

# Contribution of Non-Governmental Organization's Financial Services on Social Economic Development in Rwanda: Case of Plan International's Village Saving and Loan Associations Project Model in Bugesera District

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**Abstract-** The study intended to assess the economic status of the beneficiaries of savings in the village and loans associations in Bugesera District, Rwanda. The researcher adopted the descriptive survey design because the study sought to gain insight or perception into a phenomenon as a way of providing basic information in the area of study. The study population was composed of 696 in total from which a sample size of 254 was calculated using Yamane formula. The researcher used structured questionnaire and interview to collect primary data. Data was analyzed into tables and graphs applying descriptive statistics (frequency, percentages and mean) using SPSS version 21.0. The results revealed that majority (94%) testified that VSLA's changed their lives and restored the community status. Findings also showed that 78% of participants mainly improved their agribusiness and livestock compared with before joining VSLAs, 8% were in the business activities, 6% participated in the government employee and 6% were in civil society and the rest 2% were engaged in the house keepers and tailoring activities. The VSLAs beneficiaries gained 26.99 % domestic animals such as goats and chicken, 6.9 percent gained home cows, 18 percent gained home beds, 18 percent mattress, 9% beneficiaries gained their own house, 7% of mobile phone, 6 % of mobile phone, 3 % of television, 3% owned bicycles, 2 % owned computers and 1% owned motorcycles. The achievements in terms of assets were improved compared with the conditions before entering in VSLAs. The recommendation is to sensitize all non VSLAs beneficiaries to join VSLAs. VSLAs are a good vehicle for mobilizing savings and improving the socioeconomic status of the participants. Therefore, more efforts should be made to ensure that these are well managed and that the beneficiaries are able to obtain maximum benefits of these associations. The Rwandan government should establish and formulate different policies to help VSLAs operations for sustainability of these informal financial institutions

**Index Terms-** Model of project, Social Economic Development, Village Savings and Loans Association, Rwanda

## I. INTRODUCTION

Most of the poor live in rural areas especially in developing countries where people do not find enough food, health facilities, and rely on subsistence agriculture (Conning, 2007). Moreover, these areas do not have financials, when financial institution are not available, households use informal mechanisms instead. The widespread use of ROSCAs, ASCAs, susu-collectors, and similar informal financial networks is a testament to this (Rutherford, 2001; Collins, et al., 2009).

Economic empowerment of African communities has been of a great concern to many International NGOs. All over the world all NGOs are seeking to empower communities through different project models. Some models like Village Savings Loans Associations (VSLAs) model are being used by Plan International to empower low income earning households. This is being done so that they may avoid creating dependency among those families and to help them cultivate the culture of saving as they sustain the interventions done by these NGOs so that there may be a positive impact on project performance. More than three quarters (¾) of the world population constitutes a much less fortunate group herein described as the low income earners (United Nations Conference on Trade and Development UNCTAD, 2019).

An initiative that is popular in Africa that brings together different people with intentions for savings is referred to as a saving group. There is flexibility in saving groups where by individuals freely join the group, there is also security of savings, any other type of savings is village savings initiated at the first time by Plan International.

According to Plan International (1991), information indicates that the group savings played a great role to create and to make follow up functions and bore suitable product. It sometimes demands loans or donations from abroad in order to be self-sufficient (Allen & Staehle, 2007) and this is common for ASCA (Accumulative Savings and Credit Associations).

The problems associated with poverty continue to increase in developing countries (World Bank, 1990), and this causes the inability to attain the expected standards of living. This is commonly identified by comparing the incomes and expenditures

and then classify different people in the groups of poor class or rich class. As a result, a large number of Micro Finance initiatives have been established as a worldwide economic empowerment strategy to enable the low income earners, individuals and households to have access to financial services. These provide vehicles where it is relatively easier to access credit as well as an avenue to saving services to reduce household poverty, improve human capabilities and to reduce extreme vulnerability among the poor (Stuart, 2011). Such people are in most instances unable to access or afford the services of big banks hence the timeliness of the VSLA which is an economic development approach intended to benefit low income earners, poor farmers and the marginalized groups like the women by providing them financial services, such as; savings, credit and of recent.

As social economic condition is defined as an economic and sociological combined total measure of a person's work experience of an individual's or family's economic and social position in relation to others, based on income, education, health, and occupation (Allen & Staehle, 2007), it is obvious that there is a positive relationship between Voluntary savings and loans and social economic status. Most of the population in Bugesera District continue to live in extreme poverty. This poverty is seen through diversified factors like small lands with poor fertility, ignorance, and the lack of family planning. From such situation, the consequences are low production, food insecurity, and malnutrition with disease related, joblessness, children dropouts from school, increasing number of street kids, crimes, reduced purchasing power, increasing number of HIV/AIDS patients, and decline of life expectancy. These problems negatively impact on the family income and hamper the quick and sustainable development. Despite this situation some of the opportunities helping to uproot such illustrious problems were set in terms of government policy to attend vulnerable people by grouping them into cooperatives, health insurances, and village saving and loans association sensitized and initiated by Plan International, in the context of combining efforts to improve lives and realize different income generating activities.

Access to finance is known to improve the socio-economic status of households by providing the households with disposable income to meet their basic needs (Collins, et al., 2009). Nevertheless, most of people living in rural and suburbs areas find it difficult to access and use financial services because any development start from the cities and reach the rural areas after (Daley, 2009). The VSLA model overcomes many of these obstacles and reaches the very poor and rural population better than formal, centralized microfinance institutions (Gugerty, 2007). Village saving and loan associations are autonomous and self-managing time-bound village savings and loans associations. Therefore, village savings and loan associations microfinance model is exclusively categorized under the community saving and credit groups that collect members saving to provide loan and small insurance services to its members. It essentially enables the poor to become their own bankers (Allen & Staehle, 2007).

Despite the huge budgets spent in community development projects, desired impact on project performance is not clear. International, government and non-governmental agencies realized more and more that the main reason of many unsuccessful development projects was (and still is) the lack of using sustainable project models in implementation of projects

(FAO,2011). World Vision (2010) revealed that the vulnerable families of the registered children have little or no shelter, inadequate food supply, their health is poor, they are unemployed and a few of their children drop out of school due to lack of school fees or other basic needs despite of World Vision having been in Rwanda for 20 years. The performance in all the projects implemented has been low compared to the budget spent every year.

The sustainable community development has been a crucial concern of government and NGOs by putting a lot of effort in empowering rural communities so that they can be self-reliant and able to replicate the project impact. To ensure a rapid growth of economy a series of policy were undertaken including working in associations and cooperatives for work effectiveness and fostering investment MINECOFIN (2013). Low income population however were refrained from. As reported by Rwanda Development Board (RDB), despite the contribution of Rwandan Government supported the establishment of Village Savings and loan associations as a way of providing financial accessibility to rural Rwandans who cannot afford big loans from the banking institutions in order to support their micro business, performance of SME's in the rural areas is still low (RDB report, 2014). Low income people have got very limited access to financial loans. They are incapable to endure microfinance's loan standards, broader collaterals and increasing interest rates refrain from loan access.

According to Sibomana and Shukla (2016), VSLAs have proven to be very effective in accelerating growth and building local capacity. VSLA members have access to highly responsive and safe financial services, and this enables them to upscale economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community. Non-governmental organizations engage in VSLA to organize low income generating communities to access money services. Plan International Rwanda has been supporting people to enhance social economic development through the establishment of Village Savings and Loan Association (VSLA).

However, the social economic impact of the community is still questionable and hence raising questions of why VSLA project model was introduced. For World Vision project performance is measured according to the people who are empowered by the project. Plan International has used different interventions to empower the communities among them linking the communities to Vision Finance Company to provide micro credits and saving services to enable the low income households to carry out the income generating activities and improve the living standards but providing financial services in remote areas remains a major challenge because of poor infrastructure (World Vision ,2012) thus most of the remote areas have no access to any formal financial services. The main purpose of this study is to assess the impact of village savings and loan association (VSLA) project model on social economic development in Rwanda, Case study of Plan International's VSLA project model in Bugesera District.

The general objective of the study is to investigate the impact of village savings and loan association (VSLA) project model on social economic development in Rwanda, Case of Plan

International's VSLA project model in Bugesera District was the general objective of this study.

### 1.3.2 Specific Objectives

- i. To assess the economic status of the beneficiaries of in Village saving and loans associations
- ii. To examine family social economic development for members of the Village saving and loans associations
- iii. To examine how VSLAs empower family towards enhancing risk management and resilience for households in BUGESERA District.

## II. LITERATURE REVIEW

### 2.1.1 Village savings and loan associations in Africa

At the first instance VSLAs was introduced by Plan International in the year of 1991 in Nigeria and later spread out in sixty-one countries in different continent such as Africa, Asia, and America whereby the active members are above six million (VSLA, 2015). This idea as from ROSCAs (Rotational Savings and Credit Associations) had the purpose to be improve the sustainability of the group through making essential funds and avoid the capture of some elites (Ksoll, et al., 2016); to make flexibility to them so that they can borrow at least three times of what they saved if there is an abundant money (Brannen, 2012; Ksoll, et al., 2016); as well as to persuade the members of the community whose income is low to save, the borrowers in VSLAs pay interests for the money they borrow to the rest of the group members, this encourages those who invest more and discourages those who borrow money for nothing or for non-productive activities (Brannen, 2012) which is different from ROSCAs. ROSCAs develop itself with no external facilities. After having meetings in each targeted village the agents of VSLAs facilitates the training. In the beginning there a visit for every week in the three first months for the groups. Savings, credit and insurance are three products of group work in VSLAs. Money for savings is collected in each meeting done every week and it is compulsory to all members. Buying one share a week for every member is a must the maximum shares are only five. The value of share is designed by the group members and it is written in the regulations (Ksoll, et al., 2016; Allen, 2002). If individuals, ask the amount of money that it is beyond the amount saved the group take decision of who should get money according to prescribed rules of the group.

The rate of interest is also decided by the group (Klonner, 2008). For Rwandan government any money borrowed is charged 10 percent or thirty percent of interest. The regulations on how the loans should be given are set by the institutions (Ksoll, et al., 2016).

The group should decide on fines to any late payment of loans appropriately as it can cause the households to suffer much. To be late to pay is considered as embarrassing situation (Allen & Staehle, 2007). The highest rate of interest is 4 to 5 per month. The interest on savings is lower to the interest from loans, this is because all the savings are not borrowed always so that the interest may be collected all the time. By the end of the year the members of the group may decide to quit or to remain in the group according to his/her own understanding and the group also may decide to chase away a member due to the behavior issues and may also

decide to welcome another new member in the group (Ksoll, et al., 2016)

### 2.1.2 The VSLAs project model as NGO's financial services

The commonly known informal financial system all over the world is VSLA. It starts by collecting the share of all members in every months and gives all the money collected to one member of the group (ID, 2012). The person to receive the money is determined by the rotation that ensures that no member is substituted without receiving money. The group members who live in the same area meet together to make a meeting on the use of loans. According to Anderson and Baland (2002) the meeting continues to happen until each member receives the money contributed. The meeting process repeats itself until each member has received the pot (Anderson & Baland, 2002). In summary in the VSLAs the members contribute the same amount of money and every member get the sum of collected money at time.

Due to the sparse populations in Africa, the highest level of illiteracy, HIV and chronicle diseases, it looks prohibitive to bring the cost of micro-finance. The VSLAs resolved the problems related to poverty in rural areas more than the formal financial services. It helps the population to be their own banks (CARE, 2004). VSLAs do not require loans or donations from external, it is self-sufficient. All its activities are informal. It is different from SACCO (saving and credit cooperative), it does not receive funds from external and it is not registered in the government as it does not give taxes. VSLAs do not prevent flexibility to ask loans and flexibility in repayment conditions so that the clients can find it difficult to pay. The number between fifteen and thirty of population can form the small group who save their little amount of money each week (Allen, 2002).

After many months when the group has accumulated the savings of shares, it can initiate the activity of giving loans. Any member has right to get loan from the savings no matter how much money he/she saved but again no one is allowed to exceed three times of his/her savings. All the loans here are in short-term type at least one month and the rate of interest should not go beyond 5 percent per month. This is at the lower level compared to other institutions that give loans and charge thirty percent per month (Mutesira, 1998). Any group must be capable of setting the terms of paying and ensures that any late return is not fined as it may annoy many members. On agreed date by the end of the year the money sayings may be shared by the group members, each member get money according to his/her savings.

When the representatives of the families misuse the money the borrowed for useless things, it causes a big loss and trouble for the whole family for example the wives are forced to sell their possession to make the family survive in order to pay the debt again it forces them to ask for another loan somewhere else to pay another this undermines greatly the economic development of the family and discourages the all members to work. Analysis showed that loans for women are used carelessly by their men and this makes problems in the period of repayment. Misunderstanding amongst the family members to use the microcredit systems depends on their different understandings and the mindset they have about the role of microcredit programs in the raise of family economy. For instance, the saying that micro-finance has the great impact on the poverty reduction in the households based on the indicators from different families as explained by different researchers. The reason which is very logical is that if the poorer

is able to ask for loan and makes sure that he/she repays the interests on time, he/she also learns the management skills for small businesses or the management of the few resources they have it is also the way of empowering themselves in the management process. Nevertheless, there is a discussion on whether the financial indicators reflect on who plays a great role among the household expenditures and good resources management so that once a loan is given to the family there is an individual who is supposed to be responsible more than others (Brody, et al., 2006).

### 2.1.6 Socio-economic development

This was used to mean economic and social and economic development. Burkey (2004) said that economic development in Uganda, especially rural areas refers to the level of life people have that allow them to live well and have the savings for example if the family's economic activity is agriculture, it will have what to eat and reserve some for selling. There is a positive correlation between microcredit and development of community. Microcredit has great effects on the socio-economic development, there should be the promotion of microcredit among people (White, 1992). Microcredit has a big role on the eradication of poverty by creating financial opportunity and equipping poor people with the skills to fight against poverty.

It is commonly known that the family income affects the education of children in the family because if the income is very low children do not even have enough materials to go to school and then paying for them school fees is more likely impossible. Family's income also affects other areas for example finding the needs of children such as food, shelter. Poor water and clothes, this causes many families to start abusing their children in early age by engaging them in the forced labor. Different studies interested to find out whether the families who involve in income generating activities, savings and other financial services fall above or below the lines of poverty. The findings shows that in the communities where VSLAs program is advanced there is high level of savings and taking out money as loans comparing to the areas where VSLAs is not there (Beaman, Karlan & Thuysbaert, 2014).

Participation of people in VSLAs helped them to escape poverty and become rich in the most of rural areas in Burundi (Bunder, 2012). The families' assets as well as the wellbeing of children improved as it was explained by different parents and children from the families that profit from VSLA. There is an increment in family livestock, development of agriculture and improvement of general income in the families that involve in VSLA (IPA, 2014). Controlling the villages is of the strategies to mitigate the risks that may raise in economy, this also includes control of migration of different households. Based on the evidence the researchers showed that even if there is slow improvement but again it is not static, comparing to the previous years there is an indicator that savings group improved the lives of people.

In few words several findings show that there is an improved life among the saving group members. There is a convincing evidence in Burundi about the improvement of economy due to the saving group membership. Many researchers focus on the recent group savings and compare the starting savings and where their members are now (Bunder, 2012). Moreover, the

newly created business may fail as the same way it can succeed, like Karl (2012), showed that one generating activity does not produce the same results every time due to difference factors. The financial development and well management is the most important for many ways such as in education as well as in other sectors.

## 2.2 Empirical Literature

VSLAs is brought to people in the rural areas where having access to formal financial services is a problem in order to help to improve the economy and practice financial services informally. Nevertheless, the effects of the VSLAs has been scattered all over the world. In Rwanda, Plan International in the collaboration of the government and other stakeholders worked with population in the rural areas to develop this system and now it is at the level which is appreciable. The promotion of the group members has led to the improvement of the economy of different group members and then their life are now better compared to the previous one. In the families experienced the kind of drought the VSLAs guided them to come out from the dangerous problem they should suffer with for a long time. But the researcher was not able to find out the level at which the VSLAs affected the live of members and the level of the self-reliant they have achieved, what identified is only the impact in general.

The poor are able to take financial decisions which are complex and are able to use the limited resources they have to meet their all needs, they are able to use all the available opportunities in maximum ways. The focus is to improve to health conditions of poor by helping them to get what they need in easy ways (Yunus, 2008).

By using formal financial services together with informal services the non-governmental organizations start to promote financial savings of individuals in the rural areas. The group savings depends on the starting organizations to implement VSLAs, however this formal financial services start without enough funds but gradually improves (Mohmed, 2002). The abilities of people in rural areas, to participate in economic development of the country starting from the development of the household is called economic empowerment (Eyben, 2009). Empowerment in economy improves the abilities of poor to have access to the economy, techniques for saving, initiating the income generating activities, etc. social and economic development is the best in ensuring the well-being of families.

## 2.4 Theoretical framework

### 2.4.1 Finance Growth Theory

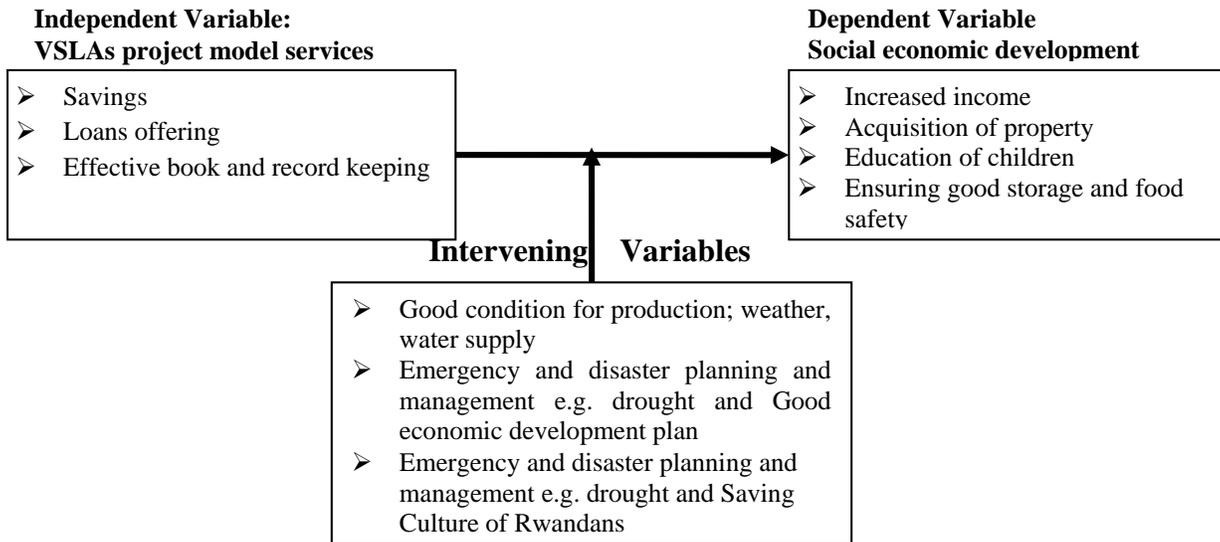
In this study the researcher wanted to have access to the accessibility and effects of economic inclusion. It means being served by the financial programs as an individual. If one does not use financial services or products that are used by others, it is known as financial discrimination (Fin Scope, 2013). It is known that according to different theories inequality to access to financial services leads to the imbalance in economy and slow income generating activities which results to poverty. Contrary have equal opportunities to access financial services leads to the flexibility, hardworking and courage for better future. As for this study financial services will have independent variables, which is financial services qualities and utilization of it to have influence and describe the dependent variables of financial groups which are

marginalized. As VSLAs is affordable and productive most of people strive to join it.

### 2.4.2 The Social Wealth Theory

This social theory according to Putan (1993) derives from social capital that is the institutions and the social relations, behavior and various that rule the people in the social and economic development. It is therefore considered as the sources of welfare.

### 2.5 Conceptual framework



**Figure 1: Conceptual framework**  
**Source: The researcher, 2020**

Lack of loan and saving facilities in rural areas encouraged VSLAs. When people do not have ways to benefit from formal financial services, the VSLAs is the most one thing they do and survive as if they access financial services. The most strategies to be used is first to engage people in the activities and be responsible of activities and beneficiaries at the same time, another big thing is to make them more self-reliant (IPA, 2016). The main idea of VLAS is that the loan will help in economic development by creating small businesses, by managing the limited resources and avoiding unnecessary expenditures. The most reliable measure of economy is expenditure of consumptions. Therefore we use consumptions expenditures to analyze the welfare. VSLAs have the great impact on the nutrition and well-being of people in Rwanda.

## III. METHODOLOGY

### 3.1. Research Design

Tromp and Kombo (2006), defines research design as the scheme which is outlined and planned to provide the responses to the researcher’s problem. The research design can be seen as the organization of the collection of some data characteristics and the conditions by analyzing the data in the ways that aim combining relevant to the research objective. As the researcher Kothari (2004) said, “the research design is said to be the action plan of the data collection, organization and analyzing them”. In this research, descriptive design was used as an approach which use both qualitative and quantitative methods.

### 3.2 Target population and Sampling design

According to Burns and Groves (1993), a target population refers to the elements representing the individual, things, and objects of event and situation which have some sample of the same criteria. The researcher has chosen the population which was 15 E.S Sectors, 75 E.S Cells, 15 Entrepreneurship, cooperatives, and business promotion officer at sector level which are in charge of VSLAs at local government level, 11 Plan International staff and 580 beneficiaries of VSLAs supported by Plan International.

As Denscombe (2008) asserted, the sample must be carefully selected to be representing the whole population to provide the information that can scientifically be tested. To select VSLA members, the random sampling techniques was used and, simple stratified sampling used by selecting the respondents to the side of the leaders and was selected purposely. The number of the respondents was determined using the Yamane (1967) formula:

$$n = \frac{N}{1 + Ne^2} = \frac{696}{1 + 696 * 0.05^2} \approx 254$$

**Table 1: Targeted population and sample size**

Group of respondents	Targeted population	Sample size
E.S Sectors	15	6
E.S Cells	75	27
E.C.B.P officer	15	6

VSLAs Beneficiaries	580	211
Plan International officer	11	4
Total	696	254

Source: Researcher (2020)

### 3.4. Data Collection and Analysis

The methods of collecting data are described as the process of preparing and organizing the information or data (Burns & Grove, 1993). The researcher used the questionnaires and the guided interview. The questionnaires were the basic instruments of collecting data in this research which were structured, and self-administered. The researcher designed questionnaires for the VSLAs beneficiaries. These structured questionnaires administered to this category of respondents whose views, opinions and attitudes on how VSLAs affect the social economic development. The interview was utilized to collect the information form Entrepreneurship, cooperatives, and business promotion officer, E.S for both sectors and Cells and for Plan International due to their number is limited and their time.

The data analysis procedures involve scrutinizing of the acquired information and making inference as said by Kombo and Trompo (2006). The data collected was according to the objectives of the study. Thorough the description of the informants the data was categorized and analyzed using SPSS version 21.0 and was presented in percentages and tables as well as graphics and averages in order to get the research findings correctly and specific.

## IV. FINDINGS AND DISCUSSIONS

### 4.1 Social Demographic Characteristics of the Respondents

The section shows the background of the respondents according to their categories such as age, family status, and gender. The total number of the respondents was 254 and they were made up of 6 E.S Sectors, 6 E.C.B.P officers, 27 E.S Cells, 4 Plan International officers and 211 VSLA's members. The

response from the field were the village and saving loan associations' members who were involved in different activities of the associations of two years and more. The background of the village and saving loan associations members were contributed for assessing how they are affected significantly towards their social economic development.

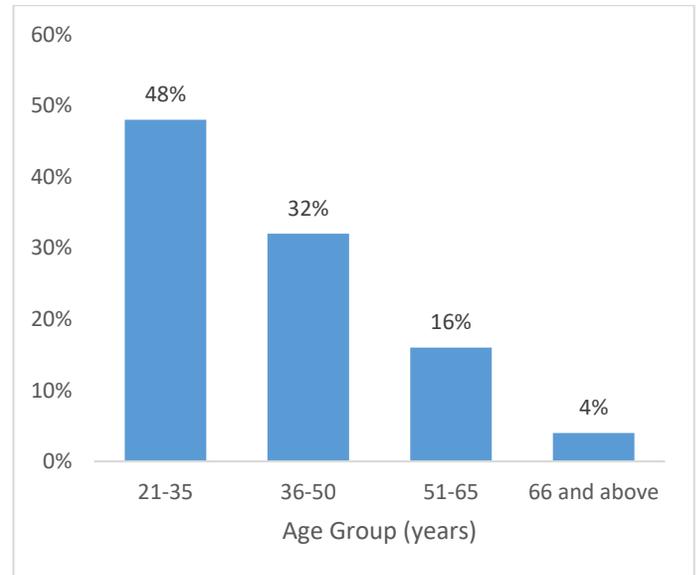


Figure 2: Age of Respondents

Source: Field data, 2020

Figure 2 shows that 48% of participants were in age of 21 and 35 years level of 32% of the participants were in age of 36 and 50 years, and 16% were in age of 51 and 65 years. It indicates the aged members, they are more in economic activities and more productive with the comparison of other people. The VSLA's beneficiaries aged of 66 years and beyond cover 4% of participants. The case of our country Rwanda, the starting years of retirement were at 65 years and it is also normal to check out different population among the members in VSLA's works.

Table 2: Statistics of gender of respondents

Respondent	ES SEC	ESCELL	ECBP OFFICER	P.I OFFICER	VSLA's BENEFICIARIES	%
Female	5	17	2	3	119	58.66
Male	1	10	4	1	92	41.34
Total	6	27	6	4	211	100

Source: Field data, 2020

The research findings on gender of respondents are summarized in Table 2. represented the distribution of 254 and they were made of 6 E.S Sectors, 6 E.C.B.P officers, 27 E.S Cells, 4 Plan International officers and 211 VSLA's Beneficiaries so the majority of participants were female with percentage of 58.66 % due to the comparison of percentage of males which is about 41.34%. This indicate that most women were participated in VSLA's works than the male participants. Due to the role played in social economic developments of the country and due to the consequence caused by 1994 genocide of Tutsi, there was big number of women compared with the number of males in Rwanda. And most of the participants were the winners of the households;

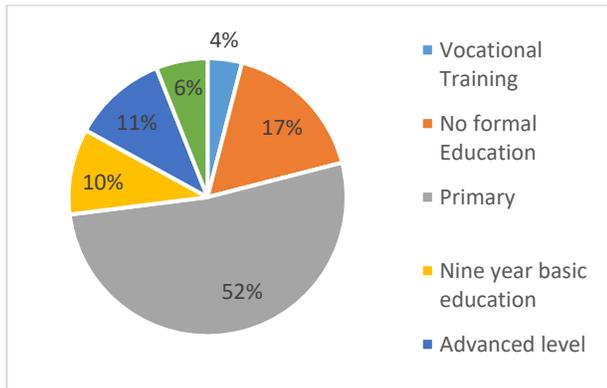
hence involving in VSLA's works. In Rwanda and in others country in this world, the saving and cumulative associations were performed to reduce the scarcity and promote economy.

Table 3: Marital status of the respondents

Status	Respondents	Percentage
married	151	71.56
widowed	28	13.27
divorced	7	3.31
single	25	11.84
Total	211	100

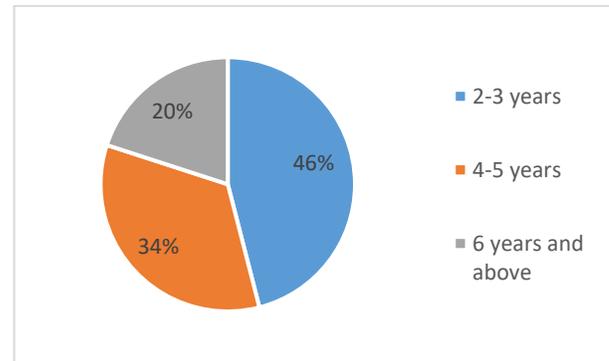
Source: field data, 2020

The results revealed that 71.56% of the participants had already married, 13.27% of participants were widowed, 11.84% were still singles and the divorce level were 3.31%. The data collected from the participants were the large amount of VSLA's beneficiaries had already married this shows that it indicated they impacted toward social economic developments at their home level.



**Figure 3: Educational level of respondents**  
Source:field data, 2020

Profitable works improvement is better enforced through education system. It is indicated in Figure 3 where 52% of research participants had passed primary education, 6% of respondents also attend university education, 17% of participants had not formally educated lastly the 10% of the participants passed 9 year basic education and 4% attended vocational training and finally 11% of the respondents attended fully secondary education. The results revealed that all categories of education were involved in VSLA's means there is no education characteristics to enter in VSLA's group and indicated that each individual people is welcomed to participate in VSLA's as members of it means everyone has all priority to join the VSLA's with commitments. The empowerment of VSLA's beneficiaries and their integrity capacity in the region where they live compared with their capacity of reading and writing then all populations had presented in VSLA's (Benda, 2012). The particular groups are not involved in VSLA's activities are those people who can afford their contribution towards their community due to their misbehaviors this indicated that VSLA's is include everyone. Generally the commitment of each people to join the VSLA changed positively their condition of living and particularly their social and economic developments. The evaluations are concerned on the experience of VSLA's membership in the participation of saving and credit association works.



**Figure 4: Experience in VSLA's activities**  
Source:field data,2020

The results revealed in this study indicated that 46% of the participants has been VSLA's beneficiaries of the 2 to 3 years, 34% of respondents had been VSLA's beneficiaries for the 4 to 5 years while 20% of respondents have been VSLA's beneficiaries 6 years and above. The reason why the large people of VSLA's beneficiaries who have been actively participated in VSLA's activities for 5 years and below due to the improvements shown by the oldest VSLA's members had been in activities for only 11 years, the first beneficiaries have begun in 2006.the model utilized by VSLA's beneficiaries were also related with this

## 4.2 Presentation of Findings

### 4.2.1 The economic status of the beneficiaries of VSLAs

The national economic development in Rwanda were practically impacted with the political challenges and different civil war in the age of 1990's and the genocide against Tutsi of 1994 and population faced with the consequences. The Rwanda bank events and increase widows and orphans' vulnerability Table 4 had revealed that 16% of participants widows confirming a deplorably and vulnerable one in Bugesera District. Also a high of density have high sector of rural regions like Ngeruka and Juru.

In the rural areas, population had not enough farms to provide them adequately for their households. Example the research showed the inclusion of the beneficiaries before entering in VSLA, each respondents said "I feel lonely after losing my husband the world was huge for me, the life showed the very big challenge because we were renting house therefore I can't know how people like me could perform a business with absence of husband, i decided to mind hardly and work effectively in order to feed and pay education tuition fees to my 3 children, after that received a message from my colleagues about VSLA and I decided to be a part of them in the group of 30 beneficiaries where each member provide 400 frw per week after 6 months I applied the loan from the group where I took 30000 for creating a small business of fruits and all my mind was changed completely in the reality of business, thus I build my house, all children succeeded their education generally I found VSLA is a good rich family (Respondents, May, 2019)"

Due to testimonies from the respondents VSLA's created the relationship and friendship and lives of the member were changed positively in social interactions after joining VSLA's. The results from interviews of VSLA's beneficiaries and authorities revealed that the community of vulnerable group and marginalized people because of the 1994 genocide against Tutsi, many people lost their

important relatives, friends, parents as well as siblings then the VSLA become healthy after joining VSLAs. For the context of social insecurity also noted that different people made issues including the safety needs, fears and dependence syndrome sprits which has a big number of participants. It needs the rebuild more confidence, reconstructions of self-reliance in the community participants in right ways. The results reveled that VSLA's their majority (94%) testified that VSLA's changed their lives and restore the community status. the research indicated the joining VSLAs had improved different facilities such as insurance of health, provision of electricity and water tapped for VSLAs beneficiaries.

The study shown that 33% of participants include the VSLA beneficiaries who accessed the electricity in the home, 21% accessed the tapped water and 80% of them accessed the healthy insurance specifically the mutuelle de santé. Table 4 findings shown that 78% of participants mainly improved their agribusiness and livestock compared with the before joining VSLAs, the 8% were in the business activities, 6% were participated in the government employee and 6% were in civil society and the rest one 2% were engaged in the house keepers and tailoring activities, Table 4 shows the findings of the study how the participants access different facilities.

**Table 4: Descriptive Statistics of responses**

Facilities	SD	%	D	%	N	%	A	%	SA	%	Mean	Std. De
Business	2	1.01	4	2.02	15	7.5	9	4.5	168	84.97	4.2828	1.29458
Farming and livestock keeping	1	0.5	5	2.52	8	4.04	14	7.07	170	85.87	3.1919	1.79495
Government employment	2	1.01	5	2.02	11	5.55	10	5.05	170	85.87	4.2475	1.23172
Private sector employment	4	2.02	3	1.51	12	6.06	138	69.69	41	20.72	4.6515	.82768
Domestic animals husbandry	5	2.52	5	2.52	5	2.52	26	13.13	157	79.31	4.241	.81381
Other facilities	4	2.02	4	2.02	5	2.52	21	10.6	164	82.84	4.5909	1.07549

Source:field data,2020

**4.2.2 The social economic development for members of VSLA**

Through VSLAs, beneficiaries were engaged in the saving of tangible assets to change their development background. Table 5 shows the information for assets which were gained after participating in VSLA's. The VSLAs beneficiaries gained 26.99 % domestic animals such as goats and chicken,6.9 percent of home cows,18 percent of home beds,18 percent mattress, 9% beneficiaries gained their own house,7% of mobile phone,6 % of mobile phone, 3 % of television possessors, 3% bicycles, 2 % owned computers and 1% for motorcycles. The achievements in terms of assets were improved compared with the conditions before entering in VSLAs. In the developments of Rwanda cows indicated the rich people in this regards the governments adopted different programme like Girinka means have a cow to the poor people to enhance their life condition in term of drinking milk produced and improve the agriculture based on fertilization in their farms. the respondents owned their adequate home house in Rwanda community, it gives a very big value to owner means that the beneficiaries identified itself in the poorest based on ubudehe program therefore VSLAs were improved the life conditions of beneficiaries' property in order they access the how they fight against the poverty and improved welfare. The study revealed that when using paired sample T-test, this one is helpful to find if participation in VSLAs facilitate the beneficiaries to acquire more property or assets.

Table 5 indicate the order of the improvement made by the VSLAs beneficiaries in possession of properties after joining VSLAs. The study shown the cows before and after join of VSLAs by using paired t-test with degree of freedom of 99 equalized with 4.734 where P-value were 0.0000 that were not beyond of 0.05 with the confidence level of 95%,the lower were 0.192 and the

upper one were 0.468. The assumption of possession of cows were not improved after joining VSLAs were rejected which is not confirmed in the findings where it indicated that there is statistically significant in means cows after beneficiaries joined. For the domestic animals possessions after and before participating in VSLAs at 95 percent of level of confidence where the interval is 1.368 and 3.032 and t-test of 99 were equalized with 5.246 with 0.000 of P-value not greater than 0.05 .in this regard the domestic animals were confirmed that they were improved in domestic animals after joining VSLAs indicating that after joining which is statistically difference in possession means the VSLAs influenced the member to get the domestic animals in advance compared with the existed situation before joining VSLAs.

For owning the motorcycle after and before joining VSLAs the P-value were 0.045 in the range of less than 0.05 with the interval Of 0.001 and 0.079 and t-test of 2.031 and the mean value of having motorcycles for beneficiaries the findings shown that owning motorcycle after and before joining VSLAs were improved, thus there was a statistical significant difference means owning motorcycle had increased after joining the VSLAs, the same case for bicycles increased and the findings revealed that bicycles is very important tools used in domestic activities especially in Bugesera district

The material improved also after joining VSLAs compared with the situation of before joining VSLAs which means that the possession of radios was improved at level of confidence 95% with the P-value of 0.0000 not less 0.05 with the interval of 0.107 and 0.273 accordance with t-test of 4.533, the possession of radio were increased after joining VSLAs. Generally, the owning different assets for VSLAs beneficiaries were improved in their everyday life as it indicated in Table 5.

**Table 5: Members improvement in assets possession after they joined the VSLAs**

Assets acquired after and before Joining the VSLA	TEST VALUE						Mean	Std. Deviation	Std. Error Mean
	t	df	Sig. (2-tailed)	Mean Diff	95% Confidence Interval of the Difference				
					Lower	Upper			
Cow after VSLA - cow before VSLA	66.906	211	.000	3.70202	3.5929	3.8111	4.7020	.77858	.05533
Other domestic animals after VSLA - other domestic animals before VSLA	76.088	211	.000	3.75253	3.6553	3.8498	4.7525	.69397	.04932
Motorcycle owned after joining VSLA - motorcycle owned before joining VSLA	68.338	211	.000	3.72222	3.6148	3.8296	4.7222	.76643	.05447
Bicycle owned after joining VSLA - bicycle owned before joining VSLA	60.230	211	.000	3.05556	2.9555	3.1556	4.0556	.71385	.05073
Radio owned after joining VSLA - radio owned before joining VSLA	59.613	211	.000	3.64141	3.5210	3.7619	4.6414	.85953	.06108
Television owned after joining VSLA- television owned before joining VSLA	65.813	211	.000	3.70202	3.5911	3.8130	4.7020	.79151	.05625
Cell phone owned after joining VSLA - cell phone owned before joining VSLA	61.523	211	.000	3.67677	3.5589	3.7946	4.6768	.84094	.05976
Computer owned after joining VSLA - computer owned before joining VSLA	35.682	211	.000	3.28283	3.1014	3.4643	4.2828	1.29458	.09200
Bed owned after joining VSLA - bed owned before joining VSLA	17.183	211	.000	2.19192	1.9404	2.4435	3.1919	1.79495	.12756
Mattress owned after joining VSLA - mattress owned before joining VSLA	37.099	211	.000	3.24747	3.0749	3.4201	4.2475	1.23172	.08753
House owned after joining VSLA - house owned before joining VSLA	62.079	211	.000	3.6515152	3.535517	3.767514	4.651515E0	.8276765	.0588204

Source: Field data, 2020

As it designated in Table 5, the paired sample t-test were accurate to measure the improvement before after joining VSLAs, the beneficiaries increased and statistically significant, then the study proved that welfare of VSLAs beneficiaries increased their assets as it is shown Table 5.

**4.2 3 Empower family towards enhancing risk management and resilience for households**

Table 6 shows that 94% of participants agreed that they improved in 12 past months while 6% did not agree with the statements. Therefore, the participants accepted that VSLAs impacted their social economic developments for improvements. The discussion revealed that VSLAs helped beneficiaries to

increase their source of income for the purpose of enhancing the quality of life, for the mean participants indicated many things that VSLAs provided to the beneficiaries on social economic development such as empower women to equip their house (households) and for men changed their mindsets and economically the family generated the income in different s assets (one Cell leader, 2019).

The t-test used for one sample test, the level of confidence was 95% and lower interval were 0.89 and 0.99 as upper level with the degree of accuracy of 99 which is equivalent to 39.392 at P-value of 0.000 which less than 0.05, the findings confirmed VSLAs indicated that it has very positive changes towards their welfare situation as it is indicated in Table 6.

**Table 6: Improvements tested by using T-test one sample test**

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Empower family towards enhancing risk management and resilience for households	96.365	211	.000	4.75253	4.6553	4.8498

**4.4 Challenges on Loan Repayment**

About 89% repay their loans, while 11% had different reasons showing why they did not repay the loans taken from VSLAs. The different reasons given by the respondents are as shown below:

**Long period of sickness**

Some borrowers gave the reason that they were sick soon after taking a loan. This situation affected members in repayment of their loans. It is in line with what Medibank (2011) has reported that, “illness has a direct effect on both the quality and quantity of work undertaken.” Therefore, a long period of absence also can lower self-confidence and reduce the efficiency of the business. The information given by one Plan International officer supported this where he had to say,

“When a VSLA member with a loan is sick for a long period, it is very difficult for him/her to pay back that loan; some prefer to drop out from their group.” (One of Plan officer, 27 April, 2019)

It is understandable that the sickness costs a lot of money for medical expenses. However, it cannot be a reason to drop out

from the group. For a person with integrity, may ask a favor to his/her VSLA for an extra time of repayment. Otherwise, dropping out from the group with loan it is another issue on both sides; to the borrower and to the financial institution.

**Poor project management**

Some of VSLA members are not knowledgeable and take loans with poorly planned projects especially those who use VSLAs as their model of savings. This model is used like a lottery and in this logic none can guess who will pick the right number. As Truman (2017) stated that:

“Project management is a set of principles, the application of knowledge, skills, tools, and techniques to project activities to meet project requirements through an integration of the project management processes. These include: initiating, planning, executing, monitoring and controlling and closing.”

Thus, all these principles and processes are in general unknown to VSLA members since most of them have no skills about project. Once a person gets an idea about what to do, she/he immediately takes a loan from VSLAs which can be easily misused for different purposes forgetting that it was a loan to be repaid later. In the end, single non repayment of loan may affect all VSLA members and end up by failing the VSLAs’ operations.

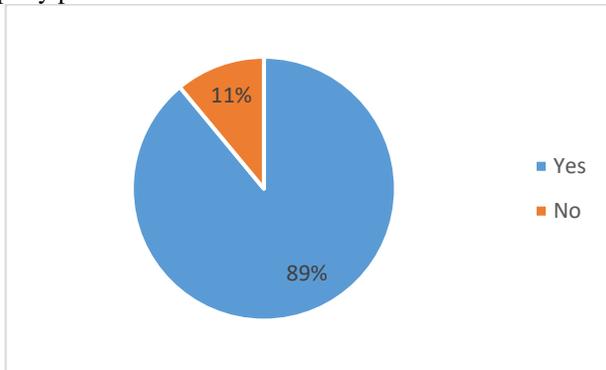
**The presence of defaulters**

Freedom from solid internal regulations allows VSLA’s greater flexibility because they rely on trust and forget about sanction and mechanisms to reduce the risk of lending. This implies that some VSLA members called “*babihemu*” means “defaulters” join VSLAs just to take loans and soon after that they disappear from the group. This is in line with what Keitany (2011) reported that, failure to pay loans poses the greatest risk to stability of the multi-billion savings and credit co-operative societies (SACCOs). This is why the issue of defaulting in VSLAs becomes a big issue because into the collapsing of VSLAs due to the lack of funds for guarantee like in formal financial institutions. In addition, the information given from FGD and interviews showed that, many VSLAs collapsed because of different challenges faced in loan repayment. Some of the non-VSLA members who were interviewed highlighted these challenges as their main reason of dropping out of these VSLAs.

**Gender issues/decision-maker in the household**

During this study, the interviewees pointed out few VSLA members face some challenges of misunderstanding between husbands and wives. It often happens that when the wives take loans from VSLAs, their husband may misuse the money since they consider themselves to be decision makers. As it was defined by Khamati-Njenga (2002) Gender is “a concept which refers to a system of socially defined roles, privileges, attributes and relationships between men and women which are learned and not biologically determined.” Therefore, gender roles shape an identity to the person, that is, determines how people perceive, how they are expected to think and act as female or male. Other researcher emphasizes this point by arguing that, “Roscas represent an empowering tool, especially for marginal and vulnerable people. The funds women receive are used in solving household problems and reduces dependence to their husbands” (Benda (2012). Therefore, the loans obtained from VSLAs might

be well managed by both sides (husbands and wives). This is in line with what another researcher who has reported that, “It is helpful for borrowers to remember that a loan is not an asset: it is a liability that must be repaid, and when it is taken out a period of time must elapse before a return is generated.” (Allen, 2002) This means that, a loan can increase risks to livelihoods of the borrowers when it is badly managed. Normally, before anyone takes out a loan, he/she may calculate the probability of being able to pay it back; but the higher the probability, the higher the risks are elevated. When the VSLA members were asked about their loan repayment status, the majority (89%) testified that the loan is properly paid.



**Figure 5: Repayment of loan taken from VSLAs**  
Source: field data, 2020

Additional information about the challenges of loan repayment was also highlighted by one of the Cell leaders as he had to say the words summarized as: In general, VSLA members repaid well their loans but the problem was still in the management of VSLAs. There is a misbehavior of few VSLA leaders who take advantage of the ignorance of their members and misuse their savings. Some VSLA members take loans without a sustainable project or a well-planned income generating project, other VSLA members participate in different VSLAs; hence they take that opportunity to obtain multi loans from different sources and their repayment becomes a challenge. Also, the VSLA members should build trustworthiness among themselves before creating savings groups. This means that they should know each other and create solid internal regulations before taking any action because there is no particular government policy covering VSLA members and their savings.” (One cell leader, 25April, 2019)  
Generally, VSLAs mobilize relatively small funds while contributing to positive subjective perception as well, thus fostering further members’ welfare because of their production and reproduction of values. They also have a say on social aspects such as friendship, networks, mutual support and entrepreneurial skills development and thus have significant contribution to members in particular and to the community development at the large.

## V. CONCLUSIONS AND RECOMMENDATIONS

The study objective was to analyze the effect of VSLAs towards beneficiaries’ economic achievements. This research was also governed by the theory of social wealth and finance. Those two theories linked with the results of the study on social economic

status. The results showed that beneficiaries financially improved after joining VSLAs. VSLAs beneficiaries managed to obtain loan for different objectives, for instance, for gaining education, house facilitation, food accessibility, access of health insurance and improving at the access of assets possessions. Hence, they are able to improve their socioeconomic wellbeing.

## Recommendations

The recommendations were drawn to the VSLAs beneficiaries

- Mobilization to be done for the young people because it is important towards the Rwandan communities and VSLAs to influence the young generation to embrace the culture of savings.
- VSLAs are a good vehicle to empower the vulnerable people especially the poor and women. The recommendation is to sensitize all non VSLAs beneficiaries to join VSLAs
- There is need to improve internal regulations as rules of all VSLAs beneficiaries before any operations such as establishments of report and monitoring and evaluation system and to make a follow up.
- The recommendation also VSLAs beneficiaries should be trained on taking loan and how to use the loan loans for productive activities.

## To government and Stakeholder

- VSLAs play key roles such as creation of friendship, learning pearly and the recommendation is VSLAs should be mobilized on social capital use money in VSLAs as grassroots communities.
- Avoid the subjectivity of VSLAs recruitment and recommendation is to respect the criteria of ubudehe programme in order to impact the life condition
- The VSLAs are one way of educating the people for giving them the acquired knowledge, skills and values of loans management and cooperative inclusions and therefore the stakeholder are recommended to increase the availability of technical and managerial training for VSLAs beneficiaries
- The Rwandan government should establish and formulate different policies to help VSLAs operations for sustainability of these informal financial institutions

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