



# Impact Umurenge Sacco on Financial Inclusion in Rwanda

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## Abstract

This study examines the impact of Umurenge SACCOs to financial inclusion in Rwanda. Secondary data which are time series were analysed with objectives to find out whether U-SACCO have impact to financial inclusion with baseline to 3 dimensions of Quality, accessibility and usage are dimensions of financial inclusion. This study used descriptive analysis and both excel and STATA used in computing data. The finding of this study demonstrated the positive impact of U-SACCOs to financial inclusion. However, government should put more attention on quality of financial service in SACCOs by automating of all SACCOs.

**Keywords:** Financial inclusion; Umurenge SACCO; Rwanda

## Introduction

For past decades financial inclusion has been vital in economic development and main foundation rising up all sectors globally. According to global financial inclusion (2010), the goal of financial inclusion is to ensure that every individual has access to quality, affordable financial services and every country has increased priority and possibility of access to finances worldwide. Financial inclusion attracted attention of the world and put strategies as well as different government program to attract individual to engage in formal financial services and ease access to finance, like setting up different financial institution and microfinances nearer and mobilizing the population to join formal financial systems. According to, financial inclusion in Africa has been lagging behind compared to other continent and Less than one adult out of four in Africa have access to an account at a formal financial institution [1]. Number of policy maker and investors started promoting financial inclusion both in Africa and globally, establishment of financial institution, Microfinance and saving and Credit cooperatives (SACCOs) have largely increased across Africa for better financial inclusion. According to, SACCO'S movement has been increasing across Sub-Saharan African and it estimated to be serving 8.81% of population in Sub-Sahara Africa and SACCOs manage to penetrate and reach out in rural areas where some commercial bank doesn't extend [2]. SACCO movement known

Umurenge SACCO in Rwanda was initiated by government in 2008 and according to MINICOFIN (2009), initiative of Umurenge SACCOs was primarily to address the issues of hindrance of development of financial sector and as well as financial exclusion which was highly alarming and 416 U-SACCOs were established at each administrative sector by mobilizing and collecting savings from community, both Rwanda cooperative Agency and National Bank of Rwanda with mandate to regulating SACCOs. According to RCA (2019) financial year 2018-2019. (Table 1) demonstrates details on RCA regulating SACCO.

According to 52% of Rwanda adults population were living without any kind of financial product and as well more 86% of Rwandan adult used no banking product, financial inclusion was challenge in Rwanda for past years and not many financial institutions were established, Most (97%) of "banked" adults in Rwanda had a product with Union des Banques Popularise du Rwanda (UBPR) [3]. Impact of Umurenge SACCOs have attracted attention of different researchers and this study is an added knowledge to previous studies, the main objective of find out the impact of U-SACCOs financial inclusion in Rwanda by analysing accessibility, usage and quality of U-SACCOs to Rwandan population.

The following structure of this paper is as follow: review of the related literature of SACCOs and financial inclusion, historical Development on U-SACCOs and financial institution in Rwanda.

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## Theoretical Framework

The objective of researcher is to find out if U- SACCO contributed to financial inclusion in Rwanda and (Figure 1) demonstrate

theoretical framework of impact of U-SACCO to financial inclusion.

**Table 1: SACCOs Inspected and audited in the fiscal year (2018-2019).**

Province	U-SACCOs Inspected	U-SACCOs audited	NON U-SACCOs Inspected
West	96	14	6
East	95	12	2
North	89	13	5
South	101	8	4
Kigali	35	6	4
<b>Total</b>	<b>416</b>	<b>53</b>	<b>21</b>

Source: RCA (2019)

**Table 2: Summary of Variables statistics from 2010-2018.**

VARIABLES	UNITS	OBS	MEAN	STD.DEV	MIN	MAX
Adult Registered	Number	9	5390040	183615	5049457	5670824
Account holder	Number	9	1805683	806010.7	471054	2826411
Deposits	FRW Million	9	42526.56	20404.41	6322	65001
Outstanding loans	FRW Million	9	24023.33	16136.44	813	47551
Portfolio at risk	FRW Million	8	2808.5	2031.119	352	5444

Source: RCA (2019)

## Overview of saving and credit cooperatives in Rwanda

Saving and credit cooperatives in Rwanda were established on philosophy of mobilizing and collecting savings from community in 2010 by the end year, account holders were 471054 members with deposit of 632,2267,782 Frw and loan issued that year were 813,723,942 Frw. This demonstrates U-SACCO to be solid provision of financial service to Rwanda population by reaching out to all people including in remote areas where other financial institution couldn't. According, each U-SACCO is located in 5 KM radius of Rwandan population which eases access to formal financial services [4]. Umurenge SACCOs are cooperatives purposely for providing financial products to its members and U-SACCO in Rwanda are currently offers 3 main products; savings, loans and deposits and other financial services. 416 U-SACCOs are licensed by central Bank, SACCOs are regulated by two main government institutions. According to National cooperative policy (2018) clarify the responsibilities of Rwanda cooperative Agency over SACCOs to monitor the applicability and respect of Cooperative Principles, Laws and Regulations in SACCOs and for National Bank of Rwanda is responsible to supervise the life of the SACCOs including governance, operations and finance, liquidity, loan portfolio management, compliance aspect to ensure sustainability of SACCOs. (Figure 2) demonstrated the road map for establishment of U-SACCO. According to RCA (June 2019), Population in Rwanda estimated to be account holders in SACCO

are 3,006,629 members. The (Figure 3), below demonstrates the increment of use of financial services since the start-up of U-SACCO was 2010. Unlike like other microfinances, U-SACCOs had increasing trend of financial services which implies both interested of provision of U-SACCOs' product to Rwanda population and impact to financial inclusion.

## Financial inclusion and financial intuition in Rwanda

According to, financial inclusion is "a procedure which guarantees that the financial services are easily accessible and used in the formal financial framework by all individuals in an economy and" [5]. Effective Financial inclusion system plays vital role in allocating productive resources and efficiently use of finance in daily life and this paper revealed three basic dimension of financial inclusion banking penetration (BP), availability of the banking services (BS) and usage of the banking system (BU). According to, parameter used to measure financial inclusion are 3 three Accessibility of financial services making financial services available, affordable and convenient to users within the nearest possible point of services [6]. Usage of financial services; making customers to use financial services frequently and regularly, referred to creating knowledge, confidence on offered financial services and incentivize to use and Quality of financial service; making financial services appropriate and tailored to clients' needs. Efficiency of financial institutions supports the economic development and control the monetary value of the nation.

According to NBR annual report (2019) financial system under its mandate of Rwanda central bank supervisor are made of banks, microfinance, savings and credit cooperatives, non-deposit taking lending financial institutions, insurance companies and intermediaries and pension schemes. Banking sector was composed of 11 Commercial Banks, 1 Development Bank, 1 Cooperative Bank and 3 Microfinance Banks. Microfinance sector was composed of 19 Limited Liability MFIs, 438 Savings and Credit Cooperatives (SACCOs) of which 416 are Umurenge SACCOs and 22 other SACCOs end June 2019, MFIs had 3,779,860 clients of which 3,006,629 are members of SACCOs and 54 % of adult population are financial including through SACCOs.

**Contribution of u- SACCOs in financial inclusion**

Umurenge SACCOs have attracted attention of different researchers on impact and sustainability of SACCOs in Rwanda. According to recent study with objective of examine the extent at which UMURENGE SACCOs contributed in achieving accessibility, affordability and uptake of financial services in Rwanda and used secondary of financial reports data from 2015-2106 and as primary data, logistic regression analysis was used to analysis contribution of UMURENGE SACCOs financial services to members’ socio-economic welfare and study revealed that U-SACCO contributed in achieving financial inclusion, however urged on lesser members request for loan in U-SACCO compared to the savings [7]. According to, the purpose of this research was to analyse the role played by commercial banks on financial inclusion in Rwanda and the research analysed basing on three dimensions of accessibility, penetration and usage of financial services in Rwanda [8,9]. The study tackled on the impact of SACCO as U-SACCO reach out in villages where commercial banks should not reach, it makes them have a high percentage of account ownership in general. This study is back up with previous studies which point out the distance from U-SACCOs is located in 5KM radius of the Rwandan population. However, paper revealed challenge of U-SACCO are not computerized which hinders more

financial including of population due to lesser ATMs. According to, Umurenge SACCO is more accessible compared to locations of other financial institution average minutes to U-SACCO vary national wide, Kigali city is with least average minutes to adult to SACCO of 28 minutes and 38 second while western Province with more average minutes to U-SACCO of 49 minutes and 50 seconds. This research revealed that 57% of Rwandan adult population trust saving with U-SACCOs. However this research didn’t declare the usage of credit from U-SACCO as separate.

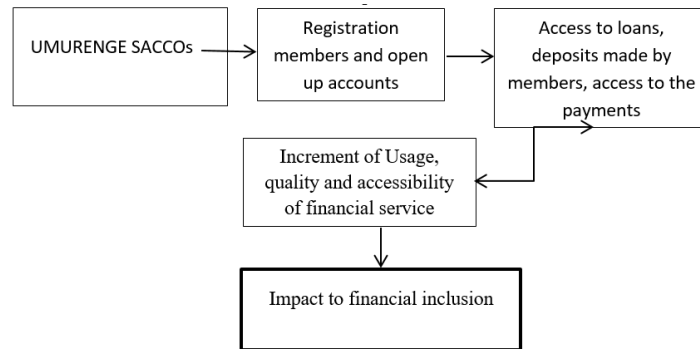
**Methodology**

This study examined the impact of U-SACCOs to financial inclusion in Rwanda. Study used secondary data collected from RCA report from 2010- 2018, descriptive data analysed employed with baseline of 3 dimensions financial; usage, accessibility and quality of U-SACCO and 5 variables selected. According to, Usage, accessibility and quality to financial service are dimensions to financial inclusion. The (Table 2) demonstrates observation of 8 and 9 which implies eight years (2011-2018) for loan portfolio which is always declared to the following year of issuing loan and nine years (2010-2018). Summary of statistics demonstrate the adult members registered with mean of 5390040 people since and account holders decreased to mean of 1805683 people 2010-2018.

**Results and Discussion**

**Accessibility of UMURENGE SACCO from 2010-2018**

Figure 4 below demonstrates trend of account holders in U-SACCO since 2010-2018. Findings of this paper revealed that the Rwandan population keeps on increasing in accessing financial services through U-SACCO (Figure 4). There is increment in account holders since start-up of Umurenge SACCO, it signifies easy access financial service through Umurenge SACCO. This findings is backed by recent studies, according, U-SACCO reach out more Rwandan population more especially in remote areas.



*Figure 1: Demonstrate theoretical framework of impact of U-SACCO to financial inclusion.*

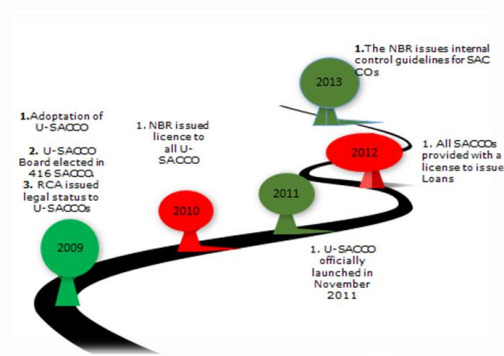


Figure 2: Road map for main activities for U-SACCO establishment since 2009 at adoption of U-SACCO. IFA (2014).

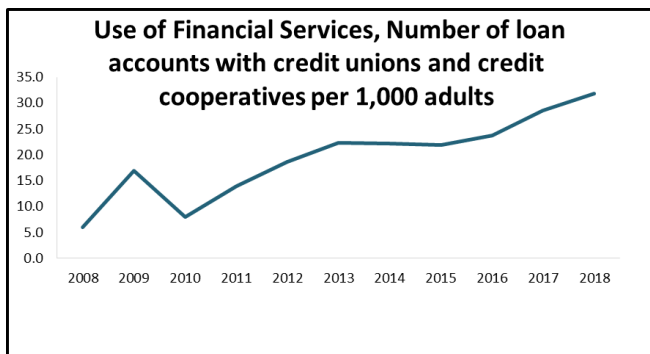


Figure 3: Trend of financial use in SACCO since 2008-2019.

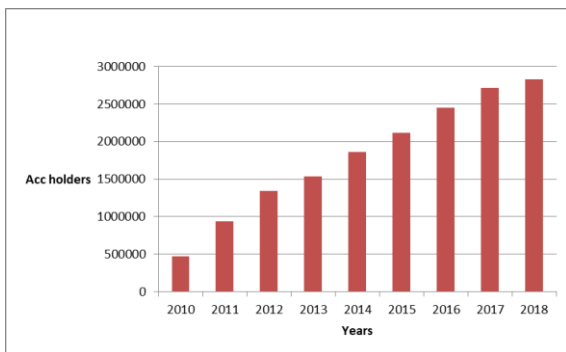


Figure 4: Trend of account holder in U-SACCO since 2010-2018, source; authors' computation.

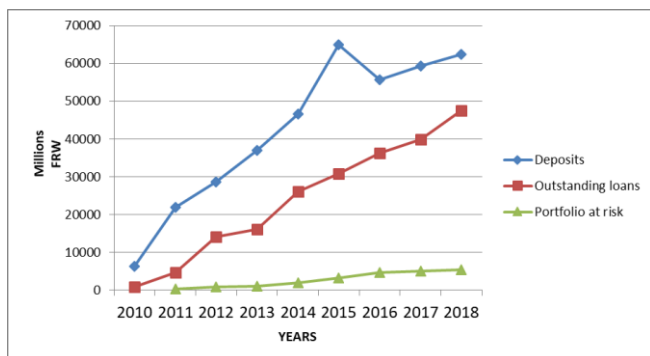


Figure 5: Trend of deposit, outstanding loans and portfolio at risk, Authors' computation.

## Usage and quality of financial service from UMURENGE SACCO

The figure 5 represents deposits of members of U-SACCOs (2010-2018), outstanding loans issued to members of U-SACCO (2010-2018) and portfolio at risk (2011-2018) (Figure 5). The results demonstrates the average increasing of trend of deposits but there was a decrease for one year 2015-2016 and then increase, trend outstand loans in U-SACCO since 2010-2018 is increasing. The trends for both deposit and outstanding loans imply positive usage of financial service and as well population is happy for quality of financial service. However, the trend portfolio at risk is increase which implicate the number of loans which are being paid back is increase.

## Conclusion and Recommendation

The purpose of this study was to find out the impact of the U-SACCO to financial inclusion in Rwanda. Finding revealed that Umurenge SACCOs have positive impact to financial inclusion in Rwanda. The access to financial service has increased since 2010, trend of account holders increased which implies population will keep on increasing in usage of formal financial services and deposits and outstanding loan which implies positive impact of U-SACCO. Umurenge SACCOs have enlarged the accessibility, usage and quality financial service. However, researcher can't tell effect of unpaid loans (portfolio at risk) which keep on increasing in U-SACCO. This study recommends the following

- Recommendation to NBR and Government of Rwanda for further study on increment of portfolio at risk in SACCO.
- Government should put more efforts in automation as it may increase accessibility and usage as well quality to financial service.

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