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THE EFFECT OF MICROFINANCE INSTITUTION'S CREDIT ON SOCIO-ECONOMIC DEVELOPMENT IN RWANDA.

CASE STUDY: ZIGAMA CSS

2017 - 2022

BY

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DECLARATION

I, Anicet NAMAHORO, declare that this dissertation entitled "***The EFFECT OF MICROFINANCE INSTITUTIONS' CREDIT ON SOCIO-ECONOMIC DEVELOPMENT IN RWANDA***" is first-of-its-kind, and has not been submitted elsewhere for the granting of any degree. The rational substance of this thesis is my work, except for the acknowledgement of assistance from others in thesis design or style of presentation.

Anicet NAMAHORO

Signature……………………………...Date……/……/2023

APPROVAL

I, Dr RUBERWA Alex, the undersigned certify that this project work entitled "The EFFECT OF MICROFINANCE INSTITUTIONS' CREDIT ON SOCIO-ECONOMIC DEVELOPMENT IN RWANDA; a case of Zigama CSS" is an original study by Anicet NAMAHORO, under my help and supervision.

Dr. RUBERWA Alex

Signature…………………………..…Date……..…/………/2023

DEDICATION

This dissertation is dedicated to:

My beloved mother BEDABASINGWA Marie,

My siblings Celestin UHAWENIMANA, Colette NYIRAGWIZA, Vedaste SHYAKA and Valerie MUKAREMERA

My nephews Christine HABIMANA and Laetitia IZERE

My friends,

My colleagues.

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ANICET NAMAHORO

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LIST OF ABBREVIATIONS AND ACRONYMS

BNR:	Bank National du Rwanda
BNR:	National Bank of Rwanda
BRD:	Bank Rwandaise de Development
DGs:	Millennium Development Goals
MFIs:	Micro Finance Institutions
MINECOFIN:	Ministry of Economics and Finance
NGOs:	Non-Governmental Organization
NISR:	National Institute of Statistics of Rwanda
OECD:	Organization for Economic Cooperation and Development
RDB:	Rwanda Development Board
RMF:	Rwanda Microfinance Forum
ROA:	Return on Assets
ROE:	Return on Equity
ROTA:	Return on Total assets
SPSS:	Statistical Packages for Social Sciences
UBPR:	Union des Bank Populaire du Rwanda
UK:	United Kingdom
ULK:	Kigali Independent University
UN:	Union Nations
UNDP:	United National Development Programs
US:	United State
USA:	United States of America
VaR:	Value at Risk
VAT:	Value-Added Tax
ZCSS:	Zigama Credit and Saving Society

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ABSTRACT

The objective of this study was to examine the "Effect of Microfinance institution’s credit on Socio-economic development in Rwanda. The study had three specific objectives of Evaluate the Impact of micro finance’s Credit on Income Levels and Poverty Alleviation in Rwanda., Assess the Role of Zigama CSS’s Credit in Promoting Entrepreneurship and Small Business Growth in Rwanda and to Investigate the Effectiveness of Zigama CSS’s Credit in Enhancing Financial Inclusion and Socio-Economic Empowerment. The study adopted a stratified research design which assisted to examine the effect of MFI’s credit and financial performance of cooperative banks. The sample size as well as the population of the study was 81 respondents. The response rate was 100% which comprised 10 Zigama CSS’s staffs and 71 members. Data was gathered using a data collection schedule and analyzed using SPSS. The first objective was positively achieved where 61% agreed that their income level has improved through the availability of ZCSS’s credit, the second objective was also positively achieved with the rate of 56% of respondents agreed that Zigama CSS’s credit has contributed significantly in promoting entrepreneurship and small business growth. The third objective was achieved with rate of 61% of respondents agreeing that the Zigama CSS’s credit them to have access on basic services. The conclusion of the study was that all the measures of regulation used in this study are not significant redactors of financial performance of Zigama CSS in Rwanda. The capital requirement was found to be insignificant in explaining profitability of ZCSSS in Rwanda. We have examined a series of responses from the community regarding ZCSS's endeavors in various aspects. These findings provide a multifaceted view of the organization's performance, illustrating a wide spectrum of opinions and attitudes within the community. In conclusion, the community's perspectives on ZCSS are multifaceted, reflecting both appreciation and dissatisfaction. While ZCSS enjoys a strong support base in certain areas, there is room for further engagement with the dissatisfied groups to address their concerns and potentially enhance the organization's services. This comprehensive assessment of community feedback serves as a valuable resource for ZCSS to refine its strategies and better serve the community's needs.

Key words: Micro finance institution, capital requirements, financial performance, Institutional Entrepreneurs.

CHAPTER ONE GENERAL INTRODUCTION

Microcredit means all loans granted to a borrower, a person, entity or group of borrowers and solidarity guarantee, for financing activity of production, and commercialization whose principal source of payment comes from sales and profit generated by such activities, once adequately verified. Arelis. Y et al (2000)

A microfinance institution is an organization that offers finance services to low-income operations. Almost all these institutions offer microcredit and only take bank small amount of savings from their borrowers, and not from the general public.

1.1 BACKGROUND OF THE STUDY

According to Tan Thanh (2019), In Vietnam, microfinance institutions are facing competition with the Vietnam Bank for Social Policies, which offers loans at low rates from 1 to 8%. Since MFIs provide loans at higher rates, they face criticism from customers that their interest rates are more expensive. This creates intense pressure on MFIs in Vietnam to reduce interest rates even when their operating costs are larger and this situation creates an unhealthy environment. To protect borrowers from overpriced rates of interest, most South and East Asian countries have put a ceiling on interest rates offered by MFIs. Particularly, the interest rate is around 13% in Vietnam and up to 30% in Myanmar. Indian ceiling interest rate on microcredit is one of the highest in the region although this country has a developed and active micro-finance industry. The regulator allowed MFIs in India not to fix the ceiling interest rate limit which created many difficulties for both the low-income borrowers and MFIs.

Microfinance in Asia has seen its fair share of ups and downs. The industry has gradually gained legal recognition as a credit provider to customers who often may not be able to access credit through formal systems. While industry in countries such as India, Indonesia, Bangladesh and the Philippines have developed, in other Asian countries such as China, Laos and Myanmar, the market is still developing. It is proved that the microfinance industry contributed significantly to the improvement of financial inclusion in most of the Asian countries, i.e., Philippines, Sri Lanka, Vietnam, Nepal, Thailand and Bangladesh (PricewaterhouseCoopers, 2017).

While microfinance is a main source of funds for the lower-income population class, it still does not contribute significantly to overall lending in some countries. While in mature markets, there is a concentration of MFIs, in immature markets there is a lot of room for growth. Particularly, an indicator of the growth in the sector is the ratio of microfinance loans to the Gross Domestic Product (GDP), which is still low in mature markets such as India, Indonesia and the Philippines. However, India is the leader with a gross loan portfolio of USD 12.3 billion for MFIs. In addition, Bangladesh is high not only in the size of the microfinance loan portfolio but also in the contribution of this loan size to GDP.

According to Bongasu (2015), in Cameroon Microfinance Institutions (MFIs) play important roles in socio-economic development and poverty alleviation. It has however been argued that the focus of MFIs is changing from the traditional purely social to commercial (mission drift) and has been criticized for neglecting the welfare of citizens and grassroots accountability in favour of commercialization and accountability to donors/shareholders. This mission drift has resulted in changes in the structure and practices of MFIs.

The economic growth of Cameroon has been stable for the past decade (Mbaku, 1993; Sunderlin et al., 2000). The services sector of the diversified economy of Cameroon amounted to close to 46% of her GDP in 2011, registering a growth rate of about 3.5% on average between 2002 and 2007. Nevertheless, the global economic and financial crisis has negatively affected the economic performance of the country, resulting in low investments and a fall in demand and prices for her exports, particularly oil, timber and rubber (Wamba, 2001), hence the wider group of poverty-stricken citizens embraced by MFIs. The financial sector of Cameroon accounts for almost half of the regional financial assets, making the country the largest financial system in CEMAC (Economic and Monetary Community of Central Africa). CEMAC coordinates its economic and monetary policy, ensuring consistency between national budget policies. COBAC (Commission Bancaire de l'Afrique Centrale) harmonizes and controls banking activities. The CEMAC region has around 29 banks, with 10 in Cameroon (Kouassi et al., 2007). The financial sector comprises excess liquidity, loans and deposits. The insolvency problem remains evident in non-financial institutions (IMF, 2009). There are fifteen operational banks in Cameroon which have experienced serious financial downturns, particularly in recent times, caused mainly by neglecting regulatory rules, with about six of them being foreign-owned (IMF, 2009).

A continuous increase in the number of loans disbursed has been registered over the years in Cameroon. The microfinance sector in Cameroon has experienced a rapid growth rate, even though the penetration level remains relatively low. It is argued that there is a loose regulatory and supervisory framework governing MFIs in Cameroon, which impacts on her developmental prospects. Regional law has governed most of the country's financial system since its integration into the CEMAC region. Cameroon's accounting and accountability requirements are 9 not yet fully in line with the International Financial Reporting Standards (IFRS), even though the authorities concerned have expressed their intention to introduce financial instruments that will focus on Small and Medium-Sized Enterprises (SMEs), with a plan to institute a judiciary court aimed at addressing commercial issues and contract enforcement. Given the colonial past of Cameroon, the banking sector is seen to be characterized by different cultures and languages (bicultural and bilingual). Cameroon’s formal banking system is less than 50 years old and rooted in the colonial era. However, the first commercial bank existed in Cameroon long before her independence in 1960 (Amin, 2002). Banking was more primitive in thrift and loan societies regulated by custom and tradition. Such primitive societies still played a vital role in shaping Cameroon’s banking sector, with a remarkable evolution in the sector evident in recent times

Rwanda is faced with a combination of structural problems arising from bad policies in the past as a consequence, Rwanda suffers from a weak revenue and export base, vulnerability to price shocks, low demand, saving and investment. In this context, the government's ultimate general objective is to create a new social political and economic framework that must address the problems of the country. The Rwandan government has developed a policy that promotes the creation of alternative ways of attaining income employment, a policy of setting up micro-finance institution financing organizations which leads to economic development in the country.

The micro-finance institution serves in the form of micro-credit and micro-finance became an instrument in favour of rural poor. Micro-finance has taken to respond to community needs especially windows, foster families and farmers. They are vulnerable because of their inability to borrow from banks the highly needed working capital for carrying forward their income-generating activities, because they are not creditworthy, lack security and are faced with cumbersome loan procedures, those with principal activity in the logic of durability and financial viability on the other hand or those with secondary activity and other complementary activities.

Although there are favorable conditions for development in the Rwandan economy, people generally face the problem of lack of access to micro-enterprise investment credit, this is mostly in an economy that is so unfortunate, and the banking system in its operation lacks many financial credit facilities for many years. The government of Rwanda has as one of its priorities the promotion of micro-business through the provision of finance and non-financial activities, and many international and local non-governmental organizations trying to implement micro-finance activities. Those Micro-finance or small cooperative banks provide financial services to the poor, these deal with client savings and deposits but deliver loans following the individual lending in such a way that collateral is necessary, this can be in the form of security or monthly salary whereby the employer has to guarantee the applicant.

Micro-finance institutions are institutions that are legally accepted by the government of Rwanda. They refer to savings, loans, insurance transfer services and other financial products targeted at a low profit in a bid to reduce operation income clients. It is against this background that micro-finance is favored for the alleviation of poverty in rural areas in Rwanda. (World Bank, 1999:4), this is possible given that the actual targeted recipients are the majority of underprivileged micro-credit seekers, which cannot be supplied by the traditional formal finance system. The research in this area aims to investigate the effect of Microfinance institution credit services in poverty alleviation in Rwanda where ZIGAMA CSS's main branch will be the case study.

1.2 STATEMENT OF THE PROBLEM

The Rwandan economy has had several banks such as Regulatory banks, development banks, cooperative banks and commercial banks. Despite the existence of their formal financial credit services, poverty has remained on the increase as well the composition of these institutions in the rural areas is majorly micro and medium in nature.

These institutions that are the main employers and income earners to Rwandan nationals have difficulty accessing credit facilities from formal financial institutions. This is due to formal financial requirements that do not favor the demands of individual, micro, small and medium firms or enterprises. This mostly embarks on processing the cost of credit collateral.

It is on this background that research aimed to investigate how microfinance institutions which have credit requirements of the exposed part of society can benefit from credit allocation of formal financial systems. Thus, the study focused on how microfinance institutions are effective in a bid to alleviate poverty in Rwanda. Through this problem, I want to know the changes encountered by the rural people actively involved in small business, particularly in areas where ZIGAMA CSS operates

1.3 OBJECTIVES OF THE STUDY

The study aims at both general and specific objectives:

1.3.1 The general objective

According to Mattick, K. (2018), a general objective is a single-line statement that summarizes the complete purpose of a research or study endeavor. While it must be precise, this sort of target is always broad and typically refers to a project goal that would be accomplished if most or all of the individual objectives were satisfied. To examine the "Effect of Microfinance institution's credit on Socio-economic development in Rwanda.

1.3.2 The specific objectives

1. To Evaluate the effect of Zigama CSS's Credit on Income Levels and Poverty Alleviation in Rwanda.
2. To Assess the effect of Zigama CSS's Credit in Promoting Entrepreneurship and Small Business Growth.
3. To find out the Effectiveness of Zigama CSS's Credit in Enhancing Financial Inclusion and Socio-Economic Empowerment.

1.4 RESEARCH QUESTIONS

1. To what extent has Zigama CSS's credit contributed to poverty reduction and improved living standards among borrowers in Rwanda?
2. What is the growth trajectory in terms of revenue and employment for small enterprises that have received Zigama CSS in Rwanda?
3. What are the observable indicators of socio-economic empowerment among individuals and communities that have benefited from Zigama CSS's credit in Rwanda?

1.5 RESEARCH HYPOTHESES

A research hypothesis, according to Mattick, K. (2018), is a statement of expectation or prediction that will be evaluated through research. Learn about the subject of interest before generating a study hypothesis.

H0: there is no relationship between Zigama CSS's credit and socio-economic development in Rwanda.

H 1: there is a relationship between Zigama CSS's credit and socio-economic development in Rwanda.

1.6 Scope of the study

According to Mitchell Grant, (2021), the period in which the study will be done, and the hypotheses that the investigation will focus on. This study runs from 2017 to 2022.

1.1.1 Geographical scope

Mitchell Grant (2021) describes geographic scope as "the area addressed by a model or analysis utilized for calculating physical alterations as a result of a planned project. The primary data of this research were collected in Rwanda, Kigali city.

1.1.2 Scope in terms of domain

According to Mitchell Grant (2021), conceive of the scope as the domain of the research, what is inside that domain, and what is not. Researchers made it as clear as possible what they examined and what elements were within the study's acceptable range. As a result, the research is confined to the field of Finance.

1.7 Significance of the study

The research will help the researcher to get a Master’s Degree in Finance from Kigali Independent University, which is one of the grant's requirements.

The study will provide actual information to policymakers, which will be used as input in fixing this issue in the larger economy.

The findings showed significant areas of weakness in the sector, providing a better picture and helping them to grow for increased productivity and profitability.

Academics regard the study as a model for future research in this field since it provides authoritative material for future reference.

1.8 Definition of Key Concepts

1.8.1 MICROFINANCE

According to Barr, Michael (2005; 278). Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit i.e. lending small amounts of money to the poor. Microfinance is not only this, but it also has a broader perspective which also includes insurance, transactional services, and importantly, savings.

According to James Roth, «Microfinance is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These financial services include credit, savings and insurance products. A series of neologisms has emerged from the provision of these services, name micro-credit, micro-savings and micro-insurance» The Canadian International Development Agency (CIDA) defines microfinance as, «the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions» For (Arelis,2000;9)» Micro finance» means» all loans granted to a borrower, a person, entity or group of borrowers and solidarity guarantee, for financing activities of production, commercialization whose principle source of payment comes from sales and profits generated by such activities, once adequately verified»

According to Marguerite (2002;5) microfinance is small scale financial services- primarily credit and savings provided to people who farm, or fish or herd; who operates small enterprises or micro enterprises where goods are produced, repaired or sold, provide services, who work for wages or commission, who gain income from renting out small amounts of land, vehicles, machinery or tools; and to other individuals and groups at the local levels of developing countries, both rural and urban»

Here, one may say that micro-finance is the way in which savings and credit services can be availed to a variety of saving club, rotating saving and credit associations, and mutual insurance societies. Thus, May microfinance may define as the granting of financial services to persons developing a socio-economic activity, having no access to commercial institutions. These are poor people without fixed income, who do not offer any required collateral to commercial institutions. According to the RMF (2002) is defined as development instrument by which populations excluded from the standard banking systems access decentralized financial services. Therefore, microfinance programs generally target poor people who do not have access to classic banking and financial services to help them improve their financial situations. It enables poor people to meet them need for financial services and improve their standards of living. Financial services for the poor are the powerful instrument poverty reduction that enables the poor to build assets, increase incomes and reduce their vulnerability to economic stress.

1.8.2 MICROFINANCE INSTITUTION

Robinson (2001) defines it as small scale financial services primarily credit and saving provided to people who farm or fish or herd who operate small enterprises or microenterprises. Arsyad (2005) defines it as the provision of financial services (generally saving and credit) to low income clients. The way in which these authors define microfinance institution seems different but the essence is that microfinance provides credit to the poor and low-income households that don’t have access to commercial banks. Practically, commercial banks consider the poor people as unbackable due to their lack of collateral and information asymmetries.

As microfinance institutions deal with providing financial services to poor people those who cannot bring formal collateral, its loan is less secured. Most MFIs do not require formal collateral, and instead base loan decisions on character, group solidarity, and past repayment history. Collateral, when pledged, may not be legally registered or may have little liquidation value. Thus, when loan portfolio quality suffers substantially, MFIs face far greater loan losses (Ruerd and Schers (2007). Besides this concept, prior studies have suggested several determinant factors of MFI loan portfolio. Peter and Keller (2004) found that the ratio of women borrowers within the total client has relationship with MFIs loan portfolio. They also suggest that in group lending approach which is most likely used when the MFI is lending to women reduces risk in the portfolio. Zeller (1998) find that groups consisting of members facing homogenous risk exposure do not have higher repayment rates and therefore reduce risks in loan portfolios. Basically, one the main objectives of many microfinance institutions is to provide credit services to women in the poorest groups because women have special barriers that men do not face (Ledgerwood, 1999).

1.9 Structure of the Study

The thesis was organized into five chapters. The first chapter, chapter 1, comprises the entire research background, the problem of the research, the research objectives & research questions, the research hypothesis, the significance of the research, the research scope, the research limitations, the impact of the study, the organizations of the thesis chapters. Chapter Two reviewed some of the relevant related literature on financial regulations, microfinance institutions, and sustainability in Rwanda, and other developed and developing countries. It was reviewed empirically and conceptually. Chapter three looked at the general research methodology of the entire study. Thus, qualitative, quantitative and mixed Methods. All these methodologies were used in this study. The fourth chapter focuses on the “effect of regulations and policies on microfinance sector development in Rwanda”. Chapter five discussed the factors that determines microfinance institutions' sustainability in Rwanda.

CHAPTER TWO: LITERATURE REVIEW

The literature review explores the interconnected measurements of knowledge. Starting with a conceptual review, we delve into the origins and interconnections of key ideas. Then, we navigate the sea of theories, unravelling their assumptions and implications in the theoretical review. Moving forward, we immerse ourselves in a diverse array of related literature, discovering patterns and bridging gaps in knowledge. Finally, we construct a conceptual framework that illuminates the pathway to insight, contributing to the ever-growing tapestry of knowledge. This exploration invites readers to embark on their own quests for intellectual enlightenment.

2.1 CONCEPTUAL REVIEW

2.1.1 Total portfolio Size

Obasa **(2019),** examined determinants of loan portfolios quality, using panel data of 15 microfinance institutions from the period 2003 to 2009. The study employed three dependent variables as proxies for loan portfolios quality, namely: provision for loan impairment (LLR), portfolio at risk over 30 – days (PAR-30days) and write –off ratio (WOR). This study is crucial from given that there is no research on MFIs loan portfolios quality using quantitative approach in Ethiopia. Based on pooled ordinary least squares (OLS) and random effects generalized least squares, the study finds an institution size (LnTA) is negatively and significantly influences LLR and PAR- 30 days. Outstanding loan ratio has a significant positive impact on PAR-30 days and WOR. The ratio of women borrowers (WomBor) is significantly and negatively related to LLR and WOF. Change in total loan ratio has a significant negative (unexpected sign) impact on all of MFIs portfolios risk indicators: LLR, PAR-30days and WOR. Operating expense ratio is also positively related to WRO. The study finds no any significant sign between macroeconomic factors (changes in gross national income per capital and inflation) and MFIs portfolios risk indicators: LLR, PAR-30days and WOR. The findings of the study have implications for policymakers and microfinance institutions since MFIs provide financial services to poor households, they highly face default risk when borrowers fail to repay their obligations as per the agreement.

2.1.2 Interest rate

Sovannara (2018), conducted a research on the “Impact Of The Interest Rate Ceiling On The Sustainability Of Microfinance Institutions In Cambodia” The main objective was to assess the impact of interest rate ceiling policy on sustainability of MFIs in Cambodia. This study covered the data analysis of Microfinance Institutions (MFIs) which have been operated from 2014 to 2017. This research used descriptive statistic to compare the trend of several critical variables related to sustainability and interest rate to make a comparison before and after the policy is implemented. In addition, the correlation coefficient was also employed to find out the relation between several critical variables. The findings of this research claimed that the policy had the negative impact on the sustainability of MFIs. In addition, high total cost of lending, mainly due to high operating cost, also lowered the sustainability of MFIs in Cambodia.

Ngahu (2016), stated that Interest rates are the primary drivers of financial institutions’ financial performance. There are many reported cases of defaults in loan repayment among microfinance institutions. The study examined the effect of interest rates on loan performance of MFIs in Naivasha Sub-County. It examined MFIs. The study was limited to the five MFIs in Naivasha sub-County. The study adopted descriptive research design. The target population comprised of 36 employees. Census design was employed. The study used a structured questionnaire to collect data. The research instrument was pilot-tested before its use to collect data for the main study. Data analysis was facilitated by the use of SPSS. Both descriptive and inferential statistics were used. The study established that default risk premium and liquidity risk premium negatively affected loan performance. Interest rates were found to substantially influence loan performance. It was concluded that MFIs faced default on loans advanced which was attributed to risky borrowing. It was inferred that MFIs faced liquidity risk. Since defaults usually occur for short term loans, MFIs are recommended to charge reasonable premiums which borrowers can afford and at the same time mitigate default risk. MFIs are advised to consider easily tradable assets accepted as collateral in order to mitigate liquidity risk while lending.

2.1.3 Frequency of Loan disbursement

Hamed et al (2010), in their research on the empirical relationship between microfinance loan disbursement and poverty alleviation have tested 80 members of microfinance and non-microfinance institutions in Lagos. Purposeful sampling method was employed to select the sample. Three research hypotheses guided the study. A well-structured questionnaire that was tested for reliability and validated was used as the instrument for the study. The results obtained were analyzed using percentages, chi-square test, F-test and T-test. The findings revealed that there was 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 patronized them. The study concluded that microfinance institution is indeed a potent strategy of poverty reduction and a viable tool for purveying credit to the poor. However, microfinance can be a more viable tool for sustainable poverty alleviation if more is done on program outreach and depth than the present outreach.

Bamwesigye J. (2008) stated that Since the 1990s, poverty reduction has taken priority at both national and international development levels. Within this framework, various initiatives have been taken. Microfinance has caught the attention of many aid donors, NGOs and Governments as an effective tool for poverty reduction. The successful use of microfinance is considered as victory for the poor to escape the poverty traps. In Rwandan context, this same initiative and hope has been emphasized in the Country's Poverty Reduction strategy papers. Therefore, this paper is an attempt to analyze the role of Microfinance in poverty reduction in Rwandan context. The study takes a case study of Urwego Opportunity Microfinance Bank which is one of largest microfinance institutions in terms of scale and geographical coverage. To achieve the desired objectives of the study 27 clients of the MFI selected from one rural and one urban branch were interviewed through individual and focus group discussions and the study was highly qualitative. There has been found that Microfinance outreach in scale is extensive and impacted positively on the poor but only the poor close to the poverty line could have been reached through MFI. Also, rural- urban differences in impact have been noted which suggests differences in poverty levels, opportunities and Microfinance loan products appropriateness between the two.

2.1.4 Income level

Bhuiya et al (2018), conducted a research on "Impact of Microfinance on Household Income and Consumption in Bangladesh" Primary data on 439 households across 20 villages in 4 districts were collected using a quasi-experimental survey approach. The sample was designed so that member households of microfinance programs were compared with non-member households of similar characteristics. In our econometric analysis, economic wellbeing is proxied using measures of household income and consumption. The empirical results indicate that despite our survey design effort, microfinance members remain poorer than non-members. But participation in microfinance has positive impacts: one percent increase in the duration of microfinance membership is associated with an increase of income and consumption per adult equivalent by 0.19 and 0.16 percent, respectively

Mariet (2012) in her research entitled “The Role Of Microfinance Institutions In Financial Deepening, Economic Growth And Development” said that The capability approach brought forward by Amartya Sen is applied to analyze economic development at the community level and to explore the complementarity between the provision of capability-enhancing services and the effectiveness of microfinance in terms of both removing credit constraints and improving economic outcomes for poor borrowers. In light of Sen’s view of development, the Human Development Report defines development as a process of expanding opportunities so that each person can live a life of respect and value. true development would include the improvement of economic outcomes as well as improvements in human conditions. The main objective of this dissertation is to explore how microfinance can contribute to economic development as measured by income growth and to analyze how investment in human capital (as measured by the provision of education, skill training, etc.) can augment economic growth at the community level.

2.1.5 Number of Borrowers

KiflieHayleeyesus (2016), conducted a research on “The Impact of Microfinance Institutions on Poverty Alleviation in Ethiopia” aimed at assessing the impact of microfinance institutions on poverty alleviation a case in Ethiopia. Poverty is a worldwide phenomenon and particularly series concern for under developed countries like Ethiopia. Microfinance has been used as a development tool with the main objective of poverty alleviation. The study tried to test the two hypotheses by deploying specific impact assessment tools. 1. MFIs in Ethiopia are sustainable enough to facilitate the financial intermediation and support the poverty alleviation effort in the country 2. Participation of clients in microfinance program would bring about significant reduction in the level of poverty. The study used two impact assessment models to test the hypotheses, institutionalists model to address the first hypothesis using 12 years of outreach, financing structure and financial performance data to measure how sustainable and profitable the Ethiopian MFIs are in comparison with the African MFIs average performance and Grameen Bank of Bangladesh. The welferists model is used to test the second hypothesis using a structured survey questionnaire distributed to 60 respondents to measure the income increment, asset possession, quality of life improvement, access to education, access to health care services and other more poverty indicators. As the result of analyzing the 9 financial and outreach related data collected from various sources the study concluded that the Ethiopian MFIs are working well and their contribution towards the poverty reduction is in a better position. The study compared the performance of Ethiopian MFIs with African MFIs average performance and Grameen Bank of Bangladesh and come up with a conclusion that in most indicators, the Ethiopian MFIs are performing better than the African average. The Ethiopian MFIs are relatively very small compared to Grameen Bank and much is remained to be in the same standard with it.

2.1.6 Access to basic services

Mugwaneza (2019), in her research on "Exploration of how Microfinance Institutions Can Enable Access to Financial Services in Rural Areas of Rwanda" found that Most of rural based population in developing countries are poor and uneducated. Due to these conditions, rural communities do not attract traditional financial institutions. In response to the issue of financial exclusion, the existence of microfinance institutions has been embraced as a solution to avail financial services to rural communities. However, the solution presented by microfinance institutions has been debated and criticised by the scientific community for not fully respond to its potential and aspirations.

In this regard, this study contributes to better understand of how microfinance institutions build financial relationships with rural communities to enable them access financial services. A marketing perspective was applied to investigate how a microfinance institution engage with rural communities to build profitable financial relations with these. This study was undertaken using case study research methods. It focuses on Réseau Interdiocésain de Microfinance as the company case and four semi structured interviews were conducted to get both the perspectives of Réseau Interdiocésain de Microfinance and rural communities. To identify and explain how relationships are built in this context, the bottom of the pyramid concept and social capital theory informed a theoretical framework. This framework guided data collection and analysis in this study. The analysis shows that microfinance institutions build financial relationships with rural communities by approaching sites where people gather in rural areas and where situations for building relationships can be favourable. The sites identified in this study include the church and cleaning works known as 'umuganda'. These sites create situations where critical aspects for building relationships can be found. These aspects include trust, social norms and social networks that exists within the rural communities. This study concludes that Microfinance institutions can build financial relationships with rural communities by approaching sites where situations are favourable for building such relationships. This study therefore suggests that to enable access to financial services in rural communities, microfinance instutions have to identify and engage in sites where they can reach into rural communities and build relationship with them.

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2.1.7 Government Policies

According to Lash (2018), microfinance institutions have expanded rapidly since their inception in 1983, their growth has varied substantially among countries. The impact of government expenditures, taxes and regulations on the volume of microcredit for 92 emerging market countries for the period 2000-2011. The Index of Economic Freedom data is used as a proxy for government intervention while microcredit is represented alternatively by either the Gross Loan Portfolio Per-Capita or Penetration Index variables. While excessive government intervention could potentially encourage more lending in the informal microfinance markets, our findings suggest that, for both credit variables, the net impact is to reduce microcredit. The variables appearing to be most responsible are business regulations, taxes, and corruption. Tests using sub periods and also with a dynamic version suggest that our model is quite robust.

2.1.8 Social capital

Obebo (2011), conducted a research on the "participation in microfinance and its effects on household welfare and performance of micro and small enterprises in Kenya" and found that the development of microfinance in Kenya is seen as a catalyst for promoting household welfare and performance of micro and small enterprises (MSEs). Through various policy frameworks, the sub-sector has recorded considerable increases in; microfinance gross lending, usage of informal microfinance and the number of licensed microfinance banks. Despite these developments, households continue to face low levels of welfare while MSEs continue to suffer from high levels of financial exclusion and shortage of operating funds. This contrasting scenario raise policy questions on whether participation in microfinance has effects on household welfare and performance of MSEs. Past studies on Kenya demonstrated that participation in microfinance had positives effects on household welfare and MSE performance. However, such studies did not account for the distributional effects of participation in microfinance and also, the studies only focused on a small area. In addition, there is need to account for microfinance developments that have taken place in the last decade. In light of this, the purpose of the study was to determine the effect of participation in microfinance on household welfare and performance of MSEs in Kenya.

To address various objectives, the study used the 2016 FINACCESS dataset. Analysis of the determinants of household participation in microfinance was done using a heteroskedastic probity while the effect of household participation in microfinance on household welfare was estimated using the endogenous switching regression model. The determinants of MSE participation in microfinance was assessed using the probit model while the effect of MSE participation in microfinance on MSE performance was estimated using propensity score matching model. From the results, the key determinants of household participation in microfinance were; residence, age, household size, vulnerability level, financial literacy and gender. In the case of MSEs, the key determinants of participation included, age, financial literacy level, numeracy level, possession of business permit, age of firm and number of employees. On welfare, the results showed households increased their annual per capita expenditure by Kshs 28,713 when they participated in microfinance. In addition, welfare levels were higher among female-headed households than male-headed households. Also, the welfare effects generally increased with increase in wealth quintiles. On MSE participation, annual firm income increased by Kshs 36.660 when a firm participated in microfinance. Further analysis revealed that, participation in microfinance had an impact on male-owned firms only, firms aged 2 years and below and firms whose owners were above 34 years. From the results, it’s recommended that the government should enact policies that would increase participation in microfinance by both households and firms. This may be through scaling up financial literacy programmed, extending microfinance outreach to the rural areas and women.. To increase MSE performance, the government should encourage acquisition of permits and licenses. Finally, policy should address obstacles that hinder youth and women owned firms from benefiting from microfinance.

2.1.9 Financial literacy

Magali (2022), in his research “Financial Literacy Variables in Microfinance Institutions studies: A Systematic Literature Review” The study applied a systematic literature review to explore financial literacy variables in microfinance institution (MFI) studies. Using manual content analysis, 73 studies identified variables covered in MFIs' financial literacy literature. The study revealed that the majority of scholars have assessed the role of financial literacy in promoting clients' savings, money and mobile money usage, loan repayment and investment. However, few studies focused on variables such as outreach, budgeting, interest rates and women's empowerment. In most of the reviewed studies, regression data analysis was used. The findings indicate that there is a dearth of MFI studies that use the term "financial literacy" and its sub variables. Furthermore, there are no studies that have examined how financial literacy impacts MFI performance variables such as sustainability, profitability, efficiency, credit risk management and corporate governance. In addition, there are a few studies that link financial literacy with MFI theories. Generally, the findings indicate that variables related to financial literacy are not adequately covered in MFI studies. The study recommends the formulation of policies that promote financial literacy training for formal and informal MFIs. This is the first comprehensive systematic review to examine financial literacy variables in MFI studies.

Musabwasoni (2020), in her research “Effects of Financial Literacy on loan Repayment among Small and Medium Entrepreneurs of Microfinance Institutions Case Study of Inozamihigo Umurenge Sacco in Nyaruguru District” said that Microfinance Institutions in Rwanda majorly SACCOs play a significant role in the financial sector and to the economy at large since they empower members through offering loans for business startup. However, the performance of these SACCOs in terms of loan repayment has been alarming overtime. Therefore, the study

sought to analyze the influence of financial literacy on loan repayment among SMEs of Microfinance Institutions a Case of INOZAMIHIGO Umurenge SACCO in Nyaruguru District. Specific objectives were to determine how book keeping literacy influence loan repayment among SMEs in Rwanda, to examine how budgeting literacy affect loan repayment among SMEs in Rwanda and to assess how debt management literacy affect loan repayment among SMEs in Rwanda. The study adopted descriptive quantitative research design. A sample of 178 from a population of 320 which comprised of SMEs from INOZAMIHIGO SACCO in Nyaruguru District was calculated using Yamane's formula. Purposive and simple random sampling techniques were used in choosing population and issuing questionnaires respectively. Data was analyzed using SPSS software Version 20 and presented in form of tables and graphs. Correlation and regression analysis techniques were used to study the relationship and the effects of financial literacy factors on loan repayment among SMEs of Umurenge SACCOs. The findings revealed a high positive correlation between book keeping, budgeting and debt management literacy and loan repayment. Moreover R-squared was 77.2% meaning that the financial literacy factors accounted for greater percentage of loan repayment variations. The study recommended that SACCOs should initiate more financial training to reach all members and encourage all members to attend such trainings. The SACCOs should also employ high qualified trainers to offer quality training to the members. The study recommendations are resourceful to both private and public sectors especially local governments and Umurenge SACCOs to come up with strategic policies that will encourage loan repayment among SMEs. Moreover, the study is useful in the field of academia as it adds knowledge on existing literature.

2.2 Theoretical review

The theoretical review under this research was on microfinance theory, sustainability theory, and some other related theories of the sub-sector. We focused on theories such as the theory of sustainable finance, microfinance uniting theory, and female empowerment theory, the theory of financial intermediation, the theory of Poverty Eradication, the theory of Economic Empowerment, microfinance Games theory, and microfinance Economic Theory. Also, under these theoretical reviews, various definitions of terminologies, the meaning of key concepts and other theories of the study are given and reviewed for the understanding of the topic by the readers.

2.2.1 Theory of Sustainable Finance

The theory of sustainable Finance by Emerson (2003) came after the theory of traditional finance and it can be seen as the improvement of traditional financial theory. The Theoretical Reviews Empirical Reviews Conceptual Reviews traditional finance theory is rooted in two different sets of values: financial risk and financial returns matters. Of late, a more generalized theory of finance came up through a sustainable field of finance, which indicated that the traditional finance theory is a very special case of the generalized theory which incorporates important values. Four different trends are contributing to sustainable financial growth. This include:

The blended value concept by Jed Emerson

Investing: Recognizing that, the factors of sustainability can be related to a systematic risk: • Financial innovation for increasing sustainability and

Infrastructural building for sustainable finance (Emerson 2003). The traditional financial instruments help to build some financial innovations and two among them include microfinance and crowd funding. Through microfinance program, a number of the poor people are reached and served with products and services. While the crowd funding allows direct, small donations or investments for smaller businesses, not profit-making, and related projects that impact the study and are pooled together. Crowd funding and the microfinance are combined by Kiva, Vittana, and others for the traditional finance of small enterprises in developing countries. The sustainable financial system needs to be built for poor people from three different perspectives. That is financial development, poverty reduction, and enterprise formation and growth.

2.2.2 The Uniting Theory of Microfinance

The theory of uniting microfinance finance is a theory that focuses on joint liability. Here borrowers are grouped, and jointly held responsible /liable for the other in terms of credit default/loan repayment and this serves as a key to a very high credit recovery rate. Ghatak and Guinnane (1999), in their various theoretical reviews, came up with some key mechanisms by which repayments and welfare of credits constrained borrowers could improve through a joint liability. These are the idea that through joint liability the problems or issues lenders face example in customer's loan screening, their monitoring & supervision, auditing & evaluating, enforcement through utilizing of information, dissemination, communication, and the social capital which are in existence among borrowers. The Joint liability is grouped into two categories and it can be interpreted in many ways. The two categories are explicit and implicit joint liability.

With explicit joint liability, the default of one borrower on loan repayment leads to group members to repay on behalf of the borrower. The members all can be threatening to a punishment example the refusal of the other members' future loans and other benefits. The implicit joint liability also made members and borrowers understand that, when a member of the group defaults on loans, all the group members automatically become ineligible for any other loan now or in the future even if the lending contract did not state that. This joint liability concept works well than the banks due to the following two reasons: Close-knit who are the community members might have more detail information about each other than the outsiders' members. Banks might have limited punishment for their poor customers who might default on credit given to them for businesses. That is the institutions that provide their poor people with motivations/incentives for them to utilize, get information concerning their customers who are neighbors to apply delinquent punishment/sanctions that are not financial to the beneficiaries (borrowers) would be better as compared to most traditional/conventional banks.

2.2.3 Female Empowerment

Theory Every microfinance institution's primary aim is to target more women in many cases. This is because it is believed that women can improve the welfare of the family and again able to invest the credit received from banks into a productive venture than men can do because men were known to spend more as compared to women, and they invest less from loan funds. Pitt and Khandker (1998), argued in their study that, women who borrowed funds use those funds efficiently and effectively than men who borrowed.

2.2.4 Financial Intermediation Theory

The theory of financial intermediation is a theory that seeks to explain reasons for financial intermediaries' existence in a financial system in an economy. The intermediaries are mainly tasked with the creation of equilibrium between the spending units, surplus units, and the deficit units. The sole reason for the existence of the theory is due to information asymmetry in the financial intermediation processes that generate imperfections in the market by preventing the investors and the savers to trade directly with one another in an optimal way. Financial intermediation theory is based on both asymmetric information and the agency theory that exist in the microfinance institution as described by the below factors: inadequate information, cost of the transaction and the methods of a regulation adopted (Cuza, 2009).

2.3 Review of related Literature

Theory The economic empowerment theory focused on the microfinance institutions' potential empowerment targeted toward women the credit accessibility of the women while the female empowerment theory focused on improved abilities and the changes which lead to the improved well-being of the women and family. It is a common belief that women's access to finance becomes empowered, financially and socially. According to (Amin et al. (1998)) women being membership in the programs of microfinance all things being equal, is related significantly, and directly positive to women empowerment.

While Ehlers and Main (1998) concluded in their analysis on the microenterprise development programs for women who are poor in the United States that, the assistance of microfinance problematic and detrimental. They based their conclusions on the issue that, some women "graduate" or transfer their businesses to the formal sector because of the gender constraints to the type of businesses they are running and lack of appropriate microfinance training.

The first step for the cycle of poverty to break out is referred to as through savings which enables women to manage their monies better and to start investing in assets. Savings can be regarded as asset building, and getting customers ready to take loans as well. Savings is seen as the first step for the poor women to absorb greater credit and can be put in enterprises or activities that enhance incomes, future asset, and emergency loans, insurance and cover the women against any loss of an asset, to get an income and to enable the women to continue move upwards. Microfinance institutions' role has been recognized globally as a poverty reduction phenomenon, eradication of poverty and wealth creation among poor people in a plan of action where member states were being required to come up with a national microcredit forum and conference that are proactive in their member countries. There are two schools of thought concerning who should be targeted by a microfinance institution. The poor or the poorest. The first education and view are that the poor and low-income people should be targeted and the second school of thought believes in targeting the poorest.

The first reason given by the first school is that, the poor are more likely to create income-generating activities from the loans and this can lead to job creation and the income or benefits would be spread to the poorest and the community at large and in that case, microfinance institution would be seen as expanding their financial services, that's reducing poverty on a bigger scale. The second school of thought is seen as the vice versa of the first. Diop, Hillenkamp & Servet, (2007, pp. 33) criticizes the first strategy and concludes that the redistribution through employment creation nor the consumption does not in any way benefit the poorest. For the institution to achieve its role as an instrument for poverty reduction, the sub-sector needs to spur self-employment, promote productive activities and with income-generating activities.

This in effect is predicted and expected to increase consumption, alleviating the poverty of households and community, and stimulating local economies. On this very argument, the first assessment logically is to analyze microfinance impact on the borrower's income. The increment of incomes through the creation of self-employment might require small working capital and the other sources of income may be too small to be able to raise surpluses that are investible on their own. Wahid (1994) said the loan/credit facilities that are given to the poor would help to increase their capital which will lead to improved and higher standards of living through income generated activities or investments.

Under this theory, microfinance institution operators consider the idea of group lending. Most of the microfinance sub-sector consider a group of borrowers together and issued loans to them. Individuals' loans were not issued due to the high default rate in single loans. There is a very low rate of default on group loans to borrowers and in case of default, it is easy to claims back the amount. The group borrowers are monitored jointly and contracts are enforced together. Dr. Mohammed Yunus of Grameen Bank uses this group lending model of microfinance which is group-based. That is the borrowers are put in a group of 4 to 7 members which guarantees a good repayment of loans, also allows access to again which is based on successful repayment by all members. The payment of the loans is usually made 30 weeks by members. This type of lending proved to be effective and very efficient in reducing the default rate. It is one of the best methods of lending that works well for Grameen Bank in Bangladesh and a lot more microfinance sectors are now using it. The model has contributed to the success of several micro institutions and help reduce default and collapse rate since the group members know their members too well and their financial standing.

An economic theory of microfinance suggests that a repayment schedule by the institutions that are very flexible to the borrowers would benefit them and it would potentially improve their capacity of repayment. On the other hand, it was argued by the microfinance practitioners that, a loan default is prevented by the fiscal discipline imposed through frequent repayments. Among the microfinance borrowers ready to lend/borrow money on regular repayment schedules like weekly, monthly, or quarterly basis. A very flexible schedule would lower the cost of the transaction and not increase the client default. The theorists of economics have been intrigued by the contracts of Grameen bank and there are severally of research on that. One of the researchers is Stiglitz (1990), on how the joint liability works. The repayments of the bank begin just a week after the loan has been issued/offered and it then continues weekly till the loan gets finished and this makes the contract very close to a customer loan than a business loan and it reduces the chances of default risk that most banks take. The borrowers of Grameen bank are 95 percent women and the bank believe that higher women percentage improve social impacts, and it also may reduce the financial risk and default risk of the bank they found out that, women repay their loans better as compared to their husbands. While the traditional/conventional banks lent money to exclusively men, women borrowers happen to be more in the case of Grameen bank and they have seen more reliable customers as compared to their husbands (Khandker 1998).

Arysad (2005) on their study microfinance institutions performance and sustainability in Indonesia using a village credit institution as a case study, found out that, an economy which is growing and supported by government policies in all part of their operations by providing a legal root for microfinance institutions. That Central Bank regulations of the country had contributed towards the benefits and successes of microfinance institutions. There is the need for appropriate regulations of the subsector in the country and it should be supported by effective government policies to monitor and supervise the institutions to ensure long term sustainability and reduce collapse rate in the sector. This regulation and policymaking of the markets call for the active participation of government & regulators in the microfinance industry. The regulators believe that to protect the customers and their savings, the interest rate should be capped and transparency promoted. Pouchous (2012), said most of the microfinance management and professionals are against such practices. They are of the view that the policymakers may not be able to come out with an appropriate interest rate cap which will help the development, sustainability, growth, and survival of microfinance institutions in Ghana which intend to jeopardize the services of the financial inclusion to the poor customers (Helms & Reille, 2004). Regulators can only be through the regulatory requirements to take account of microfinance loan pricing to protect the poor customer against harm and higher prices for this implies the macro level. This was the reason for the 45-government intervention because the macroeconomic disruptions can have a consequence on financial institutions of the country as a whole.

According to Arun & Murinde (2010), the main purpose of regulating the MFI is to ensure the efficiency, soundness, smoothness, and stability of financial services and to protect the consumers. Thus, no activity of the MFIs should harm the clients and the regulations not to affect the activities of the MFIs and vice versa.

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The concept of microfinance was developed three decades ago on the basis of its successful experience in Asia (Bangladesh) by Grameen Bank that grants credits to the poor. The Grameen Bank is concerned with marginalized people. It was introduced by Professor Muhammad YUNUS and was considered as a bank for the unfortunate. It began operating since 1976 in the village of Jobra (in Indonesia). Since 1983, this project has been transformed into an independent bank by the Government Ordinance. In this study considers Muhammad YUNUS as the founder of the microfinance movement.

Thornton (2000; 22), talking about microfinance evolution, says that: [The microfinance phenomenon significantly expanded a few years ago. The success of microfinance institutions like the Grameen Bank in Bangladesh, the Banco Sol in Bolivia and many others elsewhere, was the origin of a generalized grip of consciousness that microfinance could play role in many domains towards the improvement of living standards of the poor, by facilitating access to financial services and job creation until the procurement of investors].

Regarding microfinance evolution, Robinson (2001; 53) also says «By the 1980's however, numerous institutions in many parts of the developing world were providing micro-credit and recovering their loans. The Grameen Bank `s group lending methodology, part of paradigm shift in microfinance, becomes widely adopted by institutions in many of the world» The 1980's represent a turning point in the history of microfinance, by the end of that decade; the paradigm shift was well under way. Both the Grameen and BRI (Bank Rekyat Indonesia) showed that micro-finance institutions would reach more one million borrowers with very high repayment rates.

From the 1990`s until now, microfinance operates as an industry of its own as the same author continues to say, «By the late 1990, commercial microfinance was no long limited to a small group of scattered institutions. It was an industry, a fledgling industry, but a rapidly growing one» The microfinance approach is used all over the world as an instrument of poverty reduction because it gives easy access to credit the poor, especially women and other people excluded from the formal financial system because of their social and financial status. What is new in the Grameen Bank system, which is used in many microfinance institutions, is that consists of forming groups of five persons and asking each one in them to grant the repayment of the remaining four members of the group.

Today, microfinance institutions view permanent reduction of poverty by addressing the multiple dimension of poverty with the aim of reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. Even if developing countries need to integrate microfinance programs, developed countries do also take it as an essential element in their financial system. Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be `bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. According to Murray U and Boros R(2002). Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary.

The characteristics of microfinance products include: Little amounts of loans and savings, Short-terms loan (usually up to the term of one year), Payment schedules attribute frequent installments (or frequent deposits), Installments made up from both principal and interest, which amortized in course of time, Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable overtime, Application procedures are simple, Short processing periods (between the completion of the application and the disbursement of the loan).

Microfinance institutions in Rwanda are operating under the law no 06/99 of 18 June 1999 relating to regulations governing banks and other financial institutions. The Rwanda central bank and ministry of finance and economic planning supervise activities of all MFIs and COOPECs in Rwanda. Microfinance institutions are grouped in the RMF. The microfinance sector in Rwanda comprises the UBPR, credit, savings clubs, insurance companies, tontines and other informal system. Therefore, they are formal microfinance system, which operates under license and informal microfinance system, which is generally observed between individual groups that are not known by the authority. In 2002, the BNR adopted the instruction no 6/2002 regulating microfinance activities in Rwanda. Throughout this instruction, BNR seeks to develop microfinance programs in Rwandan society as follows; « so as to insure to the whole population secure to financial local community- based services so as to develop sound and professional MFIs and, to structure accordingly the microfinance sector in Rwanda»(BNR 2002;1). In Rwanda, there are a growing number of savings and credit cooperatives whose objective is highly valuable to the Rwandan people whose income is still low. These cooperatives are set up to serve the population through provision of small loans whose interest is not too high. The wide spread savings and credit cooperatives among others are mentioned in the introductory part. Numerous Grameen-like institutions in form of savings and loan cooperatives or COOPECs have sprouted. All these and many others operate under the umbrella of the Rwandan microfinance forum (RMF). The RMF is platform of organizations intervening in microfinance in Rwanda. It is the center for exchange and a reflection on microfinance that was created in 1998. It's formerly begun operating in May 2002 with a primary objective of professionalizing and institutionalizing the microfinance sector in Rwanda. The national bank of Rwanda is also very much involved in the regulation of microfinance institutions. The government of Rwanda has developed its poverty reduction strategy through extensive national consultation. The resultant Poverty Reduction Strategy paper (PRSP) was endorsed by the Boards of the World Bank and international monetary fund on August 12. 2002. The actions outlined in the PRSP fit within the overall vision of Rwanda's development as set out in vision 2020, which identifies the key objective that Rwanda needs to attain in order to become a middle-income country by 2020. Throughout the PRSP, microfinance is a key element for the achievement of the government of Rwanda's objectives

Microfinance institutions operation in Rwanda can be traced in the activities of Banque Populaire and Duterimbere all of 1975 and 1987 respectively. Banque Populaire was formed through the request of Switzerland as micro project to Rwandan government. Duterimbere was established as an affiliated of women world working (UNDP 1997). Duterimbere provides loans to microfinance and small-scale enterprises that are owned by women. It has established a cooperative institution to coordinate loan programs and savings. Microfinance was created in response to the need of poor who require small loan (micro-credit), however time; microfinance has come to include a wide range of services ranging from credit extension, saving mobilization. The importance and the power of microfinance to the poverty reduction gained recognition in recent years especially among individuals and institutions. They started with provision of micro-credit services, which involved high transaction costs. Microfinance gained prominence in 1980's although early experiment dates back 34 years such countries as Bangladesh and Brazil. The success of microfinance has been a result of focusing on the poor least developing countries.

According to the (New Times, 2006), loans are usually granted without usual collateral demanded by main stream banks and other financial institutions. The poverty is multi-dimensional, by providing access to financial services; microfinance plays a role against poverty. The microfinance institutions provide incomes from various businesses that help not only in the business activities expansion but also contribute to households' income on food security, children's school education. Through to microfinance institutions, the women capacity, confidence and empowerment were building. The business sector in Rwanda is dominated by both local and international organizations. They include international cooperation agencies, Embassies, UN organizations; projects through ministries and bank financial institutions. They intervene in microfinance sector by providing funds to facilitate credit distribution to the population. Most of the customers are from Banque Populaire and that microfinance institution and ONG's are found in the all provinces but still this does not mean all population has access to financial services.

According to the World Bank (2002), Microfinance enhance the ability of poor household to increase incomes, build assets and reduce their vulnerability in terms of stress, especially women headed families. In the book entitled «Uganda growing out of poverty» defines poverty by using two approaches; relative and absolute poverty. Relative poverty means that some people are poorer than others. This is realized when the different between the richest and the poorest is intolerable. This is in the sense that the poor are deprived of many goods and services which others take for granted. In general, relative poverty is when the people are defined as the poor relation to the community they use as reference group. Absolute poverty means that lack of food, assets and cash. It is a condition degraded by diseases, illiteracy and malnutrition to deny people basic human necessity. It is thus a condition of not able to obtain the basic needs of life or where deprivation is several that basic needs of life can scarcely be met. It is important to remember that experience and effect of poverty are unique for each individual, household and community and that no two people experience it in the same way. For analytical and policy development purposes we need some standardized definitions of poverty at all these levels.

At an individual level, a man or a woman is considered poor if they are; confronted by a complex of inter-inked problems and can't solve them; do not have enough land, income and other resources to satisfy their basic needs. At household level, land owned, household size and the characteristics of the head of households were important criteria for poverty definition. At community level, the shortage of economic and social infrastructure and natural resources are important criteria for poverty analysis. According to Tony Belton et al (1982;94), poverty is then essentially a relative concept, a condition measurable in terms of living standards and resources of any society at a particular time. For instance, a person seen as poor in Britain in 1981 will have better absolutely living standard than someone living in the slums of Rio de Janeiro. People are poor in their incomes, even if adequate for survival, fall markedly below those of the community (Galbraith 1987; 252). In generally; poverty can be defined as a state of «deprivation» which may take several forms; it may be personal, economic, social, cultural or political. Personal or physical deprivation includes deprivation in term of health, nutrition, disability, human capital, emotional deprivation is and confidence. Economic deprivation is in term of incomes, asset, access to market, access to public facilities and environment resources. Cultural deprivation would mean people deprived of beliefs, knowledge, value, information and altitude. Political deprivation is seen in terms of deprivation of voice at local, provincial or national level. Social deprivation involves barriers to full participation in social, political and economic life. Rwanda is a landlocked country located in central Africa region. Uganda boards it to north, RDC to west, Tanzania to the East and Burundi to south. It covers a land area of 26338 Sq. km majority of which is mountainous and that is why it is called a country of a thousand hills. Rwandan population has an estimated of 12 million people and estimated 60% living under poverty line.

Rwanda now faces the following micro economic problems structural problems: low agriculture production, which was aggravated by the failure of past agriculture policies, low human resources development, especially in literacy and skills development ,limited employment opportunities, with an oversupply of unskilled workers in comparison to their low demand, high population growth and density, high transport costs, etc. The failure to address those problems has contributed to an economy characterized: Low measured private investment at only 8% of GDP in 1999. Net small holder investment in Narrow revenue base averaging 8.7% of GDP in the period 1995-1997, compared to an average of 17.7% of GDP in sub-Saharan Africa. Average weak export base of US Dollar 16 per capita compared to an average of US dollar 100 in sub-Saharan Africa, with heavy dependence on the export of agricultural products, particularly coffee and tea. Poverty, to policy makers in Africa, has remained a sore for many years and many specialists have devised criterion to reducing this scourge. Poverty in Africa rose during the time of drought, famine, which led to increase in world food prices and importation of goods leading in high government expenditure approaches Kofi Adu-Nyako (1991; 2). To compensate this expenditure, African governments were channeled to donor funds for users and cash poor to create poverty (Umalele and Kofi-Nyako 1991; 2). However, integrating those developments failed later due to: Complexity of projects in times of management, the projects basing in little knowledge of constraints on poor households, Governments and donors overlooked on macroeconomic management narrow vision. There are some regions in Africa south of Sahara that are found especially behind other developing countries and they include; Benin, Togo, Burkina Faso, Rwanda, Ethiopia, where by an estimated life expectancy is 54 years compared to 64 in developing countries. Compared to 172 for south Asia, primary school enrolment; for Sub-Saharan is 56%after 74% of Asia, 81% for India and about 91% in Latin America and East Asia (Umalele and Adu- Nyako 1991; 2) Nyako further notes that Word Bank development report of 1990 points out that poverty in Africa countries is rural based hereby 96% in Kenya, 80% in Ghana were largely recognized 1980. The high incidence of poverty is recognized in food crop producers and cash crop producers since most of incomes of the poor are derived from age employment in agriculture. According to the (World Bank 1998), poverty alleviation is a process whereby action is taken to reduce the agony that is inflicted on a group of people by poverty. It could mean equipping the society with means of attaining previously lacking social, economic and political essential needs for a decent life.

According to the (NMFR, 2005,3): National micro finance policy for Rwanda, the interest in micro finance has burgeoned during the last decades; multilateral lending agencies, developing and developed country governments, and non-governmental organizations, all support the development of micro finance. Despite this development, financial markets in most developing countries are prepared to provide efficient and effective financial services, to low income households. Majorities of Rwandans, whose incomes are very low, have limited access to financial services and micro finance institution offers the possibilities of managing scared households and enterprise resources more efficiently. The microfinance services can be critical element of poverty alleviation strategy.

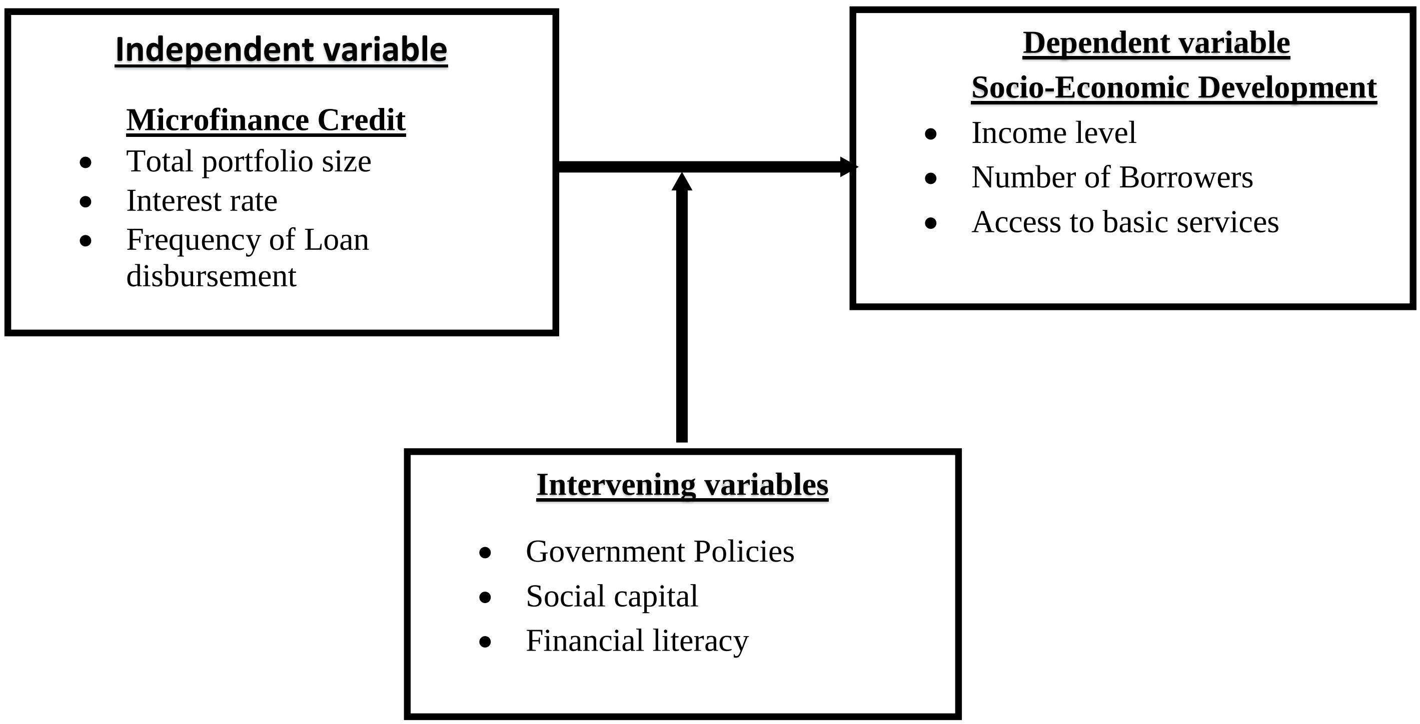
2.4 Research Gap

One of the most important elements need to be discussed is that in which aspects the above-mentioned theories are linked to our study. Firstly, we are going to investigate the effect of microfinance institutions' credit on socio-economic development in Rwanda. Revenue is one of the important elements of living standards as well as of savings. The MFIs are providing loans to the deprived not only to increase their income but also to mobilize their savings. By mobilizing savings, poor people can secure their future and feel safe. For this reason, we have emphasized more to know the situation about the income and savings of poor community of the society.

Apart from these, other factors that contribute to human development, like education, level of access to treatment facilities and empowerment are also included in our investigations as these variables are also related to the core program and methodology of microfinance. We made endeavor to explore and find out to what extent the standard of living of poor people has been influenced since they joined the microfinance program.

From theory, we already know that how solidarity (Group lending) works as a synergy of microfinance. Previous studies have also shown that solidarity is a powerful tool of microfinance to reduce the risk and to keep the capital safe. Lack of liquidity or fund is one of the big problems for nascent entrepreneurs, who want to set up the medium scale business. We will try to discover the nature of liquidity problem by observing the range of initial capital that is borrowed from MFIs by the people.

2.5 Conceptual Framework



CHAPTER THREE: RESEARCH METHODS

According to Grover & Vijay (2015), the research method is "the procedures or approaches employed to find, choose, evaluate, analyze, and explain data related to a topic." The dissertation's methodological part helps the reader impartially evaluate the general reliability and dependability of the inquiry.

2.6 Research design

According to Grover & Vijey (2015), the research design is the general plan and method of analysis which you chose intending to combine every aspect of the investigation in a cohesive & logical manner, guaranteeing that the research subject is completely examined.

The researcher used descriptive research design for descriptive purposes. It is a kind of design which was used in studies that have individual people as the units of analysis. It involved some individual persons who served as respondents or informants. Descriptive research design has been used in collecting information about peoples‟ attitudes, opinions according to feelings or any of the variety of education or social issues Orodho and Kombo (2002). Descriptive research has been useful in describing the characteristics of a large population. This helped the researcher to ask many questions that provides considerable flexibility in the analysis.

2.7 The population of the study

Population according to Henly (2008) is the group of people about which the researcher would like to make statements based on the conditions and concerns under the study. Sekaran (1999) reported that population refers to the entire group of people, events or things of interest that the researcher wishes to investigate. The items so selected constitute what is technically called sample. Moreover, any research population must be accurately specified in order to collect the required data for the research problem. Population is a group of individuals, items from which samples are taken for measurement. Greener (2008) defined the population as the entire group one is interested in, which they wish to describe or draw conclusions about. Population is a group of individuals, objects or items from which samples are taken Kombo and Tromp (2006) population refers to an entire group of persons or elements that have at least one thing in common. The population under this study consisted of mortgage borrowers of BPR. The population considered under this study is 719 as entire population composed by 709 individuals that borrowed mortgage and 10 staff for BPR that dealt with loans for this research period between 2017 and 2022.

2.8 Sample size

The total population of the study is 719; mortgage borrowers coming from 12 different districts. According to Sink (2002) a sample is a subset or portion of the total population. The ideal practice in research was to get data from the whole population because this would ensure maximum coverage of all the elements in the population under study. But due to some constraints, a sample was chosen to represent the whole population. The sample of 81 respondents was selected to represent the population. Therefore, the sample was manageable, necessary and required results were obtained thus be generalized to the entire population.

2.8.1 Sampling technique

A sample of borrowers and staff were selected within BPR's clients and staff. According to Sylor (2006) before the sample can be selected, the researcher had to decide on how many people were needed to take part in the study. Thus, the researcher adopted a reasonable sample size of 81 respondents to provide sufficient information as follows:

Table 1. Sample size and Technique

Category of respondents	Number of respondents	sample selected	Techniques to be used	Basis of selection
Staffs of ZCSS	10	10	census	Few and suitable to meet the purpose of the study
Clients	709	10%= 71	simple random technique	each member of the population has equal chance of being selected as sample
Total	719	81		

2.8.2 Stratified sampling

According to Acharya (2013), Stratified sampling is a sampling technique used in statistics and research to ensure that the sample obtained represents the characteristics of the entire population more accurately. It involves dividing the population into subgroups or strata based on certain characteristics or variables that are relevant to the study. Then, samples are taken from each stratum in proportion to their representation in the population. Data Collection Techniques and Tools.

According to Grover and Vijay (2015), data-collection equipment is "tools/devices for collecting information, such as questionnaires on paper or an automated computer interview system." Case studies, checklists, interviews, observations, surveys, and questionnaires are some of the data collection methods employed.

2.9 Data collection Methods

Both primary and secondary data have been used to carry out the study. The questionnaires were designed in simple manner that would allow the respondents to answer the questions and at the same time contributes his/her opinion on the issue of questions.

2.9.1 Questionnaire

A questionnaire, according to Grover and Vijay (2015), is a research technique that comprises of a sequence of questions designed to elicit useful information from participants. These techniques employ written or spoken responses in a conversational style. The questionnaire helped the researcher collect data from respondents. The questionnaire (survey) consists of a series of questions on topics expected from participant knowledge that distributed by the researcher between participants to collect data (information) regarding the study's aims. Depending on the research's objectives, the questionnaires are going to have closed-ended questions.

2.9.2 Documentation Tools

According to Paige (2019), documentation is defined as "a process that formalizes each source used in the study." One of the primary benefits of document studies is the ability to thoroughly investigate the source material for the purpose find more understanding on a specific part of the subject. This research examined published sources such as books, papers, periodicals, journals, and policy studies on the subject. This is crucial since it evaluated studies and seek to uncover internationally to construct a comparison framework for grading and evaluating readers; as a result, the investigator utilized this documentary technique to collect secondary data.

2.10 Data processing and analysis techniques

Data processing and analysis used to turn respondents' viewpoints into appropriate tests, which were analyzed, as follows: Data processing and analysis utilized to convert respondents' thoughts into appropriate tests, which have been assessed in the following manner:

2.10.1 Data processing

Grover and Vijay (2015) define the processing of data as just like "the performance of processes on data, particularly by a computer, to retrieve, transform, or classify information. "Data were summarized by categorizing different answers into groups to facilitate interpretation and analysis through the use of the coding technique." The frequency distribution tables are going to be applied after the information has been adjusted and coded. Tables were prepared based on the key issues in the questionnaire to provide a summary of all of the research's findings.

2.10.2 Data analysis

Grover and Vijay (2015) define data analysis as the process of evaluating, cleaning, influencing, and predicting data to discover meaningful data and draw inferences.

The study concentrated on classic areas such as statistical analysis while also emphasizing established and upcoming application fields. Analytical, descriptive, and synthetic research methodologies, as well as statistical regression analysis, helped researchers in measuring and numbering study findings and presenting data in tables. As a consequence, the Statistical Package for the Social Sciences (SPSS) utilized to analyze the data, and the findings provided in the form of a table containing ANOVA coefficients, identifying, analyzing, and summarizing the connection between items concerning the collected data, as follows:

$\boldsymbol{Y} \quad = \boldsymbol{\beta_0} + \boldsymbol{\beta_1 X_1} + \boldsymbol{\beta_2 X_2} + \boldsymbol{\beta_3 X_3} + \varepsilon\mathbf{t}$

Y = Home Ownership (HO)

X_1 = Interest Rate Size (IRS)

X_2 = Cash Flow (WH)

X_3 = Debt Repayment History (DH)

β_1; β_2 *and* β_3 = Slope or the coefficient of estimates.

β_0 = Constant

ε_t = Error term

The regression equation becomes $HO = \beta_0 + \beta_1 IRS_1 + \beta_2 CF_2 + \beta_3 DRH_3 + \varepsilon t$

2.11 Ethical considerations

According to Grover & Vijey (2015), ethical concerns are primarily concerned with preventing damage to children and young people as a result of their engagement in your organization's decision-making.

Several ethics examined when performing the study; commitment to ethical considerations assisted the researcher in having a smooth procedure for data gathering. The investigator got permission from people who consented to engage in the study to make a report with them while conducting this research, and there is information on consent in executing the study. The most crucial issues to address are confidentiality and privacy because a researcher kept the respondents' identities secret during the data-gathering operation.

2.12 Validity and reliability

2.12.1 Validity

Grover & Vijey (2015) define validity as the accuracy of a measure (if the results represent what they are attempting to assess) is referred to as its validity. Pilot studies assisted the researcher in identifying potential problems with the proposed study. A week after this survey, the responses were validated by respondents to confirm the validity of the questions.

2.12.2 Reliability

The reliability of data refers to the extent to which data can be trusted and considered accurate, consistent, and free from errors or biases. It is an important aspect of data quality and plays a crucial role in ensuring the credibility and validity of research, analyses, and decision-making processes. Grover & Vijey (2015) the preliminary study helped the researcher to assess the reliability of questionnaires. The objectives were to determine whether the provided answers are authentic and historical, whether they are becoming increasingly obvious and simple to understand, whether they are thorough, and, if so, how long it takes to complete the questions. As a result, the pre-test helped the researcher determine if the data obtained can be simply processed and examined. Any ambiguous or differently interpreted questions uncovered during pre-testing may be rewritten so that they have the same interpretation for all replies.

2.13 Limitations of the study

Grover and Vijay (2015) define study limitations as "all those traits associated with design or methodology that affected the assessment of your research outcomes." As a result, the researcher used websites to collect data that was confirmed by respondents on the receiving end. The researcher anticipates encountering situations in which some respondents may be preoccupied and refused to share some of their experience on mortgage. The needed literature is in short supply at various libraries, bookstores and on the internet. The major limitation that the researcher encountered in his research was the insufficient of budget.

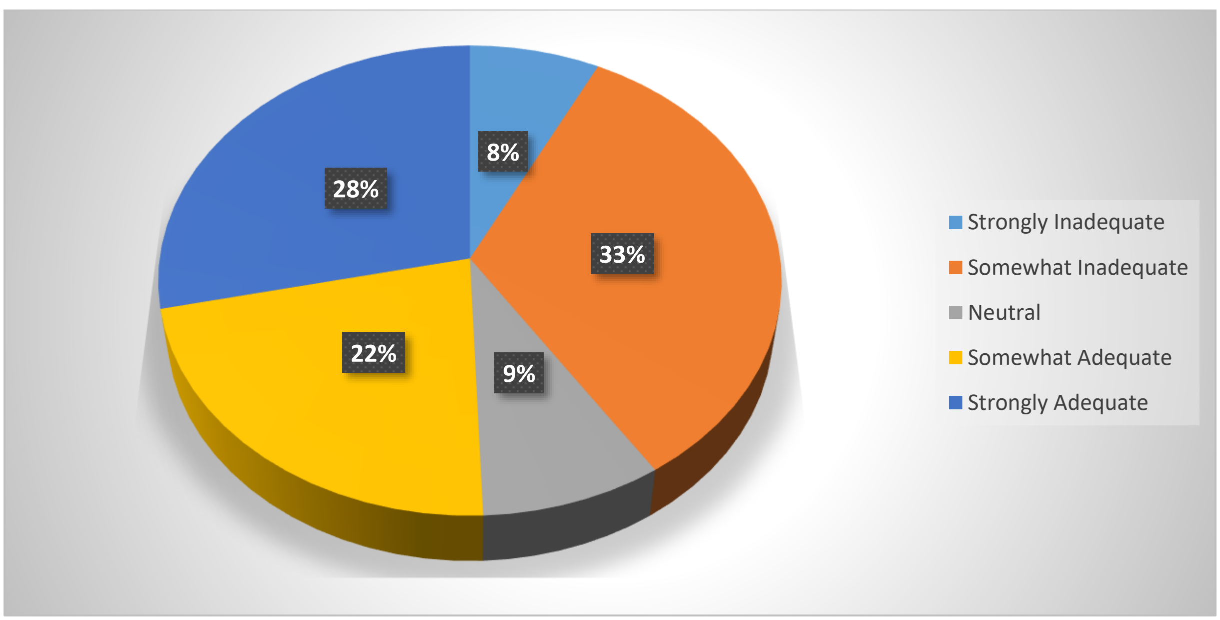
CHAPTER FOUR. DATA ANALYSIS AND DISCUSSION OF FINDINGS

Data analysis and discussion of results are essential components of this research because they provide insights into the Effect of MFI's credit on socio-economic development in Rwanda. This research project will apply case study methodology based on primary data, to analyze the various variables that impact socio-economic development.

4.1Perspectives of respondents on Total Portfolio Size

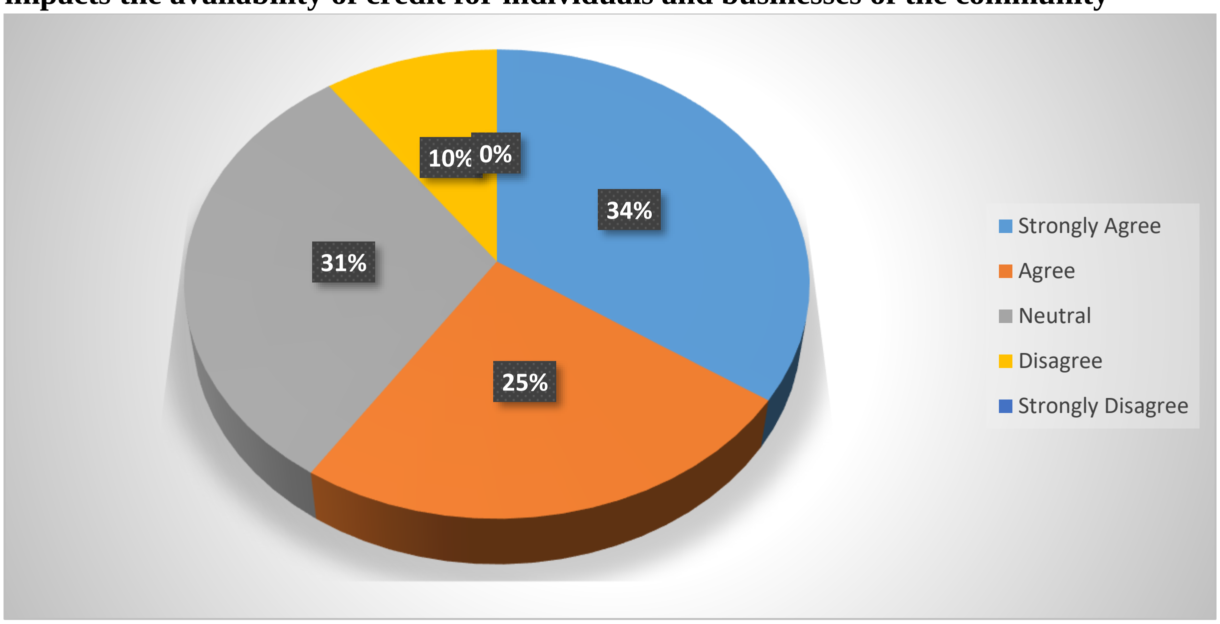
To interpret the results for the perspective of respondents on the adequacy of the total portfolio size of a microfinance institution (ZCSS), you can analyze the data based on the provided frequency and percentage distribution. These responses represent how the respondents perceive the adequacy of the total portfolio size.

Chart 1 Respondents' perspectives on the adequacy of the ZCSS's total portfolio size in meeting the financial needs of the target population



A relatively small percentage of respondents' 7% strongly believe that the total portfolio size of ZCSS is severely inadequate to meet the financial needs of the target population. This suggests that there is a minority of respondents who have significant concerns about the institution's capacity to serve its customers effectively. The largest group of respondents 33% thinks that the total portfolio size is somewhat inadequate. This suggests that a significant portion of the respondents has reservations about the institution's portfolio size but doesn't perceive it as extremely deficient. A small percentage 9% of respondents appear to be neutral in their assessment of the total portfolio size. This group neither believes it is inadequate nor adequate, suggesting that they may require more information or have mixed feelings. About 22% of the respondents consider the total portfolio size to be somewhat adequate. This group believes that the institution's portfolio size is reasonable but might have room for improvement. A significant portion of respondents 28% strongly believes that the total portfolio size is adequate. They perceive that ZCSS has a sufficiently large portfolio to meet the financial needs of its target customers effectively.

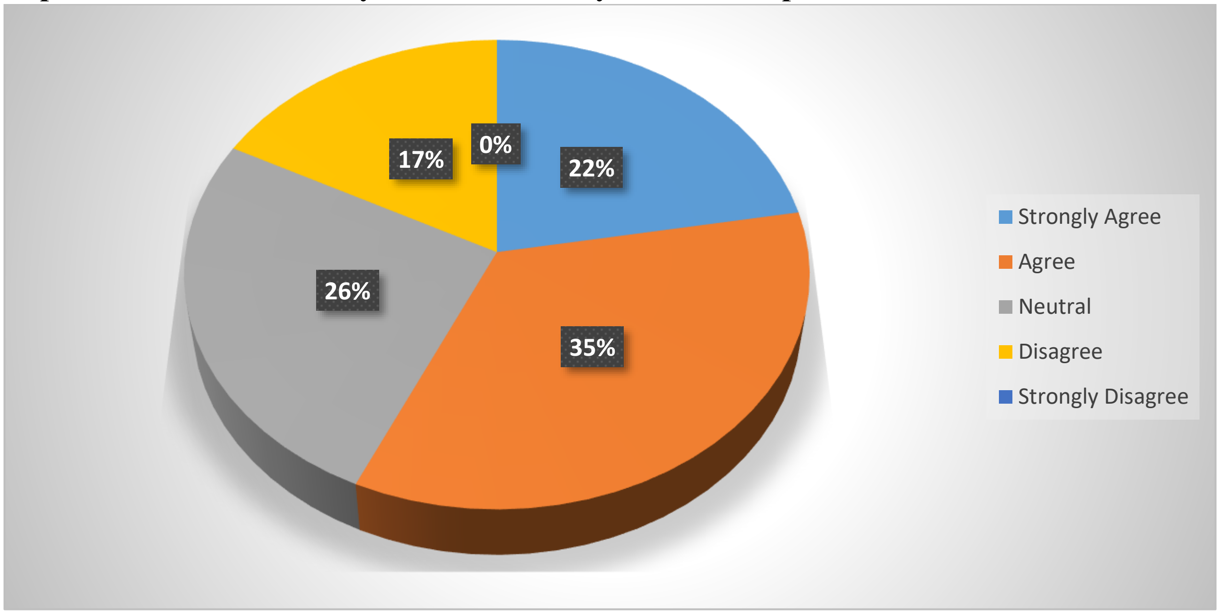
Chart 2 Respondents' perspectives on how the ZCSS's total portfolio size positively impacts the availability of credit for individuals and businesses of the community



To interpret the results regarding how respondents', believe the total portfolio size positively impacts the availability of credit for individuals and businesses, you can analyze the data based on the provided frequency and percentage distribution. These responses revealed that A substantial percentage (35%) of respondents strongly believe that the total portfolio size has a highly positive impact on the availability of credit. This indicates a strong consensus among this group that a larger portfolio size significantly enhances credit availability. Another sizable group (25%) agrees that the total portfolio size positively impacts credit availability, although they may not hold as strong a belief as the "Strongly Agree" group. A significant portion (31%) of respondents has a neutral stance, suggesting that they neither strongly agree nor disagree with the notion that the total portfolio size affects credit availability. They might require more information or have mixed feelings on this matter. A smaller percentage (10%) of respondents disagrees with the idea that the total portfolio size positively impacts credit availability. This group believes that there might be other factors more influential than portfolio size in determining credit availability.

Interestingly, there are no respondents who strongly disagree with the statement. This suggests that no one in the sample strongly believes that a larger total portfolio size negatively impacts credit availability.

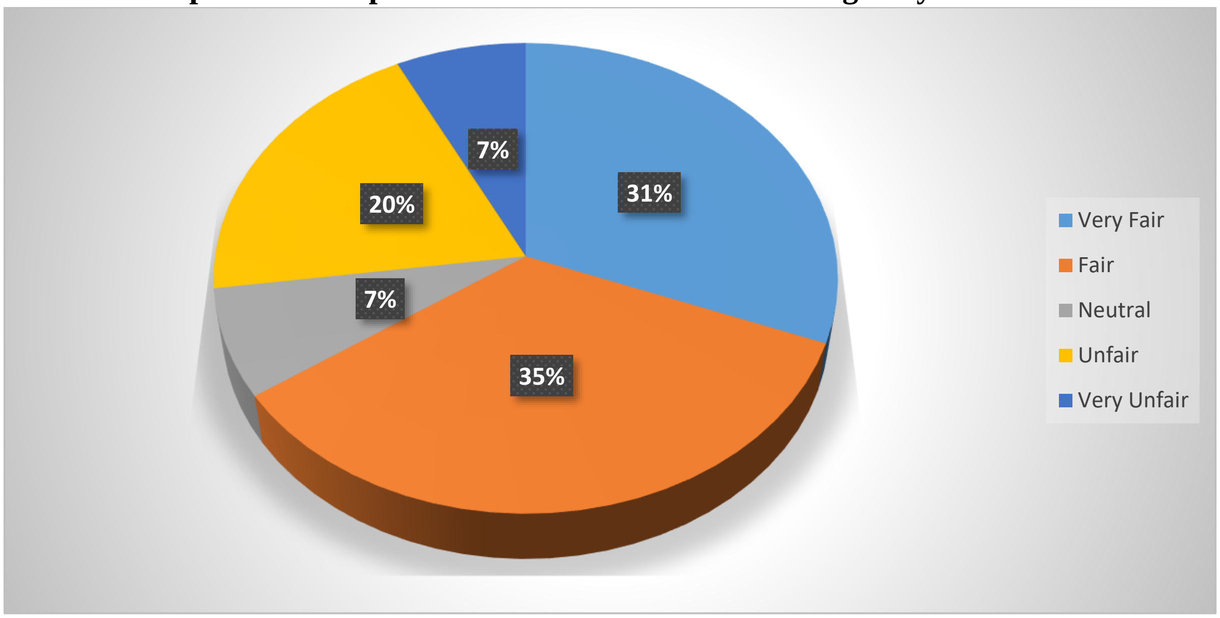
Chart 3 Respondents' perspectives on how increase in the total portfolio size is likely to improve the ZCSS's ability to offer a variety of financial products and services?



A notable percentage (22%) of respondents strongly believes that an increase in the portfolio size significantly enhances ZCSS's ability to offer a wide range of financial products and services. This suggests a strong consensus among this group that portfolio size positively correlates with service variety. The largest group (35%) of respondents agrees with the statement. They believe that as the portfolio size increases, so does the institution's ability to diversify its financial products and services. A substantial portion (26%) of respondents holds a neutral stance, indicating that they neither strongly agree nor disagree with the notion that portfolio size affects the variety of financial products and services offered. This group might require more information or have mixed feelings on this topic. A smaller percentage (17%) of respondents disagrees with the idea that an increase in portfolio size leads to a broader range of financial products and services. They may believe that other factors are more influential in determining service variety.

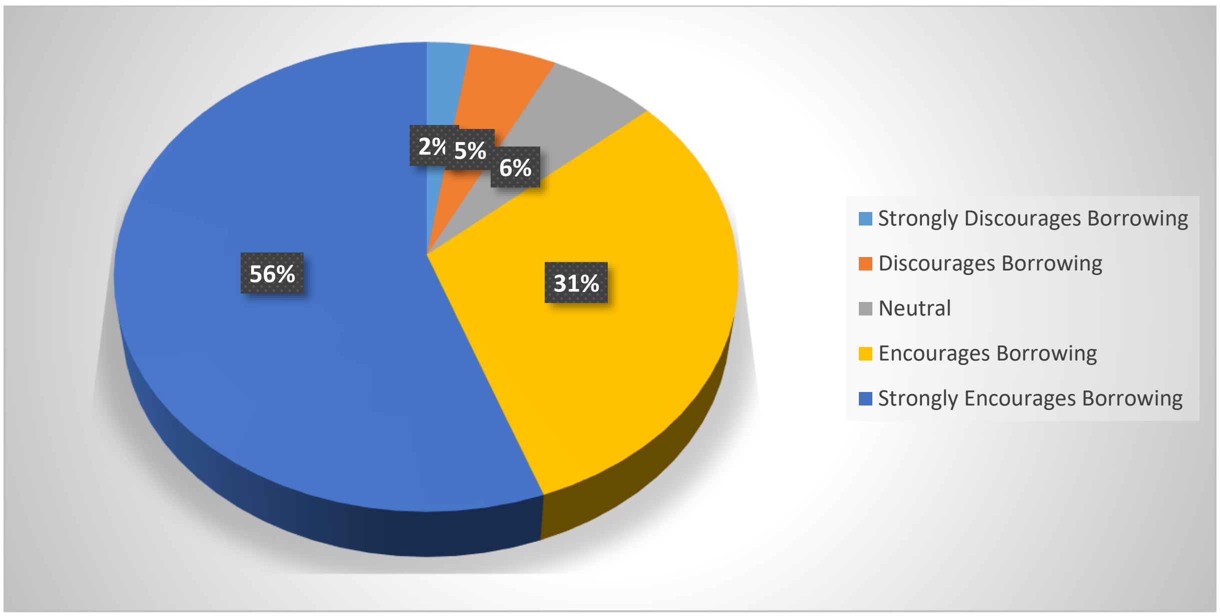
Perspective of respondents on interest rate from ZCSS

Chart 4: Perspective of respondents on the interest rates charged by ZCSS on the loan.



In the realm of financial fairness, ZCSS finds itself standing at a crossroads, navigating the labyrinth of public perception on interest rates. Picture a bustling market square, where voices echo the spectrum of opinions about the interest rates charged by this financial giant. A sizeable 31% of respondents parade the flag of "Very Fair," their satisfaction akin to discovering a hidden treasure chest. They see ZCSS as the benevolent captain of their financial ship, steering them through turbulent waters with a just hand on the tiller. Close behind, at 35%, is the contingent championing the "Fair" banner. They believe ZCSS sets a reasonable course, with a nod to equitability. It's akin to sailing under a steady breeze, neither too strong nor too weak, a journey they're content to embark upon. However, not everyone sees the sun setting on this fair financial horizon. A group of 20% cries "Unfair," voicing their discontent like a tempestuous sea. To them, ZCSS represents a storm, charging through the financial landscape with waves of exorbitant interest rates crashing against their financial shores. Meanwhile, a modest 7% sits on the fence, adopting a "Neutral" stance, like spectators in an arena, yet to choose a side in this financial joust. They contemplate the arguments, undecided about whether the scales tip in favor of fairness or the contrary. Lastly, a vocal 7% declares the situation "Very Unfair," painting ZCSS as the tyrant of the financial seas, an oppressive force imposing steep interest rates like an anchor dragging down their dreams.

Chart 5: Perspective of respondents on how the interest rate influenced their decision to borrow from ZCSS.



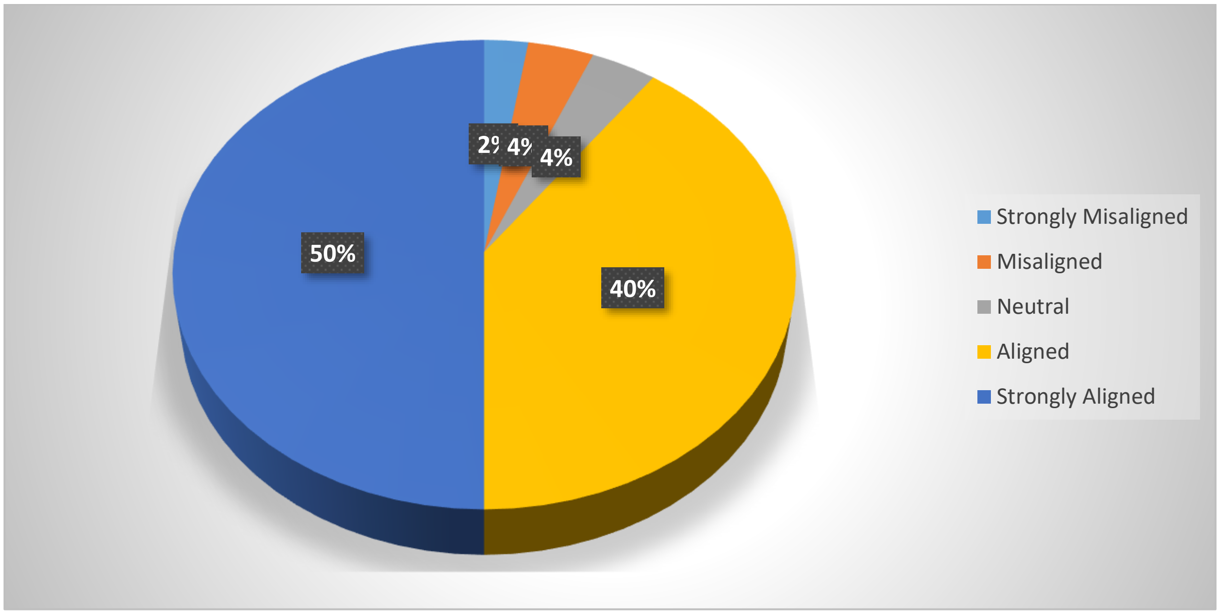
In the realm of financial leadership, ZCSS's interest rates serve as a compass, guiding captains of industry and commerce through the uncharted waters of borrowing decisions. As we set sail on this journey, let's take a closer look at how ZCSS's interest rates influence the decisions of these seasoned leaders. A mere 2% of leaders stand as the cautious sentinels, declaring that ZCSS's interest rate "Strongly Discourages Borrowing." These leaders, akin to skilled navigators, have learned to recognize the hidden shoals and treacherous currents that lie beneath the surface. They steer their financial vessels with utmost caution, reluctant to embark on risky financial expeditions. Slightly more, at 5%, are the "Discourages Borrowing" faction. They are like astute admirals, casting a watchful eye to the horizon, acknowledging the potential challenges posed by

ZCSS's interest rates. While not entirely deterred, they approach their financial campaigns with a healthy dose of skepticism. A diplomatic 6% reside in the "Neutral" camp, adopting the role of prudent diplomats, neither wholly endorsing nor dismissing ZCSS's interest rates. They carefully weigh the pros and cons, considering the broader implications for their financial empires.

Now, enter the champions of the financial seas, the 31%, who declare that ZCSS's interest rates "Encourage Borrowing." To these leaders, ZCSS's interest rates are like a favorable trade wind, propelling their financial vessels toward uncharted territories filled with opportunity and profit. They set forth with confidence, embracing the potential for growth. Yet, the true visionaries among us, constituting 56%, boldly proclaim that ZCSS's interest rates "Strongly Encourage Borrowing." They perceive ZCSS as a strategic partner, offering a beacon of guidance in the tempestuous waters of finance. To them, the interest rates are not mere numbers but rather keys to unlock doors to untold riches and innovation.

In this grand theater of financial leadership, ZCSS's interest rates are the script, and leaders are the actors. Each one plays their unique role, navigating the complex interplay of risk and reward, with ZCSS's interest rates serving as both the rudder and the wind in their quest for financial success.

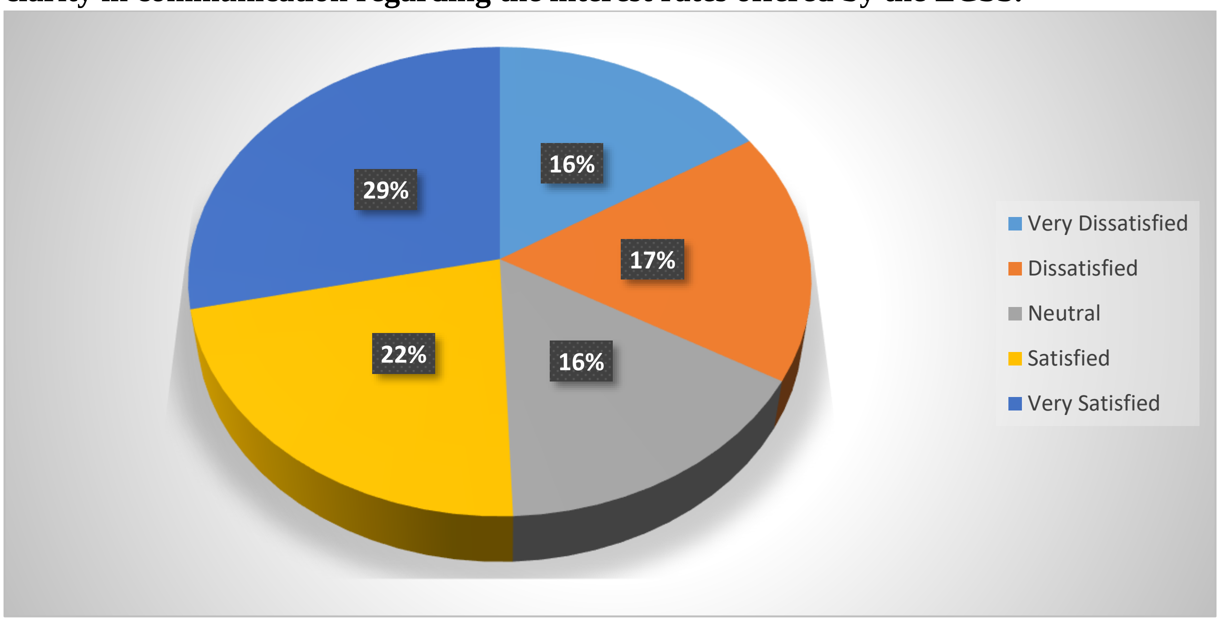
Chart 6. Perspective of respondents on how interest rate aligns with the benefits they receive from ZCSS's credit services



A mere 2% of the group staunchly declare that they feel "Strongly Misaligned" with the benefits offered by ZCSS's interest rate. These individuals seem to be like puzzle pieces that just don't fit, sensing a disconnect between what they expected and what they received. Their voices are a reminder that not everyone finds harmony in ZCSS's offerings. A small but discerning 4% deem themselves "Misaligned." They may feel like adventurers who took a wrong turn on their journey, sensing a slight mismatch between their expectations and what ZCSS's interest rates actually delivered. Another 4% remain "Neutral." They are the thoughtful analysts in the room, neither praising nor criticizing. They take a measured approach, perhaps waiting for more evidence to form a definitive opinion on the benefits received. The majority, 40%, stand tall in the "Aligned" camp. These respondents see ZCSS's interest rates as a valuable tool, in harmony with their financial goals. It's as if they've found a symphony where the notes align perfectly, propelling them toward their financial aspirations. But the true champions, comprising 49%, declare themselves "Strongly Aligned." To them, ZCSS's interest rates are a beacon of financial advantage, a golden key unlocking door to prosperity. They feel like they've discovered a treasure map, following it with unwavering confidence toward a brighter financial future.

In this diverse room of perspectives, each respondent paints a different stroke in the portrait of ZCSS's benefits through its interest rates. Their voices form a complex and intriguing narrative, where some find themselves in perfect harmony while others search for a better fit in the financial symphony conducted by ZCSS.

Chart 7. Perspective of respondents on how they are satisfied with the transparency and clarity in communication regarding the interest rates offered by the ZCSS.

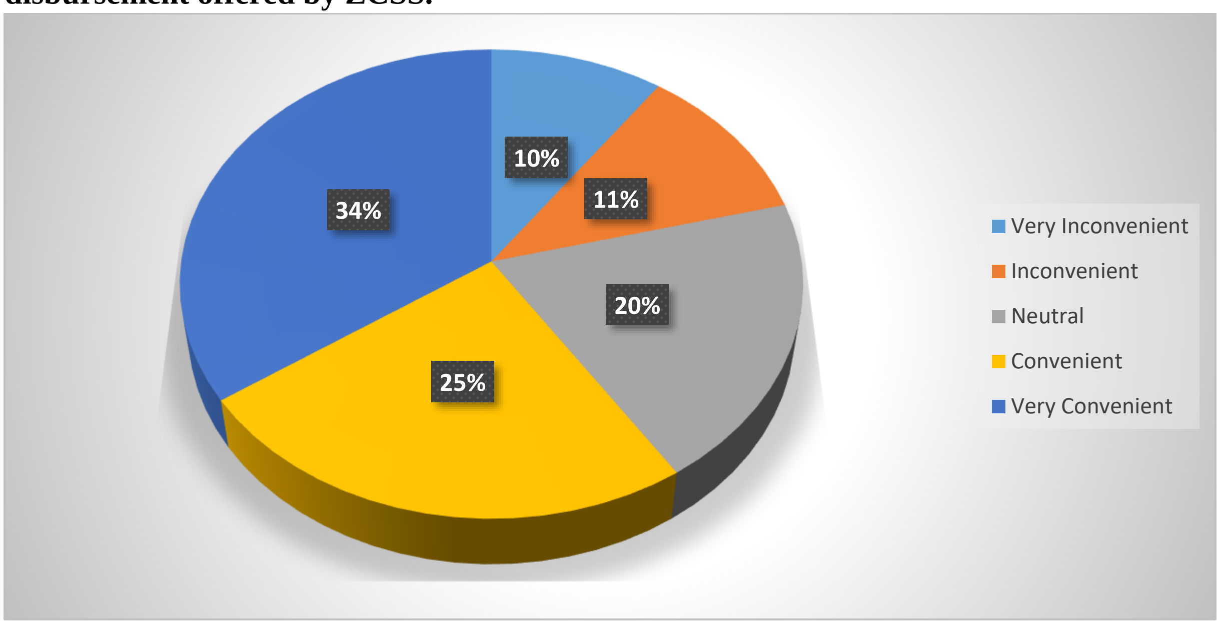


A notable 16% of the audience enters the stage with a cloud of frustration, declaring themselves as "Very Dissatisfied." They are the critics in the front row, yearning for clear, honest communication but left with a bitter taste of opacity in their mouths. To them, ZCSS's communication seems like a puzzle with missing pieces. Following closely, at 17%, is the contingent of "Dissatisfied" readers. They, too, expected clarity but found the waters of communication to be somewhat murky. Like detectives in a mystery novel, they search for clues and answers amidst the fog of uncertainty.

In the middle of this financial drama, another 16% stand "Neutral." These readers are the objective observers, neither applauding nor booing the performance. They wait, hoping that ZCSS will provide the script they've been waiting for, a transparent and unambiguous one. Then, there's the group of 22%, "Satisfied" readers. They are like appreciative theatergoers who find the plot of ZCSS's communication clear enough to follow. While not completely dazzled, they give a nod of approval, acknowledging that they can navigate the financial storyline without too much difficulty. But it's the final act that steals the show, as 28% of the readers declare themselves "Very Satisfied." To them, ZCSS's communication is a masterpiece, a captivating novel that unravels effortlessly, page after page. They are the enthusiastic fans who relish every word, feeling informed and empowered by the clarity offered.

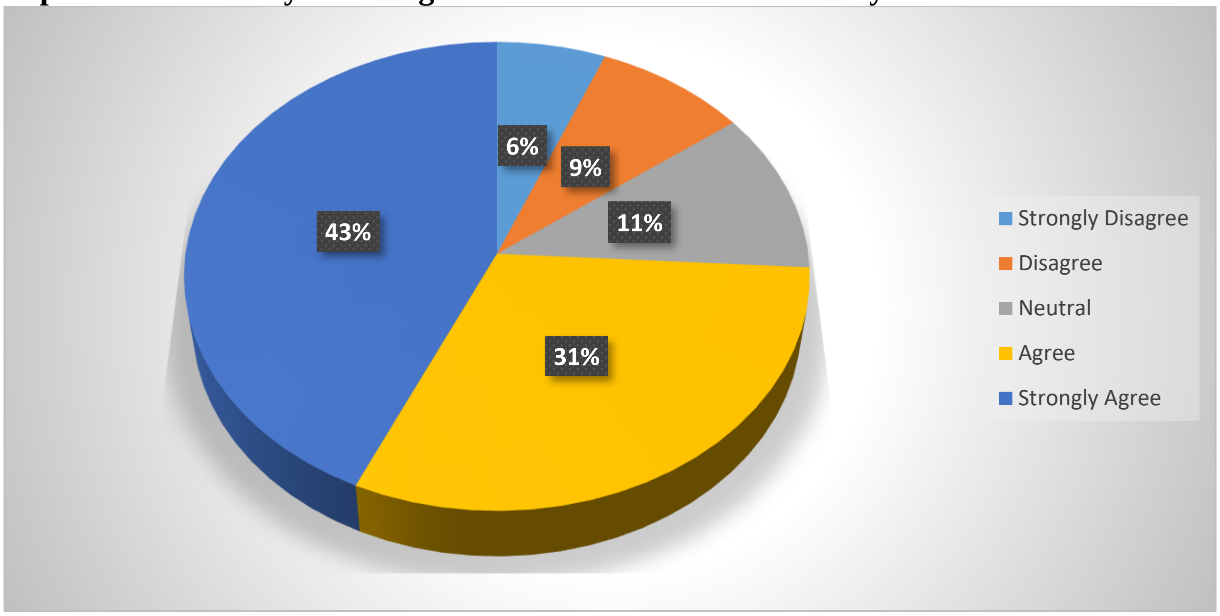
4.2 Frequency of Loan Disbursement (for assessing Borrower's Experience)

Chart 8. Perspective of respondents on the convenience of the frequency of loan disbursement offered by ZCSS.



Let's step into the world of financial convenience, where the stage is set with respondents sharing their perspectives on the frequency of loan disbursement offered by ZCSS. In this intriguing narrative, we'll explore the spectrum of opinions. A thoughtful 10% of respondents find the frequency of loan disbursement "Very Inconvenient." They are akin to time-strapped travelers, struggling to fit ZCSS's disbursement schedule into their busy lives. To them, it's like trying to squeeze an oversized suitcase into a small car trunk. Slightly more, at 11%, deem it "Inconvenient." These respondents may feel like juggling artists, trying to manage multiple financial commitments while accommodating ZCSS's disbursement timeline. It's a bit of a challenge, but not an insurmountable one. A substantial 20% remain "Neutral." They are the pragmatic thinkers in the room, neither praising nor criticizing, perhaps waiting for more information to decide whether ZCSS's disbursement frequency aligns with their financial goals. Now, enter the 25% who find it "Convenient." They see ZCSS's disbursement schedule as a well-oiled machine, fitting seamlessly into their financial routines. It's like clockwork, where every disbursement aligns with their needs and expectations. But the true heroes of this financial narrative are the 35% who declare it "Very Convenient." To them, ZCSS's disbursement frequency is a gift, a perfect fit for their financial journey. It's as if ZCSS has designed its schedule with them in mind, providing the utmost ease and convenience. In this intriguing section of financial convenience, each respondent plays a unique role, shaping the narrative with their own experiences and expectations. ZCSS's disbursement frequency becomes the backdrop against which they frame their financial journeys, where some find it a challenge while others consider it a boon.

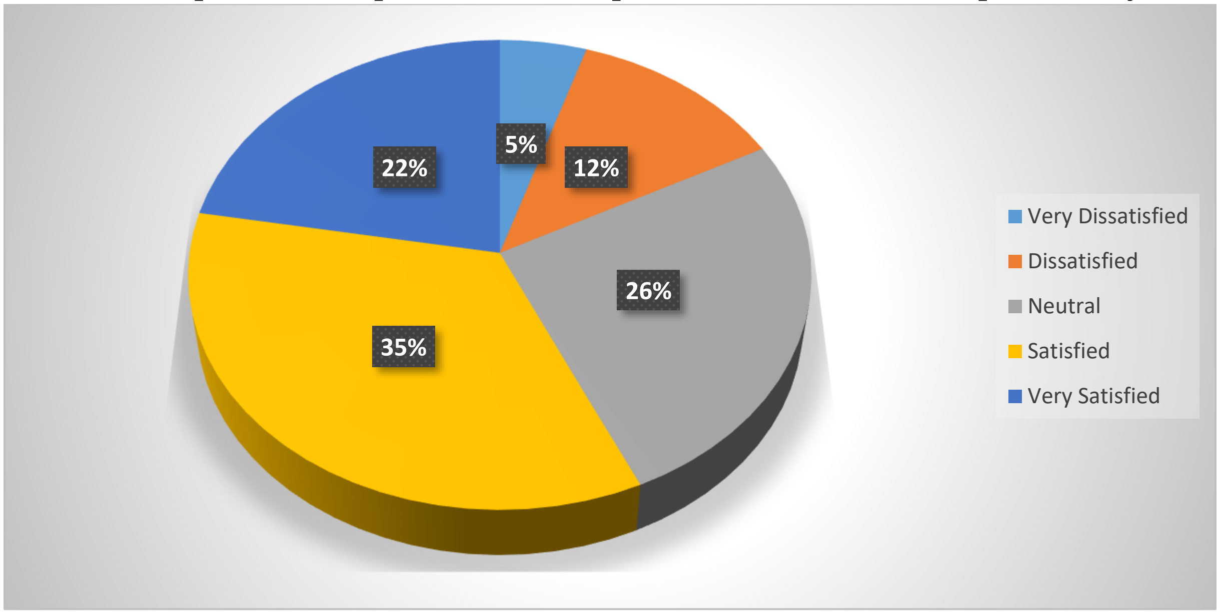
Chart 9. Perspective of respondents on how the frequency of loan disbursement schedule improves their ability to manage and utilize the credit effectively.



In the intricate dance of managing and utilizing credit effectively, the respondents offer a range of perspectives on how ZCSS's loan disbursement schedule influences their ability. Picture a room filled with individuals, each sharing their unique experiences and insights. A modest 6% of respondents "Strongly Disagree" that the loan disbursement schedule has improved their ability to manage and utilize credit effectively. For them, it's like trying to solve a puzzle with missing pieces, leaving them feeling disconnected and struggling to make the most of the credit offered. Slightly more, at 9%, "Disagree" with the notion that the disbursement schedule has a positive impact. They might see it as a hurdle, a challenge that they must overcome to effectively manage their credit. It's akin to a complex equation that doesn't quite add up in their financial planning. In the middle of this financial narrative, another 11% remain "Neutral." They are the thoughtful observers, neither fully endorsing nor rejecting the idea that the disbursement schedule enhances their credit management. Perhaps they're waiting for more evidence or examining their own financial habits more closely. Now, enter the 31% who "Agree." They view the disbursement schedule as a helpful tool, one that aids in managing and utilizing credit effectively. It's like having a reliable compass that points them in the right financial direction, allowing them to make well-informed decisions. But the true champions, comprising 43%, "Strongly Agree" that the loan disbursement schedule is a game-changer. To them, it's like a well-tuned instrument in an orchestra, harmoniously integrating with their financial strategies, making credit management a breeze. They feel empowered, as if they've unlocked the secrets to effectively utilizing the credit offered by ZCSS.

In this engaging narrative of financial empowerment, ZCSS's loan disbursement schedule plays a pivotal role, shaping the experiences and perceptions of each respondent. Some see it as a challenge, while others view it as a key to financial success. Together, they form a dynamic and multifaceted story of credit management and utilization.

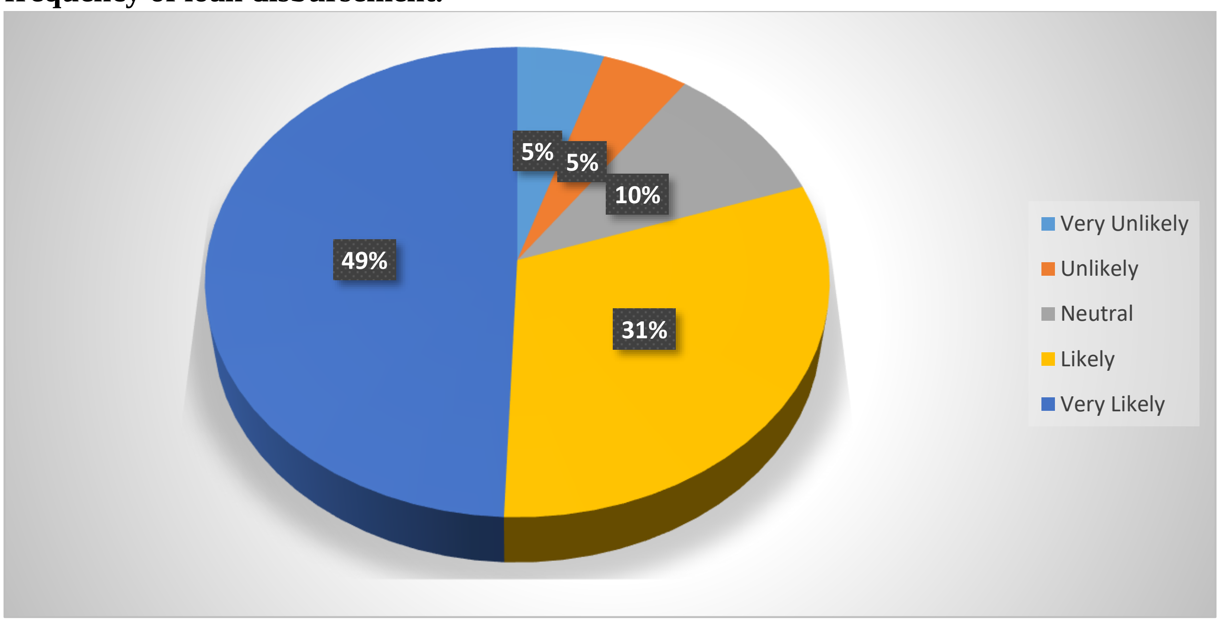
Chart 10 Perspective of respondents on the speed of loan disbursement provided by ZCSS.



In the realm of loan disbursement, where time is often of the essence, respondents have varying opinions on the speed at which ZCSS provides its services. Let's explore this spectrum of perspectives, painting a picture of the different attitudes towards the timeliness of ZCSS's loan disbursement. A mere 5% of respondents express their frustration, declaring themselves "Very Dissatisfied" with the speed of ZCSS's loan disbursement. To them, it's like waiting for a train that never seems to arrive, leaving them feeling stranded in the world of financial uncertainty. Slightly more, at 12%, are "Dissatisfied." They may view the loan disbursement process as sluggish, like a car stuck in traffic on a busy highway, making them impatient as they await their financial journey to commence. A significant 26% stand "Neutral." They are the calm and composed observers in this scenario, neither overly pleased nor displeased with the speed of disbursement. They might be waiting to see how the story unfolds, reserving judgment for later. Now, enter the 35% who are "Satisfied." They see ZCSS's disbursement process as efficient, like a well-choreographed dance that proceeds without hiccups. It doesn't leave them waiting in the wings; instead, it places them center stage in their financial endeavors. But the true champions, making up 22%, are "Very Satisfied" with the speed of loan disbursement. To them, ZCSS is like a swift and reliable messenger, delivering financial assistance with remarkable speed. It's as if they've found a shortcut to their financial goals, leaving them delighted and impressed.

In this intriguing narrative of financial service, ZCSS's speed of loan disbursement takes center stage, influencing the experiences and opinions of each respondent. While some yearn for faster service, others find the current pace to be just right, and a few are thrilled with the efficiency of ZCSS's financial delivery system. Together, they form a dynamic tapestry of perspectives on the timeliness of loan disbursement.

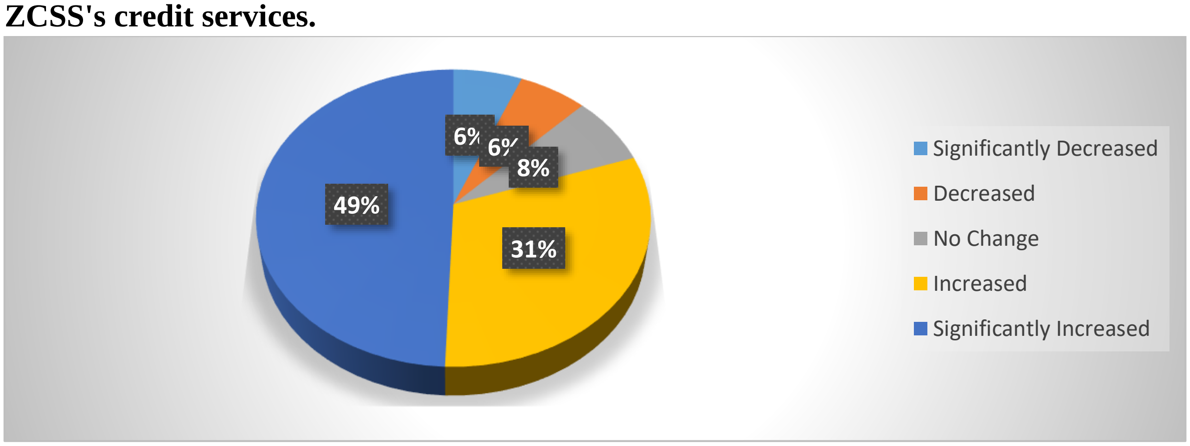
Chart 11. Perspective of respondents on how they recommend ZCSS to others based on the frequency of loan disbursement.



In the intricate web of financial recommendations, the respondents share their perspectives on whether they would recommend ZCSS's frequency of loan disbursement to others. Imagine a gathering of individuals, each holding a piece of this insightful puzzle. A small but notable 5% express that they are "Very Unlikely" to recommend ZCSS's loan disbursement frequency to others. It's as if they've encountered rough seas and would rather steer their acquaintances away from potential turbulence, possibly due to their own less-than-ideal experiences. Another 5% fall into the "Unlikely" category. They might feel like cautious advisors, hesitant to steer friends and family towards a path that hasn't met their own expectations. Ten percent remain "Neutral." These individuals are like impartial observers, neither enthusiastic about recommending nor discouraging others. They may want to see more evidence or simply believe that the decision should be left to each individual's unique circumstances. Now, enter the 31% who are "Likely" to recommend ZCSS's loan disbursement frequency to others. They see it as a generally positive experience and might become advocates, sharing their good experiences with friends and colleagues. But the true champions, comprising 49%, are "Very Likely" to recommend ZCSS's frequency of loan disbursement to others. They are the enthusiastic promoters, convinced that ZCSS's approach is worth celebrating and sharing. To them, the disbursement frequency is a testament to ZCSS's excellence. In this captivating narrative of financial recommendations, each respondent holds a piece of the puzzle, shaping the collective perspective on ZCSS's loan disbursement frequency. While some are cautious, others are enthusiastic about sharing their experiences, forming a rich tapestry of opinions and insights

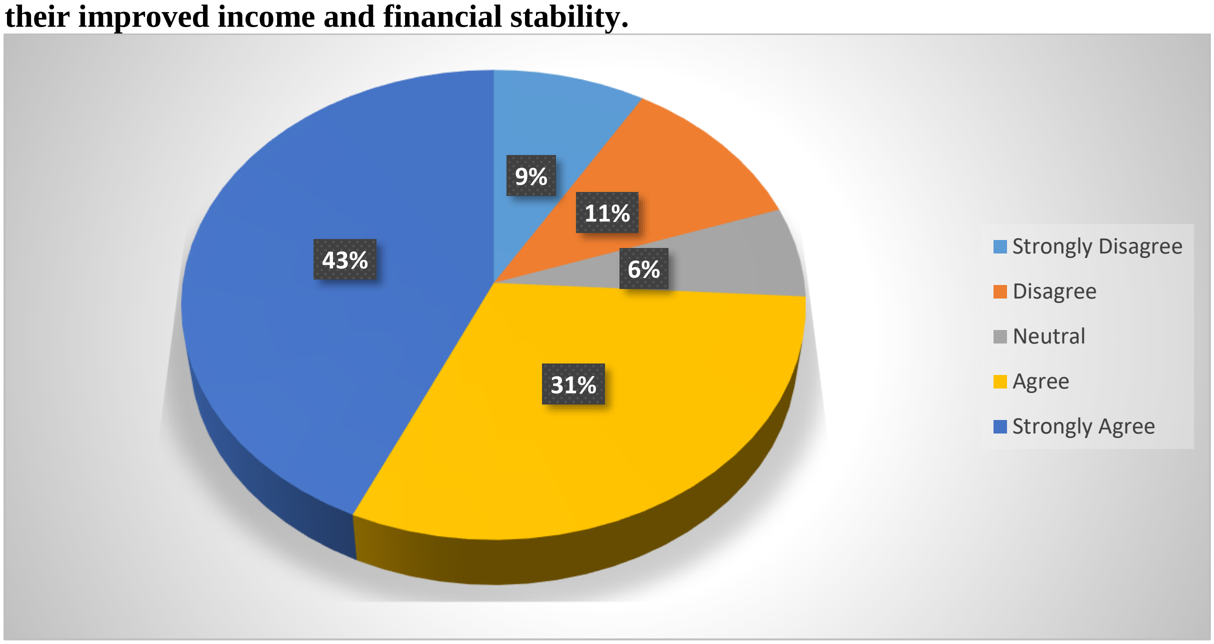
Income Level (for assessing Socio-Economic Impact)

Chart 12 Perspective of respondents on how income level has changed since utilizing ZCSS's credit services.



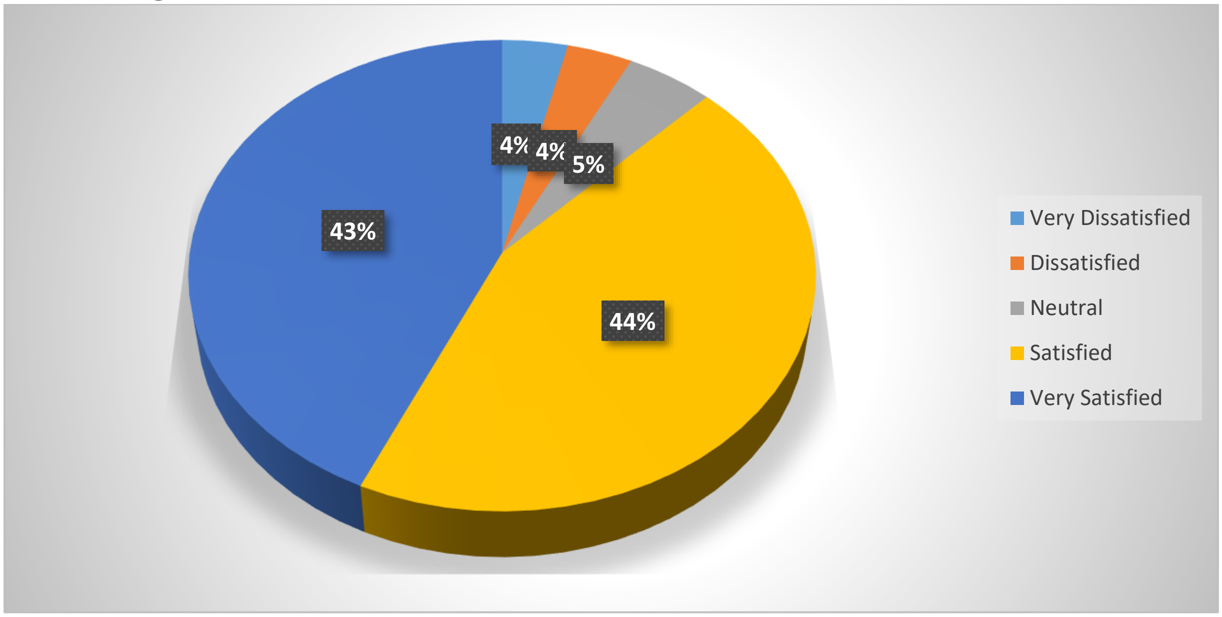
Based on the respondents' perspectives, it appears that a substantial majority of them believe that their income level has increased since utilizing ZCSS's credit services. Here's a breakdown of the responses: 6% report a significant decrease in their income level since utilizing ZCSS's credit services. This represents a small minority with a negative view of the impact on their income. 6% have experienced a decrease in their income. This group is also relatively small and holds a negative view of the effect of ZCSS's credit services on their income. 7% state that there has been no change in their income level since using ZCSS's credit services. This group represents a small portion of the respondents with a neutral view. 31% believe that their income has increased since utilizing ZCSS's credit services. This group represents a significant portion of respondents who view the organization's services positively. The largest group of respondents, 49% reported that their income has significantly increased since using ZCSS's credit services. This group is the most supportive and suggests that a significant majority of respondents highly value the positive impact of the organization on their income.

Chart 13. Perspective of respondents on how ZCSS's credit services have contributed to their improved income and financial stability.



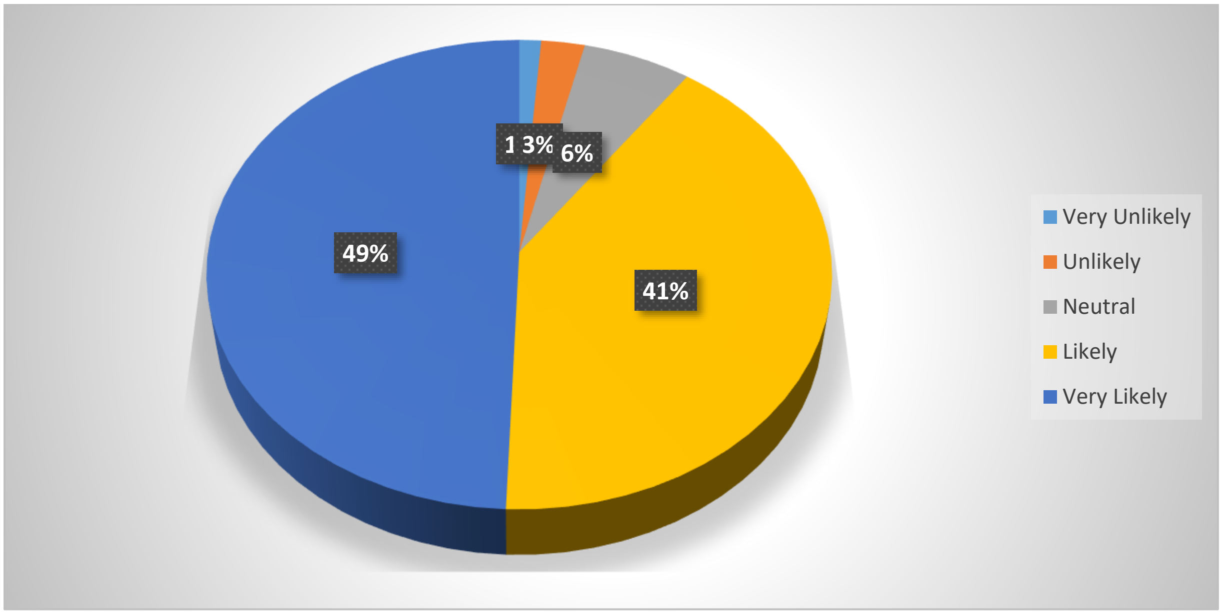
Based on the respondents' perspectives, it appears that a substantial majority of them believe that ZCSS's credit services have contributed positively to their improved income and financial stability. Here's a breakdown of the responses: 9% strongly disagree with the idea that ZCSS's credit services have contributed to their improved income and financial stability. This represents a small minority with a strongly negative view. 11% disagree with the notion that ZCSS's credit services have contributed to their improved income and financial stability. This group is slightly larger than the "Strongly Disagree" group but still represents a relatively small portion of the respondents. 6% hold a neutral stance, indicating that they neither strongly agree nor disagree with the idea that ZCSS's credit services have contributed to their improved income and financial stability. They may require more information or have mixed feelings about the impact. 31% believe that ZCSS's credit services have contributed positively to their improved income and financial stability. This group represents a significant portion of respondents who view the organization's services as beneficial in this regard. The largest group of respondents, 43% strongly agree that ZCSS's credit services have contributed significantly to their improved income and financial stability. This group is the most supportive and suggests that a significant majority of respondents highly value the positive impact of the organization on their financial well-being

Chart 14 Perspective of respondents on how ZCSS's credit services on financial well-being



Based on the respondents' perspectives, it appears that the majority of them are satisfied with the impact of ZCSS's credit services on their financial well-being. Here's a breakdown of the responses: 4% are very dissatisfied with the impact of ZCSS's credit services on their financial well-being. This represents a very small minority with strong negative views. 4% are dissatisfied with the impact. Like the "Very Dissatisfied" group, this group represents a very small portion of the respondents with a negative vie. 5% hold a neutral stance, indicating that they neither strongly agree nor disagree with their satisfaction regarding the impact of ZCSS's credit services on their financial well-being. They may require more information or have mixed feelings about it. 44% express satisfaction with the impact of ZCSS's credit services. This group represents a significant portion of respondents who view the organization's services positively. The largest group of respondents, 43% are very satisfied with the impact of ZCSS's credit services on their financial well-being. This group is the most supportive and suggests that a significant majority of respondents highly value the positive impact of the organization on their financial situation.

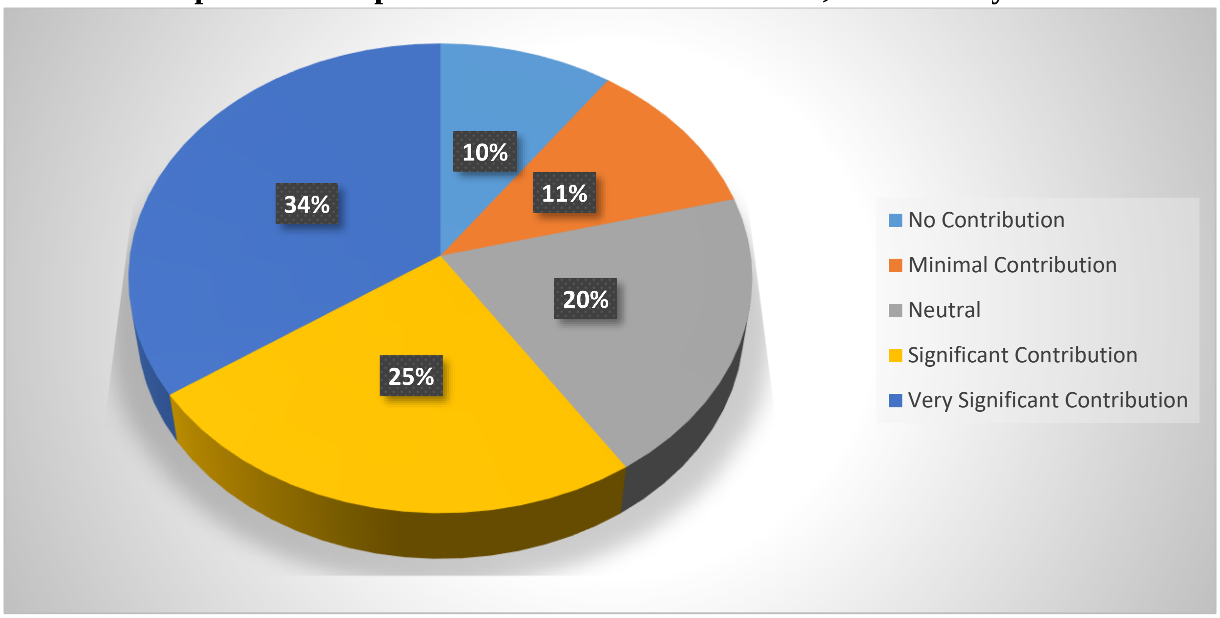
Chart 15: Perspective of respondents on how zcss's credit services to further improve income level



Based on the respondents' perspectives, it appears that a substantial majority of them are likely to continue using ZCSS's credit services with the aim of further improving their income level. Here's a breakdown of the responses: 1% is very unlikely to continue using ZCSS's credit services to further improve their income level. This represents an extremely small minority with a strong negative view. 2% are unlikely to continue using the services for this purpose. Like the "Very Unlikely" group, this group represents a very small portion of the respondents with a negative view 6% hold a neutral stance, indicating that they neither strongly agree nor disagree with the likelihood of continuing to use ZCSS's credit services to improve their income level. They may require more information or have mixed feelings about it. 41% express a likelihood of continuing to use ZCSS's credit services to further improve their income level. This group represents a significant portion of respondents who are inclined to utilize the organization's services for this purpose. The largest group of respondents, 49% are very likely to continue using ZCSS's credit services to further improve their income level. This group is the most supportive and suggests that a significant majority of respondents highly value the potential of the organization's services to enhance their financial well-being.

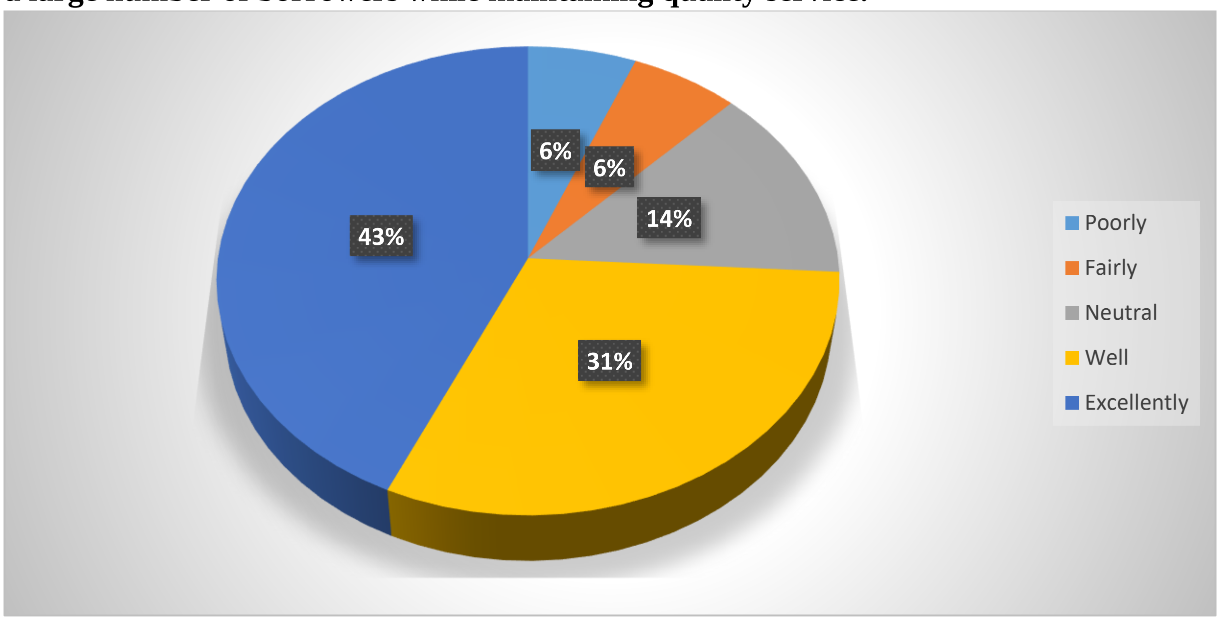
4.3. Number of Borrowers (for assessing Outreach and Accessibility)

Chart 16 Perspective of respondents on how ZCSS outreach, indicated by the number of



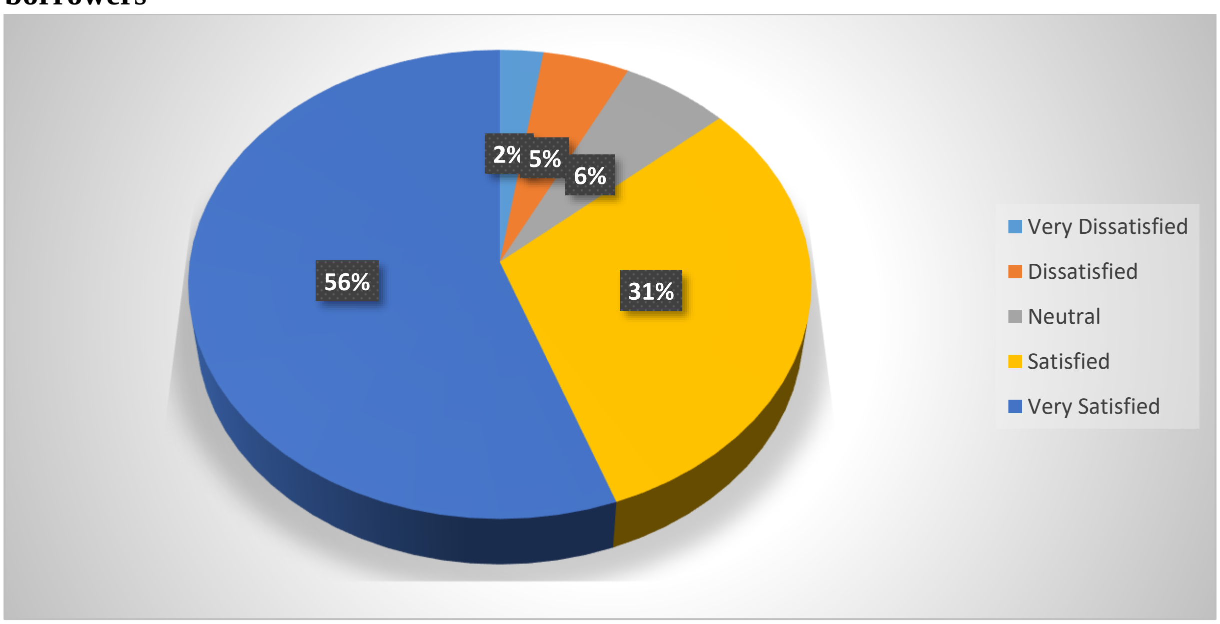
Based on the respondents' perspectives, it appears that a majority of them believe that ZCSS's outreach, as indicated by the number of borrowers, contributes significantly to financial inclusion in the community. Here's a breakdown of the responses: 8 respondents (10%) believe that ZCSS's outreach, as reflected by the number of borrowers, does not contribute to financial inclusion in the community. This represents a minority with a negative view. 9 respondents (11%) perceive that ZCSS's outreach has only a minimal contribution to financial inclusion. While this group is slightly larger than the "No Contribution" group, they still represent a relatively small portion of the respondents. 16 respondents (20%) hold a neutral stance, indicating that they neither strongly agree nor disagree with the idea that ZCSS's outreach contributes to financial inclusion. They may require more information or have mixed feelings about the impact. 20 respondents (25%) believe that ZCSS's outreach significantly contributes to financial inclusion in the community. This group represents a substantial portion of respondents who acknowledge a positive impact. The largest group of respondents, 28 individuals (35%), report that ZCSS's outreach makes a very significant contribution to financial inclusion in the community. This group is the most supportive and suggests that a significant majority of respondents highly value the organization's efforts in promoting financial inclusion through its outreach.

Chart 17 Perspective of respondents on how ZCSS manage its operations to accommodate a large number of borrowers while maintaining quality service.



Based on the respondents' perspectives, it appears that a significant majority of them believe that ZCSS manages its operations effectively to accommodate a large number of borrowers while maintaining the quality of its services. Here's a breakdown of the responses: 5 respondents (6%) believe that ZCSS manages its operations poorly when accommodating a large number of borrowers while maintaining service quality. This represents a small minority with negative views. Another 5 respondents (6%) think that ZCSS manages its operations fairly in balancing a large number of borrowers with service quality. This group is also relatively small. 11 respondents (14%) hold a neutral stance, indicating that they neither strongly agree nor disagree with the organization's management of operations in this regard. They may require more information or have mixed feelings about ZCSS's approach. 25 respondents (31%) believe that ZCSS manages its operations well to accommodate a large number of borrowers while maintaining quality services. This group represents a significant portion of respondents who view the organization's efforts positively. The largest group of respondents, 35 individuals (43%), believe that ZCSS manages its operations excellently in accommodating a large number of borrowers while maintaining high-quality services. This group is the most supportive and suggests that a significant majority of respondents highly value the organization's management in this aspect.

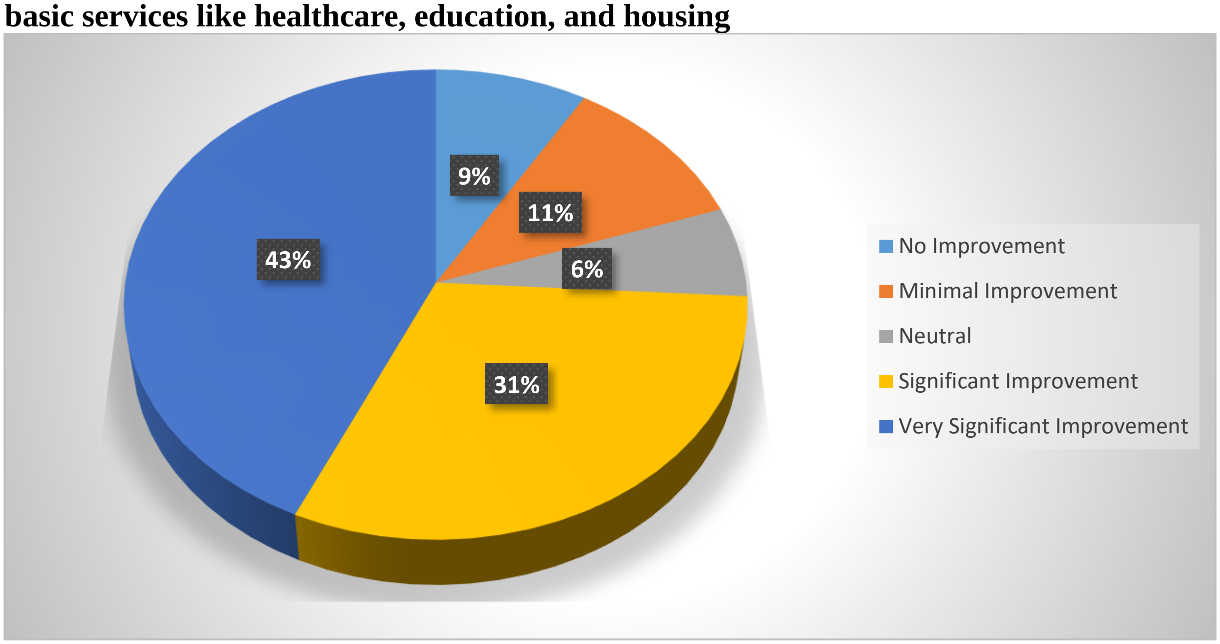
Chart 18: Perspective of respondents on how they are satisfied with experience as a borrower in terms of the accessibility and responsiveness of the ZCSS, given the number of borrowers



2% express very dissatisfaction with their experience as borrowers with ZCSS. This represents a very small minority with strong negative views. 5% report being dissatisfied with their experience. While this group is slightly larger than the "Very Dissatisfied" group, it still represents a relatively small portion of the respondents. 6% hold a neutral stance, indicating that they neither strongly agree nor disagree with the accessibility and responsiveness of ZCSS as borrowers. They may require more information or have mixed feelings about their experience. 31% are satisfied with their experience as borrowers. This group represents a significant portion of respondents who view their experience positively. The largest group of respondents, 56% report being very satisfied with their experience as borrowers with ZCSS. This group is the most supportive and suggests that a significant majority of respondents highly value the accessibility and responsiveness of the organization, given the number of borrowers.

4.4. Access to Basic Services (for assessing Socio-Economic Impact)

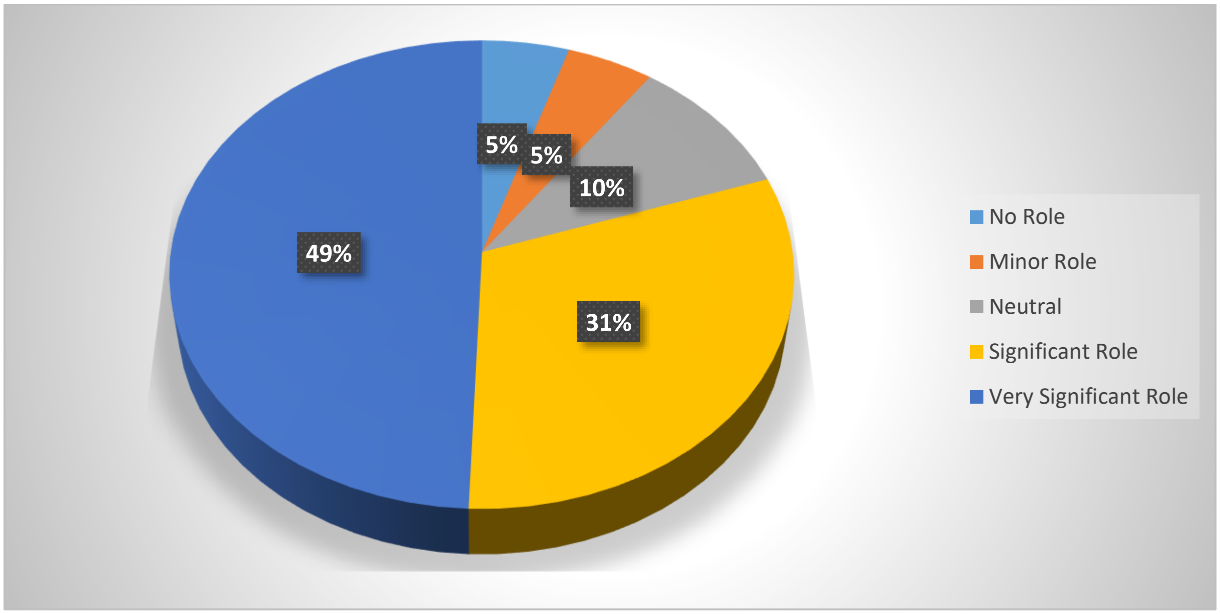
Chart 19: Perspective of respondents on how ZCSS's services improved their access to basic services like healthcare, education, and housing



7 respondents (9%) feel that the services provided by ZCSS have not improved their access to basic services. This represents a minority who did not experience any positive change.

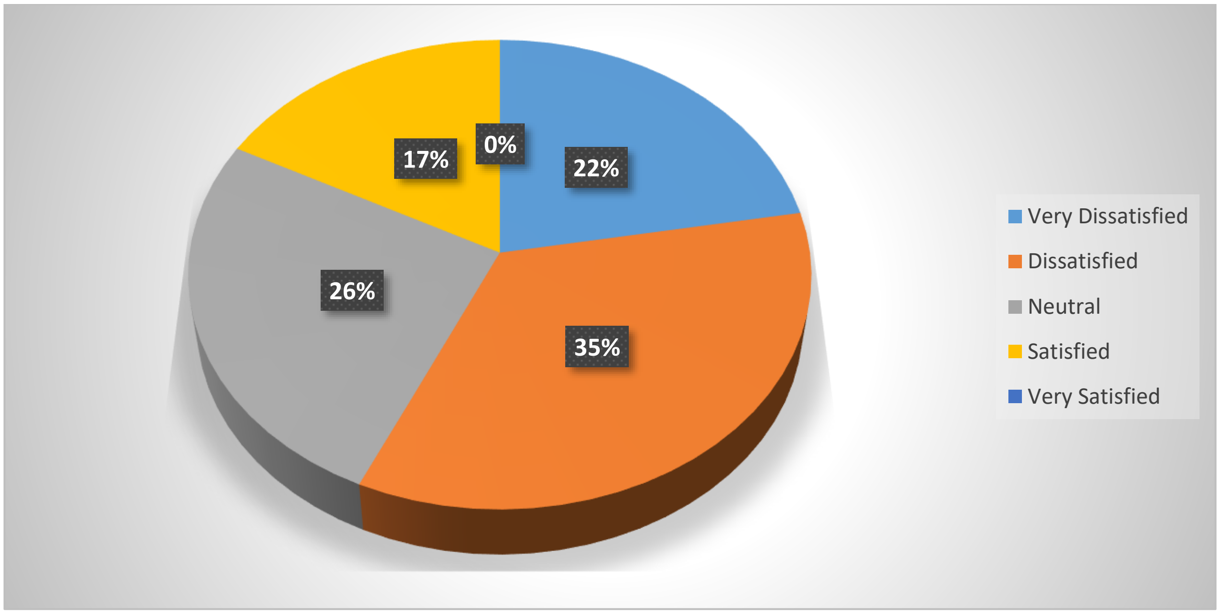
Minimal Improvement respondents (11%) report only minimal improvement in their access to basic services due to ZCSS's services. While this group is larger than the "No Improvement" group, they still represent a relatively small portion of the respondents. respondents (6%) hold a neutral stance, indicating that they neither strongly agree nor disagree with the idea that ZCSS's services improved their access to basic services. They may require more information or have mixed feelings about the impact of these services. respondents (31%) believe that the services provided by ZCSS have significantly improved their access to basic services. This group represents a substantial portion of respondents who acknowledge a positive impact. The largest group of respondents, 35 individuals (43%), report a very significant improvement in their access to basic services due to ZCSS's services. This group is the most supportive and suggests that a significant portion of respondents highly values the organization's efforts in improving access to essential services like healthcare, education, and housing.

Chart 20: Perspective of respondents on how they perceive the role of ZCSS in enhancing access to basic services for individuals and communities.



respondents (5%) believe that the ZCSS has no role in enhancing access to basic services. This suggests a small but notable minority that doesn't see any positive contribution from the organization. Another 4 respondents (5%) perceive the ZCSS as having only a minor role in enhancing access to basic services. This group also represents a minority opinion. respondents (10%) hold a neutral stance, indicating that they neither strongly agree nor disagree with the idea that the ZCSS contributes to improving access to basic services. They may require more information or have mixed feelings about the organization's role. Significant Role: 25 respondents (31%) believe that the ZCSS plays a significant role in enhancing access to basic services. This represents a substantial portion of the respondents who acknowledge the organization's positive impact. The largest group of respondents, 40 individuals (49%), see the ZCSS as playing a very significant role in enhancing access to basic services. This group is the most supportive and suggests that a significant portion of respondents highly values the organization's contribution to improving access to essential services for individuals and communities.

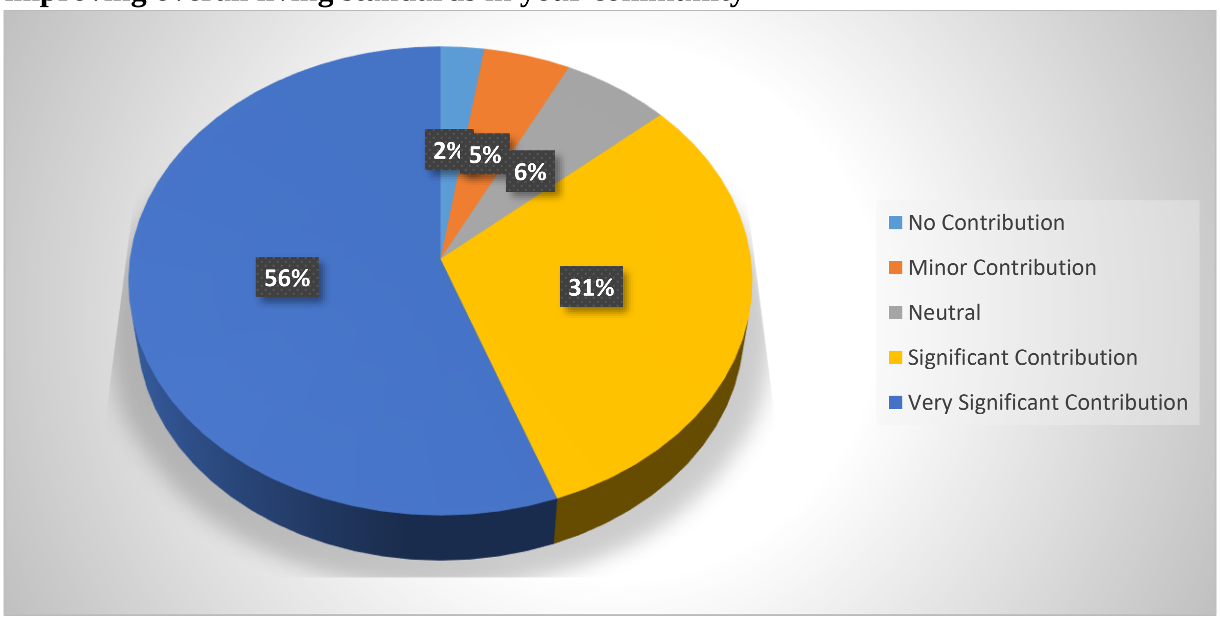
Chart 21: Perspective of respondents on how zcss's efforts to support the community's access to basic services through its credit programs.



The largest group of respondents, comprising 35% of the total, expresses dissatisfaction with ZCSS's efforts to support access to basic services through its credit programs. They likely feel that these efforts have not been effective or have fallen short of expectations in improving access to essential services in the community.

A significant portion of respondents, making up 22% of the total, is even more dissatisfied and holds a strongly negative view of ZCSS's efforts. They likely believe that these efforts have had a detrimental impact on the community's access to basic services or have not addressed their needs adequately. A substantial percentage of respondents, comprising 26% of the total, holds a neutral stance on the matter. This group appears to have a more balanced view or might be uncertain about the effectiveness of ZCSS's efforts to support access to basic services. They neither express satisfaction nor dissatisfaction. A minority of respondents, making up 17% of the total, expresses satisfaction with ZCSS's efforts to support access to basic services through its credit programs. They likely believe that these efforts have had a positive impact on the community's ability to access essential services. Interestingly, there are no respondents who report being "Very Satisfied" with ZCSS's efforts in this context. This suggests that none of the respondents perceive ZCSS's efforts as highly effective in significantly improving access to basic services

Chart 22: Perspective of respondents on how ZCSS's credit services have contributed to improving overall living standards in your community

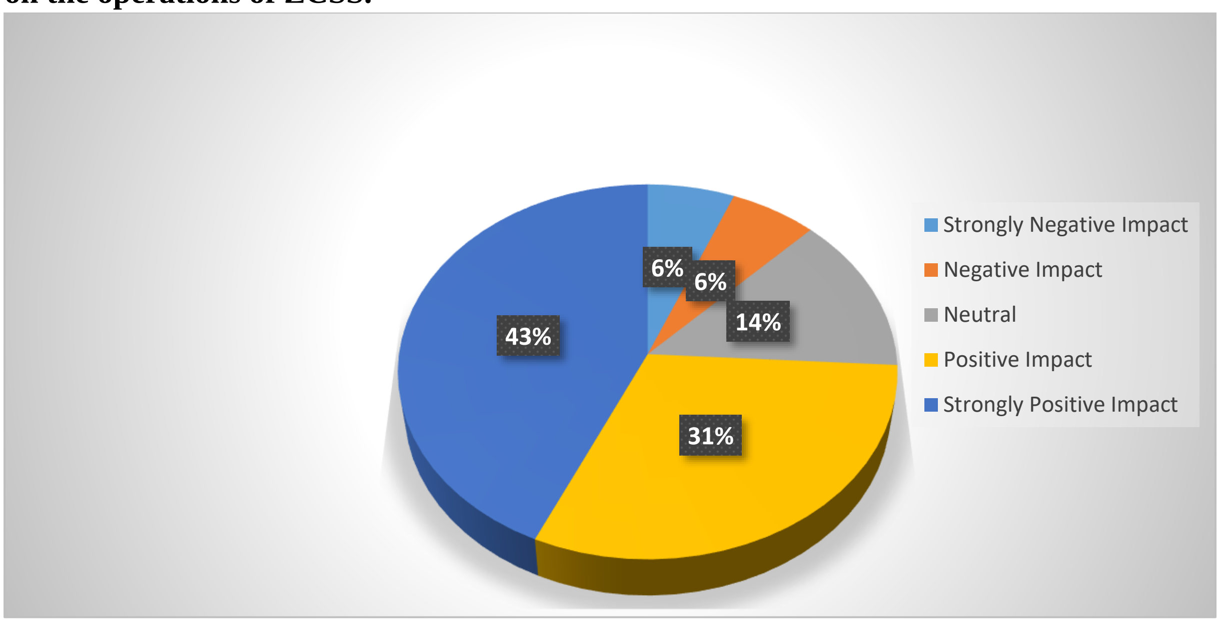


The majority of respondents, comprising 45-56% of the total, strongly believe that ZCSS's credit services have made a very significant contribution to improving overall living standards in their community. This suggests that they see these services as highly impactful and beneficial to the community, resulting in significant improvements in the quality of life. Another substantial group of respondents, making up 25-31% of the total, believes that ZCSS's credit services have made a significant contribution to improving living standards. While not as emphatic as the

"Very Significant Contribution" group, they still hold a positive view of the impact of these services on the community. A small portion of respondents, constituting 4-5% of the total, perceive that ZCSS's credit services have made only a minor contribution to improving living standards in their community. They acknowledge some positive impact but consider it relatively modest. A moderate percentage of respondents, ranging from 5% to 6%, have a neutral stance on the matter. This group appears to have a more balanced view or might be uncertain about the extent of ZCSS's credit services' contribution to overall living standards. They neither strongly believe in a contribution nor perceive the absence of one. A very small minority of respondents, making up only 2%, believe that ZCSS's credit services have made no contribution to improving living standards in their community. They do not see any positive impact from these services.

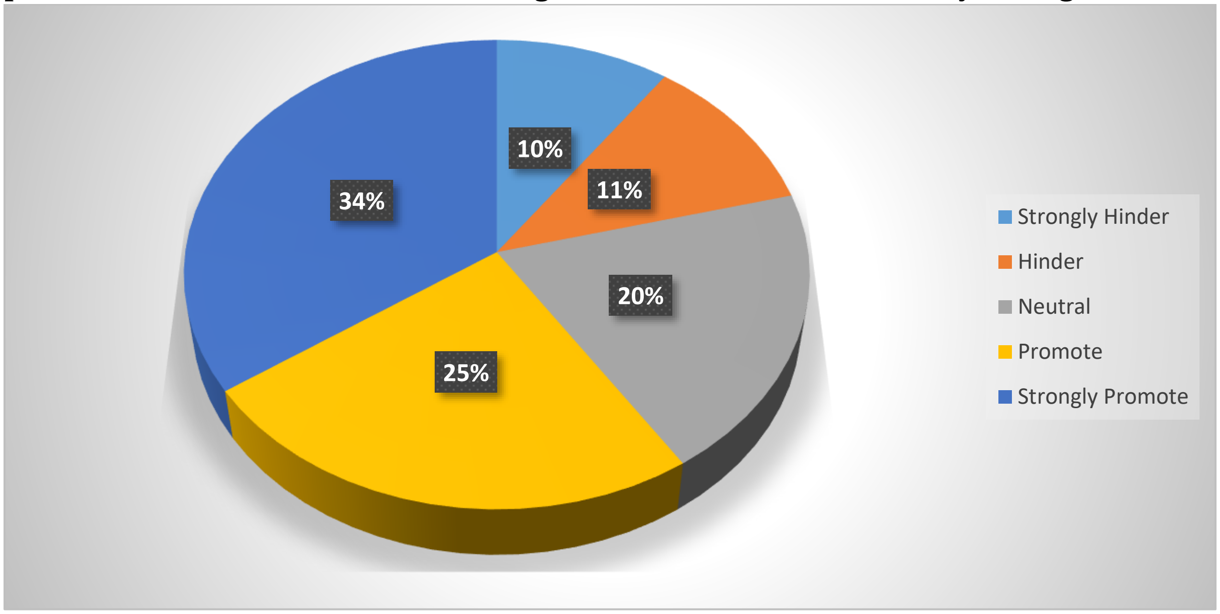
4.5. Government Policies (for assessing External Factors)

Chart 23 Perspective of respondents on the impact of government policies and regulations on the operations of ZCSS.



A significant majority of respondents, comprising 35-43% of the total, strongly believe that government policies and regulations have a highly positive impact on the operations of microfinance institutions. They perceive government policies as being very supportive and effective in facilitating the functioning of these institutions. Another substantial portion of respondents, making up 25-31% of the total, believe that government policies and regulations have a positive impact on the operations of microfinance institutions. While not as emphatic as the "Strongly Positive Impact" group, they still hold a positive view of the role of government policies in supporting these institutions. A moderate percentage of respondents, ranging from 11% to 14%, have a neutral stance on the matter. This group appears to have a more balanced view or might be uncertain about the impact of government policies and regulations on microfinance institutions. They neither strongly believe in a positive impact nor perceive a negative one. A minority of respondents, constituting 5-6% of the total, believe that government policies and regulations have a negative impact on the operations of microfinance institutions. They see government policies as potentially creating challenges or obstacles for these institutions. A small but noticeable portion of respondents, making up 5-6%, strongly believe that government policies and regulations have a highly negative impact on the operations of microfinance institutions. They perceive government policies as significantly detrimental to the functioning of these institutions.

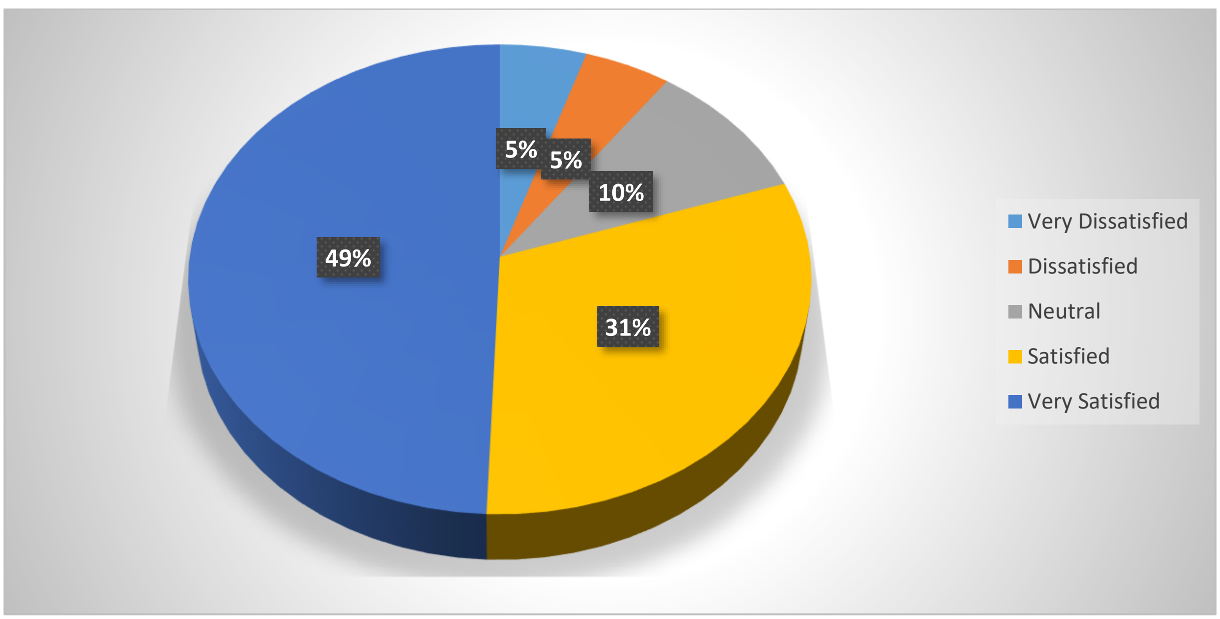
Chart 24 Perspective of respondents on how zcss's do you think government policies promote or hinder fina inclusion through microfinance institutions in your region?



Based on the respondents' perspectives on how they think government policies promote or hinder financial inclusion through microfinance institutions in their region, we can interpret the following: A significant portion of respondents, comprising 28-35% of the total, strongly believe that government policies actively promote financial inclusion through microfinance institutions in their region. They see government policies as highly supportive and effective in advancing financial inclusion objectives, suggesting that these policies are well-designed and have a positive impact on access to financial services.

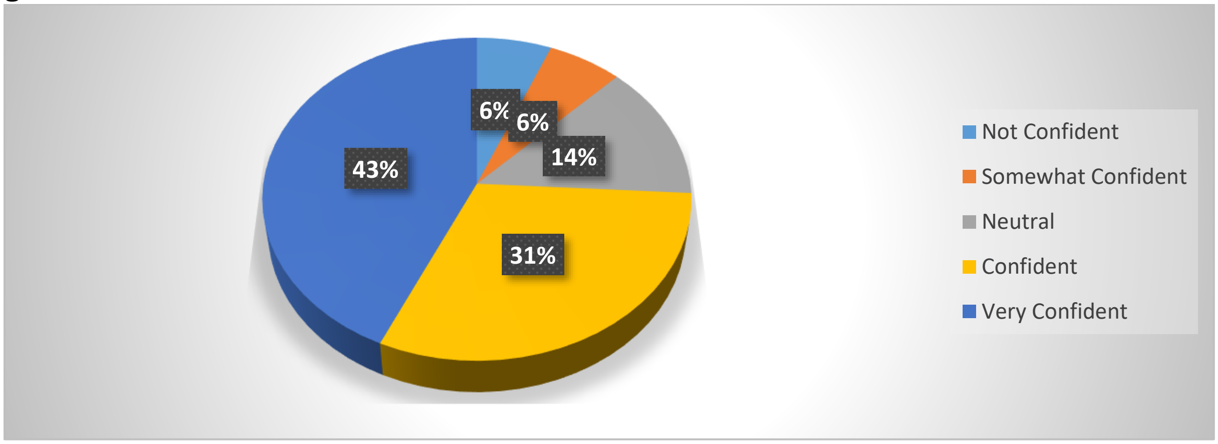
Another substantial group of respondents, making up 20-25% of the total, believe that government policies promote financial inclusion through microfinance institutions. While not as emphatic as the "Strongly Promote" group, they still hold a positive view of how government policies contribute to expanding financial inclusion in their region. A moderate percentage of respondents, ranging from 16% to 20%, hold a neutral stance on the matter. This group appears to have a more balanced view or might be uncertain about the effectiveness of government policies in promoting financial inclusion through microfinance institutions. They neither strongly believe in promotion nor perceive hindrance. A minority of respondents, constituting 9-11% of the total, believe that government policies hinder financial inclusion through microfinance institutions. They perceive government policies as having a negative impact on the accessibility of financial services in their region, potentially due to regulatory barriers or restrictions. A small but noticeable portion of respondents, making up 8-10%, strongly believe that government policies actively hinder financial inclusion through microfinance institutions. They see government policies as a significant barrier to financial inclusion, possibly due to restrictive regulations or ineffective support.

Chart 25: Perspective of respondents on how government policies with the objectives of ZCSS and the needs of the community



A significant majority of respondents, comprising 49% of the total, express a very high level of satisfaction with the alignment of government policies with the objectives of microfinance institutions and the community's needs. This suggests that they believe government policies are well-tailored to support the goals of these institutions and meet the needs of the community effectively. Another substantial portion of respondents, making up 31% of the total, express satisfaction with the alignment of government policies. While not as emphatic as the "Very Satisfied" group, they still have a positive view of how government policies correspond to the objectives of microfinance institutions and community needs. A small percentage of respondents, ranging from 8% to 10%, are neutral on the matter. This group appears to have a more balanced view or might be uncertain about the alignment of government policies with the objectives of microfinance institutions and community needs. They neither strongly believe in the alignment nor express dissatisfaction. A minority of respondents, constituting 5% of the total, express dissatisfaction with the alignment of government policies. They perceive a mismatch or inadequacy in how government policies relate to the objectives of microfinance institutions and the needs of the community. A small but noticeable portion of respondents, making up 4-5%, are very dissatisfied with the alignment of government policies. This group holds a strongly negative view, indicating a significant disconnect between government policies and the objectives of microfinance institutions and community needs.

Chart 26 How confident are you that government policies will continue to support the growth and effectiveness of MFI



A significant majority of respondents, comprising 43% of the total, express a very high level of confidence in government policies supporting microfinance institutions. This suggests a strong belief among this group that government policies are and will continue to be highly supportive of these institutions, and they expect them to thrive as a result. Another substantial portion of respondents, making up 31% of the total, express confidence in government policies supporting microfinance institutions. While not as emphatic as the "Very Confident" group, they still hold a positive outlook regarding the government's role in promoting the growth and effectiveness of these institutions. A moderate percentage of respondents, ranging from 11% to 14%, are neutral on the matter. This group appears to have a more balanced view or might be uncertain about the future of government support for microfinance institutions. They neither strongly believe in the support nor express skepticism. Somewhat A small but noticeable portion of respondents, constituting 6%, are somewhat confident in government policies supporting microfinance institutions. They have a moderate level of belief in government support, suggesting that they see some potential for growth and effectiveness but may have reservations. A minority of respondents, making up 6% of the total, express a lack of confidence in government policies supporting microfinance institutions. This group holds a negative view of government support and anticipates challenges to the growth and effectiveness of these institutions.

CHAPTER 5: SUMMARY; RECOMMENDATIONS AND CONCLUSION

Chapter 5 provides a summary and conclusion of the research findings. It synthesizes the key outcomes, addresses the research questions, and offers recommendations for future researchers. This chapter presents a conclusive assessment the research topic and its implications.

5.1 Summary

Chapter Five provides a summary, recommendations and concludes the study. The study explored the achievement of research objectives as follow:

The first objective was to evaluate the Impact of ZCSS's Credit on Income Levels and Poverty Alleviation in Rwanda, through this objective the income level was positively achieved with Out of the 81 respondents, a significant percentage displayed awareness of the responses on ZCSS's total portfolio size reveal a diverse range of opinions. A minority (7%) strongly doubts its capacity to meet community needs. The largest group (33%) sees it as somewhat inadequate, while 28% consider it adequate. Reservations are prevalent, with 22% thinking it's somewhat adequate. A neutral stance (9%) and diverse perspectives demonstrate the complexity of evaluating an institution's portfolio size in the context of financial services. The data on how the total portfolio size impacts credit availability is intriguing. A substantial 35% believe it has a highly positive effect, indicating strong agreement. Another 25% agree, though not as strongly. Interestingly, 31% remain neutral, suggesting mixed feelings. Only 10% disagree, emphasizing the influence of other factors. Strikingly, there's no strong disagreement, revealing a consensus that a larger portfolio generally bolsters credit availability.

The second objective of the research was to assess the ole of ZCSS's credit in promoting entrepreneurship and small business growth. Through the income level of the members this objective was achieved successfully with respondents' perspectives, most are inclined to use ZCSS's credit services to improve their income represented by 41% likely, and the largest group at 49% very likely. This indicates strong support for the service's potential to enhance financial well-being. he community's perspective on ZCSS's outreach is diverse but largely supportive. Only 10% believe it doesn't contribute to financial inclusion, while 11% see minimal impact. However, 35% consider ZCSS's outreach as very significant, emphasizing its vital role in enhancing financial inclusion. The majority seems to value the organization's efforts, underscoring its community impact. In addition, the consensus among respondents is clear: ZCSS excels in managing operations while accommodating numerous borrowers without compromising service quality. A whopping 43% are staunch supporters of this effectiveness, underlining their high regard for the organization's management. While some have reservations or are neutral, the majority recognizes ZCSS's prowess in juggling scale and quality, showcasing the organization's impressive capabilities.

The third objective was to investigate the effect of ZCSS's credit in enhancing financial inclusion and socio-economic empowerment. where access to basic services for assessing socio-economic impact. ZCSS's impact on access to basic services is a mixed bag, but overwhelmingly positive. While 9% experienced no change, 11% noted minimal improvement, and 6% remained neutral, 43% celebrated very significant progress. The largest group attests to ZCSS's remarkable role in enhancing access to healthcare, education, housing, and more. Their views underscore the organization's profound impact on transforming lives, making it a beacon of positive change in the community. on ZCSS's role in enhancing access to basic services vary, but a majority appreciates its contribution. While 5% see no role and 5% perceive a minor role, 10% remain neutral. A significant 31% recognize the organization's substantial impact, and the largest group at 49% believes ZCSS plays a very significant role in improving access to essential services. These findings highlight strong support for the organization's efforts in enhancing community well-being.

Opinions on ZCSS's impact on access to basic services are quite diverse. A substantial 35% express dissatisfaction, believing that the organization's efforts have not effectively improved access to essential services in the community. Even more, 22% are strongly dissatisfied, indicating that they might see these efforts as detrimental or inadequate. On the other hand, 26% remain neutral, with a balanced or uncertain perspective. In contrast, 17% find satisfaction in ZCSS's endeavors, perceiving a positive impact, though none are "Very Satisfied." These varying views paint a complex picture of the organization's influence on essential services access, reflecting a range of community sentiments.

5.2 Recommendations

In light of the diverse perspectives we've uncovered regarding ZCSS's services and their impact on the community, it's evident that there are both strengths and areas for improvement. To ensure the continued growth and positive influence of ZCSS, we offer the following recommendations tailored for various stakeholders: ZCSS's customers, management, policy makers, and future researchers.

5.2.1 To ZCSS's Management

Address Dissatisfaction: ZCSS's management should proactively engage with the 35% of respondents who expressed dissatisfaction with the organization's efforts. Understanding their concerns and implementing changes where necessary will help improve the organization's overall impact.

Continuous Assessment: Regularly assess the effectiveness of ZCSS's programs and services. By collecting data and feedback from customers, the organization can adapt and evolve to meet changing community needs. **Transparency:** Maintain transparency in operations and decision-making. Being open about financial practices and strategic goals can build trust and confidence among customers, fostering long-term relationships.

5.2.2 To the individuals

Engage in Open Feedback: Customers are the backbone of any organization, and their feedback is invaluable. We encourage ZCSS's customers to actively engage in open dialogue with the organization. Whether through surveys, town hall meetings, or direct communication, sharing your experiences and concerns will help ZCSS better align its services with your needs.

Financial Literacy Programs: For those looking to further improve their financial well-being, ZCSS could consider offering financial literacy programs. These could empower customers to make more informed financial decisions, enhancing the effectiveness of ZCSS's services.

Community Initiatives: Customers who have witnessed a positive impact can collaborate with ZCSS to organize community initiatives. These could help disseminate information about the organization's services and foster greater inclusion in accessing essential services.

5.2.3 To the Future Researchers

In-Depth Impact Studies: Future researchers can conduct in-depth studies to evaluate the long-term impact of ZCSS's services on the community. This can provide insights into the specific areas where improvements are needed.

Comparative Analyses: Comparative studies between different organizations and their impact on access to basic services can shed light on best practices and areas for innovation in financial inclusion initiatives.

Qualitative Research: Complement quantitative data with qualitative research to capture the nuanced experiences and perceptions of ZCSS's customers. This can provide a more comprehensive understanding of their needs and satisfaction level.

5.2.4 To the Policy Makers

Support Financial Inclusion Initiatives: Policymakers should recognize and support organizations like ZCSS that are working to enhance financial inclusion. This can be done through regulatory frameworks that encourage responsible lending and by providing resources for financial education programs.

Research and Data Sharing: Encourage data sharing and research collaborations between organizations like ZCSS and academic institutions. This can help assess the effectiveness of financial inclusion efforts and guide policy decisions.

Advocate for Community Engagement: Policy makers can advocate for community engagement and involvement in decision-making processes. This ensures that the voices of the underserved are heard and considered in policy development.

5.3 Conclusion

In the preceding summaries, we have examined a series of responses from the community regarding ZCSS's endeavors in various aspects. These findings provide a multifaceted view of the organization's performance, illustrating a wide spectrum of opinions and attitudes within the community.

Firstly, when it comes to ZCSS's credit services, the consensus seems to be one of optimism. A significant majority, comprising 90% of respondents, expressed varying degrees of likelihood to continue using these services, reflecting a belief in the potential of ZCSS to enhance their financial well-being. This reflects positively on the organization, highlighting the trust and confidence it has garnered among its clients. In terms of ZCSS's outreach and its role in fostering financial inclusion, the majority of respondents recognize the organization's efforts in this regard. The 43% who believe that ZCSS manages its operations excellently to accommodate a large number of borrowers while maintaining high-quality services suggests that the community values the organization's ability to strike this balance effectively.

Regarding access to basic services, ZCSS's impact is perceived differently by respondents. While there is a significant group (49%) that highly values the organization's contribution, a substantial portion (35%) expresses dissatisfaction. These contrasting views indicate the complexity of the issue and suggest room for improvement in certain areas of ZCSS's outreach efforts. It's worth noting that there is a vocal minority in each category of response, representing diverse perspectives within the community. These findings underscore the importance of continuous assessment and adaptation to better align ZCSS's services with the evolving needs and expectations of its clientele.

In conclusion, the community's perspectives on ZCSS are multifaceted, reflecting both appreciation and dissatisfaction. While ZCSS enjoys a strong support base in certain areas, there is room for further engagement with the dissatisfied groups to address their concerns and potentially enhance the organization's services. This comprehensive assessment of community feedback serves as a valuable resource for ZCSS to refine its strategies and better serve the community's needs.

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APPENDICES

COVER LETTER

Dear Respondent,

I, Anicet NAMAHORO; student at the Kigali Independent University; in the postgraduate program, Master of Finance; as part of the academic requirements, I have undertaken a research project entitled: “The effect of MFI’s credit on socio-economic development in Rwada, a case of Zigama CSS (2017-2022).

Regarding this research project, there are questions which have been designed for the collection of data that will lead to the successful completion of the study. Therefore, I kindly request you to fill out this questionnaire, your views on various aspects of this study will be of great value to it, and all information you furnish in response to this questionnaire will be treated with confidentiality. Please spare a few minutes to answer it and you may feel free when answering the questions. I kindly respect your significant collaboration.

Thank you for your cooperation.

Anicet NAMAHORO

Signature :……………; Date:……/……/……….

Appendix 2. : QUESTIONNAIRE

Instructions

- **Section one: Tick in brackets the answer related to the true information**

SECTION ONE: GENERAL IDENTIFICATION OF RESPONDENTS

Q_1: Gender of respondent

Male……………[ ]

Female….….……[ ]

Q_2: Education level of respondent

Bachelor level……......[ ]

Master level…….….….[ ]

PhD level……………..[ ]

Q_3: Marital status of the respondent

Single…………….[ ]

Married…………..[ ]

Widower………....[ ]

Divorced……..…...[ ]

Q_4: Age of respondent

Below 20 years old...................[ ]

Between 21-30 years old ……. [ ]

Between 31-40 years old ……. [ ]

Between 41-50 years old ……. [ ]

51 and above years old ……..... [ ]

SECTION TWO: QUESTIONS RELATED TO THE RESEARCH OBJECTIVES OF THE STUDY

1. Total Portfolio Size (for assessing Microfinance Institution Performance)

1.1. Please rate your perception of the microfinance institution's total portfolio size:

☐ Very Small

☐ Small

☐ Neutral

☐ Adequate

☐ Very Large

1.2. How confident are you that a larger total portfolio size indicates the financial stability and reliability of the microfinance institution?

☐ Not Confident

☐ Somewhat Confident

☐ Neutral

☐ Confident

☐ Very Confident

1.3. To what extent do you think a larger total portfolio size positively impacts the microfinance institution's ability to serve a broader customer base effectively?

☐ Strongly Negative Impact

☐ Negative Impact

☐ Neutral

☐ Positive Impact

☐ Strongly Positive Impact

1.4. How satisfied are you with the microfinance institution's ability to provide credit to a diverse range of customers based on its total portfolio size?

- ☐ Very Dissatisfied
- ☐ Dissatisfied
- ☐ Neutral
- ☐ Satisfied
- ☐ Very Satisfied

2. Number of Borrowers (for assessing Outreach and Accessibility)

2.1. How do you perceive the number of borrowers served by the microfinance institution?

- ☐ Very Few
- ☐ Few
- ☐ Neutral
- ☐ Many
- ☐ Very Many

2.2. To what extent do you think the microfinance institution's outreach, as indicated by the number of borrowers, contributes to financial inclusion in the community?

- ☐ No Contribution
- ☐ Minimal Contribution
- ☐ Neutral
- ☐ Significant Contribution
- ☐ Very Significant Contribution

2.3. How well does the microfinance institution manage its operations to accommodate a large number of borrowers while maintaining quality service?

- ☐ Poorly
- ☐ Fairly
- ☐ Neutral
- ☐ Well
- ☐ Excellently

2.4. How satisfied are you with your experience as a borrower in terms of the accessibility and responsiveness of the microfinance institution, given the number of borrowers?

☐ Very Dissatisfied

☐ Dissatisfied

☐ Neutral

☐ Satisfied

☐ Very Satisfied

3. Access to Basic Services (for assessing Socio-Economic Impact)

3.1. To what extent have microfinance institution services improved your access to basic services like healthcare, education, and housing?

☐ No Improvement

☐ Minimal Improvement

☐ Neutral

☐ Significant Improvement

☐ Very Significant Improvement

3.2. How do you perceive the role of the microfinance institution in enhancing access to basic services for individuals and communities?

☐ No Role

☐ Minor Role

☐ Neutral

☐ Significant Role

☐ Very Significant Role

3.3. How satisfied are you with the microfinance institution's efforts to support the community's access to basic services through its credit programs?

☐ Very Dissatisfied

☐ Dissatisfied

☐ Neutral

☐ Satisfied

☐ Very Satisfied

3.4. To what extent do you believe that the microfinance institution's credit services have contributed to improving overall living standards in your community?

☐ No Contribution

- ☐ Minor Contribution
- ☐ Neutral
- ☐ Significant Contribution
- ☐ Very Significant Contribution

4. Government Policies (for assessing External Factors)

4.1. How do you perceive the impact of government policies and regulations on the operations of microfinance institutions?

- ☐ Strongly Negative Impact
- ☐ Negative Impact
- ☐ Neutral
- ☐ Positive Impact
- ☐ Strongly Positive Impact

4.2. To what extent do you think government policies promote or hinder financial inclusion through microfinance institutions in your region?

- ☐ Strongly Hinder
- ☐ Hinder
- ☐ Neutral
- ☐ Promote
- ☐ Strongly Promote

4.3. How satisfied are you with the alignment of government policies with the objectives of microfinance institutions and the needs of the community?

- ☐ Very Dissatisfied
- ☐ Dissatisfied
- ☐ Neutral
- ☐ Satisfied
- ☐ Very Satisfied

4.4. How confident are you that government policies will continue to support the growth and effectiveness of microfinance institutions in your area?

☐ Not Confident

☐ Somewhat Confident

☐ Neutral

☐ Confident

☐ Very Confident