Credit Self-Help Groups activities in Socio-Economic Development of members in Rwanda.

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ABSTRACT

This study dealt with the effect of Credit Self-Help Groups (CSHGs) activities in socio-economic development of members in Busasamana Sector, in Nyanza District, Rwanda. The main research problem is that Low income of households in Busasamana sector does not allow poor households to save or to finance economic activities and to overcome challenges faced in socio- economic development as it is stated in Integrated Households Living Condition Survey III (2013) that 39.1 of Rwandans are under the poverty line. The specific objectives wanted to assess the operating services system of credit self-help groups in Busasamana sector, finding out the level of socio-economic status among the members of credit self-help groups before and after joining them and examining the effect of credit self-help groups' activities on socio- economic development of the members. This study was conducted by using descriptive research design involving qualitative and quantitative approaches and correlational research design. A systematic random sampling has been used to sample 94 respondents. The schedule method and the interview method have been used as data collection tools. After the analysis of data, results revealed that 97.9 % of the respondents received a loan from CSHGs to finance their economic activities. The level of socio-economic development before joining CSHGs, the results show that 78.7% had monthly income below 10,000Rwf whereas after joining CSHGs only 1.1% had below10, 000Rwf. Results revealed thus a high significance positive relationship between variables (r = 0.703**, P>0.01) which presupposes that if CSHGs ensures or provides a loan support to its members, the acquisition of new asset will surely be increased by 70.3%. This high positive correlation revealed a need that the members of the CSHGs continue to focus on the activities of CSHGs and mobilize more citizens given a positive effect on socio-economic status.

Key words: Credit Self- Help Groups, Socio-Economic Development.

INTRODUCTION

Credit Self-Help Groups (CSHGs) are a group of individuals who voluntarily come together with similar social economic experiences with the sole objective of collectively finding solutions to their problems or challenges. Credit Self-Help groups are important institutional devices for providing small scale credit to the rural poor in order to alleviate poverty (Kalaiselvi & Muruganandam, 2008).A major objective of the self-help groups is to alleviate poverty by extending socio-economic services to the poor, thereby helping them to enhance employment and income opportunities to come out of poverty. Credit self-help groups reduce poverty and vulnerability of the poor by increasing capital/asset formation at the household level, improving household and enterprise incomes, enhancing the capacity of individuals and households to manage risk (Swamy&Tulasimala, 2013). A study by Sushil et al, (2011) showed a positive impact on the socio-economic conditions and the reduction of poverty of self-help groups' members and their households. Geeta Mnmohan et al., (2008) view that self-help groups is such a tool which directly hits the poverty by helping

poor or enabling them not only to survive but also to improve their standard of living.

In concern of this study credit self-help groups focused on different groups in order to have access to credit or loans that can help members to meet their basic needs. Since the beginning of human society, individuals have found advantage in working together and helping one another in all over the world (Irving, 2005). Working together and helping one another as Credit Self-Help Groups (CSHGs) have been contributed to members in case of emergency or other financial needs. People in Europe and the United States form of Credit Self-Help Groups(CSHGs) aims are multiple and often divergent: such as to empower themselves, to participate in decision-making, to show concern and compassion for others in an increasingly individualistic society, and to feel being treated as dignified person, often in response to a welfare system (Bagheri&Nabari, 2007). They also indicate that as CSHGs are found to operate with considerable flexibility, with regards to terms of lending and savings operations and security norms.

According to Kantengwa (2008), like in many Africans societies, period of primitive accumulation in Rwanda indicates different

forms of mutual help and cooperation that can be identified even today. The spirit of cooperation as part of traditional social capital has been in Rwanda from immemorial time.

The credit self-help groups have been famous since they have been used as a mechanism of premiums collection tool within the Community Based Health Insurance (CBHI) scheme. The CBHI literally known in French as mutuelle de santé is one of Rwanda's flagship health finance policies, and a major program for helping to improve accessibility to health services across the population. Nowadays, credit self-help groups are spread in all districts of the country to improve social economic status by helping residents manage well their resources and encouraging them to save some little money which they use later to pay their contribution for health insurance, increasing the strength of social networks and trusted among friends and families. Rwanda records a number of unimproved socio-economic indicators, but credit self-help groups are born on basis in order to limit all causes of poor living conditions and improve socio-economic status across country. Majority of the poor and the marginalized population in developing countries are building their lives, their families and their

society through Self- help groups (Shukla et al, 2016).

1. **Materials and Methods**

For this study, the material is obtained from primary data; the research has covered databases such as various books, journals and reports relevant to the subject.   This study used a descriptive and correlational research design. The population under this study was consisted the members of 207 CSHGs registered in Busasamana sector. All formal CSHG registered in Busasamana Sector contains 30 members. Thus, the population target was 6,210 members located in five cells of Busasamana sector (Kavumu, Nyanza, Rwesero, Kibinja and Gahondo). The sample size of 94 members representing 6,210 members from the 207 CSHGs was obtained using by preference a formula: NC=$\frac{n}{(1+n)\frac{1}{N}}$attributed to Cochran, applied when the universe is less than 1,000,000 individuals (Bartlett, U, et al. 2000).

Therefore, the sample size of 94 members of CSHG was a good representative number considering the remarks of Alan M. Webber quoted by Vozikis, G. (2000) where he specifies that any sample size between 30 and 500 is sufficient enough to give credible results.

Table1. *Sample of Respondents*

Cells	CSHGs	Members	Sample
Kavumu	86	2,580	39
Nyanza	43	1,290	19
Rwesero	18	540	9
Kibinja	17	510	8
Gahondo	43	1,290	19
Total	**207**	**6,210**	**94**

Source: Primary data, 2017

In selection of sample of members of CSHGs, simple random sampling technique was used with an aim of eliminating differences in population and assures that every member in the population has an equal chance of being included in the sample. Data were collected by means of schedule method and interview method. Apart from information about the respondents' profile, the questionnaire was developed according to the objectives of the study and was self administered amongst the respondents in order to collect the completed responses within a short time possible. Data processing involved editing, coding, data entry, and tabulation. The use of SPSS, descriptive and correlational statistics helped in the analysis of primary data. Beside quantitative analysis, a qualitative analysis of the data was performed to supplement the results.

3. Results and Discussions

The results of the study were presented and analyzed in detail according to the three specific objectives of the study.

With regard to the profile of respondents, it has been noted that the majority of the population involved in Credit Self-Help Groups in Busasamana sector of Nyanza District are female (86%)., 65% of respondents are belonging to the age group (36 to 55) of responsibility, but with a low level of education, as 78% of respondents in the sample have a primary education level and 90% live by traditional agriculture as almost unique source of income; this is, however, confirmed by the fact that the members of CSHGs sampled were sufficiently confident about the crucial role of these CSHGs in socio-economic transformation, since more than 59% were members for at least 5 years and beyond. It has been stated out by Manoj (2013a) that Credit Self Help Group is an important tool which helps the rural women to acquire power for their self-supportive life and nation building efforts. The same author adds that the empowerment of women through CSHGs would lead benefits not only to the individual women but also for the family and community. As a whole these CSHGs have

collective action in terms of development of the rural economy (Manoj, 2013b).

For the first objective of this study which was to identify and assess respondents' opinion on activities of credit self-help groups in Busasamana sector, all respondents, with a seniority at least of five years and more than five years, were unanimous on the impact of activities experimented in CSHGs, especially centered on savings and granting credit to members of CSHGs as it is summarized in table 2 and 3.

Table 2. *Opinion on activities experimented in CSHGs in Busasamana sector*

Activities		Frequency	Percent
Saving	Yes	93	98.9
	No	1	1.1
	Total	94	100.0
Loan	Yes	92	97.9
	No	2	2.1
	Total	94	100.0

Source: Primary data, 2017

As it is seen in the table 2 above, almost everybody (98.9%) of the members of CSHGs have saved money they got from CSHGs. The majority of members save money from CSHGs for future use and for the purpose to improve their standards of living. This is in accord with the findings of Emmanuel Rukagana (2015), saying that voluntary savings and loans (vsl)facilitate considerably in improving socio-economic conditions of pro-poor people in rural area.

The savings of very low-income people living mainly in rural areas allow them to fall back on in emergencies and allow them to invest in profitable opportunities that arise, and allow them to spend for expenses relating to deaths, births, education and homebuilding without having to take out loans (Yves Perrier et al, 2013).

To the question asking if CSHGs offer a loan to their members, results revealed that 97.9% of the members have obtained a loan from CSHGs which they put, in large part, in the

small activities generating benefits which in return allow them to improve their living conditions. This embraces the idea of Flynn (2013), confirming that the CSHG model is effective at relieving extreme poverty; giving the poorest of the poor, who usually have very limited access to financial services, a chance to save their money and take out loans to improve their economic, physical, and mental welfare and the welfare of their families. It is good at empowering the poor to participate in their own development. Thus, Table 3 below shows the members' statement about the amount borrowed from CSHGs by the members.

Table 3. *Opinion on amount borrowed from CSHG by the member*

Attributes	Frequency	Percent
Between 10,000 – 30,000	28	29.8
Between 30,000 – 60,000	36	38.3
Between 60,000 – 90,000	22	23.4
Between 90,000 – 120,000	3	3.2
Above 120,000 5 5.3		
Total	94	100.0

Source: Primary data, 2017

With the question about the amount borrowed from CSHGs by the members, the study revealed that 38.3 % of the respondents borrowed money between 30,000 - 60,000frw, 29.8% borrowed money between 10,000 – 30,000Rwf, 23.4% borrowed money between 60,000 – 90,000Rwf, and 5.3 % borrowed money above 120,000Rwf and 3.2% between 90,000 – 120,000Rwf.The reflection of this table 2 shows how much the members value these CSHGs and this fits in the idea of Jessica Murray and Richard Rosenberg (2006) stating that "in India, self-help groups serve many more clients than traditional MFIs. They collect savings from their members and lend it to some of them. Some of these self-help groups, perhaps a third, continue their activity without other

assets than their own savings". For this question about the amount borrowed from CSHGs, the researchers have been informed by the CSHGs members that the member cannot borrow the amount that exceeds five times on their savings. By this, someone can understand that the account management committee is concerned about bankruptcies that may arise; to avoid it must protect the savings of members.

The second objective of this study was to assess respondents' opinions on the level of their socio-economic status before and after joining CSHGs. The results are presented in tables 4 and 5 below:

- Opinions of Respondents about the level of their socio-economic status before they joining CSHGs.

Table 4. *Opinion on Gross income per month (RWF) and state of welfare attained by the members before joining CSHGs*

	Attributes	Frequency	Percent
	Below 10,000	74	78.7
Income per month before	Between 10,000 – 50,000	19	20.2
Joining CSHGs	Above 100,000	1	1.1
	Total	94	100.0
	Had a house and home equipment	35	37.2
	Had enough meals	9	9.6
State of welfare attained	Had ability to pay school fees	8	8.5
Before joining CSHGs	Had a monthly paying job	1	1.1
	Had health insurance	21	22.3
	Nothing	20	21.3
	Total	94	100.0

Source: Primary data, 2017

To the question about Gross Income per month (Rwf) of the members before joining

CSHGs the table 4 above indicates that 78.7% of the respondents had monthly income below 10,000Rwf, 20.2% of the

respondents had monthly income between 10,000 – 50,000Rwf. This implies that the majority of respondents did not have enough income before joining CSHGs, Which means moreover, the purpose of these CSHGs which is to bring together groups of people who often come from the same precarious socio-economic context, with the aim of making them socially and economically autonomous in order to lead a dignified life in society (Hugh Allen and David Panetta, 2010).

With the question on the welfare attained by the members before they joined CSHGs, the results show that 21.3% had nothing to survive; only 9.6 % had enough meals, 8.5% had ability to pay school fees, and 1.1% had a monthly paying job. Paradoxically, 37.2 % of the respondents had a house and equipment and 22.3% had health insurance. These show that the life standards of the respondents were very poor. According to Basanta (2015), the 80% of the members of the CSHG in Assam before joining the group, they depended on the family member, but after joining the CSHG, they become autonomous.

- Opinions of respondents about the level of their socio-economic status after they joining CSHGs.

Table 5. *Opinion on income earning, Project realised, on the fact of being able to pay back the contracted loan from CSHGs.*

	Attributes	Frequency	Percent
Income earn from the loan	Yes	92	97.9
Acquired from CSHG	No	2	2.1
	Total	94	100.0
	House construction	22	23.4
	Small business	25	6.6
Project realised with the	Farming	33	35.1
Loan acquired from CSHG	Medium business	5	5.3
	Services activities	7	7.4
	Education	1	1.1
	None	1	1.1
	Total	94	100.0
	Below 10,000	1	1.1
Gross income per month (Rwf)	Between 10,000 – 50,000	41	43.6
After joining CSHG	Between 50,000 – 100,000	42	44.7
	Above 100,000	10	10.6
	Total	94	100.0
Able to pay back monthly the	Yes	93	98.9
Contracted loan from CSHG	No	1	1.1
	Total	94	100.0

Source: Primary data, 2017

The results from the table 5 above, revealed that:

- According to the earned benefits from the loan acquired, 97.9 % of the respondents said

that they have earned some benefits from the loan because their projects have failed, while 2.1 % did not earn some profits from the loan acquired because their projects have failed. The fact that the majority of the members have benefited from the projects, implies that CSHGs have a significant effect on socio-economic development of its members. This embraces the opinion of many authors including Bagheri and Nabari (2007) who claim that Self- help groups in Iran have played an important role in solving social problems by meeting credit requirements, involving people in solving their problems.

- According to the project realised with the loan acquired from CSHGs, 23.4 % of the

respondents used the money to construct house, 26.6 % invest in small business, 35.1 % used the money in farming, 5.3 % invest in medium business, 7.4 % used the money in services activities, 1.1 % used the money to pay school fees and 1.1 % did not have any project. This study showed that the profits got

from the loan facilitated to invest in farming and small business than other projects. This means that they invest in activities of small scale to improve their living standards. These findings agree with Shirisha (2014), saying that in India, thousands of poor and marginalized people are building their lives, their families and their society through Self-help groups.

- According to the gross income per month (in Rwf) realized after joining CSHGs, the

results indicate that those CSHGs have important in increasing of monthly income where the members who gain above 100,000 Rwf are 10.6 %. 44.7% gain between 50,000 – 100,000 and 43, 6 % gain monthly income between 10,000 – 50,000 Rwf after joining CSHGs. These findings agree with Mochi and Vahoniya (2015a) explaining that after joining Self-help group the level of income, expenditure and savings of members are increasing day by day.

- To the question about the ability of CSHGs'members to pay back the contracted loan

from the CSHGs, 98, 9 % of the respondents have said that they were capable to pay back monthly the contracted loan without delay, while only 1, 1 % of them have said that they were not able to pay back monthly the contracted loan and had to pay fines. This falls within the framework of respect the regulation that the members have set themselves as confirmed by Michel Lelart (2004) when he speaks about "informal practice of savings and credit in developing countries".

As for the third objective, this study wanted to examine the effect CSHGs have had to the socio-economic development of their members. This dealt at first with analysis of questions about the extent to which CSHG's activities have an effect on socio-economic enhancement of the members, and of course on examining the correlation between CSHGs' activities and socio-economic development of the members of these CSHGs in Busasamana sector. The results are represented in tables 6 and 7.

Table6.*CSHGs'activities and the socio-economic development of the members*

	Attributes	Frequency	Percent
	Disagree	2	2.1
CSHGs contribute to realise	Agree	63	67.0
some activities as a project	Strongly agree	29	30.9
	Total	94	100.0
	Disagree	1	1.1
CSHGs increase the income	Agree	57	60.6
of the members	Strongly agree	36	38.3
	Total	94	100.0
CSHGs solve problems of health	Agree	37	39.4
insurance of the members	Strongly agree	57	60.6
	Total	94	100.0
	Disagree	2	2.1
CSHGs facilitate in paying	Agree	58	61.7
school fees for children	Strongly agree	34	36.2
	Total	94	100.0
	Disagree	1	1.1
CSHGs trustworthy to	Agree	54	57.4
members	Strongly agree	39	41.5
	Total	94	100.0

Source: Primary data, 2017

The results in table 6 above indicate that:

- With 67.0 % agree and 39.9 % strongly agree, CSHGs help highly the members to realize

different projects (table 5). These findings agree with Flynn's (2013b) argument that the CSHGs in Uganda through borrowing and saving, the members were able to improve their living situations and were able to start profitable small businesses such as opening small shops and rearing animals like chickens, goat and cows.

- About the part of CSHGs in increase of income, the majority respondents of 60.6 %

agreed and 38.3 % strongly agreed. This fits with the confirmation of Flynn (2013c), explaining how in Uganda the CSHGs are very effective at reaching the poorest of the poor, a group which is often ignored or hard to reach. The CSHG model is effective at relieving extreme poverty; it gives the poorest of the poor, who usually have very limited access to financial services, a chance to save the money and take out loan to

improve their economic and physical welfare.

- A major role of CSHGs to help its members to have health insurance without any help

from government or other institutions is confirmed by the respondents at 60.6 % strongly agree and 39.4 % agree. This is consistent with the idea stating that CSHG members availed loan for health purpose (Mochi and Vahoniya, 2015b).

- With the majority of 57.4 % agreed and 41.5 % strongly agreed about the trustworthy of

CSHGs members towards activities of these groups, the study of Nayak (2015), has supported this by stating that the level of trust among the members and the trust between members and non-members are enhanced after belonging to CSHGs.

Table7.*Relationship between CSHGs activities and Socio-economic development of members in Busasamana sector*

		Have you ever got loan from CSHGs	Have you buy any asset from money you got from CSHGs
Have you ever got loan from CSHGs	Pearson Correlation	1	.703[**]
	Sig. (2-tailed)		.000
	N	94	94
Have you buy any asset from money you got from CSHGs	Pearson Correlation	.703[**]	1
	Sig. (2-tailed)	.000	
	N	94	94
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data,2017

From the table 7 above, Findings show a high significance positive relationship between variables (r = 0.703**, P > 0.01) which

presupposes that if CSHG ensures or provides a loan support to its members, the acquisition of new asset will surely be

117

increased by 70.3 %. Therefore 29.7 % is the gap needs to be complemented by CSHGs members through another form of self-help.

4. Conclusion

Basing on the findings, the study concludes that activities performed in Credit self-help groups promote social solidarity and serve as a driving force for the improvement of the standard of living especially for the rural population, supporting local small-credit and community-based initiatives. In this way reach many of the poorest families.

On the other hand, the study concludes that it is no longer only a question of lending the poor a little money to get them out of the vicious circle of poverty, but rather to build "an open financial system to all ", by allowing those who are today excluded from finance to have access to services that have become synonymous with integration and modernity.

CSHGs now have their place in the concerns of the community. They are a powerful instrument for fighting poverty. The members use saving and credit services to increase their incomes, accumulate assets and hedge against external shocks. The significant effect of CSHGs on socio-economic development of the members in Busasamana sector is confirmed.

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