

EFFECT OF SACCOs ON ECONOMIC EMPOWERMENT OF WOMEN IN RWANDA: A SURVEY OF BYUMBA SACCO, IZIGAMIRE SACCO, UMURABYO SACCO AND IMBARUTSO SACCO

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Abstract: Most of the SACCO clients are poor women who team up in solidarity groups in order to access credit. But despite the proliferation of so many licensed and unlicensed SACCO institutions for so many years, poverty still remains entrenched among women and their communities. It was reported that overall 27% of the chronically poor households in rural areas are headed by women with women percentage rising 40% in urban setting. It is not clear whether the services and practices used by SACCO institutions are empowering women economically. The general objective of the research study was examined the effect of Micro-Finance institution on economic empowerment of women in Rwanda; a survey of Byumba SACCO, Izigamire SACCO, Umurabyo SACCO and Imbarutso SACCO. The study was used cross-section research design and enables the researcher to collect data from different categories of respondents. This is a multiple case study Imbarutso sacco, Umurabyo sacco, Izigamire sacco and Byumba sacco. This study composed of clients and workers of Byumba Sacco, Imbarutso Sacco, Umurabyo Sacco and Izigamire Sacco, and members of the business community in Gicumbi district. The total numbers of the respondents are 250 people. Sample is 153 respondents. Primary data was collected from all respondents using the questionnaire which distributed to the filled in by respondents. Lending program, savings program, investment program and awareness program influence the empowerment of women in Rwanda. R-square is 0.988%, this means that Sacco's influence women empowerment. The sig value (0.000) less than the level significance (0.05). The F-statistics (F=214.123) is far greater than the P-value (0.000) hence a further confirmation that aspects of lending program, savings program, investment program and awareness program was significantly influenced the women empowerment in Byumba. The finding from the research shows that, working with Sacco's for women improves the economic independence of majority of women, and enhance their contribution in the household and community. The findings of the study indicate that women in Byumba are empowered by income (used as a proxy for empowerment) generated from investing in loans borrowed from Sacco's. The study recommends that in order to strengthen the impact of Sacco's services on empowerment of women in Rwanda, the Sacco's should train the borrowers on entrepreneurial skills so as to enhance their competence.

Keywords: SACCO institutions, Micro-Finance, economic empowerment.

1. BACKGROUND OF THE STUDY

The effectiveness of SACCO towards women's economic empowerment remains debatable. The global view is that SACCO can alleviate poverty and improve women's economic empowerment. Poor women borrow so as to build their businesses, increase their income and acquire a financial cushion to reduce their vulnerability to financial shocks in the future (Mayuox and Wright, 2009).

However, some studies indicate that SACCO sometimes exacerbates poverty instead of alleviating it. In homes, men can claim control over the funds borrowed and divert them in other uses, leading to strife in the home and worsening the economic situation of the women. The borrowed funds are sometimes used to meet urgent needs such as school fees and sickness costs instead of business. In other cases, the business in which the borrowed funds are invested simply fails to generate profits. (Scully, 2011).

In the absence of adequate external and self-regulation, SACCO service providers tend towards predatory behaviors as they seek to sustain themselves and make profits, instead of fulfilling their social mission to reach out and assist the poor. Due to lack of transparency, borrowers take on loans without being aware of hidden costs. The lenders do not care to protect their clients, e.g. against taking up loans that they cannot pay back. For instance, Women are encouraged to borrow as individuals or groups without alerting them of the full risks involved. (DFID, 2009).

The payments due exert pressure on the women's meager income, forcing them to borrow from different informal and expensive money lending sources. Such women remain locked in a perpetual borrowing cycle whereby the lenders get richer and richer as they charge various fees (registration fees, training fees, membership fees, loan application fees, loan processing fees, interest charges, penalties for late payments, etc.) while the borrowers get poorer and poorer, often ending up losing all their property (Wright, 2008),

The SACCO sector of Rwanda is often heralded as one of the most vibrant and successful in Africa. A combination of both formal and semi-formal institutions provide SACCO services in Rwanda, including commercial banks, credit institutions, SACCO deposit-taking institutions (MDIs), savings and credit cooperative organizations (SACCOs), non-government organizations (NGOs) and money lenders (Kibanja and Munene, 2009).

The importance of financial services to women cannot be over-emphasized. Women particularly those in developing countries need a range of enabling and sustainable financial services in order to enable them effectively exploit abundant resources in their areas and fulfill their productive potential. It has however been noted by scholars like Hogan that the financial service sector focuses its success on the effective management of credit risk. This has therefore triggered financial services providers to put more emphasis on credit terms while lending to clients especially the women borrowers. This is because SACCOs consider lending to small businesses as profitable though a risky business. Providing financial services to large businesses is considered to be more costly and difficult. This leaves SACCOs with no option but to lend to women though at unfavorable credit terms.

The difficulty on accessing finance is arguably central among Women (World Bank, 2000). For example, in Tanzania it was found that 63% of Women consider difficulties in accessing finance from SACCOs as the major constraint to their development (Satta, 2003). In some cases the problem of financing is aggravated by the strict credit terms especially penalties on failure to repay their loans on time which affects their profitability because whatever they could have saved as profit is paid back in fines and other penalty related costs (Wright, 2008).

Katto, (2008) established that SACCO loans were unsustainable because of the tough terms where interest rates were high and ranged from 28% – 48% with no grace period and short payback period. Such terms do not only affect Women while managing their day-to-day financial operations, but also frustrate their abilities to maximize their working capital potentials such as the affected working relationship with creditors, exerting unnecessary pressure on the debtor as well as seizing business opportunities that may require immediate cash resources (Katto, 2009).

Women's economic empowerment has capacity to bring about economic change for themselves, is increasingly viewed as the most important contributing factor to achieving equality between women and men. But economically strengthening women who are half the world's workforce is not only a means by which to spur economic growth, but also a matter of advancing women's human rights. When governments, businesses and communities invest in women, and when they work to eliminate inequalities, developing countries are less likely to be plagued by poverty. Entire nations can also better their chance of becoming stronger players in the global marketplace. When women have access to time-saving technologies such as a foot-pedaled water pump or motorized scooter economic benefits can follow. ICRW research has found that technology helps women increase their productivity as well as launch income-generating pursuits and entrepreneurial ventures. Those kinds of outcomes empower women to become stronger leaders and to more effectively contribute financially to their families, communities and countries. Investing in women helps speed up the development of local economies and create more equitable societies. (Miller, 2011).

However, despite the vibrancy of the SACCO sector, poverty remains entrenched in Rwanda. It is not clear whether this SACCO s are just in business to make profits and sustain themselves, or whether they really fulfill their social mission of alleviating poverty especially by reaching out to the poorest among the poor. This study sets out to investigate whether poor women are really empowered economically by SACCO s, or whether they are just exploited by them. The main focus of the study is SACCOS because it is representative of SACCO s that target poor women.

2. STATEMENT OF THE PROBLEM

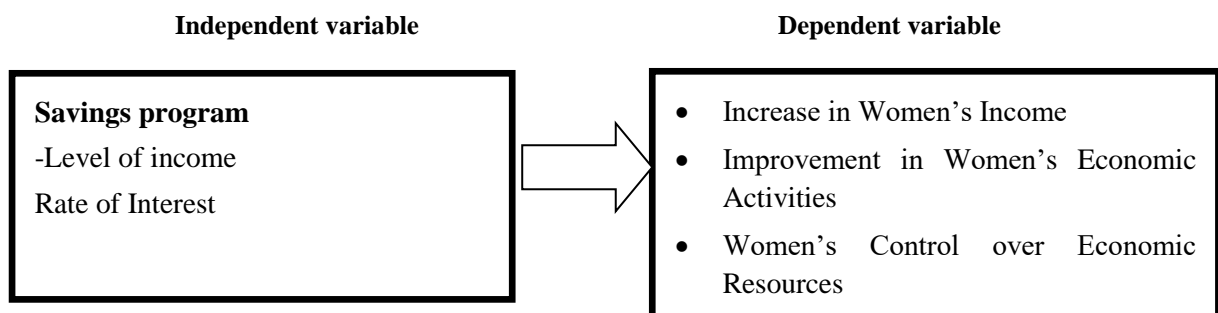
Many SACCO institutions have come up in developing counties like Rwanda, modeled on the legendary success of the Grameen Bank that was started in Bangladesh in 1976. Most of the SACCO clients are poor women who team up in solidarity groups in order to access credit (Khan and Rahaman, 2012).

But despite the proliferation of so many licensed and unlicensed SACCO institutions for so many years, poverty still remains entrenched among women and their communities. It was reported that overall 27% of the chronically poor households in rural areas are headed by women with women percentage rising 40% in urban setting (Dichter, 2013). It is not clear whether the services and practices used by SACCO institutions are empowering women economically. While SACCO s need to sustain themselves and possibly make some profit, poor women can be negatively affected by exorbitant charges and the disastrous socio-economic consequences for those who fail to pay back. In the case of Rwanda SACCO s, it is not well documented whether the SACCO s lending practices to women are appropriate, or whether the SACCO s care to protect their women clients against losses and exploitation, or whether the SACCO s really reach out to the very poor women to empower them economically. These concerns are the subject matter of this study.

3. OBJECTIVE OF THE STUDY

1. To evaluate the effect of savings programs of SACCO Institution on Women Empowerment in Rwanda.

4. CONCEPTUAL FRAMEWORK



5. RESEARCH DESIGN

The study was used cross-section research design and enables the researcher to collect data from different categories of respondents. This is a multiple case study Imbarutso sacco, Umurabyo sacco, Izigamire sacco and Byumba sacco. It is preferred for this because of its in-depth nature of analysis. Quantitative approach is used in areas of tabulation and graphic representations. This will be important because it was helped in summarization of presentations.

6. POPULATION OF THE STUDY

This study composed of clients and workers of Byumba Sacco, Imbarutso Sacco, Umurabyo Sacco and Izigamire Sacco, and members of the business community in Gicumbi district. The total numbers of the respondents are 250 people.

7. SAMPLE SIZE AND SAMPLE SELECTION

The minimum sample size is computed using the Sloven's formula, which states that, for any given population, the required sample size is given by;

$$n = \frac{N}{1 + N(e^2)}$$

, Where; n = the required sample size; N = the known population size; and e = the level of significance,

which is = 0.05. Given a total population of 250 respondents in selected SACCOs, a sample was 153 respondents.

8. DATA COLLECTION INSTRUMENTS

Primary data was collected from all respondents using the questionnaire which distributed to the filled in by respondents. After filling them, they were collected by the researcher for editing, tabulation and synchronization, and this was the beginning of data processing. Secondary data was used from records from branch offices. Further information was collected from the electronic media such as the internet.

9. RESEARCH FINDINGS AND DISCUSSION

Table1: The perception of respondent on effect of savings programs of SACCO Institution on Women Empowerment in Rwanda

Statements	1	2	3	4	5
1 Having an account in SACCO contributed to generate your income at good level	-	-	-	100%	-
2 Saving more money in SACCO influence to increase the income of women in Rwanda	-	3%	2%	75%	20%
3 You opened an account in SACCO because on lower interest rate.	-	-	3%	87%	10%
4 Lower interest rate influence women to invest for long time.	-	-	-	97%	3%

Source: Primary data, 2019

Above Table1 show the perception of respondents on effect of savings programs of SACCO Institution on Women Empowerment in Rwanda. The majority of respondents appreciated having an account in SACCO in order to generate your income at good level, 100% were appreciated.

In Rwanda, women comprise (57%) of 11,533,446 of the entire population. However, most of these Rwandan women are illiterate and this limits their employment opportunities and financial ability to take care of their families of which 25.5% of households were reported to be headed by females while 6.4% of households were headed by females in the absence of a male head in 2013/14. Considering poverty status, it was observed that female-headed households are slightly more likely to be poor than male-headed households, with 44% of female-headed households being poor compared to 37% of poor male-headed households in 2013/14. De facto female-headed households had a higher poverty rate (47%) than other households. (EICV4 Thematic Report - Gender (2014). But now government of Rwanda putted more effort to empower the women through Sacco's. Saving more money in SACCO influence to increase the income of women as appreciated by 95% of women while 97% also appreciated to have an account in SACCO because on lower interest rate. These prove that the majority of women were opened their account in Sacco's because of lower interest rate, 100% of respondents appreciated this statement.

Also Sacco's empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities. However, they also state that just because women are clients of Sacco's does not mean they will automatically become empowered.

10. CONCLUSION

The finding from the research shows that, working with Sacco's for women improves the economic independence of majority of women, and enhance their contribution in the household and community. The findings of the study indicate that women in Byumba are empowered by income (used as a proxy for empowerment) generated from investing in loans borrowed from Sacco's. The regression analysis done revealed that women have become more visible as leaders in the community which is attributed to acquisition of more financial power hence assuming more responsibility.

11. RECOMMENDATIONS

Traditionally, women have been marginalized. They are rarely financially independent and often they are more vulnerable members of society. About 70% of world's poor are women. Women are integral part of society yet their status and participation in decision making as well as economic activities is very low. Sacco's have been quite creative in developing

products and services that have kept women from accessing formal financial services. Although Sacco's does not address all the impediments to women empowerment Sacco's programs when properly adhered to they contribute a lot to women empowerment.

-The study recommends that in order to strengthen the impact of Sacco's services on empowerment of women in Rwanda, the Sacco's should train the borrowers on entrepreneurial skills so as to enhance their competence.

-It would be further recommended that the management of Sacco's should come up with policies that should enable those without collateral to acquire loans, financial innovations in order to reduce the bureaucratic procedures of acquiring loans, train women on risk and financial management.

- The government of Rwanda should come up with regulatory procedures of controlling interest rates to avoid Sacco's capacity to exploit women borrowers.

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