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VILLAGE SAVINGS AND LENDING ACTIVITIES (VSLAs) AND SOCIO-ECONOMIC TRANSFORMATION OF COMMUNITY MEMBERS IN RWANDA, A CASE OF MASAKA SECTOR IN KICUKIRO DISTRICT

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ABSTRACT

This project aimed to assess the impact of village savings and lending associations (VSLAs) on socio-economic development of local community in Rwanda, with a particular focus on Masaka Sector of Kicukiro District. More specifically, this project aimed of assessing the VSLAs income generating activities or their main sources of savings in the local community; evaluating the VSLAs types of savings in the local community; evaluating the VSLAs types of lending in the local community; and comparing the socio-economic transformation of the community members before and after joining VSLAs. In the research design, the researcher adopted a descriptive approach and employed a specific case study approach of Masaka Sector in Kicukiro District. For study population, the total study population was 258 members of VSLAs. For sampling, the total sample of 221 was calculated using random sampling technique and for data collection, the researcher used questionnaires and interview guides and for data analysis, the researcher used SPSS. The results showed that VSLAs significantly impacted income sources, prominently empowering agricultural activities (mean = 0.368), while showing moderate influence on trading (mean = 0.319) and lesser impact on handcrafts and tailoring. The results also showed that VSLAs' savings mechanisms exhibit distinct impacts: emergency and long-term savings display substantial, consistent influences (means = 0.282, 0.395) with differing member engagements. The practical suggestions proposed were that Masaka sector should establish connections with other initiatives, like VUP and BDF, to enhance the socio-economic progress of rural communities.

KEYWORDS: *Economic development, Income generating activities, social development, types of lending and types of savings*

INTRODUCTION

This paper evaluated how saving and lending associations (VSLAs) affect the socio-economic development of community members. The recent study done by Runesha (2013) looked at how Village Savings and Loans Associations (VSLAs) affect community growth. It focused on the World Vision Rwanda (WVR) Project in the Umucyo Area Development Programme in Karongi District. The study wanted to show how VSLAs, started by Care International and World Vision Rwanda, are helping poor families become more independent and financially stable in the Umucyo Area Development Programme. Also, the writer wanted to show how people in VSLAs use their own savings to start businesses, meet their needs without outside help, and feel more empowered and stable because of the VSLA project. The results, from both other studies and new information, showed that VSLAs really help the Umucyo community.

The latest study done by Sibomana (2016) looked at how Village Savings and Loan Associations (VSLAs) help Small and Medium Enterprises (SMEs) grow in Rwanda, especially in Kayonza District. The main goal was to show how VSLAs help businesses grow fast and make communities stronger. The study found that VSLAs helped 30% of families who couldn't get loans before to now get credit. The writer said VSLAs are good because they help people who don't have much money or education and who find banks scary and hard to understand. Also, many people don't trust banks because they're not clear about their prices.

The study done by Mbonimpa (2015) looked at how Voluntary Savings and Loans (VSL) help make life better for poor people in rural areas, using CARE International's work in Busasamana Sector, Nyanza District as an example. The main goal of the research was to see how much VSL helps make life better for these communities. The research done by Niyirera (2018) looked at how Village Savings and Loan Associations (VSLAs) help make life better for people in rural areas in Rwanda, focusing on families supported by SOS Children's Village Kigali. The main goal of the writer was to see how VSLAs in the community affect how families live, to understand how choosing, planning, and managing small businesses help families live better in rural areas, and to see how good training affects how families live better in rural areas through VSLAs in Rwanda. The research revealed that VSLAs significantly contributed to enhancing the welfare of rural households, as evidenced by improvements in household income, support for asset accumulation, assistance with education expenses for children in rural households, and reduction in school dropout rates.

The research conducted by Nkuriza (2016), on Improvement in both society and the economy of population in Rwandan remote areas with a case of Rwamagana community based agricultural project management (RCBAP). The main purpose was to ascertain the contribution of irrigation techniques training on socioeconomic improvement of beneficiary, the study limited to Rwamagana District, Eastern Province, in Rwanda where irrigation activities are applied. The research reveals that in the process of implementing agricultural project, farmers are facilitated with modern seed, fertilizers, irrigation techniques trainings are provided to beneficiaries on time, projects and organizational issues need are identified and analyzed with clarity and without emotion and meetings with stakeholders are organized periodically, and also audits and assessments are conducted by an external auditor and this adds value to the project implementation and protect it against failure.

In an essay authored by Dean (2017) regarding the impact of lending or loans on the impoverished, the author elucidated that savings and lending-driven microfinance groups exhibit variations contingent upon the implementing organization and the specific context. However, they mostly follow the main features described in the Village Savings and Loan Association (VSLA) model, which started in the early 1990s in Mali by CARE, a big supporter of these groups and the main partner in this study. The writer talked about a lending group where members meet regularly to put in a set amount of money, and then all the money collected is given out to each member in turns.

In a document released by Plan International (2018) about how Non-Governmental Organizations' Financial Services affect the development of society and the economy in Rwanda, the focus was on Plan International's project model for Village Savings and Loan Associations in Bugesera District.

The aim of the report was to check how people who save money in Village Savings and Loan Associations in Bugesera District, Rwanda are doing economically. The researcher used a survey to ask questions and get opinions about this topic, to get basic information. The study included 696 people, and 254 of them were chosen using a special formula. They collected information by asking structured questions and doing interviews. They looked at the data by putting it into tables and graphs using statistics like how often something happens, what percentage it is, and what the average is, using a computer program called SPSS version 21.0. The results showed that most people (94%) said being part of VSLAs changed their lives and made their community better.

The report recommends raising awareness among non-VSLA beneficiaries to encourage their participation. Village Savings and Loan Associations (VSLAs) are good for collecting savings and making the financial situation better for people.

The empirical investigation carried out by Karas (2019) delved into the correlation between income inequality and socioeconomic indicators reflecting the level of economic development among the population, focusing on Palestine as a case study. The study aimed to show the cross-country correlation between income inequality and specific socioeconomic indicators reflecting the economic development level of the population in Palestine. The researcher examined the impact of income levels on the demand for consumer services, establishing income elasticities for twenty-six service categories. The findings of this study both align and diverge from prior research, highlighting the diverse nature of empirical investigations on this persistently debated topic.

Niyirera (2018) highlighted the limited rigorous evidence on their impact. The paper aimed to address this gap by examining the influence of VSLAs on socio-economic development, focusing on Masaka Sector in Kicukiro District, Kigali City. It seeks to identify income-generating activities, types of savings, types of lending, and socio-economic changes among community members before and after VSLA implementation.

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MATERIALS AND METHODS

For the methodological details, this study employed a descriptive research design to investigate how saving and lending associations (VSLAs) affect the socio-economic development of community members. The researcher used quantitative research to analyze the questionnaires and the results into descriptive statistics helped to find out whether VSLAs were effective and have contributed to improvement in both society and the economy of community development. The key informants that researcher used are the 861 members of VSLAs operating in Masaka Sector, Kicukiro District. The research was conducted to all 861 members of VSLAs and out of these members, a sample of 258 was drawn from that large population. The researcher collected the quantitative data from the sampled 258 respondents. For the interview, the staff in charge of VSLAs, were interviewed to collect qualitative data. Also, multiple tools were utilized to gather information related to the research topic including documentation, questionnaires, and interviews were used as practical means of data collection. For data analysis, SPSS tool version 21 was used to produce data with mean and standard deviation for decision-making regarding central tendencies.

Results

Table 1

VSLAs Income generating activities (main sources of savings)

Statement concerning VSLAs income generating activities		Percent	Mean	Std. Deviation
Valid	Agricultural activities (Food crops)	36.8	0.368	0.0264
	Livestock (Animal products like milk, meats, eggs)	10.8	0.108	0.0201
	Trading activities (small business)	31.9	0.319	0.0327
	Handcrafts	8.2	0.082	0.0454
	Tailoring (sewing) activities	8.6	0.086	0.0440
	Driving activities	3.7	0.037	0.0429
	Overall Mean		0.167	

Source: ***Primary data, (2023)***

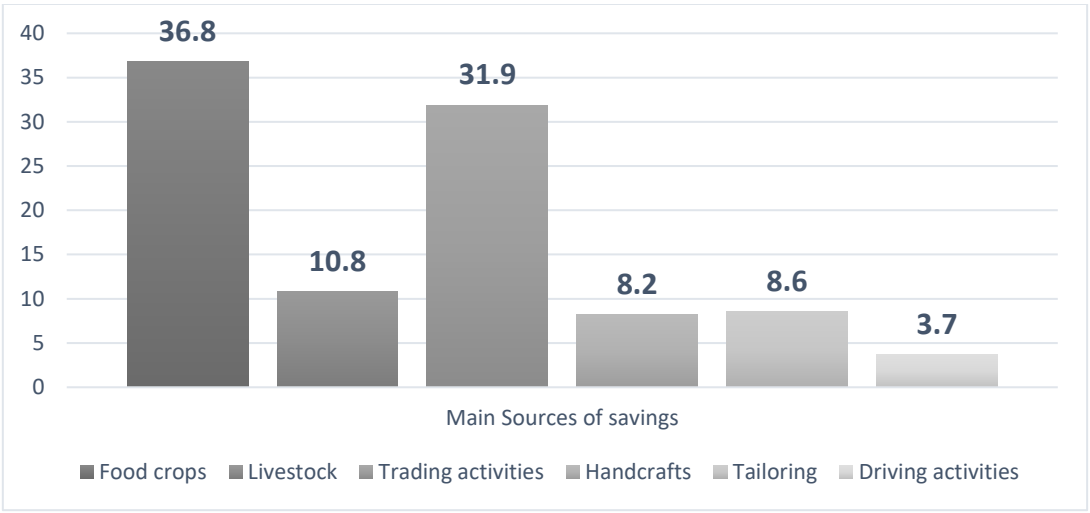


Figure 1 Main sources of savings

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Table 2

Assessment of Socio-economic transformation of local community members

Statement regarding socio-economic transformation		Percent	Mean	Std. Deviation
Valid	Increase of household income	41.7	0.417	0.0954
	Malnutrition alleviation	8.3	0.083	0.0095
	Access to education	23.2	0.232	0.0213
	Improved welfare	9.4	0.094	0.0097
	Improved health and livelihoods	17.4	0.174	0.0198
	Overall Mean		0.2	

Source: ***Primary data, (2023)***

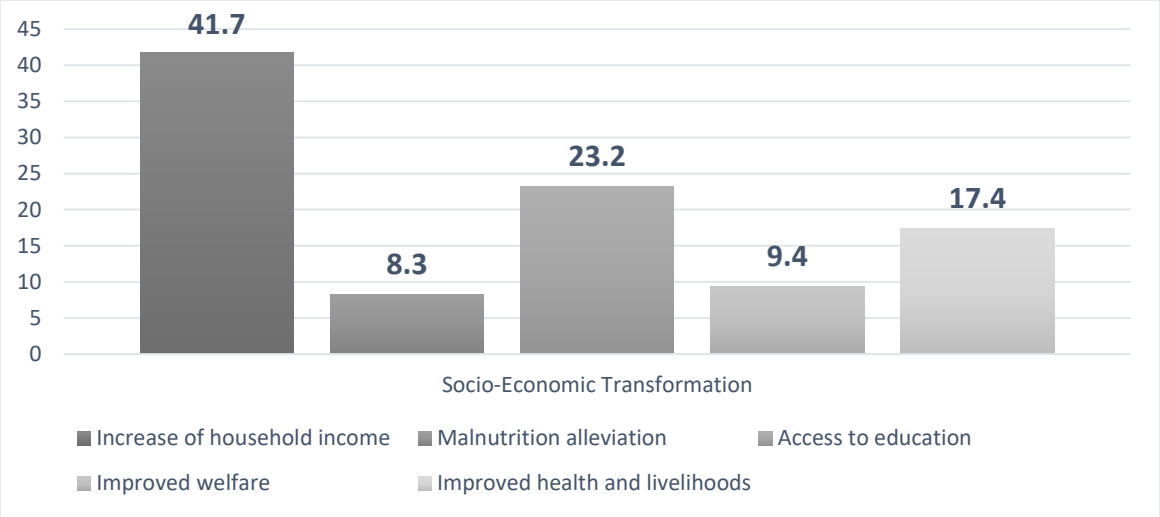


Figure 2 Indicators of socio-economic transformation

Table 3

Correlation analysis between VSLAs income generating activities (main sources of savings) and socio-economic transformation of community members

		Increase of household income	Malnutrition alleviation	Access to education	Improved welfare	Improved health & livelihoods
VSLAs income generating activities	Pearson Correlation	0.941	0.955	0.852	0.831	0.9
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000
	N	221	221	221	221	221

Correlation is significant at the $p < 0.01$ level (two-tailed).

Source: ***Primary data, (2023)***

Table 4

Types of savings applied by VSLAs in Masaka Sector

Statement of the types of savings used by VSLAs on socio-economic transformation		Percent	Mean	Std. Deviation
Valid	Emergency fund saving	28.2	0.282	0.0048
	Long-term savings	39.5	0.395	0.046
	Short-term savings	7.8	0.078	0.0863
	Regular savings	24.5	0.245	0.013
	Overall Mean		0.25	

Source: Primary data, (2023)

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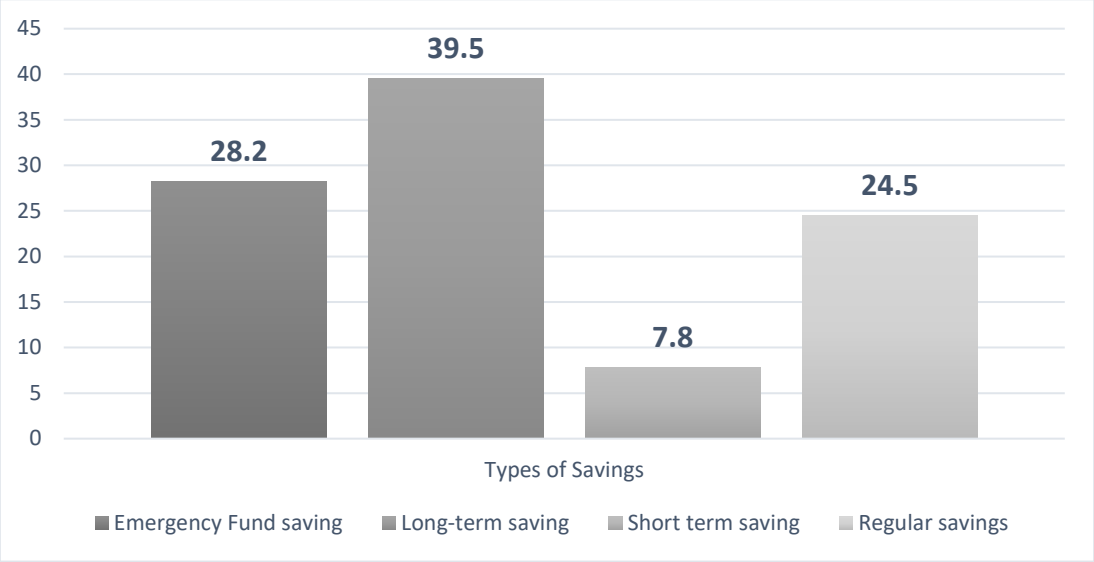


Figure 3 Types of savings in VSLAs of Masaka Sector

Source: **Primary data, (2023)**

Table 5

Correlation analysis between VSLAs types of savings and socio-economic transformation of community members

		Increase of household income	Malnutrition alleviation	Access to education	Improved welfare	Improved health & livelihoods
VSLAs types of savings	Pearson Correlation	0.929	0.977	0.823	0.805	0.882
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000
	N	221	221	221	221	221

Correlation is significant at the $p < 0.01$ level (two-tailed).

Source: ***Primary data, (2023)***

Table 6

Types of lending schemes applied by VSLAs

Statement of the types of lending schemes used on socio-economic transformation		Percent	Mean	Std. Deviation
Valid	Personal lending	19.2	0.192	0.0051
	Student lending	24.4	0.244	0.0021
	Small business lending	41.0	0.41	0.0333
	Asset lending	15.4	0.154	0.0289
	Overall Mean		0.245	

Source: Primary data, (2023)

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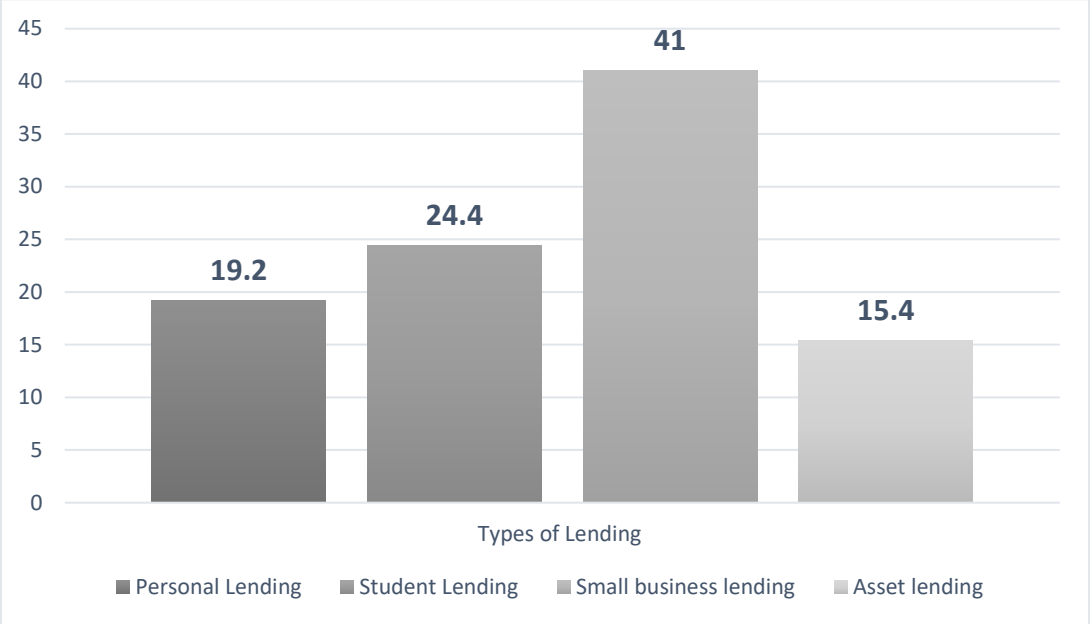


Figure 4 Types of lending schemes in VSLAs of Masaka Sector

Source: **Primary data, (2023)**

Table 7

Correlation analysis between VSLAs types of lending and socio-economic transformation of community members

		Increase of household income	Malnutrition alleviation	Access to education	Improved welfare	Improved health & livelihoods
VSLAs types of lending	Pearson Correlation	0.92	0.958	0.838	0.811	0.88
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000
	N	221	221	221	221	221

Correlation is significant at the $p < 0.01$ level (two-tailed).

Source: ***Primary data, (2023)***

Table 8

Comparison of Socio-economic transformation of community members

Indicators of socio-economic development	Before	After
	%	%
The number of members to access health services easily	52%	98%
The number of members to have income generating activities	41%	99%
The number of members to access electricity and water	7%	86%

Source: Primary data, (2023)

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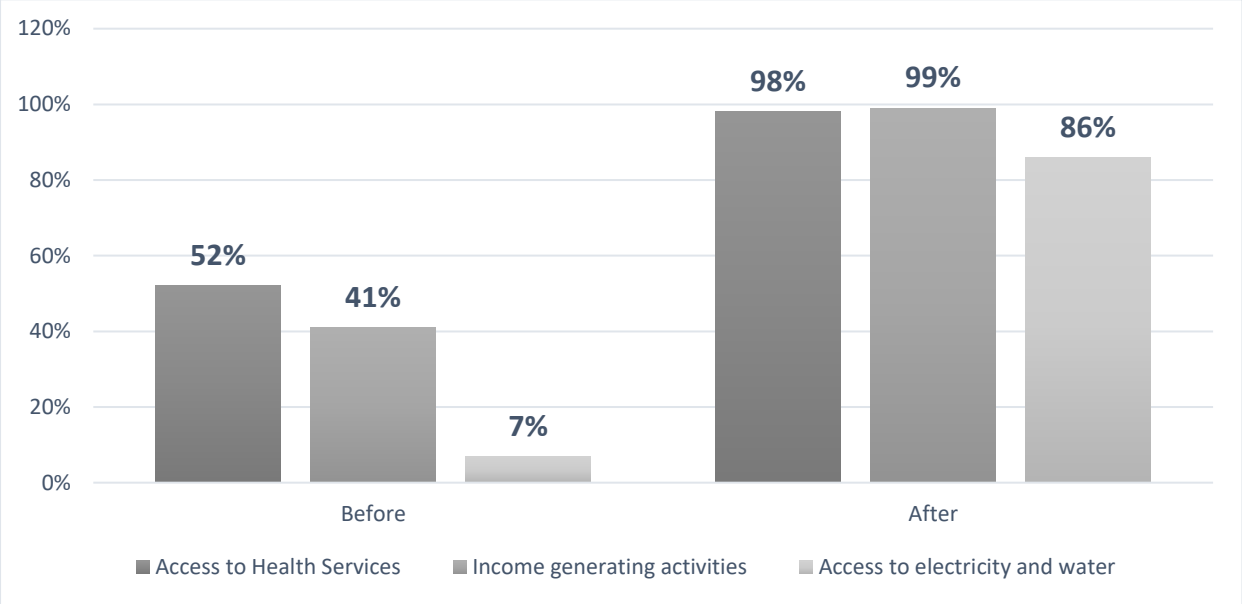


Figure 5 Comparison of Life transformation before and after joining VSLAs

Source: **Primary data, (2023)**

Table 9

Correlation analysis between VSLAs activities and socio-economic transformation of community members

		Increase of household income	Malnutrition alleviation	Access to education	Improved welfare	Improved health & livelihoods
VSLAs income generating activities	Pearson Correlation	0.941	0.955	0.852	0.831	0.9
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000
	N	221	221	221	221	221
VSALAs types of savings	Pearson Correlation	0.929	0.977	0.823	0.805	0.882
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000
	N	221	221	221	221	221
VSLAS types of lending	Pearson Correlation	0.92	0.958	0.836	0.811	0.88
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000
	N	221	221	221	221	221

Correlation is significant at the $p < 0.01$ level (two-tailed).

Source: ***Primary data, (2023)***

DISCUSSION AND CONCLUSIONS

In this part, the researcher interprets data and draw conclusions. Table 1 and Figure 1 show that 36.8% of VSLA participants are involved in agricultural activities like food crop farming, with a high perceived impact from VSLAs. Livestock-related activities were mentioned by 10.8% of participants, with a moderate impact perception. Trading, or small businesses, engaged 31.9% of respondents, also with a high perceived impact from VSLAs. Handcrafts and tailoring were less common, with 8.2% and 8.6% participation rates respectively, and had lower perceived impacts. Only 3.7% reported driving activities, which had the lowest perceived impact among all activities.

Table 2 and Figure 2 reveal that village savings and lending activities have a moderate impact on increasing household income, with a mean of 0.417. This suggests a positive effect on income generation. For alleviating malnutrition, there's low variability with a mean of 0.083, indicating a smaller positive impact. Regarding access

to education, the mean of 0.232 shows a significant positive effect, though with moderate variability. Improved welfare has a mean of 0.094, indicating a smaller positive impact with low variability. Lastly, health and livelihoods show a substantial positive effect with a mean of 0.174 and moderate variability. Overall, these activities have varying impacts on socio-economic transformation in the Masaka sector, with income and education showing more consistent positive effects.

Table 3 and Figure 3 show a strong positive correlation between VSLAs' income-generating activities and various socio-economic improvements in the community. Correlation coefficients (r values) between 0.831 and 0.9555 indicate a robust link. These activities significantly contribute to increased household income, reduced malnutrition, better access to education, improved welfare, and enhanced health and livelihoods. The correlation underscores VSLAs' role not just in income generation but also in addressing key socio-economic challenges. Overall, there's a strong positive linear relationship between income-generating activities and socio-economic transformation across all indicators.

Table 4 and Figure 4 reveal the types of savings practiced by VSLAs in the Masaka Sector. A notable 28.2% of community members have emergency fund savings with VSLAs, showing a high and consistent impact on socio-economic transformation. Long-term savings involve 39.5% of members, also with a high impact and moderate variability. Short-term savings, engaged by 7.8%, show a lower impact with higher variability. Regular savings are reported by 24.5% of members, with a high and consistent impact on socio-economic improvement and low variability. Overall, these savings methods contribute differently to socio-economic transformation within the community.

Table 5 and Figure 5 show a strong positive correlation between VSLAs' types of savings and various socio-economic improvements in the community. The correlation coefficients (r values) range from 0.805 to 0.977, all with significant p-values (sig=0.000). This indicates a robust link between VSLAs' savings methods and increased income, reduced malnutrition, better access to education, improved welfare, and enhanced health and livelihoods. The values, being close to 1, highlight strong positive associations between VSLAs' savings types and socio-economic transformation across all indicators.

Table 6 and Figure 6 display the types of lending schemes offered by VSLAs. Personal lending involves 19.2% of members with a low but consistent impact on socio-economic transformation. Student lending is reported by 24.4% and has a high and consistent impact. Small business lending, engaged by 41.0%, also shows a high impact with moderate variability. Asset lending, taken up by 8.2%, has a lower impact and moderate variability. Overall, these lending schemes contribute differently to the socio-economic improvement of community members.

The results in table 7 and figure 7 shows the Correlation analysis between VSLAs types of lending and socio-economic transformation of community members. These results demonstrated that there is a strong positive and significant linkage between Village associations types of lending and increase of income of local community members (r=0.92 and sig=0.000), VSLAs types of lending and malnutrition alleviation (r=0.958 and sig=0.000), VSLAs types of lending and access to education (r=0.836 and sig=0.000), VSLAs types of lending and improved welfare (r=0.811 and sig=0.000), and VSLAs types of lending and improved health and livelihoods (r=0.88 and sig=0.000). These correlation coefficients indicate the intensity and direction of the linear association between the types of lending within VSLAs and socio-economic transformation across each specific indicator. All values are close to 1, indicating strong positive associations between VSLAs types of lending and Socio-economic transformation in these areas.

The results in table 8 shows the comparison of Socio-economic transformation of community members. According to interview results from both table 4.8 and the figure 4.9, Masaka Sector has the strategic plans to continue improving socio-economic development of the community including sensitizing the population living in villages to join VSLAs. In addition, to continue bringing more effective programs to the population striving for their full life transformation.

Table 9 presents a correlation analysis between VSLAs' activities and socio-economic transformation in the Masaka Sector community. The results emphasize the significant role of diverse income-generating activities and various VSLA initiatives in shaping the community's socio-economic landscape. Strong positive correlations, with coefficients (r) ranging from 0.852 to 0.955 and p-values at 0.000, highlight the impact of these activities on increasing household income, alleviating malnutrition, and improving education access. Furthermore, VSLA's types of savings and lending practices show positive correlations with socio-economic indicators, emphasizing

their contribution to community improvement. Correlations between VSLA initiatives and key dimensions like Malnutrition Alleviation and Access to Education range from 0.823 to 0.977, with significant p-values, underscoring their role in addressing critical challenges.

After recognizing that, the researcher not exhaustive in this project, then the recommendations for further research were as follows: (i) to examine how VSLAs program encourages saving habits and business ventures in countryside regions (ii) to analyze impact of Village Savings and Loan Associations on social Economic development of poor households in Rwanda.

As I conclude, these findings emphasize the positive and pivotal role of VSLAs, including income-generating activities and targeted savings and lending practices, in driving socio-economic transformation in the Masaka Sector. VSLAs contribute significantly to fostering a resilient and prosperous community. The findings underscore the multifaceted contributions of VSLAs' diverse activities ranging from income-generating pursuits, savings mechanisms, to lending initiatives significantly impacting the socio-economic landscape. Post-VSLA membership, tangible enhancements in healthcare access, income generation, and basic infrastructure signify a palpable and positive socio-economic transformation experienced within the Masaka Sector community.

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