



**M<sub>o</sub>M**

**MAASTRICHT SCHOOL OF MANAGEMENT**

**THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS  
IN THE PROCESS OF REDUCING POVERTY IN RWANDA:  
A CASE OF UNGUKA BANK SA.**

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## DECLARATION

I, **Aloys G. MUGANGA**, hereby declare that this thesis is the result of original research conducted by me under the supervision of **Charles SEBARUMA** and that no part of it has been duplicated from other sources without proper academic acknowledgement.

I also declare that this thesis has not been submitted either in part or as whole for the award of any other degree.

.....

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**(Student)**

.....

**Charles SEBARUMA**

**(Supervisor)**

## **DEDICATION**

To Almighty God

To my Wife Mrs. Marie Uwase Muganga,

To my kids Brandon, Eddyne and Bertrand

To my brothers and sisters

## **ACKNOWLEDGMENT**

I hereby take this opportunity to recognize and appreciate the invaluable and dedicated support from various individuals and institutions whose contributions culminated into the success of this work. I am highly indebted to the Ministry of Defense specifically the Rwanda Defense Force (RDF) Leadership that provided full support ranging from first and foremost permission to undertake the whole course work alongside other responsibilities to paying tuition fees of this rather expensive but important programme.

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I would like to express my sincere gratitude to key resource persons who accorded me their time and information throughout the entire research period. I am deeply grateful to my family and family friends with whom this thesis is dedicated to.

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## **ABSTRACT**

This study assessed the contribution of Microfinance institutions in the process of reducing poverty. A case of Unguka bank. The study identified different microfinance institutions and poverty concepts and assessed their contribution in reducing poverty in Rwanda. The study involved both desk and field research. Desk research involved collection of information related to the theories and concepts of microfinance and poverty. Field research was conducted in Unguka bank at its headquarter in Remera. sixty Unguka bank clients reached by the researcher through using questionnaires while two senior managers from Unguka management provided the information through an interview guide. 60 Unguka bank clients were selected using convenience sampling technique while the two senior managers of this microfinance bank was selected using judgemental sampling. An SPSS program was used to analyze data and data were presented into tables to make analysis and interpretation easier. The findings show that Unguka bank clients had improved their living conditions in terms of affording to pay school fees for their dependants, affording medical insurance fees for their dependants and affording good housing or accommodation. In addition to that, the researcher found that after joining Unguka bank majority of the clients can now manage to have monthly savings which was not the case before joining Unguka. It was also found that majority of people who are dealing with Unguka bank are employing other people in their businesses which means they created jobs for others and the dominant loans they had received are loan in solidarity (which involves social guarantee) as well as ordinary credit. they are however facing some problems like delays in processing loans, receiving small loan amount as well as high interest rates which they obliged to pay once they accessed finance from Unguka. The conclusion therefore was that Unguka bank need to revise its ceiling in credit offering as today the ceiling is at ten million Rwandan francs. They should also take into consideration the fact that most people who deal with microfinance banks are the ones with no collaterals and facilitate them to easily access finance.

It is further recommended that Unguka bank should speed up processing of loans, reduce interest rates charged to enable the poor to access finance, as wells as keep lifting the ceiling set on the amount clients cannot exceed when they are requesting loans from there.

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## **LIST OF ABBREVIATIONS**

- AMIR:** Association of Micro finance Institutions in Rwanda
- BNR:** Banque Nationale du Rwanda
- BPR:** Banque Populaire du Rwanda
- COOPEC:** Coopérative d’Epargne et de Crédit
- EDPRS:** Economic Development and Poverty Reduction Strategy
- FOREDEM:** Fund for Refinancing and Development of Microfinance
- GDP:** Gross Domestic Product
- IMF:** Institution de Micro finance
- MBA:** Master of Business Administration
- MFI:** Microfinance Institutions
- MsM:** Maastricht School of Management
- MINALOC:** Ministry of Local Government
- MIFOTRA:** Ministry of labor
- MINECOFIN:** Ministry of Finance and Economic Planning
- MINICOM:** Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives
- NMPIS:** National Microfinance Policy Implementation Strategy
- NGOs:** Non Government Organization
- OECD:** Organization of Economic Cooperation and Development
- PPA:** Participatory Poverty Assessment
- RAMA:** La Rwandaise d’Assurance Maladie
- RDB:** Rwanda Development Board
- RDC:** Republique Democratique du Congo

**RWF:** Rwandan Franc

**SA:** Société Anonyme

**SACCO:** Savings and Credit Cooperatives

**SME:** Small and Medium Entreprises

**SFB:** School of Finance and Banking

**SPSS:** Statistics Package for Social Sciences

**UBPR:** Union des Banques Populaire du Rwanda

**USD :** United States Dollars

**VUP:** Vision 2020 Umurenge Project

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# CHAPTER ONE: INTRODUCTION

## 1.1. Background to the study

Rwanda is a small landlocked country in Central Africa but a member of East African Community partner States, with an area of 26,888km<sup>2</sup> located between Uganda to the north, Tanzania to the east and Burundi to the south and the Democratic Republic of Congo (RDC) to the west. The population of Rwanda was 10,412,820 in 2010 and projected at 10.718,379 by end of 2011(NISR report July 2011).

Rwanda's population is poor with a Gross Domestic Product (GDP) per capita in nominal terms improved by 10.4% as it rose from Rwf 295.6 to 315.5 thousands, while in terms of USD, GDP per capita registered an increase of 3.9%, from USD 520.1 in 2009 to 540.5 in 2010. (NBR Annual report, 2010: 18).

After the Rwanda's tragic events of 1994 when it was devastated by horrors of war and genocide that claimed between 800,000 to 1000,000 Tutsis and moderate Hutus, the country reconstituted itself to deal with recovery, reconstruction and economic development challenges. A fifteen-year development strategy launched in the year 2005 that has been referred to as Vision 2020 sets its major aim as making Rwanda a medium income country with a dynamic, diversified, integrated and competitive economy by the year 2020 (National Micro finance Policy : 2007). Rwanda hopes to achieve this by building a nation with a knowledge based, entrepreneurial economy. To achieve the policy objectives stated in this document, five-year medium term plans are developed in what is referred to as the Economic Development and Poverty Reduction Strategy (EDPRS).

The five year EDPRS Strategy (2008-2012) published in July 2007, shows the roles to be played by MFIs in the process of poverty reduction. Commercial Banks are supposed to play a leading role in the process of poverty reduction as they provide finances to all types of projects ranging from micro, medium and large upon presenting the collateral security. The majority of Rwandans are poor and unable to afford collateral securities required by commercial Banks. It is in this regard that MFIs will be adopted as a strategy to reduce poverty by strengthening the private

sector, diversifying investment opportunities, and stimulating employment to the poor. MFIs help the poor who can't access the services of the commercial banks because they don't necessarily require collateral securities required by the commercial banks. It is in this regard that the researcher intends to assess the contributions of MFIs in the process of poverty reduction in Rwanda specifically "Unguka Bank" as a case study.

## **1.2. Problem Statement**

Poverty is still a big challenge which most developing countries are facing, Rwanda inclusive. The statistics shows that people living in extreme poverty in Rwanda was 36.9% in 2005/6 and the figure is expected to be reduced to 24.0% in 2012 (VUP Annual report 2009/10: 7). The following have been identified as the major causes of poverty:

-Lack of land, poor soils, drought/weather, lack of livestock and ignorance (Ubudehe survey cited in EDPRS strategy (2007: 14). In addition to these causes there is also financial exclusion in that most people in developing countries or the majority of poor people do not access finance in commercial banks. In the case of Rwanda where there is limited number of commercial banks for a population of over 10 million these poor people do not get finance from these banks as result of not having collateral securities that are considered as precondition to get finance from commercial banks. Therefore, these people prefer to deal with MFIs which do not necessarily require collateral securities. We therefore greatly appreciate the role played by some MFIs that take care of this category of poor population that do not necessarily fulfill all conditions required by commercial banks to secure loans aimed at assisting them in poverty reduction projects. It is in this regard the researcher wants to assess the contribution of MFIs a case of Unguka bank in the process of reducing poverty in Rwanda.

## **1.3. Objectives of the study**

### **1. 3.1 General Objectives**

The general objective of this research is to assess the contribution of MFIs in the process of reducing poverty in Rwanda a case of Unguka bank.

### **1.3.2 Specific objectives**

- i. To analyze the socio-economic impacts of Unguka bank on its clients
- ii. To assess the strategies applied by Unguka bank in ensuring its sustainability in the process of reducing poverty.
- iii. To examine the problems encountered by Unguka bank in providing small loans to its clients.
- iv. To come up with appropriate suggestions and recommendations on how Unguka bank can contribute to poverty reduction in Rwanda.

### **1.4. Research questions**

- i. What are the socio-economic impacts of Unguka bank on its clients?
- ii. What are the strategies applied by Unguka bank in ensuring its sustainability in the process of reducing poverty?
- iii. What are the problems encountered by Unguka bank in providing small loans to its clients?
- iv. What are the appropriate suggestions and recommendations on how Unguka bank can contribute to poverty reduction in Rwanda?

### **1.5. Scope and limitations of the study**

The scope of this study covered Unguka bank as a Microfinance institution that is used to represent other MFIs in Rwanda and specifically based in Kigali city. In addition to this, the study assessed the contribution of MFIs in the process of reducing poverty in Rwanda.

- i. The major limitation during this study was the respondents' willingness to provide all information requested because some respondents were negligent to give the required information.
- ii. Apart from respondents' willingness, time and resource (financial) constraints compelled the study to use a very small sample from the whole population of Unguka bank staff and its clients based in Kigali city.

- iii. Majority of respondents were Kinyarwanda speaking yet the study language is English. Questionnaires had to be translated in Kinyarwanda. Dissemination of the research might not help them as the final report is in English.

### **1.6. Significance of the study**

At the end of this MBA in Project Management, the researcher's contribution in this area of study will be beneficial to Unguka bank, other MFIs and clients by increasing their awareness on the practicability of the sector and taking some corrective measures to improve the performance of other MIFs in Rwanda.

To the researcher, the study contributed to the existing knowledge of the literature about the MFIs contribution to poverty reduction in the country.

To the MSM and the School of Finance and Banking (SFB), the study will serve as a reference to future researchers and policy makers.

### **1.7. Organization of the study**

The study comprised five chapters:

The chapter one: Introduction, briefly gives the background, the problem statement, the Research questions and objectives, the scope and limitations of the study as well as the significance of the study.

Chapter two: Literature review, the researcher had reviewed existing literatures from different sources like text books, reports, journals, magazines and visiting different websites.

Chapter three: Theoretical Framework and Research Design. In this chapter, the research design and the methods of data collection were explained. Descriptive research design was used and therefore, the research methodology for the case study was sufficiently developed in this chapter.

Chapter four: Data Analysis, Findings and Discussion. Data collected during the research period was gathered and presented here. The data build a foundation on which analysis, interpretation and findings had based.

Chapter five: Summary of findings, Conclusion, Recommendations. In this chapter the researcher presented the summary of major findings, followed by the conclusion and recommendations.

### **1.8. Unguka Bank Profile**

UNGUKA Bank Ltd is a microfinance Bank created on 30<sup>th</sup> January 2005 as a microfinance institution, a public company limited by shares. The creation of UNGUKA was as a result of an agreement of 214 shareholders who started with a capital of 321,100,000 Rfws represented by 3,211 shares of 100,000 Rwf each. Starting with only two branches (Remera and Nyabugogo) and the head office at Nyabugogo which shifted to Remera in 2007, it was authorised to operate on a temporary basis on 4 August 2005. During the microfinance crisis of June 2006 in Rwanda, UNGUKA was authorised to open two more branches, Musanze and Rubavu in the Northern and Western provinces respectively and authorised to operate on a definitive basis. On 6<sup>th</sup> April, 2011, the board of directors for the National Bank of Rwanda granted IMF-UNGUKA S.A a licence to operate as a Microfinance Bank.

In January 2008, UNGUKA opened two more branches in Kora and Nyarugenge, in the western province and Kigali city respectively. In August 2009 one more branch was opened in Mukamira, Nyabihu Districk and in February 2010, another branch in Mahoko, Rubavu District was opened. In April 2011, four branches were opened which include: Muhanga in Muhanga District, Ngororero in Ngororero District, Kabaya in Nyabihu District and Gakenke in Gakenke District. The total number of branches today stand at twelve. In a bid to diversify our products, we have three forex bureaus at Nyarugenge, Musanze and Rubavu. The general assembly of March 23, 2008 raised the capital to 1,766,600,000 Rfws, more than 5.5 times the initial capital in a period of only three years.

UNGUKA has gained two prizes: Best Performance MFI in Corporate Governance given by AMIR and Best Investor Award, given by RDB (Rwanda Development Board), both in 2009.

### **1.8.1. The Vision, Mission, Objectives, Values and Motto of Unguka Bank Ltd**

UNGUKA is a very ambitious institution that wants to grow its outreach in a predictable manner, being able to predict the challenges ahead and being able to take advantage of the opportunities in order to achieve its objectives. To achieve UNGUKA has set its vision, mission, objectives and core values that serve as a guide of ensuring that the institution remains on the right growth path for the next five years.

#### **1.8.1.1. Vision**

To become the reference bank in the best practice in the region.

#### **1.8.1.2. Mission**

UNGUKA's mission is to provide quality financial services to the economically active population of Rwanda, while providing a return to its shareholders in order to contribute to the overall development effort of country.

#### **1.8.1.3. Core Values**

UNGUKA is still a young banking institution but full with ambition, creativity, energy and commitment all oriented towards providing quality financial services to the public and contribute towards poverty reduction through microfinance services. Unguka will work working side by side with other like-minded institutions and will join forces with other actors sharing the same mission. To achieve this, UNGUKA has set the following core values that will guide its interactions and business processes.

- i. Integrity
- ii. Ownership
- iii. Engagement
- iv. Professionalism
- v. Mutual respect
- vi. Competitiveness

#### **1.8.1.4. Motto**

Progress and Prosperity



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

Chapter two which covered literature review on theories of microfinance and poverty reduction in Rwanda has not ignored views and ideas from previous researchers about the contributions of MFIs in the process of poverty reduction in Rwanda. Poverty reduction in developing countries presents a major challenge. A number of strategies have been developed by different countries to deal with it. It is in this regard that Micro finance programs which specifically target the poor constitute a major tool for improving the standard of living without creating dependency and encourages them to take part in the economic process.

Microfinance plays a crucial role in the Rwandan economy, and more broadly in society as a whole. That role has been recognized and prioritized in Government of Rwanda's medium term Economic Development and Poverty Reduction Strategy (EDPRS). It is now clearly understood that microfinance institutions (MFIs) do not merely help recipients of loans; rather, they have systemic impacts that benefit a broad segment of Rwandan poor society(Microfinance policy2006: 13).

EDPRS, primarily through its flagship programme of Vision 2020 Umurenge focuses on providing microfinance designed to stimulate the economy , create growth and ultimately, to benefit the poor. The flagship programme targets individuals above 15 years of age, by tailoring responsive interventions to meet holistic needs. Each programme component of the flagship has a financial service element where MFIs are expected to play a fundamental role.(Microfinance policy 2006:13).

### **2.2. Poverty Concepts**

#### **2.2.1. Definitions**

According to World bank (2001), cited in Lorenzo (2005:2) poverty is the lack of, or the inability to achieve a socially acceptable standard of living.

According to OECD (2001) cited in Sumiter (2002: 10) poverty encompasses different dimensions of deprivation that relate to human capabilities including consumption and food security, health, education, rights, voice, security, dignity and decent work.

In the Rwandan context where poverty was defined differently by different provinces, the Participatory Poverty Assessment (2001:23) summarized poverty definitions from all provinces as “The lack of basic necessities in one’s life, which deteriorates life standards leading to despair and bad look, and result in a continuous conflicts within the family”. According to this paper basic necessities are: Land, cattle, housing, bedding, clothing, food, household tools like hoes, kerosene, and soap, money for medical treatment and for payment of school fees (Summary from all provinces).

According to the Participatory Poverty Assessment (PPA) paper, poverty was further defined at three different levels as follows:

i. **Individual’s poverty**

The poor are the human being without means, without capacity to respond to basic life needs, it is someone hopeless. The poor often fall sick. In the cities they add that the poor is jobless, without shelter or has never been trained to afford any kind of living (PPA, 2001:23).

ii. **Family’s poverty**

A poor family is the one which has many members who consume without generating income, with not much labor force or the weak like elders, handicapped and orphans. Many poor families have small farmlands in the rural areas whereas in cities the poor families comprise people with low wages (Idem).

iii. **Sector Poverty**

A poor Sector is portrayed by lack of basic services like potable water, roads and bridges, markets for harvest and livestock, schools and health centers, electricity, small industries, development projects, investors and lack of job creating activities mainly for young people. This Sector has unpleasant settlement that is bad houses or constructed randomly. Such a Sector does

not have enough farms and has overused land resulting in frequent conflicts, poor communication facilities, and jobless people without even capacity to access credit (Idem).

### **Absolute Poverty**

Absolute poverty is defined as “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services” (David, 2005:3)

**Table 2. 1: Major causes of poverty in Rwanda**

<b>S/N</b>	<b>Causes</b>	<b>Share of respondents (%)</b>
1	Lack of land	49.5
2	Poor soils	10.9
3	Drought/weather	8.7
4	Lack of livestock	6.5
5	Ignorance	4.3
6	Inadequate infrastructure	3.0
7	Inadequate technology	1.7
8	Sickness	1.7
9	Polygamy	1.2
10	Lack of access to water	1.1
11	Population pressure	0.7
12	Others	10.6
<b>Total</b>		<b>100.0</b>

**Source: (EDPRS Report, 2007: 14)**

## **2.2 Microfinance Concepts**

### **2.2.1. Definitions**

Microfinance has evolved as an economic development approach intended to benefit low income women and men. The term refers to the provision of financial services to low income clients, including the self- employed (Joanna Ledgerwood, 2000: 1)

According to Marguerite S. Robinson (2000: 9), microfinance refers to small-scale financial services – primarily credit and savings provided to the people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of Land, vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban. Many such households have multiple sources of income.

The National Micro finance Policy of Rwanda published in July 2007 by the Ministry of Finance and Economic Planning of Rwanda, micro finance is defined as the situation when a physical or legal person:

- Either offers credit to a clientele that is not traditionally targeted by classical banking and financials, which clientele do not possess adequate material securities to offer in order to fully guarantee the repayment of the credit awarded; - either receives savings of clientele that is not usually targeted by the classical banking and financial systems and / or that does not possess sufficient material guarantee mortgage to ensure the refund of the credit contracted, if credit has been awarded to him or her.
  
- Either offers related financial services to a clientele that is not traditionally targeted by the classical banking and financial system.

According to Nkunda in her MBA thesis (2006:8), she defined Micro finance as the process of facilitating poor people to have access to financial services mainly credit and savings which they do not get from classic commercial banks. In my point of view Microfinance is the process of providing small and medium loans to be used as working capital by the poor or low income earners while considering acceptance of collateral substitutes such as group guarantees or compulsory savings.

### **2.2.2 Microfinance clients**

Microfinance clients are typically self-employed, low income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers like hairdressers, rickshaw drivers, artisans and small producers such as blacksmiths and seamstresses. Usually their activities provide a stable source of income often from more than one activity. Although they are poor, they are generally not considered to be the poorest of the poor (Joanna Ledgerwood , 2000 : 2)

### **2.3 Reasons for the growth of Microfinance**

Joanna Ledgerwood (2000:3- 4) cited the following as reasons for the growth of microfinance:

- i. The promise of reaching the poor. Microfinance activities can support income generation for enterprises operated by low- income households.
- ii. The promise of financial sustainability. Microfinance activities can help to build financially self -sufficient, subsidy-free, often locally managed institutions.
- iii. The potential to build on traditional systems. Microfinance activities sometimes mimic traditional systems (such as rotating savings and credit associations). They provide the same services in similar ways, but with greater flexibility, at a more affordable price to micro enterprises and on a more sustainable basis. This can make microfinance services more attractive to a large number of low income clients.
- iv. The contribution of microfinance to strengthening and expanding existing formal financial systems. Microfinance activities can strengthen existing formal financial institutions, such as savings and loan cooperatives, credit union networks, commercial

banks, and even state-run financial institutions, by expanding their markets for both savings and credit and potentially their profitability.

- v. The growing number of success stories. There is an increasing number of well documented, innovative, success stories in settings as diverse and rural Bangladesh, urban Bolivia and rural Mali. This is in a stark contrast to the records of state-run specialized financial institutions which have received the large amount of funding over the past few decades but have failed in terms of both financial sustainability and outreach to the poor.

#### **2.4. Types of Microfinance Institutions (MFIs)**

There can be various different types of institutions involved in microfinance and the following were cited in the Rwanda microfinance Policy (2007: 15):

(a) Government related MFIs (e.g. BRI, Indonesia; Grameen Bank, Bangladesh)

(b) Privately owned (e.g. Hatton bank in Sri Lanka, Barclays Bank of Kenya;

Commercial Bank of Zimbabwe; ADEMI in the Dominican Republic; Banco Sol in Bolivia)

(c) NGOs, (e.g. CARE; World Relief, World Vision)

(d) Cooperatively owned (e.g. credit unions; village banks such as FINCA in Uganda; self-help groups or associations such as tontines).

(e) Individuals (e.g. moneylenders, pawnshops, friends, suppliers, relatives).

The characteristics of microfinance products include:

- i. Small amounts of loans and savings,
- ii. Short loan terms (less than one year),
- iii. Payment schedules featuring frequent installments/deposits,
- iv. High rates on credit (higher than commercial bank rates),
- v. Easy access to the MFI,

- vi. Simple application forms which are easy to complete,
- vii. Short processing periods (between completion of application and disbursement of the loan).

## **2.5. Objectives of the Microfinance Institution**

In any country there are unserved or underserved enterprises and households, ranging from the ultra-poor, who may be economically active, to small growing enterprises that provide employment in their communities. This range of continuum constitutes the demand side for microfinance services. Often the supply side does not offer a corresponding continuum of services. MFIs need to supply services that fill the gaps and integrate the unserved groups into the market.

The goal of MFIs as development organizations is to service the financial needs of unserved or underserved markets as a means of meeting development objectives. These development objectives may generally include one or more of the following (Joanna Ledgerwood, 2000: 34):

- i. To reduce poverty
- ii. To empower women or other disadvantaged population groups
- iii. To create employment
- iv. To help existing businesses to grow or diversify their activities
- v. To encourage the development of new businesses.
- vi. To create employment and income opportunities through the creation and expansion of microenterprises
- vii. To increase the productivity and incomes of vulnerable groups, especially women and the poor
- viii. To reduce rural families' dependence on drought-prone crops through diversification of their income-generating activities.

Given the large number of conditional variables in each country context, every organizational decision to enter or serve the target market will involve balancing the conditions in that market. This decision making process must keep in mind the two long –term goals of microfinance:

- a) Outreach, serving those who have been consistently underserved by financial institutions such as women, the poor, indigenous and rural populations.
- b) Sustainability, generating enough revenue to cover the cost of providing financial services.

## **2.6. Good practice in microfinance**

According to Rwanda microfinance policy implementation strategy (2007: 15) the most effective and efficient microfinance programmes for low income people must follow “a client first” approach that is be highly personalized and explicitly take into account client needs.

This policy goes further to describe a related method known as “relationship banking”, that entails openness and listening to clients, maintaining good personal relationships, building customer loyalty, and realistically tailoring repayment schedules according to household cash flows.

In Joanna Ledgerwood (2000: 4) sound microfinance activities based on best practices play a very important role in providing the poor with access to financial services through sustainable MFIs. However a number of failures have been identified:

- i. Some MFIs target a segment of the population that has no access to business opportunities, because of lack of markets, inputs, and demand. Productive credit is of no use to such people without other inputs.
- ii. Many MFIs never reach either the minimal scale or the efficiency necessary to cover costs.
- iii. Many MFIs face non supportive policy frameworks and daunting physical, social and economic challenges.
- iv. Some MFIs fail to manage their funds adequately enough to meet future cash needs and as a result, they confront a liquidity problem.
- v. Others neither develop the financial management systems nor the skills required to run a successful operation.
- vi. Replication of successful models has at times proved difficult due to differences in social contexts and lack of local adaptation.



## 2.7. Microfinance Sector in Rwanda

Microfinance in Rwanda began in a formal way with the founding of the Rwanda People’s Bank in 1975. Prior to that time, small, informal self-help groups referred to as “tonines” and “Ibimina” provided microfinance on a less organized basis.

The microfinance sector grew extensively with the significant influx of donor funds post-genocide. Different types of MFI, both legitimate and illegitimate sprang up, with services and mandates that varied considerably. Given the state of emergency existing at the time, it became difficult to differentiate between gifts, on the one hand, and credit that had to be repaid on the other. The resulting confusion led to a “weak culture of loan repayments.” Predictably, fewer MFIs are thus sustainable, a fact which in turn makes it difficult to commercialize the microfinance sector or to disburse loans at the level demanded by society. See below for a brief timeline of key events in the development of microfinance in Rwanda.

**Table 2. 2: Evolution of Microfinance Sector in Rwanda**

1975	Creation of first UBPR
1995	Reform of financial sector launched
1999	BNR assigned responsibility to regulate and supervise MF sector
2002	FOREDEM created
2002/2003	Regulatory provisions, process of application for BNR
2003	Process of application for BNR approval began
2004	First conference on microfinance
2006	Closure of 9 poorly performing MFIs
2006	National Microfinance Policy passed
2007	Microfinance law drafted creation of Association of Microfinance Institutions in Rwanda (AMIR).

**Source: NMPIS (2007: 19)**

## **2.8. Principles of the Microfinance Sector**

In September 2006 the Ministry of Finance and Economic Planning (MINECOFIN) drafted a policy framework defining the orientation of the microfinance sector, with the ultimate objective of contributing to social and economic development in both rural and urban areas. This policy provides microfinance sector development framework and consists of seven key principles as follows (Microfinance Policy, 2007: 22):

- i. The Government role is to create a favorable environment, without being a provider.
- ii. The Government is charged with creating favorable conditions for the establishment and growth of sustainable and self-sufficient MFIs.
- iii. The Government supports a complete integration of the MF sector into the financial system framework.
- iv. Supervision and regulation are required to ensure safety of deposits. Prudential regulation is required for some categories of MFIs.
- v. Local, national and international partnership and networking to spread best practice and professionalism is encouraged.
- vi. The people of Rwanda will be best served by professional, sustainable MFIs that offer diverse products and services.
- vii. MFIs should assist in the empowerment of women and should be available to all sections of the community particularly the poor and vulnerable.

The National Policy also recognizes the microfinance sector as a key instrument for poverty reduction through strengthening of the private sector, diversifying investment, generating employment and diversifying rural sources of income. It notes some key opportunities for the sector, which include untapped market demand, high population density and active donor community. However, it also recognizes that: “Many MFIs do not currently possess the capacity to operate in a secure and sustainable manner. They still focus on urban or semi-urban areas and

do not offer adequate financial products adapted to the low income branch of the population (National Microfinance policy, 2007: 23).

## **2.9. Stakeholders in Rwanda Microfinance Sector**

The stakeholders in Rwandan microfinance sector are those parties interested and involved in microfinance at a national level and are categorized into Primary and key stakeholders. The primary stakeholders are those who are poor and vulnerable, whose lives the MF sector is designed to improve such as existing and potential MFI clients, particularly women and the under-served rural population. Access to finance is critical for poor households to take advantage of new business opportunities, expand income-generating activities, and cope with external shocks and life cycle events. Poor people, particularly in rural areas, need savings, credit, cash transfer, and insurance services, in the same way as others who are not living in poverty do. Key stakeholders include those with resource and decision making power such as MINECOFIN, Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (MINICOM), Ministry of Local Government, Community Development and Social Affairs (MINALOC), Banque Rwandaise de Development (BRD) through FOREDEM, National Bank of Rwanda (BNR), The Association of Microfinance Institutions in Rwanda (AMIR), donors, commercial banks and local government. Significantly the Government will not be a provider of microfinance services but will play the role of facilitating, supporting and organizing the sector, whilst BNR has primary responsibility for the regulation and supervision of MFIs. AMIR has the responsibility of building the capacity of the sector, although in order to accomplish this is itself in need of significant strengthening (National Microfinance Policy 2007: 23).

## **2.10. Microfinance as a Poverty Reduction Mechanism**

In Rwanda like any other developing country its commercial banks and other financial institutions have historically targeted the richer proportion of society who have a greater capacity to service and repay loans and maintain savings. The poor remain typically either un-served or offered inappropriate financial services. Poor farmers and landless labourers have experienced difficulty in accessing financial services from conventional financial institutions such as commercial banks. In reality many credit and savings programmes do not in fact reach the poorest, although they can benefit the slightly less poor (National Microfinance Policy 2007:16).

The MFIs in seeking to sustain their business, the poorest of the poor do not represent attractive clients. Meanwhile self-selected solidarity groups exclude the most vulnerable, as members are selected on basis of who is believed to be able to repay and can offer their small collateral within the group. It is assumed that microfinance enables the poorest people to earn more, build their assets and invest in better health, education, nutrition and housing. When vulnerable people are exposed to high risks they may even become poorer, especially when credit extended to them is not accompanied by capacity building and sensitization (Idem). Destitute people with no income or means of repayment need other kinds of support before they can make good use of loans.

Microfinance should be considered as one of the elements that could be used in the process of reducing poverty. It is considered as a highly useful tool that provides access to financial and nonfinancial services to low income entrepreneurs but not by itself a ‘magic recipe’ for poverty reduction (Idem).

### **2.11. Categories of Microfinance Institutions (MFIs)**

The MFIs were divided into 4 categories according to the Rwanda National Microfinance Policy (2006: 24) as follows:

#### **Category 1**

The informal microfinance institutions, which are in the form of ‘tontines’. They request no legal form and approval of the Central Bank for their activities. An informal MFI shall accept only contributions from its members and offer them credits, up to a limit of received contributions.

#### **Category 2**

MFIs that have acquired a legal form of savings and credit cooperative. The value of deposits they have mobilized is less than an adequate capital fixed by regulations of the Central Bank. It is exonerated of certain prudential standards like the solvency ratio and the legal requirement for minimum capital and they should not have more than one service point or counter.

### **Category 3**

MFIs that have adopted the legal form of savings and credit cooperative or limited company (SA). They will have already mobilized a volume of deposits more than an adequate capital fixed by regulations of the Central Bank. They are required to respect the management rules and prudential norms defined by the Central Bank corresponding to their level of categorization, and have to adopt a structure of functioning and control.

### **Category 4:**

This category is composed of MFIs that grant credits to the public without receiving the deposit

The Central Bank defines by means of regulations, a special regime of control for the micro finance institutions of the fourth category.

## **2.12. The Status, Development and Operations of Microfinance Institutions in Rwanda**

Most of MFIs in Rwanda are located in urban areas. Low-income households in Rwanda suffer from a shortage of micro financial services options. MFIs services in Rwanda are comprised of two types of products:

### **i. Individual loans**

These are used to finance short-term working capital requirements of existing businesses, most often in urban or semi-urban retail and mercantile sectors.

### **ii. Group loans**

These are used to support the income-generating activities of men and women in the lower income categories of Rwandan society. Other microfinance tools, such as alternative credit and savings products, are almost non existing.

Agricultural credit programmes also exist, but these programmes are few in number and have not always followed the best practice standards of the industry. More tailored financial services, such as, asset-based lending, and micro-leasing products, are not widely available in

the Country. Private banks continue to be hesitant to provide funding to MFIs and often see microfinance as too risky an investment. Other obstacles are a lack of MFIs institutional capacity such as reporting standards, insufficient training, lack of legal structure, and weak governance. The internal functions and processes of most MFIs are also not well suited to serving the microfinance sector in an efficient, sustainable and productive way. The current outreach infrastructure, delivery mechanisms, risk calculation, and cost structures of most micro lending programmes do not match with the micro markets they serve. Commercial banks are all too often unwilling to play the role of wholesaler of funds in such a climate (NMPIS 2007: 21).

Increased engagement with microfinance is pre-empted, or retarded, by limited knowledge, mal-functioning information channels, and the lack of communicative infrastructure. In addition, the lack of both specialized credit information bureaus and access to credit histories of microfinance clients (including loan repayments, utility bill repayment history, unpaid debts) has resulted in an increasingly common phenomenon, whereby clients are permitted to borrow from various financial institutions simultaneously without MFIs knowledge.

Microfinance, which is an industry replete with its own characteristic features, differs significantly from conventional banking practices. As such, microfinance demands specialized skills performed by specially-trained practitioners. Such specialized training has, in large part, been provided over the past five years by donors who have offered opportunities by training the personnel employed in a number of MFIs. While this has significantly enhanced the level and extent of specialized knowledge on a national scale, it unfortunately has not been sufficient (NMPIS 2007: 22).

Indeed, there is a lack of local and training service providers, in both the private and public sectors, capable of providing world-class microfinance training programmes. A number of detriments dilute the effectiveness of the existing training that is available. First, rather than comprising a part of a broad and coherent framework, such training is often implemented in sporadic, haphazard and un-coordinated ways. Yet another detriment is the absence of stakeholder coordination, which has resulted in the squandering of

valuable time and resources, and worse, the creation of a distorted and malfunctioning market. The absence of unambiguous standards and guidelines is not only confusing, but detrimental to the cultivation of the industry's "best practice." The attempts of the government, the non-governmental sector, and donor organizations to develop this sector, till very recently, remained uncoordinated, thereby minimizing any benefits which could potentially accrue to the industry (Idem).

### **2.13. Research gap: why this research?**

This chapter reviewed some theories on microfinance and poverty. Microfinance is based on principles that appear to be as well tools for reducing poverty in the world in general and in Rwanda in particular. Microfinance institutions also offer products targeting the poor and has demonstrated that microfinance can contribute towards reducing poverty in the societies where majority of the population is facing poverty. Many problems in microfinance can, however be mentioned, such as the one whose this study's main concern (poverty reduction). Had the above reviewed literature contributed to work out on this problem? Or in other words, has the above theories and concepts successfully linked to theories of microfinance and poverty reduction through Microfinance Institutions? The reply is clearly no. It consequently sets a chance for this study. It is going to link both concepts in the Rwandan context and global context. Though, let us talk about in chapter three the methodology to use in order to solve this problem..

## **CHAPTER THREE: THEORETICAL FRAMEWORK AND RESEARCH METHODOLOGY**

### **3.1. Introduction**

In the past, microfinance has been a very important instrument for allowing people excluded from the banking sector to access financial services. As defined by the law, the activity of microfinance shows an act to offer financial services to the poor people who cannot afford collateral security a precondition to access financial services from commercial banks. For that reason, if microfinance is used in a suitable legal framework and with professionalism, it can enable the poor to improve their living conditions and generate wealth in a sustainable development way.

### **3.2. Research objectives**

Research general objective is to assess the contribution of MFIs in the process of reducing poverty in Rwanda and the specific objectives were to analyze health standards, Nutrition, housing, wealth, income and employment impacts of Unguka bank on its clients , to assess the strategies applied by Unguka bank in ensuring its sustainability in the process of reducing poverty, to examine the problems encountered by Unguka bank in providing small loans to its clients and to come up with appropriate suggestions and recommendations on how Unguka bank can contribute to poverty reduction in Rwanda.

### **3.3. Research Assumptions**

The research was carried out with the assumption that microfinance is a new sector in Rwandan banking systems. It is attracting enough attention from the government of Rwanda which is creating a conducive business environment. Assisting the poor to reduce poverty has not been taken seriously by microfinance institutions. It is influenced largely by the financial capacity of MFIs. These institutions are facing the problem of assisting the poor to access finance with no collaterals a precondition for traditional commercial banks to secure loans that can assist these people to afford good living conditions.



### **3.4. Research limitations**

This study was subject to the following limitations:

- i. The major limitation during this study was the respondents' willingness to provide all information requested because some respondents were negligent to give the required information.
- ii. Apart from respondents' willingness, time and resource (financial) constraints compelled the study to use a very small sample from the whole population of Unguka bank staff and its clients based in Kigali city.
- iii. Majority of respondents were Kinyarwanda speaking yet the study language is English. Questionnaires had to be translated in Kinyarwanda. Dissemination of the research might not help them as the final report is in English.

### **3.5. RESEARCH METHODOLOGY**

#### **3.5.1. Research Design**

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 2008). The researcher approached the study using descriptive research design to describe the suitable microfinance institutions and poverty reduction in order to come up with findings that can contribute in reducing poverty in Rwanda.

#### **3.5.2. Desk Research**

In this study, the existing materials were consulted such as literature and official statistics publications from various sources. School of Finance and Banking library and other libraries of higher learning institutions in Kigali were visited for the information related to theories and concepts of microfinance and poverty in Rwanda.

In addition to this, reports, journals, newspapers and websites relevant to this study were used and consulted. Furthermore, Unguka bank also contributed by providing relevant information.

### **3.5.3. Field Research**

During this study, the field research took one month from mid July to mid August. For such a month, Unguka bank was the area of study where 60 clients of Unguka bank and 2 senior managers were reached by the researcher. The clients were selected using convenience sampling as the researcher wanted to deal with those clients whom he could access easily, while Unguka bank senior managers were interviewed by the researcher for the sake of policy information. The instrument to collect data from all the clients was the questionnaire and gathering information from the two senior managers from Unguka bank was by an interview.

### **3.5.4. Area of Study**

The area covered by this study was Kimironko where the headquarter of Unguka bank is located. This location was preferred because many Unguka bank clients usually visit there for the sake of different services and information.

### **3.5.5. The Population**

The target population can be defined as the totality of cases that conform to some designated specification (Kothari, 2008). The specifications define the elements that belonged to the target group and those that excluded from it. In this study the target population was all Unguka bank clients and its two senior managers because the researcher assumed them to be more knowledgeable in the field.

### **3.5.6. Sample and Sampling Design**

This study used convenience sampling technique for its clients as the researcher wanted to deal with all those clients whom he could access easily. The researcher selected the sample based on the fact that it would most likely provide the desired information and was a reasonable one in order to represent the true situation.

### **3.5.7. Sample Size**

Sample size refers to the number of items to be selected from the universe to constitute a sample (Kothari, 2008). This study had two kinds of samples, the first category contained 60 Unguka bank clients and the second category contained 2 senior managers from Unguka bank.

### **3.5.8. Types and Sources of Data**

In this study both primary and secondary data were collected. Primary data were gathered from Unguka bank clients, as well as the senior management staff from Unguka bank. Secondary data were obtained from published and unpublished materials such as journals, reports, articles, text books, thesis and dissertations as well as websites to access the information concerning Microfinance and poverty in general perspective and in Rwandan context.

### **3.5.9. Data Collection Methods**

Under this study questionnaires were used to collect data from respondents. The research assistants under the supervision of the researcher were used to administer the questionnaires and provide clear explanations where necessary. In addition, the study had the questionnaires for Unguka bank clients and an interview guide to collect desired information from Unguka bank senior staff. Questionnaires were prepared in such a way that the following were observed, anonymity, being as short as possible, key required information was covered, logical and user friendly questions were also taken into consideration. In addition to that, the researcher also decided to use an interview guide to collect the detailed information that was in line with the study objectives.

### **3. 5.10.Data Reliability**

Reliability is the ability to obtain similar results if/when measuring an object, traits or construct with independent but comparable measures. Thus, the Cronbach's Alpha coefficient was used to test reliability. This coefficient was obtained in a more sophisticated way by performing all possible split halves for data and all the comparisons were aggregated to get the coefficient and this became possible by the use of computer (Mitchell, V., 1996). Cronbach's Alpha coefficient ranges in value from 0 to 1. When it is above 0.7 up to 1 is considered to be reliable and less than 0.7 up to 0 it is unreliable.

## The reliability of the questionnaire for Unguka bank clients.

### Reliability Statistics

Cronbach's Alpha	No. of Items
.785	28

Source: Primary data (SPSS data)

#### 3.5.11. Data Validity

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested (Kothari, 2008).

To ensure validity the researcher adjusted the research instruments and made them simple to understand by the respondents and made the necessary corrections accordingly. This was to ensure that the respondents found it friendly and simple to fill in and to provide the precise and valid data.

#### 3.5.12. Data Cleaning

This refers to data preparation, which included editing and eliminating errors in coding and transmitting the data to the computer (Kothari, 2008). Some preliminary work was done to clean up data before analysis. Raw data were edited to detect various errors, omissions, ambiguities of responses as well as irregularities. Those with a margin of error, inconsistencies and omissions were rejected. Cleaning of data was done to ensure both reliability and validity of the study.

#### 3.5.13. Data Analysis

After data collection, data were organized and summarized into meaningful form for interpretation purpose. This process was done automatically using computer aided program which for this study was SPSS (Statistical Package for Social Science) because it was flexible, multifunction and user friendly. In describing data, the researcher made use of tables mainly.

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

### 4.0. Introduction

This chapter presents an analysis of the data collected from the distributed questionnaires and from interviews and the findings derived from the analysis. It is divided into two main parts. The first part contains a descriptive analysis that presents simple statistical results obtained from clients, by using an instrument known as questionnaire while the second part deals with analysis and interpretation of the information that was provided by Unguka Bank.

**Table 4. 1: The Questionnaires Distributed and those Returned**

Respondents	Distributed Questionnaires	Returned Questionnaires	Response rate
Unguka bank Clients	60	60	100%
Total	60	60	100%

**Source: Primary data**

Table 4.1 above shows that the total number of distributed questionnaires were all answered and returned. This indicates that the response level was 100%.

### 4.1. Descriptive Statistics Analysis for Unguka bank clients

**Table 4. 2: Gender of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	30	50.0	50.0	50.0
Female	30	50.0	50.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.2 above shows that 50% of the respondents were male, while the remaining 50% were female. From these findings we can conclude that the survey treated the respondents equally by reaching equal number of male and female clients.

**Table 4. 3: Age of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Between 18 and 25	9	15.0	15.0	15.0
Between 26 and 35	37	61.7	61.7	76.7
Between 36 and 45	14	23.3	23.3	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.3 above indicates that, 15% of the respondents were falling in age range of between 18 and 25, 61.7% of the respondents were between 26 and 35 years , 23.3% were between 36 and 45 years. We could conclude that the majority of the sampled clients who deal with Unguka bank fall in age range of less than 35 years that is to say active manpower, though there is a significant percentage of the sampled clients who are above 35 years and who can even perform better once they are dealing with Unguka bank.

**Table 4. 4 : Marital status of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	9	15.0	15.0	15.0
Married	32	53.3	53.3	68.3
Widow/Widower	19	31.7	31.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

The table 4.4 above shows that 15% of the surveyed clients in Unguka bank were still single, 53.3% of these clients were married, whereas 31.7% of the clients were either widow or widower. From this analysis we can conclude that the majority of Unguka bank clients was married, though there is a significant percentage of single, widow or widower and this explains that dealing with married clients for a bank is more reliable than clients who are not married.

**Table 4.5 : Nationality of the respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rwandese	57	95.0	95.0	95.0
	Non- Rwandese	3	5.0	5.0	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

The table 4.5 above signifies that 95% of Unguka bank were Rwandese, whereas 5% were Non-Rwandese. From this analysis we can conclude that for a domestic bank dealing with nationals is more reliable than dealing with foreigners and reducing poverty in the case of Rwanda targets Rwandans more than none Rwandans.

**Table 4.6: Education level of the respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Illiterate	24	40.0	40.0	40.0
	Primary	25	41.7	41.7	81.7
	Ordinary level secondary	3	5.0	5.0	86.7
	Advanced level secondary	8	13.3	13.3	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.6 above indicates that, 40% of Unguka bank was illiterate, 41.7% were primary leavers, 5% were ordinary level secondary, whereas 13.3% were advanced level secondary. From these findings, we can conclude that these clients have insufficient education level which can prevent them from opting to deal with big commercial banks.

**Table 4. 7: Profession of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Farmers	6	10.0	10.0	10.0
Artisans	17	28.3	28.3	38.3
Retailers	34	56.7	56.7	95.0
Wholesalers	3	5.0	5.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.7 above shows that, 10% of Unguka bank clients that had been reached by the researcher were the farmers, 28.3% were artisans, 56.7% of these clients were retailers, whereas 5% of these clients, were wholesalers. We could conclude that the majority of the clients are in retailing business and other business that generate daily cash which may involve cash deposit or withdrawals from or to Unguka bank.

**Table 4. 8: Length of time dealing with Unguka bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Between 1 and 3 years	39	65.0	65.0	65.0
Between 4 and 5 years	21	35.0	35.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**



Table 4.8 above shows that 65% of Unguka bank clients had been dealing with this bank between 1 and 3 years, whereas 35% of the clients had been dealing Unguka bank between 4 and 5 years. From this analysis the conclusion is that Unguka bank has increased the number of its clients during the past three years due to improved performance in terms of capacity to give loans.

**Table 4. 9: Having dependants**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	54	90.0	90.0	90.0
No	6	10.0	10.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.9 above indicates that 90% of Unguka bank clients had dependants, while 10% of these clients had no dependants. This may explain that having dependants may be one of the reasons to suffer from poverty which needs to deal with microfinance institutions to overcome this problem.

**Table 4. 10 : The number of dependants**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid One to three	14	23.3	23.3	23.3
Four to seven	46	76.7	76.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.10 above signifies that 23.3% of the clients agreed that they had one to three dependants, while 76.6% supported that they had three to seven dependants. The conclusion from the majority is that having many dependants may lead to regular poverty and the only way to overcome this problem is to deal with microfinance institutions to assist in accessing finance even if there is no physical collateral security to present to the bank.

**Table 4. 11: Ability to pay dependants' school fees with monthly earned income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	11	18.3	18.3	18.3
No	49	81.7	81.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.11 above shows that 18.3% of Unguka bank clients had ability to pay for their dependants' school fees with monthly earned income before joining Unguka bank, whereas 81.7% of them agreed that they had no ability to pay for their dependants' school fees with monthly earned income before joining. The analysis above shows that majority of Unguka bank clients used not to meet these needs as they were still poor.

**Table 4. 12: Category of schools to attend**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Private	8	13.3	13.3	13.3
Public	52	86.7	86.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.12 above indicates that, 13.3% of those who used to afford school fees for their dependants had taken them into private schools, whereas 86.7% had taken them into public schools. The findings shows that affording school fees and taking dependants into good schools is another thing, the majority of clients had preferred public schools as the cost there was minimal and affordable to many.

**Table 4. 13: Ability to pay dependants' medical insurance with monthly earned income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	5	8.3	8.3	8.3
No	55	91.7	91.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.13 above demonstrates that 8.8% of the clients had the ability to pay dependants' medical insurance with monthly earned income before joining Unguka bank, while 91.7% had agreed that they had no ability to to pay dependants' medical insurance with monthly earned income before joining Unguka bank. This may explain that dealing with Unguka bank was necessary in order for them to get source of income as a way to improve their welfare for the no answer.

**Table 4. 14 : Category of medical insurance in use**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Mutuelle de santé	40	66.7	66.7	66.7
MEDIPLAN	10	16.7	16.7	83.3
MEDISANA	10	16.7	16.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.14 above proves that 66.7% of Unguka bank clients had mutuelle de santé as their medical insurance, 16.7% had MEDIPLAN as their medical insurance, whereas 16.7% had MEDISANA as their medical insurance. From the findings we can conclude that the majority of the clients of this bank had mutuelle de santé which is at cheap cost while MEDIPLAN and MEDISANA show that they had started improving their welfare as a result of dealing with Unguka bank.

**Table 4. 15: Easy to pay dependants' school fees after joining Unguka bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Much easy	53	88.3	88.3	88.3
	Still difficult	7	11.7	11.7	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.15 above indicates that, 88.3% of the clients had agreed that it was much easy for them to pay dependants' school fees after joining Unguka bank, whereas 11.7% of the clients said that it was still difficult for them pay dependants' school fees after joining Unguka bank. From the findings the conclusion is that joining Unguka bank had contributed to improve the living conditions of the majority even if there is a small portion of these clients who are still struggling to improve their living conditions through dealing with Unguka bank.

**Table 4. 16 : Easy to pay dependants' medical insurance fees after joining Unguka bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Much easy	51	85.0	85.0	85.0
	Still difficult	9	15.0	15.0	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.16 above signifies that, 85% of the clients had agreed that it was much easy for them to pay dependants' medical insurance fees after joining Unguka bank, while 15% of the clients said that it was still difficult for them to pay dependants' medical insurance fees after joining Unguka bank. From the findings the conclusion is that joining Unguka bank had empowered majority of the clients to afford medical insurance fees even if there is a small portion of these clients who are still work hard to afford the minimum acceptable living conditions through dealing with Unguka bank.

**Table 4. 17: Easy to afford dependants' good housing/accommodation after joining Unguka bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Much easy	50	83.3	83.3	83.3
	Still difficult	10	16.7	16.7	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.17 above explains that, 83.3% of the clients had agreed that it was much easy for them to afford dependants' good housing or accommodation after joining Unguka bank, whereas 16.7% of the clients said that it was still difficult for them to afford dependants' good housing or accommodation after joining Unguka bank. From the above analysis we can conclude that joining Unguka bank had enabled the majority of the clients to afford good housing or accommodation even if there is a small portion of these clients who still need to work hard to meet good housing or accommodation for their dependants.

**Table 4. 18: Having Monthly savings before joining Unguka bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	13	21.7	21.7	21.7
	No	47	78.3	78.3	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.18 above indicates that, 21.7% of the contacted clients had agreed that they had monthly savings before joining Unguka bank, whereas 78.3% said that they had no monthly savings before joining Unguka bank. From this analysis it is clear that majority of the clients had no monthly savings before joining Unguka bank which explains poverty situation but there were a considerable percentage of the clients who used to save per month and this but a minimal amount.

**Table 4. 19: Range of monthly savings**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than RWF 10,000	52	86.7	86.7	86.7
Between RWF 10,000 and 25,000	8	13.3	13.3	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.19 above demonstrates that, 86.7% of the clients had agreed that they used to save less than RWF 10,000 before joining unguka bank, while the remaining percentage of 13.3% had savings between RWF 10,000 and 25,000 before joining Unguka bank. From these findings we can conclude that even if the savings had existed, they were minimal and with this range of savings, people keep suffering from poverty.

**Table 4. 20 : Current monthly savings after joining Unguka bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Between RWF 10,000 and 25,000	45	75.0	75.0	75.0
Between RWF 25,000 and 100,000	15	25.0	25.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.20 above shows that, 75% of the clients after joining Unguka bank had agreed they had savings of between RWF 10, 000 and 25, 000 while the remaining percentage of 25% had

savings between RWF 25,000 and 100,000. From these findings we can conclude that even Unguka bank enabled all of its clients to start savings, one of the ways to access finance and assist in poverty reduction.

**Table 4. 21: Receiving any loan from Unguka bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	86.7	86.7	86.7
	No	8	13.3	13.3	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

The table 4.21 above indicates that 86.7% of the clients had agreed that they received loan from Unguka bank, while the remaining 13.3% of these clients had rejected that. From the analysis we can conclude that the majority had received loans from Unguka bank as a way to improve their living conditions and even if there is a certain percentage of those who had not received the loan it is promising that Unguka bank in providing loans to its clients can assist in the poor to reduce poverty levels which they used to experience.

**Table 4. 22: Type of loan received from Unguka bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Loan in solidarity	42	70.0	70.0	70.0
	Ordinary credit	18	30.0	30.0	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.22 above shows that 70% of the clients reached by the researcher had accepted they received loan in solidarity from Unguka bank while 30% of these clients had confirmed they received ordinary credit from the said bank. From the findings above the conclusion is that majority of these clients received loan in solidarity to overcome collateral security problem for those poor clients who had not owned collaterals but a sizeable percentage of the clients received loans which need clients to present individual physical collaterals and good business plan of the business to be carried out.

**Table 4. 23: Amount of loan received from Unguka bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than RWF 100,000	21	35.0	35.0	35.0
Between RWF 100,001 and 500,000	31	51.7	51.7	86.7
Between RWF500,001 and 1,000,000	8	13.3	13.3	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.23 above indicates that 35% of the clients who had been reached by the researcher had agreed that initially they had received a loan amounting to less than RWF 10,000, 51.7% of the same bank clients had accepted that they received amount of loan ranging between RWF 100,001 and 500,000, whereas 13.3% of the clients said that they received a loan of between RWF 500,001 and 1,000,000. From the analysis it is clear that the clients had started receiving small loan amounts and the loan repayment went well, Unguka bank had increased the amount to assist the poor to easily get loans which assist them to reduce or even alleviate poverty among Rwandans.



**Table 4. 24: Collateral security given to receive a loan**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Land	12	20.0	20.0	20.0
	Social guarantee	48	80.0	80.0	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.24 above shows that, 20% of the surveyed bank clients had agreed that they had presented land as their collateral security to secure loans from Unguka bank, while 80% had revealed that they had presented social guarantee to access finance in this bank. It is therefore observed that majority access finance in Unguka bank through social guarantee as it assists the poor clients who had no collaterals to access finance and run their businesses with peace of mind for them each group member is considered as the collateral security for others within or without of the group.

**Table 4. 25: Employing other people in running the business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	78.3	78.3	78.3
	No	13	21.7	21.7	100.0
	Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.25 above shows that, 78.3% had agreed they employ other people in running their businesses, whereas 13% said that they had not been employing other people in running their

businesses. From this analysis we can conclude that joining Unguka bank has empowered majority of the clients to create jobs for others even if there are few clients who had not reached this stage it is promising that the role which has been played by Unguka bank cannot be underestimated.

**Table 4. 26: Number of people employed in running the business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 5	50	83.3	83.3	83.3
Between 6 and 10	10	16.7	16.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.26 above indicates that, 83.3% of the clients had agreed they had been employing less than 5 other people, while 16.7% said that they had been employing between 6 and 10 other people. These findings illustrate that Unguka bank had contributed in improving people’s living conditions and job creation as revealed by majority of all clients who were reached by the researcher.

**Table 4. 27: Challenges that Unguka bank clients are facing**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High interest rate	9	15.0	15.0	15.0
Delays in processing loans	12	20.0	20.0	35.0
Receiving small loan amount	39	65.0	65.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.27 above demonstrates that 15% of the clients had mentioned high interest rate as the challenge facing them in dealing with Unguka bank, 20% of these clients had mentioned delays in processing loans, whereas 65% of the clients had revealed receiving small loan amount as the challenge facing them in their dealings with Unguka bank. From these findings we can conclude that though they had been facing all the above mentioned challenges the clients in collaboration with Unguka bank management try to deal with them and achieve their objectives.

**Table 4. 28: Ways to communicate suggestions and recommendations to the management of Unguka bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Through face to face with its staff	30	50.0	50.0	50.0
Through suggestion box	30	50.0	50.0	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.28 above shows that 50% of the clients in their dealings with Unguka bank had conveyed their suggestions and recommendations to Unguka bank through face to face with its staff, whereas 50% of the clients had addressed their suggestions and recommendations to Unguka bank through suggestion box. These findings explain that once clients have suggestions and recommendations that need to be addressed to the management of Unguka bank, it is easier for them to either use face to face with its staff or suggestion box to report them on time as these inputs from the clients side are the basis for the bank to improve the clients aimed service up to their expectations.

**Table 4. 29: Response that management gives on these suggestions and recommendations**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid    Very good	47	78.3	78.3	78.3
Good	13	21.7	21.7	100.0
Total	60	100.0	100.0	

**Source: Primary Data**

Table 4.29 above shows that 78.3% of the clients had expressed that once they had addressed their suggestions and recommendations to the management, they receive a very good response from the management, whereas 21.7% of these clients said that they receive a good response from the management of Unguka bank. From this analysis it is clear that all of the clients of Unguka bank confirm that management responds well to their suggestions and recommendations thus improving the services offered to clients.

**4.2. Interview Guide for Unguka Bank senior managers**

In this interview, the researcher reached two senior managers of Unguka bank including, the Business Development Manager and Operations Manager with a detailed interview guide questions and the following were the interviewer questions and the interviewee responses.

**Interviewer: Unguka bank as a microfinance institution, when did it start?**

**Interviewee:** UNGUKA Bank Ltd is a microfinance Bank created on 30<sup>th</sup> January 2005. The creation of UNGUKA was as a result of an agreement of 214 shareholders who started with a capital of 321,100,000 Rwf represented by 3,211 shares of 100,000 Rwf each. Starting with only two branches (Remera and Nyabugogo) and the head office at Nyabugogo which shifted to Remera in 2007, it was authorised to operate on a temporary basis on 4 August 2005. During the microfinance crisis of June 2006 in Rwanda, UNGUKA was authorized to open two more branches, Musanze and Rubavu in the Northern and Western provinces respectively and authorized to operate on a definitive basis.

On 6<sup>th</sup> April, 2011, the board of directors for the National Bank of Rwanda granted UNGUKA BANK S.A a licence to operate as Microfinance Bank.

In January 2008, UNGUKA opened two more branches in Kora and Nyarugenge, in the western province and Kigali city respectively. In August 2009 one more branch was opened in Mukamira, Nyabihu District and in February 2010, another branch in Mahoko, Rubavu District was opened. In April 2011, four branches were opened which include: Muhanga in Muhanga District, Ngororero in Ngororero District, Kabaya in Nyabihu District and Gakenke in Gakenke District. The total number of branches today stand at twelve. In a bid to diversify our products, we have three forex bureaus at Nyarugenge, Musanze and Rubavu. The general assembly of March 23, 2008 raised the capital to 1,766,600,000 Rfws, more than 5.5 times the initial capital in a period of only three years.

UNGUKA has gained two prizes: Best Performance MFI in Corporate Governance given by AMIR and Best Investor Award, given by RDB (Rwanda Development Board), both in 2009.

The above information provided by the interviewee indicates that since Unguka has started in 2005 it has achieved a lot in terms of increasing the number of branches countrywide, share capital from its clients and improved performance as it is evidenced by the prizes and awards received.

**Interviewer: What are the reasons that motivated you to start this institution?**

**Interviewee:** Making finance available to people with no collateral and other people with small income.

**Interviewer: What strategies do you use in order to ensure sustainability?**

**Interviewee:** The following are the strategies that Unguka bank uses to ensure its sustainability:

- i. Capable and committed human resources. More than 50% of employees are shareholders
- ii. Products are designed to meet needs of customers.
- iii. Governance: from the lower employee to the board. We make sure every one knows what is expected of him. On top of that we encourage selfless service.

- iv. We do not give our clients loans which are bigger than their capacity. we coach them and grow them in a process
- v. We open branches in order to come closer to our customers

The interviewee's point of view indicates that Unguka bank has in place some promising strategies to enable the microfinance bank be competitive in terms of attracting skilled labor and meeting the customers' needs and aspirations.

**Interviewer: How do you assist vulnerable clients to secure loans with no proper collaterals?**

**Interviewee:** Those with no collateral but with a bankable idea, we encourage them to come in groups. We call them solidarity groups. Each member is liable for non repayment of all group members. They therefore push themselves. As they achieve a good level, everyone can go one's way in one's business.

The information in the above question shows that even if there are some cases of vulnerable clients with no collaterals, they can still easily secure loans once they have bankable projects and organize themselves into groups.

**Interviewer: How has the loans you provide to these poor people assisted them to reduce poverty?**

**Interviewee:** They start business. We do not give out loans to such people for consumption. Their businesses grow. We teach them basics of business. They learn to give themselves a reasonable salary. They can therefore earn an income for their family.

From the interviewee's point of view it is clear that once the loans are provided to the clients, they assist them to get at least the reasonable salary which enables them to meet the basic needs.

**Interviewer: Which categories of clients do you normally deal with in your business?**

**Interviewee:** Well, our clients are normally from many categories of people. We have business people (from several trades of SMEs), and salary earners who work for government or other private employers.

The information in the above response indicates that most of Unguka Bank clients are either business people or salary earners. This means that these clients may need a loan to boost their businesses or their living conditions.

**Interviewer: In a case you provide loans to them, how do they repay back the loan?**

**Interviewee:** First of all, we look at the predictability of profits. Any loan request comes with a detailed business plan or our staff work along with the loan applicant to develop a perfect one. The bankable projects are therefore financed. They pay as per contract. Of course, some times, changes may occur, we work with customers to reschedule repayment plans.

In the above information by the interviewee it is clear that clients are granted the loans basing on whether their projects are bankable and the predictability of profits to be generated by their businesses and once the two are met, it is easy to repay back the loans received.

**Interviewer: How do you deal with clients who do not repay back the loan well?**

**Interviewee:** We first of all educate them. In UNGUKA Bank Ltd, we believe that other recovery means come last. When this fails, since we have a contract with the borrower, we take legal procedures. It is unfortunate we have to do it but it works to defaulting customers.

The information as per the interviewee response indicates that once a client does not repay back the loan they are subjected to legal procedures as the bank cannot afford to lose money because of the clients failure to repay their bank credits.

**Interviewer: How do you involve the stakeholders of this institution in decision making?**

**Interviewee:** We deal with a lot of stakeholders:

- i. Regulators (National Bank of Rwanda). They follow up our work and give guidance
- ii. Government: legal procedures and encouragement
- iii. Teaching institutions: we take students for internship
- iv. Rating agencies: they study our performance and rate us accordingly
- v. NGOs etc.

The above information as per the interviewee's response indicates that Unguka bank deals with different stakeholders in its business and this explains good performance in terms of getting additional funds to meet the clients' loan requirements.

**Interviewer: What are the strategies in place to ensure sustainability in this stiff competition in financial sector?**

**Interviewee: To ensure sustainability of Unguka bank in the stiff competition era the following are the strategies in place:**

- i. Quality: we try to have products which meet customers' needs
- ii. Prudence
- iii. National Bank of Rwanda regulations
- iv. Customer care
- v. Competent and engaged staff
- vi. Note that we acquired a license to operate as a bank recently, we are no longer UNGUKA BANK SA, we are UNGUKA Bank Ltd, this gives us an opportunity to increase loan ceilings, we use cheques and payment orders



The above information indicates that to ensure sustainability in the stiff competition, Unguka bank customers layed strategies like providing quality service to the clients through internal marketing which enables it to be one of the best microfinance performers in Rwanda.

**Interviewer: As an institution created to assist the poor in the process of reducing poverty in Rwanda, what are the major problems you have encountered in running the business?**

**Interviewee:** The problems that Unguka bank has encountered in running its business of assisting the poor people are as follows:

- i. The ceiling for credit services is still limited to ten million Rwandan francs
- ii. The length of disbursement of credit is relatively long due to lack of loan funds
- iii. Failure to use check books does not attract the big depositors.
- iv. The loans granted in agricultural sector have a monthly payment plan while the harvest is four monthly especially for most crops financed, which makes the payment irregular from time to time.

The information in the above response indicates that Unguka bank as other financial institutions face some problems like failure to use check book, length of disbursement and ceiling for credit services. Despite the above mentioned challenges, the bank still manages to meet its objectives of assisting poor people to access loans.

**Interviewer: How do you handle these problems?**

**Interviewee: In handling these problems Unguka bank gets involved in the following:**

- i. Unguka bank in the process to introduce check books to its clients
- ii. Unguka bank is the process of setting ceiling for credit services to an increased amount that is more than the existing ceiling
- iii. Unguka bank is in the processing of speeding up files so there is good turnaround time
- iv. Proximity which makes bank easily accessible to its clients

The information here provided by the interviewee explains that in handling the problems Unguka bank could think of the ways it can address them in order to meet both the needs and wants of the clients as well as meeting the expectations of the bank.

## **CHAPTER FIVE: SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS**

### **5.1. Introduction**

The statement of the problem of this study was based on the concern that the microfinance sector in Rwanda plays an important role in providing financial services to the poor people who cannot afford financial services from traditional banking institutions. The study objective was to assess the contribution of MFIs in the process of reducing poverty in Rwanda a case of Unguka MF bank. To achieve the study objective, different methods were used. These include primary data and secondary data. Secondary data were collected from different textbooks, articles, reports, policy documents as well as internet sources. Primary data were collected from Unguka bank clients through the use of questionnaire, and few senior managers of this institution through an interview guide.

### **5.2. Summary of main findings**

- i. It was found that before joining Unguka bank majority of its clients were not able to pay school fees for their dependants as 81.7% expressed that during data collection.
- ii. The study found that before joining Unguka bank majority of the clients were not able to meet medical insurance fees for their dependants as 91.7% responded like that during the research.
- iii. The study also found that after joining Unguka bank it was much easier to pay school fees for their dependants as 88.3% responded like that.
- iv. The study also found that after joining Unguka bank the majority of its clients found it much easier to pay medical insurance for their dependants as 85% of the client that.
- v. The study found that 83.3% of the clients dealing with unguka bank are now in a position to afford good housing or accommodation a situation which was not possible before joining Unguka bank.

- vi. Majority of the clients before joining Unguka bank had no financial ability to save but after joining this microfinance bank they are now in a position to have a monthly savings of at least RWF 10,000.
- vii. Majority of the clients agreed that even if they had no physical collateral security they accessed finance from Unguka bank as solidarity group loans enabled them to access finance easily.
- viii. The big percentage of the clients agreed that they are now enjoying the fruits of being in business with Unguka bank as they can employ other people i.e they have created jobs for others.
- ix. Majority of the clients expressed that in dealing with Unguka bank they face some problems, like receiving small loan amount, delays in processing loans and sometimes charging them higher interest rates.
- x. In spite of all the above mentioned problems customers can easily address their suggestions and recommendations to Unguka bank management through face to face communication with Unguka bank staff or using suggestion box.

### **5.3. Conclusion**

Unguka bank formerly known as IMF Unguka has changed the status from being MFI to be called Microfinance bank, this bank has assisted the poor to access finance which used not to be the case as they feared to deal with traditional commercial banks that require collateral securities as a precondition to access finance. Unguka bank came into business not targeting the category of people who can afford to present these collateral securities to the bank but the poor category of people in order to assist them access finance as a way to reduce poverty. In doing this exercise Unguka bank has introduced a loan in solidarity whereby the poor category of people can form a group of themselves and each of these group members becomes a social guarantee of their fellow group mates. Offering this type of loan has enabled some categories of people to improve their living conditions like affording monthly savings which was not the case before joining Unguka, employing other people in their business ( creation of jobs for others) affording to pay school fees, medical insurance, good housing or accommodation. In spite of all of the above improvements they are facing some problems like delays in processing loans, receiving small

loan amount as well as high interest rates which they obliged to pay once they accessed finance from this microfinance bank.

#### **5.4. Recommendations**

From the above conclusion, the researcher recommended the following to different stakeholders in the microfinance sector (Unguka bank, National Bank of Rwanda and to the government of Rwanda):

##### **To UNGUKA BANK**

- i. It is recommended to Unguka bank that to assist the poor it should keep considering social guarantee as it enable those who do not have collateral security to access finance.
- ii. Unguka bank should set an interest rate that on one hand generates a return to the bank and on the other hand attract many people to access finance.
- iii. It should review its ceiling of ten million Rwandan francs as the maximum loan that it can grant to its clients to attract other potential clients who fear to join Unguka as they loan amount they want sometimes exceeds what Unguka can give them.
- iv. It should also keep speeding up the timeframe to get a loan as this was mentioned as a problem that majority of its clients face.
- v. It should keep monitoring the people who were offered the loan to check whether they have injected the received amount in the business presented to the bank as if not that it can lead to non loan repayment.
- vi. It should also encourage its clients to increase their monthly savings as these indicates better performance of the received loan from the clients.

##### **To National Bank of Rwanda**

- i. The national bank of Rwanda should sign the performance contracts with microfinance institutions which specify their obligations vis a vis the poor people and keep monitoring the achievements on regular time.

- ii. The national bank of Rwanda should keep assist the MFIs by reducing the interest rates for these institutions as charging the affordable interest rate for MFI depend on the interest rate set by the national bank.
- iii. The central bank should create guarantee funds which can assist people with no physical collateral security to present to some MFIs.

### **To the government of Rwanda**

- i. The government should evaluate the microfinance sector and identify the new opportunities around that can attract the poor to access finance that can assist them to reduce or alleviate poverty.
- ii. The government of Rwanda should keep creating conducive business environment that attracts foreign and domestic investors in the microfinance sector.
- iii. The government should regularly the performance of MFIs with the aim of ensuring that they operating towards their sustainability and avoiding the risks of being bankruptcy.

### **5.5. Suggestions for future research**

This research cannot claim to be as exhaustive as many readers may expect it to be. This was due To resources constraints. In the future, some closely related studies can be conducted on the following:

- a) The contribution of Microfinance in the process of alleviating poverty
- b) “Impact of microfinance in promoting the culture of savings among Rwandans”
- c) The analysis of microfinance performance before, during and after global financial crisis.

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## **APPENDICES**

**Appendix I: Questionnaire for Unguka Bank Clients**

**Appendix II: Interview Guide for Unguka Bank Senior Managers**



**Appendix I: QUESTIONNAIRE FOR Unguka Bank clients**

Dear respondent, thank you for participating in this study intended to assess the contribution of microfinance institutions in the process of reducing poverty in Rwanda: A case of Unguka Bank. You are kindly requested to answer the following questions and the information to be collected will be used for academic purposes only and treated with utmost confidentiality.

=====

**Instructions: Please tick in the box or fill in the blanks, where appropriate**

1. Gender: Male  Female

2. Age

Between 18 and 25  between 26 and 35  between 36 and 45  Above 45

3. Marital status

Single  Married  Divorced  Widow/Widower

4. Nationality

Rwandese  Non Rwandese

5. Education level

Non- educated  Primary  Ordinary level secondary  Advanced level secondary

University  Others specify.....

6. Occupation

Famer  Artisan  retailer  Wholesaler

Civil servant  Others specify.....

7. How long have you been dealing with IMF Unguka?

Less than a year  Between 1 and 3 years  Between 4 and 5 years

Above 5 years

8. Do you have dependants?

Yes  No

If yes, how many are they?

One to three  Three to seven  Above seven

9. With the monthly earned income, were you able to pay school fees for your dependants?

Yes  No

If yes, which category of schools do you usually use?

Private  Public  Others specify.....

10. With the monthly earned income, were you able to pay medical insurance fees for your dependants?

Yes  No

If yes, which category of medical insurance do you usually use?

Mutuelle de santé  RAMA  MEDIPLAN  MEDISANA  MMI  AAR

Others specify.....

11. After joining Unguka Bank, how is it easy for you to pay school fees for your dependants?

Much easy  No change  Still difficult

12. After joining Unguka Bank, how is it easy for you to pay medical insurance fees for your dependants?

Much easy  No change  Still difficult

13. After joining Unguka Bank, how is it easy for you to afford good housing/accommodation for your dependants?

Much easy  No change  Still difficult

14. Did you have monthly savings before joining Unguka Bank?

Yes  No

If yes, what was your monthly savings?

Less than RWF 10,000  Between RWF 10,001 and 25,000

Between RWF 25,001 and 100,000  Above RWF 100,000

15. After joining Unguka Bank, what is your current monthly savings?

Less than RWF 10,000  Between RWF 10,001 and 25,000

Between RWF 25,001 and 100,000  Above RWF 100,000

16. Have you ever received any loan from Unguka Bank?

Yes  No

If yes, which type of loan did you get from there?

Loan in solidarity  Ordinary credit  Others (specify) .....

17. What was the amount of loan did you receive?

Less than RWF 100,000  Between RWF 100,001 and 500,000

Between RWF500, 001 and 1,000,000  Above RWF 1,000,000

18. Which collateral security did you give to receive the loan?

Land  House  Vehicle  Solidarity group

Others (specify).....

19. Are you running the business alone or you are employing other people?

Yes  No

If yes, how many do you employ?

Less than 5,  Between 6 and 10  Between 11 and 20  Above 20

20 What are the main challenges that Unguka Bank clients are facing in dealing with this institution?

High interest rate  Delays in processing loans

Receiving small loan amount  Others specify.....

21. Do you have suggestions and recommendations to Unguka Bank management?

Yes  No

If yes, outline them

i).....

ii).....

iii).....

iv).....

22. How do you communicate these suggestions and recommendations to the management of Unguka bank?

Through face to face with its staff

Through suggestion box

Through email

Through toll free number

Others (specify).....

23. How does management respond to these suggestions and recommendations?

Excellent

Very good

Good

Fair

Poor

=====**Thank you for your cooperation!!!!!!!!!!!!**=====

**Appendix II: Interview Guide for Unguka bank senior managers**

Dear respondent, thank you for participating in this study intended to assess the contribution of microfinance institutions in the process of reducing poverty in Rwanda: A case of Unguka Bank. I am an MBA student at SFB-MsM currently doing my thesis on the above topic. You are kindly requested to provide answers to the following questions and the information to be collected will be used for academic purposes only and treated with utmost confidentiality.

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- 1. Unguka bank as a microfinance institution, when did it start?
  
  
  
  
  
  
  
  
  
  
- 2. What are the reasons that motivated you to start this institution?
  
  
  
  
  
  
  
  
  
  
- 3. What strategies do you use in order to ensure sustainability?
  
  
  
  
  
  
  
  
  
  
- 4. How do you assist vulnerable clients to secure loans with no proper collaterals?
  
  
  
  
  
  
  
  
  
  
- 5. How has the loans you provide to these poor people assist them to reduce poverty?

6. Is there evidence that the loans you have provided to these poor people have enabled them to move from one category of the poor to the other?
  
7. How the loans given to these people contributed to the improvement of their welfare?
  
8. Which categories of clients do you normally deal with in your business?
  
9. In a case you provide loans to them, how do they repay back the loan?
  
10. How do you deal with clients who do not repay back the loan well?
  
11. How do you involve the stakeholders of this institution in decision making?
  
12. What are the strategies in place to ensure sustainability in this stiff competition in financial sector?

13. As an institution created to assist the poor in the process of reducing poverty in Rwanda, what are the major problems you have encountered in running the business?

14. How do you handle these problems?

15. What are you planning in order to position Unguka bank strategically in the Rwandan financial sector?