



IMPLEMENTATION OF SAVINGS AND CREDIT SCHEMES

THE CASE OF UMURENGE SACCO

2008-2010

BY

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DECLARATION

I, MUYANGO Apollinaire, hereby declare that this thesis is my original work and has never been submitted to any other university for the award of masters in business administration (MBA) degree or any other degree.

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DEDICATION

This research is dedicated to my wife MUKANTAGANZWA Margreth and my children KANYANA Louise ,MUSINGA Jerome, CYUBAHIRO Venuste and MUTONI Claudia.

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In the course of this study, I have received intellectual, material and moral support from various individuals and institutions to whom I wish to register my deep heart-felt appreciation.

While I am thankful to all, I am obliged to mention few by names.

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Last but not least, I would like to thank the Top Management of the National Bank of Rwanda for the sponsorship that enabled me to pursue this program.

CERTIFICATE

This study Titled “Implementation of savings and credit schemes” the case of Umurenge Sacco under my supervision has been done by Muyango Apollinaire.

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Date-----

ABSTRACT

In line with the government's strategy of domestic savings mobilization and building an inclusive financial system in Rwanda, the Umurenge Sacco program was adopted. The main objective of the program was to allow unbanked but bankable people to have access to financial services at low transactions costs.

The purpose of this study is therefore, to make an assessment of the progress so far attained since the program was initiated in 2008. The objectives of this study include:

To find out why people have joined Sacco; to find out if members know their rights; and to find out how members feel about their Sacco.

The study was conducted in the 3 districts of Kigali city, namely Kicukiro, Gasabo and Nyarugenge, where a questionnaire was distributed to members of 3 Umurenge Sacco, one in each district.

Most of the people interviewed admitted that they learned of the program through meetings called by the local authorities and need more information in respect of Umurenge Sacco as compared to other microfinance institutions.

The majority of members joined Umurenge Sacco because it was a government policy. However many of the members are skeptical about the internal controls instituted in their cooperatives as well as customer care offered by Sacco.

Some of the recommendations of this study include:Umurenge sacco management and staff should be trained in the field of financial management to avoid mismanagement of depositors funds as well as to improve on internal controls.

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LIST OF ABBREVIATIONS

AMIR:	Association of Microfinance industry of Rwanda
BCR :	Banque commercial du Rwanda
BHR :	Banque de habitat du Rwanda
BK :	Banque de Kigali
BRD :	Banque Rwandese de Development
CGAP :	Consultative group to assist the poor
COGEBANK:	Compagnie generale des banques
COOPEC :	Cooperative d'epargne et credit
EDPRS:	Economic development and poverty reduction strategy
GDP :	Gross domestic product
GOR :	Government of Rwanda
ICA :	International cooperative alliance
MFI :	Micro finance institution
OECD:	Organization for Economic Cooperation and Development
RCA:	Rwanda cooperative agency
ROSCA:	Rotating savings and credit associations
SACCO :	Savings and credit cooperatives
VISION 2020:	:Road map for Rwanda's economic growth
WOCCU :	World council of credit union

CHAPTER 1

INTRODUCTION

Historical background

The Financial cooperative sector in Rwanda is relatively young. It was started probably in 1965 with the first appearance of ROSCA as an informal self help organization for peasants.

It was in 1986 that a formal financial cooperative started in the name of union of Popular Banks (UBPR).

During the tragedy of 1994 when Rwanda was engulfed in a genocidal war, all financial cooperatives ceased their activities and lost all their assets. Thereafter the Government of Rwanda launched a financial sector reform program with an aim of creating an efficient financial system.

The principle objectives of these reforms, among others, was to reinforce the regulatory powers and supervision of the banking system and the introduction of new financial instruments.

The Umurenge Sacco project was initiated by the Government of Rwanda in 2007, as a way to integrate the rural population in the financial system.

Theoretical framework

Rwanda is a small landlocked country with few natural resources, little industries and is among the least developed countries in the world. It has a population of over 10 million, with an area of 26338 square kilometers, it is one of the most densely populated countries in Africa. More than one third of the population live under extreme poverty.

To remedy the situation, the Government of Rwanda in 1999 adopted a long term development plan known as vision 2020, with the objective of turning the country into a middle income country and an economic, trade, communication and financial hub by the year 2020.

Towards the achievement of this goal, an economic development and poverty reduction strategy (EDPRS) was adopted, with financial sector development as one of its key component.

An economic development agenda cannot be achieved without a sound and effective financial sector, which leads to access to credit and financial services, and to enhance savings mobilization, which in turn, leads to long term capital for investments.

High levels of savings increase the amount of national resources and decrease the need for foreign borrowing to cover domestic investments. It is in this light that the government of Rwanda formulated a national savings mobilization strategy as a tool to alleviate poverty in order to meet its vision 2020 goals.

One among vision 2020 goals, is to achieve around 8 percent annual growth rate over the next 10 years. This indeed will require substantial investments both in public and private sectors. The EDPRS has set a target of achieving a gross national savings of 18% of GDP in order to achieve a gross national investment target of 30 percent of GDP.

According to the Finscope report of 2006 on Rwanda, only 14 percent of the population use banks.

Therefore, the Government of Rwanda undertook to mobilize savings and create a culture of savings by introducing the Umurenge Sacco in all administrative sectors of the country.

It is expected that savings and credit cooperatives contribute significantly in national development in that they help mobilize local savings and make it possible for ordinary people to access development credit where it would have been impossible through the commercial banking system.

However, quite often cooperatives fail because they are imposed on people instead of developing spontaneously from the people. Where cooperatives are developed from outside (parachuted) without effective involvement of potential members, they are not likely to succeed. Such cooperatives are said to be directed and guided .They tend to be bureaucratic and possessed by passive members (Munkner,Craig, Hyden),The Tanzania cooperative movement after the Arusha Declaration of 1966 is a case in point.

It is therefore imperative for the Government to sensitize and educate the general public about Umurenge Sacco.

Also education and training schemes for employees, the elected leaders and the rank and file members must be put in place.

Table 1.1 The Implementation of Umurenge Sacco Policy:

Province	Total members	Amount targeted	Amount collected	%
North	175,233	614,958,000	261,414,403	18%
South	127,299	404,020,350	80,902,865	20%
East	114,113	760,223,000	404,459,000	53,2%
West	218,495	633,016,500	119,117,401	18,8%
Kigali city	40,632	330,943,000	45,882,875	13%
TOTAL	675,772	2,743,160,850	911,776,544	33%

Source: Rwanda Cooperative Agency , March 2010 report

The above table shows that Kigali city is lagging behind in responding to the government program of Umurenge Sacco. Kigali residents access financial services from commercial banks and other financial institutions.

All provinces are below their own targets because of lack of mobilization of the local population to pay up membership fees and lack of general understanding of Umurenge Sacco.

Defining microfinance

Microfinance is the provision of financial services to low income clients who traditionally lack access to formal banking services. This broad definition includes providers that vary in their legal structure, mission and methodology. However, they share the common characteristics of providing financial services to clients who are outsiders to the traditional banking sector.

According to the national bank of Rwanda's instruction n* 02/2009, microfinance is any organization that exercises microfinance activities regardless of its legal status, including savings and credit cooperatives (SACCO).

Microfinance activities are characterized by at least one of the following operations:

- Extending loans to a clientele that is not able to have access to loans offered by banks;
- Accepting savings deposits from a clientele not usually served by banks and ordinary financial institutions;
- Extending loans or accepting savings deposits from a clientele not usually served by banks and ordinary financial institutions.

Microfinance in Rwanda

Microfinance started in Rwanda in 1975 with the creation of “Banques populaire” almost in every district of the country. The principle objective of “banques populaire” at the time was to offer financial services to the population that was excluded from the classic banking system; or which had no sufficient collateral as security to ensure full reimbursement of the granted loans.

With the massive destruction of socio-economic infrastructure and loss of life caused by the genocide of 1994, Rwanda put in place a reconstruction policy whose main objectives were to revive the economy, including microfinance enterprises. However, according to Aquadev, (2003:23), the microfinance sector is still in its infancy as regards the principle and regulations which govern the sector.

The creation of “banques populaire” had a strong effect on accelerating microcredit activities and microfinance in Rwanda.

In 2005, there were around 250 institutions exercising microfinance activities of which 149 were branches of banques populaires.

However, the geographic spread of these microfinance institutions was not adequate as most of them were concentrated in cities and towns.

Another drawback was lack of professionalism and technical know-how in the field; which rendered microfinance system vulnerable to all sorts of operational and financial risks.

It is in light of such a situation, that the National Bank of Rwanda in 2002 issued instruction n*6/2002 with the objective of formalizing and establishing sound and professional practices in microfinance institutions. The aim was to develop the sector on sound lines and in an orderly fashion. A particular attention is focused on minimizing risks through control mechanisms.

Financial System in Rwanda

Given the law number 40/2008 dated 26th August 2008 establishing the organization of banking activities and law number 50/2007 dated 18th September 2009 on the organization of cooperatives, the National Bank of Rwanda issued instruction n*02/2009 whose main purpose was to specify the norms and procedures to be observed by microfinance institutions and cooperatives including Sacco.

It stipulates that all microfinance that specialize in providing savings, loans and other financial services must be licensed by the Central Bank to meet financial requirements and prudential standards.

The financial system in Rwanda is made up by the National Bank of Rwanda as central bank with the responsibility of supervising financial institutions. Commercial banks constituting BCR, BK, FINA BANK, ECOBANK, COGEBANQUE, KCB, ACCESS BANK and others like BRD and BHR.

The informal financial sector is comprised of microfinance institutions and savings and credit cooperatives, which have also to be authorized by the central bank as per the new regulation in its article 8, which stipulates that SACCO shall have an obligation to meet financial requirements and prudential standards set by the national monetary authority.

Most of the financial institutions making up the financial system have their head offices in Kigali the capital; and cater for well to do customers in the high income bracket. The poor who form a large part of the population, who do not have guarantees sought by banks are outside the realm of financial services.

It is in light that microfinance institutions and particularly savings and credit cooperatives (SACCO) are being given significant importance.

Problem statement

Every organization requires a clear vision of what it wants to be in the future as well as a good knowledge of its own operating environment.

SACCO as an organization, is a financial institution under the cooperative form. It is a legal entity in which individuals save their money and can get loans in order to invest in various profit making activities .

As a cooperative, SACCO is supposed to be an association of persons who have voluntarily joined together and pooled their resources with an aim of promoting their economic and social welfare. According to ICA statement as adopted from the Rochdale equitable pioneers society, two important and basic characteristics emerge with a cooperative society.

First, a cooperative is a volunteer directed organization. People join a cooperative society on their own free will, without force or compulsion.

Secondly, cooperation is based on common bond, such as geographic location, cultural needs and common economic and social aspirations. Cooperatives are organized under a management form basing on the seven widely accepted cooperative principles namely:

Open and voluntary membership

Democratic control-one man one vote

Members economic participation, where members contribute equally to the capital of the cooperative

Autonomy and independence

Cooperatives provide education, training and information for members, staff, committees and the public in general

Cooperation among cooperatives locally and internationally

Concern for community-while focusing on members needs, cooperatives work for the sustainable development of communities through policies and programs accepted by members.

Cooperative principles provide cooperative societies with the unique system of management which emphasizes equality, equity and mutual self-help (Craig: 1980) Cooperatives may be created using the following two approaches, namely:

Evolutionary grass root bottom-up approach or Bureaucratic top-bottom approach

The evolutionary grass root bottom up approach of creating cooperative societies renders them with a high degree of member commitment.

The top bottom approach takes root where the initiative to form a cooperative is determined outside the membership and the basic characteristics of common bond and voluntarism are non-existent. Cooperatives are formed through predetermined arrangements by the Government (Dasty: 1981).

Such cooperatives are registered without proper feasibility studies and without efforts to ensure that they meet minimum requirements.

It is on this background that this paper aims at finding out the UMURENGE SACCO members' perception and adherence to a "parachuted" savings and credit cooperative.

1.8 Research objectives

General

The proposed study is designed to investigate the implementation of Umurenge Sacco strategy by finding out members perception and adherence to a "parachuted" savings and credit cooperative.

Specific

- To find out why people have joined Umurenge Sacco.
- To find out if members know their rights.
- To find out how members feel about their Umurenge Sacco

Research question

After the investigation, the key questions will be responded to:

- What are the reasons for people to join Umurenge Sacco?
- Do Sacco members know their rights?
- How members feel about their Sacco services?

Scope and limitation of the study

This study covers the period of 2008-2010. The choice of this period was motivated by the fact that Umurenge Sacco was created after a recommendation of the national Dialogue meeting in December 2008.

The area of study was Kigali city in which respondents were selected from the three districts of Gasabo, Kicukiro and Nyarugenge where there are altogether thirty five administrative sectors (umurenge).

Time factor and transport costs were major limitations encountered during the research work. .

The structure of the study

The structure of the study is organized in five chapters beginning with the introduction as chapter one.

The second chapter deals with the literature review on savings mobilization scheme in general and Umurenge Sacco in particular.

The third chapter presents the Research Methodology, while chapter four presents the data analysis and interpretation.

Chapter five consists of major findings, conclusion and recommendations.

Research instruments

The research instruments used were interviews, questionnaire as well as observations made during visits to Umurenge Sacco offices.

CHAPTER 2

LITERATURE REVIEW

The growth of any economy depends on capital accumulation which in turns depends on investment and an equivalent amount of savings to match it.

Two of the most important issues in developing countries like Rwanda are how to stimulate investments and increase the level of savings to fund increased development.

According to neoclassical growth theory by Harrod-Dommar and Robert Solow's, savings are not an end in themselves, they play an important role in sustaining growth and development.

Through savings, there will be capital accumulation leading to investments hence economic growth and ultimately development.

A high saving economy accumulates assets faster and thus grows faster than does a low saving economy (Lipsey and Chrystal, 1995:634)

2.1 Defining savings

Savings can mean a variety of different things; it could mean insurance, simple savings accounts, capital such as livestock or other tangible assets.

According to Startz Richard (2004) savings mean “disposable income not spent for consumer goods”. It is therefore disposable income minus personal consumption expenditure.

Savings is sacrificing today's consumption for the future. In the context of this study, more details are on the savings mobilization in microfinance in general and savings and credit cooperative in particular.

2.2 Umurenge Sacco

In December 2008, the government of Rwanda recommended the creation of at least one SACCO at the level of each administrative sector (Umurenge). Accordingly, a task force was

established to propose a strategy to implement this directive. The task force proposed a strategy in line with the national microfinance policy implementation strategy and the national savings mobilization strategy.

The concept of Umurenge SACCO was initiated on the understanding that banks and other financial institutions are more concentrated in towns and less spread in rural areas to serve the poor. As such, establishing Umurenge SACCO at every administrative sector would bridge this gap. Umurenge SACCO is a financial institution under the cooperative form. It is a legal entity in which individuals save their money and can get loans in order to invest in various activities.

According to WOCCU (the World Council of Credit Unions) a SACCO is an association of persons who have voluntarily joined together and pooled their resources with an aim of promoting their economic and social welfare. There have been different schools of thought on types of cooperatives.

2.3 Licensing of Umurenge Sacco

The process of licensing SACCOs created in line with UMURENGE SACCO Program is ongoing. SACCOs licensed for the first phase are only allowed to collect deposits and shares from their members. In this respect, 412 obtained provisional operating licenses while 4 have definitive operating license. The fact that SACCOs were not allowed to grant loans demotivated people to adhere to Umurenge Sacco. In order to motivate them, the Central Bank granted a facility of licensing them for the second phase, where a SACCO having a manager, an accountant, a credit committee, a loan officer, a savings and credit policy and deposits amounting at least Rwf 10 million is allowed to grant loans to its members. To be full licensed a SACCO is required to submit a business plan and procedures manual. But most of them are not able to comply with the later requirements. RCA jointly with AMIR have hired consultants to assist SACCO's managers in the preparation of the business plan for their respective SACCOs. Up to December 2010, five SACCOs have completed the requirements allowing them to grant loans to their members. The definitive operating license will be issued to each SACCO upon presentation of the above mentioned business plan and procedures manual.

Table 2.1 Country-wide situation of Umurenge Sacco Program

Province	Population >= 16 years old	Nbr of Accounts Opened	Nbr of populations who paid Shares	Amount of Shares RWF	Deposits Collected RWF
West	1,207,407	70,463	103,670	224,193,730	593,368,988
North	846,837	54,493	141,578	359,348,627	442,099,623
East	1,088,576	61,430	128,360	603,428,368	674,252,632
South	1,228,349	80,225	103,671	344,419,980	573,087,460
KC	544,998	8,873	25,070	144,895,153	169,652,651
Countrywide	4,916,167	275,484	502,349	1,676,285,858	2,452,461,354

Source: RCA ,September 2010 figures.

As this general picture of the situation of Umurenge Sacco country-wide shows, There is still much to be done by educating and sensitizing the population to join the program.

The idea of cooperation has differently been interpreted according to socio-economic systems under which cooperatives are established. The school of cooperation has emerged as a result. Four different schools of cooperation are discussed below (Craig)

Commonwealth school:

This school holds that cooperative movements should aim at embracing all fields and permeate all activities of life until it becomes an all inclusive system.

Modified capitalist school:

This school advocates for cooperatives to serve mainly to restrain the capitalist system and curb its excesses. The school holds that cooperatives are useful in the fields that are not attractive to private investments, where profits are uncertain or marginal.

Cooperatives are not expected to eliminate profits, but to try to make everyone a profiteer.

Socialist school:

The socialist school believes that cooperatives are essentially socialist institutions with the state having a commanding and final say in economic activities. As such cooperatives are a sort of subsidiary to state enterprises.

Cooperative sector school:

Cooperatives are believed to constitute a distinct economic sector in their own rights essentially different from both capitalism and public enterprise, but with features of one and certain features of the other. Adherents to this school believe in mixed economy in which cooperatives exist in both private and public enterprise in complementarity.

The Rochdale model of cooperation as propounded by the Rochdale group in 1844 is characterized by contractual obligation between members and voluntary form of management. The Rochdale model operated along the lines of commonwealth school of thought.

Cooperation was taken as a way of life with members striving to solve their social and economic problems. According to Takashashi, Japanese multipurpose cooperatives are contemporary examples.

Common to all schools of cooperation is the fact that cooperatives are formed by members who are likeminded people and who have common economic and social status. They form them at will and when desirable, they can dissolve them at will.

Cooperation is based on common bond and is voluntary according to the cooperative principles formulated by the international cooperative alliance.

Umurenge SACCO can be conveniently accommodated under the cooperative sector school for the reason that it forms a very distinct part of national development; and it exists alongside private and public enterprises.

They have been created to serve as state vehicles to reach the majority of people in terms of tapping savings from them for national development.

Sam Mshiu (1998) in his unpublished study on cooperative movement in Tanzania reaffirms that cooperatives can, and have in many cases, played a significant role in the social, economic and cultural development of a country. The purpose and essence of cooperation is strength through unity. Cooperation strives on unity of people, unity of purpose and unity in actions by those who come together to form a cooperative.

There is no better way of forging togetherness and solidarity than when people work together in harmony and with a common purpose and share equitably the fruits of their efforts.

Professor **Muhammad Yunus (2001)** of the University of Chittagong started Grameen bank to provide banking services to the poor in Bangladesh. His main objectives were to extend banking facilities to people who never have banked and to create opportunities for self-employment. His philosophy, which have been emulated in many countries of the world, was to reverse the vicious cycle of “low income, low savings and low investment, into low income, injection of credit, investment more income, more savings and more investment”.

This was achieved through extending microcredit to the poor to overcome poverty. Muhammad Yunus believed that to enable the poor to overcome their poverty, Grameen bank should focus on credit.

Kabuga and Batarinyebwa (1995) in their observation on the growth of Sacco in Uganda argued that the idea of forming Sacco was to help people establish self-reliance and self help social economic structure.

They further argued that membership of Sacco is a result of common bond among members in the same community who are fairly acquainted with one another.

Sacco differs from other cooperatives because they are of a financial nature with a social context.

Magill (1994:140) emphasized the important role played by Sacco by pointing out that while they perform the function of intermediation between savers and borrowers, they also make sure that loan resources remain in the communities from which savings are mobilized.

Professor Chambo S.A,(1992) in his unpublished paper presented to bank of Tanzania board of directors and departmental heads on the role cooperative societies play in the economic

development of the country defined a cooperative society as a voluntary, democratically controlled association of people with specific purposes of conducting some kind of business for serving its members.

He quoted (Bee, 1996:8; and Holman, 1990:30-31 some authorities on cooperative unions and pointed out that the government took cooperatives as an appropriate instrument for rural transformation. As a result, cooperatives were required to mobilize resources for the state, organization of rural credit provision and politicization of rural communities. In this respect, cooperatives played a duo role as business entities and implementers of government policies.

Thereafter, he noted that a cooperative reform in Tanzania was being introduced through training on new methods of organizing member-based autonomous cooperatives.

To form an autonomous cooperative movement, which is organized on rational economics, the government has to lead from behind.

He emphasized that the reform process was aimed at democratizing the cooperative movement from state controlled to member-based and democratically organized cooperative movement.

During 1980s, Sacco were introduced to facilitate credit distribution to poor farmers who could then enhance their agricultural production and on harvesting receive their crop sales proceeds through their account with Sacco.

Relevance of Savings and Credit cooperatives in Developing countries.

Kofi Annan, former United Nations secretary general in his opening statement to a forum on microcredit in 2005 remarked that microfinance and savings and credit cooperatives have proven valuable in many countries for fighting poverty and hunger. A savings account or a small loan can make all the difference to a low income family. With microcredit, they can earn more and build up assets. They can invest in economic activities and break from the vicious circle of poverty.

Savings and credit cooperatives have the ability to empower the poor by creating jobs and raising incomes. Throughout the second half of the twentieth century, countries throughout the

developing world have been implementing savings and credit cooperatives as an effective development tool. The best successful examples are Grameen bank in Bangladesh, Bancosol in Bolivia and a host of microfinance institutions in Indonesia in reaching out to thousands of poor people.

Different from commercial financial institutions, Savings and credit cooperatives have been able to integrate themselves into the local social economic environment in many parts of Africa.

Savings and credit cooperatives have managed to mobilize local savings and use these resources to provide loans to members for social economic purposes such as health and education.

In rural areas in Ghana, where commercial financial institutions take long to establish themselves, Savings and credit cooperatives have been the force behind local development and local communities empowerment (Steel;1998)

The United Nations, when dedicating 2005 as the Year of Microfinance, emphasized the importance and relevance of access to financial services, notably savings and credit for achieving the millennium development goals (MDGs).

According to the World Bank, Sacco as cooperative financial institutions hold the promise of expanding access to financial services. Developing economies are benefitting from the rural distribution networks that Sacco are offering, but Sacco can become a risky industry when they are poorly regulated or managed. Non- performing loans and poor governance lead to costly recapitalization.

Implication for the role of the State

Umurenge Sacco was born out of the policy objectives of the government of Rwanda to reach the poor in substantial numbers, enabling them to move out of poverty and to create a financial institution that is sustainable. Sacco arouses enthusiasm among donors, researchers and the State, based on well known financial cooperatives which made success in mobilizing savings and distributed large amounts of credit. Successful Sacco have allowed millions of poor households to begin their own economic activities and many of them have become micro-entrepreneurs.

Despite this success, a large number of the poor still lack access to financial services partly because the necessary environment is lacking. Therefore, the role of the state is to support in putting in place a positive legal and policy framework that enables cooperative unions achieve their potential and maintain high standards of operations to protect public interest and eventually social welfare. However, the role of the State has to be adapted to the conditions prevailing in the financial cooperative market and the microeconomic environment within which the existing markets operate. (Gonzalez Vega, 1997).

A review of literature on the role of the State on cooperative unions reveals that there are three different school of thought:

- **Laissez faire school:** The government should maintain macroeconomic stability and leave the rest to the private sector. According to Rhyne (2001,p.206) citing the example of Bolivia, states that the best the government contribution would be to stay out of the industry.
- **Interventionist school:** It states that because the of market failure, the majority of the poor do not access financial services; traditional banks are not interested in this market; and private capital is also not interested in the market because of high risks involved. Therefore the State has a role in providing the services denied to the poor.
- **Moderate interventionist school:** This school does not support direct, but indirect intervention by maintaining macroeconomic stability and establishing regulatory policy environment.

In general, there is a consensus among the schools that the State has a role to play, but not on what type of role, simply because different roles depend on country specific conditions.

According to Stiglitz (1992); and Besley (1994), The State has a responsibility to build a conducive environment for both financial markets and the rest of the economy through infrastructure, liberalization of the markets and macroeconomic stability. The implication of macroeconomic stability is recognized as a factor that affects overall economic growth.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter presents the methodology that was used to collect and analyze the data. It explains in detail the study population, the sampling method, the sample size, the methods used to collect data related to the research topic and the methods used to process and analyze the collected data.

3.1 Area of study:

The area of study was Kigali city in which respondents were selected from the three districts of Gasabo, Kicukiro and Nyarugenge where there are altogether thirty five administrative sectors.

TABLE 3.1 A list of Sectors where Umurenge Sacco operate

District	Sector
Gasabo	1. Kimironko 2. Remera 3. Rusororo 4. Jabana 5. Kacyiru 6. Ndera 7. Gikomero 8. Rutunga 9. Nduba 10. Jali 11. Gatsata 12. Bumbogo 13. Kinyinya 14. Gisozi

	15. Kimihurura
Nyarugenge	<ol style="list-style-type: none"> 1. Nyarugenge 2. Rwezamenyo 3. Mageragere 4. Kanyinya 5. Kigali 6. Kimisagara 7. Nyamirambo 8. Nyakabanda 9. Gitega 10. Muhima
Kicukiro	<ol style="list-style-type: none"> 1. Gikondo 2. Kigarama 3. Gatenga 4. Kicukiro 5. Kanombe 6. Nyarugunga 7. Masaka 8. Niboye 9. Kagarama 10. Gahanga

Source: Rwanda Cooperative Agency

3.2 Target population:

The table 3.1 above shows the target population. Members of registered Umurenge Sacco living in the sectors indicated above were chosen as respondents

3.3 Sample size:

Out of the thirty five (35) administrative sectors making Kigali city, three (3) sectors were selected mainly because they have fulfilled all the requirements, including registration by the Central bank as required by the law. The time factor and financial constraints also influenced the sample size selection. Ninety members were selected as respondents; thirty from each district.

3.4 Sampling procedure:

From each district, only one sector was selected as follows:

A list of all sectors in each district was obtained. Names of these sectors as per table 3.1 were written on pieces of papers. These pieces of papers were put in three baskets and one name was randomly selected from each basket. The three sectors that were selected were Kigarama from Kicukiro district, Muhima from Nyarugenge district and Kimihurura from Gasabo district.

The next step was the selection of members of Umurenge Sacco. This was done by systematic sampling, during which lists of members were obtained from the three Umurenge Sacco and taking the sample size required from each sector, where intervals were determined depending on the number of Umurenge Sacco members; thus giving each element in the population equal chance of being selected.

3.5 Data collection:

Investigation focused mainly on documentation , questionnaire and interviews.

A variety of tools were used to obtain information related to the research topic. The instruments enabled the researcher to collect data.

3.6 Interview:

The researcher held discussions with the Director General of Rwanda Cooperative Agency, as well as some RCA inspectors. Senior Officers of the financial stability directorate, in the National Bank of Rwanda were contacted for more insight.. It should be mentioned that the interviews were conducted between the interviewer and the interviewee on an individual basis. Also interviews were held with 3 managers of Umurenge Sacco each selected from the three

districts, namely Kacyiru from Gasabo district, Gikondo from Kicukiro district and Nyarugenge from Nyarugenge district.

For Sacco members ,interview schedule was used to solicit information.

3.7 Secondary data collection:

In collecting secondary data, documentation review method was used. Documents such as text books, reports, journals and press releases as well as the internet with information relating to Umurenge Sacco were consulted.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

This chapter presents the analysis and interpretation of results of data collected from 90 members of Umurenge SACCO from the three districts of GASABO, NYARUGENGE and KICUKIRO of the Kigali city. The questionnaire was distributed to 3 Umurenge SACCOs namely; Kimihurura in Gasabo district, Kigarama in Kicukiro district, and Muhima in Nyarugenge district.

The results include personal particulars, the reasons why respondents joined Umurenge SACCO, whether they have fully paid the required share capital, how they came to know about Umurenge SACCO, whether they usually attend general meetings of their SACCO, and whether they know the rights of Umurenge SACCO members.

TABLE 4.1. YEAR OF JOINING UMURENGE SACCO

Year of joining	Frequency	Percent
2008	1	1.1
2009	30	33.3
2010	59	65.6
Total	90	100.0

Table 4.1 above indicates that, a majority of members 65.6 percent joined Umurenge SACCO in 2010 despite the fact that the program was initiated in 2008. This indicates that there was a lack of public mobilization on the part of the Government agencies charged with the task. The other factor leading to the slow response from the public was the panic caused by nine Microfinance Institutions that were officially closed due to embezzlement of members deposits. The Government had to intervene by paying only fifty percent of depositors money. Hence the fear that Umurenge Sacco would be no different.

TABLE 4.2 PAYMENT OF SHARE CAPITAL

Status	Frequency	Percent
Yes	64	71.1
No	26	28.9
Total	90	100.0

Table 2 above indicates that 71.1 percent have fully paid their share capital while only 28.9 have either partly paid or have not yet paid their share capital. This is an indication that if the Government through its agent, the Rwanda Cooperative Agency, steps up its mobilization campaign, most of the local people would join Umurenge SACCO.

TABLE 4.3. SOURCE OF INFORMATION FOR SACCO

Source of information	frequency	Percent
Advertisement	2	2.2
Meeting called by the local administration	68	75.6
Radio/television	16	17.8
Other sources	4	4.4
Total	90	100.0

Table 4.3 indicates that the majority, 77.8 percent of members of Umurenge SACCO came to know about it through meetings called by local leaders, while 17.8 percent knew Umurenge SACCO through either by radio or television broadcasts. This leaves 4.4 percent of the local population who were informed of SACCO program through other sources. However, involving local leaders makes Umurenge SACCOs to be viewed as government tools rather than belonging to the members. This may negatively impact on members' commitment towards their Umurenge SACCOs.

TABLE 4.4: REASONS FOR JOINING UMURENGE SACCO

Reasons	1 st reason	2 nd reason	3 rd reason	4 th reason	Total	Rank
I joined on my own free will	34 37.8	15 (16.7)	20 (22.2)	21 (23.3)	90 (100)	2
I joined because of encouragement	9 (10)	34 (37.8)	31 (34.4)	16 (17.8)	90 (100)	3
I joined because I feared to be denied services	7 (7.8)	11 (12.2)	26 (28.9)	46 (51.1)	90 (100)	4
I joined because it is government policy	41 (45.6)	32 (35.6)	13 (14.4)	4 (4.4)	90 (100)	1

Note: Figures in brackets are percentages

Table 4.4 indicates the ranking of reasons why respondents joined Umurenge Sacco. The prominent reason for joining the program was because it was a Government policy which may have relationship with the role of local leaders in mobilizing people to join SACCOs. The second ranking reason was that respondents joined on their free will. The third ranking reason was getting encouragement from local leaders, while the reason that got the lowest rank was fear to be denied services at the local administration offices. This indicates that respondents have confidence that the Government would enforce prudential regulations and strong internal controls to ensure sustainability for Umurenge Sacco program. However, it also shows that joining Umurenge SACCO was not due the members' initiatives in response to the felt need.

The responses also indicate the lack of ownership of Umurenge Sacco program by its members.

TABLE 4.5 attendances of general meetings

Response	Frequency	Percent
Yes	49	54.4
No	36	40.0
No answer	5	5.6
Total	90	100.0

Table 4.5 above indicates that the majority, 54.4 percent of respondents attend general meetings, while 40.0 percent of respondents do not attend the general meetings. This trend calls for a general public mobilization campaign to sensitize the population to adhere to develop a sense of ownership.

Table 4.6. Frequency of attending meetings

Response	Frequency	Percent
Once	17	18.9
Twice	14	15.6
As many times as they were convened	21	23.3
Not even once	38	42.2
Total	90	100.0

Table 4.6 indicates that the majority, 42.2 percent of respondents have never attended a general meeting, while only 23.3 percent have attended all convened general meetings. 18.9 percent and

15.6 percent of respondents attended the general meetings once or twice respectively. This indicates a lack of personal attachment to the program. The table also shows that the number of members who did not attend meetings has increased from 36 to 38 indicating that two respondents from those who did not comment on whether they attended meeting did not actually attend whereas three of them attended.

Table 4.7 Knowledge of members’ rights to be elected to any position and also elect others

Response	Frequency	Percent
Yes	49	54.4
No	33	36.7
No answer	8	8.9
Total	90	100.0

Table 4.7 indicates that the majority, 54.4 percent of respondents know their rights as members of a cooperative organization should. The principle of democratic control is the main pillar of cooperation. Only 36.7 percent of respondents are not aware of their rights, while 8.9 percent of respondents either do not know their rights or do not care. This may affect the sense of ownership for the members who do not know their right to be elected in available positions.

Table 4.8 Knowledge about the right to be informed about economic and financial situation of their Sacco.

Response	Frequency	Percent
Yes	51	56.7
No	20	22.2
No answer	19	21.1
Total	90	100.0

Table 4.8 indicates that Umurenge Sacco members know their rights to be informed about the financial situation of their SACCOs. The majority 56.7 percent of respondents knows that they have to be informed of the economic and financial situation of their cooperative 22.2 percent of respondents do not know they have this right, while 21.1 percent of respondents had nothing to say about it.

This is mainly due to the literacy rate observed in table 4.15 where 42.2 percent and 48.9 percent of respondents have attended University and secondary school respectively; know that they have to follow closely on their investments in Umurenge Sacco. But, for the minority, who happen to have little education may not be interested in economic and financial reports which they cannot easily comprehend. The overall effect may be that this section of members who do not know this right may develop a sense of mistrust towards the SACCO's management believing that they will misappropriate their funds.

Table 4.9: Knowledge about the right to receive dividends and bonus

Response	Frequency	Percent
Yes	52	57.8
No	18	20.0
No answer	20	22.2
Total	90	100.0

Table 4.9 indicates that the majority, 57.8 of respondents know that they have to receive dividends and bonuses if any. Only 20.0 percent of respondents are not aware of their rights, while 22.2 percent may not be aware or do not care. The explanation to this state of affair is related to the level of education attained by respondents as per table 4.15. It is evident that those

members who have attended high school and university, who happen to be the majority, should know that they deserve dividends for their investments. Lack of such knowledge may make members to believe that there are no tangible benefits in becoming a member of SACCO.

Table 4.10: Knowledge about the right to access annual accounts and activity reports.

Response	Frequency	Percent
Yes	33	36.7
No	22	24.4
No answer	35	38.9
Total	90	100.0

Table 4.10 indicates that 38.9 percent of respondents, who happen to be the majority in this case, have no comment on the knowledge to receive annual account and activity reports, while 36.7 percent of respondents, which is slightly below the no comment respondents, know their rights to receive annual accounts and activity reports. Only 24.4 percent do not know that they have the right. This divided opinion is probably due to lack of clear clarification of the members' rights by local officials during mobilization campaigns and can be explained that by the fact that they is a lack of professional training to Umurenge Sacco staff in courses such as accounting and financial analysis. The skepticism indicated by the divided opinion, shows that members were not expecting Umurenge Sacco accountants to present proper accounts reports. If members know that they have the right to access accounts and other relevant reports, they develop confidence in the management and they may become more committed towards the Sacco's activities.

Table 4.11: Knowledge about the right to withdraw their membership

Response	Frequency	Percent
Yes	30	33.3
No	24	26.7
No answer	36	40.0
Total	90	100.0

Table 4.11 indicates that the majority 40.0 percent of respondents had no comment to the question, 33.3 percent know they have the right to withdraw their membership from Umurenge Sacco, and only 26.7 percent of respondents do not know their right to withdraw from Umurenge Sacco. This divided opinion may be due to the combination of factors. On the negative side, a belief that Umurenge Sacco program is an imposition from the Government and therefore members cannot easily withdraw their membership. , while on the positive side, the level of education campaign and sensitization efforts carried out by the local government could ensure that Umurenge Sacco members know their rights before joining the program.

Table 4.12 Perception of level of customer care at Umurenge Sacco

Response	Frequency	Percent
Very good	16	17.8
Satisfactory	49	54.4
Poor	25	27.8
Total	90	100.0

Table 4.12 indicates that the majority (54.4 percent) of respondents think that customer care at Umurenge Sacco is satisfactory, while 27.8 percent perceive customer care as poor. Only 17.8 percent of respondents think it is very good. This is explained by the fact that most managers of Umurenge Sacco are fresh graduates from Universities who have no working experience. In most cases, the manager and a cashier are the only employees in their respective sectors. They may be

required to serve under pressure due to a growing number of members, and hence offer services that are not appreciated.

Table 4.13: Marital status

	Frequency	Percent
Single	17	18.9
Married	67	74.4
Widow	5	5.6
Divorced	1	1.1
Total	90	100.0

Table 4.13: Indicates that a majority, 74.4 percent of members of Umurenge SACCO are married people. Singles make up 18.9 percent while widows comprise 5.6 percent of members.

This shows that married people who in most cases have children tend to join Umurenge SACCO because of family responsibilities. The other two groups, singles and widows, which make a total of 24.5 percent altogether, are less interested in joining Umurenge SACCO, probably because of meager incomes and or less financial responsibilities.

Table 4.14: Age of respondents

Years	Frequency	Percent
18-25	5	5.6
26-35	27	30.0
36-50	43	47.8
Above 50	15	16.7
Total	90	100.0

Table 4.14 indicates that the majority of members of Umurenge SACCO, that is 47.8 percent are the age group between 36 and 50 years; followed by 30.0 percent of the age group between 26 and 35 years.

This is explained by the fact that the two age groups belong to the active section of the population. This is the age when younger age group considers business start-up while the older age group is already in business and require to consolidate their positions before retiring.

The minority of members belong to the age group of 18-25 years constitute 5.6 percent. This is explained by the fact that the youngest age group, between 18 and 25 years are preoccupied by finishing their education, and are probably still living in their parent’s residence. The advanced age group of above 50 years, which is 16.7 percent, are normally risk averse and therefore do not like to take adventures especially after the collapse of several microfinance companies in June 2006.

Table 4.15: Education background

	Frequency	Percent
Did not attend school	1	1.1
Attended primary school	6	6.7
Completed secondary school	44	48.9
Completed university	38	42.2
Others	1	1.1
Total	90	100.0

Table 4.15 indicates that a majority, 48.9 percent of respondents were people who have obtained secondary school education, followed by 42.2 percent of members who have a university education; and 6.7 percent who have primary education, while the minorities, both 1.1 percent each are members with vocational training or no training at all.

This descending order, as far as educational background is concerned, is explained by the fact that, it is easy to convince people with higher education to adhere to a government policy. In addition it easy for those who are educated to pay membership fees and share capital because they are likely to have more reliable income than uneducated ones.

Table 4.16: Family size

Family members	Frequency	Percent
1-2	18	20.0
3-4	39	43.3
5-6	21	23.3
Above 6	12	13.4
Total	90	100.0

Table 4.16 indicates that the respondents with a family size between 3 and 4 dependants form the majority, 43.3 percent of Umurenge SACCO members, followed by the family size of between 5 and 6 dependants forming 23.3 percent.

The family size of 1 and 2 dependants are the minority with 20.0 percent. This can be explained by the fact that generally respondents with bigger family tend to join Umurenge SACCO in order to find solutions to family financial problems. More especially for the group of 3 to 4 which forms the majority who still have school going children to cater for school fees and tuition.

Table 4.17: House ownership

	Frequency	Percent
Owned	58	64.4
Renting	32	35.6
Total	90	100.0

Table 4.17 indicates that respondents who own and live in their own houses located in their administrative sectors form the majority, 64.4 percent of Umurenge Sacco members, while those who live in rented houses form a minority of 35.6 percent

This is explained by the logic that people with own residences are settled while those who rent can easily move to other sectors.

In Kigali city, people who live in rented accommodation have a migration tendency to look for better houses, better facilities and other amenities to suit their egos. That is why individuals in this group would not risk becoming members of a particular Umurenge Sacco as they are not sure if they would stay permanently in a particular administrative sector.

Table 4.18: Members’ opinion about their membership in the future

	Frequency	Percent
Not certain	32	35.6
No answer	58	64.4
Total	90	100.0

Table 4.18 indicates generally that respondents who are renting accommodation have bleak views about their continued membership in Umurenge Sacco.

The majority of them, 64.4 percent did not answer the question, while 35.6 percent have a ‘not certain response’.

This clearly indicates that their long term membership commitment to Umurenge Sacco is doubtful because they are not sure if they would stay in the area for long.

CHAPTER 5

MAJOR FINDINGS RECOMMENDATIONS AND CONCLUSIONS

5.1. MAJOR FINDINGS

The following are major findings from the study :

- The majority, 65.6 percent of respondents joined Umurenge SACCO in 2010.
- The majority, 71.1 percent of respondents have paid their share capital
- The majority, 75.6 percent of respondents knew about Umurenge Sacco through meetings convened by the local leaders
- The majority of respondents joined Umurenge Sacco because it was a Government policy
- The majority, 54.4 percent of respondents usually attend general meetings, vote and participate in decision making, but the frequency of attendance is very poor.
- The majority, 54.4 percent of respondents know their rights as enshrined in the cooperative principles.
- The majority, 54.4 percent of respondents agree that customer care in Umurenge Sacco needs improvement.
- The majority of managers interviewed agree that Umurenge Sacco offices lack vital equipments such as computers and safes.
- The majority of respondents interviewed lament the level of internal controls of Umurenge Sacco.
- According to the survey, the majority of members of Umurenge Sacco are educated married adults with a family of 3 to 4 dependants living in their own houses.
- A majority, 64.4 percent of respondents who own and live in their houses are confident about their future membership.
- A big majority of members of Umurenge Sacco living in rented houses are not sure of their future membership.

- Most managers interviewed admitted that they cannot elaborate a business plan for their Umurenge Sacco.
- Other major findings according to interviews with RCA staff and managers of different Umurenge Sacco are highlighted below:
 - Forceful mobilization used by local authorities in order to achieve their performance contracts as pledged;
 - Some of elected SACCOS' committees are not yet conversant with their respective roles (weak governance of SACCOS);
 - There is a lack or poor preparation of books of accounts and the necessary financial reports. It was again observed that most of SACCOS neither keep books of accounts nor produce the necessary reports, particularly balance sheet and income statements;
 - Lack of ownership of the program by local authorities. One of the roles of the local administration is to sensitize and mobilize the population to join UMURENGE SACCO. However, in some instances, it was found that some of the local administrators do not actively participate in the sensitization campaigns. It was also observed that some local authorities interfered in the management of SACCOS.
 - The office accommodation and equipments provided by the sector to SACCOS are not appropriate to support SACCO's activities;

5.1 RECOMMENDATIONS

In many countries in Africa, Rwanda , included, promoting financial inclusion for the poor has been largely the role of the government. This is because the operating cost and risk of providing financial services to the poor are high, and therefore not attractive for commercial banks

Umurenge Sacco was born at the initiative of the government, with the aim of ensuring that rural citizen can get access to financial service products including savings and loans, which they could not get from the mainstream financial institutions.

For Umurenge Sacco to succeed, as evidenced by this study, the following recommendations are made;

- Since Umurenge Sacco, as a government policy, is a national savings mobilization strategy, every able citizen must participate in it. Hence all leaders at regional and district level must spearhead the mobilization campaign in their administrative areas.
- Umurenge Sacco members should be encouraged, not only to pay membership fees which at present are very minimal, but to also open savings accounts with Sacco to enhance its financial standing.
- Umurenge Sacco management and staff should be trained in areas of financial management to avoid mismanagement of depositors funds. The training is also necessary to improve on internal controls.
- It is highly recommended that a deposit insurance scheme should be established for Umurenge Sacco program that will act as a guarantee to Sacco members in case of bankruptcy.
- Given the current working conditions in Umurenge Sacco, basic equipments like computers, safes and other office stationery should be provided in order to facilitate work comparable to a financial institution.
- A specialized workshop for Umurenge Sacco managers should be organized to inculcate basic skills in managerial and financial disciplines.
- A general public education and sensitization campaign should be stepped up by the Government agency responsible for cooperatives
- The level of sensitization efforts should ensure that Umurenge Sacco members know their rights before joining the program.

5.3. CONCLUSION

Despite all the challenges that Umurenge Sacco program is facing, this study found out that it can play a significant role in savings mobilization, promotion of investments, economic growth and poverty alleviation.

Umurenge Sacco program is a formidable tool to mobilize idle resources in rural areas which can be channeled into the country's economic growth strategies.

However, policy makers must put in place an effective regulatory framework to safeguard public savings through public education and staff training to promote sound financial management.

5.4. SUGGESTION FOR FURTHER RESEARCH

As has been the case of Microfinance and Coopec in 2006, there was a problem of non performing loans which led to their dissolution.

Therefore it would be important to research on reasons leading to loan default to protect Umurenge Sacco program.

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APPENDIX

QUESTIONNAIRE

My name is MUYANGO Apollinaire, a student of Maastricht School of Management, outreach program, Maastricht, Netherlands.

I am undertaking a research on implementation of Umurenge SACCO, in fulfillment of the requirement for Masters of Business Administration (MBA) degree.

I humbly request you to answer this questionnaire fully to enable me analyze the primary data.

1. Name of Umurenge Sacco:

Sector :

District :

2. When did you join Umurenge SACCO

Did you fully pay the required paid up share capital

a. Yes..... b. No.....

3. How did you know about Umurenge Sacco

a. Advertisement

b. Meeting called by the local administrator

c. Radio/Television

d. Other sources

4. Please rank the following reasons according to how they influenced you to join Umurenge Sacco by indicating “1st reason” for the one that influenced you most and “4th reason” for the one that influenced you least

Reason for joining	1st Reason	2nd Reason	3rd Reason	4th Reason
1. I joined on my free will				
2. I joined because of encouragement from local leaders				
3. I joined because I feared to be denied some services at the local administration offices				
4. I joined because it is a government policy				

Members’ knowledge about their rights and responsibilities

5. I usually attend the general meetings, vote and participate in decision making.

Yes

No

No comment

6. I am aware that I have the right to be elected to any position of our cooperative and also elect other leaders of Umurenge Sacco

Yes

No

No comment

7. I am aware that I have the right to be informed of the economic and financial situation of our Umurenge Sacco

Yes

No.

No comment

8. I am aware that I have the right to receive dividends and bonus if any

Yes

No.

No comment

9. I am aware that I have the rights to receive annual accounts and activity reports of our Umurenge Sacco

Yes

No

No comments

10. I am aware that I have the right to withdraw my membership of Umurenge Sacco if I wish to do so.

Yes

No

No comment

11. I have attended the general meetings as follows:

Once

Twice

As many times as it is convened

Not even once.

12. Indicate the level of customer care for your Umurenge Sacco's management/employees in your sector where

1= excellent; 2= very good; 3= satisfactory; 4= Poor

1 Excellent

2 Very good

3 Satisfactory

4 Poor

PERSONAL PARTICULARS

13. Marital status

1. Single

2. Married

3. Widow

4. Divorce

14. Age

- 18 to 25
- 26 to 35
- 36 to 50
- Above 50

15. Education back ground

- Did not attend school
- Completed Primary education
- Completed Secondary education
- Completed University
- Others; specify

16. Family size

- (i) 1-2
- (ii) 3-4
- (iii) 5-6
- (iv) above 6

17. Is your current residence

Owned

Renting

18. If you are renting house, how certain are your membership in the future?

