

Contribution of Microfinance Institutions to Poverty Reduction in Rwanda. A Case Study of SACCO Seruka/ Gisenyi

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ABSTRACT: The study aimed at assessing the contribution of microfinance institutions to poverty reductions in Rwanda using a case study of SACCO Seruka/ Gisenyi. Independent variables were saving services, loan services, and technical guidance provided by SACCO Seruka/ Gisenyi. The study was descriptive research using quantitative method in data collection through a questionnaire designed in form five levels Likert scale. The study population was 16818 people including 18 employees and 16818 members. The study used a sample size of 391 computed using Yamane formula. The results of the study indicated that respondents strongly agreed on the following: (i) saving services have a significant positive contribution to poverty reduction in Gisenyi Sector (\bar{x} = 4.278; σ = .448); (ii) loan services have a significant positive contribution to poverty reduction in Gisenyi Sector (\bar{x} = 4.25; σ = .433); (iii) technical guidance has a significant positive contribution to poverty reduction in Gisenyi Sector (\bar{x} = 4.32; σ = .471). (iv) Challenges to be faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi include lack of collateral security (Mean= 4.20, S.D=0.401); low level of saving (Mean= 4.21, S.D=0.408); high interest rate on credit (Mean= 4.22, S.D=0.416); complicated conditions required by Microfinance institutions (Mean= 4.39, S.D=0.489). (v) Proposed solutions include: reinforcing guarantee fund (Mean= 4.25, S.D=0.435); saving mobilization (Mean= 4.27, S.D=0.447); lowering interest rate on credit (Mean= 4.31, S.D=0.466); reasonable conditions required by Microfinance institution (Mean= 4.30, S.D=0.462).

KEY WORDS: *Microfinance Institutions, Poverty Reduction, Rwanda.*

I. Background to the study

The microfinance industry in United States of America has been recognized as instrumental tool for poverty alleviation, improved social-economic well-being and economic growth. Therefore, socio-economic transformation efforts of low-income and poor community have been possible through accessing semi-formal and informal financial products/ services. The pivotal role of the microfinance institutions has helped to foster the growth and development of small and medium enterprise in United States of America by providing start-up and business expansion capital among other financial services (Balkenhol, 2017). In France, the main goals and objectives of Microfinance institutions include reducing poverty and improve people's living conditions and standards; supporting sustainable economic, social and institutional development especially in rural areas. Microfinance institutions achieve these goals and objectives through development of saving culture and provision of loans (Muhammad, 2018).

Microfinance institutions have existed in many forms for decades in France, but have only considered as a commercially viable activity that can offer real opportunities for micro-entrepreneurs to start up new businesses and improving existing ones. Microfinance institutions enable the poor people to reduce poverty by smoothening their consumption, managing risk better; building assets increasingly, developing micro enterprises, enhancing their income earning capacity and enjoying improved quality life (Cherotich, 2015). China is undoubtedly one of the world's greatest potential markets for the promotion of microfinance institutions. The first microfinance programs began to be implemented in China the 1980s, microfinance institutions had led to several positive impacts in the lives of borrowers in China, in terms of self-satisfaction, reduced poverty and improved social well-being, with villagers commonly expressing a sense of enhanced confidence in themselves and their ability to manage their own economic affairs (Nichols, 2015).

Incomes are increasing for most of China's rural population, the village-based incomes of regular borrowers were found to have increased more than three times faster than those of non-borrowers (Nichols,

2015). In India, the need for financial access is evident; the very poor people in Indian emerging economies have a surprising interest in financial services, and they use them enthusiastically whenever possible. Microfinance institutions have emerged as a tool to alleviate poverty and improve social economic well-being, by providing access to financial services needed to start up new venture and improving existing one (Kasenge, 2017). Most African countries are faced with serious and worsening poverty and social and economic well-being. Given the magnitude of the problem, it is unrealistic for Governments in the region to be left alone to tackle this daunting task in light of the financial and institutional crises that is facing most of the countries in Sub-Saharan Africa (Green, *et al.*, 2016).

Therefore, to achieve reduced poverty and sustainable social and economic well-being there is a need for a holistic approach to dealing with the concerns of the poor in the region. There is a range of MFIs whose participation is essential to address appropriately the challenge of poor social and economic well-being (Salia, 2015). In South Africa, microfinance institutions continue to play a significant role in the lives of poor people. They do this by responding to their needs, concerns and voices by providing easy access to financial services. Microfinance institutions in South Africa develop saving culture in order to improve the social and economic well-being and alleviate poverty (Baumann, 2016). However, in South Africa all poor people do not have access to financial products; as such the unbanked people still keep their money in unsafe place at home and borrow from friends (Ndzabela, 2015).

Barriers to financial inclusion for those poor people ranged from structural problems, such as lack of jobs to financial illiteracy, hence poor social and economic well-being (Kasenge, 2017). In Nigeria, Microfinance institutions today and the world over, occupy a very strategic position in the enhancement of the socio-economic well-being of the poor who are typically self-employed low-income entrepreneurs such as traders, street vendors, small farmers, hairdressers, barbers, artisans and others (Olowe, *et al.*, 2018). The role of microfinance institutions in social and economic well-being Nigerians, cannot be underestimated in view of the growing population, coupled with the rising unemployment rate in Nigeria; the government of Nigeria is facing a lot of challenges in providing enough jobs for the populace to improve its social and economic well-being and reduce poverty (Ademola & Arogundede, 2015).

One sure way to combating unemployment, reducing persistent poverty and improving social and economic well-being of Nigerian communities is to empower people with the necessary microfinance loans and services that may enable them start up or run new business ventures of their choice and improving existing ones (Olakojo & Olanipeun, 2016). In Kenya, there is evidence to support the premise that it is possible for a microfinance institution to serve the poorest and also achieve financial sustainability. Microfinance is better used as an instrument along with other policies for poverty alleviation rather than poverty reduction strategy in isolation (Matovu, 2016). The reality on the ground indicates that the increase on the number of poor people both in rural and urban Kenya is worrying. Therefore, if poverty levels are not reduced in Kenya, then the MDG goal number 1 on the eradication of poverty to less than 30% of the Kenyans by 2015 and as envisioned in the Kenya Vision 2030 will not be achieved. This creates a need to intensify poverty reduction efforts through MFIs in planning and outreach (Manadhar & Pradhan, 2015).

Tanzania, since the independence, it was left in serious poverty and poor social economic well-being of the community (Mwakajumilo, 2019). This situation was due to a number of reasons. The observable reasons and frequently reported by media include poor leadership, corruption, misuse of natural resources through malicious contracts with foreign investors, embezzlement of public funds and big government expenditure, all these lead to the shortage of funds to invest in key socio-economic development sectors like industries, education, health, infrastructure, energy production and agriculture (Bakari, 2018). In Tanzania, a big group of people lacked employment in formal sector, and then they moved into self-employment in order to improve their social and economic well-being, therefore they needed financial support to finance new ventures and improvement of existing ones. It is this need of capital which has resulted into the mushrooming of different forms of microfinance institutions like SACCOs and individual money lenders all over the country. Then, the lending and borrowing activities from microfinance institutions have become popular throughout the country (Mwendamaka, 2017).

However, it is still not clear whether there is remarkable social and economic well-being attained by the microfinance borrowers in Tanzanian communities (Mwendamaka, 2017). In Uganda, there are several microfinance institutions all over the country that are issuing loans and deposit facilities to the communities. The institutions include Finca, Brac, Faulu (now Opportunity Uganda), Blue, Bayport, Pride Microfinance and other small self-help groups that organize themselves for the purposes of accumulating savings and lending to members (Luyirika, 2015). Microfinance institutions have been applied as a poverty eradication strategy. It has been used to provide low-income people with small grants, micro-credits and other microfinance services as an impetus to exploit their productivity and develop their business to help them improve their livelihoods and social economic well-being (Mbabazi, 2018).

Rwanda as one of developing country has taken the issue of poverty as a serious problem, hence devised means of overcoming it. To reduce the poverty and improve social-economic well-being, the government of Rwanda has some actions related to the priority of poverty reduction; those actions include the enforcement of microfinance institution. Microfinance plays a crucial role in the Rwandan economy, and more broadly in society as a whole (Samuragwa, 2015). Government of Rwanda in implementing microfinance as one of the tools to be used in facing the poverty and poor social and economic well-being problems believed that it would help to generate employment and to diversify sources of income, thereby contributing to the improvement of the Rwandan economy; sustainable reduction of poverty and improved socio-economic well-being (Kangabe, 2015). Basing on the above background, the researcher intends to analyze the contribution of microfinance institutions to poverty reduction in Rwanda using a case study of SACCO Seruka/ Gisenyi.

II. RESEARCH PROBLEM

Many years ago, Rwandan people had no total access to financial services. They used local way of keeping their money such as keeping it under the bed, in halls of their houses and other dangerous places. They did not also have access to loans for supporting their income generating projects of development due to lack of collateral security. Their money has been stolen and destroyed by domestic animals or insects. These challenges and risks of how to keep their money and lack of where they can get loans for supporting their business projects influenced persistent poverty; on the other hand, it is known that no poverty reduction is possible with the lack of financial services access (Kangabe, 2015). Moreover, most citizens in Rwanda still continue to suffer from poverty due to poor access to financial services because of some problems like lack of collateral security, irregular incomes, illiteracy, inadequate information about financial services and fear to lose their property after failing to pay back the loans among others (Samuragwa, 2015). Low level of financial services access leads many people living in persistent poverty and experiencing low level of social and economic well-being as they cannot start up micro projects or improving existing ones. Hence more poor people are financially excluded. It is against this background the researcher aims at assessing the contribution of microfinance institutions to poverty reduction in Rwanda with a special reference to SACCO SERUKA /Gisenyi.

III. RESEARCH OBJECTIVE

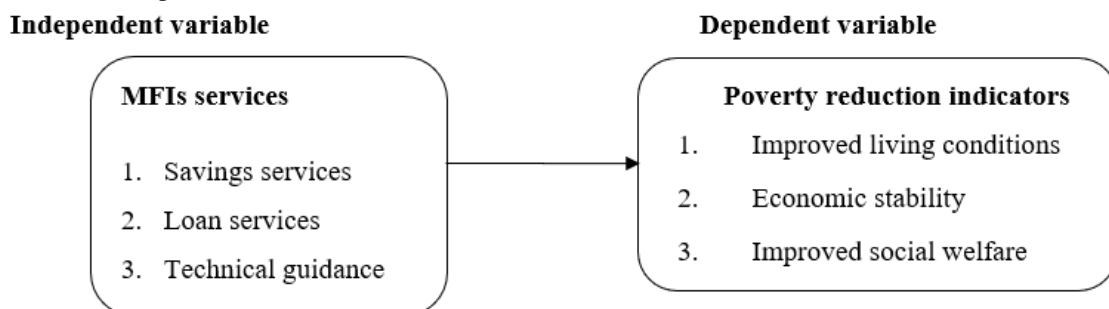
The general objective of the study is to assess the contribution of microfinance institutions to poverty reductions in Rwanda. Specific objectives are:

- (1) To find out the contribution of saving services of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector;
- (2) To determine the contribution of loan services of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector;
- (3) To analyze the contribution of technical guidance provided by SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector.
- (4) To find out challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi and propose solutions.

IV. RESEARCH FRAMEWORK

The research framework model interlinks independent and dependent variables Figure 1 presents the conceptual framework model illustrating the relationship between MFIs Services and poverty reduction. From the figure, it was demonstrated that MFIs Services are conceptualized as independent variable and is indicated by savings services; loan services and technical guidance. Poverty reduction is conceptualized as dependent variable and it is indicated by improving living conditions, economic stability, and improved social welfare.

Figure 1.1: Conceptual framework



Source: Authors (2024).

V. LITERATURE REVIEW

5.1. Conceptual review

Collecting deposits as MFI service

The primary function of Microfinance institutions (MFIs) is to collect deposits from the public. Such deposits are of three main types, current, saving and fixed. A current account is used to make payments. A customer can deposit and withdraw money from the current account subject to a minimum required balance (Wood, 2015). If the customer overdraws the account, he/she may be required to pay interest. Cash credit facility is allowed in the current account. Savings account is an interest yielding account. Deposits in savings account are used for saving money. Savings account holder is required to maintain a minimum balance in his/her account to avail of cheque facilities. Fixed or term deposits are used by the customers to save money for a specific period of time, ranging from 7 days to 3 years or more. The rate of interest is related to the period of deposit. For example, a fixed deposit with a maturity period of 3 years will give a higher rate of return than a deposit with a maturity period of 1 year. But money cannot be usually withdrawn before the due date. Some MFIs also impose penalty if the fixed deposits are withdrawn before the due date. However, the customer can obtain a loan from the bank against the fixed deposit receipt (Adejimola & Olufunmilayo, 2012). People save by reserving the part of their income that has not been spent but rather stored for future use, for meeting unexpected events or to be invested in Income Generating Activities (IGA) so that it can earn more income in the future (Schlauffer, 2008). Savings account offered by Microfinance institutions (MFIs) assist people in developing a culture of saving and this has positive impact on small and medium enterprises development and promotion of entrepreneurship. Taking savings is a key to growth of Microfinance institutions (MFIs), they generate income through their lending activities; they depend on depositor's money as a source of funds, meaning that there are some relationships between the ability of Microfinance institutions (MFIs) to mobilize savings and the amount of credit granted to the customers (Wood, 2015).

Credit provision as MFI service

Credit is in form of loans, it is usually given after a process which includes appraisal before disbursement with the view of determining whether the applicant will have the ability to pay back the money borrowed without the society taking measures to enforce recovery. Credit from Microfinance institutions (MFIs) is an important input factor in production process of small companies, so lacking credit means small companies' production is limited and this leads their income to be reduced. When credit becomes more available, the financial performance of small business becomes better and hence a chance for small business growth (Osoro & Muturi, 2013). Microfinance institutions (MFIs) can help their members to increase their productivity and contribute to socio economic development goals. In developing countries, governments have encouraged people working with Microfinance institutions (MFIs) to enable them to save and access credit to finance their income generating activities in the program of promoting socio-economic welfare and alleviating poverty (Zeller & Sharma, 2012). Efficient provision credit facilities from Microfinance institutions (MFIs) can enable people to develop small and medium enterprises, enhance income earning capacity, and generally enjoy an improved quality of life and alleviating poverty. Quach (2013) found that accessibility on loans assists poor people to do for themselves and have fund to do some small and medium businesses, which provide opportunities for them to get out of poverty and improve their social economic welfare.

Providing technical guidance as MFI service

Microfinance institutions (MFIs) seek to provide technical guidance to people on how to maintain their accounts and savings. They provide technical assistance to people about proper credit utilization, business book keeping and general business management techniques. These technical assistances from Microfinance institutions (MFIs) help members of MFI to expand their business for long time. Some Microfinance institutions (MFIs) have team of experts who are in charge of providing members advice and showing them how to prepare properly the business plan required by the Microfinance institution (MFI) before it grants loans to them (Kembo & Mwakujonga, 2013). Microfinance institutions currently provide business guidance in form of advisory services directly by their staff; moreover, Microfinance institutions provide expert insight and guidance to especially women and youth on how to start, manage and finance their small businesses. Whether it is to write a business plan, how to market, how to adopt technology for business benefits, about tax, legal and regulatory obligations, Microfinance institution provides advice and it offers guidance about running a business properly, this has a significant impact on increase of income and poverty reduction (Cheluget, 2013).

Concept of poverty reduction

Poverty reduction refers to the strategies, policies, and initiatives aimed at decreasing the number of people living in poverty. It encompasses a wide range of activities and approaches designed to improve the living conditions of individuals and communities, enabling them to achieve a higher standard of living and

economic stability (Fiszbein & Schady, 2019). Effective poverty reduction requires a multifaceted approach that addresses the root causes of poverty and creates an enabling environment for sustainable development. Poverty reduction necessarily incorporates resolving social, economical, cultural and psychological barriers. Reducing poverty requires attacking many interrelated forces that keep poor people in a state of deprivation as well as expanding people's access to participation in decision-making process and knowledge, training and markets as well as other productive resources for income generation such as land, technology, credit and adequate information needed (Dollar & Kraay, 2021).

Improved living conditions

Improved living conditions are indeed among the indicators of poverty reduction. Improved living conditions encompass various aspects of life that collectively enhance the quality of life and overall well-being of individuals and communities. Access to safe, secure, and adequate housing is a direct indicator of improved living conditions. Proper housing includes protection from the elements, sufficient space, structural integrity, and access to essential services (Chen & Ravallion, 2010). Availability and access to quality healthcare services reduce mortality and morbidity rates and improve overall health outcomes, which are critical indicators of poverty reduction. Living conditions refer to the various aspects of an individual's or community's environment and circumstances that affect their quality of life and well-being. These conditions encompass a broad range of factors, both tangible and intangible, that collectively determine how people live and experience life (Mtatikolo & Mabele, 2015). Improved living conditions play a vital role in enhancing the overall quality of life and well-being of individuals and communities. They contribute to better health, economic stability, educational outcomes, social cohesion, environmental sustainability, and empowerment. These improvements are fundamental to achieving sustainable development and reducing poverty (World Bank, 2011). members with access to basic services and opportunities (Ataguba, Fonta, & Ichoku, 2011).

Economic stability

Economic stability is a critical indicator of poverty reduction because it underpins many other aspects of development that are essential for lifting people out of poverty. Stable economies create jobs, control inflation, attract investment, and enable governments to provide vital services. (Dollar & Kraay, 2021). Economic stability often leads to job creation and lower unemployment rates. Stable economies attract investment, which in turn creates more job opportunities. Higher employment rates mean more people have steady incomes, which is fundamental to lifting individuals out of poverty. Consistent growth increases national income, which can be used to fund social services and infrastructure that benefit the poor. Economic stability is indeed one of the key indicators of poverty reduction. Economic stability refers to a condition where an economy experiences steady growth, low inflation, low levels of unemployment, and sustainable fiscal and monetary policies (Hartmann, 2004).

Improved social welfare

Improved social welfare is a key indicator of poverty reduction because it directly addresses the needs of vulnerable populations and provides the support necessary for individuals to achieve a better quality of life. By investing in comprehensive social welfare programs, societies can create a more inclusive and equitable environment where all individuals have the opportunity to thrive. Improved social welfare is indeed a significant indicator of poverty reduction. Social welfare encompasses a range of services and programs designed to support individuals and communities in achieving a decent standard of living. Improvements in social welfare can directly impact poverty by providing essential support and resources to those in need (Ajegi, 2010). Improved social welfare is integral to poverty reduction efforts. By addressing the immediate needs of the poor and vulnerable, providing access to essential services, and promoting long-term human capital development, social welfare programs can significantly reduce poverty and enhance the overall well-being of society. For maximum effectiveness, these programs must be well-designed, adequately funded, and integrated with broader socio-economic policies. Improved social welfare plays a crucial role in poverty reduction by providing essential support and services that help individuals and families achieve a better quality of life (Irobi, 2008).

5.2. Theoretical review

Financial Intermediation Theory

Financial Intermediation Theory was advanced by Diamond (1984). The theory explains how banking institutions act as financial intermediaries in connecting depositors and borrowers together. In line with the theory, banking institutions and other financial intermediaries serve as the main sources of external finance to businesses. The theory therefore provides strong predictions about the various transactions utilized by financial intermediaries, thereby providing a framework for the analyses of key issues relating to banking policy (Diamond, 1984). Financial Intermediation Theory rests on the notion that intermediaries strive to minimize the inherent transaction costs and as well as informational asymmetries. The reduction of market imperfection leads

to the creation and expansion of individual opportunities therefore resulting to a positive incentive outcome (Scholtens & Wensveen, 2003). This theory is relevant to the investigation of MFIs and poverty reduction in this study because of the bridging pool of financial resources, the reduction of transaction costs, the reduction of liquidity risk, and the provision of information. This theory will in addition be used because it explains very well the needed details for reducing poverty.

Asymmetric Information Theory

Information asymmetry refers to a situation where business owners or manager know more about the prospects for, and risks facing their business, than do lenders (Eppy, 2005). In a debt market, information asymmetry arises when a borrower who takes a loan usually has better information about the potential risks and returns associated with investment projects for which the funds are earmarked. The lender on the other hand does not have sufficient information concerning the borrower (Edwards & Turnbull, 1994). Perceived information asymmetry poses two problems for the lending institutions, moral hazard (monitoring entrepreneurial behavior) and adverse selection (making errors in lending decisions). The theory is paramount in this study because it helps MFIs to have sufficient information concerning borrowers to avoid the risks that may occur while granting credit to members who need to start new businesses or improve existing ones to reduce poverty.

5.3. Empirical review

Ingabire and Jefferson (2021), investigated the effect of microfinance loan on poverty reduction in Rwanda. The study sought to identify the achievements of microfinance loans to the individuals, explore the perceptions of microfinance beneficiaries on poverty reduction and determine the effect of microfinance loans on the economic growth. The target population for this study was 6228 persons, which included employees and clients of COPEDU PLC, Remera Branch. The study adopted descriptive research design to collect data from the selected sample size. The primary data was collected using questionnaires that were randomly distributed to the sample population. The data collected was analyzed using the Statistical Package for Social Sciences (SPSS) software to determine the mean, mode, standard deviation and inferential statistics related to the study. The findings from the study indicate that microfinance loans have a significant effect on poverty reduction. The study found that microfinance loans empower the poor and enable them to overcome the challenges that they face. The provision of microfinance loans has led to start-ups, growth and expansion of micro and small businesses resulting in asset building, job creation, poverty reduction and improved standard of living. Chowdhury and Bhuiya (2009) found that microfinance institutions have made a significant contribution in reducing poverty and improving the living standards of the people. The authors further contend that borrowers with business aptitude, enterprise capacity and training are more likely to access credit than those without such attributes. Hence, there is a need to train and equip individuals with business knowledge and skills to not only know how to run business, but also access credit to improve and grow their businesses.

Kangabe (2014) examined microfinance institution and its impact in Poverty Reduction in Rwanda (2009-2012), Case Study: COPEDU LTD. The general objective of the present study was to explore how microfinance institutions help in reducing poverty among people who have access to microfinance institutions by borrowing loans from those microfinance institutions. Specifically to assess the contribution of COPEDU Ltd as a microfinance institution to the socio economic development of beneficiaries, to investigate the perceptions of micro finance beneficiaries on the poverty reduction strategies put in place by COPEDU Ltd and to determine the impact of COPEDU Ltd as microfinance institutions to poverty reduction. Sample of 56 respondents from 317 clients of COPEDU Ltd was taken and SPSS 18.0 was used for data entry and analysis. The results have shown that COPEDU Ltd plays a big role on poverty reduction as indicated by increased incomes which in turn are used for basic needs satisfaction and future economic development prospects and the inference is made to generally micro finance institutions, in their activities they reduce poverty levels among beneficiaries in Rwanda. James (2005), examined impact of microfinance on poverty alleviation in Nigeria: The paper used chi-square test, F-test and T-test. The findings revealed that there is a significant difference between those people who used microfinance institutions and those who do not use them. There is a significant effect of microfinance institutions in alleviating poverty by increasing income and changing economic status of those who patronize them. Their study concludes that microfinance institution is indeed a potent strategy of poverty reduction and a viable tool for providing credit to the poor

Irobi (2008) investigated microfinance and poverty alleviation in Nigeria, the study employed questionnaire in data collection and found that microfinance intervention has a positive impact on alleviation of poverty among the women of this association. Interestingly, this study found that most women in this association experienced increased income and therefore, improved their economic status, political and social conditions after receiving the loans.

Ruvugiro (2015), addressed the impact of microfinance on poverty alleviation of rural population in Rwanda. The study was undertaken in Gakenke District in Rwanda and was carried out in nineteen microfinance

institutions (SACCOs) operating in Gakenke District. The targeted population was 12,688 members of SACCOs (12,314 borrowers, 247 Directors and 127 SACCO Staff) from which a sample of 100 members was purposively selected. The study has adopted a combination of correlation and descriptive research design. It has employed both quantitative and qualitative approaches. The research used both primary and secondary data. The primary data was collected using questionnaire and interview and, while secondary data was collected using documentations techniques whereby, financial reports, bylaws, Manual of procedures and Credit policies of SACCOs have been consulted. The analysis of data was done via SPSS. The data was presented in form of tables, charts and graphs designed by SPSS. The study has found that microfinance activities have a positive impact on poverty alleviation of members. It was found that microfinance activities has positively affected income level, housing, wealthy (assets ownership), occupation, access to education and medical care service, as well business performance of members in Gakenke District.

Kayiranga and Elijah, (2022) investigated the Effect of Umurenge Saving and Credit Cooperatives Services on Poverty Reduction in Rwanda: The Case of Icyerekezo Mushishiro Sacco (2015-2019) in Muhanga District. This study was conducted for achieving these specific objectives; To assess how regular saving deposits services received by IcyerekezoMushishiro Sacco contribute to poverty reduction of its members, to analyze the effect of credits services provided by IcyerekezoMushishiro Sacco on poverty reduction of its members, and to analyse if financial advisory services given by IcyerekezoMushishiro Sacco makes changes on poverty reduction of its members. The targeted population was 3482 active members of Sacco from which a sample of 359 members was randomly selected. In this study, quantitative and qualitative approaches were used where primary data was obtained by the use of questionnaires, interviews, and documentation for secondary data. The analysis of data was done via SPSS. The findings revealed that 94.7% have a current account where they deposit and withdraw at any time, few from them 4.2 % have a saving account and 1.1% for children. These accounts helped them to accumulated money for different use. The members requested loans and used them in different activities which helped them to fight against poverty. The advisory services provided by Sacco have interacted on poverty reduction as confirmed by respondents. From these findings, the researcher concluded that Umurenge Sacco positively contribute on the poverty reduction of the population in Rwanda.

Makunyi and Rotich (2017) assess the impacts of micro finance institutions in eradication of poverty in Meru South Sub County. This research problem employed a descriptive research design. The target population for this study comprises of all beneficiary households of MFIs in Meru South Sub County. The sample size was 30% of the target population. The study found that microfinance institutions are a very strong tool in poverty alleviation at household level with income after acquiring microfinance credit being found to have significantly increased. The study further found that microfinance credit empowers the poor, enables them to cope with and overcome many of the problems that they face. Additionally, microfinance loans were found to have led to establishment and expansion of businesses, acquisition of shelter, education, access to health care and opening up of opportunities for the poor to improve their living standards including improved sanitation.

Johanna (2018), investigated the effects of micro finance on youth empowerment: a case study of the Namibia youth credit scheme in Otjiwarongo, the researcher targeted 72 beneficiaries of the Namibian Youth Credit Scheme in Otjiwarongo. A descriptive research design was adopted and purposive and systematic sampling methods to select 72 respondents of which 55 participated in the survey. Descriptive and Chi- square test statistics were used to analyze the data. The findings of the study seem to suggest that NYCS is an effective tool to alleviate poverty, unemployment among youth and financially empower them. The Chi-square test revealed that the income of the youth had changed after joining the NYCS program. Similarly, NYCS had promoted the SMEs ventures projects started by Youth in Otjiwarongo Municipality. Considering the view that the unemployment rate is high among youth, the study concluded that microfinance programs at this stage have improved the living standard of the youth and that of their families. It has reduced poverty among the youth, gave the youth an opportunity to start and expand their businesses thereby creating employment.

Mutua (2017), carried out a study on the effect of Microfinance services on poverty reduction in Makueni County. Descriptive research design was used to assess the extent to which poverty alleviation correlates with Microfinance services. The study targeted 6 deposit taking institutions in Makueni County. Systematic simple random sampling method was used to select 244 MFI members from the deposit taking microfinance. Primary data was collected using questionnaires and presented by descriptive statistics methods like pie charts and graphs. Data was analyzed using SPSS version 2.1. Multivariate regression model was used to determine the relative importance of the variables with respect to poverty reduction. The study found that Microfinance services have positive and significant effect on Poverty reduction in Makueni County. Savings had the highest impact followed by Micro-credit, Micro-insurance and finally training

VI. RESEARCH METHODOLOGY

Research design

Research design is a plan of how a research project is conducted (Berg, 2015). Research design is the plan on how to answer specific objectives of the study. It refers to the way in which the study is designed and the method to be used in carrying out the research. The study will use descriptive research design. Descriptive research design is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals, it helps to depict the respondents correctly and it also enhances detailed description of the problem under the study (Creswell & Plano-Clark, 2016). Descriptive research design will be used to obtain information concerning the current status of phenomena and purpose of this method is to describe “what exists” with respect to situational variables i.e. it looks at relationship between independent and dependent variables. Quantitative method will be used in data collection and analysis through questionnaire tool of data collection.

Study Population

The study population is a set of people, services, elements and events, group of things or households that are being investigated or that a research is concerned (Churchill, 2006). The population size for this study was composed of 16818 people including 18 employees from SACCO SERUKA Main Branch; Small Border Sub-Branch and Gisenyi Market Sub- Branch (Manager; Accountant; Loan officer; Loan Recovery officer; 11 cashiers and 3 Customer care agent) and 16,800 members of SACCO SERUKA/Gisenyi (SACCO SERUKA/Gisenyi records, 2023).

Sample size

Sample size is a small group of cases selected from the large group or whole population under investigation which is used to represent it (Cooper & Schindler, 2015). This study used a sample of 391 respondents to obtain information to answer the research questions. The researcher used the formula Yamane, (1967) to determine sample size, $n = \frac{N}{1+N(e)^2}$ and came up with 391 as the reasonable number of respondents to answer the research questionnaires.

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

n = sample size

N= total population

e = Margin error rate =5%=0.05

$$n = \frac{16,818}{1+16,818(0.05)^2} = 390.7074 \text{ approximately equals to } 391 \text{ people}$$

Hence, the total sample size of this research was 391 respondents.

Sample selection technique

Saunders *et al.*, (2016) explained that sampling technique is the methodology that is used to pick the sample from a larger population. For the purpose of this study, the researcher used probability and non-probability sampling techniques. Therefore, purposive sampling and simple random sampling techniques were used. Purposive sampling technique is a non-probability sample that is selected based on characteristics of a population and the objective of the study. Purposive sampling, also known as judgmental, selective sampling, is a form of non-probability sampling in which researchers rely on their own judgment when choosing members of the population to participate in their surveys (Bowling, 2002). Purposive sampling technique was used to select employees of SACCO SERUKA/Gisenyi. Simple random sampling technique refers to probability sampling technique where respondents have an equal chance to participate in the study (Bowling, 2002). Members of SACCO SERUKA/Gisenyi were selected using simple random sampling technique.

Primary data collection techniques

According to Creswell and Plano-Clark (2016), primary data comes straight from the people a researcher is researching from and is therefore the most direct kind of information a researcher can collect. The primary data is said to be the first-hand observation and investigation. During the study the researcher got primary data through self-administered questionnaire designed in form of five levels Likert scale where the scale of measurement was: 1= Strongly Disagree, 2= Disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree.

Secondary data

According to Kothari (2005), the secondary source of data involves information gotten from already conducted research work that relates to the study. Therefore, during this study the researcher obtained secondary data from books, reports, journals and electronic-published sources. A number of documents available in the library, on the internet and dissertations relating to the subject material were consulted for the purpose of obtaining secondary information.

Data analysis

The data were analyzed by arranging and organizing them properly so as to be easily interpreted. The researcher analyzed the responses from questionnaires by using tables, frequencies and percentages with the help of IBM SPSS Statistics Version 23. This method helped the researcher to present the data in a way which is more understandable. The interpretation of results was based on mean and standard deviation.

VII. RESEARCH FINDINGS

7.1. Contribution of saving services of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector

The first objective of the research was to assess the contribution of SACCO SERUKA /Gisenyi on poverty reduction in Gisenyi Sector. Respondents were asked to indicate the level of agreement on these statements indicating how saving services influence poverty reduction in Gisenyi Sector. The results presented in table 4.1 shows that the majority of the respondents strongly agreed to the statement that Saving services allow members to invest in income-generating activities, aiding in poverty alleviation (Mean= 4.22, S.D=0.416); saving services motivate members to borrow funds for starting new businesses and expanding existing ones, thereby enhancing their living standards and reducing poverty (Mean= 4.25, S.D=0.435); saving services assist members in addressing various needs and handling unexpected events that arise in daily life (Mean=4.27, S.D=0.447); savings enable individuals to plan and save for future goals, such as purchasing a house, acquiring household assets, funding education, and accessing healthcare services (Mean=4.31, S.D=0.466); Savings services offer members opportunities to enhance their economic status ,overall quality of life and standard of living (Mean= 4.34, S.D=0.477). The overall mean is 4.278 and standard deviation of.448. This is to conclude that respondents strongly agreed that saving services have a significant positive contribution to poverty reduction in Gisenyi Sector. These findings imply that savings services empower individuals to invest in income-generating activities, start and expand businesses, meet daily needs and emergencies, plan for future goals, and improve their economic status, quality of life and standard of living.

Table 4.1: Respondents' view onthe contribution of saving services of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector

Statementscontribution of saving services to poverty reduction	Mean	Std. Dev.
Saving services allow members to invest in income-generating activities, aiding in poverty alleviation	4.22	.416
Saving services motivate members to borrow funds for starting new businesses and expanding existing ones, thereby enhancing their living standards and reducing poverty	4.25	.435
Saving services assist members in addressing various needs and handling unexpected events that arise in daily life	4.27	.447
Savings enable individuals to plan and save for future goals, such as purchasing a house, acquiring household assets, funding education, and accessing healthcare services	4.31	.466
Savings services offer members opportunities to enhance their economic status, overall quality of life and standard of living	4.34	.477
Average	4.28	.448

Source: Primary data, (2024)

7.2. Contribution of loan services of SACCO SERUKA /Gisenyi to poverty reduction in GisenyiSector

The second objective of the research was to examine the contribution of loan services of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector. The respondents were asked to indicate their level of agreement on statement indicating how loan servicesinfluence poverty reduction in Gisenyi Sector. The results presented in table 4.2 show that most of the respondents strongly agreed to the statement that Affordable loan services help members to start new small businesses and expand existing ones (Mean= 4.21, S.D=0.408);loan services significantly contribute to poverty reduction by giving individuals and communities access to capital, which can be used to improve their economic conditions (Mean= 4.25, S.D=0.435); loan services enhance access to essential resources, stimulate economic activity, and strengthen the capacity of individuals and communities to reduce poverty (Mean= 4.29, S.D=0.457); loan services provide individuals and communities with access to capital, which can be used to improve their economic situations such as funding education,

purchasing essential assets, and addressing immediate financial needs (Mean= 4.20, S.D=0.401); affordable loan services help members to promote economic empowerment, financial stability and reduce poverty (Mean= 4.30, S.D=0.462). The overall mean was 4.25 and standard deviation of 0.433. This is to conclude that respondents strongly agreed that loan services have a significant positive contribution to poverty reduction in Gisenyi Sector. These findings imply that affordable loan services enable new and expanded small businesses, reduce poverty, and improve economic conditions by providing capital for essential needs, promoting economic empowerment, and financial stability.

Table 4.2: Respondents' view on the contribution of loan services of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector

Statements	Mean	Std. Dev.
Affordable loan services help members to start new small businesses and expand existing ones.	4.21	.408
Loan services significantly contribute to poverty reduction by giving individuals and communities access to capital, which can be used to improve their economic conditions.	4.25	.435
Loan services enhance access to essential resources, stimulate economic activity, and strengthen the capacity of individuals and communities to reduce poverty.	4.29	.457
Loan services provide individuals and communities with access to capital, which can be used to improve their economic situations such as funding education, purchasing essential assets, and addressing immediate financial needs.	4.20	.401
Affordable loan services help members to promote economic empowerment, financial stability and reduce poverty.	4.30	.462
Average	4.25	.433

Source: Primary data, (2024)

7.3. Contribution of technical guidance of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector

The third objective of the research was to examine the contribution of technical guidance of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector and asked respondents to indicate their level of agreement on statement indicating how technical guidance influences poverty reduction in Gisenyi Sector. The results presented in table 4.3 shows that most of the respondents strongly agreed to the statement that Technical guidance services educate members on managing finances effectively (Mean= 4.34, S.D=0.477); technical guidance supports business management, entrepreneurship, and skills development, enabling members to start and run successful businesses (Mean= 4.32, S.D=0.470); technical guidance helps members to know how to prepare loan applications and manage borrowed funds, reducing the risk of loan default (Mean= 4.30, S.D=0.462); microfinance institution provides advice and it offers guidance about running a business properly (Mean= 4.31, S.D=0.466); technical assistance helps members to expand their business for long time (Mean= 4.35, S.D=0.481). The overall mean was 4.32 and standard deviation of 0.471. This is to conclude that respondents strongly agreed that technical guidance has a significant positive contribution to poverty reduction in Gisenyi Sector. These findings imply that technical guidance services provided by a microfinance institution educate members on effective financial management. They support business management, entrepreneurship, and skills development to help members successfully start and run businesses. This guidance includes preparing loan applications and managing borrowed funds, aiming to reduce the risk of loan default. It also assists members in expanding their businesses for long-term sustainability.

Table 4.3: Respondents' view on the contribution of technical guidance of SACCO SERUKA /Gisenyi to poverty reduction in Gisenyi Sector

Statements	Mean	Std. Dev.
Technical guidance services educate members on managing finances effectively.	4.34	.477

Technical guidance supports business management, entrepreneurship, and skills development, enabling members to start and run successful businesses.	4.32	.470
Technical guidance helps members to know how to prepare loan applications and manage borrowed funds, reducing the risk of loan default.	4.30	.462
Microfinance institution provides advice and it offers guidance about running a business properly.	4.31	.466
Technical assistance helps members to expand their business for long time.	4.35	.481
Average	4.32	0.471

Source: Primary data, (2024)

7.4. Analysis of poverty reduction in Gisenyi Sector

Respondents were asked to highlight their perceptions about the analysis poverty reduction indicators in Gisenyi Sector. Respondents' views are presented in table below as revealed by their means and standard deviations. The results presented in table 4.4 show that most of the respondents strongly agreed to the statement that improved living conditions as an indicator of poverty reduction reflect not only an increase in material wealth but also enhancements in overall well-being, health, education, and social stability (Mean= 4.33, S.D=0.476); improved social welfare plays a crucial role in poverty reduction by providing essential support and services that help individuals and families achieve a better quality of life (Mean= 4.30, S.D=0.462); economic stability often leads to job creation and lower unemployment rates, as a result, this reduces poverty significantly (Mean= 4.39, S.D=0.489); stable economies attract investment, which in turn creates more job opportunities and is also fundamental to lifting individuals out of poverty (Mean= 4.35, S.D=0.481). In general, all 4 statements assessing the poverty reduction in Gisenyi Sector showed the overall mean of 4.34 and standard deviation of 0.477. This is to conclude that respondents strongly agreed poverty reduction in Gisenyi Sector is highly appreciated.

Table 4.4: Respondents' view on the analysis poverty reduction in Gisenyi Sector

Statements	Mean	Std. Dev.
Improved living conditions as an indicator of poverty reduction reflect not only an increase in material wealth but also enhancements in overall well-being, health, education, and social stability	4.33	.476
Improved social welfare plays a crucial role in poverty reduction by providing essential support and services that help individuals and families achieve a better quality of life	4.30	.462
Economic stability often leads to job creation and lower unemployment rates, as a result, this reduces poverty significantly	4.39	.489
Stable economies attract investment, which in turn creates more job opportunities and is also fundamental to lifting individuals out of poverty	4.35	.481
Average	4.34	.477

Primary data, (2024).

7.5. Overall Contribution of SACCO SERUKA /Gisenyiservices to poverty reduction in Gisenyi Sector

In overall, respondents were asked to present their views on the contribution of SACCO SERUKA /Gisenyiservices to poverty reduction in Gisenyi Sector. The results presented in table 4.5 indicate respondents strongly agreed that SACCO helps its members to improve their income generating activities and projects (Mean= 4.20, S.D=0.401); SACCO helps its members to increase their income (Mean= 4.22, S.D=0.416); SACCO assists its members to improve their shelter (Mean= 4.32, S.D=0.470); SACCO facilitates its members to improve their households assets (Mean= 4.31, S.D=0.466); SACCO enables its members to improve the access to education of children (Mean= 4.29, S.D=0.457) and SACCO enables its members to access to improved access health care services (Mean= 4.28, S.D=0.452). The overall mean was 4.27 and standard

deviation of 0.444. This is to conclude that respondents strongly agreed that SACCO SERUKA /Gisenyi services have significant positive contribution to poverty reduction in Gisenyi Sector.

Table 4.5: Respondents' view on the impact of SACCO SERUKA /Gisenyi services on poverty reduction in Gisenyi Sector

Statements	Mean	Std. Dev.
SACCO SERUKA /Gisenyi helps its members to improve their income generating activities and projects	4.20	.401
SACCO SERUKA /Gisenyi helps its members to increase their income	4.22	.416
SACCO SERUKA /Gisenyi assists its members to improve their shelter	4.32	.470
SACCO SERUKA /Gisenyi facilitates its members to improve their households assets	4.31	.466
SACCO SERUKA /Gisenyi enables its members to improve the access to education of children	4.29	.457
SACCO SERUKA /Gisenyi enables its members to access to improved access health care services	4.28	.452
Average	4.27	0.444

Source: Primary data, (2024)

7.6. Challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi.

The fourth objective of the research was to find out the challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi and propose solutions. The results presented in table 4.6 indicate that the respondents strongly agreed on the following main challenges: lack of collateral security (Mean= 4.20, S.D=0.401); low level of saving (Mean= 4.21, S.D=0.408); high interest rate on credit (Mean= 4.22, S.D=0.416); complicated conditions required by Microfinance institutions (Mean= 4.39, S.D=0.489).

Table 4.6: Respondents views on the challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi.

Challenges	Mean	Standard deviation
Lack of collateral security	4.20	.401
Low level of saving	4.21	.408
High interest rate on credit	4.22	.416
Complicated conditions required by Microfinance institutions	4.39	.489
Average	4.26	.428

Source: Primary data, (2024)

7.7. Solutions to the challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi.

Respondent were asked to present their perceptions about the solutions to the challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi. The results presented in table 4.7 indicate that the majority of respondents strongly agreed on the following mechanisms that SACCO SERUKA /Gisenyi should put in place in order to improve its service to the members: reinforcing guarantee fund (Mean= 4.25, S.D=0.435); saving mobilization (Mean= 4.27, S.D=0.447); lowering interest rate on credit (Mean= 4.31, S.D=0.466); reasonable conditions required by Microfinance institution (Mean= 4.30, S.D=0.462). This is to conclude that reinforcing guarantee fund; saving mobilization; lowering interest rate on credit; reasonable conditions required by microfinance institution are solutions to the challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi.

Table 4. 7: Respondents views on the solutions to the challenges faced by members in accessing credit services offered by SACCO SERUKA /Gisenyi.

Challenges	Mean	Standard deviation
Reinforcing guarantee fund	4.25	.435

Saving mobilization	4.27	.447
Lowering interest rate on credit	4.31	.466
Reasonable conditions required by Microfinance institution	4.30	.462
Average	4.28	.453

Source: Primary data, (2024)

VIII. CONCLUSIONS

Based on findings of this study it was concluded that Microfinance institutions are important factors that influence poverty reduction as they help members to access on financial services easily. Microfinance institutions increase small income generating activities; increase income; help their clients to improve shelter; help them to improve households assets; help them to improve access to education and help them to improve access to health care. Microfinance institutions help the poor and low income households to reduce poverty and improve their socio-economic well being by increasing their productivity, incomes and building the assets that allow them to mitigate risk, developing micro-enterprises, smoothening consumption, planning for future, increasing food consumption, investing in education, paying health care, and other lifecycle needs.

5.3. Recommendations

- 1) Lack of collateral security is a challenge faced by members of SACCO SERUKA /Gisenyi to access on credit, therefore, the government of Rwanda should reinforce guarantee fund like BDF to enable poor people who cannot provide collateral securities to have access to loans from microfinance institutions easily.
- 2) Low level of saving is a challenge faced by members of SACCO SERUKA /Gisenyi to access on credit, therefore, SACCO SERUKA /Gisenyi should attach much focus in saving mobilization, this may help people not to consume all the money earned in their day to day activities, they may save a portion, then they save another one and this helps them to have access to loans and meet emergencies and other unexpected events.
- 3) High interest rate on credit is a challenge faced by members of SACCO SERUKA /Gisenyi Branch to access on credit; therefore, SACCO SERUKA /Gisenyi should lower interest rate on credit, so as to help all categories of people access to loan to be used in their different business activities.
- 4) Complicated conditions required by microfinance institution is a challenge faced by members of SACCO SERUKA /Gisenyi, therefore, SACCO SERUKA /Gisenyi should put in place reasonable conditions, this may encourage and facilitate many customers to access on credit

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