



**IMPACT OF UMURENGE SACCO TO THE PROMOTION OF FINANCIAL SAVING
IN RWANDA**

A Case study of Umurenge Sacco Murama in Ngoma District (2011-2013)

***¹ Mr. HABİYAKARE Emmanuel &, ² Dr. MUVUNYI Pierre Célestin**

¹Bachelor's student, in Arts in Economics with Education Of INATEK

**²Lecturer, Arts in Economics with Education, Institute of Agriculture, Technology and
Education of Kibungo**

***Email of corresponding author: ehabiyakare@gmail.com**

Abstract

The focus of this study was on the impact of umurenge Sacco to the promotion of financial saving in Rwanda; A Case study of Umurenge Sacco Murama in Ngoma District (2011-2013). The specific objectives of this study were to analyze the financial saving in UMURENGE SACCO MURAMA and to analyze the role of UMURENGE SACCO MURAMA in the promotion of financial saving. The related literatures were reviewed and harmonized with the findings. Data were collected to achieve the stated objectives. Questionnaires, documentation and interview were the techniques used to obtain the necessary data. Historical, comparative, statistical, and analytical methods were also used as methods to collect data. The project is automatically of advantage for different parts, the first one is Umurenge Sacco MURAMA as it shows its role in promoting financial saving. Another part is customers of this bank. It is also of advantage for the researcher himself in that, it is a partial fulfillment for the award of Bachelor's degree of Arts in economics with Education at INATEK. It will also serve as future reference in the same field to the future researchers in addition to the existing literature. The data collected was analyzed using simple statistical methods, frequency tables showing the frequency of responses to particular questions

that were constructed and percentages responses to the questions calculated. Interpretation of findings was based on the percentage response to the questions. Findings indicated that UMURENGE SACCO MURAMA contributed to the promotion of financial saving during 2011-2013 through mobilizing people to save and making their deposit and withdrawals. Therefore, some suggestions for Umurenge SACCO MURAMA, for its customers and for further researches were recommended and elaborated.

Keywords: *Umurenge Sacco, Promotion and Financial Savings*

1.1 Background of the Study

The government of Rwanda adopted to establish Umurenge SACCO in 2008 after carrying out a study that showed that 52% of Rwandans had no access to formal financial institutions and were keeping their money by traditional means such as digging a hole and burying their money which proved to be dangerous because many were losing their money due to poor keeping. Umurenge SACCO reach out to members and areas that are unattractive to banks, they can provide access to members of the population who would not normally save in the formal sector and physically not access a classic financial institution, due to locality and deposit restrictions.

The new central bank assessment shows that financial institutions ‘saving and credit cooperatives (SACCO)’ which have been created to better social-economic development of people have made tremendous achievements while all expectations fulfillment seem to keep advancing. The remarkable growth allows people especially in rural areas to save money, access loans and credit for different business activities as well as invest and lift themselves out of poverty, www.twizigamire.com, 2013.

By September 2012, the amount of money deposited with savings and credit cooperatives (SACCO) and other microfinance banks hit Rwf 44 billion. This signals the great potential that lies within successful implementation of Umurenge SACCO program, an initiative that aims to increase access to financial services and boosting domestic savings especially in rural areas, www.twizigamire.com, 2013.

More importantly, SACCO were created in order to satisfy the need of building confidence in local population who feel SACCO would end up running bankrupt and the operators disappearing with deposits as it was the case with COOPECS, (RCA:2011).

According to the central bank Governor Ambassador Claver GATETE, SACCO have reached beyond the expectations. SACCO have now decreased the number of people who were seen as

non-interested in savings and banking services from 58% to 28%. It has instead augmented and doubled the number of Rwandans who are active in banking services from 21% to 42%, (BNR Report, 2010)

1.2 Statement of the Problem

Despite a long history behind, SACCO coverage remain very limited, with only 3% of the population saving with all MFIs in general, SACCO included. To address this issue analyzed as a major factor hindering economic development, a recent national dialogue meeting held in December 2008 recommended the creation of at least one SACCO at the level of each administrative sector (UMURENGE), MINECOFIN, (2011:1).

In line with this a task force composed of representatives from diverse government institutions especially from MINECOFIN, MINICOM, MINALOC and BNR was formed and was assigned to propose a strategy to implement this policy directive. The strategy proposed in this document is in line with the national microfinance policy, the national microfinance policy implementation strategy and the recently validated national savings mobilization strategy, MINECOFIN, (2011:1).

Umurenge SACCO is a financial institution under the cooperative form which operates in the financial system, it is a legal entity in which individuals save their money and can get loans in order to invest in various activities such as agriculture, trade and provision of basic needs among others. Its fundamental objective is to maximize the benefits which members can obtain from their transactions with the cooperatives, MINECOFIN (2011:1).

SACCO and credit unions hold some real advantages for microfinance outreach and development.

An organized SACCO is an easy way of organizing a community to save and recycle savings in a given locality. Since the nature of SACCO is local, it mobilizes savings locally within the community and then the profits are returned to members in the form of loans. The money stays and works within the membership and the area, MINECOFIN, (2012:2).

This mutually achieved success helps to not only build a sense of ownership and pride in an area, it creates a culture of saving and investment.

Umurenge SACCO is boosting village businesses where by a growth has been witnessed in savings and credit cooperatives, meaning there is access to finances through soft loans for agro based businesses and small medium enterprises. This has considerably improved credit needed to support rural based micro businesses and projects.

Many people are getting involved in Umurenge SACCO program and have opened savings accounts and this is sign that the institutions is yielding. Umurenge SACCO increased credit extension to rural based businesses to 5.2 billion Rwandan francs from 818 million francs last year, MINECOFIN (2011:3).

Umurenge SACCO was established in 2008 with the aim to boost up rural savings and provide Rwandans with loans to improve their earnings and enhance their livelihoods.

A total of 139 cooperatives under Umurenge SACCO have been awarded licenses by the central bank to operate after designing business plans whereby 32 of them have already built offices through their member contributions.

The government of Rwanda intends to make Umurenge SACCO turn into bigger financial institutions in 2017 by having more than 80% of rural people banking in these financial institutions.

Rural people especially women and young who are engaged in agriculture don't have accounts with those banks meaning more effort in sensitization is still needed to change the mindset of these people in terms of savings, www.itezimbere.com.

Therefore, it is in this perspective that the researcher was intending to investigate the impact of Umurenge SACCO to the promotion of Financial Savings in Rwanda; specifically focusing on Umurenge SACCO Murama in Ngoma district within the period of 2011 up to 2013, this was done after seeing that the government of Rwanda has tried all the best to sensitize its citizens to open their accounts in SACCOs and therefore, financially transform their lives throughout their savings

1.3 Objectives of the Study

- i. To analyze the financial saving in UMURENGE SACCO MURAMA within the period of 2011-2013.
- ii. To analyze the role of UMURENGE SACCO MURAMA to promote financial saving within the period of 2011-2013.

2.0 Literature Review

2.1 Theoretical Framework

2.2.1. Saving and investment

If an economist is asked to explain relationship between savings and investment, he will refer to the model of the funds classical theorists put together long ago. He would mention that there is a

supply of loan available and demand for those funds and that the market price of those funds (the interest rate) is ultimately determined by the changes that occur in those key variables. If for example supply increases relatively to the demand, interest drops. On the other hand if demand increases related to supply the price goes up. In the classical model, the demand for learnable funds comes from firms that want to use them for economic investment that will improve economic efficiency.

2.1.2. Functions of saving

Once you save, will easily allow the accessibility of credit and eventually will lead to poverty reduction. Accumulation of savings in pension schemes will help in retirement age. Time preference: This is where there is speculation of devaluation of currencies in certain period and this motivates individuals to buy more and save for expected future valuation of currencies.

2.2 Empirical Literature

According to Marguerite S. Robinson (2001), micro finance refers to small-scale finance services primarily credit and savings provided to people who farm or fish or herd; who operated small enterprises or micro enterprises where goods are produced, recycled repaired, or sold ,who provided services; who work for wages or commission; who gain income from renting out small amounts of land vehicles, draft animals or machinery and tools; and to other individuals and group at the local levels of developing countries, both rural and urban. Many such households have multiple sources of income.

Saving service all savers to store excess liquidity for future use to obtain returns on their investment. Credit services enable the use of anticipated income for current investment or consumption. Overall, micro finance services can help low income people reduce risk, improve management, raise productivity, obtain higher returns of investment, increase their income, and improve the quality of their lives and those of their dependents, (Marguerite, Robinson, 2001).

SACCOs provide services to small and medium entrepreneurs. Saving is a financial decision or action of an individual or legal entity to keep part of his or her surplus funds for the future usage or for interest gains. In their endeavors to offer services to small and medium entrepreneurs, SACCOs have established suitable and strategic saving facilities and or micro insurance programs which can provide small and medium entrepreneurs the means to reduce their vulnerability to risks associated with loans given to them.

Prior to the 70s, credit delivery interventions to advance development in the third world countries focused on building agricultural lending institutions. The effort however, failed short of the

expectation. Nevertheless, the initiative continued with the experience and expertise shared from the developed countries. In this respect, the Europeans had tried to pass their experience to their former African and Asian colonies. Similarly, the American experiences before World War II strongly influenced many of the credit programs in Latin American.

Their influence extended to the rest of the world using the US donor agencies as a means to promote credit institution. The emphasis of all the financial services was on availing agricultural credit to farmers for investment and inputs to promote agricultural production. Their credit went to those who can show exploitable resource and provide reliable collateral. (Adams Dale, 1995). However, by early 70s, the earlier rural credit approach started to fail in its attempt to stimulate grassroots agrarian productivity. Food shortage and famine overtook the multimillion agrarian productivity enhancements of agricultural credits.

2.3 Conceptual Framework

A conceptual framework is a synthetization of integrated components and variables which help in capturing and solving a real-world problem. It is analytical tool used for viewing the deductive resolution of an identified issue. In this research, Conceptual Framework guides researcher is shown in figure 2.1

Independent variable	Intervening variables	Dependent variable
<p>Saving and credit cooperatives/Microfinance (UMURENGE SACCO MURAMA):</p> <p>This offers financial services:</p> <p>Making deposit of customers</p> <p>Making Withdrawals of customers</p> <p>Opening accounts for new comers</p> <p>Lending money to customers</p>	<ul style="list-style-type: none"> ➤ Government policies ➤ Rules and regulations of Umurenge SACCO ➤ Number of beneficiaries and Saving rate ➤ Nature of mobilizers 	<p>Promotion of financial savings:</p> <ul style="list-style-type: none"> • Voluntary savings • Involuntary savings • Forced savings

Figure 2.1: Conceptual Framework

Source: Researcher, (2024)

3.0 Research Methodology

A descriptive research design was used in this study the researcher used descriptive statistical elements such as frequencies, percentages. On the other hand, measures of central tendency were used as a statistic that represents the single value of the entire population or a dataset. Lastly, inferential statistics by the use of Pearson correlation (r) and multiple linear regression analysis was applied as the way of testing effect of independent variable on the dependent variable. The target population was 14310 while sample size was 67 while primary and secondary data were employed in the study.

4.0 Research Findings and Discussion

The results were collected using both social demographical and findings related to the specific objectives to achieve on the research objectives.

4.1 Presentation of Findings

Each objective was handled chronologically as presented in chapter one of this research.

4.1.1 Respondents views and opinions on whether the current deposit rate offered by umurenge Sacco MURAMA is attractive to save money for customers

Table 4.1. shows views and opinions on whether the current deposit rate offered by umurenge Sacco MURAMA is attractive to save money for customers

Response	Frequency	%
Yes	67	100
No	0	0
Total	67	100

Source: Primary data, May 2023

The table 4.1. shows that when respondents were asked whether the current deposit rate offered by umurenge Sacco MURAMA is attractive to save money for customers, the totality of them (100%) reported for yes.

4.1.2 Respondents views and opinions on whether Umurenge Sacco MURAMA mobilize them to save money

Table 4.2 shows views and opinions on whether Umurenge Sacco MURAMA mobilize them to save money

Response	Frequency	%
Yes	67	100
No	0	0
Total	67	100

Source: Primary data, May 2023

The table 4.2 shows that when respondents were asked whether Umurenge Sacco MURAMA mobilize them to save money, the toality of them (100%) said yes which means that they agreed with this.

Wanting to know the strategy to do this, we fund an answer that the staff of this bank uses to mobilize people about saving by participating in sectoral meeting as well as the community work

also known as Umuganga in order to sensitize and more explain the people. Another strategy which is very internal is to quick serve people either in depositing or withdrawing their money.

4.1.3. Respondents views and opinions on whether they consider umurenge Sacco MURAMA as an effective tool to the development of financial saving

Table 4.3 shows views and opinions on whether they consider umurenge Sacco MURAMA as an effective tool to the development of financial saving

Response	Frequency	%
Yes	67	100
No	0	0
Total	67	100

Source: Primary data, May 2023

The table 4.3 shows that when respondents were asked whether they consider umurenge Sacco MURAMA as an effective tool to the development of financial saving, the totality of them (100%) reported for yes which means that they agreed with this said above.

5.0 Conclusions

This research has shown that Umurenge SACCO MURAMA contributed to the promotion of financial saving through mobilization to the people and making the deposit and withdrawls of their money.

5.1. Recommendations

5.1.1 To the management of Umurenge SACCO MURAMA

This should improve the mobilization to people because there are some people who don't have information about the services of SACCOs.

The bank should also increase cashiers in order to more serve its customers. This could alsohelp in that purpose of promoting financial saving.

5.1.2 To customers

Customers should use their accounts by depositing and withdraw money on it instead of holding it at a bank without any money.

5.1.3 To further research

Future Researches should not only look at Umurenge Sacco as one way that could contribute to the promotion of financial saving, but also researches should be carried to look out other factors which can do so.

REFERENCES

- Gilbert Churchill Jar, *Basic marketing research* (1992, 2000) 2nd edition, The Dryden presses USA.
- GRAWITZ., M. (1979), *Methods of social sciences*, 7th edition, Dalloz edition, Paris
- Grinnell M. Richard, Margaret Jr Williams (1990), *Research in social work*
- Kenneth D. Bailey (1982), *methods of social research*, free press, New York, USA
- Moser , C.A and G.Kalton (1971), *Survey methods in social investigation* 2nd ed.
- Wilson, R.C. (1989), *Factors influencing organization effectiveness*, 3rd edition

