

UNIVERSITY OF RWANDA

FACULTY OF ARTS, MEDIA AND SOCIAL SCIENCES (FAMSS)

MASTER OF ARTS IN DEVELOPMENT STUDIES

**Informal Financial Institutions: A sustainable strategy for rural
development in Rwanda. Case of Savings and Credit Associations in
Rwamagana District 2011-2013**

Thesis submitted in partial fulfilment
of the requirements for the degree of
Master of Arts in Development Studies

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Kigali, June 2017

DECLARATION

I, USANASE Charlotte, declare that this thesis is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Masters at the National University of Rwanda. It has not been submitted before for any degree or examination in any other University.

Signed :

Nmae: Charlotte USANASE,

APPROVAL

This is to certify that this research Report was done under my supervision as a university supervisor

Signature:

Name : Dr Jean de la Croix NKURAYIJA

DEDICATION

To my family,

To my fellow development practitioners,

To the academia,

I dedicate this thesis.

ACKNOWLEDGEMENTS

I developed an interest to undertake a study on the role of Informal Financial Institutions in contributing to rural development in Rwamagana due to my involvement in rural development projects as a Development facilitator.

In the course of undertaking this study, I have received intellectual, financial and moral support from a number of people whom I wish to register my heartfelt appreciation. First, I would like to extend my sincere gratitude to my supervisor Dr Jean de la Croix NKURAYIJA, for his tireless support, guidance and patience in writing and shaping this study.

Completion of this study would not have been possible without my employer's support. I therefore, wish to register my appreciation to my employer and fellow staff members for their moral and administrative support during my study period.

I am very much indebted to all those who facilitated my access to data and information. I am deeply thankful for their great support and information facilitation. I am equally grateful to all the Local administrative leaders contacted, and SCRAs members for information sharing in areas where the study was conducted.

My family demonstrated unwavering belief in me. Their love and support saw me through the difficult phases.

I am very grateful to all my friends for their constant encouragement, inspiration, Prayers and support exhibited throughout my courses.

Finally, thanks are due to the almighty God, to whom I owe my life, wisdom, good health in all my endeavors. I praise him for enabling me carry out this research.

ABSTRACT

This study studies the potential of Informal financial Institutions to stimulate rural development through savings and credit associations. Savings and Credit Associations are a form of informal financial institutions with a number of socio-economic functions. The functions include among others mobilization of communities to save and/ or invest their resources into income generating initiatives and provide credit.

This research targeted members of Saving and Credit Associations and sector local leaders. Whilst the qualitative approach is the dominant in this research, the method used is a combination of quantitative and qualitative research, namely triangulation technique

The findings reveal that members pool finances which are used to support the fulfilment of basic needs at the household level and at the community level, in addition to building up assets, agricultural development, income generation, social capital is both inherent to and stimulated by membership of the associations. Other findings also show that these associations warrant appraisal beyond the immediate financial opportunities they generate, because of their production and reproduction of values such as empowerment, reciprocity, and solidarity, and thus their significant contribution to rural development. For particular limitations, the study reveals that SCRA cannot provide bigger loans to members who need them for business, limited skills in financial education and high interest rate though the loan is provided without guarantee. On the basis of the results the study recommends that;

- 1) More education programmes on finance and business planning should be intensified in the rural areas.
- 2) Provide a focused and timely agricultural technical assistance to enable members have sustainable agricultural production.
- 3) Financial linkages between informal financial institutions and formal financial linkages for bigger loans.

KEY WORDS: Informal financial Institutions, Rural development, Saving and Credit Association (SCRA)

LIST OF TABLES

Table 1: Age and sex of respondents.....	21
Table 2: Family size	22
Table 3: Occupation.....	22
Table 4: Members response' on their duration in saving and Credit Associations	23
Table 5: Members responses on their saving practices with in SCRA	29
Table 6: Utilization of credit funds among research participants	34

LIST OF FIGURES

Figure 1: Nature of the Credit products offered by SCRA's	27
Figure 2: Member's Responses on opening bank accounts number	33
Figure 3: Credit seasonality of group members	37

LIST OF ABBREVIATIONS AND ACRONYMS

ADB:	Asian Development Bank
AEE:	African Evangelistic Enterprise
BNR:	Bank Nationale du Rwanda
CGAP:	Consultative Group to Assist the Poor
CRS:	Catholique Relief Service
DDP:	District Development Plans
EDPRS:	Economic Development and Poverty Reduction Strategy
EICV:	Enquête Intégrale sur les Conditions de Vie des ménages
ETC:	Et cetera
FAO:	Food Agriculture Organization
FGD:	Focus Group Discussion
GDP:	Gross Domestic Product
GoR:	Government of Rwanda
ISLG:	Internal Saving and Lending Groups
M&E:	Monitoring and Evaluation
MCI:	Micro Credit Institutions
MFI:	Micro Finance Institution
NGOs:	Non Governmental Organizations
NISR:	National Institute of Statistics Rwanda
PDD:	Plan de développment du district
PRSP:	Poverty Reduction Strategy Program
RDHS:	The Rwanda Demographic and Health Survey
SACCO:	Savings and Credit Cooperative
SCRAs:	Saving Credit Associations
SEEP:	Small Enterprise Education and Promotion
SME:	Small and Medium Enterprise
USAID:	United States Aid and Development
VSLA:	Village Saving and Loan Association
VUP:	Vision2020 Umurenge Program

Table of Contents

DECLARATION	ii
APPROVAL	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
ABSTRACT	vi
LIST OF TABLES	vii
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS AND ACRONYMS	ix
Table of Contents	x
CHAPTER 1: GENERAL INTRODUCTION	1
1.1 Background of the study	1
1.2. Problem Statement	2
1.3. Research questions	3
1.4 Objectives of the study	3
1.5. Justification for the research	4
1.6. Scope and limitation of the study	4
1.7 Organization of the study	5
CHAPTER 11: LITERATURE REVIEW	6
2.1 Introduction	6
2.2 Definition of key concepts.....	6
2.2.1 Financial Institutions	6
2.2.2. Savings	6
2.2.3 Credit.....	7
2.2.5 Savings and Credit Association.....	7
2.2.6. Development.....	8
2.2.7. Rural development	8
2.3 Rural Development in Rwandan Context	9
2.3.1. Rwanda government Initiatives in facilitating rural development	10

2.4. Informal Financial Institutions	12
2.5. Informal financial Institution in Rwandan context	13
CHAPTER 111: RESEARCH METHODOLOGY	16
3.1 Introduction.....	16
3.2 Study area description	16
3.3 Economic situation.....	16
3.4 Research approach and procedure	17
3.5 Study population and sample selection	17
3.6 Data Collection Techniques and Analysis	18
3.6.1 Household Survey Questionnaires	18
3.6.2 Key informant interviews	18
3.6.3 Focus group discussion	19
3.6.4 Other sources of information	19
3.7 Data Analysis and Interpretation	19
3.8 Delimitation of the study	20
CHAPTER IV: FINDINGS, DATA PRESENTATION AND ANALYSIS	21
4.1 Introduction.....	21
4.2 Socio-Demographic Characteristics of Survey Respondents.....	21
4.3 Factors influencing the establishment of Savings and Credit Associations	23
4.3.1 Ownership and self-regulation	24
4.3.2 Influence of transparency and accountability	25
4.3.3 Socialization.....	25
4.3.4 Easier to operate	26
4.4 What are the services and products offered by Savings and Credit Associations	27
4.4.1 Credit products	27
4.4.2 Saving products	28
4.4.3 Source of knowledge and information.....	31
4.5 Contribution of services offered by SCRA to Rural development.....	31
4.5.1 Saving Mobilization.....	31

4.5.2	Opening bank accounts	32
4.5.3	Access to Credit.....	33
4.5.4	Loan Frequency in a SCRA Cycle	39
4.5.5	Rural development through non- financial services.....	39
4.6	Limitations of Saving and Credit Association	45
CHAPTER V: CONCLUSION AND SUGGESTIONS.....		47
5.1	Introduction.....	47
5.2	Summary of major findings.....	47
5.3	Conclusion	48
5.4	Suggestions	49
5.5	Perspectives for future researchers	50
REFERENCES.....		51
APPENDICES		57

CHAPTER 1: GENERAL INTRODUCTION

1.1 Background of the study

Development of self-sustaining and widespread systems for financial intermediation is one of the greatest challenges for equitable development today. Not only do informal financial services facilitate the operation of the informal sector, but they are critical to well-being of poor people in general, particularly those in rural areas far from the reach of formal financial institutions.

Informal finance evolved in the mid 1970's as part of the paradigm shift in development from top-down approach to bottom-up approach that incorporated the participation of intended beneficiaries as key participants in development (MacNamara 1973:21).

The tremendous success of informal financial institutions in reaching the poor in rural areas attracted many different countries to support microfinance initiatives so as to address the challenging task of poverty reduction. In 1997, the micro-credit Summit that took place in Washington D.C USA attracted over 2900 delegates from 137 countries, representing 1500 organizations. This conference inspired thinkers to focus on providing favorable environment for the poor communities to access small credits as a condition for poverty reduction in the third world countries. According to Micro Credit summit report, as of December 2012:9, 3,652 Micro-Credit Institutions reported reaching 205,314,502 clients, out of whom 137,547,441 were mainly the poorest at a time they took their first loan. Of the poorest clients, 82.3 per cent or 113,138,652 are women. Micro-credit initiative is viewed as an avenue for self-employment and a powerful tool for rural development.

In Rwanda, the idea of saving and credit by rural population was started from independence. In 1963, «caisse d'épargne du Rwanda» was created and its main objective was to offer means of saving and credit by rural population and particularly to farmers. In 1968, it was reported that the caisse d'épargne du Rwanda failed to achieve its objectives. For that reason, the government of Rwanda asked France, Switzerland and Canada technical and financial assistance to create a financial institution capable of granting credit and keeping savings of rural population, in 1973, the government of Rwanda and Switzerland signed an agreement to start the project of saving and credit for rural development.

In the same year, four Rwandans went for training in the Swiss cooperatives of saving and credit and they come back and put in practice the knowledge they acquired from the training (Angelique Kantengwa, 2009:22).

According to the enterprising solutions Global, LLC, 2005:5, informal finance institutions gained prominence again in the 1994 championed primarily by foreign Non-Governmental Organizations. The National Dialogue Meeting of December 2008 proposed a integration strategy of the rural population in the financial system, it is the strategy “To create at least a Saving and Credit cooperative on the level of each UMURENGE throughout the country”. In the same year, the sector counts 125 MFIs including 111 Rotating Saving and credit associations.

Atypical example of rural environment where the activities of the informal institutions are prominent is Rwamagana district in the Eastern region. Rwamagana is one of the districts that have low income rural dwellers. Most of the dwellers are predominantly subsistent farmers, traders, but now mixed with some skilled workers and civil servants. In terms of settlements, though the people of the district live mostly in small towns and villages with a mix of some modern comfort and unadulterated rustic life in corrugated iron-roofed and mud-walled houses, many can be in purely rural settings on farms, unaffected by the trappings of modern technology.

The major types of informal financial institutions found in Rwamagana district include Savings and credit Associations, Cooperatives, Self Help Groups, Village Saving Loan groups, traders Associations, and social clubs. It is argued that these institutions usually assist the district rural dwellers in providing new opportunities by helping them to get and secure finances to equalize the chances and make them responsible for their own future. The relevance of these institutions in the rural setting of the district has broadened the horizons and thus played both an economic and social roles by improving the living conditions of its people.

1.2. Problem Statement

The majority of the Rwanda population lives in deep and remote rural areas and this has limited access to financial services. Most financial institutions find it difficult to reach these areas. USAID (2010:36).

In addition, USAID (2010:40) states that financial institutions have often been sceptical about lending to rural community because of increased operational costs and lack of adequate collateral provided by rural communities' members as well as poor repayment. This has eventually contributed to the low savings; poor loan serving as well as low investment rate in business development activities and consequently perpetuated poverty levels among community members. As pointed out by the Enterprising Solutions Global Consulting, LLC (2005:5), the Rwandan government has become very interested in micro-finance and emphasis that a strong microfinance sector is crucial to meet their Poverty Reduction Strategy Program development goals. It's argued that microcredit can build the capacity of the poor population to create employment and generate wealth in a sustainable manner. The major concern for this study is to examine to what extent has Savings and credit associations lead to rural development through its services and products in Rwamagana district

1.3. Research questions

1. What is the importance of Savings and Credit Associations in Rwamagana district?
2. What are services and products offered by Savings and Credit Associations in Rwamagana district
3. In what ways do Saving and Credit Associations contribute to rural development of Rwamagana district
4. What were the limitations of SCRA's and possible ways for ensuring sustainability?

1.4 Objectives of the study

The four research objectives were devised in order to answer the above questions

1. To examine in general the importance of Savings and Credit Associations for rural development and especially in Rwamagana district;
2. To analyze the services and products offered to the rural community members by Savings and Credit Associations in Rwamagana district;
3. To determine the link between Savings and Credit Associations and rural development in general and specifically in Rwamagana district.
4. To find out the limitations of Saving and Credit Associations and possible ways for ensuring sustainability

1.5. Justification for the research

Informal financial institutions have been touted as suitable vehicles for economic development and poverty reduction (Birshall, 2003:17). They have contributed towards personal, family and community development.

Finscope (2012:28) results shows that the proportion of financially excluded individuals 18 years and older have decreased by 21% in 2008 to 46% 2012. It continues to state that this increase was due to the usage of informal financial services where by 2.8 million adults were informally served while 1.9 million were formally served. The EICV3 data shows that informal institutions are used by a much higher proportion of households than banks or other microfinance institutions. 27% of households with a loan have at least one of their loans with their relatives. The tontines are another important source of credit with rural households, at 22%. Informal financial services are even more widely used by 56% of people with at least one loan, and 70% or more in Eastern Province are using informal financial services. Basing on the above results, the socio-economic contribution of informal financial institutions to the development makes a logical choice for a research study. The findings of this study will provide a picture of the informal financial institutions and their contribution to the rural development of Rwanda, a basis for which the design of replication should take into account, to meet multiple needs of the Rwanda rural communities.

1.6. Scope and limitation of the study

This study covers from the period of 2011 to 2013. As development is a continuous process, the researcher believes the identified period will meet the objective of the study since it cover the period in which scale up of savings and credit associations happened in Rwamagana district. From the reports of EICV3 (2011), it's reported that 48.5% of households in Rwamagana district have increased their monetary income through informal financial services ranking it second after Kicukiro which has 79.5%. The respondents to this study are limited to only individual members of savings and credit associations. As the research will be carried out by a single student, several limitations related to financial resources, time and accessibility to information will be factored into the general planning. The study will be based on the respondents 'opinions and therefore, may not be free from their individual perception and bias in spite of the researcher's objectivity.

1.7 Organization of the study

This dissertation is organized into five chapters. Chapter one is an introductory part of the thesis. It provides information on the main theme of the study which highlights on the background context which situated the study, the statement of the problem, objectives, and justification of the study. The scope of research is raised in this chapter. Chapter two discusses the Literature review. Chapter three presents the study methodology. Chapter four presents discussion of findings and analysis in line with the research questions. Finally, in chapter five the findings of this study and lessons learnt will be summarized. The major themes informal financial institutions and rural development will be discussed especially the relationship between each other, the potential of informal finance in boosting up rural development.

CHAPTER 11: LITERATURE REVIEW

2.1 Introduction

This chapter consists of a review of previous analysis on informal financial institutions and rural development, an overview of Informal financial institution in Rwanda is presented and concludes with a description of Savings and Credit Association model. Documents such as journals, papers, books and other accredited researchers on the same topic under considerations were all reviewed. According to Christ, H; (2005:13) literature review give a theoretical basis for the research and also includes the identification and articulation of relationships between the literature and field of research.

2.2 Definition of key concepts

2.2.1 Financial Institutions

Financial institutions means any financial intermediary or other enterprise that is authorized to do business and regulated or supervised as a financial institution under the law of the Party in whose territory it is located. Herbert B.Mayo (2011:16)

According to World Bank (2009:25), financial institutions exist to overcome the effects of information asymmetries and transaction costs that prevent the direct pooling and investment of society's savings. They mobilize savings and provide payments services that facilitate the exchange of goods and services. In addition, they produce and process information about investors and investment projects to guide the allocation of funds, monitor and govern investments, and help diversify, transform and manage risk.

2.2.2. Savings

The business dictionary defines savings as the portion of disposable income not spent on the consumption of consumer goods, but accumulated or invested directly in capital equipment. Saving constitutes the basis for capital formation, investment and growth of a country (Nga, 2007;15).

Savings is defined as the part of current income, after the payment of direct taxes, which is not consumed or transferred for future consumptions. Saving includes current disbursements made in the form of a reduction in household liabilities, such as repayment of loans. By contrast, any portion of the current expenditure of households not financed by current income

but rather by the use of credit represents an increase in the financial liabilities of individuals and is treated as negative saving. Saving is also defined in terms of flows in the current account and excludes any capital gains and losses (Cronje, 2009:24). Savings is generally defined as the difference between household disposable income and household consumption expenditures (Shikha et al., 2009:15).

2.2.3 Credit

Credit evolved from an informal beginning in the eighteenth and nineteenth century as a type of banking for the poor juxtaposed to the commercial and private banking sector. Short-term loans were provided to be paid in weekly instalments and peer pressure was used for enforcing repayment (Seibel, 2005:3). Credit transactions played an important role in development of modern Britain. There is a gradual shift from relational to codified approach from the fifteenth century onwards (Muldrew, 1993:23) and by the seventeenth century letters of credit and rudimentary bank notes were in circulation. In 1740s Dean Jonathan Swift started a small loan fund for traders of Dublin (Hollis; Sweetman, 1997:48). Over a next couple of centuries numerous enterprise funding schemes came into existence but became more extensive after the war.

2.2.5 Savings and Credit Association

Van den Brink and Chavas (1997:10,) define savings and credit association as ‘an informal, indigenous savings and credit institution, and a widespread phenomenon in rural and urban economies around the world.

Savings and credit associations can be found widely in the developing world, where they meet a variety of different demands according to the particular social, cultural, and economic context. They are present in both urban and rural settings (Kimuyu, 1999:27) and are used by individuals and families across a wide range of livelihoods and socio economic categories (Ardener, 1995:26) as a source of funds to acquire consumer goods and for working capital and entrepreneurial investment. Saving and credit associations are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Microcredit Summit, 2005:p5). According to Harper (2002:9), he states that the members of the group are usually neighbours and friends, and the groups provides an opportunity for social interaction and are very popular with women.

2.2.6. Development

The concept of development is almost as old as civilization. Its extensive use in western societies from Greco-Roman civilizations to the late 19th century as a generic construct that designates the most varied aspects related to humanity's well-being, however, made the concept come closer to that of a doctrine. (Rist, 2001:70)

In Ribeiro's approach (2002, p. 11), the sense of the word development, in various areas of knowledge, converges to "a state, process, well-being, progress, economic and human growth or ecological balance". The South Commission [SUD] (1990, p. 10) defines the term as "a maturing and development process of self that frees the population from fear and exploitation". Both understandings seem to diverge and advance in relation to the idea by the most traditional students of the theme to whom development is usually seen as a phenomenon that fundamentally interests developed countries (Ribeiro, 2002). An international institutional vision such as that of United Nations Development Programme [UNDP] (1991, p. 77), on the other hand, also suggests an interpretation of what development is: "expanding the range of choices for the population that allows development to become more democratic and participative. (...) access to income... participation in decisions and enjoyment of human, economic and political liberties". The three definitions presented so far are linked to models identified from three predominant currents when approaching the concept of development. The first, and more usual, deals with the term as a synonym for economic growth. The second denies that the term is appropriate and says that its use does not go beyond mere illusion, ideological manipulation, belief or myth. The third, and most difficult and challenging way, however, "tries to explain that development is not chimerical and also cannot be belittled as economic growth" (Veiga, 2005, p. 17).

2.2.7. Rural development

According to Joel (2003:69) Rural development is a "process which leads to a continuous rise in the capacity of the rural people to control their environment accompanied by a wider distribution of benefits resulting from such control". This definition is composed of three important elements;

1. Rural development should be viewed as a process of raising the capacity of the rural people to control their environment. Environment does not mean only agriculture or economic development it includes all aspects of rural life- social, economic, cultural and political.
2. Rural development as a process should continuously raise the capacity of the rural people to influence their total environment enabling them to become initiators and controllers of change in their environment, rather than being merely the passive objects of external manipulation and control.
3. Rural development must result in a wider distribution of benefits accruing from technical developments and the participation of weaker sections of the rural population in the process of development

Development has to do with the above three elements. It should not concentrate upon one to the exclusion of the others. The economic base of any society is critical, for it must produce the resources required for livelihood. But we must also think of people and ensure their active participation in the process of development.

Michael Todaro (2003:31) views that “Rural development means improvements in level of living including employment, education, health, and nutrition, housing, and a variety of social services.

2.3 Rural Development in Rwandan Context

The Rwandan adult population is largely rural-based, with 74% (3.3million) residing in rural areas, 15% (0.7m) in Kigali City and 11% in other urban areas. According to **EDPRS (2008)**. Regardless of the efforts made since 1994 for the socio-economic development of the country, Rwanda remains one of the poorest countries in the world, with almost 57% of population living below the poverty threshold. According to EDPRS (2008) the concept of rural development is defined as the development of the non-urban space in Rwanda. In other words, it refers to the process of improving the quality of life and economic wellbeing of people living in rural areas. The Government of Rwanda has tried to adopt several rural development approaches for the development of rural areas since after 1994. The following are the approaches;

2.3.1. Rwanda government Initiatives in facilitating rural development

In understanding the need to facilitate rural development the government of Rwanda adopted various policies as part of Rwanda Development vision 2020. Among the policies and strategies are: dissemination

2.3.2. Rwanda Cooperative Agency 2008

This provides for the overall objectives and strategies necessary to ensure that the poor people and those disadvantaged in the society have a reliable vehicle for attaining economic and social development through collective efforts. The policy was the first to address a list of comprehensive issues, the most important being the promotion of autonomous member-based co-operatives that observe internationally recognized cooperative values and principles

2.3.3. Strategic Plan for Transformation of Agriculture in Rwanda–Phase II

This policy outlines four program areas for investment: intensification of crop development and sustainable production systems (such as irrigation, training on animal husbandry, increasing the use of seeds and fertilizers); the professionalization of producers (extension advice, investment in agricultural research); promoting commodity chains and agri-business development (post-harvest handling and processing facilities, rural roads, finance services); and institutional development.

2.3.4. Crop Intensification program:

Improving the productivity of the rural population to increase economic activity remains the most important driver for income generation. Improving the productivity of agriculture remains at the core of income generation and food security. Increasing the quality, volume, and sustainability of agriculture/livestock production per hectare of land are the three main priorities. This should be facilitated through private sector businesses that provide farmer advisory services, supply and potential market linkages to their clients (farmers). Input service delivery should be predominantly private sector and proximate – mechanization, seed and fertilizer industry, for example. While producing for domestic household to ensure a minimum food security should be encouraged, growing and producing for markets will be the driving force behind incentives to improve productivity. If government is to support value-chain development with the private sector it should support commodities with competitive.

2.3.5. Umurenge (VUP) and National Social Protection Strategy

Alongside agricultural support, the Government of Rwanda aims to support resource-poor farmers in rural areas through the flagship social protection program Vision 2020 Umurenge (VUP). Key policies and programs include a public works program offering short-term employment on communal projects such as infrastructure development for extremely poor households that have adult labour capacity. Direct support through cash transfers to the non-working poor, and provision of financial services for low-interest loans for identified productive enterprises. Social protection programs identified under agriculture sector include One cow per poor family program (Girinka) which aims at the following;

- Fight malnutrition and more so from children and gravid mothers (the cow provides milk for family consumption as a fight against malnourishment)
- Increase crop productivity (the cow produces manure that is used to increase crop production)
- Increase house hold incomes through surplus milk sales.
- Promote social harmony/cohesion (the family passes on the first heifer to the next and in the Rwandan culture giving and receiving a cow from someone builds a strong bond of friendship)

2.3.6. Community development policy

The overall goal of the Community Development Strategy is to provide a strategic framework for the coordination of strategies related to the development of rural communities. It is geared towards creating opportunities for rural communities to attain sustainable livelihoods. The Community Development realizes that the improvement of the standard of living of the rural people depends on several initiatives. These include commercialization of small holder agriculture, improving infrastructure and services, improving access to economic and social services and markets and ensuring sustainable management of the natural resource base. In this context the rural development Strategy provides strong linkages with major country policy initiatives that are complementary to one another for rural development.

2.3.7. Small and Medium Enterprises (SMEs) Development Policy

Small and Medium Enterprises (SMEs) are considered an important foundation for the growth of the private sector in Rwanda. The majority of the SMEs fall within the category of the informal sector; yet they are very important in terms of job creation, income generation

and stimulation of growth in both urban and rural areas. Thus, the SME's Development policy addresses the need for developing linkages between different sectors in the economy.

2.3.8 Economic Development and Poverty Reduction Strategy

Rural Development – Currently about 45% of Rwanda's population is considered poor. This means that close to 5 million Rwandans live on less than a dollar a day, making this strategy extremely critical. The goal of this pillar is to reduce poverty levels to under 30% by 2017 and eventually further to under 20% by 2020. GoR policy recognises the needs of resource-poor farmers through the above frameworks. It aims to do this through creation of off-farm employment in rural areas and direct support to farmers through training, access to livestock and agricultural inputs. Policy states that 'the benefits for the poor cannot be taken for granted in any development program

2.4. Informal Financial Institutions

Informal financial institutions are of ancient origin; owned and self managed by rural people. They are self-help organization that mobilize their own resources, cover their costs and finance their growth from their profits. This sector plays great roles in the allocation and mobilization of credit and services to the rural sector of the economic at a comparatively lower cost and risk than the formal financial institutions (Soyibo, 1996:78). The sector serves a smaller segmented market with almost negligible transactions costs. The personal nature of transactions alleviates informal problems that formal institutions face. Informal sector are important sources of credit because they are close to the borrowers and offer small sums of loans mostly for short-terms and immediate disbursement. The speed and ease of access of these resources are cited as reason for dealing with them despite high interest rates (Yaron, 1994:49). The informal sector is able to keep transaction costs and risk at lower levels than the formal sector. They have good knowledge of local needs and circumstances; which means that they are in a good position to identify new markets.

According to Kashuliza,(1993:48) Informal financial institutions emerged in rural areas due to the failure of many formal financial services. Informal financial institutions are very attractive in the rural areas since these it is the only channel where rural households can access financial services.

The aim of informal financial institutions according to Otero (1999:23) is to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Aryeetey, (1996, p.45) goes further to say that the degree of flexibility and creativity in Informal financial institutions accounts for the high degree of success in such institutions. The types of services they provide are characterized mainly by short-term and small loans, increasing discipline in terms of savings, judgments of borrower creditworthiness, and information about the borrower. Service is based on flexible arrangements to adjust to changing economic circumstances, and reducing the transaction costs to the borrowers who respond by maintaining discipline in order to sustain their access to credit. The result is a dependable working relationship between the lender and the borrowers.

2.5. Informal financial Institution in Rwandan context

The Government of Rwanda is aware that rural development could not be achieved without access to financial services by the rural poor. As a result, improved financial institutions are considered a powerful tool for rural development

It is in this connection that Rwanda's poor have access to a wide range of informal solutions in order to meet their financial needs. The extent to which these informal mechanisms are used by the low income population is linked to their availability, flexibility and their affordability compared to the solutions offered by the formal financial institutions. Savings groups such as tontines are well known as savings means amongst poor clientele (Enterprising Solutions Global Consulting, LLC; (2005, p.12). According to Finiscope (2012, p.17), Informal Financial institutions are perceived to be high accessible; 37% (1.7 million) of adults belong to savings groups due to different reasons such as; provision of social protection, immediate financial help, increase their income through regular savings.

The National Bank of Rwanda targets to have 80% access to finance by 2017. In this respect, some of the mechanisms are already in place for instance: - Umurenge SACCO, a government program introduced in 2010. Reports so far indicate that many citizens have faith in Umurenge SACCO given the way they have registered membership and opened accounts with them. - Access to finance forums, established in each district, they are mandated with mobilizing and sensitizing the population to join any financial institutions. The forums will also be training the population about getting loans from financial institutions as well as building the culture of loan repayment. The forums will equally be responsible for identifying

constraints met by financial institutions and recommending mechanisms of resolving them (The Banker Magazine of BNR, N0 21, 2011).

2.6. Role of informal financial institution in rural development

Informal financial institutions are considered to be efficient in responding to the socio economic conditions of the rural poor as a result of the availability of resources without depending on market segmentation (Ardener and Burman 1995:237).

Informal financial institutions improve economic sustainability and reduce the poverty level of a society. With increased income, development is attracted and a society is better off. It positively impacting on the lives of the people because of its flexibility, accessibility and especially the recognition of each person's capability to contribute in the pot. One for one and one for all as they say

Bouman (1998:371) continues to say that informal institutions derive from the grassroots, bottom up demand of the poor for an appropriate financial service where informal financial institutions plays important role in mobilizing savings in rural economies of Africa through their daily collection of deposits.

Clifford (2009:39) stressed this position by claiming that the unique merit of the informal sector is its adaptation to different individual needs and possibilities well fitted into community patterns and aiming at encouraging planned and goal directed savings.

Informal financial institutions are therefore intended to provide reliable and affordable financial services to the poor by providing cheap credit with minimum requirements for example they demand for securities which are affordable by the poor clients. These institutions also cut on the bureaucratic tendencies which make it easier for the poor people to access micro credit. It is argued these Informal financial institutions) are in position to enhance the ability of the poor to move out of poverty as well as to prevent those above the poverty line from sliding into poverty (QoriniIwan, 2005:63).

Amos *et al.* (2011) started that small farmer groups are willing to continue in their small size to avoid problems, have good management, easily control group activities and respect internal rules and regulations. These social norms adherence enhances success of collective action and subsequently improve group performance. While Siva and Chandrasekar, (2012:48) stressed that 3 components for poverty alleviation are microcredit,

entrepreneurship and empowerment. These makes initiated groups to address their basic needs and provide more dignified life at present and future since they are socially, politically and economically empowered.

The exploration of informal financial institution and rural development shows a potentially positive impact of microfinance institutions on rural economic life, as they are the primary vehicles for the process of financial deepening in rural areas.

CHAPTER 111: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology used in carrying out the research project. The major items in this chapter include: , the study area description, study sample and sampling techniques, data collection techniques, the process of data analysis, delimitations of the study are also highlighted

3.2 Study area description

Rwamagana is one of 7 districts of Eastern province of Rwanda. It is composed of 14 Sectors, 82 cells and 474 villages (Imidugudu) with a population of 310,238 on a surface area of 691.6 km². Rwamagana district is bordered by Ngoma and Bugesera Districts in the south, Gatsibo and Gicumbi District in the North, Kayonza District in the East, Gasabo and Kicukiro Districts in the West. The population of Rwamagana district is 310,238, with a density of 459 inhabitants per km². The district hosts the headquarters of Eastern province in its town called Rwamagana, and has registered a highest population growth rate of 36% from 2007 to 2012, due to migration of people from Kigali city and increase in urban settlement as result of rural-urban migration.

3.3 Economic situation

The District is mainly characterized by business related activities in some parts of Rwamagana town and ten rural trading centers. Agriculture and livestock is the principal economic activity that employees over 80% of the population in rural areas of whom, at least 85% use traditional agriculture practices. The major crops of the district include bananas, rice, maize, pineapple and coffee. The District is rich in Minerals (Cassitérite, Colombo tantalite and Wolfram) especially in parts of the sectors of Musha, Mwulire and Gahengeri which is exploited by mining companies. The district has a big network of roads that connect it to other districts and also to agriculture production area but most of them are in bad condition.

In the economic front, the EICV3 report reveals that, land use consolidation is at 7.4% compared to the national average of 11.5%, hill side irrigation is at 6.1% compared to

national average of 3.0%, Land under erosion control 88.3% compared to 78.1% national average.

Through GIRINKA program, the district has distributed 6,168 cows to 14.3% vulnerable families (EICV3 report), 14.0% Households have electricity subscriptions (20.4% EWSA), 58.3% of the population own mobile phones and 1.3% of the population own computers. Rwamagana district has had finance institutions flocking it for the last five years. It has 7 commercial banks (BPR, BK, BCR, ECOBANK, COGEBAN, URWEGO and COPEDU), , 3 micro-finance institutions, 14 Umurenge SACCOs and One Mwalimu SACCO.. This sector has enabled the citizens to invest through acquisition of loans, savings and credit facilities and this has accelerated development of business and housing investment .However, there is still need for the district to sensitize its citizens to increase awareness on the culture of savings and loan acquisition for investment. (NISR, 2012).

3.4 Research approach and procedure

This is about how research work was conducted to get the findings and conclusions. This research targeted members of saving and credit associations in the rural sectors of Rwamagana district, exploring products and services offered to them. Whilst the qualitative approach is the dominant in this research, the method used is a combination of quantitative and qualitative research, namely triangulation method.

3.5 Study population and sample selection

Population refers to the full set of cases from which a sample is taken (Saunders, 2007:51). The population of this study consisted of both men and women from different saving and credit associations with similar socio-economic background but from different households. Rwamagana was purposively selected based on its diverse economic patterns in terms of the penetration of informal financial institutions in the period of 2011-2013 EICV3, The household survey sample was selected randomly from community members who had started saving and taken credit from the saving and credit associations. That is 208 household respondents; a sample from which conclusions (inference) were drawn. A list of Saving and Credit Associations was got from Rwamagana district planning unit, and using simple random sampling i selected households from Gishali, Muhazi, Kigabiro, Munyiginya, and Mwurire to ensure representativeness of the population and later study findings. In addition, a

total of fifteen key informants were purposively sampled who included Agronomist, Sector staff in charge of Cooperatives, and Executive Secretary from the six sectors selected.

They were chosen because of their experience and knowledge on saving and credit associations. The study therefore involved;

- 208 Savings and Credit Association representatives
- 5 agronomist from 5 sectors
- 5 Officers in charge of Cooperatives at sector level
- 5 Sector executive secretary

3.6 Data Collection Techniques and Analysis

Different methods and techniques were used in the data collection process. I used both household surveys and ethnographic methods. The ethnographic study methods used include key informant interviews, FGDs and observations.

3.6.1 Household Survey Questionnaires

Household survey questionnaires were administered to the 208 randomly selected household respondents had started saving and taken credit from their groups. The survey questionnaires consisted of both open and close-ended questions that focused on themes and sub-themes such as the importance of Savings and Credit Associations on household income, services and products offered by Savings and Credit Associations, ways in which Saving and Credit Associations contribute to rural development, limitations of SCRA and possible ways for ensuring sustainability. This saved time and other resources, and it also ensured that I collect even secretive information which could not be got through FGDs, as anonymity and confidentiality was assured to the respondents

3.6.2 Key informant interviews

Bealieu and Carter (1992) indicate that key informants are people who know what is going on in the village and they can thus provide insight on the nature of problems and used to collect qualitative data from the key informants.

These were also conducted with the help of a key informants guide. The guide was organized in form of research questions or and topics like the factors influencing the need for saving

and credit associations, products and services offered by Saving and Credit Associations, and the overall contribution of these associations to rural development The guide was used when interviewing 15 the key informants.

The guide included topics on the research subject and was categorized according to the themes and sub- themes as identified in the research questions. This gave me room to probe and prompt respondents, there by yielding to detailed and in-depth data.

3.6.3 Focus group discussion

This involved the use of the FGD guide to facilitate and ensure that the discussions are not off track. The FGD guide was constructed based on the themes and sub themes such as the importance of Savings and Credit Associations on household income, services and products offered by Savings and Credit Associations, ways in which Saving and Credit Associations contribute to rural development, limitations of SCRA's and possible ways for ensuring sustainability. I facilitated or moderated the discussions with the help of a note taker. The FGDs helped me to get detailed and comprehensive data for comparative purposes, since this instrument allowed serious brain storming with the participants

3.6.4 Other sources of information

Other than the methods of data collection described above, there were other sources that I used to gain data and information. Access to documented group information such as minute book, Individual savings pass books, and General ledger which contains income and expenses of the group members was readily availed.

3.7 Data Analysis and Interpretation

This included both qualitative and quantitative data analysis procedures and processes.

3.7.1 Qualitative Data Analysis

Ethnographic data was analysed using content analysis. This involved developing themes and sub-themes in line with the objectives of the study that as the importance of Savings and Credit Associations on household income, services and products offered by Savings and Credit Associations, ways in which Saving and Credit Associations contribute to rural development, limitations of SCRA's and possible ways for ensuring sustainability and

categorize the collected data in accordance with the above. Data from the field was then organized into themes and sub themes, and the field were arranged to ensure that no information is left out. Similar responses were put together under one theme or sub theme in order to avoid generic and uncoordinated information.

I then interpreted the data and some responses were used as quotations in the presentation and discussion of findings. Relevant table extracts, graphs and charts are also included in the report to give deeper meaning to the data presented.

3.7.2 Quantitative Data Analysis

I thoroughly cross checked the household survey questionnaires, to establish completeness, accuracy, and consistency and uniformity of the answers given. The survey information was then tabulated using frequency distribution tables and cross tabulation and displaying the data through different graph types to provide –visual results. The report compiling all information was done using Microsoft word application program. The results of this research work, recommendations and conclusion formulation are entirely based on the above research process.

3.8 Delimitation of the study

The problems were both methodological and theoretical. First and foremost, research is known to a number of research fellows as a costly venture, in terms of time, human resources, financial and other logistics. This study was also prone to such problems. Second, the study was conducted only in Rwamagana district and in rural community. This implies that the study had geographical limitations. The study would have been conducted on a countrywide geographical scope, in all the districts of Rwanda. However, time and other logical issues were not in the abundantly available to me. Nonetheless, I used the resources available effectively and efficiently with in the period scheduled to conduct the study.

Furthermore, the study was conducted at the eve of the rain season. This means that down pours (rain fall) interrupted many of my field visits and appointments had to be rescheduled at a cost of time and logistics. In addition, many key informants especially from local administration were not readily available as a lot of bureaucracies were encountered.

This chapter elaborates the research methodology and the process during the research in the field. While the qualitative method is dominant in this study, the triangulation method of data

collection is employed, which is a combination of quantitative and qualitative methods. The triangulation method means that each method used is complementary to each other, as in this study quantitative method complements qualitative.

CHAPTER IV: FINDINGS, DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is a presentation of the research findings and analysis. Chronologically, the findings and analysis are presented and done according to the arrangement of the research questions that guided the study.

4.2 Socio-Demographic Characteristics of Survey Respondents

Table 1: Age and sex of respondents

Sex	Frequency	Percentage
Female	155	75%
Male	53	25%
Total	208	100
Age	Frequency	Percentage
20-29	21	10%
30-39	52	25%
40-49	71	34%
50-59	54	26%
60+	10	5%
Total	208	100

Source: Field survey, 2014

As presented in table, the majority of respondents were in the age bracket of 40-49 years (34 percent), There are the dependent populations mostly falls in the age group of 60. This shows that a significant proportion of the active labor force in the area surveyed have confidence in the informal financial sector and are economically more active. The data also reveals that group up adults which fall under 60 and above years of age do not have much concern in informal membership

The sex distribution of respondents reveals 25% are male and 75% are female being the majority. From this evidence, the percentage shows that women were largely more involved in the informal financial sector compared to men.

Men were described as only interested in accessing larger amounts of money so they were not interested in loans for the small scale business.

Whereas for woman, it was the first time they could access flexible, hassle-free loans that enabled them to address their family's lack of food and income.

Table 2: Family size

Size	Frequency	Percent
1-3	22	10.6
3-6	81	38.9
7-10	64	30.8
11 and above	41	19.7
Total	208	100

The average family size is 6 persons per house hold with the 38.9% ranging from 3 to 6 persons per household which is the highest family size. Family size of these rural people is quite large and one person interviewed represent 9 family members at household level and 2 to 3 persons represent approximately 20 members of the saving and Credit association

Table 3: Occupation

The selected sample represented the total population including different occupational groups where there are farmers, or tailors, basket and mat makers, and petty traders as shown in the table 3.

Occupation	Frequency	Percentage
Farmers only	134	64
Tailors	10	5
Basket and Mat makers	16	8
Farmers with Petty trading	48	23
Total	208	100

Source: Compiled data from respondents, 2014

The study showed that the main occupation consists of agriculture and trading food crops. The occupation of the head of the household is considered as the main occupation of the family as many of the occupation category lies by the ancestral occupation like mostly the agriculture.

According to USAID (2010), Agriculture is the backbone of the economy. It has contributed an average of about 36 per cent of total GDP between 2001 and 2008, and it employs more than 80 per cent of the population. Rural livelihoods are based on an agricultural production system that is characterized by small family farms of less than 1 hectare (ha), practicing mixed farming that combines rain fed grain crops, traditional livestock-rearing and some vegetable production. Food crops account for 92 per cent of the cultivated area, and two thirds of food crops are earmarked for family consumption.

4.3 Factors influencing the establishment of Savings and Credit Associations

Before examining the factors influencing the establishment of Savings and Credit Association, the researcher needed to find out how long have members been in these associations. As shown in table below, we examined the duration of membership of respondents in the Savings and Credit Associations they belong to.

Table 4: Members response' on their duration in saving and Credit Associations

Duration	Frequency	Percentage
Below 1 year	21	10
1-3 years	54	26
3-5 years	92	44
Above 5 years	41	20
Total	208	100

Source: Compiled data from respondents, 2014

The groups examined are (Below 1 year), (1-3 years), (3-5 years), and (above 5 years) with the number of respondents representing 21, 54,92,41 totalling 208 and the proportion of the total representing 10,26,44 and 20 totalling 100% respectively. Of all respondents, about 92 percent claimed to have savings and credit association between 1 and 5years. This is likely due to the fact that about 76 percent of the total respondents belong to the 30-50 years age

bracket. As the savings and credit associations described in the literature as an age-long tradition, one would expect the analyzed data to reveal proportion of respondents to have been members for over 5 years. A likely explanation for this anomaly is probably that only about 32 percent of total respondents belong to the 50 years above bracket.

Further investigation of the data available, revealed that 97 percent of the total respondents have been members of the Savings and Credit Association for over 5 years. So, if more old people have been interviewed, the data is likely to have revealed more 5 years and above membership of Savings and Credit Association. This justifies the reason as to why the results from Finscope which compares financial inclusion from 2008 to 2012 indicates that informal financial service increased from 38.6 in 2008 to 57.5 in 2012 (Finscope 2012).

We further analyzed the factors that have influenced the establishment of the savings and credit association in Rwamagana district. The following factors were highlighted by SCRA members; Ownership & self-regulation; transparency & accountability; easier to operate; socialization.

4.3.1 Ownership and self-regulation

SCRA are owned and managed by their members. This is their most important strength, and self-reliance is fundamental to their operations and long-term sustainability. The goal is group and financial independence. This was mentioned by a group member who also holds a position of the president within the group. As argued by the participants, *“group members agree on a set of rules, by-laws, to guide their activities. These rules are written into the SCRA minute book that provides authority to the Committee members and a framework for regulation and dispute resolution. The by-laws specifies the terms and conditions of savings and lending and how the fund will operate. Each member within the group may be assigned one or more rules to remember. This has the effect of reinforcing the rules so that after some months every member is aware of the regulations”*.(FCD, Gishari sector 2nd October 2013).

The savings groups are encouraged to draw up their own rules regarding when and where to meet, what action is to be taken when a member fails to attend unexcused, the amount to be saved each week and what growing project is to be carried out (e.g growing tomatoes or pineapples or weaving baskets), how to support each other when a member is ill and needs help (group work digging fields, repairing houses, interest-free loans for medical treatment

etc). this gives more value to the existence of savings group in our community. (Interview with Gishari social affairs local leader , Rwamagana 11th October, 2013).

4.3.2 Influence of transparency and accountability

All the respondents agreed that SCRA ensures that all members of the group are able to witness who has saved and who has not, who has borrowed and who has not, and what this means with respect to the return on savings. To ensure that transactions only take place during group meetings, a lockable cash box or heavy-duty lockable canvas pouch is used to safeguard excess cash. Refer to Appendix page 80 for the sample of saving box used. When savings are not taken as loans and its recorded in books to prevent unauthorized cash transactions and tampering with group members' records which facilitates members to access loans to solve their problems. Members' savings and group earnings are used as a fund for internal lending.

“Each member has to remember five simple facts: 1) the amount of money in the box at the end of the meeting, 2) whether she owes a savings payment, 3) the amount and due date of her loans, 4) whether the person sitting to her left owes a savings payment, and 5) the amount and due date of the loans of that woman. The ability to recall this data is so important that some groups impose fines on members who do not remember the information. This system overcomes the hurdle of written records, which often depend on a literate outsider to maintain them and thus limits program expansion. Oral accounting has been a successful mechanism to assure transparency for all members and allows the group to manage its finances” (Interview with local leader, Gishali sector, Rwamagana 3rd October, 2013).

4.3.3 Socialization

Most respondents recommended socialization and meeting friends as important elements; demonstrating the strong factor that influenced the establishment of SCRA. This was mostly pointed out by women who were testifying how isolated they were before.

“SCRA to me is beyond an economic group. When I was alone in my house, very isolated full of propblems, I thought it was only me. But I realized that I was not alone when I joined the

group. This group represents a social structure where we feel a sense of belonging, hope, and a spirit of solidarity". We encourage each other, visit each other, and support each other". (Respondent from Twitezimbere, Munyiginya sector, Rwamagana 16th October, 2013

According to Deneulin, 2006, SCRAs appear to encourage a model of social arrangement, structures of living together that reproduces and promotes ethics of democracy, reciprocity, and solidarity. This promotes people's individual well-being and encourages community development

4.3.4 Easier to operate

A significant number of members mentioned that SCRA is advantageous in that the member can borrow against his accumulated savings even before the end of the month. This is one of the important roles of informal financial institution in filling the gap created by formal financial institutions. According to Allen; et, al; (2010:35) SCRA acts as group where people pool their resources to create financial stability via loan grants collected by the group aiming to make everybody of that group self-depending or even self-employed.

"...let alone the expensive interest rate charged by banks and formal financial institutions, the procedure is lengthy. We don't want that. In addition, banks require physical collateral. Most of us have opened individual bank account but not accessing any loan". (Respondent from Tuzamurane, October, 2013)

Some respondents mentioned SCRA loans acts as a backup for other external loans so they can never abandon the association

Theoretically, people go for Informal Financial Institutions (SCRA) due to lack of access or restriction to FI (banks) and financial repression (Aryeetey 1996). This result from the field work goes in line with these positions. This is confirmed by CGAP's (1998) statement SCRA provides several rationales for its establishment. Across different countries in the sub Saharan Africa, Asian, Latin America, the Caribbean and Pacific and beyond, different forms of SCRA are known to exist. Commitment by members of any SCRA group is an essential quality which is identified in almost every group. Furthermore, as a poverty reducing strategy, SCRA has been a significant tool for the poverty reduction by especially enabling saving habits that has evolved into formal practices.

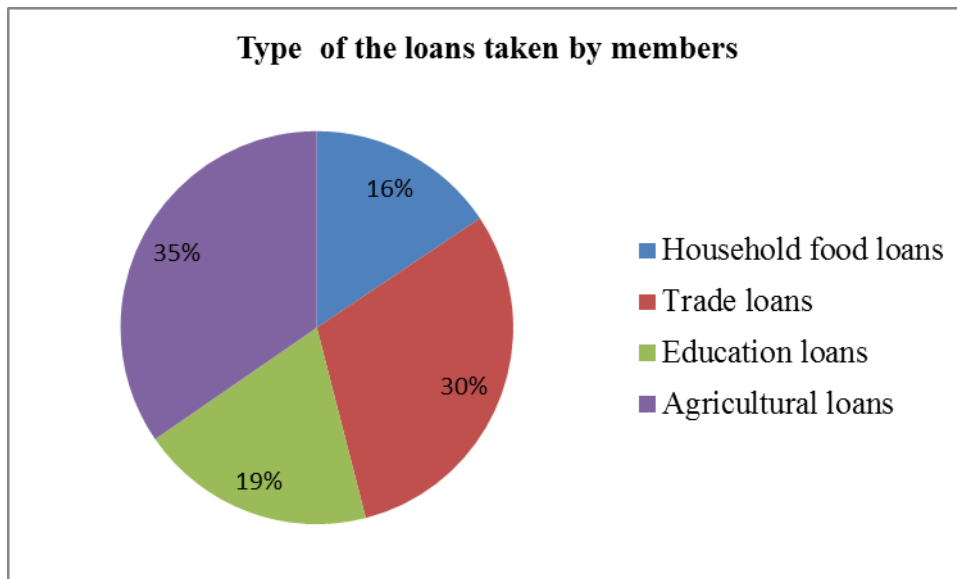
4.4 What are the services and products offered by Savings and Credit Associations

An inventory of products and services provided by SCRA was done during this study and the analysis of which answers my second research question which was to examine the nature of products and services provided by this type of informal financial institution.

4.4.1 Credit products

Access to credit is usually very limited in developing countries, owing to a low availability of any assets that can be used as collateral (Allen, et, al , 2010:42), as well as generally high interest rates. The poor are both allegorically and physically far from the institutions providing formal credit services; furthermore, (Chavan and Ramakumar, 2002:91) states that these institutions usually lack the flexibility for credit utilization. Because households normally face a broad variety of needs, the distinction between consumption and production credit is rarely applicable.

Figure 1: Nature of the Credit products offered by SCRA



Source: Compiled data from respondents, 2014

Figure above draws out the nature of credit products of the sample SCRA. Loans were given on individual demand by all SCRA. The total numbers of respondents are many compared to the sampled number because respondents were responding to more than one option. Household food loans were decided instantly during the meeting day while all loans for other purposes were decided within a range of one a week.

The range of repayment over all the sample SCRAAs ranged from 3 months to six months. In the event where members failed to repay their loans, among all SCRAAs the other members examined the default case and tried to reschedule the repayments where the default was found to be due to genuine causes. All else group pressure is exerted on the defaulting member to repay the SCRAAs loan.

This was observed from group documents where they write their minute. It is a repeated assumption that providing credit to community members automatically increases their status within the household and society at large, and that this either equates with or directly leads to empowerment Hunt et al. (2001)

4.4.2 Saving products

Fisher and Sriram (2002) citing Johnson and Rogaly (1997) indicate that poor people need access to so many more financial services than just micro credit, including saving products. They stress that these services protect poor people from the impact of unforeseen crises and emergencies in the households or micro businesses from falling yet further into debt and enable poor households to plan and manage their resources more effectively to meet their basic needs.

Members save money that becomes a source of loan capital for members of the group. The purpose of SCRA is to provide savings-led financial services to communities that have no access to formal financial services or where access to formal financial services is limited due to high transaction costs and other entry barriers. When the amount of group savings is sufficient, any group member can borrow from the internal fund, committing to repay the loan with interest. This allows the fund to grow.

Majority of respondents revealed out that SCRA is a best place where they are not ashamed to save what they have. Through direct observation, SCRA members determine the minimum and maximum amount of money to save by each member. From further discussion, members said that this is done so that the poorest in the group can save reliably and regularly since it's a must to all members. This is confirmed by Sinha et al. (2006) who state that failure to keep up with regular savings is the most common reason to be excluded. Literature reveals that SCRA are usually regarded as a means for poor people to save money in order to make an indivisible expense, Handa and Kirton (1999)

The study demonstrated that SCRA facilitate members to have various forms of saving as identified in the table below:

Table 5: Members responses on their saving practices with in SCRA

Saving Practices	Frequency	Percentage
Saving Up	41	20
Saving Down	65	31
Saving Through	102	49
Total	208	100

Source: Compiled data from respondents, 2014

From the above table, 20% of interviewed individuals put a sequence of savings and accumulate money into a large sum enough for serving some needed expenditure at a certain given time such as emergency (Health care, funerals, climatic incidents, livestock diseases)

31 % of members are focusing on saving but with a purpose of borrowing. Their desire is to get loans from the group so that they can run businesses; 49% which are the majority uses Saving Through practice. This is a mixture of Saving Up and Saving Down. Meaning that, members are able to meet emergency cases through their savings, and are still able to borrow from the group. Through focus group discussions and interviews, different groups had different approaches to saving depending on the sectors they come from.

Groups from Kigabiro sector apply Saving down approach. When I asked the leader in charge of cooperatives in Kigabiro Sector, this was his response; *“Kigabiro is a sector in which there is a lot of business going on. First of all the market is located in this sector, majority of Muslims reside in this sector and they are naturally business people. So the environment in which these groups are, is a business environment hence influencing their mindset”*. (Interview with local leader, Rwamagana 13th October, 2013).

On contrary, Groups which are located in Munyiginya sector which is under deep rural settings is not interested in saving down approach. They prefer Saving up strategy where they save till it accumulates and later share out and buy assets. Respondents mentioned that approach is preferable because the community is only for farming. *“Here only can only sell agricultural products to the market during the harvest season. No need of taking loans, we have social fund which rescues us interms of emergency like sickness and education of our children”* (Interview with a member of Jijuka Association , Munyigiya 13th October, 2013).

Harper M. (2003), The process of saving on a regular basis can be an empowering experience for people used to living at the margin, and can contribute to an improvement in the quality of their lives. It serves to capitalize on the productive activities, which sustain the family and thereby enhancing income of the family

Savings benefit group members quickly. Women, especially, see the impact of a community-generated on savings and its impact on household livelihood. Women increasingly head up poor households and are often the sole source of support. Studies have proven that women are far more likely than men to channel increased income from their business activities into essential benefits for their families

Results from the field research are confirmed by the Rutherford, (2000) who highlights general features of savings which are as follows;

➤ Financially speaking, savings enable future investments and they smoothens consumption. For poor people both are essential. The first gives access to lump sums of money which can be used for life cycle events, emergencies or investment opportunities, while the second makes it possible to cover everyday’s basic consumption needs even when no daily income is available. Especially the later is of utmost importance as the income for the poor tends to fluctuate considerably through the year. Especially for farmers, this smoothening of income is vital.

➤ In rural development, the aim is often to start up new business ventures. Experience shows that practically all new successful business activities involve some kind of personal savings.

➤ Poor people generally want to save and in most cases they can save at least during some parts of the year. However, they don’t necessarily save in cash. Saving in kind like animals, grains and building materials is also common in rural settings.

- Trust and accessibility facilitate the intermediation of money. Banking systems like VSLAs, SACCOs, are available and people must trust them.
- Poor people demand both voluntary and compulsory savings.

Most economic rationales indicate that consumers prefer flexibility, meaning voluntary savings that can be deposited and withdrawn whenever needed are preferred. However, people may be perfectly rational when they often indicate that they prefer compulsory savings that can only be withdrawn after some time. One of the reasons for this is that they want peer pressure

4.4.3 Source of knowledge and information

In all the sectors sampled, SCRA has been used as a platform for education and awareness on HIV, hygiene, family planning, adult literacy programs, basic business skills, financial literacy and practical skills such as bookkeeping, saving, appropriate & agricultural technologies

Leaders from Kigabiro sectors highlighted that; *Some development partners use participatory learning groups to discuss different issues such as HIV AIDS, family planning, hygiene but other development partners just provide financial literacy to group members whereby there focus is only to increase household income.*

SCRA participants reported the importance of increased knowledge about HIV in helping them make better-informed life decisions. In this area, it is now more accepted for the cause of an HIV-related death to be openly discussed.

Additionally members have reported a reduction in stigma in SCRA groups that have been exposed to HIV education. In cases where a member may be HIV positive, SCRA continues to create an atmosphere for psychosocial support from other members. (In focus groups conducted in Munyiginya sector)

4.5 Contribution of services offered by SCRA to Rural development

The findings of this study indicate that there is a clear link between products and services offered by SCRA and rural development

4.5.1 Saving Mobilization

Household savings are an important determinant of welfare and so promoting savings at the household level is important for rural economic development. In particular, savings (along with the accumulation of other assets) act as an important buffer against income shocks, particularly where access to credit is scarce World Bank (1989).

4.5.2 Opening bank accounts

Due to the enhanced saving culture among the community members, it has increased member's awareness level on banking; they know the remittance and withdrawal procedures due to the familiarity of writing their savings in their individual pass books.

Having access to bank accounts is one of the measurable indicator which is used to verify financial accessibility

“We received training on how to open bank accounts, because we now had money to save in the bank. Before it was very hard to thinking of having a bank account, we did not have information, we did not have money to save, we thought it was for rich and educated people. But now all of us have accounts”.(FGD from Turwanyubukene in Muhazi sector, 10th October, 2013)

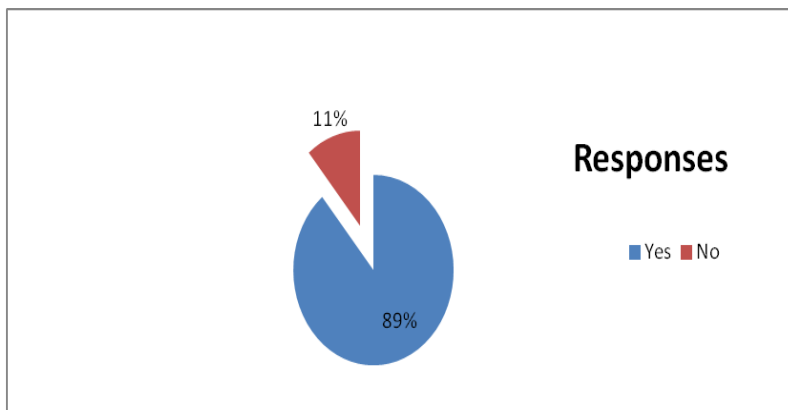
“If you live in an urban slum or in straw hut in a village, finding a safe place to store savings is not easy. Bank notes tucked into horns, buried in the earth, rolled inside the pillow, or thrust into clay piggy banks, can be lost or stolen or blown away or may just rot.

Certainly their value will decline, because of inflation. But the physical risks are the least of the problem. Much tougher is keeping the cash safe from the many claims on it - claims by relatives who have fallen on hard times, by important neighbours, by hungry or sick children or alcoholic husbands, and by landlords, creditors and beggars. Finally, even when you do have a little cash left over at the day's end, if you don't have somewhere safe to put it you'll most probably spend it in some trivial way or other. It's very safe to save at the bank when you have money at home.”. (Interviewed member of Ejo Heza group in Kigabiro sector, 4th October, 2013)

“Normally the amount of money taken to the bank is that which is beyond the normal amount allowed to be saved in the group. This is common to group members who run income generating activities on a daily basis” (FGD from Ejoheza in Kigabiro sector, 4th October, 2013)

FinScope 2012 findings illustrate that with the increased proportion of individuals have saving bank accounts, there has been a significant decrease in the proportion of those who keep their savings at home. This is confirmed by the findings from the respondent's views on their saving practices.

Figure 2: Member's Responses on opening bank accounts number



Source: Compiled data from respondents, 2014

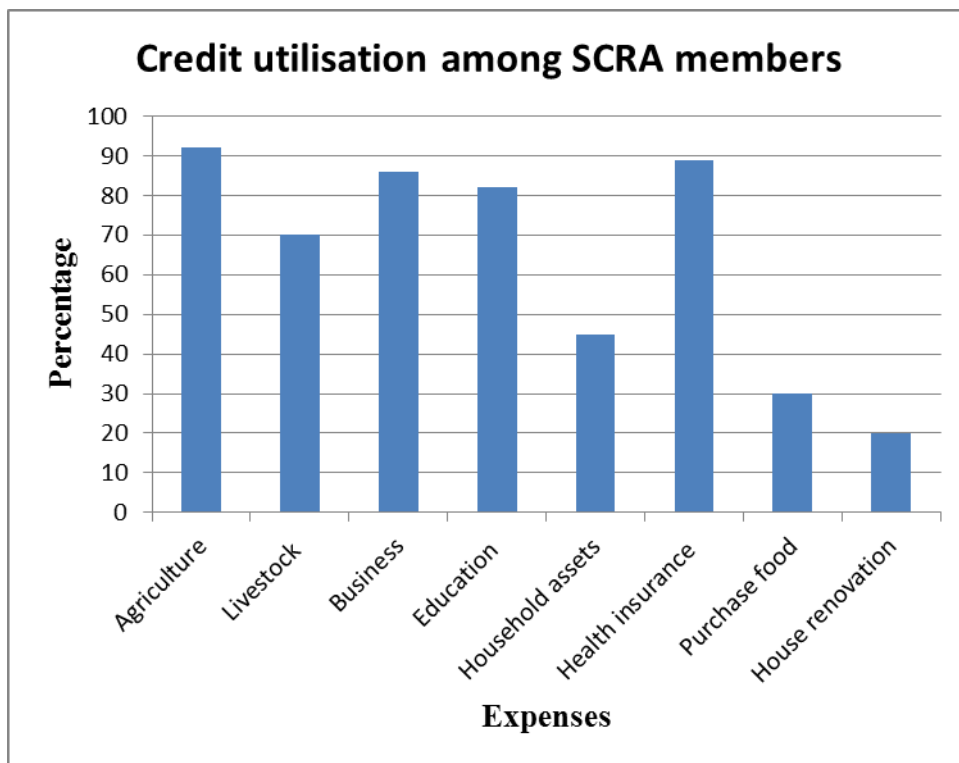
One of the first services under savings product is facilitation of members to have a bank account in any nearby bank. 185 (89%) of the respondents opened individual bank account three months after joining the Savings and Credit Association, 23 (11) have not yet opened their individual bank accounts. According to Rutherford, (2000) Creating a bank account bring about trust and accessibility between financial institutions and the people. The economy will improve if people save cash in a system where the cash becomes available for others for the time the depositor doesn't need the money. This requires intermediation of money.

4.5.3 Access to Credit

Credit access fills the depression of the financial inadequacy for majority of the low income people. As a result, credit access revamps the productive capacity of poor members of the household (Johnson and Rogaly 1997:57). This means that micro-loans empower poor people to take part in income generating activities and as a result this improves on welfare of the low

income earners in our society. Indeed without the intervention of small loans, many poor household members would not be able to start-up businesses, meet the physiological needs like medical care, school fees and food among others.

Table 6: Utilization of credit funds among research participants



Source: Compiled data from respondents, 2014

4.5.3.1 Agriculture

One aspect of credit is its impact on agricultural productivity and household food security. Credit program aim to help rural households invest in improved agricultural inputs, as well as enabling them to use their time effectively on their farms by reducing time spent on income-

generating non-farm activities. The aim is to improve agricultural production and thus improve their household food security (Nosiru, 2010).

World Bank (2001) states that, agriculture is an important component of most rural economies especially in the developing countries, Rural development according to Zeller, et al (1997) aims at the improvement of welfare of rural populations through the sustained growth of the rural economy, which includes agriculture.

According to (2011), The agricultural sector is responsible for generating more than 33% of Rwanda's GDP³, making it one of the country's most important economic sectors and integral to achieving the goals set out in the national strategies, Vision 2020 and the EDPRS. Through this strategic framework, the Government of Rwanda gives high priority to the creation of improved safety nets for the poorest and the most vulnerable people, and achieving sustainable economic growth and social development.

Respondents were asked, therefore, if credit had enabled them to improve their agricultural productivity and household food security. Through focus group discussions, majority of members responded that they have invested their loans in small-scale irrigation and good water management, accessing better/modern seeds, fertilizers and pesticides, introduce kitchen gardening which enables high yields of agricultural production on a small land. From the above theories, one can confirm that Savings and Credit Associations enable community members to increase their productivity as per the results from figure above..

4.5.3.2 Household Assets

One of the main objectives of credit is to enable households to acquire and develop household assets. Various studies (Pitt and Khandker, 2003) indicate that microcredit has a positive impact on building household assets.

The results displayed in figure 9 generally confirm this theory, suggesting that membership in the Saving and credit associations facilitates a higher level of obtaining household assets.

Livestock purchase is also a common use of credit in the area. According to survey results, of the total credit beneficiary households, about 201 members bought at least one animal. Livestock purchase, however, is not the same for all categories of household. About 150 members out of 201 bought more than one domestic animal. Focus group discussions revealed that the type of livestock bought is also different. There are those who could only

acquire small livestock like chicken and goats, and rabbits whereas others invested their money in large livestock, notably cows and pigs.

This respondent who allowed me to go to her resident managed to renovate her house through SCRA money. Here what she says:

As you see me, I'am a widow with four children, so being part of SCRA has really uplifted me from coming out of category one of Ubudehe to category three of poverty. The house you see which has mud is the one I used to live in. My children could hardly get scholastic materials. But now, I'am a very confident woman, I'am a leader in my community, I have four(4) goats, I bought a motorcycle which earns me money on a weekly basis. I even sensitize other women to join me

4.5.3.3 Income generation

According to Johnston, B.F. (1970), As most local people obtain income from agriculture, income generation through improved agricultural productivity and marketing of agricultural products is considered when implementing rural development.

The study shows that there is a considerable improvement in the income level of the people as a result of the SCRA's embarked on by them, because, majority of the rural dwellers were living under zero income before joining the Associations

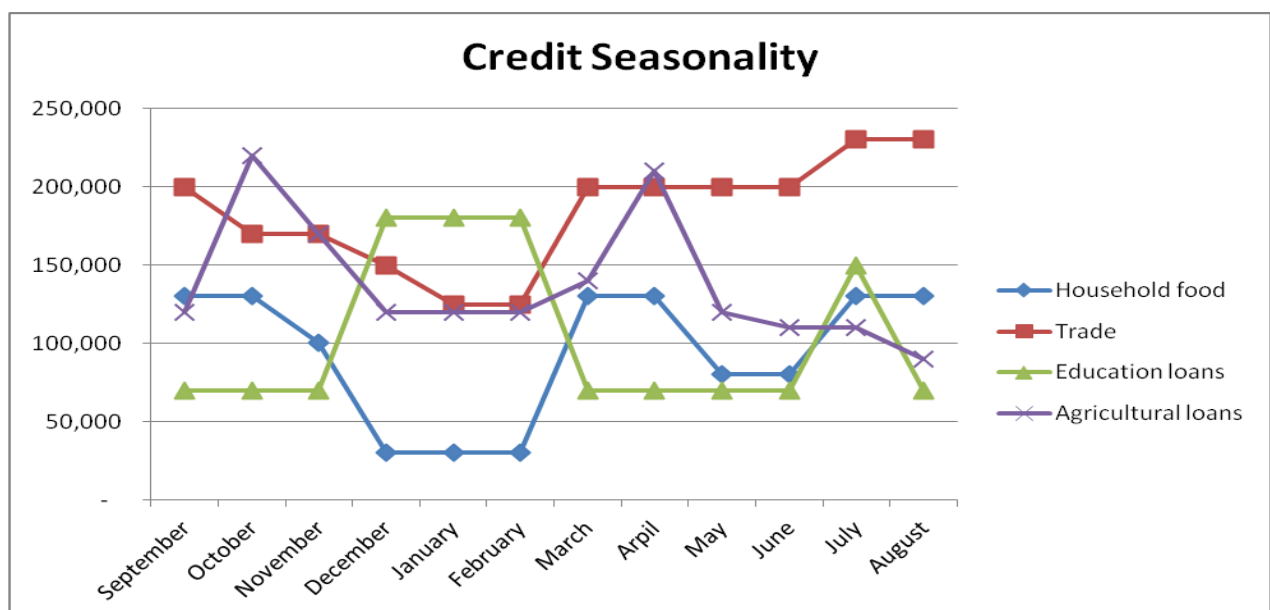
Through application of recall and PRA techniques, monthly income estimates were mentioned to get a crew on the change before and after joining the Savings and Credit Associations. Most clients claimed that their incomes had increased since they joined SCRA. Out of the loans, they have been able to expand their businesses, buy assets and graduate to bigger loans. To cite an example, a woman respondent from Muhazi sector said;

“My friend gave birth to me when she introduced me to Ndamirabana. I received the first loan of 10,000Frw in 2007 and now (2013) have progressively graduated to a loan of 150,000 Frw s. With the help of the loan, I have been able to do and expand my fruits petty business out of which I sustain my two children in school (the rest five dropped out before I joined SCRA), I am able to buy them milk, before” joining SCRA, I had one single dress that I would put on during the day, wash in the night and put again the following morning, but now I am able to buy myself several dresses. I also get transport to visit my husband who is jailed far away from here”

The story of this respondent is a typical case that SCRA through group lending has been able to reach a population that lacked loans before on the grounds of lack of collateral. Once they join groups they are able to access loans which help them do productive activities that enable them to improve their living standards.

Likewise Songsore (1992), in his analysis of Cooperative Movements in North Western Ghana argued that; credit enables peasants to expand and develop income generating activities and supporting payment of other necessities like food, education, health and water charges. As can be expected, loan demand and use has brought changes over time due to seasonality and specific events within the community. A detailed loan analysis is useful for helping sectors such as agriculture and education understand the potential that SCRA has in supporting the financial needs associated with these sectors.

Figure 3: Credit seasonality of group members



Source: Compiled data from respondents, 2014

The trend analysis above shows behavioural pattern of borrowers in response to seasonality and problems facing them in their respective communities. The most interesting pattern observed during the study was seen during the season from September to August

❖ **Food for the household**

From figure 3 above, loans for food consumption was mostly needed during the dry season between July to October. Views from respondents, “We don’t have stock where we keep food

for reserves during the dry season. So when the month of July starts till September, majority of people lack food so they get loans from the association and buy food. From the beginning of October loans start decreasing because the rain start falling down. By the time its December- March, we have enough food for consumption". "(FGD from Turwanyubukene in Muhazi sector, October, 2013.

Most respondents especially those dependent on agriculture reported that SCRA has helped them to deal with seasonality in consumption. At the harvest time, their income reaches the peak. In other periods they have almost nothing. SCRA therefore offers them alternatives. They borrow loans and do different income generating activities during non-farming periods.

❖ **Seasons for Trade loans**

Similarly, most clients especially those dependent on agriculture reported that savings have helped them to deal with seasonality in consumption. At the harvest time, their income reaches the peak. In other periods they have almost nothing. SCRA therefore offers them alternatives. They borrow loans and do different income generating activities during non-farming periods

❖ **Seasons for education loans**

With regards to access to loans for education, it was mentioned that when it reached the month of December to February as seen from the figure above, when children need to go to school, the saving and credit association gives the priority to members who request loan for purchasing scholastic materials and school fees. The group does not charge any interest on the loan taken for education purposes just to encourage many children to access education

❖ **Seasons for agricultural loans**

Majority of respondents mentioned that during the rainy season that is from February to May and from September to December, loans for agricultural production are many. These are a cultivating seasons so people get loans to buy fertilizers, seeds and plots of land. SCRA approach helps people with the access to food security and is an essential element in rural development. Most of the production due to lack of storage is sold just after harvest to provide the necessary income, thus exacerbating seasonal food shortages.

When the sampled local leaders were asked the contribution of SCRA in seasonal changes, they all confirmed that Savings Groups serve as a buffer against shocks – a safety net – and a

source of small capital. Income tends to be very irregular within a village with considerable income after the harvest supplemented by petty trading during the dry season. Ready access to very small loans helps avoid selling off assets – animals, household items at a very low price – to help take care of basic needs such as food and to avoid simply doing without.

Analysis of the financial products provided by SCRA also reveals that, the informal financial institution tries to meet the various needs of the poor. SCRA acknowledges that poverty is a multi-dimensional concept-that poor have different development needs. First, SCRA has always opted for the ‘credit plus’ approach, where loans are given to poor clients in combination with various forms of skill training.

Prior to the disbursement of the loan to the group, the group members are trained in entrepreneur skills to enhance their capabilities of managing their small businesses. During the interviews, the clients expressed that they had been trained especially on how to calculate their profits and expenses which smoothened their business operations and acted as early warning in case one was to fall in losses. Besides financial education, SCRA also provides other services as seen below.

4.5.4 Loan Frequency in a SCRA Cycle

Although the interview questionnaire did not specifically ask about loan frequency (i.e., the number of times SCRA members took out loans from the group), the open-ended nature of the questionnaire provided some insight into this topic. Essentially, the respondents indicated that the loan frequency in a SCRA cycle depended on each member’s savings activity. For example:

1. The more a SCRA member saved during the weekly SCRA meetings, the more she could borrow.
2. Respondents indicated that SCRA members could borrow again as soon as the previous loan was repaid.

The respondents implied that these two criteria for loan frequency functioned as a sort of informal credit-check mechanism for loan users. Higher weekly savings and on-time loan repayments meant that SCRA members were capable of repaying their loans with interest, and could be allowed to borrow more frequently.

4.5.5 Rural development through non- financial services

Saving and Credit Associations provides a venue for people to meet on a regular basis and discuss issues that affect their lives and the life of their community. Self-selection and the opportunity to share a common goal to improve their daily lives create strong social cohesion and a sense of belonging, which often empowers members to take charge of their lives and become actors of change in their community. Gugerty, 2005

By joining SCRAs, people managed to accomplish important objectives, which would not have been achieved otherwise, and this in turn enhanced self-esteem and confidence.

This was mentioned by mostly female members who further explained that SCRAs represent not solely a means of accessing money, but also an empowering tool whereby they are encouraged to achieve significant goals.

Members committed to SCRAs are recognized as trustworthy, not only within the group, but also in the broader community, and this reputation inspires a sense of dignity. The president of one SCRA committee remarked on her pride in holding a role of such responsibility, and, although she thought to retire, the group convinced her to carry on.

Most respondents from SCRA strongly confess that Saving and Credit Associations have proven to be a very strong tool in developing the democratic understanding and practice among women and the community at large. As most women are the majority in the SCRA, they are the ones who have learnt to speak out and articulate their issues in community meeting.

Directly quotation from one respondent of JIJUKA SCRA

Us women as you see, we have greatly changed, those days before we joined JIJUKA, our work was to stay in the house, till other peoples' gardens to get food, community meetings were only attended by men. But now! Humm!!! my daughter, all of us have become familiar with the importance of minutes, roles of secretary and president, administration of common fund as well as timely appearance that otherwise results in penalties instituted in the constitution. Why do you think we attend those meetings, itsbecause we have self-confidence, we have money in our pockets, we are respected in this community..... even out sector leader can testify about us.

They Specifically this has resulted in hundreds of group members getting elected to the local political body and more just stand for election. Today 30-40 % of the members are among the leaders at village and cell level

❖ **Improvement of educational standards**

The improvement of educational standards is a very important element in rural development. Widespread illiteracy and low levels of basic education also hinder income-earning capacities at the household level. Participation in the Rotating Saving and Credit Association is expected to increase the level of access to education services

Some participants said that they had little trouble in paying school fees, which for the most part came around at predictable times of year. For others, however – perhaps those who were less familiar with the school system, or who did not have enough to put some money or crops aside – educational expenses were unpredictable and a source of uncertainty, and they appreciated the relative ease with which they could take a loan from the savings group.

The savings group is helping. It is helping a lot. Like I was saying when one of our children is going to school and you go and borrow money from the savings group a loan is helpful. You know that somebody has money and you trust the person but when you go to the person to give you a loan they will not give you. As you are aware some of us have and some also do not have [money]. You tell them everything about what you are going through but they will not give you the money. But as for the savings groups, like we are sitting now, if you tell them you need some money and they ask you what for you are able to tell them what you need the money for. You will be given the money. (Interview, Mwulire 17th October, 2013)

Local leaders interviewed said that previously, children would not go to school because of money, but that absenteeism had reduced in our sector since the savings group started. Cases of vulnerable children have reduced to some extent

However, though the respondents' generally positively said that they were able to fund their children education, when the researcher probed up to what level of education, few answered that they can manage to take their children to private universities school. The reasons aired out was that where as the primary level education is cheaper and usually the children go to school and come back home to help on domestic cores, Respondents mentioned that income

generated from petty trade enables them to send their children in secondary boarding schools since it is comparatively expensive.

❖ **General health improvement**

It was revealed out that Access to financial services has allowed community members to seek health care services when needed, rather than wait until an illness has reached crisis proportions. The study from figure 4 has showed that financial services have had a strong positive impact on the health of the members

De Vos, A.S. (2005) states that one aspect of poverty in rural areas is the unsatisfactory health conditions of local people. Unhealthy and ill people cannot perform to the best of their capabilities nor make efforts to improve their living conditions. Therefore, the promotion of rural development necessitates the improvement of health conditions for local people. *In this sector, I no longer sensitize community members about paying mutuelle de santé, these groups have influenced the whole community to be punctual and also able to pay the full amount according to their number in the household. Among group members we have cell leaders so they can easily influence the community under her/his leadership* (Interview, Munyiginya sector 16th October, 2013).

❖ **Improved community collective action**

More than half of the respondents reported that this collective action, in turn, facilitates in pooling savings together, supporting each other in farming activities and knowledge is shared easily. Others said that collective action helps in monitoring of new members. Since new members normally reside in the same area, the group is well aware of their economic situation, along with their trustworthiness. SCRAAs provide economies of scale through collective action, which would otherwise be unreachable for the poor (Collier, 2002).

(United Nations document, 1981) states that collective action creates opportunities which enable all members of a community to actively contribute to and influence the development process and to share equitably in the fruits of development.

❖ **Skills and capacity development**

This is normally provided through training, enterprise development, and other services towards members depending on beneficiaries' needs within the context. But there is also an

obvious aspect of skills and capacity development by the group dynamics regardless of formal training. All the respondents mentioned that when business ideas are discussed in our group, the combined resources and experiences of all members in the group are utilized.

In some groups members actively discuss the individual business plans in detail, always involving all members. As the members' own savings are being invested in the business ideas (through a loan) they all share the interest that all members have success and minimal risk in their businesses. New ideas, good advice as well as critical remarks are given, often greatly improving their business plans.

“Various development partners such as African Enterprise, World Vision, Tearfund, Care International Catholic Relief Service (CRS), Women for Women International and Avega Agahozo do promote savings and credit associations in all these sectors.

However they highlighted that all these partners have different training curriculum hence bringing differences with in the same community.

❖ **Social capital**

Respondents in the current research explained how they strive to build relationships and trust among members in order for a SCRA to function smoothly. Members value identity and inclusion, as well as being considered trustful and reliable, both within the group and in the context of the larger community.

Participants explained how SCRA promote sociability and the forming of attachments to others within the group. In such a way destitute people have found solidarity and support, which in turn reduced the feelings of isolation and hopelessness, which often accompany conditions of poverty and deprivation.

As one participant Twuzuzanye Association stated, ‘ before joining this group I used to feel lonely being HIV+person, It was not easy, but now I can meet other people, get support, share my problems, and I feel better!’ My husband is in prison for a long time, this group goes to visit him when I am sick. When it is planting season, they do umuganda (communal work) in my plantation. This group is closer than my relatives. (Interview, Munyiginya sector 16th October, 2013)

A sense of belonging and group identification emerged as well, as might reasonably be inferred by the tendency of members to remain in the same group for long periods of time.

Emotional features like self-esteem, reliability, loyalty, mutual trustworthiness, optimism, social standing, status, self-discipline, hope, and future orientation are each as important as other types of capital in enhancing individual productivity hence leading to development (Tomer, 2008).

From the above discussion, it is therefore argued that social capital does play a role on maintaining and sustaining Savings and Credit Associations and therefore becomes an important element.

❖ **Savings and Credit Association as platform for other community services**

Findings from the interviews held with officials at local administrative units of the sampled sectors indicate that, SCRA have been very useful for other community interventions such as setting up water management committees for protection of clean water in the area, organizing communal work (umuganda). The fact that they are well organized and self-managed, it becomes easier to be reached and mobilized for community services.

One official from Muhazi sector made this statement:

These groups have really contributed a lot in the development of this sector; for instance, feeder roads have been constructed as a result of mobilization of all members in these savings groups. It wouldn't have been possible to sensitize all community members to plant trees for environmental protection if we did not have savings and credit association at hand. (Interview, 11th October, 2013)

Another respondent from Gishari sector administrative unit mentioned *that when new donors come, they request for the existing organized community groups. So the fact that SCRA are well known in this sector, are the first ones to be the channel in which other social services pass through. For example CRS implements projects of farmer field schools through the existing structures of Savings and credit Association where by they have demonstration plots for learning purposes.*

Other partners like Plan international, Women for Women International, AEE-Rwanda all channel their intervention through Savings and credit Associations (Interview, 3rd October, 2013)

❖ **SCRA acts as an Empowerment tool**

Rien (1970) noted that empowering the poor to set goals, organize themselves and make decisions about their lives and communities is a key part of poverty alleviation and socio-

economic development. Saving-credit is often given “credit” for empowering rural communities. The assumption is that participation in peer borrower groups and access to credit enables women to build a financial base of their own, enhance their skills, access peer support and gain social recognition. Empowerment as a concept is very difficult to define, yet it is seen as a power that comes from within a person in the form of self-confidence, faith, and courage; it can also be derived from working with others to achieve more collectively than could be done separately.

The above theory confirms with the results from the respondents. A significant number of the respondents had positive outlook about their own self, they said they were joyful, active and are always fully engaged, leaving only with little or no self-confidence.

From the focus group discussions most of the members were empowered to work with other financial institutions like UMURENGE SACCO, Vision Finance, and URWEGO Opportunity Bank. The fact that financial linkages were made by some members, is an important indicator of empowerment since it could not be possible before joining the SCRA.

SCRA has enabled community members to access to financial and nonfinancial services. It has created financial and services that are packaged in a manner that enables community members who are unable to access formal financial services to access comparatively small loans, savings and other services for working capital and income generation. Through progressive lending, the small income earners and users of microfinance services later graduate to be clients of larger financial intermediaries.

4.6 Limitations of Saving and Credit Association

During the interviews, focus group discussions, review of literature (Review of programs documents) and also observation, the study realized different constraints which at time can negatively affect achievements the sustainability of informal financial strategy. Among them:

- Many respondents emphasize the need for the people as they graduate from one category of poverty to another, to be linked into the formal financial system because Informal financial institutions cannot offer bigger loans. With this in mind, there is a continued debate on linking SGs to formal financial service providers as a means to further expand access

- Most of the book writers of the sampled groups mentioned limitations in financial education and consumer education
- Despite the apparent overall success of the SCRA services, late loan repayment was a common concern raised during the focus group discussions and key informant interviews. This is due to a fixed high interest rate. All the associations charge 3% per month while other micro finance institutions charge 2%. In one case, the group reported one of its members to the local authorities in hopes of recovering the missing funds. Occasionally, groups fail to recover the loan completely, which could have a negative impact on the long-term sustainability of the group and the model. However, although there is no available data on the default rate, loan repayment does not appear to be a systematic problem. The average maximum possible return on members' savings (for net savers) suggests that the majority of SCRAs are very financially sustainable.
- Through increased knowledge on applying farming technics, It was pointed out that during harvest time, a lot of agricultural products lack market and get spoiled, lack of storage facilities also contribute to poor post-harvest handling
- Majority of respondents including the local authorities mentioned that SCRA members often have low levels of literacy and little knowledge of their rights and responsibilities. As a result many saving and Credit groups suffer from weak management, governance and business skills.

CHAPTER V: CONCLUSION AND SUGGESTIONS

5.1 Introduction

This chapter is a presentation of the summary of major findings based on research questions as well as on objectives of this study; it is conclusion from the researcher's point of view and suggestions to future researchers.

5.2 Summary of major findings

The evidence surveyed in this study suggests that the conclusion from early literature and field research, informal financial institutions has created positive impact on the poor communities due to their easy and poor friendly financial procedures in terms of operations, accessing loans, and ownership

The tentative inference drawn from this study is that Informal financial institutions through saving and credit associations is an effective strategy that leads to rural development

Access to credit with easy operations and procedures is a very important product that SCRA offers to its members. The fact that people belong to SCRA, gives them opportunity to open savings account in the nearby banks and other formal financial institutions Through Saving and Credit services, few community members are able to access formal financial services such as SACCO, Urwego Opportunity bank and Bank populaire

The findings revealed that SCRA reproduce and promote empowerment, reciprocity, and solidarity, thereby making a tangible contribution to rural development. Savings and Credit Association help greatly in improving the rural community by providing funds for activities such as business, agriculture, that accelerate rural development. Savings mobilized are effectively allocated to such activities as trading, farming, financing of formal education, health, household assets, etc.

Also, it is important to recognize that, SCRA by servicing different types of loans and charging different interest rates and by customizing loan terms and conditions for the different loans, it has been able to encourage more successful community members to stand against shocks of hunger

Participants in the research, through their personal experiences, highlighted the critical interactions among the economic, social, and subjective spheres, detailing how each of these plays a significant role in the enhancement of people's well-being and in the ending leading to the entire development of their community

The strong collective capability that a SCRA embodies, along with its successes and the fact that it belongs to a community rather than to individuals, reinforces the idea that the development process is multidimensional and that social structures are likely to be its most prominent features

The findings revealed the following;

1. SCRAs reproduce and promote democracy, reciprocity, and solidarity, thereby making a tangible contribution to pro-poor community development.
2. The funds from Saving and Credit Associations participation are used for a wide variety of activities, including purchasing food, paying for school fees, modern farming, trading, housing improvements and medical expenses.
3. By supplying these funds when needed, Saving and Credit Association enables members to maintain a steady level of consumption and prevents them from slipping into a more desperate level of debt and poverty, thereby improving their chances of eventually moving up the income ladder
4. Saving and Credit Associations help members get accepted by financial institutions in the longer term as they, through their participation in Saving and Credit Associations prove their financial credibility to a certain extent. Saving and Credit Associations help link the poor to specialized financial institutions which make it a sustainable strategy for rural development
5. The fact that Rwanda needs to strengthen features of social capital that go beyond the boundaries of family or ethnic groups and, in this context, membership of a SCRA, or in some cases several SCRAs, appears to play a meaningful role in achieving such a goal

5.3 Conclusion

1. No single intervention can bring about rural development. Poor people need occupation, schooling, farming, and health care. Some of the poorest require immediate relief to survive.
2. Access to financial services forms a fundamental basis on which many of the other essential interventions depend. Moreover, improvements in health care, farming methods, household assets, and education can be sustained only when households have increased earnings and greater control over financial resources.

3. Saving and loan associations effectively respond to the needs of the poor who are not able to access established financial institutions to save a small amount and obtain loans. They help those living in difficult financial circumstances gain much-needed stability.
4. The current research sought to provide a holistic and people- and context centered view of informal financial institutions and their role in the rural development with a specific case of SCRA in Rwamagana district eastern Rwanda.
5. Using a triangulation approach, this research has investigated a group of 208 SCRA members and 15 Local administrative leaders from the sector level. The research aimed at analysing the importance of saving and credit association, specifically the nature of products and services provided to the community members, how those services lead to rural development and limitations they may be facing.

5.4 Suggestions

Despite the credible success which SCRA brought or contributed to the rural development of Rwamagana district; below are proposed strategies to enhance its effective sustainability. There is need for development partners to provide a targeted and timely agricultural technical assistance and support to SCRA members dealing with storage facilities. This will enable the SCRA members to have sustainable agricultural production. Saving and loan associations are relatively simple and cost-efficient to establish and manage with good description of methods in place, but saving and loan associations can't just be replicated from one district / culture to another, Development partners has to adapt the approach to the local context.

The education programs of rural people is indispensable in empowerment of vulnerable rural dwellers especially in finance and business planning, the study suggests that development actors should bear in mind to package well capacity building models to allow rural people to develop self-reliance attitude. This will enable them not to depend on aid for initiating public projects which improves their community.

Massive awareness programs and campaigns should be conducted on the relevance of informal sector to rural development. More members should also be encouraged to participate so as to increase the level of total savings attracted by these institutions. More enlightened people should also be encouraged to join these institutions, in order to utilize their superior skills to improve the institutions.

Efforts should be made by the local leaders and relevant institutions/ development partners concerned to reduce the level of loan default in the SCRA. This would be best done by showing more interest in the use to which loaned funds are put and in making sure that they are spent on profitable ventures and reasonably invested on projects that are capable of yielding long term returns.

Finally, the existing community banks should take advantage of the rural setting in which they are located to operate differently by switching their urban oriented banking procedures to using aggressive rural-oriented banking strategies. This step, if taken, will help in achieving a more reliable loan portfolio with greater loan productivity, leading in turn to a greater level of local deposits.

5.5 Perspectives for future researchers

Based on the results of this study, future research areas in the field could be:

- ❖ The fact that this study was not done for the whole country, A comparative study to determine best practices between Savings and Credit Groups and formal financial institutions in other districts .
- ❖ How can financial linkages between formal and informal financial institutions help expand rural financial services
- ❖ Since the research did not take into consideration the control group, future research can conduct a comparative study on both groups treatment group and control group to measure the impact at household level

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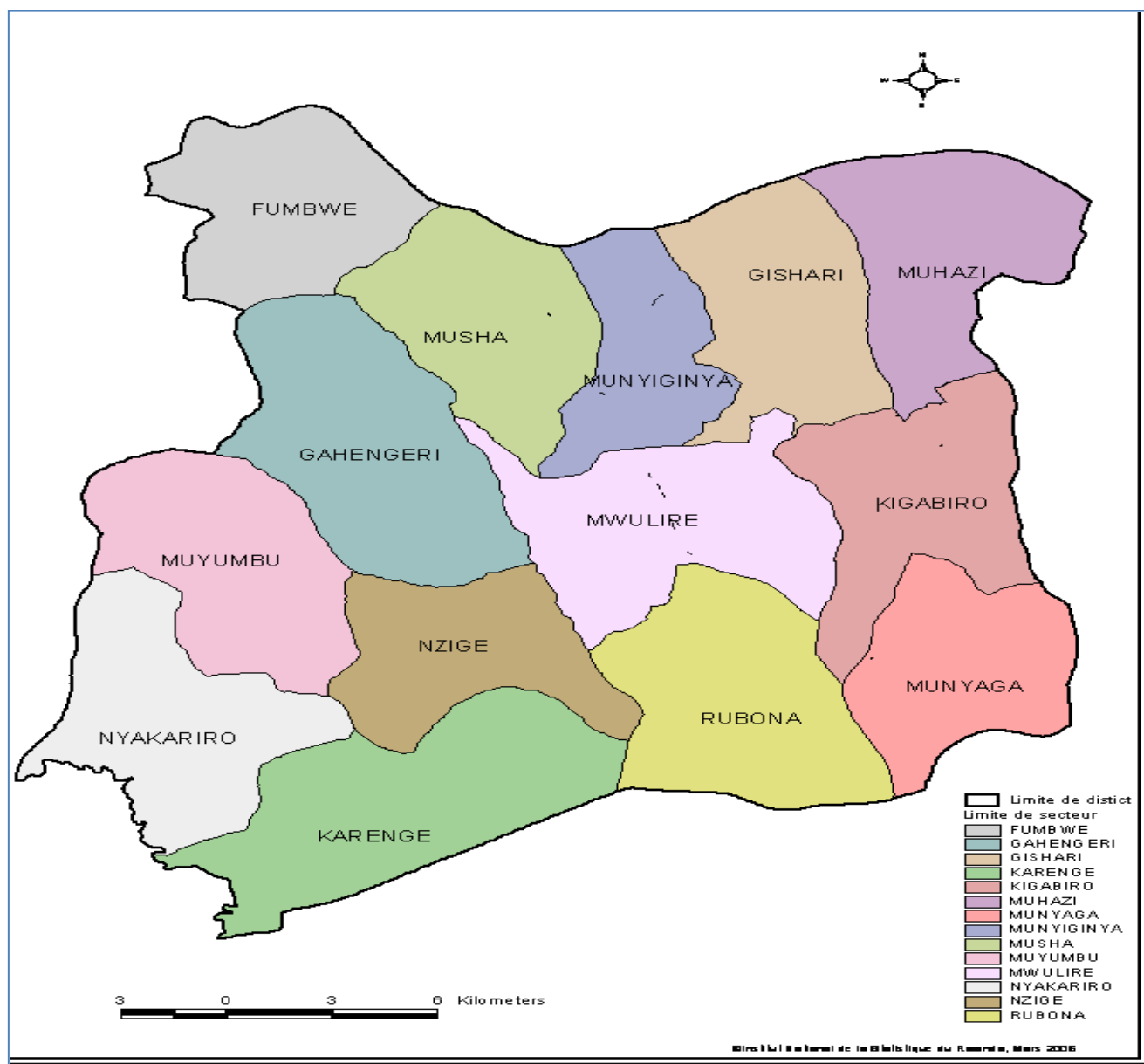
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APPENDICES

Appendix 1: Rwamagana district map



Source: La monographie du District de Rwamagana (2007)

Appendix 2: SCRA book writer receiving savings from members with the lockable cash box



Source: photograph taken during direct observation, January, 2014

Appendix 3: Sample of a general ledger where they record all savings and Credit



Source: photograph taken during direct observation, January, 2014

Appendix 4: Sample of individuals' passbook where they record personal savings



Source: photograph taken during direct observation, January, 2014

Appendix 5: Knowledge sharing: modern agricultural practice by SCRA members



Source: photograph taken during direct observation, January, 2014

Appendix 6: Member with domestic animals from a sampled SCRA



Source: photograph taken during direct observation, January, 2014

Appendix 7: Picture of SCRA members during training in crafts making



Source: photograph taken during direct observation, January, 2014

Appendix 8: Picture of SCRA members in collective action



Source: photograph taken during direct observation, January, 2014

Appendix 9: The schedule for individual interviews and focus group discussions

Date	Respondents	Venue
1st October, 2013	SCRA members	Gishari sector office
2nd October, 2013	SCRA members	
3 rd October, 2013	In charge of Cooperatives at sector level , Agronomy at sector level, Executive secretary at sector level	
4 th October, 2013	SCRA members	Kigabiro sector office
7 th October, 2013	In charge of Cooperatives at sector level , Agronomy at sector level, Executive secretary at sector level	
10 th October, 2013	SCRA members	Muhazi sector office
11 th October, 2013	In charge of Cooperatives at sector level , Agronomy at sector level, Executive secretary at sector level	

14 th October, 2013	SCRA members	
15 th October, 2013	SCRA members	
16 th October, 2013	In charge of Cooperatives at sector level , Agronomy at sector level, Executive sectary at sector level	Munyiginya sector office
17 th October, 2013	SCRA members	
18 th October, 2013	In charge of Cooperatives at sector level , Agronomy at sector level, Executive sectary at sector level	
		Mwurire sector office

Appendix 10: Focus Group Discussion Guide

Welcome

- Thank you for coming- we are very grate full for your time.
 - Iam from National University of Rwanda. Iam here to collect data that will assist us to understand the operation of informal financial service especially Saving and Credit Associations and why people use them. The data will be used in the writing of a thesis that will be submitted as part of postgraduate studies.
 - Let me start by introducing my colleague then myself and we will request you to introduce yourselves.
 - My colleague will prepare a nametag for each of us. The pen and the book you see, with us is for taking notes of the discussions to help remember the important issues that you will have mentioned. These notes will not be shared by anybody else and your identity will be kept confidential. I will also request you to fill in a short questionnaire to tell me about yourself. We trust that you will feel free to express your opinions about products and services offered by Saving and Credit Associations and how it related to rural development.
-

1. Tell me a little about your group and how it works
2. How long has the group been in existence?
3. What are some of the challenges and limitations faced?
4. What factors influenced community members to join the group?
5. Have there any services that you received from the group which you could not get anywhere else? If so, what are they?
6. What do you believe the benefits are to belonging to a SCRA group? How is the group important to you?
7. Tell me your experience in accessing credit from your group?
8. How does the community treat SCRA members? Do they treat you differently than before you were members?
9. How do you work with other institution like sector leadership, formal financial institutions? how
10. Describe the impact SCRA has on the community as a whole?

Appendix 7: Min Questionnaire distributed to SCRA members – English version

Section 1: Profiling farmers 'group(ibiranga itsinda):

1.1	Name of the group:	1.2	Tel.....
1.3	Gender composition: Female <input type="checkbox"/> (1) Male <input type="checkbox"/> (2)	1.4	Age:
1.5	District	1.6	Sector
1.7	Cell	1.8	Village
1.9	Matrimonial status Single <input type="checkbox"/> , Married <input type="checkbox"/> (2), Divorced <input type="checkbox"/> (3), Widow/er <input type="checkbox"/> (4).	1.10	AGE 20-29 <input type="checkbox"/> , 30-39 <input type="checkbox"/> (2), 40-49 <input type="checkbox"/> (3), 50-59 <input type="checkbox"/> (4), 50-59 <input type="checkbox"/> (5) 60+.....
1.11	Occupation: 1. farmers; 2. Artisans. 3. Street vendors; 4. Home based entrepreneurs; 5. Others.....		
1.12	Category of Ubudehe:	1: <input type="checkbox"/> , 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/>	
1.13	For how long have you been a member of SCRA	Less than a year 1-2 years 2-5 years More than 5 years	
1.14	How often are your meetings	-----	
1.15	During your meetings, what do you discuss	
1.16	Is your group known by the sector leadership ? Yes(1), No (2)		
1.17	If Yes, how is it known?.....		
Characteristics of group financial saving-credit activities (ibiranga imikorere y'itsinda kubijyanye n'izigama n'igurizwa ry'amafaranga)			
Section 2: Saving			
1.18	How much savings do you currently have in your group?		
1.19	Before you joined the group did you have any savings?	Yes <input type="checkbox"/> (1) No <input type="checkbox"/> (2)	
1.20	If yes, where did you put your savings?	In house(1) , Savings and credit Association box(2) , Bank account(3) , SACCO(4) , Popular Bank (5); Other (6)specify	
1.21	Do you continue to save in any of these forms?	Yes <input type="checkbox"/> (1) No <input type="checkbox"/> (2)	
1.22	What are the reasons why you preferred to be in this group	

	
1.23	How often do you bring savings to the group
1.24	What are saving practices do you apply in your group
1.25	Have you opened a bank account?	Yes <input type="checkbox"/> (1) No <input type="checkbox"/> (2)
1.26	If Yes, with which Bank/ MFI
1.27	How has savings benefited your household
Section 3: Credit		
1.28	Have you ever taken a credit from saving and credit Association?	Yes(1); No (2)
1.29	If yes, how many credits?	
1.30	Total value of received credit (1.32)?	1.31 Did you take out credit(s) in the previous year? Yes <input type="checkbox"/> (1) No <input type="checkbox"/> (2)
1.32	If yes, how many credits did you take during the previous year?	1.33 1. What was the value of each of the total credit?
1.34	Value of First Credit?	1.35 Value of Second Credit
1.36	Which month do you normally take high credit from the group and why?	January, <input type="checkbox"/> February, <input type="checkbox"/> - March- <input type="checkbox"/> April <input type="checkbox"/> , May <input type="checkbox"/> , June <input type="checkbox"/> July,- <input type="checkbox"/> - August,-- <input type="checkbox"/> - September- <input type="checkbox"/> October- <input type="checkbox"/> -November- <input type="checkbox"/> December- <input type="checkbox"/>
1.37	Primary use of Credits.	1.38 Secondary use of Credit.
1.39	Tertiary use of Credit.	1.40 Forth credit, type of Credit ?
1.41	Are there any difficulties you meet in getting credits from the group?
Section 4: Investment and Income		
1.42	Are you currently engaged in any IGA?	Yes <input type="checkbox"/> (1) b No <input type="checkbox"/> (2)
1.43	In how many IGA are you currently engaged in?	

1.44	What type of IGA are you currently engaged in? (circle as many as necessary)	1.Agriculture (including livestock-keeping, poultry-farming); 2. Business (sales and trade); 3.Crafts Industry; 4 . Transport Industry; 5. Carpentry, masonry; 6. Tailoring; 7. Other, please specify
1.45	What challenges do you face in your investments management?	
1.46	What kind of support do you need to improve your investment?	
1.47	In what ways have you improved your agricultural practice	1...../..... 2...../..... 3...../..... 4...../.....

Section 4:1 Household Assets

How many of the following does your household own as a result of being in SCRA?

#	Type of Asset	Quantity	How did you acquire them? Please explain
1	Livestock		
	1. Cows		
	2.Goats		
	3.Pig		
	4..Rabbits		
	6.Chicken		
2	Transportation		
	1.Car		
	2.Motorcycle		
	3.Bicycle		
4	Agricultural Material		
	1. Hoe		
	2. Irrigation pump		
	3. Pesticide displaying pump		
	4. Modern seeds		
	4.others(specify)		
5	Other Goods		
	1.Mosquito net		

	2.Sewing machine		
	3.Mattress		
	4.House		
	5.Electricity		

Thanks for participation!!!!

Appendix 8: Mini Questionnaire for the Local leaders only

1. In your Opinion what do you know about Savings and Credit Association in this area
2. Describe some of the indicators that show the contribution of Saving and Credit Association to the development of your sector?
3. According to you, are these institutions sustainable? If yes, how? If No, why?
4. In your opinion what are strengths and weakness of Saving and Credit Association?

Thank you for the information given