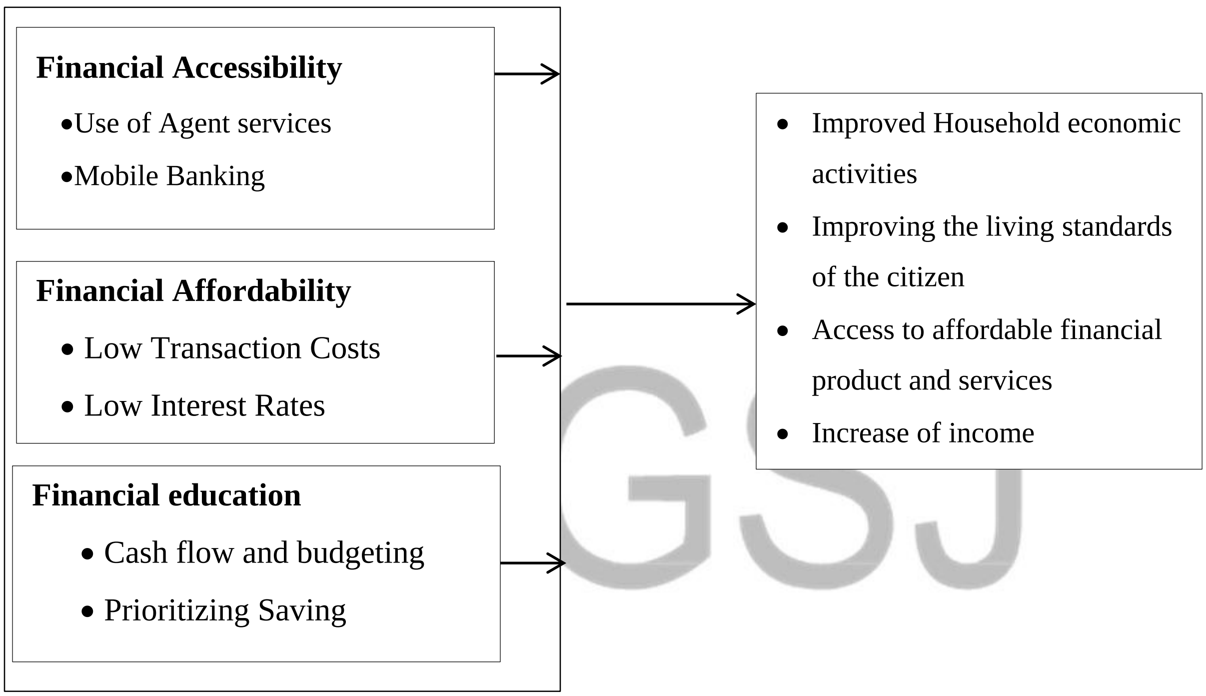
Credit needs are largely unmet and this discourages participants. The loans offered are smaller in size and have a higher interest rate. Hezron (2015) assessed the impact of internal factors and the impact of management capacity on the performance of Sacco s in Rwanda.

Following the findings of Hezron (2015), the study shows that by borrowing capital, Sacco's are able to increase their loan portfolios. The study also confirms that Sacco's in Rwanda invest in IT to gain a sustainable competitive advantage over their competitors and provide good services to their members. But in his research, he emphasizes that Sacco's performance is based on credit growth, while it should also be based on welfare or customer satisfaction. Most researchers such as Urassa and Kwai (2015) focus on the benefits of Sacco's and microfinance, but few researchers have explored the challenges faced by cooperative members. There is much valuable research on Rwanda's financial sector, but very little on what Sacco's contribute. Furthermore, many authors such as Frank et al. (2015) studied how microfinance can contribute to social and welfare, but no one has tried to find out whether the same approach applies to Nzige Sacco. The purpose of this research is to expand the existing knowledge in the research of savings and credit unions and to eliminate the identified gaps.

Conceptual Framework

Independent Variables **Dependent Variable**

Sacco financial services **Rural Household Welfare**



MATERIALS AND METHODOLOGY

A descriptive research design combing both quantitative approach was used. The target population of this study was 5,531 members from Nzige SACCO located in Rwamagana district. From which a sample size of **376** respondents was drawn using the Slovin formula. Stratified random sampling was used to select the respondents. The Stratified Random Sampling technique ensured that different groups of a population is adequately represent in the sample since it is divided the population into homogenous groups such that the elements within each group are more a like than the elements in the population as a whole (Albert, 2012).

$n = \frac{N}{1+N\,(e)^{2}}$ Therefore for this study; $n = \frac{5{,}531}{1+5{,}531(0.05)^{2}} =$ **376** Respondents

Where n= stands to the desired sample size, e = stands for probability of error (the desired precision, 0.05 for 95 % confidence level), N= the estimate of the population size.

A closed ended questionnaire was used to collect data from the respondents. Data was processed for both descriptive and inferential statistics using Statistical Package for Social Sciences (SPSS) version 20.

RESEARCH FINDINGS AND DISCUSSION

4. 1 Descriptive Statistics on financial accessibility for the rural household welfare in Rwamagana District

Table 1: Shows descriptive statistics on financial accessibility for the rural household welfare in Rwamagana District

	N	Mean	Std. Deviation
Opening a savings account are friendly and amount needed for opening an account is affordable	376	3.36	1.292
Members always withdraw their savings when needed and easy for getting a loans without high condition of tangible security	376	2.86	1.439
Saving terms are flexible enough to encourage everybody to save	376	4.20	.941
Sacco Nzige play a crucial role in rural capital formation for welfare	376	4.23	.927
Sacco Nzige distribute loans to them for starting a productive as well as any other self-sufficient economic activity	376	4.23	.927
Valid N (listwise)	376		

Source: Primary Data (2023)

From the finding in table 1 shows that in first statement said that "Opening a savings account are friendly and amount needed for opening an account is affordable" with the mean of 3.36 and 1.292 standard deviation. This implies that the respondents are agreed with the statement as indicated by above mean and heterogeneous answers as a sign of different opinions from respondents and lead to the same answer.

Second statement shows that "Members always withdraw their savings when needed and easy for getting loans without high condition of tangible security" the respondents agreed with a mean of 2.86 and standard deviation of 1.439 with the statement. This indicated that the respondents agreed with the statement as indicated by the mean and heterogeneity of answers as indicated by the standard deviation where the respondents had same opinions of the statement. The third statement shows that "Saving terms are flexible enough to encourage everybody to save" where the respondents agreed with a mean of 4.20 and standard deviation of .941. This indicated that the respondents are strongly agree with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement lead to the same answers.

Forth statement shows that "Sacco Nzige plays a crucial role in rural capital formation for welfare" where the respondents are strongly agreed with a mean of 4.23 and standard deviation of .927. This indicated that the respondents are strongly agreed with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement. Fifth statement shows that "Sacco Nzige distributes loans to them for starting a productive as well as any other self-sufficient economic activity" where the respondents are strongly agreed with a mean of 4.23 and standard deviation of .927. This indicated that the respondents are strongly agreed with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement.

4. 2 Descriptive Statistics on financial affordability for the rural household welfare of Rwamagana District

Table 2: Descriptive Statistics on financial affordability for the rural household welfare of Rwamagana District

	N	Mean	Std. Deviation

There is economic arrangement with Sacco Nzige facilitate the transfer of funds and assets between borrowers, lenders, and investors	376	4.24	.912
There is efficiently distribution of economic resources to promote small business for Sacco members of Nzige	376	4.24	.912
Sacco Nzige describes products for which the price is in line with the member's ability to pay for them	376	4.22	.947
Sacco Nzige there is affordability is considered one of the greatest barriers to access to financial services	376	4.31	.897
Valid N (listwise)	376		

Source: Primary data (2023)

From the finding in table 2 shows that in first statement said that "There is economic arrangement with Sacco Nzige facilitate the transfer of funds and assets between borrowers, lenders, and investors" with the mean of 4.24 and .912 standard deviation. This implies that the respondents are strongly agreed with the statement as indicated by above mean and heterogeneous answers as a sign of different opinions from respondents and lead to the same answer.

Second statement shows that "There is efficiently distribution of economic resources to promote small business for Sacco members of Nzige" the respondents strongly agreed with a mean of 4.24 and standard deviation of .912 with the statement. This indicated that the respondents agreed with the statement as indicated by the mean and heterogeneity of answers as indicated by the standard deviation where the respondents had same opinions of the statement. The third statement shows that "Sacco Nzige describes products for which the price is in line with the member's ability to pay for them" where the respondents strongly agreed with a mean of 4.22 and standard deviation of .947. This indicated that the respondents are strongly agree with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement lead to the same answers.

Forth statement shows that "Sacco Nzige there is affordability is considered one of the greatest barriers to access to financial services" where the respondents are strongly agreed with a mean of 4.31 and standard deviation of .897. This indicated that the respondents are strongly agreed with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement.

4. 3 Descriptive Statistics on financial education for the rural household welfare of Rwamagana District

Table 3: Shows the descriptive statistics on financial education for the rural household welfare of Rwamagana District

	N	Mean	Std. Deviation
There is process of learning the skills and knowledge on financial matters related with rural household for welfare of Nzige sector	376	4.09	1.072

Sacco Nzige spending, saving, investing, giving away with purpose of rural household for welfare	376	4.25	1.010
Sacco Nzige uses financial education include learning how to create a budget, track spending, pay off debt, and plan for retirement	376	4.99	6.453
Sacco Nzige has ability to effectively locate, evaluate, and use information, resources, and services and to make informed decisions about financial obligations	376	3.87	1.171
Valid N (listwise)	376		

Source: Primary data (2023)

From the finding in table 3 shows that in first statement said that "There is process of learning the skills and knowledge on financial matters related with rural household for welfare of Nzige sector" with the mean of 4.09 and 1.072 standard deviation. This implies that the respondents are strongly agreed with the statement as indicated by above mean and heterogeneous answers as a sign of different opinions from respondents and lead to the same answer.

Second statement shows that "Sacco Nzige spending, saving, investing, and giving away with purpose of rural household for welfare" the respondents strongly agreed with a mean of 4.25 and standard deviation of 1.010 with the statement. This indicated that the respondents agreed with the statement as indicated by the mean and heterogeneity of answers as indicated by the standard deviation where the respondents had same opinions of the statement. The third statement shows that "Sacco Nzige uses financial education include learning how to create a budget, track spending, pay off debt, and plan for retirement" where the respondents strongly agreed with a mean of 4.99 and standard deviation of 6.453. This indicated that the respondents are strongly agree with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement lead to the same answers.

Forth statement shows that "Sacco Nzige has ability to effectively locate, evaluate, and use information, resources, and services and to make informed decisions about financial obligations" where the respondents are strongly agreed with a mean of 3.87 and standard deviation of 1.171. This indicated that the respondents are strongly agreed with the statement as indicated by the strong mean and heterogeneity of answers as indicated by the standard deviation where the respondents had different opinions of the statement.

Table 4: Descriptive Statistics on rural household welfare of Rwamagana District

	N	Mean	Std. Deviation
Paying school fees	376	4.09	1.072
Buying assets	376	4.25	1.010
Medical bills/ health Insurance (Mutuelle de santé)	376	4.99	6.453
Starting small businesses or improving on existing business	376	3.87	1.171
Valid N (listwise)	376		

Source: Primary data (2023)

Table 4 for each indicator shows that “Paying school fees” with the mean of 4.09 and standard deviation of 1.072; this implies that respondents are strongly agree that their able for paying school fees for their children. “Buying assets” it is confirmed by strongly mean of 4.25 and standard deviation of 1.010 confirmed that respondents are strongly agree that all they are able to buy their assets; “Medical bills/ health Insurance (Mutuelle de santé” respondents are strongly agreed as it is confirmed by strong mean of 4.99 and standard deviation of 6.453. This implies that respondents have a capacity of getting Medical bills/ health Insurance from different opinions but same answer. Finally, there is confirmation of respondents where are strongly agree that starting small businesses or improving on existing business with mean of 3.87 and standard deviation of 1.171. This implies that there are strongly agree of respondents with the statements.

Testing the Hypotheses

This sections aims at testing the null hypotheses of this study in the following sub sections.

Testing Hypothesis One

This sub section indicated the results which were used to test null hypothesis one.

Table 5: Model Summary on financial accessibility

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.165[a]	.027	.025	4.549

a. Predictors: (Constant), Financial_Accessibility

The results in above table indicated that the Adjusted R^2 is 0.025 which means the independent variables (financial accessibility, financial affordability, and financial education) jointly affect rural household welfare in Rwamagana district in this study.

Table 6: ANOVA[b] on financial accessibility

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	216.821	1	216.821	10.479	.001[b]
	Residual	7738.615	374	20.691		
	Total	7955.436	375			

a. Dependent Variable: Rural household welfare in Rwamagana district

b. Predictors: (Constant), Financial_Accessibility

The results in Table above show that the F-test is positive 10.479 and that it is significant at 5% because its significance level is 0.001[b]. Therefore, based on the results on this test, we can accept the first all null hypothesis stating that “Sacco financial services (financial accessibility, financial affordability, financial education) do have significant effect on rural household welfare in Rwamagana district". This is due to the fact that the ANOVA results indicated that there is positive and significant effect on rural household welfare in Rwamagana district in this study.

Table 7: Coefficients[a] on financial accessibility

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.171	1.099		7.438	.000
	Financial_Accessibility	-.822	.254	-.165	-3.237	.001

a. Dependent Variable: Rural household welfare in Rwamagana district

The results from Table 7 indicated that financial accessibility has a negative and significant effect rural household welfare in Rwamagana District ($\beta1= -.822$; $t= -3.237$; p-value < 0.05). [This means that 1% change in financial accessibility leads to a decrease 25.4% change in rural household welfare in Rwamagana District].

Testing Hypothesis Two

Table 8: Model Summary on financial affordability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.165[a]	.027	.025	4.549

a. Predictors: (Constant), Financial_Affordability

The results in above table 8 indicated that the Adjusted R^2 is .025 which means the Sacco financial services (financial accessibility, financial affordability, and financial education) jointly affect rural household welfare in Rwamagana District in this study.

Table 9: ANOVA[a]on financial affordability

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	217.062	1	217.062	10.491	.001[b]
	Residual	7738.374	374	20.691		
	Total	7955.436	375			

a. Dependent Variable: Rural household welfare in Rwamagana district
b. Predictors: (Constant), Financial_Affordability

The results in Table 9 above show that the F-test is positive 10.491 and that it is significant at 5% because its significance level is .001[b] Therefore, based on the results on this test, we can accept the null hypothesis stating that "Sacco financial services (financial accessibility, financial affordability, financial education) do have significant effect on rural household welfare in Rwamagana District". This is due to the fact that the ANOVA results indicated that there is positive and significant on rural household welfare in Rwamagana District in this study.

Table 10: Coefficients on financial affordability

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.153	1.093		7.462	.000
	Financial_Affordability	-.815	.252	-.165	-3.239	.001

a. Dependent Variable: Rural household welfare in Rwamagana district

The results from Table 10 indicated that financial affordability has a negative and significant effect on rural household welfare in Rwamagana District ($\beta1= -.815$; $t= -3.239$; p-value < 0.05). This means that 1% change in financial affordability leads to an increase of 25.2% change in financial affordability by rural household welfare in Rwamagana District.

Testing Hypothesis Three

Table 11: Model Summary on financial education

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.082[a]	.007	.004	4.596

a. Predictors: (Constant), Financial_Education

The results in above table 11 indicated that the Adjusted R^2 is 0.004 which means the independent variables (financial accessibility, financial affordability, and financial education) jointly affect rural household welfare in Rwamagana District in this study.

Table 12: ANOVA[b]on Financial education

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	53.858	1	53.858	2.549	.111[b]
	Residual	7901.578	374	21.127		
	Total	7955.436	375			

a. Dependent Variable: Rural household welfare in Rwamagana district
b. Predictors: (Constant), Financial_Education

The results in Table 12 above showing that the F-test is positive 2.549 and it is significant at 5% because its significance level is 0.111[b]. Therefore, based on the results on this test, we cannot accept the third null hypothesis stating that "Sacco financial services (financial accessibility, financial affordability, financial education) does not have significant effect on rural household welfare in Rwamagana District ". This is due to the fact that the ANOVA results indicated that there is positive and significant effect of Sacco financial services on rural household welfare in Rwamagana District in this study.

Table 4. 13: Coefficients on financial education

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.530	1.173		5.569	.000
	Financial_Education	-.430	.269	-.082	-1.597	.111

a. Dependent Variable: Rural household welfare in Rwamagana district

The results from Table 13 indicated that financial education has a but insignificant effect of rural household welfare in Rwamagana District has negative but insignificant effect on financial education at rural household welfare in Rwamagana District ($\beta1= -.430$; $t= -1.597$; p-value > 0.05). This means that 1% change in Sacco financial services leads to the change in financial education.

CONCLUSION AND RECOMMENDATIONS

The results of the study showed that SACCOs help to raise income in Rwamagana district, with the majority of its members working in business and households. Despite the fact that its effectiveness took a while to become apparent, you can discover who has multiple times to borrow. This is as a result of the loan requirements for SACCOs. provision. Credit is rarely given to those who lack an active business launching the business; has the current financial institution met a small percentage the requirement. Most small loans are administered at higher cost and greater risk. The interest rates charged by financial institutions are higher. Developed institutions and the government have successfully distributed microfinance for financial sustainability interns poorly.

The majority of SACCOs have interest rates affected by the nation's inflation rate, which has resulted in high interest rates since they limit participants' ability to quickly improve their socioeconomic standing. The researcher's findings show that entrepreneurship knowledge is lacking. Some of them fail to increase the welfare of rural households in the Rwamagana District and even lead to extreme poverty due to poor loan management. However, the free market economy also poses a threat to against high mass production from abroad, local production by the native population the importance of their production through advanced technology and the barriers.

One of the things that restricts the ability is the responsiveness of SACCOs members. This is due to the fact that the majority of members are not goal-oriented and do not carry out their duties of SACCOs to facilitate them to rural household welfare in Rwamagana District. Instead of using the money for what they are intended to be using it for, they use it for something else personal matters, such as paying debts or school fees. The process of applying for loans, which begins with a small amount and graduates to the next higher amount after repayment, was also revealed to be a constraint for those clients who needed to expand quickly.

Recommendations

The study's conclusions led to the following recommendations for SACCO's institutions: SACCOs should mobilize large numbers of members because doing so will lower operating costs and consequently, interest rates; and by engaging in large-scale business, they can benefit from economies of scale. Interest rates are the issue that limits the effectiveness of SACCOs to their members.

Before disbursing a loan, SACCOs should educate new members on the necessary knowledge and skills, particularly in the areas of entrepreneurship and loan management, to lower the risk of failure and promote the development of their active members. Another issue relates to how SACCO members perceive the organization. Financial institutions should educate their customers sufficiently about the organization's goals and workings in order to lower the likelihood that customers will view borrowing money from SACCOs as a chance to take advantage of government handouts.

The risk of loan repayment as a whole will be decreased as a result. The government should establish special criteria for the disabled group to borrow money with very low interest rates or with no money down so they can start their own small businesses and improve their quality of life instead of begging people for money. Special groups are almost completely ignored in this policy. Additionally, expanding SACCOs ought to offer banking services to ensure that money is circulated within the nation rather than in foreign banks, which results in the transfer of profits and the advancement of other nations at the expense of our own.

Through awareness campaigns, sensitizations, and training, it is necessary to spread knowledge about SACCOS throughout the community and highlight their potential to increase members' incomes. This could significantly lower delinquency and member dropout while assisting SACCOs in raising more money from member savings. All SACCO stakeholders should be actively involved, and there should be a culture of cooperation and networking among them as well as with other stakeholders.

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