

EFFECT OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS ON SMALL AND MEDIUM ENTERPRISE (SME) GROWTH IN RWANDA: SURVEY OF KAYONZA DISTRICT**Jean Pierre Sibomana and Dr. Jaya Shukla**

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ABSTRACT: *The research purpose was to examine the effects of Village Savings and Loan Associations on the growth of Small and medium enterprises in Rwanda because despite the contribution of Rwandan Government supported the establishment of Village Group Savings Cooperatives as a way of providing financial accessibility to rural Rwandans who cannot afford big loans from the banking institutions in order to support their micro business, performance of SME's in the rural areas is still low (RDB report 2014). The researcher achieved this research by use of three specific objectives namely; To analyze the effect of credit/ loans on growth of SME growth in Kayonza District; To examine the effect of training and advice on investment on SME Growth in Kayonza District; and to analyze the capital formation on SME growth in Kayonza district. The research is beneficial to the researcher, SME's, government and JKUAT. The researcher reviewed both theoretical and empirical literature on the effect of Village Savings and credit cooperatives on SME's performance. The researcher used descriptive method of study based on qualitative and quantitative approach in order to get better analysis of the study. The population size is 884 and sample of was taken. Both primary and secondary sources with their relevant tools like questionnaire and documentary analysis in order to come up with required data. In the findings it was established that Kayonza district has got various credit/ loan services, Training and Advice on Investment services and Capital formation (savings) services. Credit/ loan services includes; provision of required amount of loan to the clients, provision of loan to the clients within a short time, provision of loan without collaterals but members guarantee, provision of the loan to the clients at a low interest rate and provision of loans to the clients with flexible repayment schedule depending on one's earnings. Training and Advice on Investment services which that include; provisions of investment briefings on terms and conditions of the loan before acquiring loan, provision of investment seminars and workshops to members, provision of tour to successful members business before loan is awarded to clients, VSLA also make follow up visit to their clients in order to provide business advice on monthly basis and they have created members working team who are guarantors and advisors. Capital formation (savings) services which ensures that that VSLA in Kayonza District make clients contribute monthly or weekly to the group savings, savings contribution is managed through rules and procedures, contributed fund is kept safe, clients to divide the saved funds at an agreed interval and clients has a right to refund once he withdraws from the saving group. These services positively influence the SME growth in Kayonza District in the sense that VSLA services has increased capital base increased of members business, increased profitability of the business, made business expand its branches, made members business acquire assets, made members business cash flow to improve and above all VSLA savings has made my progress from hand to mouth to planning for the future. This was justified by table 4.15 which showed the relationship between Village Savings and Loan Associations (VSLA) and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .673** and the p-value is .000 which is less than 0.01. When p-*

value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Village Savings and Loan Associations (VSLA) and SME growth in Kayonza District. We can therefore conclude Village Savings and Loan Associations (VSLA) contribute to positive SME growth in Kayonza District.

KEYWORDS: Village, Loan, Small and Medium Enterprise (SME), Growth, Financial Accessibility, Savings, Rwanda.

INTRODUCTION

The vast majority of the world's poor live in rural areas of developing countries with very limited infrastructure. Rural economies are characterized by long time spans between input and output of the agricultural production, uncertainty and weather dependency. This makes the ability to smooth consumption, to access credit and to employ risk coping strategies very important for household living under such circumstances (Conning and Udry 2007). Nevertheless, the history of rural financial intermediation is not encouraging and the recent explosive growth in microfinance globally has concentrated in urban and semi-urban areas (Demirgüç-Kunt and Klapper 2012, Allen and Panetta 2010, Daley-Harris 2009).

When formal financial institutions are not available, households use informal mechanisms instead. The widespread use of rotating savings and credit association (ROSCAs), and similar informal financial networks is a testament to this (Rutherford 2001, Collins et al. 2009). One intervention which has gained increased popularity in rural Africa is the so-called savings group. Savings groups provide an alternative to existing informal networks and provide more flexibility, transparency, and security. One highly standardized type of savings groups, developed and promoted by CARE, are Village Savings and Loan Associations (VSLAs). Similar to other microfinance institutions, VSLAs combine multiple characteristics of formal financial markets: savings accounts, access to loans, and insurance. However, to provide credit and insurance services, each VSLA relies on its members having accumulated enough capital through savings, a minimum level of which is compulsory at the weekly meetings (Teng and He 2009). For VSLAs to attract members, they therefore need to offer higher interest rates or more secure repayments than alternative forms of savings. This may be possible if groups are better at monitoring loans than individuals, if they have stronger enforcement.

VSLAs have proven to be very effective in accelerating growth and building local capacity. VSLA members have access to highly responsive and safe financial services, and this enables them to upscale economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community. Poor and less educated people are easily intimidated by the formal, lengthy and complicated procedures at banks, just as many people distrust the banks because of the non-transparent pricing structures (Teng and He 2009). When VSLAs were introduced most of these issues were addressed by offering financial services with low or no overhead costs, completely transparent and collective decision making, charge free savings and dividends from the loans.

In the past three decades African development community was in excitement of breakthrough of poverty climate as the solution to poverty eradication in the continent through provision of

tinny micro credit to poor communities especially women and youth to foster income generating projects which will in the end lead to financial growth in the community. South Africa's experience after lapse of time as the country was experiencing an escape from the appalling legacy of apartheid a priority was made to ensure that micro credit to be extended to the poor so as to be liberated from poverty, exclusion, and deprivation. Microfinance in East Africa with particular focus on schemes for women and youth engaged in the production and processing of agribusiness such as coffee in Rwanda, Uganda and Kenya explains the role and importance of microcredit for financial growth of women and youth in SMEs businesses (Omunuk, 2008).

Over the years, a new economic culture has emerged among the VSLA members. Owing to peer pressure to save, encouragement by other group members during the meetings, training and the availability of start-up capital, most members have opened up or expanded businesses. Because of the strict VSLA procedures and the immediate and tangible results, the VSLA methodology has moved people from being idle to being very productive and busy. Many participants have adopted better work ethics and habits; people work harder, keep time better and deliver on their word. The main sources of income for poor people in East Africa are farming and trading produce, petty trade, casual employment, artisan work such as tailoring, welding, stone quarrying and brick making, local brewing and food vending. To secure a regular income, VSLA members are encouraged to invest in productive assets and income generating activities to diversify their income sources. More than 60% of VSLA members have two or more sources of income, which is a significant improvement compared to non-members who mainly depend on only one source. Likewise, VSLA members are able, to a greater extent than non-members, to acquire assets either to increase their household income directly or to enable them to access markets (for example, by means of a radio, mobile phones, and motorcycles).

Since pre-colonial and after colonial, Rwanda efforts have been directed towards the poverty eradication, economic growth and development, through agriculture commercialization, tourism and industrialization. In relation to this and through the Private Sector Foundation the country has focused on sustainable development through small business development (RDB, 2014). Community's performance towards poverty eradication, has occupied a prominent place and the parties to the community especially women and youth must be part of this fight if economic hindrances of poverty are to be eradicated from societies because women are the back bone of the society.

Thus, the recent poverty eradication program in Rwanda is focused on sustainable development through small business development, as the Government of Rwanda focus on much interest placed on the development of the private sector, being the pillar of poverty eradication at all levels in the society (RDB, 2014). The Rwandan economy is based on the largely rain fed agricultural production of small, semi subsistence and increasingly fragmented farms with large involvement of women, the micro-credit projects spearheaded the Rwandan government is focused on the improvement of communities' livelihoods. This is to be achieved by contributing to effective poverty reduction and complimentary economic development activities for sustainable financial empowerment especially through small and medium businesses.

Hence the overall objective is to provide a venue for income-generating activities small and medium businesses through a rotating microfinance scheme which is aimed at creating and engaging rural community in income generating activities to foster their financial stability

(MINICOM, 2010). It upon the above background, that is why the researcher would like to examine the extent microfinance institution in Rwanda have contributed to women Small and medium enterprises.

Statement of the problem

Research conducted on financial support to SME's in Africa shows that there is improved access to credit by urban SMEs overtime in Africa but SMEs in rural areas have continued to suffer financial challenges. Existing research indicates that 50% of the SMEs operate in a financial deficit and some of the SME owners are still uncomfortable with such credit extended to them, (Auren & Krassowska, 2004). The SMEs have registered a low return on capital employed, low net profit margin and kept a small capital size and some of them fail to run their daily operations because they do not have the capacity to maintain adequate liquidity levels Chowdhury (2002). As such, the relationship between the MFIs and SME keeps on deteriorating due to failure to fulfill their loan obligations O'brien (2007). This could be due to the stringent credit terms to include interest rates, collateral securities, and loan repayment schedules among others which seem to frustrate businesses financially. Rwandan Government supported the establishment of Village Group Savings Cooperatives as a way of providing financial accessibility to rural Rwandans who cannot afford big loans from the banking institutions in order to support their micro business. Despite group saving contribution to the rural poor, the development of SME's in the rural areas is still low and yet Umurenge SACCO is established in each village across the country (Musomandera, 2015).

It is upon the above problem that is why the researcher has been prompted to analyze the effects of village savings and loan association on the growth of Small and medium enterprises in Rwanda.

Objectives of the study

This study examined the effect of Village Savings and Loan Associations on the growth of Small and medium enterprises in Rwanda

Specific Objectives

1. To analyze the effect of loans on growth of SME growth in Kayonza District.
2. To examine the effect of training and advice on investment on SME Growth in Kayonza District.
3. To analyze the effect Savings on SME growth in Kayonza district.

Research Questions

As a sequel to the specific research objectives, the study will seek to answer the following research questions:

1. What is the effect of loans on growth of SME growth in Kayonza District?
2. What is the effect of training and advice on investment on SME Growth in Kayonza District?
3. What is the effect savings on SME growth in Kayonza District?

MATERIALS AND METHODS

This chapter indicates various methods and techniques used by the researcher during the course of gathering relevant information from the field. It also describes methods and techniques used i.e. Research design, target population, sample design, data collection procedures and data analysis.

The Research Design

The researcher used descriptive survey research design. The major aim of a descriptive study according to Kumar (2005) is to describe and provide information on what is prevalent regarding a group of people, a community, a phenomenon or a situation. In order to achieve the objective of this study by providing information on effect of Village Savings and Loan Associations on the growth of Small and Medium enterprises in Rwanda, this study embarked on the research mission of using quantitative and qualitative methods to investigate a number of diverse variables to describe Village Savings and Loan Associations backgrounds, their contributions for business ownership, the resources available to them, the activities they are engaged in, the problems they face and their success. This study also used renowned theoretical perspectives to derive the hypotheses of the study and to name the research variables. This stance of the study as descriptive research is underscored by Hussey and Hussey's (2010) argument that research constructs in a descriptive study must be supported by established theory.

Correlation Study is the strength of relationships between variables was described and explored from the testing of the specified hypotheses of the study. According to Bryman (2004), in a correlation analysis, the strength of relationships between variables is explored. Similarly, Kumar (2005) emphasized that in correlation studies relationships or associations between two variables are ascertained. This study showed the relationships between the independent research variables and one dependent variable.

Target population

All the items under consideration in any field of inquiry constitute a 'universe' or 'population'. It can be presumed that in such an inquiry when all the items are covered no element of chance is left and highest accuracy is obtained (Kothari, 2004). The case study of this research is selected small firms operating in Kayonza District. Small and medium firms have been chosen as our population reference since they contribute a lot towards growth of Kayonza District in form of employment and taxes to the government.

Sample design

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample (Kothari, 2005).

Sample size determination

When it is not possible to study an entire population but the population is known, a smaller sample is taken using a random sampling technique. Slovin's formula allows a researcher to sample the population with a desired degree of accuracy (Stephanie, 2013). Slovin's formula will be used to calculate the sample size. With regard to the level of accuracy, the researcher

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used a confidence level of 95% as suggested by Kothari (2005), this means that there are 95 chances in 100 (or .95 in 1) that the sample results represent the true condition of the population within a specified precision range against 5 chances in 100 (or .05 in 1) that it does not. The slovin's formula is calculated as follows:

$$n = \frac{N}{1 + Ne^2}$$

Stephanie (2013)

n= Number of samples or sample size

N= Total population

e= Error tolerance

The population size of this research is 4580 small firms. We take a sampling error of 5%, and then the sample size will be:

$$n = 4580/1+4580(0.05*0.05)$$

$$n = 4580/ 1+4580*0.0025$$

$$n = 4580/1+11.45$$

$$n = 366$$

The study constituted the category SME's firms that have received the loan, advice and savings from Micro Finance support over the period of study.

Sampling Technique and Procedures

The researcher used simple random sampling to select the sample size. The sample size constituted selected SMEs of Kayonza District. Respondents were managers or/ and owners of those SMEs. They are chosen because they are the ones who have knowledge on microcredit effects on the growth of their enterprises.

Data Collection Sources

They are two data collection sources: primary and secondary sources. Primary data was used to provide first hand information relating to the subject under the study. Along this process, the exercise of collecting data involved different techniques in order to get data for the research i.e.Questionnaires; interview guide and documentation. According to Bryman (2004), secondary data are data collected from existing information that was compiled by others. In collecting secondary data the researcher used documentation methods in this data collection process that is based on reading text books and documents that gave the researcher several related literature on the research study.

Data Collection Instruments

Questionnaires

This is an important method of data collection. Kumar (2005) said that a questionnaire is justifiable in data collection mainly because; it enables the researcher to collect large amount

of data within a short time period, it also provides opportunity for respondents to give frank, anonymous answers. One set of questionnaire was designed for the SME's; it included both open and closed ended set of questions that to be answered. The questionnaire was written in a simple and clear language for the respondent to feel free while answering. In addition to that the use of questionnaire is considered vital to the research since it provides accurate information regarding the study.

Direct Interviews

The researcher conducted direct interviews by use of interview guides which guided the researcher accordingly. The choice for key informant interviews was based on the fact that, this category of respondents had different perspectives on the topic of research because of the different business they are involved in.

Documentary Review

This research reviewed literature obtained from the case study organization. This literature included Village Savings and Loan Associations and growth of Small and medium enterprises in Rwanda. This method was chosen because; it is vital in providing background information and facts about impact of Village Savings and Loan Associations on growth of SME's before primary data could be collected. Indeed, before field data is collected, a wide collection of data had been collected and this was used to cross check with the primary data that is to be obtained by the field.

Reliability and Validity

The validity of instruments was used to test validity of the instruments to be used. This includes item analysis that is carried out with the aid of the supervisor, research experts knowledgeable about the themes of the study. The process involves examining and assessing each item in each of the instruments to establish whether the item brings out what it is expected to do.

Item analysis is conducted using the scale that runs from relevant(R), neutral (N), to irrelevant (IR). This assessment gave a content validity ratio (CVR) for each instrument which is computed using the formula:

$$\text{CVR}=\text{R}/(\text{R}+\text{N}+\text{IR})$$

Where CVR, R, N, AND IR are as mentioned above. The CVR obtained will be greater than 0.5, implying that the instruments it is valid.

The reliability of the questionnaire was computed using the Cronbach method of internal consistency. From the computation, the value of the coefficient greater than 0.5, shall imply that the results from the instruments are reliable.

Data Analysis Procedures

In order to facilitate the primary data analysis responses were coded and be given a numerical interpretation with the help of Statistical Package for Social Sciences (SPSS 22). Data was presented in tabular form and percentages. Descriptive statistics were used in form of frequencies and percentages.

Bivariate analysis was used for views and opinions about the relationship between access to loan and advice on investment and growth of small firms. This technique helped the researcher to establish the influence of independent variable (access to loan or credit) on the dependant variable (growth of small SME's inform of profitability and percentage change on investment level). Analysis was made by use of Pearson correlation co efficiency model to establish the relationship between variables.

The Mean (\bar{X})

According to Aggesti (2009), Mean (\bar{x}): is the average value calculated by adding up the values of each case for a variable and dividing by the total number of cases.

$$\bar{X} = \frac{1}{n} \sum_{i=1}^n xi$$

Where, \bar{X} = mean; n = number total of respondents;

xi = scale value of respondent

Table 3.2: Evaluation of Mean

Mean	Evaluation
1.00 -2.49	Very weak
2.50 -3.49	Weak
3.50 -4.49	Strong
4.50 - 5.00	Very Strong

Source: Aggesti (2009)

Standard deviation (SD)

The standard deviation is a value which indicates the degree of variability of data. It indicates how close the data is to the mean. The formula of standard deviation is: $(S) = \sqrt{S^2}$

Where, $S^2 = \frac{1}{n-1} \sum_{i=1}^n (xi - \bar{X})^2$

Table 3.3: Evaluation of standard deviation

Standard Deviation	Level spreading
SD<0.5	Homogeneity
SD>0.5	Heterogeneity

Source: Aggesti (2009)

Pearson Correlation test: The Pearson correlation coefficient is a very useful way to measure the statistical relationship that exists between independent and dependent variables.

Table 3.4: Evaluation of correlation

Correlation coefficient (positive or negative)	Label/positive or negative
$r=1$	Perfect linear correlation
$0.9 < r < 1$	Positive strong correlation
$0.7 < r < 0.9$	Positive high correlation
$0.5 < r < 0.7$	Positive moderate correlation
$0 < r < 0.5$	Weak correlation
$r=0$	No, relationship
$-1 < r < 0$	Negative relationship

Source: (Saunders, 2003)

Ethical Considerations

In conducting the researcher there are some ethics that was considered, the adherence to ethical consideration helps the researcher to have smooth process in data collection. In conducting my research, I considered the followings ethics in order to establish rapport with the respondents:

Informed consent, in doing research, the researcher ensured permission is got from the respondents to participate in the research. The researcher requested the Kayonza District private sector office to allow their members to participate in the interview which required authority letter.

Confidentiality and privacy, researcher observed respondents confidentiality during the interviewing process. Researcher allowed the respondents to be free when conducting the interviews. No mentioning name was allowed because it looked like coercing the respondents.

This chapter presents the findings of the study. The chapter highlights the bio data of the respondents of selected SMEs of Kayonza. Discussion and analysis of the different responses to some key questions is also done in this chapter following the specific research objectives mentioned in chapter one of this study.

RESULTS AND INTERPRETATION

Effect of VSLA credit/ loans services on growth of SME's in Kayonza

Assessing VSLA credit/ loans services in Kayonza District

Table 5.1.1 shows the VSLA credit/ loans services in Kayonza District

Table 5.1.1: VSLA credit/ loans services in Kayonza District

loans services	Mean	Std. Deviation	comment
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VSLA provides required amount of loan to the clients	4.3822	.48656	Strong homogeneity
VSLA provides loan to the clients within a short time	4.9188	.27343	Very Strong homogeneity
VSLA provides loan without collaterals	4.9188	.27343	Very Strong homogeneity
VSLA provides the loan to the clients at a low interest rate	4.9241	.26521	Very Strong homogeneity
VSLA provides loans with flexible repayment schedule	4.6492	.47784	Very Strong homogeneity
Valid N (list wise)	366		

Source: Primary data, 2015.

Table 5.1.1 shows the perception of the respondents on the VSLA credit/ loans services in Kayonza District and their findings were analyzed as below;

VSLA provides required amount of loan to the clients: This was indicated by a strong mean of 4.3822 and a homogeneity standard deviation of .48656. This implies that VSLA provides required amount of loan to the clients. Accessing credit is considered to be an important factor in increasing the development of SMEs. It is thought that credit augment income levels, increases employment and thereby alleviate poverty. It is believed that access to credit enables poor people to overcome their liquidity constraints and undertake some investments such as the improvement of farm technology inputs thereby leading to an increase in agricultural production (Hiedhues, 1995). The main objective of microcredit according to Navajas et al, (2000) is to improve the welfare of the poor as a result of better access to small loans that are not offered by the formal financial institutions.

VSLA provides loan to the clients within a short time: This was indicated by a Very strong mean of 4.9188 and a homogeneity standard deviation of .27343. This implies VSLA provides loan to the clients within a short time. VSLA provides loan without collaterals: This was indicated by a Very strong mean of 4.9188 and a homogeneity standard deviation of .27343. This implies VSLA provides loan without collaterals meaning that its members savings which is made as a guarantee.

VSLA provides the loan to the clients at a low interest rate: This was indicated by a Very strong mean of 4.9241 and a homogeneity standard deviation of .26521. This implies VSLA provides the loan to the clients at a low interest rate simply because the members are borrowing their own money saved among them hence the interest rate is kept at a very low rate in order to promote members development. VSLA provides loans to the clients with flexible repayment schedule: This was indicated by a Very strong mean of 4.6492 and a homogeneity standard deviation of .47784. This implies VSLA provides loans to the clients with flexible repayment schedule basing on the members saving culture and minimum income expected to get per week. For the case of agricultural products nature of the business basing is considered because the product reliability keeps on changing since it is based on the weather and climate as well as the market.

Effect of VSLA credit/ loans services on growth of SME's in Kayonza**Table 5.1.2.1: Effect of VSLA credit/ loans services in Kayonza District**

Effects of VSLA credit/ loans services	Mean	Std. Deviation	Comment
VSLA loan has increased Business capital base	4.4974	.50065	Strong heterogeneity
VSLA loan has increased profitability of my business	4.4555	.49867	Strong homogeneity
VSLA loan has made my business expand its branches	4.4424	.49732	Strong homogeneity
VSLA loan has made my business acquire assets	.49732	.49011	Very Strong homogeneity
VSLA loan has made my business cash flow to improve	4.5602	.49701	Very Strong homogeneity
VSLA loan has made my progress from hand to mouth to planning for the future	4.5812	.49402	Very Strong homogeneity
Valid N (list wise)	366		

Source: Primary data, 2015

Table 5.1.2.1 shows the perception of the respondents on the effect of VSLA credit/ loans services on growth of SME's in Kayonza and their findings were analyzed as below;

VSLA loan has increased capital base increased of my business: This was indicated by a strong mean of 4.4974 and a heterogeneity standard deviation of .50065. This implies that to a large extent VSLA loan has increased capital base increased business in Kayonza because loan is one of the sources of capital for small business since most of this business owners do not own assets and do not have permanent employment which would make them accumulate savings. VSLA loan has increased profitability of my business: This was indicated by a strong mean of 4.4555 and a homogeneity standard deviation of .49867. This implies VSLA loan has increased profitability business in Kayonza because since capital of the business has been increased then it increases profit of the business especially if managed professionally.

VSLA loan has made my business expand its branches: This was indicated by a strong mean of 4.4424 and a homogeneity standard deviation of .49732. This implies VSLA loan has made business expand their branches because definite if a business is performing well, then it has to expand both in braches and capital increase. VSLA loan has made my business acquire assets: This was indicated by a very strong mean of .49732 and a homogeneity standard deviation of .49011. This implies VSLA loan has made business acquire assets inform of transport means which eased business communication, land and houses for the business and house hold properties which has made members to appreciate the performance f the VSLA.

VSLA loan has made my business cash flow to improve: This was indicated by a Very strong mean of 4.5602 and a homogeneity standard deviation of .49701. This implies VSLA loan has made business cash flow to improve because the business owners are able to borrow money any time especially if they want to increase on their stock and pay for other expenses required by the business. VSLA loan has made my progress from hand to mouth to planning for the future: This was indicated by a Very strong mean of 4.5812 and a homogeneity

standard deviation of .49402. This implies VSLA loan has made business progress from hand to mouth to planning for the future by acquiring assets and having future plan

5.1.3 Correlation between loan services and growth of SME's in Kayonza

Table 5.1.3.1: Correlation between loan services and growth of SME's in Kayonza

Correlation	Loan services	SME's Growth
loan services	Pearson	1
	Correlation	.610**
	Sig. (2-tailed)	.000
	N	366
SME's Growth	Pearson	.610**
	Correlation	1
	Sig. (2-tailed)	.000
	N	366

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

The table 4.9 is giving the relationship between loan services and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .610** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between loan services and SME growth in Kayonza District. We can therefore conclude between loans services contribute to positive SME growth in Kayonza District.

5.2 Apprenticeship/ Training received by respondents

Table 5.2 .1Apprenticeship/ Training received by respondents

Apprenticement	Frequency	Percent
Yes	96	26
No	270	74
Total	366	100.0

Source: Primary data, 2015

Table 5.2.1 shows that 74% says they have not received training in entrepreneurship and 26% says Yes. This implies that most women are not having entrepreneurship training.

Assessing training and advice on investment services by VSLA in Kayonza

Table 5.2.2.1: Training and advice on investment by VSLA in Kayonza District

Investment services	Mean	Std. Deviation	Comment
VSLA provides investment briefings on terms and conditions of the loan before acquiring loan	4.6780	.46785	Very strong homogeneity
VSLA provides investment provides seminars and workshops to members	4.5942	.51259	Very strong heterogeneity
VSLA provides tour to successful members business before providing loan to clients	4.5995	.50123	Very strong heterogeneity

VSLA follow up visit to their clients in order to provide business advice on monthly basis	4.5942	.51259	Very strong heterogeneity
VSLA have created members working team who are guarantors and advisors	4.6492	.47784	Very strong homogeneity
Valid N (list wise)	366		

Source: Primary data, 2015

Table 5.2.2.1 shows the perception of the respondents on the Training and advice on investment services provided by VSLA in Kayonza District and their responses were analyzed as below;

VSLA provides investment briefings on terms and conditions of the loan before acquiring loan: This was indicated by a very strong mean of 4.6780 and a homogeneity standard deviation of .46785. This implies that VSLA provides investment briefings on terms and conditions before acquiring loan because the VSLA would wish to ensure that all the borrowers put the loan into a beneficial use and return the in time in order to promote the loan association as other members also awaits to borrow. VSLA provides investment provides seminars and workshops to members: This was indicated by a very strong mean of 4.5942 and a heterogeneity standard deviation of .51259. This implies VSLA provides investment provides seminars and workshops to members because seminars and work shop is one method believed to instrumental in group knowledge dissemination., for this case members will copy from their friends who are doing well in their business and apply the same to knowledge to their own.

VSLA provides tour to successful members business before providing loan to clients: This was indicated by a very strong mean of 4.5995 and a heterogeneity standard deviation of .50123. This implies VSLA provides tour to successful members business before providing loan to clients because the visit is believed to be hands on benefit realized from the loan and the members are ought to see and share the progress among each other. VSLA staffs follow up visit to their clients in order to provide business advice on monthly basis: This was indicated by a very strong mean of 4.5942 and a heterogeneity standard deviation of .51259. This implies VSLA staffs make follow up visit to their clients in order to provide business advice on monthly basis because the clients ought to be reminded on their responsibilities as some of them might be engaged in other activities. VSLA have created members working team who are guarantors and advisors: This was indicated by a Very strong mean of 4.6492 and a homogeneity standard deviation of .47784. This implies VSLA have created members working team who are guarantors and advisors. The members working team is to keep reminding other and share business ideas as well as guarantee each other in case of the loan meaning that they act as security to each and they should ensure that the members within the group pays the loan in time.

Effects of training and advice on investment services on growth of SME's in Kayonza**Table 5.2.3.1: Effects of training and advice on investment on growth of SME's in Kayonza**

Effects of training and advice on investment on growth of SME's	Mea n	Std. Deviation	comment
VSLA training and advice on investment has increased capital base increased of the business	4.69 90	.47615	Very strong homogeneity
VSLA training and advice on investment has increased profitability of business	4.69 37	.48916	Very strong homogeneity
VSLA training and advice on investment has made business expand its branches	4.70 16	.46949	Very strong homogeneity
VSLA training and advice on investment has made business acquire assets	4.67 02	.48721	Very strong homogeneity
VSLA training and advice on investment has made my business cash flow to improve	4.67 28	.48086	Very strong homogeneity
VSLA training and advice on investment has made business progress from hand to mouth to planning for the future	4.66 75	.49347	Very strong homogeneity
Valid N (list wise)	366		

Source: Primary data, 2015

Table 5.2.3.1 shows the perception of the respondents on the performance trend of Bralirwa and their findings were analyzed as below;

VSLA training and advice on investment has increased capital base increased of my business: This was indicated by a very strong mean of 4.6990 and a homogeneity standard deviation of .47615. This implies that VSLA training and advice on investment has increased capital base increased of business because advisers try to provide the most appropriate channels of investment. VSLA training and advice on investment has increased profitability of my business: This was indicated by a very strong mean of 4.6937 and a homogeneity standard deviation of .48916. This implies VSLA training and advice on investment has increased profitability of business since the advice where put to good use.

VSLA training and advice on investment has made my business expand its branches: This was indicated by a very strong mean of 4.7016 and a homogeneity standard deviation of .46949. This implies VSLA training and advice on investment has made business expand their branches especially basing on the expansion theory advices provided. VSLA training and advice on investment has made my business acquire assets: This was indicated by a very strong mean of 4.6702 and a homogeneity standard deviation of .48721. This implies VSLA training and advice on investment has made business acquire assets because knowledge is wealth.

VSLA training and advice on investment has made my business cash flow to improve: This was indicated by a Very strong mean of 4.6728 and a homogeneity standard deviation of .48086. This implies VSLA training and advice on investment has made their business cash flow to improve since they can borrow cash anytime they like to pay for their expenses. VSLA training and advice on investment has made my progress from hand to mouth to planning for the future: This was indicated by a Very strong mean of 4.6675 and a

homogeneity standard deviation of .49347. This implies VSLA training and advice on investment has made business progress from hand to mouth to planning for the future.

5.2.4 Correlation between advice on investment and growth of SME's in Kayonza

Table 5.2.4.1 Correlation between advice on investment and growth of SME's in Kayonza

Correlation		Training and advice	Growth of SME's
Training and advice	Pearson Correlation	1	.505**
	Sig. (2-tailed)		.000
	N	366	366
Growth of SME's	Pearson Correlation	.505**	1
	Sig. (2-tailed)	.000	
	N	366	366

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

The table 4.12 is giving the relationship between training and advice on investment services and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive moderate correlation to dependent variable equal to .505** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between training and advice on investment services and SME growth in Kayonza District. We can therefore conclude training and advice on investment services contribute to positive SME growth in Kayonza District.

Effect Savings on SME growth in Kayonza District

Savings in Kayonza District

Table 5.3.1: Savings in Kayonza District

Savings	Mean	Std. Deviation	Comment
I contribute monthly /weekly to the group savings	4.6963	.46044	Very strong homogeneity
The savings contribution is manageable.	4.6675	.47171	Very strong homogeneity
I trust my saving group members	4.6859	.46478	Very strong homogeneity
My contributed fund is safe	4.7827	.41293	Very strong homogeneity
We divide the saved funds at an agreed interval	4.7513	.43282	Very strong homogeneity
One has a right to refund once he withdraws from the saving group	4.6859	.46478	Very strong homogeneity
Valid N (list wise)	366		

Source: Primary data, 2015

Table 5.3.1 shows the perception of the respondents on Capital formation (Savings) in Kayonza District and their responses were analyzed as below;

I contribute monthly and weekly to the group savings: This was indicated by a strong mean of 4.6963 and a heterogeneity standard deviation of .46044. This implies that VSLA clients contribute monthly weekly to the group saving. Although traditionally the provision of microloans has been the dominant feature of most microfinance programs, recently there has been an increasing appreciation of the importance of savings mechanisms. In 2001, CARE International implemented a unique savings based microfinance program called a Village Savings and Loan Association (VSLA) in Sub Saharan Africa including East African countries. Savings contribution is manageable: This was indicated by a strong mean of 4.6675 and a homogeneity standard deviation of .47171. This implies that the savings groups have rules and procedures to manage their savings effectively.

Trust of saving group members: This was indicated by a strong mean of 4.6859 and a homogeneity standard deviation of .46478. This implies that to a large extent the saving members are trusted which makes the saving group to operate effectively. Safety of contributed funds: This was indicated by a very strong mean of 4.7827 and a homogeneity standard deviation of .41293. This implies member's contribution is safe to a large extent because most of the saving groups have opened accounts with a village bank called bank Popular Du Rwanda. Saved funds are divided in an agreed interval: This was indicated by a Very strong mean of 4.7513 and a homogeneity standard deviation of .43282. This implies clients can divide the saved funds at an agreed interval which is in their rules and regulations for proper guidance.

Members have rights to refund once he withdraws from the saving group: This was indicated by a Very strong mean of 4.6859 and a homogeneity standard deviation of .46478. This implies that members have right to refund once he withdraws from the saving group because saving is an entitlement for each and every member in group.

Effect Savings on SME growth in Kayonza District

Table 5.3.2.1: Effect Savings on SME growth in Kayonza District

Effect Capital formation (Savings)	Mean	Std. Deviation	Comment
VSLA Capital formation (savings) has increased capital base increased of business	4.7042	.45701	Very strong homogeneity
VSLA Capital formation (savings) has increased profitability of business	4.7016	.45817	Very strong homogeneity
VSLA Capital formation (savings) has made business expand its branches	4.6649	.47264	Very strong homogeneity
VSLA Capital formation (savings) has made business acquire assets	4.6387	.48099	Very strong homogeneity
VSLA Capital formation (savings) has made cash flow to improve	4.7827	.41293	Very strong homogeneity
VSLA savings has made business progress from hand to mouth to planning for the future	4.6963	.46044	Very strong homogeneity
Valid N (list wise)	366		

Source: Primary data, 2015

Table 5.3.1 shows the perception of the respondents on effect Savings on SME growth in Kayonza District and their findings were analyzed as below;

VSLA Capital formation (savings) has increased capital base increased of members business: This was indicated by a strong mean of 4.3822 and a heterogeneity standard deviation of .48656. This implies that VSLA Capital formation (savings) is important in business operations since it increased capital base members business. VSLA Capital formation (savings) has increased profitability of members business: This was indicated by a strong mean of 4.9188 and a homogeneity standard deviation of .27343. This implies VSLA Capital formation (savings) has increased profitability of members business. This can be highly justified by the fact that capital of the business has been increased and advice on investment is taken seriously by the members.

VSLA Capital formation (savings) has made my business expand its branches: This was indicated by a strong mean of 4.9188 and a homogeneity standard deviation of .27343. This implies VSLA Capital formation (savings) has made members business to expand its branches since the members have got saved money to invest in other viable areas. VSLA Capital formation (savings) has made members business acquires assets: This was indicated by a very strong mean of 4.9188 and a homogeneity standard deviation of .27343. This implies VSLA Capital formation (savings) has made business acquire assets like land, houses, motorcycle, vehicles and other household properties.

VSLA Capital formation (savings) has made members business cash flow to improve: This was indicated by a Very strong mean of 4.9241 and a homogeneity standard deviation of .26521. This implies VSLA Capital formation (savings) has made members business cash flow to improve since members can borrow money time out of their savings. VSLA savings has made members progress from hand to mouth to planning for the future: This was indicated by a Very strong mean of 4.6492 and a homogeneity standard deviation of .47784. This implies VSLA savings has made members progress from hand to mouth to planning for the future though asset acquisitions like land, houses and may other mentioned above.

Correlation between Capital formation (Savings) and SME growth in Kayonza District

Table 5.3.3.1: Correlation between Savings and SME growth in Kayonza District

Correlation		Capital formation	SME growth
Capital formation	Pearson Correlation	1	.906**
	Sig. (2-tailed)		.000
	N	366	366
SME growth	Pearson Correlation	.906**	1
	Sig. (2-tailed)	.000	
	N	366	366

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

The table 5.3.3.1 is giving the relationship between savings and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .906** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is

rejected and remains with alternative hypothesis. This means that there is a significant relationship between Capital formation (Savings) and SME growth in Kayonza District. We can therefore conclude Capital formation contribute to positive SME growth in Kayonza District.

Relationship between VSLA and SME growth in Kayonza District

Table 5.4.1: Correlation between VSLA and SME growth in Kayonza District

Correlation		Village Savings and Loan Associations	SME growth
Village Savings and Loan Associations	Pearson Correlation	1	.674**
	Sig. (2-tailed)		.000
	N	366	366
SME growth	Pearson Correlation	.673**	1
	Sig. (2-tailed)	.000	
	N	366	366

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

The table 5.5.1 is giving the relationship between Village Savings and Loan Associations (VSLA) and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .673** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Village Savings and Loan Associations (VSLA) and SME growth in Kayonza District. We can therefore conclude Village Savings and Loan Associations (VSLA) contribute to positive SME growth in Kayonza District.

CONCLUSION AND RECOMMENDATIONS

Introduction

The chapter covers the summary, conclusion and recommendation of the findings. The summary covers the findings in relation to the objective of the study. The summary is followed by the conclusion which is based on the findings of the study. And recommendations to the challenges facing Inyange industry

Summary of Findings

The study was mainly concerned about the effects of Village Savings and Loan Associations on the growth of Small and medium enterprises in Rwanda. This summary was based on the objectives of the study.

Effect of Credit/ Loans on Growth of SME Growth in Kayonza District

From the findings the respondents stated that Kayonza district has got various credit/ loan schemes. The scheme provides the following services; provides required amount of loan to the clients, provides loan to the clients within a short time, provides loan without collaterals

but members guarantee, provides the loan to the clients at a low interest rate and provides loans to the clients with flexible repayment schedule depending on one's earnings. The respondents further stated that these credit/ loan services influence the growth of SME in the district positively in that VSLA loan has increased capital base increased of members business, VSLA loan has increased profitability of members business, loan has made members business expand its branches, loan has made members business acquire assets, loan has made members business cash flow to improve and made members progress from hand to mouth to planning for the future.

The table 4.9 gave the relationship between loan services and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to $.610^{**}$ and the p-value is $.000$ which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between loan services and SME growth in Kayonza District. We can therefore conclude between loans services contribute to positive SME growth in Kayonza District.

Effect of Training and Advice on Investment on SME Growth in Kayonza District

Findings on Training and Advice on Investment shows that Kayonza district has got various Training and Advice on Investment services which that include; provisions of investment briefings on terms and conditions of the loan before acquiring loan, provision of investment seminars and workshops to members, provision of tour to successful members business before loan is awarded to clients, VSLA also make follow up visit to their clients in order to provide business advice on monthly basis and they have created members working team who are guarantors and advisors. The respondents further stated that these training and advice on investment services influence the growth of SME in the district positively in that VSLA training and advice on investment has increased capital base increased of members business, increased profitability of members business, made members business expand its branches, made members acquire assets, made members business cash flow to improve and all in all VSLA training and advice on investment has made my progress from hand to mouth to planning for the future.

The table 4.12 gave the relationship between training and advice on investment services and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive moderate correlation to dependent variable equal to $.505^{**}$ and the p-value is $.000$ which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between training and advice on investment services and SME growth in Kayonza District. We can therefore conclude training and advice on investment services contribute to positive SME growth in Kayonza District.

Savings services provided by VSLA in Kayonza District

Findings on Capital formation (savings) services shows that VSLA in Kayonza District make clients contribute monthly or weekly to the group savings, savings contribution is managed through rules and procedures, members trust my saving group managers, contributed fund is safe, clients do divide the saved funds at an agreed interval and One has a right to refund

once he withdraws from the saving group. The respondents further stated that Capital formation (Savings) positively influence the SME growth in Kayonza District in the sense that VSLA Capital formation (savings) has increased capital base increased of my business, increased profitability of business, made business expand its branches, made members business acquire assets, made members business cash flow to improve and above all VSLA savings has made members progress from hand to mouth to planning for the future.

The table 4.15 gave the relationship between Capital formation (Savings) and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .906** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Capital formation (Savings) and SME growth in Kayonza District. We can therefore conclude Capital formation contribute to positive SME growth in Kayonza District.

CONCLUSION

In the findings it was established that Kayonza district has got various credit/ loan services, Training and Advice on Investment services and Capital formation (savings) services. Credit/ loan services includes; provision of required amount of loan to the clients, provision of loan to the clients within a short time, provision of loan without collaterals but members guarantee, provision of the loan to the clients at a low interest rate and provision of loans to the clients with flexible repayment schedule depending on one's earnings. Training and Advice on Investment services which that include; provisions of investment briefings on terms and conditions of the loan before acquiring loan, provision of investment seminars and workshops to members, provision of tour to successful members business before loan is awarded to clients, VSLA also make follow up visit to their clients in order to provide business advice on monthly basis and they have created members working team who are guarantors and advisors. Capital formation (savings) services which ensures that that VSLA in Kayonza District make clients contribute monthly or weekly to the group savings, savings contribution is managed through rules and procedures, contributed fund is kept safe, clients to divide the saved funds at an agreed interval and clients has a right to refund once he withdraws from the saving group. These services positively influence the SME growth in Kayonza District in the sense that VSLA services has increased capital base increased of members business, increased profitability of the business, made business expand its branches, made members business acquire assets, made members business cash flow to improve and above all VSLA savings has made my progress from hand to mouth to planning for the future. This was justified by table 4.15 which showed the relationship between Village Savings and Loan Associations (VSLA) and SME growth in Kayonza District whereby the respondents N is 366 and the significant level is 0.01, the results indicate that independent variable has positive high correlation to dependent variable equal to .673** and the p-value is .000 which is less than 0.01. When p-value is less than significant level, therefore researchers conclude that variables are correlated and null hypothesis is rejected and remains with alternative hypothesis. This means that there is a significant relationship between Village Savings and Loan Associations (VSLA) and SME growth in Kayonza District. We can

therefore conclude Village Savings and Loan Associations (VSLA) contribute to positive SME growth in Kayonza District.

RECOMMENDATIONS

The researcher came up with the following recommendations:

- i. The VSLA should set up a well define procedures and loan policy in order to manage their loan disbursement effectively in order to avoid losses
- ii. The loan should be given based on member's contribution in order to avoid members from defaulting the payment. There should be mandatory membership guarantees based on groups and this will ensure the members respect the group saving cultures.
- iii. Well established advice and training policy should be set and made mandatory so that members are follows it accordingly because acquiring loan without investment advice is useless. The members should conduct market surveys in order to get appropriate investment advices from other similar associations.
- iv. The association should set up a comprehensive policy for the management in managing the savings according in order to avoid cases of abuse of office and embezzlements. The saved money should be kept in the bank in case of theft

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