THE EFFECT OF CREDIT PACKAGES OF VISION 2020 UMURENGE PROGRAMME IN POVERTY ALLEVIATION IN RULINDO DISTRICT, Case study of RUSIGA Sector: 2009-2011

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Abstract

This study assessed the effect of VUP Credit Packages in poverty alleviation in Rulindo District with Rusiga Sector as case study. The research used descriptive and correlational research designs. The target population included 6,791 beneficiaries of credit packages of Vision 2020 in Rusiga Sector where a sample of 97 people was chosen. In order to collect primary data, questionnaires, observation and interviews were administered and conducted. By means of SPSS, data were coded, recorded, and edited to generate tables. Cronbach's Alpha coefficient was used to test the reliability of the questionnaires. The statistical procedures of frequencies, percentages and Pearson's Product moment coefficient(r) were used to analyze and interpret data. The study revealed that there was a change in income. Almost 100% of the respondents affirmed getting monthly income and above three quarters of them get more than $ 40 (above $1 dollar per day). The saving behavior was introduced and rooted deep as 100% of beneficiaries affirmed saving every month either in Umurenge SACCO, or in any other financial institution. They also affirmed buying goats or joining financial groups (ibimina). They said that the improvement of welfare was quickly and positively changing. There was a gradual change in job creation. Therefore the credit package of Vision 2020 Umurenge has a positive and very weak (a Pearson product moment coefficient (r) of 0.054) contribution to alleviating poverty among very poor families of Rusiga Sector.

Keywords: Credit package, Vision 2020, poverty alleviation, Sector, District.

1. Introduction

RWANDA is a land locked eastern African nation in the Great Lakes region. It shares international borders with Uganda, Tanzania, Burundi and the Democratic Republic of Congo. The country has a population of above 10 million, based on the 2009 estimates, with almost 60% of the people living below the international poverty line. The country has a total area of 26,338sq.km, of which 24,950sq km (94.7%) is made up of land, and 1,288 sq. km (5.3%) of water. The total land areas, on 8,600 sq. km (32.7%) are suitable for cultivation. The nearest port on the Indian Ocean is at 1700km away from Kigali and at least 2200km to Atlantic Ocean. It is also located at midway of the distance between Cap Town and Cairo long of 7400km, this feature makes imported

goods to be relatively expensive and Rwanda's exports to be less competitive on the global market.

According to MINALOC (2007), the Rwandan Vision 2020 is a result of a national consultative process that took place in Village Urugwiro in 1998-99. There was broad consensus on the necessity for Rwandans to clearly define the future of the country. This process provided the basis upon which this Vision was developed. Today, Rwanda finds itself at a crossroads, moving from the humanitarian assistance phase associated with the 1994 genocide of Tutsis into one of sustainable development. Since 1994, the Government of Rwanda has stabilized the political situation, while putting the economy back on track with considerable assistance from development partners. However, the challenges remain daunting. The Rwandan population is expected to double to around 16 million by 2020.

Given that the major aspiration of Vision 2020 is to transform Rwanda's economy into a middle income country (per capita income of about 900 USD per year, from 220 USD in 2000), this will require an annual growth rate of at least 7%. Vision 2020 aspires for Rwanda to become a modern, strong and united nation, proud of its fundamental values, politically stable and without discrimination amongst its citizens. In view of the aspirations and challenges outlined above, Vision 2020 for Rwanda translates an achievable program based on the following pillars like reconstruction of the nation and its social capital anchored on good governance, underpinned by a capable state; transformation of agriculture into a productive, high value, market oriented sector, with forward linkages to other sector; development of an efficient private sector spearheaded by competitiveness and entrepreneurship; comprehensive human resources development, encompassing education,

health, and ICT skills; Infrastructural development, entailing improved transport links, and promotion of regional economic integration and cooperation.

Vision 2020 Umurenge Programme (VUP) is an initiative by the Government of Rwanda (GoR) in collaboration with development partners and NGOs. It is led by the Ministry of Local Government, Good governance, Community Development and Social affairs (MINALOC) and supported by the Ministry of finance and economic planning (MINECOFIN) (www.cdf.gov.rw). The Vision 2020 Umurenge Programme (VUP) uses the existing decentralization system and leverages technical and financial assistance to accelerate the rate of poverty reduction in Rwanda by 2020 (VUP 2007).

Credit packages are intended for adult women and men. This includes pregnant women, lactating women, and female heads of households. It excludes sick or mentally challenged people unable to undertake even light work. Restrictions apply for the landless unable to work who cannot generate income to pay back the loan. Proposals for credit packages are driven by a participatory planning process in order to promote the identification and prioritization of local agri-business as well as off-farm business and employment opportunities. Hence, planning begins with the Umudugudu identifying key outcomes it wishes to achieve and then propose a list of packages that will achieve these outcomes. The Umudugudu Committee makes recommendations on the adoption of credit packages. These recommendations will be reviewed by the Umudugudu Council. Eventual approval of credit packages will be made by the VUP Management Team upon recommendation of the Umurenge Council and notified to the District Council. The final decision to disburse the credit will be made privately by the microfinance institution that is expected to provide the loan.

Credit packages program is a formal contract that describes the use of the credit in pre-specified activities (i.e.: package). This contract is agreed upon with the community, endorsed by the community, and approved by the VUP management team. It allows the bearer to benefit from the VUP insurance scheme (VUPIS), which facilitates the credit approval. By microfinance institutions, the latter can be expected to ease the requirements thanks to the insurance provided by the VUP. The VUP is essential to sustaining the viability of the credit packages. It covers the default risk on approved credit packages endorsed by the community. Each approved credit packages will contain the clauses describing contingencies in case of default (VUP, 2007).

Poverty Alleviation is also called the elasticity of poverty eradication. It is measured as the percentage reduction in poverty for every one percent increase in per capita real consumption growth. In other words; it gives an indication of how much income/consumption growth translate into poverty reduction or an indication of the extent to which economic growth is pro-poor. According to Rwanda development indicator (2003) Rwanda is one the poor countries in the world experiencing high population are under the 1 US dollar per day, limited sources of finance and low technology, compounded by the 1994 Genocide of Tutsi have led to low investment rate. These have resulted in low rate of unemployment, and low rate of income generation hence limited household incomes and savings especially among the people in rural area. Rusiga sector of Rulindo District knew the intervention of credit packages of VUP since 2009 up to 2011. The main problem remains to know if such program had had significant effect in alleviating poverty. It is for this reason that the researchers developed interest in assessing the contribution of VUP Credit Packages in poverty alleviation, RUSIGA Sector of

Rulindo District being taken as a case study.

2. Method

This study used a descriptive and correctional research designs. Larry B. Christensen (1991:108) defines research design as the outline of procedures involved in conducting research. It is a general set of operating guidelines within which the research is carried out in consistency manner, with specific methods. This study used is a correlational research design through identifying variables that relate to each other, making predictions of one variable trait from the other, and examining the possible existence of causation. It looked for the correlation between activities of VUP credit packages on poverty alleviation in Rulindo District.

In respect to 6,791 beneficiaries of credit packages program of VUP in Rusiga sector, a randomly selected sample was chosen. As the number of the population was finite, the use of Cochran's formula and the statistical method of interpolation helped in calculating the exact figure of respondents. For populations that are large, Cochran (1963:75) developed the equation 1 to yield a representative sample for proportions.

$$n_0 = \frac{Z^2 pq}{e^2}$$

Which is valid where n_0 is the sample size, Z^2 is the abscissa of the normal curve that cuts off an area α at the tails (1 - α equals the desired confidence level, e.g., 90%), e is the desired level of precision, p is the estimated proportion of an attribute that is present in the population, and q is 1-p. The value for Z is found in statistical tables which contain the area under the normal curve. If the population is small then the sample size can be reduced slightly. This is because a given sample size provides proportionately more information for a small population than for a large

population. The sample size (n_0) can be adjusted using Equation indicating that

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}, \text{ where } n = \text{ adjusted}$$

sample size, N= population size, n_o= sample size

The use of this formula implied reading from the table of sample size determination (Yamane, 1967), and the researcher computed n_0 as follows:

For N = 5,000, n_0 = 98, for N=6,000, n_0 = 98, for N= 6,791, $n_{0=X}$

By applying interpolation technique, the researcher calculated n_0 in the following way:

$$\frac{6,791 - 1,000}{2,000 - 1,000} = \frac{x - 98}{98 - 98}; x = 98$$

After obtaining x, the researcher adjusted it in order to find n using the precedent equation. Therefore,

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}; n = \frac{98}{1 + \frac{(98 - 1)}{6,791}}; n = 97$$

. This implies an adjusted sample size of 97 people that beneficiated credit packages of VUP in Rusiga Sector.

By means of self-developed research instruments a set of primary and secondary data was collected. The researchers prepared a number of questionnaires containing a set of closed-ended questions to be administered to sample in Rusiga Sector of Rulindo District. The questionnaires was built around four main sections including respondents' profile, activities of credit packages of VUP in Rusiga Sector, level of poverty alleviation among VUP credit packages beneficiaries in the same sector, and the respondents perceptions about the effect of credit packages of VUP in regard to the poverty alleviation of people in Rusiga Sector. The unstructured interview was conducted to obtain complementary information from the managers of the program. In order to collect data, the researchers went to the District and Sector authorities by means of a recommendation letter from the Dean of the Faculty and handed the questionnaires out to respondents, and provided directions on how to return the questionnaires. In this step the researchers also conducted interview with the credit packages managers and collected from them some documents and reports that deemed useful for the research.

The data processing and analysis was performed in three main stages, namely editing, coding and tabulation by means of SPSS as a tool of analysis. The tabulation was used to present statistical tables showing frequency, percentages, and Pearson's product moment coefficient. The interpretation of data was based on descriptive statistics.

3. Results and Discussions

The researchers distributed 97 questionnaires and collected 74 with a lack of 23 questionnaires. The 76.3% as level of participation was enough to justify the reason why the research continued. The analysis followed sections as they were specified through questionnaires.

In respect to the respondent profile, the study revealed that 54.1% of the respondents were male while 45.9 % were female. This shows that the percentage of male is greater than the percentage of female as the result of credit package.

As the government policy is recommending the respect of gender in any institution, it was seen that the policy is observed. It revealed that credit packages of VUP in Rusiga sector worked more preferably with people aged from 18 up to 50 years. This was because those people were strong and had the power for working. According to the marital status the program preferred working more with married (39.8%) followed by single (33.8%). Rusiga sector preferred to use the married people because they were stable and responsible in their work. The study

also showed that 54.1% of the respondents had primary level, 35.1% secondary level, and 10.8% university level. The majority of beneficiaries was of primary level and the most important occupation was agriculture (35.1%) followed by small businesses (28.4%). This was due to the fact that Rusiga Sector is located in countryside where agriculture is mostly performed.

Concerning the activities of credit packages of VUP in Rusiga sector, the study revealed that 93.2% of the respondents affirmed having saved money with the credit packages of VUP in in Rusiga sector, and the generated income contributed in poverty alleviation. It also showed that 63.5% of respondents used current account while 36.5% used time deposit. More than 90.0% of the respondents indicated that they received income from their savings. With respect to the activities before joining VUP credit packages the following table summarizes findings:

Table 1 Sector of activities before joining VUP credit packages

	Activities	Frequency	Percent
Valid	Agriculture	26	35.1
	Business	10	13.5
	Civil Servant	3	4.1
	Jobless	18	24.3
	Others	17	23.0
	Total	74	100.0

Most of the beneficiaries of VUP credit packages were in agriculture (35.1%) while 24.3% were saying being jobless. The causes for such joblessness were presented in table 2 as follows:

Table 2 Causes of Joblessness

	Joblessness causes	Frequency	Percent
Valid	No land	9	12.2
	Not educated	10	13.5
	No capital	21	28.4
	Sick or Disabled	3	4.1
	Orphaned	16	21.6
	Others	15	20.3
	Total	74	100.0

Table 2 shows that 28.4% affirmed not having capital, 21.6% being orphans, 13.5% not being educated, 12.2% not having land, 4.1% being sick or disabled, and 20.3% others. This study revealed that most of the respondents were jobless because of not having capital to invest. This was confirmed by the monthly income as it was presented in table 3

Table 3 Monthly Income before joining VUP credit packages

	Monthly Income before joining	Frequency	Percent
Valid	Below $20	49	66.2
	$20 up to $40	19	25.7
	$41 up to $100	6	8.1
	Total	74	100.0

Out of 74 respondents 49 (66.2%) affirmed having income that was below $20, 19 (25.7%) an income from $20 up to $40, while 6 (8.1%) were in the range of $41 up to $100. The higher percentage located in the range of those below $20 translated the need of looking for funds to finance their activities. One of the sources of such funds was to join credit packages of VUP. The study revealed that the majority (87.8%) gained loans from VUP credit packages and they financed diversified areas. The loans they obtained were of the categories presented in table 4 as follows:

Table 4 Accepted Project when asking loan from VUP credit packages

	Accepted Projects	Frequency	Percent
Valid	House Construction	6	8.1
	Small Business	22	29.7
	Farming	25	33.8
	Medium Business	15	20.3
	Service Activities	6	8.1
	Total	74	100.0

The data from table 4 revealed that 6 (8.1) presented house construction, 22 (29.7%) small businesses, 25 (33.8%) farming, 15 (20.3%) medium businesses, while 6 (8.1%) presented service activities. The study revealed farming and small business as the most accepted projects when asking for loans from VUP credit packages in Rusiga Sector, Rulindo District. The financed projected generated income as summarized in table 5 as follows:

Table 5 Monthly Income after joining VUP credit packages

	Monthly Income after joining	Frequency	Percent
Valid	Below $20	10	13.5
	$20 up to $40	34	45.9
	$41 up to $100	17	23.0
	Above $100	13	17.6
	Total	74	100.0

Table 5 showed that 10 (13.5%) affirmed having income that was below $20, 34 (45.9%) an income from $20 up to $40, 17 (23.0%) in the range of $41 up to $100, while 13 (17.6%) were in the bracket above $100. The loans given to the

beneficiaries facilitated them to perform small business and supplement their existing businesses. For many beneficiaries the effective use of the loans increased their monthly income. Most of 97.3% of the respondents affirmed being able to pay back monthly the contracted loans and go on with their businesses.

In respect to the questions related to the use of the profit obtained from credit packages, table 6 summarized the welfare of joining VUP as follows:

Table 6 Welfare of joining VUP credit packages

	Welfare	Frequency	Percent
Valid	Had a house and home equipment	12	16.2
	Had enough meals	5	6.8
	Paying School Fees	14	18.9
	Had a monthly paying job	5	6.8
	Had health insurance	14	18.9
	Others	24	32.4
	Total	74	100.0

The study revealed that 12 (16.2%) affirmed having had a house and home equipment, 5 (6.8%) had enough meals, 14 (18.9%) paid school fees, 5 (6.8%) having had a monthly paying job, 14 (18.9%) having had health insurance, and 24 (32.4%) others including those who had the roofs of their houses renewed and their clothing style improved. Though the level by which joining VUP credit packages was not yet determined, most of the angles of life were touched. Responses like renewing roofs, changing iron sheets and building new houses were given. Increasing and improving quality of meals were known. Clothing family members became possible and as soon as the needs were there. Health care and health insurance known as "*mutuelle de Santé*" were no longer an issue. From all these findings the researchers computed the correlation in order to find out the effect of credit packages of VUP on poverty alleviation of people inhabiting Rusiga Sector. Cluster analysis or clustering was used. The researcher grouped a set of questions in such a way that responses in the same group (activities of VUP) are more similar -in some sense or another-to each other than to those in other groups (poverty alleviation). The results of such computation were presented in table 7 as follows:

Table 7 Correlation between Activities of VUP-Poverty Alleviation of Rusiga Sector

		Activities of VUP	Poverty alleviation
Activities of VUP	Pearson Correlation	1	.054
	Sig. (2-tailed)		.649
	N	74	74
Poverty alleviation	Pearson Correlation	.054	1
	Sig. (2-tailed)	.649	
	N	74	74

* Correlation is significant at the 0.01 level (2-tailed).

Legend

[-1.00 - 0.00[	: Negative correlation
[0.00 - 0.25[	: Positive and very weak correlation
[0.25 - 0.50[	: Positive and weak correlation
[0.50 - 0.75[	: Positive and strong correlation
[0.75 - 1.00]	: Positive and very strong correlation

Since the Pearson's product moment coefficient (r) was positive (0.054), the researchers conclude that when the activities of credit packages of VUP in Rusiga Sector increase (independent variable), the participants' poverty alleviation rating (dependent variable) also increases though it was at a very week level (in the interval of [0.00 - 0.25[. The very weak relationship was also manifested through the Sig (2-Tailed) value of .649 that was greater than 0.01.

Though the influence was very week its positivity was also proved through the perception of beneficiaries. This perception was measured using a 4 Likert-scale rating from disagree to agree through tend to agree and tend to disagree. The perception's focal points were oriented on the credit packages quality, credit packages diversification, credit packages affordability, credit packages functioning, credit packages reliability, credit packages rate, credit packages way of solving problems, credit packages in building houses, credit packages in running other businesses, and credit packages in facilitating to pay school fees. The study revealed that beneficiaries perceived credit packages of VUP in Rusiga Sector being of high quality (91.9%), diversified (78.3%), affordable (89.2%), well functioning (84.3%), reliable (98.7%), of minimum rate (98.6%), one of the ways of solving problems (89.2%), used in building houses (58.1%), used to run other businesses (78.3%), and being used in paying school fees (56.8%).

4. Conclusions

The main objective of this study was to analyze the effect of credit packages of VUP in alleviating the poverty of the people of Rusiga Sector, in Rulindo District.

The study revealed that due to the activities of credit packages, beneficiaries were no longer jobless. As the employment was created the income was improved as it passed from $20 up to $40 per month. It is with that income the beneficiaries were able to save money in banks (63.5% using current account while 36.5% using time deposit account). Having both regular employment and a sound monthly income constituted the basics to get loans from banks and financial institutions to strengthen their businesses and continue to improve their welfare, dwelling, health, nutrition, and education. The correlation analysis and the perception of the beneficiaries confirmed that credit packages of VUP contributed positively but very weakly (5.4%) to the poverty alleviation of the beneficiaries in Rusiga sector, Rulindo District. The credit packages of VUP tackled the poorest that can now manage to get the minimum of basic needs.

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