UNIVERSITY OF NAIROBI
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MICROFINANCE INSTITUTIONS AND POVERTY REDUCTON: A CASE STUDY OF URWEGO OPPORTUNITY MICROFINANCE BANK CLIENTS IN KICUKIRO DISTRICT, KIGALI CITY- RWANDA

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DECLARATION

This Project Paper is my original work and has not been presented for a degree in any other university.

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This Project Paper has been submitted for examination with my approval as university supervisor.

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ACRONYMS

ADB: African Development Bank

AIDS: Acquired Immunodeficiency Syndrome

BCR: Banque commercial du Rwanda- Rwanda Commercial Bank

BK: Banque de Kigali- Bank of Kigali

BNR: Banque Nationale du Rwanda- Central Bank of Rwanda

BRD: Banque Rwandaise de Developpement- Rwandan Bank for Development

CGAP: Consultative Group to Assist the Poor

CIDA: Canadian International Development Agency

CHR: Banque de l'Habitat du Rwanda- Rwanda Housing Bank

CPRC: Chronic Poverty Research Centre

DFID: Department for International Development

DID: 'Développement International Desjardins' (International Development of Gardens)

GOR: Government of Rwanda

HIPC: Heavily Indebted Poor Country

HIV: Human Immunodeficiency Virus

ICT: Information, Communication and Technology

IFAD: International Fund for Agricultural Development

IMF: International Monetary Fund

INGO: International Non- Government Organization

MFI: Microfinance Institution

MICOFIN: Ministère des Finances et de la Plannification Economique- Ministry of Finance and Economic Planning

MIX: Microfinance Information Exchange

NGOs: Non Governmental Organisations

RMF: Rwanda Microfinance Forum

RWF: Rwandan Francs

S.A: Société Anonyme- Anonymous Society

S.A.R.L: Société à Responsabité Limitée: Limited Liability Society

UBPR: 'Union des Banques Populaires du Rwanda' (Union of Peoples Bank of Rwanda)

UN: United Nations

UNDP: United Nations Development Program

UOMB: Urwego Opportunity Microfinance Bank of Rwanda

USAID: United States Agency for International Development

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DEDICATION

This work is dedicated to my wife and life partner, Fortunée Mukamana, without whose caring support it would not have been possible, and to our three daughters Best Maranatha, Philia Fidélité, and Thanks Patience Impano, for the sacrifices they made to allow me concentrate on studies while they needed more time to play and laugh with Dad.

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My thanks extend to the entire Leadership Team of Urwego Opportunity Bank, their field staff and interns who enabled me to connect with their microfinance clients in Kicukiro District for data collection. Their well organized weekly meetings and introduction of my Research Assistant Team to community and solidarity group members made data collection timely and feasible. I deeply thank UOB clients for their availability and willingness to provide information about their businesses and loans that provided meaningful data to complete this project.

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ABSTRACT

This project paper articulates the accomplishments and challenges of UOB Microfinance Institution in its mission to reduce poverty in Rwanda. It attempts to evaluate theories and practices that guide MFIs in dealing with poverty issues among the clients. It aims at making a critical analysis leading to practical recommendations and strategies that can improve the work of Microfinance Institutions to reduce poverty with more outstanding impact among their recipients.

The first section covers the contextual background of MFI in Rwanda. Indeed, Microfinance Institutions in Rwanda are still operating in their development stage, strategizing for better packaging their products and services to the clients, mostly self employed, low income earners, and poorly trained recipients. The many MFIs (43 out of 230) that failed to deliver promised services to the poor forced the government of Rwanda to intervene with more strict rules and regulations to kick out non performing and minimize future repeat of the same mistakes.

The second and third sections review existing publications to gather relevant information for this research and establish possible gaps that the study could claim to fill in. The general discovery is that no much research has yet been done in this field in the country, but self generated reports from stakeholders do exist both from MFI, the government, and other international agencies. Various theories of poverty have been reviewed to identify and make good use of those that explain better the situation of poverty in Rwanda. The end result has been a conceptual framework that schematically links the government, MFIs, business entities, and poor households for the work of reducing poverty by micro credit scheme. An appropriate methodology to collect, analyse, and present data has been developed in terms of questionnaires.

The substantive section of the project dedicates itself to the field survey data presentation and analysis. The empirical data collected among the clients in Kicukiro district constitute the basis for the study findings, conclusions, and recommendations. They are presented in tables that generate totals, percentages, and graphs to facilitate the analysis. They reveal the level of success and challenges of MFIs towards poverty reduction, perceptions associated with them by clients, and suggest strategies that may help to reduce poverty with more life changing impact.

Upon testing the two hypotheses formulated to enhance this research analysis, it appears that UOB makes a positive impact in reducing poverty among its borrowers. A detailed analysis of respondents provided data ascertains that increased income, access to basic needs, acquisition of assets, and improved participation in public life has been felt among 98 % of the respondents. This life change improvement is evidenced by a regular monthly income of more than 100 American dollars per participant that enable them to provide for their families, guarantee their children education, and family enrolment for community health scheme. A good number of participants have been able to improve their housing through renovation, expansion, purchase of land or plot, constructing their new homes, and acquire other material equipments. Other form of achievements includes business growth that promises the sole owners to be more hopeful for the future. UOB Borrowers have got a place in the society as their business values make them active and participant in public life. They are respected among their neighbours and MFI staff.

A slight lower rate of interest (2% per month), expanded period for reimbursement (3 to 6 months), and increased size of loans, intensified business training and more site visits for business advices remain the only complaints that borrowers feel should be addressed by MFIs to fix poverty for good. MFIs must strategize on these issues to increase their relevance.

CHAPTER ONE: INTRODUCTION

1.1. Background to the Study

The Microfinance Sector in Rwanda is relatively young. It started with the creation of the 'Union des Banques Populaires du Rwanda' (UBPR- Union of Rwanda Peoples Banks) in 1975 which began effective operations as a cooperative for savings and credit in 1986 (MICOFIN, 2006, p.6). Other Microfinance Institutions (MFIs) experienced spectacular development with the support of International Organizations involved in humanitarian assistance following the 1994 Rwandan genocide. The organisations such as Canadian International Development Agency (CIDA), the 'Développement International Desjardins' (DID), Care International, European Union, Hope International, USAID, World Relief International, and World Vision among others gave material assistance to the population through micro credit programmes.

Nevertheless, the MICOFIN (ibid) report indicates that during the emergency period, loans were not, in some cases, distinguished from grants or gifts, creating confusion amongst the population. As the government moved into a development phase, several INGOs created microfinance institutions, in many cases operating without adequate professionalism. The INGOs that operate MFIs in Rwanda include World Relief International with URWEGO Microfinance that started in 1997 and World Vision with Vision Finance Company. Besides Rwanda Microfinance which is an S.A.R.L (Société à responsabilité limité- Limited liability Society) most MFIs in Rwanda registered as S.A (Sociétés Anonymes- Anonymous societies). According to MICOFIN (2006, p.8), Rwanda had almost 230 institutions involved in the microfinance sector (including 149 Peoples Bank branches) by June 2005. These institutions serve more than one million clients (of which 36% are at the Peoples Bank) with deposits totalizing over 51 billion RWF (of which almost 60% are at the Peoples Bank).

The biggest challenge of Microfinance Institutions in Rwanda is to serve the poor through credit at lower rates of interest (3-5% per month) compared to commercial banks' rates (14-18% per annum) and remain financially sustainable in the market. Obviously, it is costly to serve the poor as Microfinance Information eXchange (MIX) reports: "2006 saw clients offered an increasing number of financial services, although at a high cost. African MFIs continued to face tremendous operating hurdles in sustainably serving their clientele" (http://microfinancegateway.org). In 2006, the Central Bank of Rwanda (BNR-Banque Nationale du Rwanda) was forced to intervene and close about 43 microfinance institutions that were neither performing to the clients' satisfaction nor to the standards of national economy. There followed a rigorous, strict policy and government regulations to make sure those who remain in business will be doing the right things in the right way in order to support the government in its crucial mission of poverty reduction.

The 2020 Rwandan Government Vision (GOR, 2000, p.11) that seeks to fundamentally transform Rwanda from low to middle income country by the year 2020 states its dream thus " Achieving annual per capita income of US $ 900 (US $ 290 today), a poverty rate of 30% (64% today) and an average life expectancy of 55 years (49 years today)". The government of Rwanda fully recognizes the role that the microfinance sector can play in the attainment of the goals of Vision 2020 programme with a dynamic, diversified, integrated and competitive economy. It is expected that the microfinance sector will strengthen the role of private sector in the development of the country, increasing and diversifying investment opportunities. In so doing, the microfinance sector shall help build a solid business community of entrepreneurs, focused on industrial and service sectors, including the financial, tourism and ICT sectors.

It will thus help to generate non-agricultural employment and income, thereby contributing to the transformation of the Rwandan economy and the sustainable poverty reduction. The Rwandan government encourages local, national, and international partnership and networking amongst MFIs so that they spread best practice and professionalism. World Relief International responded to this government call and enabling policy framework by creating its microfinance institution, known as 'URWEGO' (Ladder for success).

World Relief international is an INGO with headquarters in the USA, serving 18 countries in the developing World including Rwanda. World Relief established its office in Rwanda immediately after the 1994 genocide working with about 40 church denominations. Its mission statement as originated within the National Association of Evangelicals is "to work with, for and from the church to relief human suffering, poverty and hunger worldwide in the name of Jesus Christ" (www.wr.org). The same website reads as follows "World Relief is a leader in the field of non-profit microfinance. Through locally governed microfinance institutions, we give small loans, training and support to hardworking individuals-mostly vulnerable women, ensnared by poverty". To date, World Relief has empowered more than 90,000 individuals to live productive meaningful lives.

Over the years, they have seen how initial loan of just US $ 50 - $ 75 can launch an individual on the path to economic self sufficiency, spurring entrepreneurial ideas. Consequently, World Relief believes that microfinance is about much more than just money. It helps stability at home, teaches individuals how to thrive, and fosters self- respect and community well being. World Relief is an International relief and development NGO with substantial expertise and experience in microfinance. Its microfinance, Urwego Opportunity Microfinance Bank (UOMB) that operated in Rwanda for more than a decade attracted the researcher's interest, hence this study.

1.2. Problem Statement

The United Nations decade of poverty eradication (1997-2006) ended some years ago. Its micro credit campaign that began in 1997 had promised to bring local financial services for self-employment to 100 million impoverished families worldwide, especially women, by 2005. Subsequently, the year 2005 that was declared the International Year of Microfinance underlined the increasing importance and high profile of microfinance. By incorporating Microfinance in its Vision 2020, the Rwandan Government implies that microfinance is an indispensable instrument in fulfilling its dream of transforming the poor country into a middle income country by 2020.

Microfinance being relatively new in Rwanda, there has been little research about its tangible impact in relation to poverty reduction. The existing literature focuses on its relatively low interest rate compared to commercial banks high rates and high profile requirements making microfinance popular and accessible to low income earners. NGOs and governments' annual reports or strategic papers have also some publications about resolutions and strategies promising radical changes and unprecedented benefits to the poor. However, microfinance recipients' point of view research - based documentation is still missing, and that is the gap that this study would want to fill in. The questions that guided the study are raised in the next section.

1.3. Research Questions

(1) What are the socio demographic characteristics of URWEGO clients in Kicukiro district?

(2) What are the clients' attitudes towards microfinance in relation to poverty reduction?

(3) What business activities are they involved in and what entrepreneurship skills do they display?

(4) To what extent has URWEGO helped its clients to reduce their level of poverty?

(5) What could be the best strategies to help MFIs reduce poverty in Rwanda?

1.4. Objectives of the Study

The aim of this study is to investigate the level of success of URWEGO Microfinance in reducing poverty in Kicukiro district of Kigali capital city guided by the following specific objectives:

1. Identifying dominant socio- demographic characteristics of URWEGO Clients
2. Investigating clients' attitudes towards microfinance in relation to poverty reduction.
3. Assessing activities in which URWEGO clients invest capital loans they receive.
4. Discovering evidences that URWEGO may be reducing poverty among its Clients.
5. Unearthing strategies that MFIs may use to better help reducing poverty in Rwanda.

1.5. Justification of the Research

MFIs existence and the level of competition they present to commercial banks seem to suggest that they are profitable and sustainable in the market. UOMB for instance, the largest microfinance services provider in Rwanda is said to have successfully helped many customers to increase their households' income and reduce poverty. It has more than 30,000 clients and over

9,000 savings clients and was ranked the MFI of the year in 2005. It is therefore important to carry out this research to find out to what extent access to micro-credit may have helped in reducing poverty among the beneficiary households.

This research builds and expands on existing body of knowledge so as to inform the general public and microfinance scholars in particular with new updates and promises of microfinance institutions towards poverty reduction in Rwanda. Starting from an extensive literature review on Microfinance Institutions and poverty eradication, this study goes on to investigate how beneficiaries have used loans and in which kind of businesses, expecting to answer questions about profits made and where do they go. It will be interesting to note how much proceeds from these businesses going to finance education, family health, asset build-up, shelter, clothing, entertainment etc. and what has been the impact of the business on household welfare. The research's results are expected to benefit:

1. The government: The country's policies, rules and regulations governing MFIs will be reviewed in the light of MFIs' internal policies and strategies with regard to the needs of the communities. Such information is crucial and could serve as basis for correcting measures for future development plans and programs.

2. Microfinance Institutions: Findings on beneficiaries' perceptions will help MFIs in better packaging their products so as to remain relevant to their clients and attain their most needed self-sustainability.

3. Financial services' beneficiaries: Current and potential users of MFIs' services will have a reference enabling them to learn either from the mistakes other beneficiaries have made or duplicate their successful principles so that they can make better use of loans acquired

4. General Public: Although the general public is saturated with a lot of information concerning current life issues, it is doubtful if the people really have access to information that is relevant for development and which would enable them to experience real life change.

1.6. Scope and Limitations of the Study

This study targeted clients of Urwego Opportunity Microfinance Bank who had been getting loans for the previous ten years and more. The scope was limited to their weekly meeting set ups where they gathered to discuss their issues and hand over their weekly repayments to the microfinance's staff. The study also delineated UOMB borrowers to their relationships with Urwego, the businesses they were currying out due to access to micro loans, and the uses of the incomes earned and not any other income they may be getting from elsewhere. Therefore a survey research was conducted in Kicukiro District, Kigali capital city of Rwanda, among 'URWEGO' Microfinance Beneficiaries.

The limitation of this study was that UOMB could not provide with clients database to help in sample selection using probability methods. This database could have even helped the researcher to get to the clients business sites to check for any kind of records that they may have been kept on their day to day running of their businesses. Indeed, this may have increased the time spent with respondents for in-depth discussion with them. To minimise the effects of these limitations to the findings, the researcher collected data from borrowers who have been in touch with UOMB for much longer period. These seemed to have gotten a real sense of what microfinance had helped them to achieve, and what may had been their shortfall.

1.7. Definition of Key Concepts

1.7.1. Microfinance

Ledgerwood (2000, p.1) defines microfinance as providing financial services (savings and credits; insurance and payment services) to low-income clients, including the self-employed. Ledgerwood adds that Microfinance has evolved as an economic development approach intended to benefit low-income women and men. However, many MFIs provide social intermediation services such as group formation, development of self-confidence, literacy training, health care, skills training and marketing, training in financial literacy and management capabilities among members of a group.

Microfinance activities usually involve small loans, typically for working capital, informal appraisal of borrowers and investments, collateral substitutes such as group guarantees or compulsory savings, access to repeat and larger loans based on repayment performance, streamlined loan disbursement and monitoring, and secure savings products. Microfinance is not simply banking, it is a development tool.

1.7.2. Microcredit

The word "microcredit" did not exist before the seventies. Now it has become a buzz-word among the development practitioners. In the process, the word has been imputed to mean everything to everybody. No one now gets shocked if somebody uses the term "microcredit" to mean agricultural credit, or rural credit, or cooperative credit, or consumer credit, credit from the savings and loan associations, or from credit unions, or from money lenders.

Yunus (www.grameen-info.org, 2007) argues that the Grameen type of microcredit promotes credit as a human right, based on trust, with a mission to help the poor families to help themselves to overcome poverty. It is offered for creating self-employment for income-generating activities and housing for the poor, particularly poor women. Grameen credit was initiated as a challenge to the conventional banking which rejected the poor by classifying them as "not creditworthy"; it provides service at the door-step of the poor who must join a group of borrowers in order to obtain loans. Furthermore, the loans can be received in a continuous sequence, all loans are to be paid back in instalments (weekly or bi-weekly), and simultaneously more than one loan can be received by a borrower, through non-profit organizations and it comes with both obligatory and voluntary savings programmes for the borrowers giving high priority on building social capital.

1.7.3. The Concept of Poverty and Poverty Line

The concept of poverty appears to be relative as no two people experience it in the same way; hence its effects are unique for each individual, household and community. It is only for analytical and policy development purposes that some standardized definitions of poverty at all levels have been agreed upon. In Rwanda for example, the 2001 National Participatory Assessment combined with the statistical surveys (MICOFIN, 2002) has provided the following definitions. At the individual level a man or woman is considered poor if they:

1. Are confronted by a complex of inter-linked problems and cannot resolve them.

2. Do not have enough land, income or other resources to satisfy their basic needs (food, clothing, medical costs, children's schooling, etc.) and as a result live in precarious conditions.

3. Are unable to look after themselves.

4. Their household has a total level of expenditure of less than RWF 64,000 per equivalent adult in 2000 prices, or if their food expenditures fall below RWF 45, 000 per equivalent adult per annum. At the household level, land owned, household size and characteristics of the head of the household were important criteria for poverty assessment. At the community level, the shortage of economic and social infrastructures and natural resources is an important criterion for poverty. In statistical terms, poverty is measured by the real value of households' expenditures. In 2000, it was estimated that 67.9 % and 22.6% of Rwandan population were living below the poverty live in rural and urban areas respectively. The international standards set that any one living on less than US $ 1 per day is poor.

CHAPTER TWO: LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Introduction

This section reviews published and unpublished works on the study's two main subject matters: poverty reduction and microfinance institutions. It explores and exposes the causes and consequences of poverty both in rural and urban areas of Rwanda. Various sociological theories of poverty were discussed and the researcher's point of view stated before embarking on possible remedies for the accomplished diagnosis. The concept of microfinance was the focal point, starting from Grameen Bank to the current microfinance practices in developing world with particular reference to Rwanda. Key principles of microfinance were mentioned, its impact towards poverty eradication highlighted and challenges stated. The above undertaking paved way for data collection and analysis of information provided by microfinance beneficiaries drawn from one of the leading microfinance institutions in Rwanda, namely URWEGO microfinance, for a ten -year period (1997-2007).

2.2. Financial Sector in Rwanda

The Financial Sector in Rwanda involves three categories of institutions, namely banks financial institutions and microfinance institutions. The category of banks includes seven commercial banks: Commercial Bank of Rwanda (BCR), Bank of Kigali (BK), ECOBANK, FINA BANK, Rwandan Bank for Development (BRD), BANCOR, and COGEBANK. The second category of financial institutions counts two institutions, the Union of Popular Banks of Rwanda (UBPR) and the Housing Bank of Rwanda (CHR).

As of December 2007, the Central Bank had approved 230 microfinance institutions. These include thirty three cooperatives not affiliated at any Union (Thirteen of them were Credit and savings cooperatives for workers), nine cooperatives Unions with Union of Popular Banks that accommodate one hundred and forty three banks, thirteen microfinance institutions registered as anonymous societies such as AMASEZERANO Community Banking SA, Actions Solidaires Pour l'Epargne et le Credit- AESC SA, CAF ISONGA, CFE AGASEKE SA, DUTERIMBERE IMF SA, IMF-UNGUKA SA, INKINGI Micro Finance SA, Microfinance Al-HALAAL, RIM SA, SWOFT SA, URUNANA Micro Finance SA, URWEGO OPPORTUNITY MICROFINANCE BANK SA, and Vision Finance Company SA. There is also Rwanda Micro Finance that registered as a limited liability Society. These institutions serve more than a million clients (12% of the population) with deposits totalling about 51 millions Rwandan Francs. It is clear that MFIs have a very significant role to play in enabling low income population of Rwanda to access financial services. The entire financial sector is governed by the Central Bank of Rwanda (BNR).

Even though they seem to be many, their geographical coverage is unequal. Rural areas of all the provinces seem to be the least covered while Kigali City is the most covered area. It hosts almost all the microfinance institutions together with the entire commercial banking industry. The MICOFIN (2006) reports "the microfinance sector in Rwanda is relatively young. Although small self-help peasant organizations (such as tontines and Ibimina) have existed for some time, the sector accelerated with the creation of the Rwanda Peoples Banks in 1975". While the sector did not develop well before the 1990s, it had however experienced spectacular development over the post genocide rehabilitation and reconstruction period with the support of INGOs involved in humanitarian assistance. However, this assistance came with a lot of confusion since international organizations providing micro credit programs were not much distinguished from grants or gifts. They created and natured a culture of non-payment amongst the population which lead commercial banks to a nonperforming loan rate of 45 % during that period. It took the government intervention to regulate and rescue the situation and several NGOs transformed their aid into microfinance institutions. For instance World Vision created Vision Finance Company S.A, while World Relief International transformed its relief assistance into URWEGO OPPORTUNITY MICROFINANCE BANK S.A which was still operating and well performing up today.

The reform of the financial sector that started shortly after 1995 was meant to create an effective and efficient financial system. MICOFIN (2006, p.7) highlights that "the major components of that reform include the strengthening of the legal and coordination frameworks as well as the supervisory framework of the banking system, the introduction of new financial instruments, the liberalization of interest rates, and the opening up of the banking system to foreign banks". Consequently, regulations were issued in July 2002 and June 2003 respectively covering BNR's regulation and supervision of MFIs and financial cooperatives. The entire national policy recognises that the microfinance sector is a key instrument for poverty reduction through strengthening private sector, diversifying investment, generating employment, and diversifying rural resources of income.

2.3. Microfinance Institutions

Since time immemorial, informal savings and credit groups have operated for centuries across the developing world but microfinance services at microfinance institutions became much attractive in the 1990s. It is of great importance to understand the concept of microfinance throughout history in order to appreciate the new move of bigger financial institutions in entering into this business referred to as the "banking for the poor". According to United Nations (2006, p.5) Microfinance has been defined as the provision of diverse financial services (credit, savings, insurance, remittances, money transfers, leasing) to poor and low-income people.

The National Microfinance Policy paper (MICOFIN, 2006, p.5) indicates that microfinance activities occur when a physical or legal person either offers credit to clientele that has not traditionally been targeted by the classical banking and financial systems, which clientele may not possess adequate material securities to offer in order to fully guarantee the repayment of the credit awarded. They also occur when a physical or legal person receives savings of a clientele that is not usually targeted by the classical banking and financial systems or offers related financial services to clientele that is not traditionally targeted by the classical banking and financial system. These include but are not limited to mechanisms for payment or transfer of funds, and insurances services.

Theoretically microfinance encompasses any financial service used by poor people, including those they access to in the informal economy, such as loans from a village moneylender. In practice however, the term is usually only used to refer to institutions and enterprises whose goals include both profitability and reducing the poverty of their clients. Microfinance can also be distinguished from charity. It is better to provide grants to families who are destitute or so poor because they are unlikely to be able to generate the cash flow required to repay a loan. Though the world today believes microfinance to be the solution to the problem of poverty Brigit Helms (www.CGAP.org, June, 2006) cautions that "financial services for the poor, often referred to as microfinance, cannot solve all the problems caused by poverty. But they can help put resources and power into the hands of poor and low-income people themselves, letting them make those everyday decisions and chart their own paths out of poverty". In this regards, Consultative Group to Assist the Poor (CGAP) envisions a world in which poor people everywhere enjoy permanent access to a range of financial services that are delivered by different financial service providers through a variety of convenient delivery channels. It is a world where poor and low- income people in developing countries are not viewed as marginal but, rather, as central and legitimate clients of their countries' financial systems.

In other words, the vision is about inclusive financial systems, which are the only way to reach a large number of poor and low-income people. Diverse channels are needed to get diverse financial services into the hands of a great range of people who are currently excluded. These systems refer to microfinance institutions.

The 2006 UN report (Ibid) defines MFIs as "financial institutions that provide financial services to poor and low income people through special windows or mechanisms". These are retail financial service providers that serve the lower segment of the market. They include Non Government Organizations (NGOs), private commercial banks, state-owned and postal banks, non bank financial institutions (such as finance companies and insurance companies), credit unions, and credit and savings cooperatives. Many of these institutions are quite large; many are quite old, and many have large numbers of clients and highly diverse products and services. As result, the term MFI is often not descriptive or adequate to refer to this diverse group of financial institutions since some can just be called microcredit operators while others are microfinance operators.

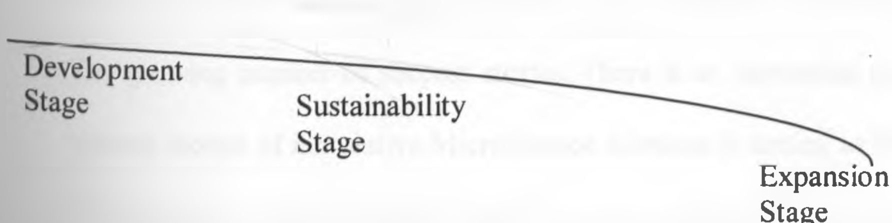
The Rwandan Microfinance Policy paper (2006) simply defines Microfinance Institutions (MFIs) as any individual, group of individuals or legal body engaged in the provision of microfinance. They are defined as institutions whose major business is the provision of microfinance services. While in Rwanda finance industry is highly regulated and limited to credit and savings cooperatives, microfinance institutions and commercial banks, elsewhere Microfinance services are provided by three types of sources: formal institutions (commercial and development banks, nonbank financial institutions, financial PLC), semi-formal institutions (credit unions and NGOs) and informal sources (traditional systems, moneylenders).

From their historical development to the modern form, MFIs went through a long development process. The informal savings and credit groups have operated for centuries across the developing world since time immemorial. In Europe an Italian monk created the first official Pawn shop in 1462 to counter usury practices. In 1515 Pope Leon X authorized pawn shops to charge interest to cover their operating costs. In 1700s, Jonathan Swift initiated the Irish Loan Fund System which provided small loans to poor farmers who have no collateral. At first peak, it was lending to 20 % of all Irish households annually. In 1800s, the concept of the financial cooperative was developed by Friendrish Wilhelm Raiffeisen and his supporters in Germany. From 1865, the cooperative movement expanded rapidly within Germany and other countries in Europe, North America, and eventually developing countries. Early 1900s, the adoptions of these models began to appear in parts of rural Latin America.

From 1950 to1970, efforts to expand access to agricultural credit used state-owned development finance institutions, or farmers' cooperatives, to channel concessional loans and on-lend to customers at below –market interest rates. These development banks lose most or all of their capital because their subsidized lending rates cannot cover their costs, including the cost of massive default. Early 1970s, some experimental programs extended tiny loans to groups of poor women to invest in micro-business and microcredit was born. Early pioneers include Grameen Bank in Bangladesh; ACCION International, which started out in Latin America; and the Self-Employed Women's Association Bank in India. In 1980s Microcredit programs throughout the World improved on original methodologies. Microlenders, such as Bank Rakayat Indonesia, defy conventional wisdom about financing the poor. Cost-recovery interest rates and high repayment permit them to achieve long-term sustainability and reach large numbers of clients. Early 1990s, the term "microcredit" began to replace "microfinance", which includes not only credit, but also savings and other services, such as insurance and money transfers. Today, the borders between traditional microfinance and the larger financial system are starting to blur. In some countries, banks and other commercial actors are entering microfinance. Increasing emphasis is placed on building entire financial systems that work for the poor.

Depending on how long they have been in business MFIs development path can be illustrated as follows:

Figure 1: Development curve for MFIs



Microfinance Reference Guide: SNV/BDB, 2005

All MFIs are somewhere along this development path, as illustrated by figure 1. Their aim is to become sustainable and expand their microfinance services. Three stages can be identified along this path: the development stage (starters), the sustainability stage (MFIs achieve a certain amount of maturity, become efficient and attain a degree of financial viability) and finally the expansion stage (the MFI scales up its operations to reach a significantly larger number of clients). The majority of the MFIs are on the left side of the curve, which means in the development and sustainability stage.

There are various reasons that explain the growth of Microfinance. Some of these are:

1. The promise of reaching the poor. Microfinance can support income generation for enterprises operated by low-income households.
2. The promise of financial sustainability. Microfinance activities can help to build financially self-sufficient, subsidy-free, often locally managed institutions.
3. The potential to build on traditional systems. Very often MFIs have built their methodologies on traditional mechanisms which are well known among their clients.
4. The contribution of Microfinance to strengthening and expanding existing formal financial systems. Microfinance activities can strengthen existing formal financial institutions, such as credit union networks, commercial banks and state-run financial institutions by expanding their markets for both savings and credit, and potentially, by increasing their profitability.
5. The growing number of success stories. There is an increasing number of well-documented success stories of innovative Microfinance schemes in setting as diverse as rural Bangladesh, urban Bolivia, and rural Mali. This is in stark contrast to the records of state-run specialized

financial institutions, which have received large amounts of funding over the past few decades but have failed in terms of both financial sustainability and outreach to the poor.

6. The availability of better financial products as a result of experimentation and innovation. The innovations that have shown the most promising are concerned with addressing problems such as :
   - Lack of collateral by using group-based and character-based approaches;
   - Repayment discipline through high frequency repayment collection, the use of social peer pressure, and the promise of larger repeat loans;
   - Transaction costs by moving some of these costs down to group level and by increasing outreach;
   - Designing staff incentives to achieve greater outreach and high loan repayments;
   - Providing saving services that meet the needs of small savers.

Large numbers of MFIs have introduced individual lending (1000-5000 USD) as opposed to group lending. Generally the amount involved is higher and repayment periods are longer. In many cases the loans are used to purchase fixed assets. Guarantees are personal and real.

Micro-finance activities usually involve:

- Small loans, typically for working capital;
- Informal appraisal of borrowers and investments;
- Collateral substitutes, such as group guarantees or compulsory savings;
- Peer pressure to enforce contractual obligations (solidarity groups);
- Access to repeat and larger loans, based on repayment performance;
- Streamlining loan disbursement and monitoring;
- Secure savings products.

2.4. Grameen Microfinance Model

The existing literature provides that the idea for Grameen Bank in Bangladesh did not come down from the academy or from ideas that started in high-income countries and then spread broadly. Yunus (1995) describes his beginning:

> Bangladesh had a terrible famine in 1974. I was teaching economics in a Bangladesh university at that time. You can guess how difficult it is to teach the elegant theories of economics when people are dying of hunger all around you. Those theories appeared like cruel jokes. I became a drop-out from formal economics. I wanted to learn economics from the poor in the village next door to the university campus.

Yunus explains that most villagers were unable to obtain credit at reasonable rates, so he began by lending them money from his own pocket, allowing the villagers to buy materials for projects like weaving bamboo stools and making pots (*New York Times,* 1997). Ten years later, Yunus had set up the bank, drawing on lessons from informal financial institutions to lend exclusively to groups of poor households. Common loan uses include rice processing, livestock raising, and traditional crafts. The groups form voluntarily, and, while loans are made to individuals, all in the group are held responsible for loan repayment. The groups consist of five borrowers each, with lending first to two, then to the next two, and then to the fifth. These groups of five meet together weekly with seven other groups, so that bank staff meet with forty clients at a time. According to the rules, if one member ever defaults, all in the group are denied subsequent loans. The contracts take advantage of local information and the "social assets" that are at the heart of local enforcement mechanisms. Those mechanisms rely on informal insurance relationships and threats, ranging from social isolation to physical retribution, that facilitate borrowing for households lacking collateral (Besley and Coate, 1995). The programs thus combine the scale advantages of a standard bank with mechanisms long used in traditional, group based modes of informal finance, such as rotating savings and credit associations (Besley et al , 1993).

The Grameen Bank now has over two million borrowers, 95 percent of whom are women, receiving loans that total $30–40 million per month. As reported, recent repayment rates average 97–98 percent. Most loans are for one year with a nominal interest rate of 20 percent (roughly a 15–16 percent real rate). However, Grameen would have had to charge a nominal rate of around 32 percent in order to become fully financially sustainable (holding the current cost structure constant). The management argues that such an increase would undermine the bank's social mission (Shahidur Khandker, 1998), but there is little solid evidence that speaks to the issue. Grameen figures prominently as an early innovator in microfinance and has been particularly well studied. An assessment of its financial performance finds its costs and benefits effective, and its social and economic impacts exemplary transforming poor families. The resulting lessons can be of great use to various microfinance stakeholders throughout the world as Ghai (1984) outlines:

1. The first lesson to be drawn is that it is possible to devise projects which directly and immediately benefit the poorest strata or rural society-landless men and women. This may appear a banal conclusion, but considering the extremely high rate of failure among rural development projects and their almost universal tendency to confer benefits on the powerful and affluent, the experience of Grameen holds out a glimmer of hope for an alternative development pattern based on low-cost, self-reliant and participatory programmes.

2. Secondly, the Grameen Bank project brings out the key, indeed the decisive importance, of the appropriate orientation of "development workers"-In this case especially the field level staff. Since practically all rural development projects have field workers and extension agents, this has vast implications for their appropriate training and orientation. The orientation approach and human qualities of the bank workers are a key factor in explaining the success of the project. These workers do not possess any exceptional technical qualifications, but some of the human qualities characterizing them are: understanding of the philosophy and approach of the project; understanding of rural society and economy; sympathy with and understanding of the plight of rural poor; ability to inspire trust and confidence in the target groups and to motive and guide them, not in any paternalistic and authoritarian way, but in a manner to enlist their confidence and self-reliance. It is interesting to note that the project has been able to inculcate these qualities among its staff through a training programme based largely on "learning by doing" i.e. through observation of and participation in on going activities of the project. Furthermore, the approach and objectives of the project have appealed to the idealism of the youth. Thus the Grameen Bank also demonstrates that in appropriate conditions the idealism and energy of the youth in Third World countries can be harnessed to combat poverty and under-development.
3. The third lesson concerns the organisation of the participants into homogeneous group i.e. with similar socio-economic background. This key feature of the project not only provides the foundation for group guarantee of loans without any collateral-itself a major innovation and essential for any programme aimed at the rural poor-but also a forum for discussion of investment plans, and an institution for planning and implementing

economic, social and community activities. The group and the centre also serve to build confidence and reduce insecurity for individual-essential steps in the early stages of the break from traditional ways of doing things.

4. The fourth lesson relates to the vital importance of credit as an entry point for a programme of social and economic development. Given the desperate poverty and living conditions of landless and near landless households, it is clear that for a programme to have an initial appeal for them it must offer them clear and immediate prospects for economic improvement. While other kinds of intervention may also have such effects, credit on institutional terms, can lead to an immediate improvement in living conditions.
5. The fifth lesson and closely related to the above, concerns a series of innovations pioneered by the project in the field of rural banking for the poor. Some of these innovations are the heart of the success achieved by the project. They comprise use of group solidarity and pressure to ensure loan repayment, taking the bank to the people, rather than the people to the bank, the weekly instalment repayment, and the institution of individual and collective savings. These and other practices evolved by the project could be considered for adoption in other rural credit and savings schemes. In this context, it is important to stress that one of the factors behind the success of the project is that it has been willing to finance all profitable activities without any restrictions and that the activities chosen by members are those with which they are already familiar and which, therefore, do not require new skills, training or inputs from other agencies.
6. The sixth lesson concerns the importance of a decentralised, participatory and flexible framework for programme planning, implementation and evaluation. From the initial formation of groups to the evaluation workshops, the members play an important role in

deciding what activities are to be carried out and the manner of the execution. There are relatively a few hard and fast rules, on the size of loans, the activities for which loans may be granted, the mix between individual and group loans, and the structure and organization of group Projects. These attractive features of the project have facilitated adaptation to different local situations and have evoked creative responses and initiatives on the part of the project participants something that rarely happens in most conventional projects characterised by excessive centralisation and bureaucratic red tapism.

7. The decentralised and flexible mode of operation applies not only to Grameen Bank members but is also characteristic of the overall project management. The approach has been to learn from successes and failures, to evolve solutions to the problems as they rise and to encourage suggestions from all-from the peon to the district bank managers-for improvements in the running of the project. This leads one to consider whether one of the lessons to be drawn from such programmes is not the desirability of entrusting development tasks to private or autonomous public agencies. It is also noteworthy that although it has benefited from foreign funds, the Grameen Bank Project has from the outset been conceived, planned and managed by Bangladesh nationals.

8. Two final lessons offered by the Grameen Bank experience concern the importance of the schemes for savings and collective security and the linkage between development work and social reform. As to the first, the Grameen Bank project has demonstrated that the poor are able to achieve high marginal rates of savings, thus laying the foundations for self-sustained, self-reliant patterns of growth. One of the potential uses of such funds is the institution of collective welfare and social security schemes. This is something that the Grameen Bank is attempting to improve. Once realised, this would rank as one of the

most important contributions of the project to comprehensive development at the grass-roots level.

9. The project has also demonstrated that development work can not be artificially separated into economic and social activities. The project is contributing to far-reaching social changes in the rural society. But these changes can only come about and take root if the people themselves decide to do so. The maximum participation of the people in development schemes is a necessary condition for linking economic activities to social reforms.

The Grameen Bank has had positive and beneficial impacts in terms of incomes, production and consumption. Various surveys show income increases between 59 and 73 per cent over different periods. The rates of return of capital invested in individual activities range from 10 to 40 per cent, the rates being higher for trading and "modern industrial activities" and lower for traditional processing and artisanal activities. Another indicator of the productive utilisation of loans is the extraordinary high rate of loan and interest repayment by the Grameen Bank clients. The Bank had significant positive social impact in terms of sanitation, health care, nutrition, education, training, family planning and promotion of social reforms such as abolition of dowry.

2.5. The Geography of Global Wealth and Poverty

The world is divided into unequal segments characterised by extreme differences in wealth and poverty. Developed nations are countries with highly industrialised economies; technologically advanced, industrial, administrative, and service occupations; and relatively high levels of national and per capita (per person) income. These include Australia, New Zealand, Japan, European nations, Canada, and United States among others. Developing nations are countries undergoing transformation from agrarian to industrial economies. These nations still have many people who are working the land. Their most pressing problems include poverty, food shortages, hunger, and rapidly growing populations. It is said that more than 1.3 billion people live in absolute poverty, a condition that exists when people do not have the means to secure the most basic necessities of life (Kendall, 1998, p.31). Most of the people living in absolute poverty are located in various parts of the African continent, particularly in sub-Saharan Africa.

Indeed, extreme poverty is the dominant reality of life for the majority of the third world population and survival is their major preoccupation. According to Korten and Alfonso (1983, p.207), the principal aim of social, economic and cultural development of the world population plan of action is to improve the levels of living and quality of life of the people. The authors went further to suggest that human will and capacity are the most critical resources of social development. As governments, scholars and development agents think of social development they should have clear understanding of the issue most pressing on people, that of poverty and its vices.

In Rwanda, more than 57% of its 9.9 million people live below its national poverty line. While the war and genocide of 1994 greatly aggravated poverty levels, the phenomenon itself is rooted in long standing, interconnected structural challenges although the experience and effects of poverty are unique for each individual. The Ministry of Finance and Economic Planning in its 2000 poverty reduction policy considers poverty as the deprivation of wellbeing which is measured by the individual's possession of income, health and nutrition, education, assets, housing and certain rights in the society such as freedom of speech (MICOFIN, 2000). As declares Donald Kaberuka, President of African Development Bank (ADB) and former Minister of Finance and Economic Planning in Rwanda, reducing poverty in Rwanda "requires exceptional efforts to mobilize and improve qualitatively private and public investments with the objective of getting an annual growth rate of 7%, that is necessary to reduce poverty by half to reach the nation's aspirations (Rwanda Vision 2020 Strategy, 2000, p.6).

2.6. Understanding Poverty and the Poor

Poverty is first and foremost an economic state. Being poor means, essentially, lacking a means of subsistence capable of providing what could be considered secure and adequate standard of living. On the one hand, poverty may be an absolute state; by any objective measure the poor are materially deprived to the point where survival often becomes an issue. And, on the other hand, poverty is a relative state; the poor are materially deprived in comparison with the majority of the population (Neubeck, 1991, p.199).

Until the 1990s, poverty was considered mainly in 'material' terms as low income or low levels of material wealth. More recently, vulnerability and multidimensional deprivation, especially of basic capabilities such as health and education, have been emphasized as key aspects of poverty. It seems that there is no consensus objective way to define poverty. This is mainly because the way poverty is conceptualised is inherently about value preferences that vary between individuals, organizations and societies. However, a conventional understanding of poverty focuses on three types: Absolute, chronic and transient/transitory poverty.

2.6.1. Absolute Poverty

According to DFID (2001, p.174-186) a person living in absolute poverty is not able to satisfy his or her minimum requirements for food, clothing or shelter. The report confirms that the dollar a day poverty line is accepted internationally as an absolute poverty line. The Chronic Poverty Research Centre noted that people in absolute poverty were born poor, will die poor and their poverty transferred to their children. For them poverty is not simply about having low income: it is about multidimensional poverty including hunger, undernutrition, dirty drinking water, illiteracy, no access to health services, social isolation and exploitation(CPRC, 2004-2005, p.12).

2.6.2. Chronic Poverty

The Chronic Poverty Research Centre (CPRC) establishes that chronic poverty is that deprivation experienced by individuals and households for extended periods of time or throughout their entire lives. It is also called 'persistent poverty'. Quoted by the CPRC (2004-2005, p.14) Lwanga- Ntale (2003:8) articulates "chronic poverty is that poverty that is present and never ceases. It is like the rains of the grasshopper season that beat you consistently and for a very long time. You become completely soaked because you have no way out". He stresses that some poverty passes from one generation to another, as if the offspring sucks it from the mother's breast. They in turn pass it on to their children. Chronic poverty results from a combinations of, and interactions between, material poverty, extreme capability deprivation (e.g. ill-health, lack of skills) and vulnerability. According to CPRC report (2004-2005, p.5) the chronically poor include the always poor, whose poverty score in each period is below a defined poverty line and the usually poor whose mean poverty score over all periods is less than the poverty line, but who are not poor in every period.

2.6.3. Transient/ Transitory Poverty

This is poverty experienced as the result of a temporary fall in income or expenditure although over a longer period the household resources are on average sufficient to keep the household above poverty line (DFID, 2001, p.186). The transitory poor include the fluctuating poor who are poor in some periods but not in others , and have a mean poverty score around the poverty line; who have experienced at least one period in poverty; although their mean poverty score is above the poverty line.

2.7. Contextualization of Poverty and its Causes in Rwanda

Rwanda is a small landlocked country with 26,338 Square kilometre with a population of 9,907, 509 (est.2007) located in Central Africa with few natural resources and minimal industry. Most of Rwandan land is savannah, its population rural with 90% engaged in subsistence agriculture. Unfortunately, the land property is too little, exhausted, much affected by erosion and periodic droughts, and its primary foreign exchange earners are coffee and tea. The 1994 genocide decimated Rwanda's fragile economic base, severely impoverished the population, particularly women, and eroded the country's ability to attract private and external investment. However, Rwanda has made substantial progress in stabilizing and rehabilitating its economy to pre-1994 levels, although poverty levels are higher now. Despite Rwanda's fertile ecosystem, food production often does not keep pace with population growth, requiring food imports. Rwanda continues to receive substantial aid money and obtained IMF-World Bank Heavily Indebted Poor Country (HIPC) initiative debt relief in 2005-06. Rwanda also received Millennium Challenge Account Threshold status in 2006(www.cia.gov).

MICOFIN (2002) records a number of problems caused by the 1994 genocide ranging from a million of people killed, two millions forced into exile, over 100 thousand genocide suspects in prisons, and thousands of orphans and widows heading their households. It should be noted that rape was used as weapon during genocide, resulting into many women being traumatized but also infected by HIV/AIDS. This weakens the active human resources, negatively affecting production but also increasing consummation of little income available due to regular medical bills. It is apparent that children head households, widow-headed households, and households whose heads are in prison stand to be the most affected by poverty in Rwanda. The high level of poverty has been the major concern of the Rwanda government which is responding by serious measures enclosed in its 2020 vision aiming at transforming Rwanda from low to middle income country with a dynamic, diversified, integrated and competitive economy by 2020.

These are the two major documents that the government has put together as guidance and reference for all programs patterning to social economic development and poverty reduction in particular. Both documents recognize the challenge of poverty facing the community and agree on the way forward to curb down the situation at hand. The vision seems to be too ambitious but achievable. It is based on five pillars namely good governance and capable state, human resource development and a knowledge based-economy, private sector-lead development, infrastructure development, high value productive and market oriented agriculture, regional and international integration. One of the key factors that are expected to contribute much on this achievement is the microfinance industry by helping to build a solid business community of entrepreneurs, focused on industrial and services sectors, including tourism and ICT sectors. It will thus help to generate a non-agricultural employment and income, transforming economy and sustainable reduction of poverty.

2.8. Theories of Poverty

According to Jordan (1996, p. 4) there are two broad traditions of poverty discourse: the Anglo-Saxon liberal tradition that focuses on "the competitive interaction under scarcity" and the continental mercantilist tradition preoccupied with harnessing human resources for enrichment of the state. The later considers the poor like sheep and cattle to be farmed for the glory of the rich. From these traditions, four different types of poverty theory have been identified: the structural theory, the situational theory, the culture of poverty and social Darwinian Theory of poverty. For the purpose of this research, two theories fit most the context of Rwanda: Social Darwinian theory of poverty and the Culture of Poverty Theory.

2.8.1. Social Darwinian/ Individualistic Theory of Poverty

This first theory emerged within sociology and it tried to explain poverty in terms of the behaviour and attitudes of the poor themselves. The poor were poor because they did not work hard, they squandered money on gambling, drinking and unnecessary luxuries and they had disorder of family life. They were seen to have no ambition, no inner call to work, to be fatalistic, and suffering from "an intractable ineducability". Everywhere the poor made up the "dangerous classes" living in "regions of squalid want and wicked woe". Sociologists such as Malthus and Spencer thought that only hunger could teach the poor civility and subjection (Islam, 2005, p.3).

Quoted by Bradshaw (2005) Spencer is one of the sociologists who blame poverty on the poor. In his individualistic theories, he claims that the poor are lazy, and those who did not want to work should not be allowed to eat. He records Darwin's phrase "the survival of the fittest" and argue that the state should intervene as little as possible. However, Jordan (1996, p81) opposes that argument by saying that poverty is caused by a welfare system that is mean-tested and too mean. He argues that the way to tackle poverty is to have "universal provision, which brings every one up to an acceptable level. Far from creating dependence it frees people from dependence".

Indeed, poor Rwandans have many similarities with what is explained in this theory. Their behaviour and attitudes towards work and money worsen their predicament. The little they earn is blindly spent on non essential items such as alcoholic brews and tobacco. Much of their time is neither well managed nor invested in well thought out productive activities.

2.8.2. The Culture of Poverty Theory

As explained by Islam (Ibid), the culture of poverty is a specific syndrome that grows up in some situations. It requires an economic setting of cash economy, a high rate of unemployment and under employment, low wages and people with low skills. In the absence of voluntary or state support and stable family, the low income population tends to develop the culture of poverty against the dominant ideology of accumulation of the middle class. The poor realise that they have a marginal position within a highly stratified and individualistic capitalism society, which does not offer them any prospect for upward mobility. In order to survive the poor have to develop their own institutions and agencies because the larger society tends to ignore and bypass them. Thus the poor come to embody a common set of values, norms and pattern of behaviour, which is different from the general culture as such.

The concept of culture of poverty constitutes a “design for living” that is passed on from generation to the next. Individuals feel marginalized, helpless and inferior, and adopt an attitude of living for the present. People adopting this culture of poverty are said not to participate in community life or join political parties; they make little use of banks, hospitals and the like. The culture of poverty tends to perpetuate itself from generation to generation because of its effect on children through socialization. Lewis and Miller (www.blackacademy.net) hold their criticism of the concept of a culture of poverty by explaining the culture as a reaction to situational constraints. They argue that the attitudes expressed by the culture of poverty are a reaction to low income and lack of opportunity, so that if these causes would be removed, so would be the culture of poverty. Hylan Lewis writes: “It is probably more fruitful to think of lower class families reacting in various ways to the facts of their position and relative isolation rather than the imperatives of a lower class culture”. Indeed, all sociologists who argue on this theory claim that the poor share the same values with the rest of the society, but their behaviour is a response to their perception of hopelessness in realizing these ideals.

A number of elements this theory and its critics use to describe the poor can be adequately identified among majority of Rwandan poor households. Though the modern concept of unemployment is not really applicable to their context, many of them display no skills that can secure them any meaningful job. Those with skills and jobs earn salaries that can not enable their ends meet and the government has strict rules and regulations against relief aids. People have a strong feeling of fatalism, helplessness, dependence and inferiority; a weak ego tuned to the gratification in the present and a strong preoccupation with masculinity. In the recent past, the government was forced to intervene with a new law of gender equality that provides girls with same rights with their brothers to inherit their parents' property and women to take over their husbands' properties in case of death. Nevertheless, the culture of poverty in Rwanda is transmitted from one generation to another with exception of a few lucky ones who can break this cycle of poverty by their own struggle.

2.9. Anti -Poverty Programs

2.9.1. Anti poverty programs based on individual deficiency theories

Explicitly or implicitly, individual deficiencies have been an easy policy approach not always carefully explored as they get implemented. The key initiatives today are to push poor into work as a primary goal, what Maskovsky calls the "workist consensus". Indeed this move is accompanied by an increasing emphasis on "self help" strategies for the poor to pull themselves from poverty, strategies encouraged by elimination of other forms of assistance (Maskovsky, 2001, p.472-3). However, addressing poverty by focusing on individual characteristics and bad choices raise fundamental conflicts in philosophy and in what is known to succeed from community development perspective. In this regards, anti- poverty programs in community development tend to oppose strategies that punish or try to change behaviour and get in mind but use punishment and the threat of punishment in order to change individuals, as a solution to poverty, though working with individual needs and abilities is a constant objective. Individual level anti-poverty efforts have a social component in that a reliable safety-net that can help people who are otherwise not able to help themselves is really a civic responsibility. The disabled, elderly, children, and even the unlucky are part of every community, and without blame, their individual needs can be met by collective action. Thus, in spite of widespread societal view that individual are responsible for their own poverty, community developers' look to other theories of poverty for more positive approaches.

2.9.2. Anti-Poverty programs from a culture of poverty perspective

From community development perspective, if the theoretical reason for poverty lies in values and beliefs, transmitted and reinforced in subcultures of disadvantaged persons, then local anti-poverty efforts need to intervene to help change the culture. There are three ways by which different models of cultural theories of poverty can work:

1. If one thinks of the culture of the poor as a dysfunctional system of belief and knowledge, the approach will be to replace that culture with a more functional culture that supports rather than undermines productive work, investment, and social responsibility. A number of experiments have tried with mixed results relocating poor from ghetto housing projects into suburbs with the hope that the new culture will help the family emerge from poverty (Goets, 2003).
2. On the other hand, if one thinks of the culture of poverty as an opportunistic and non-productive subculture that is perpetuated over generations, then the focus will shift to youth to stop the recreation of the detrimental culture. According to Zigler and Stygco (1996) many educational programs are successful at providing an alternative socialization for the next generation to reduce poverty, though the programs need more coherence and quality. In the same way, community developers are often involved in helping establish

after school programs for teenagers where their peer culture is monitored and positive social values are established, while keeping youth away from gangs and detrimental behaviour. These programs are a policy favourite because they are believed to change the culture of youth while their values and norms are still malleable (Levitan et al, 2003).

3. A third approach to the culture of poverty is to try to work within the culture to redefine culturally appropriate strategies to improve the group's well being. For example, local crafts cooperatives are programs that tap the traditions of small business and entrepreneurship found in subcultures as different as urban gangs and middle class single mothers. Institutions by which ethnic groups or class assist each other in creating and financing businesses are well documented in the literature. While programs promising micro-enterprise as a path from poverty are often oversold (Goldstein,2001), the mystique of Grameen Bank type programs as a road out of poverty offer culturally compatible strategies that build on groups strengths.

2.10. Conceptual Framework

Various sociological theories of poverty previously discussed and their related literature review can simply be illustrated in a chart summary tracing four institutional bodies (the government, microfinance institutions, poor households, and business entities) and one concept (poverty reduction). Poverty reduction being a major concern of this study involves therefore all the four institutions as stakeholders and each one of them has a role to play and a benefit to obtain. This leads us to exploring the link between these different bodies.

1. The government, as a regulatory and policy agency, is responsible for setting up policies, rules and regulations that enable production and trade of goods and services in a well secure and

competitive environment. The government policies are expected to guide microfinance institutions in how they lend money to those who want to initiate, consolidate or expand their businesses. A government blue print framework on poverty reduction or government strategic paper must also guide all stakeholders for proper reference on their interventions. Finally, the government enacts and enforces specific laws that govern security for property and businesses.

2. Microfinance institutions typically base their operations on the government policy framework. They are expected to remain compliant with and relevant to the rules and regulations that govern their industry. They pay required taxes to the government from all the profits made and contribute towards government paper amendments that seek to improve their working environment. They provide on-going training of their staff, guide their clients diligently and control regularly the kinds of businesses they invest in.

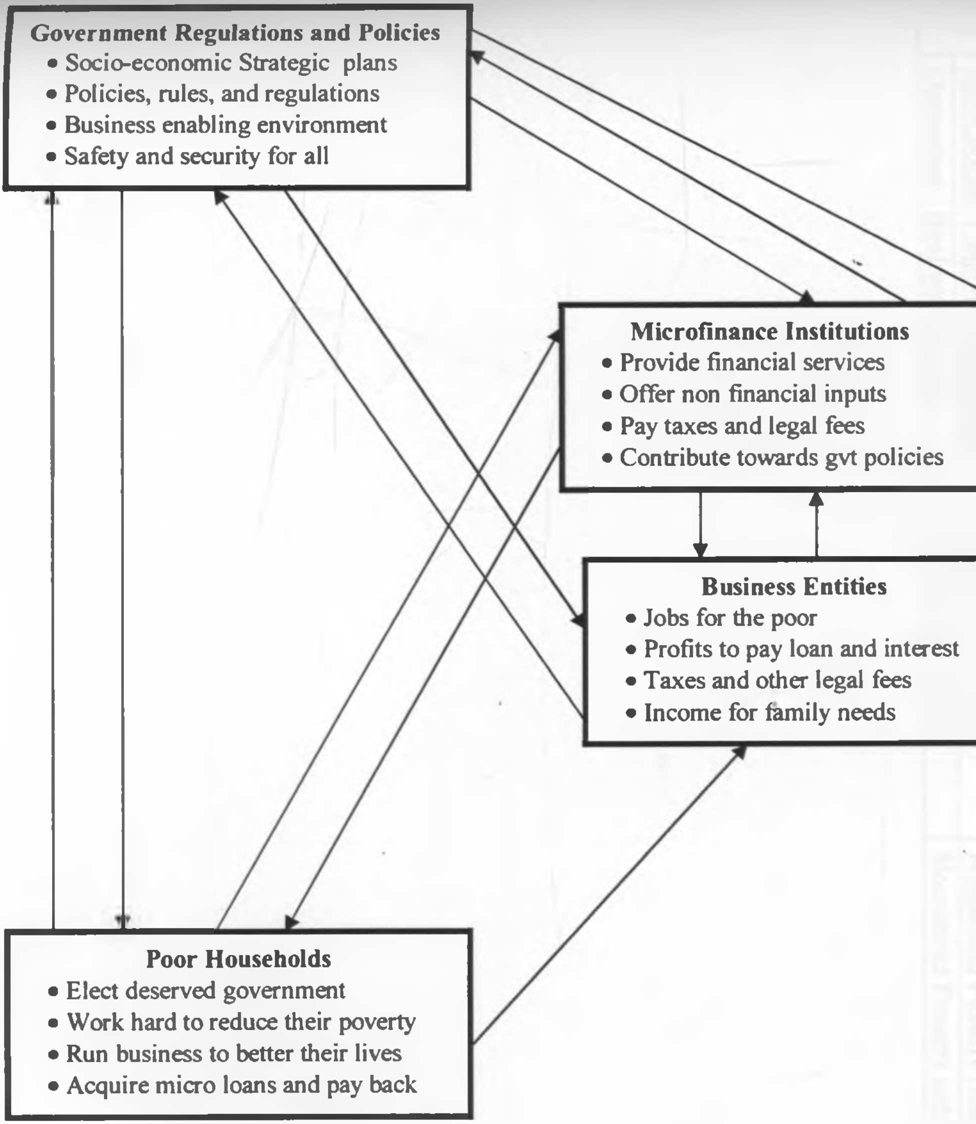
3. The poor households represent another important institution in relation to poverty reduction. These are crucial participants since they are presumed beneficiaries of the whole process. Indeed, they must show their willingness to change for better their lifestyle by convincing money lending institutions (MFIs) that they are willing to work hard to earn a living and be trustworthy enough to pay back the capital investment with agreed upon interests based on government regulations.

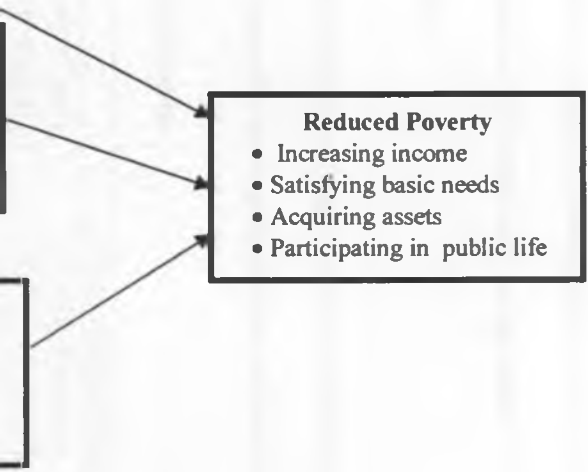
4. Once poor households get access to micro-credits, they start or expand business entities that end up growing, creating jobs, earning income, transforming lifestyle, and reducing poverty. The interdependence of the four institutions linked up by good working relationships however is paramount for them to reduce poverty. The poor for instance represents an electoral power that

gives mandate to the government. Once they are energized by their access to micro-credits, they run businesses in order to increase their income by making profits which allow them to take care of their families, pay taxes to the government, and reimburse their loans and interests to the microfinance institutions. The elected government must take charge of security, safety, and better services delivery for all people by enacting laws, regulations, and policies governing institutions, businesses, and individuals.

In as much as microfinance institutions support business entities by providing investment to small entrepreneurs, the farmer depends on the success of borrowers who pay back their loans with agreed interests. Microfinance institutions are endowed with a mandate to provide business training and counselling to households so as to promote their involvement in active and productive life. The more they comply with existing regulations, the better their strategies are likely to make constructive contribution towards improving their working environment and uplifting households' living conditions. Through their sole owner business entities, households demonstrate their willingness to work hard so as to improve their lifestyle, fulfil government obligations, and make promised reimbursement to MFIs.

The net income from businesses helps households to meet their basics needs and acquire assets. The entire process ends up making the poor households more participive in the public affairs as they are no longer isolated but rather interactive with the rest of the society on daily basis. The following chart illustrates and summarises the above interlinks between the four institutions and concept of poverty reduction as well.


Government Regulations and Policies
• Socio-economic Strategic plans
• Policies, rules, and regulations
• Business enabling environment
• Safety and security for all
Microfinance Institutions
• Provide financial services
• Offer non financial inputs
• Pay taxes and legal fees
• Contribute towards gvt policies
Business Entities
• Jobs for the poor
• Profits to pay loan and interest
• Taxes and other legal fees
• Income for family needs
Poor Households
• Elect deserved government
• Work hard to reduce their poverty
• Run business to better their lives
• Acquire micro loans and pay back


Reduced Poverty
• Increasing income
• Satisfying basic needs
• Acquiring assets
• Participating in public life

2.11. Hypotheses

Two hypotheses guide this study by taking into account the amount of loans received and the success of the businesses on one hand and, on the hand, the links between business success and the gender of borrowers.

H1: Microfinance business success depends on the amount of loan recipients receive.

H2: Gender of microfinance borrowers determines the level of business success.

Operationalization of variables

	Variables	Unit of observation	Unit of analysis
H1	Independent: Amount of loans	UOMB Borrowers	Household Poverty reduction
	Dependent: Business success	UOMB Borrowers	Household Poverty reduction
H2	Independent: Gender of borrowers	UOMB Borrowers	Household Poverty reduction
	Dependent : Business success	UOMB Borrowers	Household Poverty reduction

CHAPTER THREE: METHODOLOGY

3.1. Site Selection and Description

This research is a case study of Urwego Opportunity Microfinance Bank (UOMB) clients selected among many other MFIs in Rwanda for its long experience in the field and presumed achievements in reducing poverty and increasing income among its clients. It has been operating in Rwanda since 1997 and covers various parts of the country, major towns and particularly the entire Kigali Capital city with its three different districts, Gasabo, Kicukiro and Nyarugenge. The Research deliberately chooses the district of Kicukiro as it is his home residential area, easy to access, hence cost effective. Though the Bank currently integrates two business entities, the microfinance and commercial, this case study is only concerned with URWEGO, the Bank's microfinance entity.

An external evaluation carried out some years back asserted that URWEGO "is setting a high standard of microfinance in Rwanda and may well play a leading role in the development of the sector for a long time to come" (http://www.mixmarket.org, 2005). It serves 21,241 active clients and their families through access to credit and savings facilities as well as training. It was named "Best MFI in Rwanda" in the 2004 "Year of Microfinance" through a joint assessment by the government of Rwanda, the United Nations, and Harvard University (http://nubiancheetah.blogspot.com). In Kigali City alone, URWEGO has registered some 5,520 clients spread in the city's three districts as follows:

UOMB Clientele in Kigali Capital City

Districts	Men	Women	Total	Loans	Savings
GASABO	296	1,859	**2,155**	156,094,750	13,929,496
NYARUGENGE	163	1,265	**1,428**	116,494,000	12,847,750
KICUKIRO	207	1,430	**1,637**	137,032,000	17,140,164
Total	**666**	**4,554**	**5,220**	**409,620,750**	**43,917,410**

Source: Database Statistics of UOB, 2007

3.2. Unit of Analysis and Observation

The unit of analysis in this study refers to poverty reduction among URWEGO Microfinance Clients living in Kicukiro District of Kigali City, in Rwanda. The units of observation have been the small and medium entrepreneurs (Business women and men) who have been receiving financial services (loans and savings) and non financial services (training and business counselling) over the last 10 years.

3.3.Research Design

Being an exploratory study, this research has mainly used quantitative method but also qualitative data were collected and analysed.

3.3.1. Source of Data

Two most appropriate sources of data to this study include primary information provided by URWEGO clients and secondary source from available literature.

3.3.2. Target Population and Sample

This research population consists of 1,637 clients (207 men and 1,430 women i.e. 13 and 87% men and women respectively) who received financial (Credits and savings) and non financial services (Training and Business Counselling) between 1997 and 2007. The selected district is made of ten different locations. Since most of the respondents are organized in groups, four locations were purposefully selected to represent the targeted population due to their high number of clients. Due to the reluctance of the bank to provide a list of its clients the researcher made best use of clients' weekly meetings and collected valuable data from the very people who over time, have been receiving loans from UOMB. The investigation involves a sample of 120 (7% of the target population) small business entrepreneurs who are active clients and beneficiaries of UOMB microfinance services.

The 120 respondents (29 men and 91 women i.e. 24 and 76% of men and women respectively) have been selected using convenience sampling which is non probability sampling method. Having been able to establish meeting days, venues and time, the researcher proceeded by surrounding himself with skilful assistants (Final Year University Students) who attended all the meetings in due time and networked with the microfinance officer to enable them interviewing clients, during and after the meetings. The sample is a fair representation of the entire target population as the attendance to the meetings is mandatory for all clients living in a given location. To avoid replicate of interviews, the researcher decided to visit a meeting site once, going around five different sites within 4 different locations which increases the reliability of data collected. Under this method, the researcher has also brought into play the quota sampling whereby, he had to make sure almost every man in the meeting got interviewed since this microfinance has high number of women than men clients. The level of representation is therefore sufficient enough to allow generalisation of the study findings to the entire target population at least within the target district of Kicukiro. The sample obtained respectively represents 14% and 6 % of men and women populations from this target geographical area. However, the sites coverage represents 40% of the studied district. The small size of the sample of 120 respondents has limited effects on the findings particularly that group members operate more or less the same business activities.

Working with these 4 locations with suburban characteristics provides the study with a lot of insights about the reality of the entire district. The study adopted a certain level of multi-stage area sampling method to reach the required representation. Under this method, the researcher selected one district, Kicukiro, out of three making Kigali city; from this district the research selected four locations out of ten locations that make Kicukiro district.

3.4.Data Collection Techniques

3.4.1. Review of Secondary Data

Sources of evidence include review of records and reports from the URWEGO Opportunity Microfinance Bank, Rwandan government policies, the Rwandan vision 2020, the government's EDPRS, and academic works from various universities, books, periodicals, bulletins, journals and online documentation in the light of the data being sought.

3.4.2. Interviews

Most clients of URWEGO Microfinance in Kikukiro district do not have the right skills to fill in a questionnaire on their own and it could have tampered with the research objectivity and affect the consistence of needed data if they were to fill in the questionnaire on their own. The researcher therefore hired and trained three assistants well knowledgeable in the field of microfinance and research who collected data using a structured questionnaire that they were filling as they interacted with respondents. Some questions were structured while others non-structured for proper collection of relevant information and data. This helped to make sure that most aspects of respondents businesses, successes and challenges were well captured.

3.4.3. Data Analysis

Having collected data from the field, the researcher organized, numbered and coded them before starting recording them into SPSS sheet. The raw data were transformed into computer based and manageable data, which the software could handle and generate needed tables and graphics for analysis. Both quantitative and qualitative answers from written up field notes were translated into English, summarised, coded, and teased out into themes. All the information gathered and data collected were processed through SPSS for data analysis and professional presentation. Descriptive and analytical presentations of the data include tables, charts and graphs that help to organize information. These include the use of histogram, pie charts, frequency polygons, regression analysis, and $\chi 2$ goodness of fit testing. Findings from this study guide recommendations and conclusions that constitute the essence of this research.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION

4.1. Introduction

This chapter reports the findings from a research survey carried out among UOMB microfinance borrowers in Kicukiro district of Kigali, Rwanda. The study sampled 120 respondents, selected during their weekly meetings in their respective sites. The study findings are summarized per research questions using descriptive statistics (frequencies, percentages, tables, and chats). Before discussing the research findings, the study is enlightened by desktop data and reports that make it easy to understand the organization being studied. This leads us to a brief introductory note on Urwego Opportunity Microfinance Bank.

4.2. Description of Urwego Opportunity Microfinance Bank

The Urwego Opportunity Microfinance Bank (UOMB) is a Rwandan Commercial Bank with a focus on microfinance service delivery. It is considered as the largest microfinance institution in Rwanda with over US $ 5.2 million loan portfolio, UOMB has 35,349 borrowers of whom 90% are women, and 49,481 savers.

The current UOMB is a merger between Urwego Opportunity Microfinance Banking that operated in Rwanda as part of an NGO (World Relief International) since 1997 and Opportunity International Bank, a Microfinance Commercial Bank. UOMB offers microfinance loans that include community bank loans, solidarity group loans, home improvement loans, village phone loans, individual loans, and saving accounts. It covers 27 out of 30 districts of Rwanda, and its major shareholders include Opportunity International, World Relief Corporation, Hope International and World Relief Canada, all non profit organizations. UOMB microfinance provides poor active entrepreneurs with financial and non financial services intended to help them break their poverty cycle.

4.3. Socio - demographic Profile of URWEGO Borrowers

Under this section, the study was interested in age, gender, and education levels of respondents. The three questions were structured and respondents were asked to tick the most suitable answer. The researcher uses frequency cross tabulation tables and histogram figure to present respective answers to the above three questions;

Table 4.1: Age and Gender of Respondents

		Gender of respondents		
		Male	Female	Total
Age group	20 - 24	1	6	**7**
		.8%	5.0%	**5.8%**
	25 - 29	8	14	**22**
		6.7%	11.7%	**18.3%**
	30 - 34	6	22	**28**
		5.0%	18.3%	**23.3%**
	35 - 39	5	25	**30**
		4.2%	20.8%	**25.0%**
	40 - 44	2	10	**12**
		1.7%	8.3%	**10.0%**
	45 - 49	3	8	**11**
		2.5%	6.7%	**9.2%**
	50 and above	4	6	**10**
		3.3%	5.0%	**8.3%**
Total		**29**	**91**	**120**
		24.2%	**75.8%**	**100.0%**

There are good reasons to support Milford (http://www.redpepper.org.uk) who coined that microfinance programs have generally targeted women as clients. He goes on to state that women often prove to be more financially responsible with better repayment performance than men. It also appeared clearly that women are more likely than men to invest increased income in the household and family well-being. With no exception, Urwego Opportunity Microfinance Bank reports to have more women than men among its borrowers as this study confirms the same from its sample of 120 respondents, comprising 29 men and 91 women.

Figure 4. 1. Histogram of UOMB Borrowers' Age and Gender

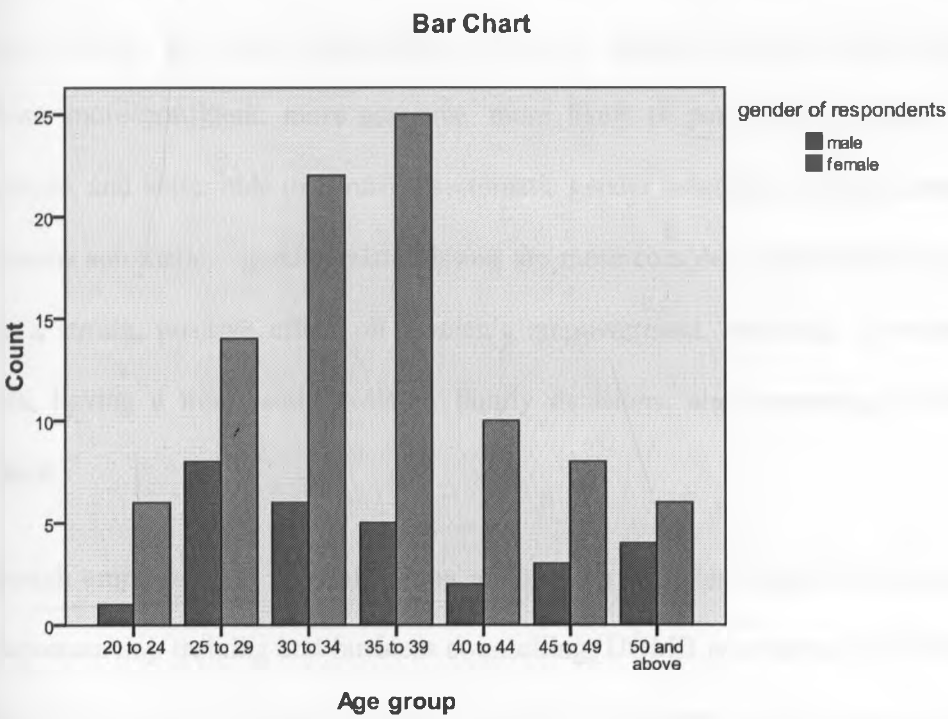


Table 4.1 (age and gender of respondents) and figure 4.1 (histogram of UOMB borrowers' age and gender) indicated that 75.8% of the respondents were women while men accounted for 24.2%. Most of these clients are in their productive ages: 47.4% of respondents, men and women altogether, still under 34 years of age, and women under this age represent 53.3% of the total respondents. While 72.4% of the respondents were less than 40 year-old, women under this age represent an absolute majority of 74.1% of the respondents. Finally, people below 50 years of age represent 91.7% and women count for 89.1 %. The study did not establish whether the high number of women borrowers was accidental or a deliberate choice and strategy for the bank.

However, it is well known that any development intervention that improves the wellbeing of women is likely to positively impact the entire family and children in particular. As CGAP (Focus note No. 24, January, 2003) reports, women often prove to be more financially responsible with better repayment performance than men. It has also been established that women are more likely than men to invest increased income in their household and family well-being. Perhaps and most importantly, access to financial services can empower women to become more confident, more assertive, more likely to participate in family and community decisions, and better able to confront systematic gender inequities. But such empowerment is by no means automatic – gender-related issues are more complex. Appropriate program design can have a strong, positive effect on women's empowerment, resulting in women owning more assets, having a more active role in family decisions, and increasing investment in family welfare.

Through empowerment of such young adults with sufficient capital for investment, adequate entrepreneurship training and business counselling, UOMB is contributing towards changing the country from a low to middle income economy. Furthermore, this group of people holds the promise that the present success will not only benefit the current adults' generation but also their children and grand children, hence breaking the cycle of poverty for generations to come.

Having in mind that children and women remain majority victims of abject poverty in the developing world, the study appreciates the milestone achieved by UOMB towards reducing the burden and suffering of women and children in Rwanda. The programme is not only a good step towards achieving a critical millennium development goal but also fits in well with the Government of Rwanda's poverty reduction strategy program that focuses on improving women's socio-economic welfare. Statistically, women in Rwanda represent the majority of the entire population (52 %), and bore the brunt of the 1994 genocide as many of them are now widows heading households.

On gender and education, there is no evidence that UOMB requires a certain level of education, but the collected data clearly establishies the level of education among UOMB borrowers.

Table 4.2: Education Level of UOMB Borrowers in Kicukiro District

Level of formal education	Gender of respondents		Total
	Male	Female	
No education	2	4	6
	1.7%	3.3%	5.0%
Primary education	16	54	70
	13.3%	45.0%	58.3%
Post primary	1	3	4
	.8%	2.5%	3.3%
Secondary	9	29	38
	7.5%	24.2%	31.7%
University	1	1	2
	.8%	.8%	1.7%
Total	**29**	**91**	**120**
	24.2%	**75.8%**	**100.0%**

The study found that majority (58.3%) of the respondents were primary school drop outs, 45 % of whom were women. Secondary school graduates accounted for 31.7% where again 24.2 % were women. It is interesting to note that 5% of respondents had no formal education, but far more represented than those educated up to university level (1%).

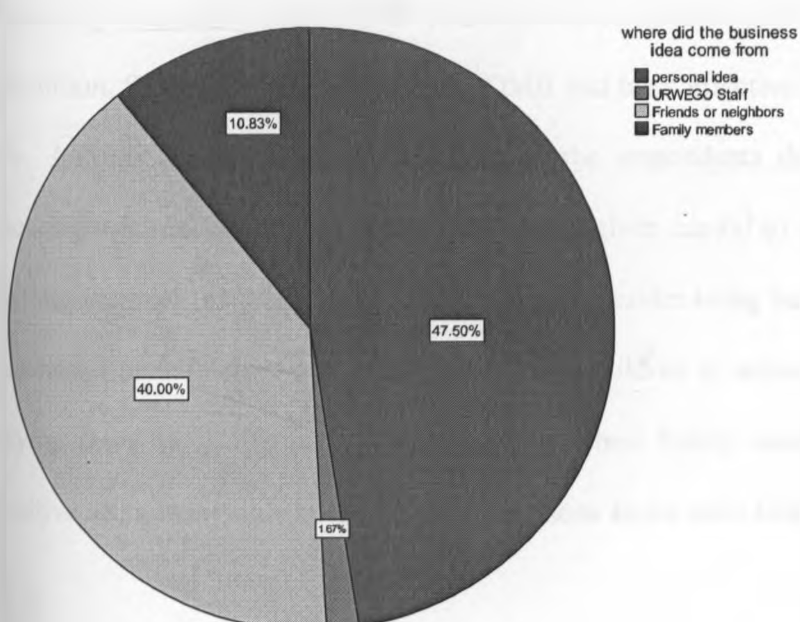
The above statistics reminds that microfinance recipients are poorly educated, hence the need for extra non financial services (training and business counselling). Despite their low level of formal education, some poor households have been able to use their natural talent and hard work to aggressively approach MFI for loans and other services. Others remain excluded as both commercial banks and MFIs consider them non-bankable. The exclusion of a certain category of people from microfinance scheme is a sad reality that, no matter what policies developing countries may be put in place, there is always a group of people who remain marginalised. No wonder the first millennium development goal limits itself to reducing poverty to a certain percentage rather than committing itself to total eradication of poverty.

Qualitative data revealed that majority of the respondents have no other training than formal education received at primary or secondary schools. It can be understood that the skeleton business counselling they receive from URWEGO may not be sufficient enough to help them take their business to the higher level they would like to attain. Throughout their answers to this research, UOMB borrowers appeal to their bank to intensify training and multiply visits to their businesses so that they can help them to air some of the challenges they face in their daily activities. UOMB clients acknowledge to have received training beyond their formal education but some of those short courses have nothing to do with their current business activities. Training in tailoring or hairdressing for instance can't add much value to a food kiosk or a small retailer shop business.

The lack of variety and long range of experience among microfinance borrowers stand to be their major bottleneck when it comes to business innovation and creativity much needed in modern business. The types of business identified among UOMB borrowers in Kicukiro include small scale retail shops, food kiosks, and second hand clothes. By trying to understand what kind of items these businesses offer to the market, the study found out that they sell quite similar products while operating in neighbouring areas. They are mainly confined in food stuff, clothes (new or used), and cosmetics.

Obviously, these kinds of businesses and items constitute routine work and keep small and medium entrepreneurs busy working every day as required by their suburban markets. Their business however, may not experience rapid growth as profit margin is of low significance. The study went on with a question aimed at finding out where UOMB borrowers got business ideas they are using. The main concern of small business entrepreneurs in Rwanda is that they are not well educated; therefore their business activities seem to be just a duplicate of what others may be doing in their neighbourhoods. Having the same types of business, with similar merchandises for such a homogeneous market does not much help in poverty reduction as the level of generating income, hence profits do not increase as fast as business may require.

Figure 4.2: Pie Chart on the Origin of Business ideas UOMB borrowers are running



This pie chart illustrates that 47.5 % of the respondents confirmed to be the originators of their business ideas, 40% got the idea from their friends and neighbours while 10% of them are pursuing businesses ideas informed by members of their families. Their limited level of entrepreneurship will no doubt limit their types of business ventures.

4.4. UOB Borrowers' Attitudes Towards Microfinance and Poverty Reduction

In order to capture personal attitude and perceptions, the study asked respondents questions such as why they opted for MFI rather than commercial bank loans, and if they would still go for MFI loans given different alternatives. The other question asked respondents whether or not UOMB had been effective in improving their standards of life. The last question was to get respondents' opinions on the effectiveness of MFI with special emphasis on UOMB towards alleviating poverty among small business entrepreneurs in Rwanda.

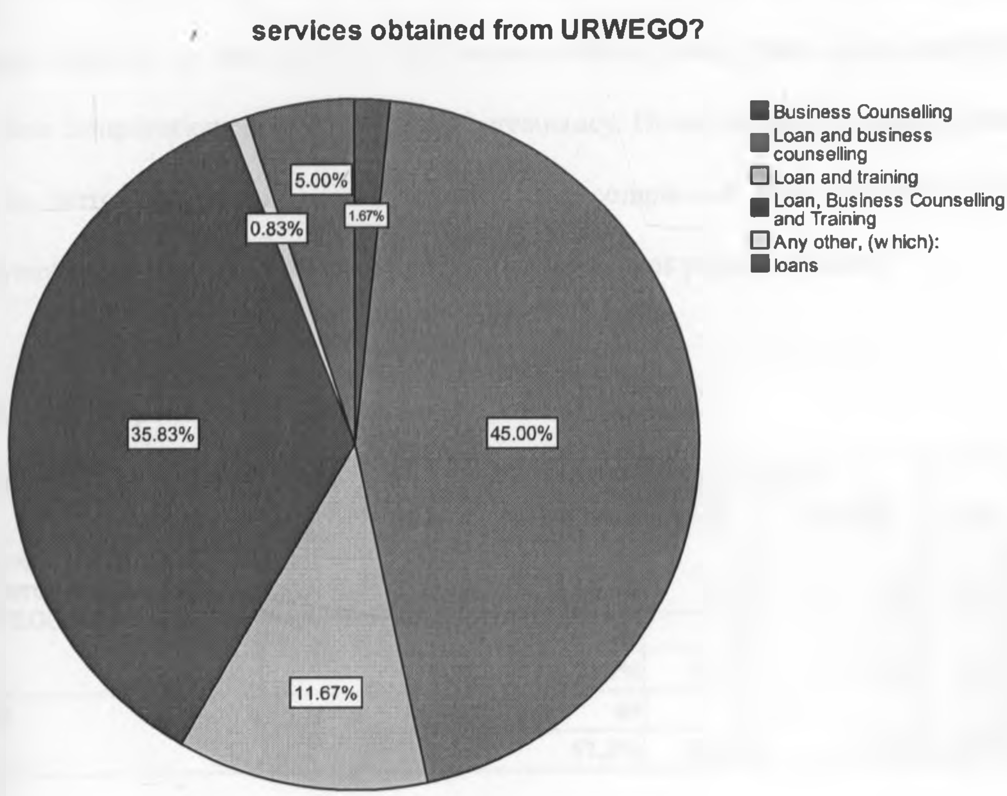
The study established that UOMB borrowers had a positive attitude towards their microfinance institution. 98.3% of them stated that UOMB had been effective in improving their standard of life. Another absolute majority (99.2%) of the respondents declared that UOMB has been successful in reducing their poverty. They were given capital to start businesses, and they were earning incomes that help to improve their lives. Besides being business owners, they have either purchased or built their own homes, sent their children to school and they are still capable of paying their medical scheme contribution for their family members. In general they have a positive attitude towards microfinance institutions as the table below shows:

Table 4.7: Respondents' Opinions about MFIs Effectiveness in Poverty Alleviation

Opinions	Frequency	Percentage	Cumulative Percentage
Not Effective	3	2.5	2.5
Effective	91	75.8	78.3
Very effective	26	21.7	100.0
Total	**120**	**100.0**	

Only 2.5 % of the respondents thought of microfinance institutions as not effective in poverty alleviation among small business entrepreneurs in Rwanda. The big majority of respondents (75.8%) rank microfinance institutions as effective and very effective (21.7%).

Figure 4.3. Pie Chart on Services gained by UOMB Borrowers



The pie chart above shows clearly 97.5% (45 + 35.83+11.67+5) of borrowers have received in one way or the other a combination of business counselling, training and capital loan to invest in their businesses. It further explains that UOMB has created jobs for many people particularly women, pushed people to work, reduced laziness and idleness, ignorance and poverty.

The respondents recall that UOMB helped its clients to organise themselves into community banking and solidarity groups that enhanced peaceful coexistence, unity and trust among clients, self reliance and self development. On overall, UOMB borrowers have a general good feeling and high expectations towards microfinance institutions. This is confirmed by the fact that 90% of the 120 respondents emphasized the point that they may opt to microfinance loans, given the other borrowing options. They maintain that MFIs remain the most appropriate approach to poverty reduction as they care for low income earners, giving them quick and better services with less complications and requirements bureaucracy. However, all is not well between UOMB and its borrowers. Small business entrepreneurs complained about the rate of interest, the repayment period and the amount of money they receive as presented below:

Table 4.8: Respondents' Opinions on the Rate of Interest

Question	Answer	Assessment of UOB Interest Rate				
		low	Affordable	High	Very High	Total
Are you comfortable with the current rate of interest to URWEGO?	yes	1	43	8	1	53
		.8%	35.8%	6.7%	.8%	44.2%
	no	2	26	36	3	67
		1.7%	21.7%	30.0%	2.5%	55.8%
Total		**3**	**69**	**44**	**4**	**120**
		2.5%	**57.5%**	**36.7%**	**3.3%**	**100.0%**

The study found that the majority of UOMB borrowers (55.8%) are not comfortable with the rate of interest (3% per month). Indeed, a good proportion of 40% rank it as high or very high. Some of these respondents (13%) illusorily advocate for a loan without interest, others (5.2%) suggest a rate of interest of 1% while the bigger majority (66.2%) are willing to pay an interest rate of 2%. Obviously, the later group is reasonable to think that 1% reduction from the current rate of interest can make a big difference in their lives. It is fascinating to remember that when MFIs entered the Rwandan market, they started with 1.5% rate of interest. With time, they increased to 2 %, and later to 2.5%. They currently seem to be comfortable with 3%. No doubt that they are making good profits, but this may be detrimental to borrowers who work tirelessly to pay back the loans and profits without any bargaining power for better terms, questioning the extent to which MFIs can reduce poverty.

The repayment period has also been another concern for UOMB borrowers as the table below shows:

Table 4.8: Respondents' Opinions on UOMB Repayment Period

Respondents' opinions	Frequency	Percent	Cumulative Percent
I did not try	33	35.8	35.9
I tried without success	57	62	97.8
I tried but paid with much interest	1	1.1	98.9
I tried and was successful	1	1.1	100.0
Total	**92**	**100**	

The majority of respondents (70.8%) confirmed that they are not comfortable with a weekly repayment. In case borrowers fail to pay back on due dates, many of them (62%) have tried to negotiate some grace period but with no success. In fact, 35.8% clearly stated that they did not even try. Further investigations reveal that borrowers have no say in determining loan repayment period, as they can not reschedule it. Unfortunately 'high rate' of interest makes it difficult for them to pay back in due time. A particular attention is also required for another group that represents 56.7 % of borrowers who complain that UOMB is not offering them enough capital investment for their businesses. This may be a group of those people who have already made some kind of success and would love to push with a notch higher. However, these people are limited with the size of loan that UOMB is offering to them. If the bank can arrange for them a special agreement, it will make a proper impact and increase its profits.

The number of complainants and issues at hand are very critical in terms of UOMB – Borrowers relationships. These issues may not be very much affecting the current MFI businesses, but they make the whole microfinance philosophy questionable with regards to poverty alleviation. They push one to ask the question of knowing why MFIs started with attractive low rates of interest (1.5%) which sooner hiked to 100 % increase? What was wrong with their first market surveys? How much profits do they currently collect compared to what their hard working borrowers gain? Are MFIs owners greedy or realistic in their profits making? Some of these questions may not find quick feedbacks but the truth is that genuine answers will reveal the reality of whether or not MFIs are reducing poverty in actual sense.

4.5. Evidence of Poverty Reduction among UOMB Borrowers

It is globally recognised that "One of the most popular of the new technical tools for economic development and poverty reduction are microloans made famous in 1976 by the Grameen Bank of Bangladesh. The idea is to loan small amounts of money to farmers or villagers so that these people can obtain the things they need to increase their economic rewards" (www. wikipedia.org/wiki/Poverty reduction). In today's fight against poverty, microfinance is worldwide considered best approach to unlock poor people's potential to break their poverty cycle. Indeed, the tiny micro-loans provided to the economically active poor people have made an incredible difference in the lives of many households in Bangladesh, Bolivia, Chile, Mali, China, and Ethiopia.

During this research, a number of questionnaires were administered to respondents in order to find out whether UOMB has helped them to reduce poverty. The questions touched on issues such as substantial gains since they joined UOMB, social improvement with regards to nutrition, children's education, housing and health care. Respondents were also asked whether UOMB has been effective in improving their standards of life. Their answers are summarised in the following sections.

4.5.1. Increased Household Incomes

Increased income remains one of the most popular measurements of poverty reduction. Indeed, the modern economy is market-oriented. The welfare of household members depends largely on their purchasing power for goods and services they need. The days of barter ended long ago in many parts of the world but a number of people do not have enough money to meet their basic needs and managing very small amounts of money through an unpredictable annual cycle of household fortunes requires a high level of ingenuity. It is said that extreme poverty strikes when household resources prove insufficient to secure the essentials of dignified living. The consequences of persistent poverty include insufficient food, children out of school, diminution of household back-up resources and exclusion from valuable social networks.

When households strive to get loans from the MFIs, they do so with business ideas they wish to turn around so as to earn income. During this research, respondents addressed the question relating to their initial loan and that of the total loans accumulated through the years as displayed in the table below:

Table 4.3. UOMB Initial Loans to Borrowers

US $ amount	Frequency	Percentage	Cumulative Percentage
Missing	6	5.0	**5.0**
20	1	.8	**5.8**
30	1	.8	**6.7**
36	1	.8	**7.5**
40	17	14.2	**21.7**
50	1	.8	**22.5**
60	25	20.8	**43.3**
70	1	.8	**44.2**
100	64	53.3	**97.5**
200	3	2.5	**100.0**
Total	**120**	**100.0**	

Like any other microfinance institutions, UOMB initial loans were as low as US $ 20 at an interest of 3% per month and no collateral was provided apart from group or solidarity membership. The loanee's faithfulness in paying back being their guiding principle, the bank builds up trust for him or her as well as other group members who guaranteed him or her, paving way for them to get more loans. The failure to abide by this principle causes his/her peers to pay back the loan s/he took so that they can remain in the microfinance network. Those who are consistent and serious in business gradually and frequently increase their chances to access relatively bigger capital investment.

The study established that 97.5% of respondents started borrowing from UOMB as little as less than US $ 100. Many of the borrowers (53.3 %) started with exactly US $ 100, while 20.8% of them received US $ 60, and 14.2% of them received US $ 40. From 1997 up to date, the great majority (70%) of respondents have borrowed more than five times. Only 10.8% have borrowed less than two times. Though the study did not capture the last loan each respondent was holding at the time of interview, it did so on total loan cumulatively received as displayed in the following table.

Table 4. 4: Total Accumulated Loans per UOMB Borrower in Kicukiro District

US $	Frequency	Percentage	Cumulative Percentage
Missing	5	4.2	4.2
60	1	.8	5.0
200	8	6.7	11.7
260	1	.8	12.5
280	1	.8	13.3
300	5	4.2	17.5
340	1	.8	18.3
400	5	4.2	22.5
480	1	.8	23.3
500	3	2.5	25.8
600	6	5.0	30.8
700	7	5.8	36.7
800	24	20.0	56.7
940	1	.8	57.5
1000	36	30.0	87.5
1200	3	2.5	90.0
1400	1	.8	90.8
1600	3	2.5	93.3
1900	2	1.7	95.0
2000	2	1.7	96.7
2200	1	.8	97.5
2400	1	.8	98.3
3000	2	1.7	100.0
Total	**120**	**100.0**	

The above table indicates that 30% of the respondents had acquired loans cumulating to US $ 1,000 each, while 20% accumulated loans totalling US $ 800. Due to some solidarity groups, the biggest loans cumulated up so far amounts US $ 3,000. Even though UOMB borrowers are gradually building up their confidence and trust with UOMB, this increases their chances to acquire more capital investment, and closer analysis reveals that the monetary value they received was still low for proper business development. No wonder why on a different question, majority of the respondents (56.7%) said that the loans they had gotten were not sufficient for their dream business investment.

A pretty fair number of UOMB borrowers (40%) ranked the interest rate of 3% per month as either high or very high. Very few respondents (2.5 %) seemed not to be feeling its burden as they rated it low, and the remaining majority (57.5 %) felt that this rate was affordable. It was encouraging that the huge majority of borrowers (95%) had used UOMB loans for the intended purpose which was the business investment. This could be attributed to many factors, but the most outstanding ones included microfinance strategy and working principle of lending money to community banking groups or solidarity group members rather than to individuals.

Over the 120 respondents interviewed in this study, 77.5% had acquired loans guaranteed by their community banking groups, 17.5% had done so under solidarity groups, and only 4.2% had acquired their loans as independent individuals. Group loans were strategically cost effective for the banks, as group members were putting pressure to each other for the end use of the loans as well as faithfulness in repayment. The time and money resources the microfinance institutions involve in organizing its clients into groups, together with business counselling and training provided to them, earn higher interest compared to the traditional collateral required by commercial banks. This study established that UOMB recipients in Kicukiro make profits out of the businesses they ran courtesy of the loans acquired. Most of respondents (95%) confirmed that they had increased their income, (80%) of currently earning more than US $ 100 per month.

4.5.2. Improved Satisfaction of Basic Needs

The basic needs approach is one of the major measurements of absolute poverty. It attempts to define the absolute minimum resources necessary for long-term physical well-being, usually in terms of consumption goods. A traditional list of immediate basic needs is food (including water), shelter, and clothing. A modern list emphasizes the minimum level of consumption of basic needs, not just food, water, and shelter, but also sanitation, education, and healthcare. More than personal or household income generally regarded as the single best measure of the level to which people are "well off", even though other factors also contribute to people's well-being.

This study further investigated the real life-changing impact that UOMB borrowers had gained as a result of the loans they had acquired. Almost all the respondents (98.3%) confirmed that their social life had improved as evidenced by their improved nutrition, affording their children's education and health care, renovating or building their houses, and expanding their businesses. Out of the 98.3 % whose social life positively changed, all of them had improved their nutrition, afforded to send their children to the schools of their choice, and enrolled their entire family in the national health scheme. The annual required fees (about 5 dollars) for each family member remain a challenge to most Rwandans (but not to those involved in micro-credits). The nine years free and compulsory education system that the government of Rwanda offers to its citizens still requires parents to pay for school uniform and other materials for their children. It is worth noting that almost all the respondents surveyed had achieved the capacity to meet all these basic needs. They were earning an monthly income of a hundred dollars and more, living on more than three dollars per day, hence they are no longer under the poverty line.

4.5.3. Acquisition of Assets

Acquisition of assets is the most sustainable way of reducing poverty. Depending on the level of poverty one may have previously faced, these assets include but are not limited to housing (shelter), piece of land or plot, material equipments or machinery. This research used a semi-structured questionnaire to ask respondents in which way they had gained tangible impact from the loans they had acquired.

An absolute majority (92%) of respondents declared that they had improved their housing, some by renovating or expanding their existing structures, others by buying or building their new homes, expanding their businesses, and acquiring land or plots in Kigali using UOMB loans. This study agrees with other evidence from millions of microfinance clients around the world that access to financial services enables poor people to increase their household incomes, go for assets, and reduce their vulnerability to the crises that are routinely part and parcel of their daily lives. As Milford (2010) puts it, access to financial services translates into better nutrition and improved health outcomes, such as higher immunization rates. It allows poor people to plan for their future and send more of their children to school for longer periods of time.

4.5.4. Greater Participation in Public Life

From a sociological point of view, UOMB has made an impressive impact among its clients. This MFI operated in post war Rwanda during when a lot of mistrust and loss of hope were noticeable. By the principle of community and solidarity group that the MFI applies to give loans, it encourages people to come together for mutual good even if they were not willing to do so under normal circumstances.

The fact that micro-credit requires people to come together, meet regularly, talk to each other on their business progress reports, and exercise some kind of pressure to make each one of them use the loan to the very intended purpose, the social fabric starts building up and stronger affinities are developed among different households. Among the training sessions that MFIs provide to their clients include conflict resolution. This no doubt translates itself into forgiveness and reconciliation to some extent, but also prevents unnecessary tensions. It makes people focus on common goals geared towards getting access to micro credit rather than wasting time on minor quarrels. These groups seem to be well organized and very consistent in matters that pattern the welfare of their members. Even if no question was asked about how they help each other during their social celebration events such as weddings or mourning and bereavement, it can simply be implied based on the local culture.

Last but not least, the UOMB officer facilitating training, meetings, and collection of due reimbursements is highly respected by all the clients. S/he has a moral authority over them and is much trusted as s/he links households with the MFI money safes. S/he plays a key role in conflict transformation and can even handle their personal issues and family matters. Doubtlessly, the dynamics of microfinance make beneficiaries more open to life issues and increase their participation in public life, hence more useful to them and to the society as whole. The study goes on to test the first hypothesis which states that "The amount of loans received is a determining factor of business success".

4.6. Hypotheses testing using Chi Square Goodness of Fit

The first hypothesis to be tested and its alternative are stated as follows:

H_o: There is no relationship between the amount of loan received and business success

H1: There is a relationship between the amount of loan received and business success

This study assumes that there is no expected value which is less than 5 for each level of variable. The test is curried out at 95% confidence; hence its level of significance is less than 0.05 with a degree of freedom 1. The chi-square goodness of fit test determines whether observed sample frequencies differ significantly from expected frequencies specified in the null hypothesis. If the test statistic probability is less than 0.05, the null hypothesis will be rejected.

Table 4.4: Cross tabulation table of initial loan groups and Business investment

Initial loan group	Observed and expected Values	Was the loan amount sufficient for business investment		Total
		Yes	No	
Less than 49,000	Observed Count	16	31	**16**
	Expected Count	19.1	27.9	**19.1**
Above 50,000	Observed Count	30	36	**30**
	Expected Count	26.9	39.1	**26.9**
Total	**Observed Count**	**46**	**67**	**46**
	Expected Count	**46**	**67**	**46**

The P-value (0.224 - see appendix III) being more than the significance level (0.05), therefore we cannot reject the null hypothesis. By accepting the null hypothesis, the study establishes that there is no relationship between the amount of loan received and the borrowers' business success. Indeed, this is an unusual scenario but, a number of reasons can help to understand the situation brought out by this test. First of all, the study has already established that the level of entrepreneurship among UOMB borrowers is low. All UOMB borrowers are in business, but almost all of them sell the same things to a market which is neither growing nor wide enough to stimulate tangible growth of their businesses. Besides, the loan they generally receive as capital investment is not sufficient to enable them open new and more profitable business ventures which are suitable to the market. Definitely, UOMB's relatively high rate of interest for a short term period of repayment has limiting effects to the success of the borrowers' businesses.

In the absence of any possible relationship between loan amounts and borrowers' business success, the study strives further to test whether "accumulated loan has any thing to do with borrowers Gender". The study starts by defining both null and alternative hypotheses, and then proceeds to making some reasonable assumptions, clarification of the level of significance and degree of freedom before proceeding on Chi –Square testing, and results analysis.

The second hypothesis to be tested and its alternative state as follow:

H_0: There is no relationship between gender and UOMB accumulated loans.

H_1: There is a relationship between gender and UOMB accumulated loans.

The assumption is that there is no expected value which is less than 5 for each level of variable. The test is curried out at 5% level of significance with a degree of freedom 1. If the chi-square goodness of fit test statistic probability is less than 0.05, the null hypothesis must be rejected.

Table 4.6: Second Hypothesis Testing Results

Accumulated Loans	Observed and expected counts	Gender of Respondents		Total
		Male	Female	
Less than 490000	Count	15	49	64
	Expected Count	14.5	49.5	64
above 500000	Count	11	40	51
	Expected Count	11.5	39.5	51
Total	**Count**	**26**	**89**	**115**
	Expected Count	**26**	**89**	**115**

The P-value (0.812- See appendix IV) being more than the significance level (0.05), we can not reject the null hypothesis. By accepting the null hypothesis, the study leads to say that there is no relationship between gender and accumulated loan among UOMB borrowers. The simple fact that UOMB has so far rendered money to more women than men does not necessarily means that it favours any particular gender. In this case, other factors can better explain gender imbalances observed among borrowers.

The current demographic fabric of Rwanda is the main causal factor. Most of the activities in post genocide Rwanda have been affected by the fact that the 1994 genocide targeted more men than women. In addition, many men were killed even before the genocide as war victims. These were soldiers on both sides (the then government and rebel troops). Another big number of men is genocide suspects who are still in jail to date. It is therefore justifiable to find women walking in unexpected numbers to get loans from UOMB or any other bank.

4.7. Strategies that UOMB should consider for More effective Poverty Reduction

Under this section, the study was interested in what borrowers considered to be the best practices and strategies for MFIs and UOMB in particular, to help them reduce poverty. Each respondent was asked to suggest at least three strategies.

It came out clearly that UOMB borrowers needed more business counselling and training with particular focus on business development and time management. When it comes to loans, the respondents expressed mixed ideas: some advocate for community banking and solidarity group loans, while others seem to be fed up with this collectivistic responsibility. This is because some individuals default and their colleagues have to pay for them. They therefore wish to have their individual rather than group loans. Others invite UOMB staff to intensify regular visits to their businesses so as to provide them on-job counselling and training. As some of them have to travel long distances to collect their loans from the bank, they would love to have UOMB branch in their nearest neighbourhoods in order to redeem their time and increase security of carrying funds. UOMB is also put to task in order to reach out and educate more people so as to address poverty issues at a large. The study reveals that UOMB borrowers appealed for a higher increase of capital loan at a lower rate of interest for an extended period of repayment. Should UOMB afford these three components, it will drastically reduce poverty, with unprecedented positive socioeconomic results.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This section summarizes the study findings previously discussed and formulates conclusions and research recommendations. Any issue of academic interest unearthed in this study is meant for further research studies as no one can claim any piece of research work to be exhaustive.

5.1 Summary of Findings

The findings of this study established that MFIs and UOMB in particular have a great potential to reduce poverty through a quite involving work:

1. MFIs-UOMB are mainly serving the most youthful category of citizen whose majority (72.5%) are less than 40 years and 82.5% have not yet reached 45 years of age. Their success can positively change the course of living for their children and grand children, hence breaking the cycle of poverty for many generations to come. However they have a lot of work to be done as the majority (66.7%) of their borrowers stopped their education to primary school and up to 98.3 % have not gone beyond secondary school education level. The few who seem to have received extra training beyond their formal education did so in the fields that are irrelevant compared to their current business ventures.
2. UOMB borrowers displayed limited sense of entrepreneurship for business creativity and innovation. Almost all of them offer the same products to the market: food stuff (sugar, salt, rice, beans, vegetables, bananas, potatoes, cooking fat ….), clothes (new and second hand items for women and children) and cosmetics. In most of the cases, many operate in the same neighbourhood, saturating their market with the same items and goods. This makes their daily turnover weak; hence, their profits very low. Being involved in small scale businesses (97.5%), they also target small and medium income earners, and this also affect the proceeds.

3. Despite the above revealed challenges, UOMB had impressively registered some encouraging records in relation to reducing poverty among small business entrepreneurs in Rwanda. Borrowers have repeatedly (70% for more than 5 times) acquired loans through community banking or solidarity groups (95%). They are socially organized and united, pushed to work hard, breaking their culture of poverty and laziness. They experienced an increased income (51.7%), acquired skills through training and business counselling (95%) , started or expended their businesses (26.7%), purchased useful tools (fridges, TV sets, radio etc..) and acquired assets (land or building) (10.8%). UOMB has created jobs particularly for women who represent (75.8%). It also enabled borrowers to improve their social life in various ways such as nutrition (98.3%), children education (86.7%), housing (75%), and health care (62.4%).

4. These many achievements of UOMB had positively shaped its borrowers' main attitude towards MFIs. Majority (92.5%) of them categorically declare that microfinance is the most appropriate way to reduce poverty among low income earners. They argue that MFIs provide them with better services (quick services, reduced complications, no collaterals, relatively lower rate of interest, customers care compared to commercial banks). They add that MFIs educate their borrowers about starting businesses, organize them into solidarity groups, empower women and help them access money. MFIs are also praised to create jobs by offering soft loans, improve households' living standards, finance small businesses, and reduce poverty, laziness and ignorance. Almost all the respondents (99.2%) affirm that UOMB has been successful in reducing their poverty, and 97.5 % consider MFIs to be effective or very effective in reducing poverty. 90 % claim that they could still opt for MFI loans even if there were other alternatives.

5. In as much as borrowers exhibit positive attitudes towards MFIs, they could not hide the many challenges affecting them while dealing with UOMB. Majority of them are not comfortable with the rate of interest and repayment period (55.8% and 70.8% respectively). They rank the rate of interest as high and very high (40%) and some (13%) wish it can be waived, others (5.2%) wish a reduction to 1% and majority of them (66.2%) are willing to pay 2% at most. On the repayment period some (62%) unsuccessfully tried to renegotiate grace period while 35.9% have never tried. This category of complainants will not be exhaustive without including those feeling that the capital loan that UOMB offers is not sufficient enough for their business investments (56.7%). If UOMB and MFIs in general can fix the above mentioned thorny issues, they will have firmly addressed the issue of poverty.
6. The study was very keen to ask respondents to suggest ways and means for the best strategies that MFIs can use to help their recipients more efficiently reduce poverty. These research findings highlight just a few most outstanding and more relevant points such as reduced rate of interest, increased repayment period and loan amount, and continuous training. It has been established that the majority of UOMB borrowers (62%) believe that reducing the rate of interest from 3 to 2% per month can make an unprecedented impact in their lives. In the same context, they plead with UOMB to reschedule the repayment frequencies from weekly to monthly, increase the loan amount available to every individual, and possibly start offering long term loans. Furthermore, intensified site visits to the borrowers' businesses, on the job counselling and continuous training were found to be among the best strategies that MFIs can apply to cause poverty

die through a natural death. Should MFIs consider these combined four points, they will have walked their talk.

5.2 Conclusion

The study confirms that there is slight reduction of poverty among UOMB borrowers due to various financial and non financial services that the bank offered to them over years. These include repeated loans, business counselling and training.

UOMB achievements in reducing poverty are evidenced by increased income, business expansion, acquisition of assets and tools, improved standards of life that range from nutrition, children education, households health care, and housing. UOMB borrowers have also acquired new skills, encouraged and pushed to work hard to break their poverty cycle. UOMB is praised to have created jobs for many, particularly women, who in the past had no access to money, and currently running successfully their own business. Socially, UOMB has impressively managed to organize its borrowers into community banking and solidarity groups through which people get to trust each other and unite for their common good. This is a very important achievement as the 1994 war and genocide in Rwanda deeply destroyed the country social fabric, creating fears, bad feelings, and mistrust among Rwandans.

If UOB could address the few pending issues that are still disturbing its borrowers such as high rate of interest, repayment period and small size of capital loans, UOMB and other MFIs in Rwanda have a great chance of alleviating poverty among their borrowers. The three factors must also be accompanied by on-going training and intensive site visits to borrowers' businesses so as to upgrade their borrowers' level of entrepreneurship.

5.3 Recommendations

The recommendations of this research study are based on findings and conclusions discussed above. These recommendations are addressed to UOMB and MFIs at large, their borrowers and the government policy makers.

5.3.1. To the Microfinance Institutions in Rwanda

1. Due to the low profile of their borrowers, MFIs in Rwanda and especially UOMB must organize themselves for intensified trainings, regular site visits and business counselling, to enhance effectiveness in their mission of reducing poverty among poor households.
2. They should reduce their monthly rate of interest rate from 3 to 2 % as it can enable borrowers to increase their income and payback in due time and without much complaints.
3. MFIs should alternatively reschedule their required weekly repayment period at least to monthly so that borrowers can reinvest their daily revenue into businesses to enhance cash flows.
4. Serious business requires substantial amount of investment. It is therefore imperative for MFIs to listen to their borrowers and address their concerns about the size of loan amounts they are currently offering to them.

5.3.2. To the Microfinance recipients

1. UOMB and MFIs borrowers at large must be creative and innovative in their business ventures using their common sense, training and business counselling as well as knowledge gained from microfinance staff, so as to minimize duplication of their neighbours businesses.

2. They also need to open up with more of their concerns during their weekly meetings with microfinance staff. This may challenge microfinance strategic teams and create new product packages that can more benefit them.

3. Microfinance recipients must develop saving and spending discipline so as to limit their unprofitable expenses to a strict minimum, and increase their capital investment from their own revenues.

5.3.3. To the government policy makers

1. The government should annually budget for incentives and subsidies that can equitably be redistributed to the poorest among the poor through microfinance services. It is commonly known that serving this category of people is too costly for microfinance institutions alone, hence they are often left out of coverage.

2. The government should also put in place policies and mechanisms that prevent MFIs from possible exploitation of their recipients. There should be a comparative annual audit of MFIs profits and those of their recipients.

3. The government should keep to strict minimum tax rates in order to stimulate the growth of small business entrepreneurs.

5.3.4. Areas of further academic research

1. A comparative analysis of MFIs net profits vis-à-vis their borrowers' absolute achievements.

2. Investigating MFIs and their borrowers' investment into the whole business of microfinance

3. An exploratory study into the best strategies that can help MFIs better address households' poverty issues.

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APPENDEX I: QUESTIONNAIRE

Introduction:

Dear Sir/Madam!
My name is Athanase Ndayisaba, an M.A Sociology Student at the University of Nairobi-Kenya, specializing in Entrepreneurship Development. As a requirement for the completion of my studies, the university requires me to undertake a Study on a selected social activity. I have chosen to curry out my research on URWEGO MICROFINANCE and would like to get the required information from people who have been receiving loans and other services from this microfinance institution from 1997 to 2007.
I want to assure you that all the information you provide me will be confidentially treated and will not be disclosed to anyone. I sincerely appreciate your assistance as you answer these questions.

1. Name (optional): ____

2. Age: ________ (years)

3. Gender:

   ☐ Male

   ☐ Female

4. Level of formal education:

   ☐ No Education

   ☐ Primary

   ☐ Post primary

   ☐ Secondary

   ☐ University

   ☐ Other educational qualifications (please indicate which) ____________________

5. Do you have any other sort of training (please explain)? ____________________

6. What business activity are you involved in?

   ☐ Small scale retail (what do you sale?)________________________________

   ☐ Large scale retail (what do you sale?)________________________________

   ☐ Food kiosk (what do you sale?) ____________________________________

   ☐Selling second hand items (which items do you sale?)____________________

   ☐Selling new items (which items do you sale?) __________________________

   ☐Cyber cafe services

   ☐ Transportation (motorcycle/taxi) __________________________________

7. When did you join URWEGO? (Please indicate the year) _______________

8. What services have you obtained from URWEGO?

☐ Loan

☐ Business Counselling

☐ Training

☐ Loan and business counselling

☐ Loan and training

☐ Loan, Business Counselling and Training

☐ Any other, (which): ____________________________________

9. Have you obtained this service as an individual or as a group?

☐ As an individual

☐ As a group

10. Are you responsible for paying back as an individual or as a group?

☐ As individual

☐ As a group

11. How much loan did you get from URWEGO? _________________ (Rwandan francs)

12. What business did you invest this money in? ______________________________

13. Did you invest the total amount of loan received in the above stated business?

☐ Yes

☐ No

14. If no, which other activities did you invest the loaned money in?

1. ____

2. ____

3. ____

15. Was the amount of loan received sufficient for your business investment?

☐ Yes

☐ No

16. What is the rate of interest for the loan you received? (Please give the figure)___________

17. Give your honest assessment of this rate:

☐ Low

☐ Affordable

☐ High

☐ Very High

18. Why did you opt for MFI rather than a bank loan? (Please give 3 reasons for your answer)

1.____

2.____

3.____

19. In which way did you make substantial gain since you joined URWEGO?

☐ Increased income

☐ Improved business skills (Indicate new acquired skills) ____________________

____

☐ Business expansion (From what to what? ____________________

20. What was your monthly income before joining URWEGO? __________ (Rwandan Francs)

21. What is your current monthly income? ____________________ (in Rwandan Francs)

22. Has your social life also improved?

☐ Yes

☐ No

23. Have you been able to enrol in the community health scheme facility?

☐ For All your family members

☐ For some of your family members

☐ None of your family members

24. To what extent do you think URWEGO has helped you to improve on the following aspects of your life (please tick appropriate box across every life aspect/indicator).

Indicator	**Worsened**	**Not changed**	**Improved**
1.Nutritional status			
2.Affording children's education			
3.Health care enrolment			
4.Housing/Shelter			

25. Would you say that URWEGO has been effective in improving your standard of life?

☐ Yes

☐ No

26. Did URWEGO give you the amount of loan that you needed to start/invest in your business?

☐ Yes

☐ No

27. Compared to commercial Banks, give your opinion on the rates of interest to URWEGO:

☐ Low

☐ Affordable

☐ High

☐ Very high

28. Are you comfortable with the current rate of interest to URWEGO?

☐ Yes

☐ No

29. If not comfortable, what interest would you wish to pay? ________________

30. What is the repayment period for the loan?

☐ Weekly

☐ Monthly

☐Quarterly

☐ Semi-annually

☐ Annually

31. Are you comfortable with this period of payment?

☐Yes

☐ No

32. If not comfortable, have you tried to have this repayment rate adjusted?

☐ I did not try

☐ I tried without success

☐I tried but paid with much interest

☐ I tried and was successful

33. If you had an alternative, would you opt for a MFI loan?

☐Yes

☐ No

34. In your opinion, how effective have MFIs generally been in alleviating poverty among Small Business Entrepreneurs in Rwanda?

☐ Not Effective

☐ Effective

☐ Very effective

35. For any option that you have chosen, please give 3 good reasons

1.____

2.____

3.____

36. What specific challenges do clients face in loan repayments?

☐ No regular visits from URWEGO Staff to our Business

☐ No forum for quick discussion with MFI Staff

☐ Lack of adequate communication channel between client and URWEGO

☐ Lack of flexibility when repayments cannot be made on time

☐ High interest rate making it difficult to pay back the loan

37. What challenges have you faced in dealing with URWEGO MFI?

☐ Lack of training/information on business area that a client has chosen

☐ Problem of geographical distance in accessing URWEGO Headquarters office

☐ Problem of safety to carry borrowed funds

☐ Shortcomings in the amount of funds allocated

☐ Lack of say in determination of repayments

☐ Difficulty in rescheduling loan repayments

38. According to you, what are some of the best strategies that URWEGO can use to help business entrepreneurs reduce poverty in Rwanda?

1.____

2.____

3.____

39. In your view, would you say that URWEGO has been successful in reducing poverty to recipient households?

☐ Yes

☐ No

40. Please give reasons for your answer:

1.____

2.____

3____

41. Overall, do you think MFI is the most appropriate way to reduce poverty?

☐ Yes

☐ No

42. Why? (Please give 3 reasons)

1. ____

2.____

3.____

Thank you so much for spending your time answering this questionnaire. I once again want to assure you that your information will be highly confidential and its use limited to academic purposes only.

Athanase Ndayisaba
Mobile Phone: 78 830 6242
Kigali- Rwanda

APPENDEX II: LOCAL LANGUAGE (KINYARWANDA) QUESTIONNAIRE

Bwana /Madamu!
Nitwa Ndayisaba Athanase, nkaba ndi Umunyeshuli muli Kaminuza ya Nairobi muli Kenya, mu Ishami ry' Imbonezamubano, nihugulira cyane ibijyanye n'Iterambere ry'Abikorera ku giti cyabo. Mu rwego rwo kwitegura kurangiza ikiciro cy'amashuli ndimo, ngomba gukora ubushakashatsi kubirebana n'imibereho y'abaturage. Nahisemo rero gukora ubwo bushakashatsi kubirebana n'inguzanyo zibyara inyungu zatanzwe n'IKIGEGA CY'IMARI ICIRIRITSE kitwa URWEGO hagati y'umwaka w'1997 na 2007. Ndabasaba kumfasha muli ubwo bushakashatsi musubiza ibibazo bikulikira kandi ndabizeza ko amakuru yose mumpa nzayagira ibanga nkayakoresha mubijyanye n'ubu bushakashatsi gusa. Mbaye mbashimiye inkunga yanyu muli iki gikorwa.

1. Amazina: ____

2. Imyaka y'amavuko: ________

3. Igitsina:

   ☐ Gabo

   ☐ Gore

4. Amashuli mwize:

   ☐ Ntayo

   ☐ Abanza

   ☐ Ayingoboka

   ☐ Ayisumbuye

   ☐ Kaminuza

   ☐ Ubundi bumenyi mufitiye impamyabumenyi ____________________

5. Andi mahugurwa yihaliye mwakulikiye? __________________

6. Imilimo yanyu y'ibanze ku buhe bucuruzi?

   ☐ Butiki (Ibyo mucuruza?)________________________________

   ☐ Iduka (Ibyo mucuruza?)________________________________

   ☐ Ibilibwa (Ibyo mucuruza?) ____________________________________

   ☐ Ubucuruzi by'ibyakoreshejwe (Caguwa?)______________________

   ☐ Ubucuruzi by'ibishyashya (Ibihe?) ___________________________

   ☐ Itumanaho ligezweho (Cyber cafe)

   ☐ Gutwara abantu (moto, minibisi, cg taxi)______________________________

7. Inguzanyo ya mbere y'URWEGO mwayihawe mu wuhe mwaka ? _____________

8. Mwahawe inguzanyo ingana iki? (Umubare w'amafaranga?)______________________

9. Mumaze guhabwa inguzanyo kangahe kandi muhabwa angahe?

- ☐ Inshuro 1 ingana na Frw__________________
- ☐ Inshuro 2 ingana na Frw______________ na Frw________________________
- ☐ Inshuro 3 ingana na Frw ___________, Frw___________ na Frw ___________
- ☐ Inshuro 4 yose hamwe amaze kuba Frw __________________________
- ☐ Inshuro zirenga eshanu yose hamwe amaze kuba Frw __________________

10. Inguzanyo wayihawe:

- ☐ Nk'umuntu ku giti cye
- ☐ Mu itsinda
- ☐ Mu ishyirahamwe

11. Inguzanyo izishyurwa:

- ☐ Nawe ubwawe
- ☐ N'itsinda
- ☐ N'ishyirahamwe

12. Inguzanyo wahawe wayikoresheje iki?

- ☐ Gukemura ibibazo byo murugo
- ☐ Kubaka umutungo kamere (uwuhe?)_____________________________________
- ☐ Nayishoye mu bucuruzi ____

13. Niba inguzanyo yawe warayishoye mu bucuruzi, ni ubuhe? _______________________

14. Igitekerezo cy'ubu bucuruzi cyavuye kuli nde?

- ☐ Kuli jye ubwange (Nyirubwite)
- ☐ Ku bakozi b'URWEGO
- ☐ Kuli bagenzi bange
- ☐ Ku bagize umuryango

15. Mbese inguzanyo wahawe yali ihagije kugufasha mu mushinga wawe w'ubucuruzi?

- ☐ Yego
- ☐ Oya

16. Inguzanyo wahawe yagombaga kunguka angahe ? (% ijanisha)___________

17. Gira icyo uvuga kuli iyi nyungu:

☐ Ni ntoya

☐ Iragerereanije

☐ Ni nini

☐ Ni nini cyane

18. Kuki wahisemo kuguza imari icililitse aho kuguza banki z'ubucuruzi? (impamvu 3)

1.____

2.____

3.____

19. Ni ilihe terambere mumaze kugeraho kuva aho muherewe inguzanyo n' URWEGO?

☐ Umutungo winjira waliyongereye kuva kuli Frw_________ Kugera Frw_________

☐ Ubumenyenyi mu bucuruzi bwaliyongereye (Vuga ubumenyi wungutse)

☐ Igishoro mu bucuruzi cyaliyongereye kuva Frw__________kugera Frw ___________

☐ Umutungo utimukanwa waliyongereye (isambu, inzu, ...)

20. Mbere yo gufata inguzanyo mu URWEGO winjizaga angahe ku kwezi? ________________

21. Kugeza ubu ushobora kwinjiza angahe ku kwezi?

____

22. Mbese imibereho yawe isanzwe nayo yaba yarahindutse?

☐ Yego

☐ Oya

23. Erekana uko URWEGO rwagufashije kugera kuli ibi bikulikira:

	Yarazambye	**Ntiyahindutse**	**Yarahindutse**
1.Imilire mu rugo			
2.Ububasha bwo kulihira abana amashuli			
3.Ubwisungane mu kwivuza			
4. Inzu/icumbi ry'umuryango bwite			

24. Ibikorwa byihaliye URWEGO rwagufashijemo?

- ☐ Inguzanyo
- ☐ Inama mu bucuruzi
- ☐ Amahugurwa
- ☐ Inguzanyo n'inama mu buruzi
- ☐ Inguzanyo n'amahugurwa
- ☐ Inguzanyo, amahugurwa n'inama mu bucuruzi
- ☐ Ibindi bikorwa (bivuge): ________________________________

25. Wemeza ko URWEGO rwagize uruhare ruhagije mu mibereho myiza y'umuryango wawe?

- ☐ Yego
- ☐ Oya

26. Waba wishimiye inyungu utanga ku nguzanyo uhabwa n' URWEGO?

- ☐ Yego
- ☐ Oya

27. Niba utayishimiye wifuza ko itarenga angahe?(%) ____________

28. Inguzanyo wahawe yishyurwa mu bihe byiciro?

- ☐ Buli cyumweru
- ☐ Buli byumweru 2
- ☐ Buli kwezi
- ☐ Buli gihembwe
- ☐ Buli mezi 6
- ☐ Buli mwaka

29. Waba wishimiye igihe uhabwa mu kwishyura inguzanyo?

- ☐Yego
- ☐ Oya

30. Niba utakishimiye, waba waragerageje gusaba ko cyongerwa?

- ☐ Sinigeze ngerageza
- ☐ Naragerageje ntibyagira icyo bitanga
- ☐ Naragerageje, aliko ndiha inyungu y'ikirenga
- ☐ Naragerageje kandi byarakunze

31. Uretse amaburakindi wumva wakomeza kwaka inguzanyo mu URWEGO?

☐Yego

☐ Oya

32. Utekereza ko Mikorofinanse zashoboje abikorera ku giti cyabo kurwanya ubukene?

☐ Ntabwo zashoboye

☐ Mbona zigerageza

☐ Ntekereza ko zarabishoboye

33. Tanga impamvu 3 zisobanura igisubizo cyawe

1.____

2.____

3.____

34. Ni izihe mbogamizi zihaliye muhura nazo mu kwishyura inguzanyo mwahawe?

☐ Ntabwo abakozi b'URWEGO basura kenshi ibikorwa byange

☐ Nta nama zihagije dukorana n'abakozi b'URWEGO

☐ Nta buryo bw'itumanaho litomoye hagati y'abakozi n'abakiliya b' URWEGO

☐ Nta mahirwe yo gusunika igihe cyo kwishyuliraho mu gihe ugize impamvu igutunguye

☐ Inyungu dutanga ku nguzanyo ikabije kuba nini

35. Ni izihe ngorane zihaliye muhura nazo mu mikoranire yanyu n'URWEGO?

☐ Nta mahugurwa duhabwa kubirebana n'umushinga w'ubucuruzi umuntu aba yahisemo

☐ Dukora urugendo rurerure tujya ku biro by'URWEGO gufata inguzanyo

☐ Nta mutekano uhagije mugihe dutwaye amafaranga tuyavana ku URWEGO

☐ Ntiduhabwa inguzanyo ihagije nkuko tuba tubyifuza

☐ Nta ruhare tugira mu kwemeza igihe ntarengwa cyo kwishyura inguzanyo

☐ Duhura n'ingorane nyinshi mu gusaba kongererwa igihe cyo kwishyura inguzanyo

36. Ni izihe ngamba zabashisha URWEGO gufasha abikorera kurwanya ubukene mu Rwanda?

1.____

2.____

3.____

37. Utekereza ko URWEGO rwafashije abantu kurwanya ubukene mu ngo zabo?

☐ Yego

☐ Oya

38. Tanga impamvu 3 zisobanura igitekerezo cyawe:

1.____

2.____

3____

39. Muli rusange utekereza ko MIKOROFINANSE ali yo nzira iboneye yo kurwanya ubukene?

☐ Yego

☐ Oya

40. Kuki? (Tanga impamvu 3)

1.____

2.____

3.____

Mbashimiye umwanya wanyu mumpaye kandi ndabizeza ko amakuru yose mwampaye nzayakoresha mu bijyanye n'ubushakashatsi bwange gusa.

Athanase Ndayisaba
0788306242

Appendix III: First Hypothesis Chi -Square Test Results

Initial loan group and business investment Cross tabulation					
			Was the loan sufficient for business investment		
			Yes	No	Total
Initial loan group	Less than 49000	Count	16	31	**47**
		Expected Count	19.1	27.9	**47**
	above 50000	Count	30	36	**66**
		Expected Count	26.9	39.1	**66**
Total		**Count**	**46**	**67**	**113**
		Expected Count	**46**	**67**	**113**

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	**1.481**[a]	1	**0.224**		
Continuity Correction[b]	1.046	1	0.306		
Likelihood Ratio	1.493	1	0.222		
Fisher's Exact Test				0.249	0.153
Linear-by-Linear Association	1.468	1	0.226		
N of Valid Cases	113				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 19.13.

b. Computed only for a 2x2 table

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	**Phi**	**-0.114**	0.224
	Cramer's V	0.114	0.224
N of Valid Cases		113	

Appendix IV: SECOND HYPOTHESIS TEST RESULTS

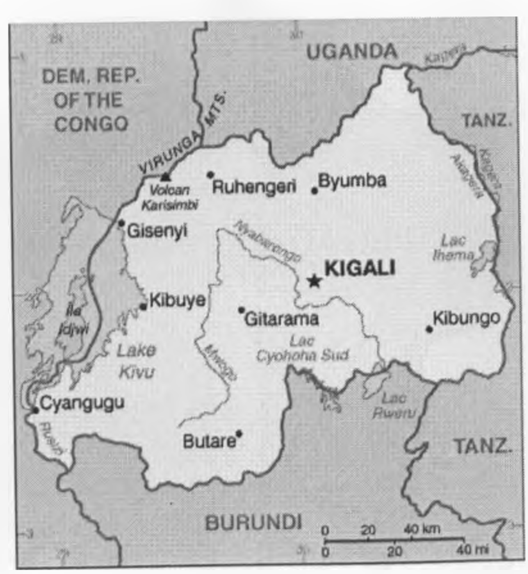
Accumulated loans and gender of respondents Cross tabulation					
			Gender of respondents		
			Male	Female	Total
Accumulated loans	Less than 490000	Count	15	49	64
		Expected Count	14.5	49.5	64
	above 500000	Count	11	40	51
		Expected Count	11.5	39.5	51
Total		Count	26	89	115
		Expected Count	26	89	115

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	**.057**[a]	1	**.812**		
Continuity Correction[b]	.000	1	.989		
Likelihood Ratio	.057	1	.812		
Fisher's Exact Test				1.000	.496
Linear-by-Linear Association	.056	1	.813		
N of Valid Cases	115				
a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.53.					
b. Computed only for a 2x2 table					

Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	**Phi**	**.022**	**.812**
	Cramer's V	.022	.812
N of Valid Cases		115	

APPENDIX V: RWANDA ADMINISTRATIVE MAP

Kigali City with its three districts in yellow colour



APPENDIX VI: KIGALI CAPITAL CITY- ADMINISTRATIVE MAP

Research was carried out in Kicukiro District