Efficiency and Effectiveness of Member-Based Microfinance Institutions

A Field Study on SACCOs in Rwanda

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List of Abbreviations

AFI	Alliance for Financial Inclusion
AMIR	Association of Microfinance Institutions in Rwanda
AS	Atomized System
BNR	National Bank of Rwanda
BP	Banque Populaire
BPR	Banque Populaire du Rwanda
BRD	Development Bank of Rwanda
CGAP	Consultative Group to Assist the Poor
CN	Consensual Network
D&F	Desrochers and Fischer
DFID	Department for International Development
EDPRS	Economic Development and Poverty Reduction Strategy
FC	Financial cooperative
FSDP	Financial Sector Development Program
FSS	Financial Sector Strategy
GDP	Gross Domestic Product
IT	Information Technology
MFI	Microfinance institution
MINECOFIN	Ministry of Finance and Economic Planning
Mio	Million
NGO	Non-governmental organization
p.a.	Per annum
PRSP	Poverty Reduction Strategy Paper
RCA	Rwanda Cooperative Agency
RCT	Randomized Controlled Trial
RICEM	Rwanda Institute of Cooperatives, Entrepreneurship and Microfinance
RWF	Rwandan Francs
SACCO	Savings and Credit Cooperative
SBFIC	Savings Banks Foundation for International Cooperation
SME	Small and Medium Enterprises
SN	Strategic Network

UBPR	Union of the Banques Populaires Rwanda
US	United States
VUP	Vision 2020 Umurenge Program
WOCCU	World Council of Credit Unions
Zigama CSS	Zigama Credit and Savings Society

1. Introduction

Background

Microfinance has been one of the most investigated fields in development economics in recent years. Especially since Muhammad Yunus and the Grameen Bank, which has been founded 1983 in Bangladesh, won the Noble Peace Price in 2006, the concept "Microfinance" has received growing attention. International development institutions such as the World Bank and the United Nations claim that each person should have access to affordable financial services (Cull et al. 2013). Proponents say it is a fundamental basis for reducing poverty (Khandker 2005), whereas opponents argue that there is no clear evidence for the positive impact of microfinance institutions (MFIs) (e.g. Armendáriz de Aghion and Morduch 2010).

Either way, the sector has grown over time going along with a wide span of different microfinance institutions ranging from publicly noted microfinance banks[1], over non-governmental Organizations (NGOs), private and public banks, to member-based microfinance institutions such as financial cooperatives (Cull et al. 2013).

The idea of financial cooperatives (FCs) was one of the earliest microfinance concepts (Fonteyne 2007). FCs were mainly founded in sectors, where commercial banks found it too costly and risky to provide financial services, especially the provision of loans for poorer people. In these cases FCs are supposed to prevent a market failure (Périlleux et al. 2016).

The concept of FCs has spread over many countries, providing financial services to a considerable amount of people. Estimates of the international development agency World Council of Credit Unions (WOCCU) indicate that 81 million people benefit from FCs, solely in development countries (WOCCU 2012).

In contrast to other MFIs, the role of FCs often goes beyond providing access to financial services. A key difference is certainly that the economic and social promotion is the major goal of cooperatives, whereas especially profit-oriented MFIs rather follow the shareholder-value concept. FCs however are also driven by self-help dynamism with major values like democracy, equity and solidarity (Guinnane 1994).

[1] Compartamos, a Mexican based MFI, raised 467 million US Dollar through its Initial Public Offering in 2007 (Banerjee and Duflo 2011).

The Rwandan microfinance sector is still in its infancy. During the Rwandan Genocide in 1994 about 1.1 million Tutsi and moderate Hutu were killed by members of the Hutu majority.[2] Like the entire country, the microfinance sector had to restart from scratch, having lost all of its assets and having stopped operations during the 100-days-massacre of 1994 (Kantengwa 2009).

Since then, the country has been stabilized, not only politically but also economically and is nowadays a preferred receiver of development aid in the East African region. Likewise the financial sector has been developed within the last 21 years. Especially the implementation of the Umurenge-Savings and Credit Cooperatives (SACCO)[3] in 2009 was a milestone in the financial inclusion of the Rwandan population. SACCOs are democratic, member-based, financial cooperatives, which are owned, governed and at least partly managed by its members.

The Umurenge SACCO program has the objective to ease physical access to formal financial services for the Rwandan population and to lower entry barriers to the financial sector. Therefore, the Rwandan government decided to implement one SACCO in each of Rwanda's 416 geographical sectors. If one interprets the success of this program by the increase in financial inclusion, the numbers of the SACCO introduction can be interpreted as a huge success story at first glance.

Before the implementation of SACCOs in 2008, 52% of the adult Rwandan population was financially excluded, compared to only 28% in 2012. Over the same period of time, the percentage of adults who are formally served[4] increased from 21% to 42% (FinScope 2012). More than 90% of the Rwandan population live within a 5 km radius of an Umurenge SACCO. (AFI 2014) and 394 SACCOs had reached the break-even point in December 2014 (SBFIC 2015).

Despite those apparent achievements, Rwanda's financial sector is still developing and the Rwandan government aims to improve the effectiveness of the Umurenge SACCOs through mergers and tightened network structures.

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[2] Different estimations exist on the number of victims during the Rwandan Genocide. According to Reyntjens (2004) an attempt of establishing a well-grounded number can be found in F. Reyntjens, 'Estimation du nombre de personnes tuées au Rwanda en 1994', in Marysse and Reyntjens (1997).

[3] „Umurenge“ is the kinyarwandan word for „sector“.

[4] “i.e. who have or use a product or service from a formal financial institution” (definition of FinScope 2012).

Objective, Research Questions and Used Methods

The overall objective of this thesis is to assess the effectiveness and the efficiency of the SACCOs and the cooperative banking sector in Rwanda.

By interviewing SACCOs' stakeholders and especially its members, I want to find out how they perceive the *effectiveness* of their institutions themselves. With regards to *efficiency,* I will analyze how the soon-to-be transformations within the sector will affect the individual SACCOs' efficiency.

To investigate these two issues, I have conducted a field study over a time span of eleven weeks in Rwanda, interviewed various stakeholders of the sector, and spent three weeks in SACCOs, one week in each of three different SACCOs.

I used participatory observations (according to Lüders in Flick et al. 2009) to receive deeper insights about the daily life in a SACCO. For my analysis I particularly used individual semi-structured interviews, which are often used in field observations (Hopf in Flick et al. 2009). In a field like microfinance, where qualitative information is scarce, collecting and analyzing subjective perspectives give additional value. Additionally goals, which are not easy to quantify such as the support of the principle of democracy, can hardly be collected with the use of quantitative methods (May and Roth 2012).

The first goal of the thesis is to assess whether the implementation of the Umurenge-SACCOs has had a positive impact on the lives of its members and thus has been effective. Effectiveness in its very wording is defined as "the degree to which something is successful in producing a desired result".[5] The "desired results" will thereby be measured in this thesis, whether the implementation of the SACCOs has:

- Led to an increase in financial inclusion
- Had a positive impact on the social and economic life of its members
- Helped to reduce poverty.

Thereby the perceptions of its stakeholders and especially its members will be assessed. The perceptions were captured mainly during interviews with SACCO members and employees during the field visits, but also during interviews with other stakeholders such as the Association of Microfinance Institutions in Rwanda (AMIR) and WOCCU.

[5] http://www.oxforddictionaries.com/de/definition/englisch_usa/effectiveness (08-02-2016)

Going along with the impact analysis, it is also analyzed how important the SACCOs' stakeholders see the nature of being member-based and therefore being a cooperative financial institution. I will assess the perceptions of the SACCO-members.
I used a content analysis (according to Mayring in Flick et al 2009) to evaluate the interviews. Since a content analysis aims to reduce the material to its essential content, this was the most useful approach.
I will draw a conclusion on my analysis at the end of this part. Based on the evaluated interviews and my impressions from the field visits, I will state whether the implementation of the SACCOs in 2009 has been effective according to the three measures mentioned above.

The second objective of the thesis is to find out whether the financial cooperative network in Rwanda can improve its efficiency. By efficiency I mean to achieve "a maximum productivity with minimum wasted effort or expense".[6] [7]
The Rwandan government has two major strategic transformation plans to improve efficiency in the SACCO sector: The merger of the 416 Umururenge-SACCOs on a district level[8] on the one hand, and the implementation of a national apex organization ("Cooperative Bank") for the SACCOs on the other hand. Therefore, this thesis describes the plans of the government and discusses the advantages and potential risks of this transformation. Perceptions of stakeholders of the SACCOs such as representatives of AMIR, the Savings Banks Foundation for International Cooperation (SBFIC), the National Bank of Rwanda (BNR) and the governmental institution Rwanda Cooperative Agency (RCA) were included into the analysis as well as the perceptions of SACCO employees and members.
For a deeper understanding, a theoretical framework will present the development of the German cooperative banking system in the 19th century, which is often mentioned as a role model for a soundly developed cooperative banking sector (Périlleux 2013). Similarities and differences between the German and the Rwandan model will be pointed out.
Further, a study of a tight network of institutions being compared to a largely independent network, which is based on mergers, will be presented (Desrochers and Fischer 2003). A

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[6] http://www.oxforddictionaries.com/de/definition/englisch_usa/efficient (08-02-2016)
[7] Section 4.2 will provide a more measurable definition of „efficiency" in the banking context and its literature. Since the analysis of this thesis will not evaluate financial ratios, but be of descriptive and comparative nature the definition here should suffice at this point.
[8] Rwanda is subdivided into 416 sectors, 30 districts and five provinces on the administrative level.

classification of cooperative network systems follows (Desrochers and Fischer 2005). The two studies give some hints in which contexts stronger integration can be an advantage and in which it cannot.

I will categorize the Rwandan network into Desrochers' and Fischer's scheme (2005), based on the interviews and impressions from the field visits.

On this foundation, I will present a concluding assessment of this part and thereby state whether the planned transformation processes can improve the efficiency of Rwanda's cooperative banking sector on the one hand, and what has to be considered for a successful transformation on the other hand.

Structure and Approach

The present thesis is organized into six sections, whereas the first section describes the background, the objective, the research question and the used methods.

The second section presents the role of the financial sector for Rwanda's development process. Therefore, it will initially outline the most important economic policy strategies, beginning with the overall "Vision 2020", over its main implementation strategy paper to the key financial sector strategies, which define the plans for the Umurenge SACCOs more precisely. Afterwards, a short overview of the Rwandan microfinance sector will be given including a description of the implementation of the Umurenge SACCOs and its contribution to financial inclusion until today. A presentation of the SACCO governance structure, its operations and decision paths based on findings from my field study will complete the section.

An overview of the methodology used during the field visits is given in section three. Hence, the research method and the approach in my field study will be described, before the selection of study area and informants is presented. The chapter concludes with a critical reflection on the used methodology.

The fourth section shows some earlier literature and research on the analyzed topics. First, the discussion on the impact of microfinance will be outlined as an indicator whether microfinance can be effective. Second, the development of the cooperative banking sector in Germany in the 19th century will be reflected. It will be discussed whether it can be used as a role model for the Rwandan cooperative banking sector. The chapter ends with a discussion of two important studies on networks and mergers within the cooperative banking sector and therefore gives an indication for the Rwandan transformation process.

The fifth section presents the results from my field visits and analyses them. The evaluation of the interviews will show whether the SACCOs' members perceive the SACCOs as effective according to my definition. A detailed presentation of the transformation and consolidation plans of the Rwandan cooperative banking sector, embedded into the framework of section four, will discuss whether those plans can improve the SACCOs' efficiency and what points should be regarded within the implementation process.

Section six summarizes and discusses the results based on the obtained findings and gives some suggestions with regards to the transformation process. Finally, some suggestions for further research will be given.

2. The Role of the Financial Sector for Rwanda’s Development Process

To assess efficiency and effectiveness of the Umurenge SACCOs later in this thesis, it is critical to understand their role within Rwanda's development process as well as within the financial sector. Therefore, this chapter gives an overview on the strategic importance of the financial sector for Rwanda’s economic development. First, Rwanda’s objectives in view of the year 2020 and its implementation plans will be summarized based on the strategy papers. Afterwards, the governments’ considerations regarding the financial sector development will be described. The chapter gives some historical background information on the Rwandan microfinance sector, presents the key events of the implementation of the Umurenge SACCOs and mentions the results of this implementation up to now, before a description of the Umurenge SACCOs’ organization and operations based on the findings from my field study will complete this section.

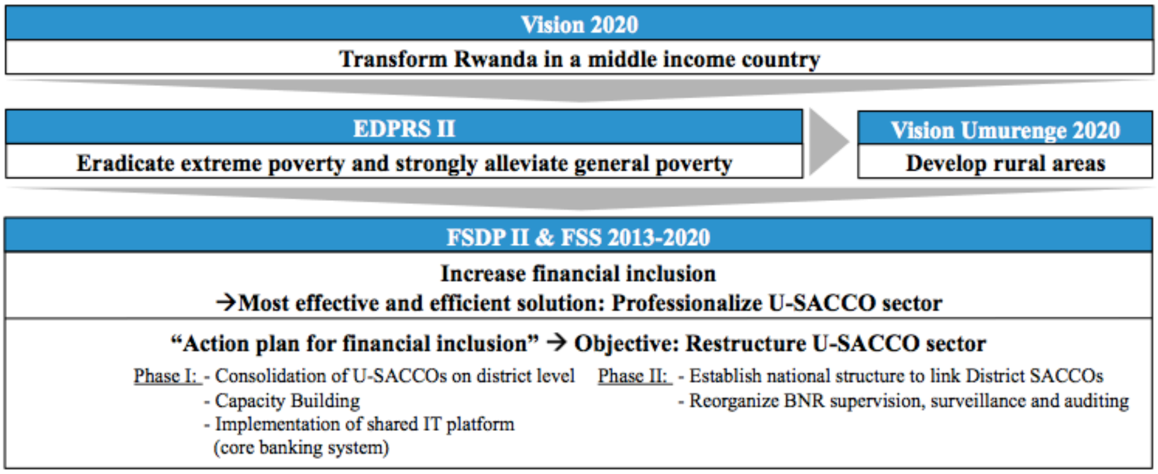
2.1. Economic Policy and Financial Sector Specific Strategies in Rwanda

Rwanda’s overarching goal is to transform the country into a middle-income country by the year 2020. The cornerstones of that transformation process are described in Rwanda’s so called “Vision 2020”.

The goals of Vision 2020 were converted by several medium-term strategic plans. The first of them, the Poverty Reduction Strategy Paper (PRSP) had been applied within the period from 2002 to 2006. It was the first systematic assessment of the Rwandan government to reduce poverty and to generate pro-poor economic growth (EDPRS II 2013). Afterwards, the first Economic Development and Poverty Reduction Strategy (EDPRS) had been introduced and covered the period 2008-2012. Currently, the Economic Development and Poverty Reduction Strategy II (EDPRS II) targets the period from 2013 to 2018.

Since this thesis focuses on the Umurenge SACCOs and therefore the financial sector, the two main sub-strategies of EDPRS II which currently concern Rwanda’s financial sector, will also be described: The Financial Sector Strategy and the Financial Sector Development Program II. Figure 1 gives an overview of strategies.

Figure 1: Overview of Key Rwandan Development Strategies



Source: SBFIC (2015)

2.1.1. Vision 2020

"Vision 2020" has been established between 1998 and 1999 and is the overall strategy paper, which defines the general directions and fields in which Rwanda wants to transform into a middle-income economy. Members of the national consultative process agreed on the necessity for Rwanda to clearly define the future of the country (Vision 2020, 2012). The strategy paper points out three major objectives:

1. *Improve macroeconomic stability and wealth creation and therefore reduce aid dependency*: In 2011, Rwanda's budget deficit was at -12.3% of the Gross Domestic Product (GDP) without taking grants into account (-0.7% with grants). To reduce aid dependency, "effective strategies to expand the tax base and attract foreign investors" are needed according to the strategy paper. There would also be the need of diversification and development of non-traditional exports, but more importantly the government focuses on private sector development.
2. *Structural economic transformation*: Rwanda is landlocked and has limited natural resources. Therefore, the government supports policies, which encourage investment in services. The shares of industry and services to GDP has increased from 14% and 44% in 2000 to 16% and 46% in 2011 and shall be at 19% and 57% in 2020. Even if it is planned to transform Rwanda's agriculture into a high productivity sector, the government is not convinced that agriculture can become a sole engine of growth on its own.

3. *Creating a productive middle class and fostering entrepreneurship*: The Rwandan government wants a middle class of Rwandan entrepreneurs to be the backbone of the development process. The country aims to find a niche market in East Africa “by becoming a logistics, telecommunications and financial hub. A development of the private sector would not be achievable without a broader and deeper financial sector.

   The following figure summarizes the main objectives and presents concrete figures which are aimed to be reached in 2020.

Figure 2: Key Vision 2020 Targets

Objectives	Vision 2020 targets
➢ Rapid economic growth to middle income status	➢ GDP per capita of 1,240$ ➢ Avg. GDP growth of 11.5
➢ Increased poverty reduction	➢ Poverty reduced to 20% ➢ Extreme poverty eliminated
➢ More off-farm jobs, more urbanization	➢ 1.8 Mio. new off-farm jobs ➢ 35% of population urban
➢ Reduced external dependency	➢ Exports Growth of 28% p.a.
➢ Private sector as engine of growth	➢ Private sector takes dominant share of investment

Source: EDPRS II (2013)

2.1.2. The Economic Development and Poverty Reduction Strategy I and II

The long-term aspirations of “Vision 2020” are translated into medium-term Economic Development and Poverty Reduction Strategies (EDPRS) at national level.

As stated above, the Economic Development and Poverty Reduction Strategy II is a follow up of the first Economic Development and Poverty Reduction Strategy (EDPRS I), which again is a successor of the Poverty Reduction Strategy Paper (PRSP). EDPRS II now targets the years 2013-2018.

PRSP has been applied in a still post-conflict environment and had the main goal to execute “the transition from emergency relief to rehabilitation and reconstruction” (EDPRS II 2013). The priorities of action were human development, economic infrastructure, governance, private sector development and institutional capacity-building (ibid.). During the PRSP implementation period (2002-2006) poverty could only be decreased by 2.2% and the income equality even rose slightly, despite strong economic growth. Even though the income measures were not too successful when it comes to poverty reduction, other measures like infant, under-five or maternal mortalities decreased by 20-30%.

EDPRS I marked a change in the approach to development in Rwanda. One major take-away from PRSP was, that social sectors had improved, but the real economy did not. Therefore the main goals of EDPRS I were to stimulate growth, to create employment and to generate exports. This should be executed by accelerating growth and diversification by giving a bigger role to the private sector, and by further decentralizing governmental functions to take developmental decision-making closer to the people (EDPRS II 2013).

Under EDPRS I several objectives could be achieved. First of all the economy grew strongly, averaging real GDP growth of 8.2% annually, which translated into GDP per capita growth of 5.1% per year. The service sector and the industrial sector each grew at an average of about 10%, while the agricultural sector grew at 5.4%. A large increase in agricultural, stable exports and strong domestic demand were the main drivers of the Economic development. The World Bank's "Doing Business Report" for 2012 shows Rwanda advancing from 58th to 45th position.

Second, a significant poverty reduction could be reached. While 56.7% of the population were recorded as poor in 2005/06, the numbers dropped to 44.9% in 2010/11. Particularly in rural areas, poverty rate fell from 61.9% to 48.7%. Major reasons for this significant reduction were improved agricultural incomes, off-farm job creation and reduction in household sizes.

EDPRS II now targets the years 2013-2018. Its overall goal is derived from the long-term goal of Vision 2020 to create a productive middle class and to foster entrepreneurship:

> *"Accelerating progress to middle income status and better quality of life for all Rwandans through sustained growth of 11.5% and accelerated reduction of poverty to less than 30% of the population."*

EDPRS II is subdivided into four key areas: Economic transformation, rural development, accountable governance and productivity and youth employment. Each of them is again divided into several priority areas.

Economic transformation for instance should be reached among others by increasing investment in the private sector. Hence, it would need to transform the financial sector to increase access to long-term international and domestic financing for the private sector. One priority area to achieve rural development is to support emergence from extreme poverty. Among other things, this is planned to be achieved by developing adequate financial products, services and literacy for the poorest, strengthening Umurenge SACCOs, and improving the coverage of core social protection programs such as the so called Vision 2020 Umurenge Program (VUP).[9] For example, Accountable Governance demands for strengthening citizen participation, while Productivity and Youth Employment is targeted among other priority areas by stimulating entrepreneurship, access to finance and business development. The establishment of the Umurenge-SACCOs plays a central role in all of those key areas.

2.1.3. The Financial Sector Strategy

The Financial Sector Strategy (FSS) is a medium-term development strategy, developed for the entire financial sector of Rwanda by the lead of the Financial Sector Development Secretariat of the Ministry of Finance and Economic Planning (MINECOFIN).

The FSS should deliver possible policy interventions to develop and foster Rwanda's financial sector with main regards on "expanding access to credit and financial services, enhancing savings mobilization and mobilizing long term capital for investment and strengthening the legal regulatory regime" to achieve Rwanda's developmental goals, formulated in EDPRS II (FSS 2013).

The priority areas of the strategy to be pursued over the FSS period 2013-2018 according to the strategy paper are savings and investments, access to finance, financial inclusion, modern payment system, skills development and creating an international service centre for Rwanda. That should help to foster economic growth and to reduce poverty.

One major challenge for the development of the financial sector is Rwanda's low savings rate, which is a result of low savings culture. The limited access to banking products and services in rural areas as well as low incomes, which again translates into low savings, are

[9] The VUP is a local development program established by the Rwandan government to decrease poverty and to develop rural growth and social protection (http://www.statistics.gov.rw/survey/vision-2020-umurenge-program-vup-baseline-survey) (15-01-2016)

other key challenges. Despite all improvements 28% of the Rwandan population still have no access to financial services.
A further problem, which is mentioned in the strategy paper and which I got confirmed during my interviews, is the lack of qualified and experienced workforce to meet the current needs of the financial sector.

The objective is to meet the ambitious targets set out in the Government's Vision 2020 and EDPRS II through rapid sustainable economic growth of the annual target of 11.5% plus accelerated poverty reduction to below 30%. (FSDP II 2013) Rwanda's rapid sustainable economic growth requires at least 20% savings of GDP and domestic investment of up to 30% of GDP. To accomplish the EDPRS II aspirations, Rwanda needs a robust and supportive financial sector with a suitable institutional and regulatory framework, effective and efficient financial intermediation and adequate provision of credit to the economy that can contribute to 200,000 annual jobs creation in both, formal and informal sector.
The financial sector should contribute to three of the four key areas of EDPRS II (as mentioned in 2.1.2):

- Economic transformation for rapid economic growth: A growing financial sector should help creating jobs, should support the expansion of the service sector and should lead to growth and transformation in other sectors.
- Rural development. A bigger financial sector with better access to finance should improve the quality of life in rural areas and thereby provide the foundation for growth.
- Productivity and youth employment. A newly adopted electronic payment and transaction processing should improve the productivity of the financial sector as and thereby indirectly support other sectors of the economy by reducing costs and risks. An increasing financial sector going along with capacity building initiatives should improve the employment opportunities for young Rwandans.

2.1.4. The Financial Sector Development Program II

The second Financial Sector Development Program (FSDP II) is a sub-strategy of the Economic Development and Poverty Reduction Strategy (EDPRS II) and therefore also targets the period from 2013 to 2018. The program had been elaborated under the guidance of the World Bank and with support of the Ministry of Finance and Economic

Planning (MINECOFIN) and the National Bank of Rwanda (BNR). FSDP II is the successor of FSDP I which was passed in 2008.
The goal of the Financial Sector Development Program is

> *"to develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reduce poverty."*

The Rwandan financial sector has grown substantially since the first Financial Sector Development Plan has been adopted in 2008. The major activity in the FSDP I phase was the implementation of the Umurenge SACCOs in 2009 with the main objective to facilitate access to financial services and thus, increase financial inclusion of Rwandans substantially. At that time, one Umurenge SACCO has been established in each of Rwanda's 416 sectors. Progress between 2008 and 2012 in increasing financial inclusion – the ratio of people with access to financial services increased from 47 to 72 percent of the population (FinScope 2012) – has positioned the country to reach the targets of 80 percent by 2017 and of 90 percent by 2020.[10]
Further developments between 2008 and 2012 were the development of four microfinance institutions into microfinance banks[11] and the opening of 110 new bank service locations, which is an increase of almost 60 percent. Additionally, two new commercial banks have entered the market, the government divested a majority ownership stake in Bank of Kigali through an initial public offering and a new electronic payment and settlement system was introduced.

FSDP II has four main programs to reach Rwanda's financial sector goals:

- Financial inclusion
- Developing financial institutions, markets and the supporting infrastructure
- Investment and savings to transform the economy
- Protecting consumers and maintaining financial stability

[10] A more detailed presentation of the development of financial inclusion follows in section 2.2.3.
[11] A MFI needs RWF 300 million of paid up capital , while a microfinance bank needs RWF 1.5 billion (BNR 2008).

Those four main programs are again subdivided into sub-programs, among which the "Umurenge SACCO strengthening program" is presented as one of five priority programs.[12]

The first step of this program is to accomplish sustainable and financially sound SACCOs under the supervision of the National Bank of Rwanda. To achieve this objective, the government plans to consolidate the Umurenge SACCOs into District SACCOs, the latter being the junction point for the distribution of standardized systems and policies like the construction of shared information technology platform to support the sector.

According to FSDP II, a second step should establish a national structure to interconnect the District SACCOs. The national structure should provide products and services, which help the District SACCOs to meet the members' needs in a better way. It should explicitly not become a competitor to the District SACCOs in any field.

2.2. Microfinance in Rwanda

Section 2.1. presented Rwanda's long term development vision for becoming a middle-income country. It then guided through the major economic development strategies and finally showed the relevance of the financial sector within those plans.

This part will give an overview of the Rwandan microfinance sector. Starting with a brief history review and the development over time up to the current situation. I present the key events of the implementation of Umurenge SACCOs in 2009. I summarize the results of the FinScope studies[13] of 2008 and 2012 to show the development of financial inclusion in Rwanda. The section closes with a presentation of the organization of the Umurenge SACCOs and its operations, based on the experiences from my field visit.

2.2.1. History and Overview of the Microfinance sector

The fist part of this sub-chapter presents the historical background on the Rwandan microfinance sector based on Kantengwa (2009). It focuses on financial cooperatives, but also describes the development of the microfinance sector in general. At the end of this part a brief overview of the current situation of Rwanda's financial sector will be given.

[12] Others are: Broadening and deepening financial literacy, increasing investment in small enterprises, agriculture and housing, building capacity in the financial sector and strengthening RSSB (Rwanda Social Security Board) governance, administration, investment and risk management.

[13] The FinScope studies were developed by FinMark trust, which among other things does research in the field of financial inclusion and is backed by the United Kingdom's Department for International Development (DFID).

The first known microfinance institutions in Rwanda were noted in 1975, when the first Banque Populaire (BP), the Banque Populaire of Nkamba was opened. In 1986 the Banque Populaires created a Union and were called Union of the Banques Populaires du Rwanda (UBPR). This can probably be seen as the first network of financial cooperatives in Rwanda.

After the devastating war the whole economy as well as the financial sector had to start over from scratch. The MFIs had stopped operating and had lost their assets during war and genocide. Five banks were established in the following years.

In 1995 the financial sector was reformed. The government wanted to implement an efficient financial system. Thereby the most important objectives of the government were to reinforce the Central Bank (BNR) and its legal powers of coordination and supervision of the banking structure. They aimed in introducing new financial instruments, liberalizing interest rates and opening of the banking system to foreign banks.

In 1996 the Banque Populaires, which can be seen as a predecessor of the SACCOs, were reopened. In the following decade the microfinance sector further developed, but had to cope with the failure of a MFI unable to satisfy withdrawal requests from its depositors. After a failure of one MFI in 2006, several MFIs denied deposit repayments, which included the risk of the crises escalating to the whole microfinance sector. In June 2006, BNR had to close nine microfinance institutions.

The liquidation of these MFIs totalizing deposits in excess of three billion RWF was likewise managed by BNR with the help of a ministerial and technical commission. Liquidators were named by a court of law and the government granted an amount of 1.5 billion RWF to repay 50% of the depositors' money. Commissions were also established at districts level in order to support the liquidators in their recovery efforts. At the end of 2008, 80% of deposits had been repaid for an amount exceeding one billion RWF.

Almost simultaneously the Rwandan government decided in response to the results of the FinScope 2008 report to create one SACCO in each sector. FinScope 2008 found the level of financial inclusion in Rwanda as too low and a barrier for the development process of the country. As a main reason for the high level of financial inclusion the lack of physical access to financial services, particularly in rural regions, was determined. The implementation process and the consequences are presented more detailed in the next section.

MINECOFIN is responsible for the financial sector and its development and supervises the National Bank of Rwanda (BNR), which is Rwanda's central bank and therefore responsible to ensure not only price stability, but also a sound financial system. BNR supervises banks, Microfinance Institutions and non-bank financial institutions like insurance companies and pension funds. The banking sector consists of commercial banks, microfinance banks, the only existing cooperative bank so far[14] and one development bank. Among MFIs a distinction between, profit-oriented limited companies, which often target to grow and become a microfinance bank, the non-Umurenge SACCOs, which already existed before the state intervention and the thereby connected implementation of 416 Umurenge SACCOs.[15]

Today the banking sector consists of eleven commercial banks, four microfinance banks, one development bank and one cooperative bank (Figure 3)

In 2008, the Union de Banque Populaire du Rwanda (UBPR) was converted into a commercial bank without any cooperative character, Banque Populaire du Rwanda (BPR). In 2008. Urwego Opportunity Bank received a microfinance bank licence in 2007 after operating on a smaller scale before. In 2010, with Agaseke Bank, Unguka Bank, Zigama Credit Savings Society three further microfinance institutions also obtained banking licenses.

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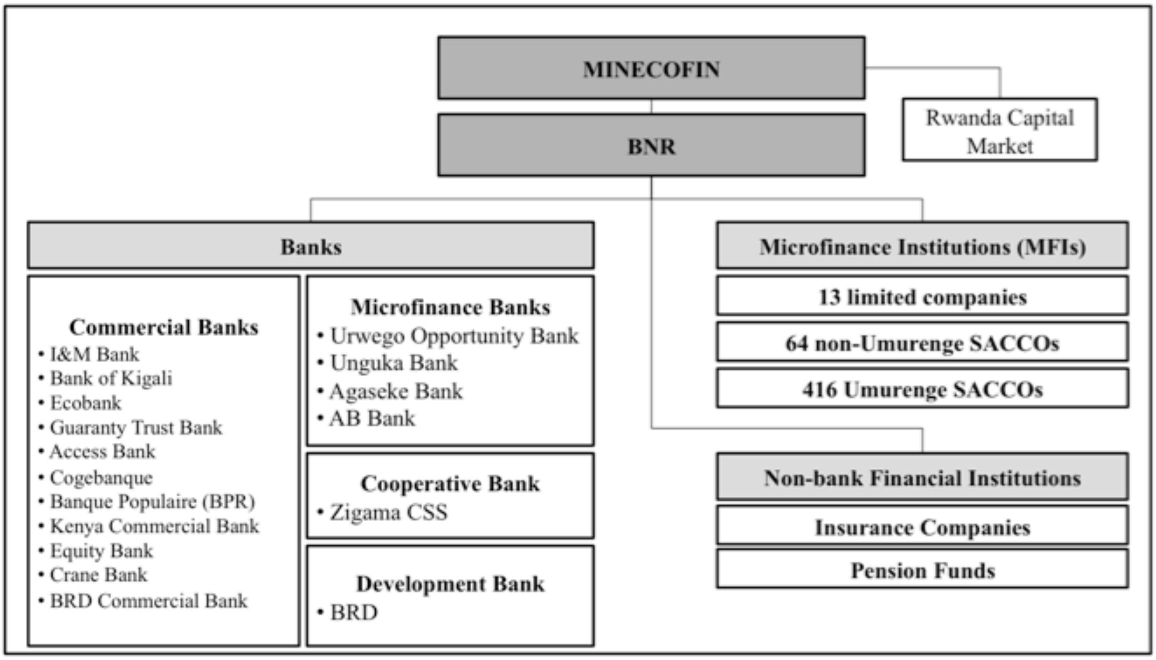
[14] ZIGAMA Credit and Savings Society (ZIGAMA CSS) is a financial cooperative with an exclusive membership for state security organs (the National Army and Police). It was founded in 1997 and has today over 72,000 members and 148 employees (http://www.zigamacss.org/About-ZIGAMA-CSS?lang=en)(23-03-2016). Since this cooperative bank has to be strongly distinguished to the concept of the Umurenge-SACCOs, and has no commercial or other relation to the Umurenge-SACCOs, it will not be of further regard of this thesis.

[15] Non-Umurenge SACCOs developed bottom-up and thus, are member driven. Since this thesis focuses on Umurenge SACCOs they are excluded from the analysis. The non-Umurenge SACCOs are so far not involved into the transformation of Rwanda's financial cooperative sector. If nothing else is stated the abbreviation SACCO is therefore equivalent to "Umurenge SACCO" in the context of this thesis.

Figure 3: Structure of the Rwandan Financial sector



Source: SBFIC (2015)

2.2.2. The Implementation of Umurenge-SACCOs in 2009

This part will present the key events of the establishment of the Umurenge-SACCOs to provide a sound background on the origins of the Umurenge-SACCOSs. They are described based on a case study from the Alliance for Financial Inclusion on the Umurenge-SACCOs in 2014.

In March 2009 the Rwandan Government launched the National Savings Mobilization Strategy, which included the idea of inserting at least one SACCO in every sector of the country. This was due to the results of the first Rwandan FinScope survey in 2008, which found out that only 21% of Rwanda's bankable population had access to formal financial services, 52% were completely financially exclude. The National Bank of Rwanda (NBR) made a commitment under the Alliance for Financial Inclusion (AFI) Maya Declaration to increase the country's banked population to at least 80% by 2017 and to adopt a National Financial Literacy Strategy and financial awareness campaign. But why did the Rwandan government choose to implement SACCOs instead of any other type of financial service provider?

Above all, SACCOs are member-based cooperatives. Most Rwandans were familiar with the cooperative concept and their rules (even if not financial cooperatives). It seemed easier to activate the population to build their own financial cooperative, which could apply the same rules and principles as they did with other non-financial cooperatives. According to AFI, BNR had the opinion, that it would have been more difficult to install a profit-driven limited liability company in contrast to a SACCO, which works to maximize its members benefits.

Then, SACCOs are (at least partly) lead by the members themselves, which makes it more probable to give members the feeling of ownership.

Additionally, the minimum capital requirement for SACCOs is comparably low, which makes the membership-share more affordable for the poorer people, the main target group of the SACCOs. The minimum capital for SACCOs in Rwanda is five million Rwandan Francs (RWF)[16], while the minimum capital for an MFI as a limited company is RWF 300 million.

During the implementation process of the SACCOs the local governments played major roles to mobilize the people to join the SACCOs. Important was a clear communication strategy on the advantages of being member of a SACCO and its explicit profile as an institution for the (rural) poor.

The government provided property including offices at the start and initiated capacity building for the SACCO staff and elected boards and committees (Board of Directors, Surveillance Committee and Credit Committee) going along with financial education programs for the public. Not before June 2010 all SACCOs received a provisional license by BNR. Thereby they were allowed to mobilize capital and deposits. At that time, lending was not yet allowed. Since January 2012 all SACCOs have licenses to issue loans. SACCOs received subsidies from the government, until they broke or break even. As soon as a SACCO has reached that point, the government stops the subsidy. At the end of 2013, 355 SACCOs (85%) had reached the break-even-point. At the end of 2014, 394 SACCOs, corresponding to 95% of all SACCOs (SBFIC 2015).

Hence, the implementation appears successful from a business perspective. Has it also been successful concerning increased financial inclusion?

[16] 5 million RWF were equal to 6,121 Euro (1 Euro = 816.804 RWF) at the 1.10.2015 (https://www.oanda.com/lang/de/currency/converter/). In October 2009 RCA granted legal status to all Umurenge-SACCOs, allowing them to operate as cooperatives (AFI 2014), which is why I chose that date as a reference point for the exchange rate.

2.2.3. The Umurenge SACCOs and Financial Inclusion – the FinScope surveys

This sub-chapter presents the level and the development of financial inclusion in Rwanda, based on the two FinScope surveys from 2008 and 2012. Since one of the two main objectives of this thesis is to assess the effectiveness of the Umurenge-SACCOs and my definition of effectiveness includes the development of financial inclusion, that part should give a quantitative overview on the current situation.[17] My research in the field will add members' perceptions and thus give a supplemental view on the development of financial inclusion in Rwanda.

The first FinScope Rwanda study in 2008 revealed a lack of any connection to formal financial institutions for 79% of adult Rwandan population. As a result a majority of money in the country was held as cash in Rwandan's homes, which restricted the financial institutions in offering credit due to lacking liquidity. (AFI 2014) This going along with the lack of access to credits for poor and rural people initialized the Rwandan governments intervention of the Umurenge-SACCO program. (ibid.)

When the FinScope survey was executed a second time in 2012 the SACCOs were already in operation for more than two years and the percentage of people using formal financial services had doubled to 42%. Main reason for that large increase was the presence of the newly formed Umurenge-SACCOs. In 2012, already 22% of adult Rwandans were members of an Umurenge SACCO. Thus the implementation of the Umurenge SACCOs meant a drastic change in Rwanda's landscape of formal financial access.

The number of new accounts opened at MFIs rose from 631,689 to 2,295,589 from 2007 to the end of 2013, 72% of which were at SACCOs created under the Umurenge SACCO Program Over 33% of accounts in the entire banking and microfinance sector were with Umurenge-SACCOs (AFI 2014). Today 1.9 million Rwandans have accounts with a SACCO, corresponding to 1.9 million members (SBFIC 2015).

But why do Rwandans become Umurenge-SACCO members? There are several government departments and NGOs, that focus on decentralization and local governance, and which work to animate Rwandans to become member of Umurenge-SACCOs and convince them of to establish a savings culture. For instance, the motto of the World

[17] A third FinScope survey will be presented in 2016. Due to the timeframe of this thesis, the results could not be included here.

Savings Week[18] 2015 in Rwanda, which is proceeded by major NGOs in Rwanda's microfinance sector was labeled: "Saving – Make it a culture".

According to FinScope 2012, 42% of the respondents joined to save while, while 9% joined to deposit their money at a safe place. During my member-interviews I found other reasons to be more important: Most interviewees mentioned proximity, low fees, easy and quick services as main reasons for their membership. Additionally many respondents mentioned that they feel at home and that it was important for them that it belongs to them. Group discussions among members conducted by the Alliance for Financial Inclusion showed similar answers (2014). More details on the member-interviews will be presented in section 5.

The establishment of the Umurenge-SACCOs went along with a higher savings proportion in formal financial institutions, and therefore, led to a decrease of people saving their money at home. It seems, that The Umurenge-SACCO program, works to direct more money into the financial system, which again is a governments' objective to achieve the goals of Vision 2020 and EDPRS II.

Besides the points mentioned above, 26% told the interviewers that they felt obliged to. The establishment of the SACCOs is backed by both, local and national government. Therefore it is also part of the performance measurement of local government officials, which is surely an important reason for these responses.

Nevertheless, regarding pure numbers, one can state that the implementation of Umurenge SACCOs has led to improved financial inclusion. If those numbers are in line with the perceptions of the members will be part of the effectiveness analysis in section five.

2.2.4. Organization and Operations of Umurenge SACCOs

Governance Structure of Umurenge SACCOs

This section presents the organization of the SACCOs I visited during my field visits. The governance structure and the loan application process should be roughly the same at all Umurenge SACCOs. Therefore, the presentation can be regarded as representative. The description should not only give a more detailed picture of the Umurenge SACCOs, but will also ease the understanding of the discussions in section five and six.

[18] During the World Savings Week in Rwanda several NGOs organize events with financial institutions throughout the country. Especially children are rewarded with prices for savings improvement. It is dated in the week of the more known World Savings Day, which is in the last week of October.

Most of the Umurenge SACCOs in Rwanda employ one manager who is basically the head of operational decisions of the SACCO, one loan officer, who is responsible for the loan applications and the whole loan administration and one accountant, who is mainly responsible for the accountability of the SACCO. Furthermore the SACCOs I visited had 2-3 cashiers, two of the SACCOs had a security guard. As it is usual in financial cooperatives, every person who wants to become a customer and therefore also a member of the SACCO has to pay a membership fee.[19] I found out that the size of the membership fees differed between different SACCOs from 500 RWF to 5,000 RWF and that this decision was made by the staff of each SACCO during the original implementation process. One person was only able to buy one share for this membership fee. All of the SACCOs I visited though had an obligatory membership fee of 5,000 RWF. It is the usual cooperative rule that one member has one vote when electing representatives. This is also the case for the SACCOs in Rwanda. There was no possibility for the members to buy more than one share. Since profits are so far fully retained within the SACCOs at this still early stage in their development that would also not be attractive to the members.
The sectors in Rwanda are again subdivided into villages. The sector in which SACCO Abamuhoza is located for instance, was subdivided into 26 villages. Each village elects three representatives for their SACCO, those representatives (that means 78 representatives in the case of SACCO Abamuhoza) again form the General Assembly. Within the General Assembly the village representatives elect respectively five members for the board of directors, five members for the credit committee, and three further members for the surveillance committee. The three committees are monitoring the work of the management and the other employees. Furthermore the board of directors is responsible to appoint and remove the manager and the whole staff of the SACCO. The manager and the staff have to report to the three committees. The surveillance committee and the credit committee have to report to the board of directors themselves.

The Credit Application Process

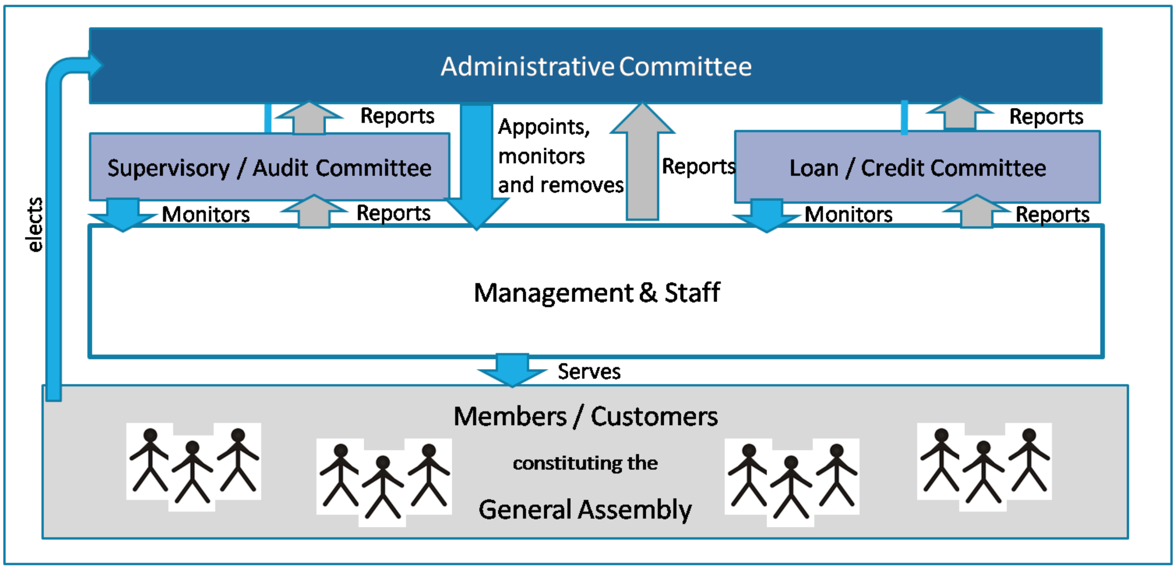
The three SACCOs I visited had similar but not identical procedures in handling loan applications and loan administration. First of all it was important that the client was member for a period, which is sufficiently long and that he does frequent transactions with the SACCO. This was, to build trust between members and SACCO staff stated the loan

[19] In contrast to the German version of financial cooperatives in the 19th century, which will be presented in section four, the Rwandan cooperative model obliged its customers to become members of the SACCO.

officer from SACCO Cyuve. The loan officers from SACCO Cyuve and SACCO Bungwe mentioned that the loan applicant had to be member of the SACCO for at least three months. The loan officer from SACCO Abamuhoza did not mention a specific time period.
All three loan officers told me that the loan application process would start with a conversation between the loan officer and the loan applicant. The loan applicant would describe the project, for which he needed the money and how the applicant would be able to repay the loan. SACCO Abamuhoza was the only one of the three SACCOs, which had an actual revenue and expenditure account for the loan applicants. There was a difference between all three SACCOs regarding the collateral. SACCO Abamuhoza requested a piece of land as collateral in the amount of 100% of the loan, and additionally a security deposit totaling 10% of the loan sum. SACCO Cyuve demanded a collateral of 150% of the loan sum, SACCO Bungwe even of 300%. One can summarize here that each loan asks for relatively high compensation. In addition it was necessary to have three guarantors, who would sign the loan application.
If the project was credit worthy and the collateral sufficiently high the loan officer and the SACCOs' manager had to sign the application before forwarding it to the credit committee and then to the board of directors. Each committee needed at least signatures of three different members to approve the loan application. I asked all loan officers, mangers and board members, what possible reason could lead to a credit, which is approved by the SACCO staff, but denied by one of the committees. The interviewees explained that basically the only argument for a denial by one of the committees would be social reasons. That would mean that the person had a bad reputation in his neighborhood due to unpaid personal debt for example. All respondents mentioned the quick loan process. In SACCO Cyuve the manager told me that the loan application process never takes more than 15 days. The president of the board of directors told me, that he would come to sign loan applications each weak at least once and if there were emergency loans even more often.
The loans were in general given out for the development of business and farming activities. While the manager of SACCO Abamuhoza, which was located directly towards the market in Musanze city told me that 80% of the loans were for development of a members business, 15% for agriculture and 5% for other reasons like school fees or hospital bills. The loan officer in SACCO Cyuve, which was more rural, stated that 60% of the loans were for an agricultural purpose. The credit period was because of the harvest time one year for agricultural loans according to the loan officer of SACCO Cyuve. Entrepreneurs, constructers or builders could ask for credit periods of three years. Social loans with an

intended use like wedding costs or school fees would also be obliged to be repaid within one year.

Figure 4: Governance Structure of Umurenge SACCOs



Source: SBFIC (2015)[20]

[20] The intermediate step of members electing village representatives, who then form the general assembly is left out in this image for a simplified presentation.

3. Methodology of the Field Study

Core piece of the thesis is a field study to analyze effectiveness and efficiency of the Umurenge SACCOs. The first part of this section presents the research method and the approach in the field. Afterwards, the chapter will present how study area, interview partners and informants have been selected. A critic of the used methods will complete the methodology chapter.

3.1. Research method and Approach in the Field

Planned Approach in the Field and Methods used for Data Collection

For the field study I spent about 11 weeks in Rwanda, from the 28.09.15 until the 16.12.2015.

As central part of the research stay I planned to analyze two Umurenge SACCOs, each for two weeks on a daily basis. It was planned to visit one SACCO, which was urban situated, and another one, which was situated in a more rural area. The reason for that procedure was, that I had thought beforehand, that urban and rural SACCOs would be highly different, because of different types of members. Therefore I aimed to get a slightly differentiated view of the SACCOs. The observation time was planned with two weeks for each SACCO, because I hoped to get deeper insights into the processes when staying longer than one week. Longer research stays did not seem appropriate, because of the total time frame of the research stay. Additionally, it seemed that the most important information should be received within two weeks. The final selection of SACCOs to be observed and the durance of observation should be made after first conversations on site with SBFIC and its partner organization, the Association of Microfinance Institutions in Rwanda (AMIR).

Beforehand the schedule for the stay in Rwanda has been as following:

- Weeks 1-3: Initiation phase (arrival, organization, first overview, introductory meetings)
- Weeks 4-7: Data collection, including observation of the SACCOs
- Weeks 8-11: Follow-up open questions, if necessary subsequent data collection

During the observation semi-structured interviews with relevant stakeholders (manager, committee members, members/clients) should be held. Impressions of the procedures from participatory observations complemented the data collection.
One key variant of qualitative analysis are semi-structured interviews. According to Hopf (in Flick et al. 2009) they play a key role in field observations. Besides obtaining expert knowledge, the collection and the analysis of subjective perspectives add value to the analysis. Especially the possibility to ask for action motives in an open form, and the possibility of discursive communication while interpreting would give further value for an analysis, which would be left out using standardized surveys (Hopf 2009).
Participatory observations (according to Lüders in Flick et al. 2009) were used to observe the daily life actions in a SACCO and thus should also give deeper insights.
Hence, the qualitative analysis should give a deeper understanding of the Umurenge SACCOs as an institution, than it would be possible within a quantitative analysis.
Furthermore I planned to integrate further financial data to evaluate the efficiency of the SACCOs. An often used measure for evaluating efficiency in MFIs is the operating efficiency ratio, which is calculated by dividing operating expenses by the size of the loan portfolio. (CGAP 2009).

Up-front to the interviews an interview guideline was built, which was organized in topics with under-questions below. The guideline for the member-interviews was a bit shorter, since the members were asked for interviews, while waiting in a SACCOs waiting area and therefore did not have much time. Furthermore other stakeholders of the SACCOs such as employees or committee members had more background information about the SACCOs and were therefore more capable to talk about it.
The headlines for the semi-structured interviews of the members were:[21]

- Personal Information and reasons for joining the SACCO
- Strengths and Weaknesses of SACCOs
- Experiences with the SACCO/ Comparison with other MFIs
- Impact of the SACCOs on its members (social and economic impact; contribution to poverty reduction)

[21] Since 42 out of 55 interviews, and thus the vast majority, were with members and committee members (board of directors and credit committee) the headlines of those interviews are presented representatively for a better overview. The complete guidelines to all interviews can be found in the appendix.

The headlines for the semi-structured interviews with the committee members:

- Responsibilities within the SACCO/ Perssonal information
- Information on loans and the decision making process
- Strengths and Weaknesses of SACCO/ Comparison with other MFIs
- Transformation of the Umurenge SACCO sector
- Impact of the SACCOs on its members (social and economic impact; contribution to poverty reduction)

Method Used for Data Evaluation

A content analysis (Mayring in Flick et al 2009) was used for the evaluation of the interviews, instead of the often used approach of evaluation categories (Schmidt in Flick et al. 2009). A content analysis wants to reduce the material to its essential content. This seemed as the most useful approach in my case, since my interviews were targeting very specific questions. During the interviews I made notes on the respondents answers. That was also practical, since there was always time, when the translator spoke to the interviewee. At the end of each day, I summarized the content of each interview, with the help of these notes. If necessary, tape recordings were included into the evaluation.

A transcription of interviews according to Schmidt (in Flick et. al 2009) was not done, since it did not seem practicable with respect to long translation periods on the one hand. On the other hand it did not seem necessary for my content analysis.

Field Visits in SACCOs

The contact to the SACCOs was arranged by AMIR who is a project partner of SBFIC. After first discussions AMIR’s Executive Director Peter J. Rwema suggested a one-week stay in two SACCOs instead of two weeks with the possibility of a subsequent data collection. He argued that a two-week stay would disturb daily operations for too long. Additionally, there would not be too many new insights from a research perspective after one week.

The first visit was in SACCO Abamuoza in the city of Muzanze, which is the capital of Muzanze district, from 19.10.2015 – 23.10.2015. The second visit was in SACCO Cyuve from 26.10.2015 – 30.10.2015, which is also located in Muzanze district, but more rural, being about 15 minutes away from Muzanze city by car or motorbike. This seems like not much of a distance, but one can say that SACCO Abamuoaza, which was located directly in the in the city center of Muzanze had to face many other competitors within the city, while SACCO Cyuve almost had a monopole, because people were not willing to travel into town just for the sake of depositing or withdrawing money. So all in all I could stick with my plan to observe one urban and one rather rural SACCO even it was only for one week instead of two, as I had planned. Still, since the answers during the member-interviews in SACCO Abamouza were not too different from those in SACCO Cyuve, as described in section five, I decided to do a third observation at SACCO Bungwe in Burera district from 1.12.2016 – 4.12.2015[22], which was located in an extremely rural area close to the Ugandan border. I aimed to receive further insights, while observing a SACCO, which was far away from any bigger city and therefore had different types of customers.

Semi-structured Interviews

The individual semi-structured interviews were the central method to collect data for this thesis. In total I had 55 interviews during my stay. Thereof 37 were with members of the SACCOs, eight with SACCO employees (three managers, two accountants, three loan officers) and five with board members (two credit committee members, three board of director members). The interviews with the SACCO members and the committee members were all translated from Kinyarwanda to English by a translator, one interview was also partly held in French. The interviews with the SACCO staff was partly held in English, but mainly translated from Kinyarwanda to English. The translator was the same person at all three SACCO visits.

Two employees of AMIR and one employee of WOCCU were interviewed prior to my SACCO observations to get a first impression of the SACCO sector and its current topics. At the end of my stay I had two interviews with members of the Technical Steering Committee of the Cooperative Bank project on the one hand, and the merger of the Umurenge-SACCOs on a district level on the other hand.

The assessment of the transformation process defined my evaluation with regards to efficiency. One of the two interview partners was Gilbert Habyarimana (Deputy Director General) and worked for the Rwanda Cooperative Agency (RCA), the other one was Kevin *Kavugizo Shyamba* (Director Microfinance Supervisory) at the National Bank of Rwanda (BNR).[23] Furthermore I had several conversations with Thomas Konitzer and Sebastian Heinen from SBFIC, who are advising the government with the transformation process, on

[22] The third observation was only for four days, due to scheduling reasons of the SACCO manager.

[23] The interviews prior and after the SACCO visits with the representatives from AMIR, WOCCU, RCA and BNR were all held in English.

the implementation processes and accordingly on possible efficiency improvements. Sebastian Heinen also accompanied me at the interviews with Jean Thiboutot (Project Director Rwanda) from WOCCU, Jean-Pierre Uwizeye (Program Manager) and Jean-Claude Uwitonze (data analyst) from AMIR and at my first two days in SACCO Bungwe due to getting a better knowledge of the SACCO sector himself.

Individual interviews were chosen, since the thesis brings members' perceptions into focus and therefore were found to be suitable to provide that information.

All of the 55 conducted interviews were evaluated for the efficiency and effectiveness analysis. However, the member interviews played a major part in the effectiveness analysis, while the evaluation of the efficiency was rather made on interviews with consultants, decision-makers, SACCO-staff and committee-members. Further elaboration will be held in section five.

3.2. Selection of Study Area and Informants

After having discussed the goals of my thesis with the Rwandan Microfinance Association AMIR, my contact person of AMIR contacted the managers of SACCO Abamuoza and SACCO Cyuve, as examples one urban SACCO (Abamuoza) and one rural SACCO (Cyuve). Both SACCOs were profitable and the members did not have many critics concerning the SACCO. Even when I explicitly asked for another observation with an even more rural and less profitable SACCO, to get more differentiated data, the third observed SACCO in Bungwe was not significantly different. One reason for that could be that AMIR wanted to present me better examples of SACCOs to give me a better impression of their member-SACCOs.[24] Another source for bias could be that the SACCOs, which are member at AMIR, are in general better organized than those who are not. Furthermore all of the three SACCOs, which I observed were located in the northern part of Rwanda. At a later time during my stay I found out that SACCOs in the northern part of Rwanda are generally better off, than those in the Eastern part according to Jean-Claude Uwitonze from AMIR and Vumi Kacheche (Financial Education Expert) from SBFIC. At that time of my stay, however, there was no time left for a fourth SACCO visit in the Eastern part, which maybe could have made apparent more of the difficulties, the SACCOs are facing.

At the beginning of the SACCO visits I usually had interviews with the manager, the loan officer and the accountant. In one case (SACCO Cyuve). I started the interview with the

[24] 246 of the 416 SACCOs are currently AMIR members (source: Interview with Jean-Pierre Uwizeye).

accountant, which was then overtaken by the manager, because of time availability. The employees gave me a general overview about the structure of the SACCOs and specifically the SACCO they were working in. The SACCO manager arranged the contact to the village representatives and to the committee members. It was difficult to get an interview with the committee members, since being a member of one of the three committees is not a paid job, but on a voluntary basis in consequence of being elected by the SACCO-members or village representatives. The board members had other jobs to earn money and joined the SACCO when they had time and there was need to. I asked each manager at the beginning of the week if it was possible to talk to at least one member of each committees (board of directors, credit committee, surveillance committee). At the end of my stay, I had talked to three members of the board of directors and two members of the credit committee, but none of a surveillance committee.

The 37 members, who were interviewed, were asked if they had time for an interview, while waiting at the counter of the SACCO by my translator. Most of them took the time, even though the time of many was limited, since they had to go back to work or their families.

The contacts to the SACCOs and their stakeholder were organized by SBFIC seated in Rwanda's capital Kigali, a non-governmental Organization (NGO), consulting in the Microfinance sector in Rwanda and East Africa.[25]

3.3. Criticism of Method

This sections describes deviations from the original plan and presents alternative research methods, that could have been used.

Additionally to the deviations from the duration of my SACCO stays, I had one other major deviation: In contrast to my original plans, I did not include financial data and efficiency ratios in my thesis. The major reason for that was that the collection of financial data and efficiency ratios in Rwanda was at its very beginning, such that I had operating expense ratios of not more but four SACCOs at the end of my stay, and thus a lack of data. Another reason was, that an accurate evaluation of financial data would have gone beyond the scope of this thesis. I decided instead, that a thorough evaluation of the Rwandan transformation process, and therefore possible efficiency improvements while comparing it to other existing networks of cooperatives was more reasonable.

[25] SBFIC East Africa offers consultancy services in Rwanda, Burundi and Tanzania.

Another research variant to this qualitative analysis would have been a quantitative study, which would have meant more and shorter interviews. As a result I would have had more data. In this context, a qualitative analysis as the one presented has several advanatages compared to a quantitative one. Firstly, quantitative impact studies on microfinance often suffer weak methodology or insufficient data (Duvendack et. al). Secondly, goals that can not be quantified easily, such as the support of the principle of democracy, effects going beyond the organization or effects on the framework of economic activity (Rösner 2000) cannot be captured with the use of quantitative methods (May Roth 2012).

Another alternative would have been to do group interviews[26] instead of or in addition to individual interviews. But firstly, group interviews would have been much more difficult to organize – the members for the individual interviews were just picked up from the counter – and secondly, this thesis focused of the perceptions of the members and further stakeholders of the SACCO which could be assessed better in individual interviews.

As mentioned above, all the interviews with the SACCO members and most parts of the interviews with the SACCO staff was translated from Kinyarwanda to English. A potential limitation could thus be a loss of some information and specific meaning. Additionally, it limits the ability to do follow-ups of the responses and the ability to understand specific nuances.

Some more complicated questions, which needed for example economic knowledge, were not answered properly, due to lack of understanding of the interviewee. The translator, who was a student of procurement, had no economic background and thus, the interviews had some limitations, when the conversation got more detailed.

To summarize, despite some deviations from my original plans, I was able to assess the SACCO's stakeholders' perceptions concerning effectiveness and efficiency as I had planned. Thus, the deviations did not affect my research activities in a negative way. A research stay in a foreign environment with a different culture and language needs creativity and flexibility to some degree. In this case, the lack of financial data led to a deeper theoretical discussion on the importance of networks for the efficiency of financial cooperatives (4.2.). The soon-to-be Rwandan network will be embedded within these theoretical considerations in section five. Thereof a conclusion will be drawn concerning efficiency of SACCOs and cooperative networks in Rwanda.

[26] For a presentation of group interviews see for example Bohnsack in Flick et al (2009).

4. Theoretical Considerations on Microfinance, Financial Cooperatives and Cooperative Networks

After the used methodology has been presented in the last section, the fourth chapter delivers theoretical considerations on effectiveness and efficiency in the fields of microfinance financial cooperatives and cooperative networks. This part should give guidance and act as a theoretical basis for the following results in section five. Therefore, the chapter begins with a review on impact studies in microfinance, state-interventions and financial cooperatives. Afterwards the development of the German cooperative banking network in the 19th century will be summarized, before the last part of this section discusses important two studies on mergers and networks within the cooperative banking sector.

4.1. Is Microfinance Effective and does it Help Reducing Poverty?

This section should give further insights on earlier literature and research within the area of microfinance and poverty reduction. It therefore discusses first, some of the most important studies on impact of microfinance in general, which is one of the most discussed fields in the microfinance literature nowadays. Second, some of the studies on state interventions into the microfinance sector will be presented. This is of great interest, since the Umurenge-SACCOs – even if not state-owned – were implemented by the Rwandan government. The section will be completed with a short discussion on the relevance of member-based microfinance institutions, its differences and advantages in contrast to profit-oriented financial institutions.

A huge part of recent research tries to analyze the long-term impact of microfinance institutions. Research is divided into two groups, consisting of the proponents of microfinance on the one side, who see the concept of microfinance as a key component to fight poverty, and the opponents of microfinance on the other side, who see a heightened danger of debt overload and doubt the positive impact on the life of the poor. The Consultative Group to Assist the Poor (CGAP), an organization under the roof of the World Bank, says there was increasing evidence, that microfinance helps to achieve the millennium development goals. Critics answer that those “evidence” would in fact be case studies and argue that there is no clear evidence for the positive impact of MFIs (e.g. Armendáriz de Aghion and Morduch 2005, 2010). Duvendack et al. (2011) conclude that all impact studies on microfinance suffer weak methodology or insufficient data. Others argue that microfinance pushes the poor into debt overload (Polgreen and Bajaj 2010).

Khandker (2005) observed panel data from Bangladesh to examine the effects of microfinance on poverty reduction at both the participant and the aggregate level. He concludes that access to microfinance seems to contribute to poverty reduction, particularly for female participants, and would in addition lead to poverty reduction at the village level. Therefore, microfinance would not only have a positive impact on poor participants, but also on the local economy in general.

Roodman and Morduch (2009) answer that the methodology of the study would be weak and state that “30 years into the microfinance movement we have little solid evidence that it improves the lives of clients in measurable ways”.

Banerjee, Duflo, Glennerster and Kinnan conclude in their sturdy “The Miracle of Microfinance: Evidence from a Randomized Evaluation“ (2015) that microfinance cannot be the “magic bullet” to solve poverty, but be one important brick among others. Within their randomized controlled trial (RCT) they observed the expansion of the Indian MFI Spandana, in which randomly 52 neighborhoods (treatment group) were drawn out of a total quantity of 104 neighborhoods and “treated” with a new branch of Spandana.[27] The authors found that in these “treated” neighborhoods the number of new businesses was slightly higher than in the control group. Consumption of long-term goods also increased. However, the authors could not find significant increases in women empowerment, improvement on health or education and neither on business profit. That could mean that precarious day laborer employment would be substituted by likewise precarious mini-businesses.

[27] In a Randomized Controlled Trial (RCTs) a total quantity on individuals, households, villages or regions is separated randomly into two equally large groups, which may not differ systematically. While one of the two groups receives a special treatment (treatment group), the other group does not receive that treatment (control group). Within the following study, it can be analyzed which consequences the treatment really had, since the randomized selection largely excludes external influences and therefore RCTs have a very high internal validity. The ethical defensibility of the control groups is often questioned (e.g. Cohen and Easterly 2009). Further critics mention the short- and middle-term impact, which is usually evaluated and also the lacking contribution to really understand the reasons for success or failure of an intervention (Robson 2002). Duvendack et al. (2011) argue that it is hardly possible to find two groups, which do not differ systematically. Therefore the method often could not hold its own requirements.

Still, it would expand households' abilities to make different intertemporal choices, including business investment. Its potential in reducing poverty should not be overestimated.
In *Portfolios of the Poor: How the World's Poor Live on $2 a Day* Collison et al. (2009) wanted to find out how poor people live their daily lives and spend their money to improve understanding which financial services they really need. The study analyzed financial diaries from households in South Africa, India and Bangladesh and showed that not necessarily most microcredits were used to develop their businesses, but instead for household assets, school and health fees or emergencies. The authors argue further, that the poor had other needs than only financial services to evolve out of poverty like jobs, infrastructure, or safety nets.
In *Portfolios of Rwanda* Collison (2013) led basically the same kind of study in Rwanda to find out the financial behavior of Rwandans, especially those who were underserved by the formal financial sector. The authors found out that the Rwandans were quite active money managers, using on average six financial instruments, among those primarily informal instruments like saving at home and small-ticket shop credit. Most participants argued lack of access was not a reason for not using formal financial services, but lack of relevance to their needs was. During my field visits I tried to assess how the SACCOs could better address the needs of the clients.
Still, MFIs and especially SACCOs were regarded to meet the needs of their clients better than banks, appearing to be focused on the "big money".

There are many cases in which state interventions tried to improve financial access as a way to create development and reduce poverty in developing counties. The range goes from governmental oversight of the banking sector to government ownership of banks (Besley 1995). Many argue that subsidized credit is concentrated among an elite and thereby worsened terms in the informal markets for the poor. (Adams et al. 1984; Bravermanand and Guasch 1986).
It remains unclear if fiscal banking expansion helps reducing poverty. Burgess and Pande (2005) analyzed a program, which took place in India from 1977-1990. It mandated commercial banks to open four branches in unbanked areas in case they wanted to open one branch in a banked location. The authors found robust evidence that this state intervention helped to reduce rural poverty.

Therefore, this 1:4 rule led to an increase and broader bank branch presence across India. Further, the authors found the reductions in rural poverty were also because of an increase in savings mobilization and credit provision in those areas.
Cole (2009) explicitly does not want to contradict to Burgess' and Pande's main result suggesting that rural banks help reducing poverty, but criticizing the two would not differentiate between public and private sector banks. However, Cole emphasizes in his study that agricultural credit increases in election years by 5-10 per cent. Those short-term "credit booms" would lead to substantially higher default rates. He argues that government owned banks have negative effects on real economics outcomes and further, that bank resources are misused by politicians, in his special case to win elections.
For the Rwandan case, one should keep in mind that a critical look on fiscal banking expansion is necessary. Even if the state is not the owner of the SACCOs, the Rwandan government still has a strong role and major strategic decisions, such as the transformations of the sector discussed in this thesis, follow a top-down approach.

Financial cooperatives (FCs) in general appear to reach more members in countries with a weak commercial banking sector and therefore can be considered as a market failure solution (Périlleux et al. 2016). Not only are FCs alternative financial institutions, but also their social role is of high importance. Their major objective is to promote their members economically and socially (Guinnane 1994).
Additionally, studies show that especially during financial crises the large size of banks and the mainstream banking models have to be questioned. (Schoenmaker and Werkhoven, 2013; (Groeneveld and de Vries, 2009). Other studies show the importance of institutional diversity (Hesse and Cihák, 2007; Ferri et al., 2014).
Savers are often opposed to shareholders, who aim for maximizing profits, in a traditional banking perspective (Diamond 1984). This is not the case for FCs, since members are owners and clients at the same time no matter, whether they are borrower or saver (Hansmann 1996). Thus, the shareholder value approach falls short, and the stakeholder concept is more adequate (Cuevas and Fischer 2006).
This section discussed major theoretical issues of microfinance, state intervention into the banking sector and financial cooperatives. To summarize, the impact of microfinance on the one hand, and state interference on the other hand, is controversial. The existence of financial cooperatives seems justified.
It will be taken as a foundation for my empirical results, which are discussed in section 5.1.

4.2. Efficiency in the Cooperative Banking Sector

After the first part of this chapter gave a theoretical background for the effectiveness analysis, this part of the chapter focuses on networks in the cooperative banking sector, and the value they could add regarding efficiency. I will initially describe the evolution of the cooperative banking sector in Germany in the 19th century since it is often considered as a good example for a stable cooperative network. Afterwards two important studies from Desrochers and Fischer (2003, 2005) on the impact of networks and mergers on efficiency in the cooperative banking sector will be presented and discussed. They will be used as a basis for the efficiency analysis of the Rwandan network in chapter 5.2.

4.2.1. The Development of the Cooperative Banking Sector in Germany in the 19th Century

This part will present the development of the German cooperative banking sector in the 19th century. It is based on Bonus' and Schmidts' (1990) description, unless anything else is stated.

During the 19th century in Germany, it was difficult to get a loan for small farmers and tradesmen. Commercial banks were mainly investing in large projects with a focus on steel and railway investments (Tilly 1989, Pohl 1982). Even the newly arising municipal savings banks, which originally should develop the welfare of the poor and the workers, predominantly invested in mortgages, securities and municipal loans (Pohl 1982). Small farmers however, depended enormously on local lenders, often at exorbitant interest rates from 60 percent to well over 100 percent annually (Faust 1967). The main reason for the difficulties of farmers and craftsmen to receive a loan was that it was disproportionately time-consuming and therefore costly to evaluate the project of these occupational groups in comparison to the amount they were asking for. Furthermore, a lender had to collect a lot of unfamiliar information, for cases outside of the standard procedure. Farmers or craftsmen being not the usual customers of commercial banks would have caused difficulties in identifying the criteria under which a loan could be given out to individuals of those groups. Another reason was that costs were too high compared to the relatively small amount those groups were generally asking for.

Local moneylenders, who collected the necessary information for a sound credit analysis, took the above mentioned exorbitant interest rates. There were regions where they acted in a kind of cartel, that would leave one moneylender to only one geographical area where he could operate without interference of any other moneylender. That led to a regional monopoly of those moneylenders. The other reason was basically the same reason why most of today's Microfinance institutions all over the world still take high annually interest rates of not seldom 30-50% or more. Despite the intention of at least some institutions to develop the poor via offering microfinance services and not gaining profit: High costs per unit (loan) lead to high prices (interest rates).

The early credit cooperatives were lacking capital. The first capital shares given out could be considered more as an entrance fee than a nearly sufficient capital resource for its members. A simple bundling of individual credit requests therefore would not solve the problem of high transaction costs. To reduce transaction costs and thereby to get the opportunity to receive credits at reasonable rates, the cooperative had to relieve the bank of the burden of assessing each individual member's credit worthiness on the one hand, and on the other hand obligates itself to provide all members full resources as collateral.

To solve the problem of assessing each member's eligibility, the credit cooperatives relied on the local, cost-free information, which were available for their own members. The members had to know each other very well. This could only work in a sufficiently small area in which the members were able to remain insiders. Thereby, it was possible to gain all necessary information to assess the individuals' creditworthiness which regular banks could not receive or only in a very costly way. Raiffeisen, the spiritual head of the rural credit cooperative movement, was very clear in claiming that an association's area should be sufficiently small, because a proper knowledge of the members, their property and their economic conditions could only be collected in a very limited region.

The members' acceptance of mutual and indefinite liability for their whole cooperative was the other important point to become eligible for loans at reasonable rates. Therefore, it was necessary to restrict business-operations to members, confine membership to people of good reputation, and elect honorable citizens to run offices.The indefinite liability of all members could serve as a collateral for all loan takers. Hence members of the cooperatives were able to receive loans. Both, Schulze-Delitzsch for the more urban cooperative group, and Raiffeisen for the rural credit cooperatives emphasized the importance of all members being fully integer persons. (Schulze-Delitzsch 1926 and Raiffeisen 1951, in Bonus Schmidt 1990). The associations usually were successful in acquiring such citizens, for example the local clergyman or the school teacher, to supervise their activities (see also Guinnane 2003). The committee members in Rwandan SACCOs often had similar – apparently trustworthy – professions. For the German development, the low rotation allowed elected members to accumulate knowledge within their cooperative (Périlleux 2013).

Hence, credit cooperatives achieved good reputations as debtors, which again made it easier for them to receive loans from outside banks in the cities. Cooperative audit associations added thorough investigations of each credit application and controlling of the loans' appropriation in detail.

Summarizing all of these aspects, led to a reduction in transaction costs and consequently adequate rates could be achieved. Hirshleifer (1971, in Bonus and Schmidt 1990) mentioned that early credit associations may be the inventor of activating private information for business purposes. Members probably would not have told local insight to an outside financial institution. Being owner of the cooperative, and guarantee for all members' loans with their own private property, gave them huge incentives to look careful after each other and the appropriate use of a loan.

The quasi-rents, which is the difference between the rates of the local moneylenders and those from their credit cooperative, were quite substantial, since the members could not afford those high rates usually, and a sole member still was not qualified for a credit from a city bank. Those quasi-rents had to be protected by institutional safeguards (Alchian and Woodward 1988) which was the reason for the evolution of the cooperative network system.

First cooperative central institutions were built in 1889 on a regional level (Guinnane 1997). Their main objectives were to improve liquidity management for local FCs, smooth seasonal fluctuations, act as a "lender of last resort," and to assist with treasury tasks (ibid.). The relation followed a bottom-up method, making the local FCs owner of the central, which allowed the FCs to remain independent to a large extent. Special auditing associations were founded implementing a supervisory system, which was independent from the state (Guinnane 1997). They assisted FCs with management issues, which was necessary due to lack of skills and thus, fostered the FCs stability on the ground and the system as a whole (Périlleux 2013).

Different types of cooperative network developments and its impacts on the FCs efficiency will be discussed in the following section.

4.2.2. Networks and Mergers: Do they Increase Efficiency of Financial Cooperatives?

Different cooperative network types and the possible gain regarding the efficiency of the network will be discussed in this section. Before the current development in Rwanda will be described in section five, I will briefly present a study of Desrochers and Fischer (2003), who compared a merger-based system with a strong network system. I will only present the main takeaways of *mergers vs. networks* as an example for the existing discussion.[28] Afterwards, I will try to differentiate between different network types according to Desrochers and Fischer (2005) who did an empirical analysis on 23 different cooperative banking systems. This study will be described in much more detail since the Rwandan model will be embedded into the classification scheme in section 5. The major reason for this approach was, that the accurate development of the network seemed of major importance from my impressions during the field visit. The second reason is a practical one. It seemed somehow feasible to classify the Rwandan network into Desrochers' and Fischers' scheme. Thirdly, the Rwandan network had not been included into the study by Desrochers and Fischer. Thus, this thesis aims to fill the gap.

Desrochers and Fischer (2003)

In this study, the authors compared two rather similar cooperative banking systems. The sole difference was that the institutions in one system had been grown from mergers and were largely independent with few ties, and the other system is organized as a tight network of institutions. They used a measure of cost efficiency to measure the performance according to Berger and Mester (1997).

Their major conclusions were that first, for small FCs the differences in efficiency were small. Second, they concluded that larger institutions were more efficient when they were part of a strategic network. Third, institutions which were part of a strong network, had lower variances in size and performance indicators.

Desrochers and Fischer (2005)

In the first step, Desrochers and Fischer (D&F) used a set of ten different network features (see figure 5) which enabled them to differentiate between atomized groups (AS), with a low level of integration, consensual networks (CN) with a medium level of integration and strategic networks (SN), with a high level of integration.

[28] Ohlmeyer (1984) and Mathweis (1996) focus on the impact of cooperative mergers for the FCs.

The authors emphasized two of the ten features as notably important on theoretical grounds, namely pooling of resources as well as separation of strategic and operational management and control. Hence, the pooling and the mandatory segment were emphasized as important benchmarks for the network classification.

When a part of the hubs' services got obligatory for the individual cooperatives, the authors evaluated it to be a strong indicator for being classified into the SN category.

Figure 5: The Characteristics of Networks

1 Representation	The central node represents the system in issues of common concern (regulation, taxation, other cooperative movements, etc.).	Atomized system
2 Cooperative education	The central node provides or supports cooperative education among members of first tier nodes.	
3 Advisory and prudential services	The central node provides business and/or prudential management services for the first tier nodes.	
4 Voluntary pooling of resources and standardization	The central node is made responsible for the management of common resources and to support standardization of operating procedures across the system.	Consensual networks
5 Market sharing	The network has rules by which inter-nodes competition is eliminated.	
6 Unique image	The network assumes a unique trade mark and image to which all first-tier nodes adhere.	
7 Delegation of strategic planning function	The central node is given the function to perform strategic planning for the system, although there is no mandatory compliance of strategic plans approved by the system.	
8 Separation of strategic and operational decision management	There is separation of strategic and operational decision management between central nodes (strategic) and first-tier nodes (operational). First and second tier nodes are bound by network decisions. This includes mandatory pooling of resources and standardizations of operations in areas chosen by the network.	Strategic networks
9 Prudential supervision role	The central node assumes the role of prudential supervisor (or auxiliary supervisor) of first tier nodes	
10 Contractual solidarity	The networks introduces mechanisms of collective insurance designed to assist first or second tier nodes in difficulties	

Note: These characteristics determine the main traits that we use to categorize the systems of FC.

Source: Desrochers and Fischer (2005)

The three categories are classified as follows:

Desrochers and Fischer categorized a network as an *atomized system* (AS) when it had few or no formal contracts to fix operations between a hub organizations and the "bottom"-financial cooperatives, and when there was no strategic coordination from the top when it comes to procurement of inputs and pooling of resources.

Systems were classified into the *Consensual networks*- (CN) category in case of voluntary collective input production or contracting.

To be categorized into a *strategic network* (SN) a system had to fulfill most of the features mentioned for AS and CN. Further, the central institute is a custodian of members' pooled resources. The network-wide strategic decision management over some segments are delegated to the apex institution just like the decision control of government bodies. The central institution becomes a ‘hub node’ and has decision control and represents the collective.

Those systems with features 1–3 (figure 5) were classified as AS. Networks, which had at least some features of 4–7 were categorized in CN, and systems which presented features 8–10 were described as SN.

The authors found strong support for the hypotheses of a decreasing variability of performance decreases in an increasing integration, meaning that the lowest variability is found for strategic networks. The expense preferences of managers[29] further tend to increase in size of the institution, but decrease in growing networks.

The authors did not find clear evidence that FCs performance increases with integration. Though, they detect that performance increases with increasing integration in developed countries, but not in developing countries. One reason for that could be comparably high costs of a larger network which cannot be caught up in developing cooperative systems with lower total profits.

A classification of the soon-to-be Rwandan network into Desrochers’ and Fischer’s scheme will be presented in section 5.2.2.2. A conclusion based on this categorization will be given at the end of the section.

[29] Expense-preferences are a result of managers making expenditures not to accomplish the goals of the organization, but instead for their own interests, such as larger offices or expensive company cars (Rogaly, 1998; Périlleux et al., 2012).

5. Results from the Field Study and Analysis

This section presents the results based on my research questions and my field visits and is guided by the theoretical framework. It starts with the discussion on effectiveness of the Umurenge SACCOs based on four major questions which defined effectiveness in my thesis. Afterwards a discussion of the previous presented development of the German system compared to the Rwandan introduces into the efficiency analysis. A description of the transformation process of the cooperative network in Rwanda initiates the analysis of networks and mergers. The section is completed by the classification of the Rwandan network into the scheme of Desrochers and Fischer as stated above.

5.1. Do SACCOs Work Effective and do they help Reducing Poverty?

This part represents the results of the questions to the stakeholders of the SACCOs, if the SACCOs are effective. For the analysis the following questions will be taken into consideration:

- Does the implementation of the SACCOs increase financial inclusion /access to credit?
- Do the SACCOs have a positive impact on the social and economic life of its members?
- Do the SACCOs help reducing poverty?
- How important is it, that the MFIs they are working with is a cooperative?

Out of the 37 members I interviewed, I asked 31 members where they have had their bank account prior to the SACCO. Seven of them told me they did not have an account with any other bank or MFI, corresponding to 22.6% of those who were asked.
More than half of the respondents had had a bank account with Banque Populaire de Rwanda (BPR) before they had an account with the SACCO. When being asked why they switched to the SACCO, many people answered that it was closer for them and additionally it was easier to get a loan. Another important reason for many members was that the SACCO does not charge any or at least lower fees for holding an account. Others said the services of the SACCO were better than those of BPR or other MFIs. Moreover, many had the impression that the SACCO was a financial institution for low-income earners and especially serves the poor. Some also mentioned the fact that it was implemented by the government would make it very trustful to them. Other MFIs would

have stopped operating years ago.[30] According to one female farmer I interviewed, this would probably not happen to an institution which is backed by the government. This impression corresponds to statements from Thomas Konitzer from SBFIC and Jean-Pierre Uwizeye from AMIR who argue that it was not likely that the government would let a SACCO fail due to a possible snowball effect.
One other member however reported to have felt obliged to become member of the SACCO, because he did not want to oppose the government which corresponds to some of the results from the Alliance for Financial Inclusion (see section 2.2.2.).

One question block[31] with the SACCO members was about the impact that the SACCO had on its members' lives. This part was subdivided in most interviews into two, sometimes into three main questions:

1. Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
2. Do you think the SACCO contributes to poverty reduction?
3. Which are the obstacles leading to poverty reduction?

I found that after asking the question about impact on the social and economic situation of its members, the question on poverty reduction was more or less obsolete. Many of the respondents were talking about how people had developed from poverty with the help of the SACCO. So, after a while I stopped asking the question on poverty, in case the respondent referred to poverty reduction within his answer on impact. The third question was supposed to give me answers on how the SACCO could better address poverty issues as it does now. I realized quickly that this question was either not worded very well from my side or the sense of the question somehow got lost within the translation to Kinyarwanda. As I have received answers in very few cases, I decided to stop asking the question. Instead I only asked for possible improvements for the SACCO or bad experiences with the SACCO within the "Strengths/Weaknesses"-question block. That question did not answer directly how it could better help reducing poverty, but since

[30] People were referring to the closure of MFIs, which were presented in section 2.1.1.: History and overview of the microfinance sector.
[31] The headlines of the question blocks have been presented in the methodology part in section 3. The complete guidelines of the interviews can be found in the appendix.

"reducing poverty" is one major objective of the SACCOs, general improvements of the SACCOs could also give hints in how to address the poor in a better way.

There was no interviewee who said that the SACCO has no or negative impact on its members' lives. Almost all respondents answered that the SACCO has improved the life of many of its members, that it has reduced poverty, and that the people were able to develop their business through the loans they received.

Some of the members I interviewed mentioned the SACCO has helped to pay for school or university fees of their children. Another member indicated he was able to pay for a driving licence for his son which is the reason why he became an ambulance driver. Many others said it would help people to deposit money and people would keep it for projects or bad times at a later point in time instead of spending it. Some members also reported that the money was secure in the SACCO, because it does not have to be stored in their houses.

Also, one female farmer at SACCO Cyuve told me the SACCO has widened her mind and she felt empowered through the opportunities she got through taking loans. This woman had taken several loans to increase her business, and therefore was able to develop the standards of living for her family. As it is usually practiced in the SACCOs, she was able to increase the amounts of loan she took. Her first loan was 400,000 RWF, her second loan already higher at 1,000,000 RWF, and the loan she was currently repaying again higher at 2,000,000 RWF. She said that she was more confident nowadays as she was able to improve her life with the help of the SACCO. The SACCOs would contribute a lot in changing people's mindset.

Furthermore, many people emphasized that the SACCO would not only help the customers financially, but also give advisory services on how to cultivate for example. One member, a carpenter from Bungwe, who had switched bank accounts to the SACCO with its opening in 2009, told me that he profited of those advisory services of the SACCO. Additionally, the SACCO would be the only financial institution to serve low-income earners. When asking about the impact of the SACCO on its members' life, he said that he himself would be the best example. He had been a refugee from the Democratic Republic of the Congo and had a loan nowadays with a total amount of 180,000 RWF. He had used for increasing his business and for paying the school fees for his daughter. He was also saving 1,000 RWF each month for the future of his daughter. He concluded, that there would be many other customers like him.

The important role of the SACCOs in Rwanda's actions against poverty can also be seen in two other areas. Firstly, the health insurance in Rwanda has to be paid via SACCOs. Many members told me at different points in the interview about that. Some of them said that they got in touch with the SACCO because they had to transfer the money for health insurance at the SACCO. Others said it was a competitive advantage compared to other MFIs, and yet others said it was an impact of the poor peoples' life, that more Rwandans would have health insurance nowadays as so many people have a connection to the SACCO. Secondly, the Vision 2020 Umurenge Program (VUP) in Rwanda is strongly connected to the Umurenge SACCOs. From time to time, tangible assets, such as water tanks, mattresses, toilets or iron sheets to build houses, are provided by the VUP via the SACCO. Furthermore, the VUP provides social welfare to the very poor in rural areas. In SACCO Bungwe, three out of ten customers I talked to were current or former recipients of the VUP. In the other SACCOs this was not the case for any interviewee as to my knowledge. One reason for that could be that the major focus of VUP is to develop the very poor regions which most of the times are located in rural areas. The current participants of the program stated that they receive 10,000 – 20,000 RWF each month, and the lump sum would be paid out at their SACCO. One woman, who used to be a farmer before becoming member of the VUP program and then also from the SACCO as well, broke her arm during work and was not able to work as a farmer ever since. She said she receives 5,000-10,000 RWF each month, which was not enough in her opinion, because she had 20,000 RWF of debt which had to be repaid. The woman was very satisfied with the SACCO since it was providing money and different materials to her. When I asked her at which point the SACCO could better address her needs, she claimed to be satisfied and it turned out that she apparently did not know the difference between VUP and the SACCO. That describes the close connection between the SACCO and the VUP very well on the one hand. On the other hand, it shows that more educational work has to be done.

But was it the right choice to establish SACCOs instead of other types of financial service providers? The governments' reasoning behind these member-based cooperatives was the fact that most rural Rwandans were already familiar with the concept of "non-financial cooperatives" and their concepts (AFI 2014). That is why the government assumed it would be easier to mobilize people to build their own financial cooperative. It seemed like the plan had succeeded. During my first weeks in Rwanda, when I talked to Jean-Claude Uwitonze and Jean-Pierre Uwizeye from AMIR, and Thomas Konitzer, from SBFIC, all of them told me that the so called 'SACCO yacu-feeling' was very important for the members and the success of the SACCOs. SACCO yacu means 'our SACCO' in Kinyarwanda. For this reason, I asked the members what SACCO yacu would mean for them. Although my question was targeting more on communality within the SACCO, the answers were diverse. A majority answered that they would connect SACCO yacu with being located closely to the SACCO. Many others mentioned good customer care, but also that it had no or low fees and that it was easy and quick in services to get a loan. Answers with regards to the cooperative view were for instance the SACCO belonging to them and that they feel at home and among each other. No member mentioned by him- or herself that is was important for him or her to be able to elect the village representatives or in last consequence the committee members. With posing the question on what SACCO yacu means for them, I was expecting that at least some people were talking about that issue and that decisions are made from people out of their community. One reason for that could be that the question was not formulated sharply enough. Since no one did, I decided during my second SACCO visit to ask specifically on how important it was for the members to be able to elect their representatives. When being asked these questions, all respondents but two, who did not know that they were allowed to elect representatives, were saying that it was very important to them. One of them specifically mentioned that it was important that decisions (on loans) were made by people amongst their group, but not by people who are implemented without their will. But most people were answering that the representatives are very important when it comes to encouragement of the villagers to save or to take a loan within community meetings like Umuganda.[32] Some of them also mentioned that they could talk to their representatives when having financial problems, for example because they were not able to pay an instalment in time due to unexpected expenses within their family. In these cases, the village representative is often the contact person between the SACCO and the member. Members as well as employees told me about the importance of the representatives when it comes to encouragement of the population to acquire new members.

On the last day of my visit at SACCO Abamuhoza the SACCO had organized an event within the World Savings Week at a primary school. Within this event, some pupils who had saved a lot of money in the previous year were awarded and the kids had organized a debate on advantages and disadvantages of saving. The president of the board of directors participated in the whole event and held a speech to encourage the kids to save and to

[32] There is an obligatory community service for each Rwandan from 8:00 am to 11:00 am, on the last Saturday of each month called Umuganda. For the political, ideological and economical importance of Umuganda see Verwimp (2006).

become member of the SACCO. As noted before, he is not paid by the SACCO but was working as a farmer himself.

I also asked some of the members if their attitude towards the SACCO would change if the SACCO was not cooperative-based, but profit-orientated. Others, especially in the rural SACCOs, were asked if they could imagine to switch to another MFI if it was next door. Since most of the members answered that proximity was their main reason for being member of the SACCO, these two questions were aiming to see how important the cooperativeness was for the members. I had to find out that both the SACCO-members and my translator did not sufficiently understood the difference between the SACCO as a cooperative financial institution and other profit-oriented MFIs regarding their organizational form. Even after further explanations from my side, most members (in the rural SACCOs Cyuve and Bungwe) were saying that they could not imagine that profit-oriented MFIs like BPR (which was usually my example during the interviews, since most of the members were familiar with BPR, due to its history in Rwanda's Microfinance sector) would open a branch in their neighbourhood. Therefore, it was difficult to get the members' opinions on how important SACCO being a financial cooperative is. Nonetheless, the function of the elected board members seemed important to me, especially when it came to acquiring new members, but also for the contact between the employees and the members itself. All of the three loan officers indicated that village representatives are usually contacted when it comes to loan applications. After a loan application has been approved by the loan officer and the SACCO-manager, it further still needed the approval of the credit committee and the board of directors. I asked each SACCO-manager and -loan officer how a loan decision of those committee members could deviate from the professional decision of a loan officer and a SACCO-manager who had talked with the loan applicant several times. It turned out that there were some cases in which the loan applicant had not repaid the debt in his neighbourhood and therefore was not allowed to receive a loan from the SACCO. First, conversion of a debt is not allowed as an intended use for a loan. Second, a loan applicant who is not reliable, within his neighbourhood, is also not credit worthy for the SACCO, since the SACCO belongs to its members.

With regards to the questions, which were taken into account for the evaluation, one can state, that the Umurenge SACCOs are effective. The members feel financially included and perceive the impact on their life as huge. The members' statements on possible improvements will be part of the presentation of the transformation process in section

5.2.2.1. Since some of the planned actions meet most of the members' suggestions for improvement I decided, that it would fit best into this part.

5.2. Efficiency in the Rwandan Cooperative Banking Sector

After the last part of this section has evaluated, if the Rwandan SACCOs are effective from the perspective of its members, this part will focus on efficiency. The evolution of the German cooperative banking sector in the 19th century has been described in section four. The first part of the efficiency analysis will compare it to the model of Umurenge SACCOs in Rwanda. The second part will describe the transformation process of the Rwandan network in detail. Afterwards a classification of the Rwandan model into Desrochers' and Fischer's network scheme will be presented. On that basis I draw a conclusion, if the soon-to-be Rwandan network can lead to efficiency improvements.

5.2.1. The Development of the Cooperative Banking Sector in Germany in the 19th Century – a Role Model for Rwanda?

This part of the thesis draws comparisons between the financial cooperatives in Germany in the 19th century and today's development of the Umurenge SACCO movement in Rwanda. Since the German cooperative banking system and its development counts as one of the role models in development of a cooperative banking sector some possible adjustments for the Rwandan SACCO sector will be drawn. Nevertheless, this should not mean to transplant the German version. The contextual differences have to be respected.[33]

To some degree, there were areas, where it was more difficult to develop a FC in 19th-century Germany than in today's Rwanda. For instance, the lack of technologies made it difficult to communicate. Further, all documents were hand-written. Then again 19th-century Germany was an easier environment to develop FCs at some points: regulation was flexible, the schooling system was better,[34] thanks to universal primary education and GDP per capita was higher.[35]

The difference in evolution of FCs is also important to be considered. While the German cooperative movement developed bottom-up, meaning that financial cooperatives built and

[33] If nothing else is stated, the information on the German cooperative banking sector base on the presentation of Périlleux, who did a similar comparison of the German FCs in the 19th century to West African financial cooperatives (2013).

[34] Gross enrolment for secondary school was at 10% in 2006 (EDPRS II 2013).

[35] In 1914, the GDP per capita for Germany was $3,100 (Guinnane, 2011). Although not fully comparable, the GDP per capita in 2009 was 530$ in Rwanda (World Bank statistics).

organized themselves, the emergence in Rwanda was top-down, with the state implementing one SACCO in each administrative sector.
Still, major commonalities of the German 19th-century example and the Rwandan one should be mentioned. In 19th-century Germany, a large part of the workforce worked in the agricultural sector (Lee, 1988). In Rwanda, despite a decline of the proportion the population being dependent on subsistence agriculture from 90% to 72%, the portion is still large. Rural exodus, was present in 19th-century Germany (Gibson and Blinkhorn, 1991), and is likewise an issue in Rwanda (FinScope 2012)
More striking is maybe the fact, that in today's Rwanda, as in Germany's 19th century, commercial banks did not have branches in rural areas, which lead to the development, respectively the implementation of the financial cooperatives, being the only formal financial institution, which provides financial services to the rural population (Guinnane, 2001).
The FC sector in Germany was decentralized. Rural FCs limited the number of members around 100 (Guinnane, 2003) achieving a more accurate control by members and limiting the employees' discretionary power, while at the same time the relation to a central raised their financial capacity.
Rwandan Umurenge SACCOs have today on average around 4,500 members. The new Rwandan cooperative network with thirty stand-alone district SACCOs and one national hub could realize economies of scale, reduce costs, and improve liquidity management and supervision, but with the increase in size the risk of free-riding increases and the overall quality of group monitoring decreases or better to say becomes more difficult. That again could lead to expense-preference behavior of managers.
Not only because of their small size, but also because of the limited area they were working in, German FCs did well in creating a trustful environment among themselves. That lowered information asymmetry significantly and reduced therefore the high cost of a loan application in a relevant size. This again led to a strong confidence in each other and enabled the unlimited liability option, which was obligatory for the emergence in first place. Therby a reduction from the risk of mass withdrawals in times of temporary liquidity shortages could be reached.
The German FCs – in contrast to Rwandan SACCOs – were also open for non-members. Therefore wealthier people would be attracted to bring their savings to the FC, which increased the FCs capital bases without risking their total private assets. Since Rwandan SACCOs do not have the unlimited liability rule it is not necessary to be open to non-

members for the Rwandan SACCOs to attract wealthier clients.
Additionally the small size of the FCs in Germany conditioned the limited liability. With increasing member size, also the unlimited liability-rule fell, but also at the same time the self-control of its members. Rwandan SACCOs with around 4,500 members on average are considerably bigger in member size than German FCs at the beginning. During my participatory observations in the three SACCOs I got the impression that both, SACCO staff on the one hand, and village representatives on the other hand had quite close connections to its members and especially loan takers. Still there is risk, that those close connections could get lost, since information asymmetry increases with member size.
With the upcoming merger of the 416 Umurenge SACCOs into 30 District SACCOs, the size of a single SACCO will increase enormously, even though the former Umurenge SACCOs will remain as branches of the new district SACCO. Going along with upsides of such a merger like increasing economies of scale or improved liquidity management, it will be crucial to keep the structures with village representatives, board of directors, credit committee and surveillance committee and its decision making on especially loan applications on the branch level to keep the advantages of reduced information asymmetry alive. Additionally – in the special Rwandan context – it seems to be important to keep the decision making processes at the branch level to preserve the members' SACCO yacu feeling alive. That is especially important in the Rwandan case, since the Rwandan SACCOs did not develop out of the population, but were implemented by the government. Therefore the risk of mistrust in case of decisions, which are made too far away from the basis, is much higher.
Discussing mergers directly leads to the new structure of the Rwandan cooperative sector, which will be discussed in the following section.

5.2.2. Networks and Mergers: Do they Increase Efficiency for the SACCOs?

Do merger have an impact on efficiency in the Rwandan model? Does a tighter Rwandan network with an apex institution at the top simultaneously goes along with more profitable SACCOs at the bottom? The first part of this section presents the new features of the transformation process after being adopted. I finalize my analysis by embedding the Rwandan network into the previously presented classification scheme of Desrochers and Fischer (2005). On this basis I will draw a (careful) conclusion for this part, before section six summarizes the results of the thesis and gives suggestions for further research.

5.2.2.1. Presentation of the Transformation Process

The implementation of Umurenge SACCOs in 2009 has been described in detail. Since then, the ratio of the formally included population had doubled within few years and more than 90% of the population live within less than five kilometers to a financial institution. The first goal of the implementation of the SACCO has thereby been achieved. Now it is essential to improve sustainability of the SACCO sector. In this section, I will therefore first present shortcomings of the current systems. Then, I will show how the sector and especially the network is planned to develop and thereby addresses the current limitations. In the last section of this chapter, I will then classify the Rwandan network into the scheme of Desrochers and Fischer and thereby do a first attempt of an assessment of the upcoming network structure. While doing this I will give personal impressions from my research in the field and state opinions of stakeholder of the SACCO sector.

During my stay in Rwanda I had several conversations with Thomas Konitzer and Sebastian Heinen, who are responsible consultants for SBFIC for both the consolidation of Umurenge SACCOs on a district level and the establishment of a national cooperative bank. According to their experiences, the limitations of Umurenge SACCOs could be subdivided into five major categories. These are lack of technology, weak governance and control environment, management inefficiencies of operations and financials, a lacking of adequate skills and knowledge of staff and committee members, and a very elaborate and expensive supervision.

One limitation is the restricted ability to access financial services only at the home Umurenge SACCO but nowhere else. During field visits I found that as one of the most important limitations according to committee members, employees, but especially of members. To my surprise, many members of the SACCOs wished to have access to their financials also in different areas, especially when travelling to family members throughout the country or for work. Each SACCO was equipped with at least one laptop and one internet stick, but since the SACCOs are so far working on a standalone basis and have no other connections to other SACCOs than the same name and the same laws to follow, there has been no digital connections among the SACCOs. Further, the lack of technology permits other technology based products or services, not to speak of access to a national payment, clearing and settlement system which could professionalize services and improve processes.

Another issue, which was mentioned not only by Konitzer and Heinen, but also during my interviews with Jean-Pierre Uwizeye from AMIR and Jean Thiboutot from WOCCU, was weak governance and control environment. Among those there were on the one hand relatively high fraud levels,[36] on the other hand weak portfolio management and financial losses. Despite the vast majority of Umurenge-SACCOs being profitable, at the end of 2014, still 22 SACCOs were not. According to Jean-Pierre Uwizeye this is due to the lack of adequate knowledge of SACCO-employees on the one hand, who often do not have sufficient knowledge especially of financing agricultural projects, and on the other hand also the committee members, who have generally no financial background at all. Most loans are as a general rule not given to those members with the best project or business idea, but to those with enormously high collateral. Likewise some members told me that the collateral requirements were too high for them. One farmer, who was participating in the Vision Umurenge Program (VUP), and therefore can be considered as a very poor person explained to me, that he was able to develop with the help of the SACCO and VUP. He was allowed to take a loan within a group of twenty people of a total amount of one million RWF.[37] He used the loan to cultivate Irish potatoes and to buy a sheep, others used their share of the loan to buy a chicken. As a result of the group loan and the resulting investment nowadays he is not as poor as he was before. He plans to take another loan with 13 other participants of the first loan, others would be excluded because of their bad payment moral. A loan taken only by himself would not be affordable, due to the collateral requirements which he was not able to meet.

Not only because of the low skill-level of stakeholders, but also for lack of economies of scale, which result in high cost, the SACCOs management, operational and financial, is considered to be inefficient and with room for improvement. Additionally the supervision, executed by RCA and BNR, is very costly (SBFIC 2015).

There were also several members who told me that the SACCO should also be able to provide higher individual loans. One restriction by law is that one individual loan may not be higher than 2.5% of the total amount of deposits of the SACCO. Thus, individual loans in each of the three SACCOs I visited were limited at around three million RWF.

One trader of agricultural goods in SACCO Bungwe for example was currently in the process of paying back a loan of three million RWF, which she used to expand her

[36] Until March 2015 there were 96 fraud cases in Rwandan SACCOs like stolen money, embezllement on books of accounting or mismanagement of funds (RCA 2015).

[37] Even though this is an example of a group credit given out at SACCO Bungwe, I found that group credits were rare. SACCO Cyuve for instance had two group credits in its entire portfolio.

business. It was the second loan she took from the SACCO, the first one being lower, at one million RWF. The woman told me almost all of the reasons of being member of the SACCO that I heard from so many members during my interviews: The SACCO was close to her; she feels at home; it helped reducing poverty; it was easier to get a loan than with other banks; the representatives being important to motivate and encourage the people. However, she told me, if she would need a larger loan to do the next step in her development, she would have to go to another bank, since the SACCO would not provide higher loans than three million RWF.
The consolidation plans of the Umurenge SACCO sector address at least some of those limitations.

Currently Rwanda finds itself in the process of merging the existing 416 Umurenge SACCOs on a district level to 30 District SACCOS, with around 14 sector branches (= former Umurenge SACCOs) on average.
Thus the new District SACCOs interact with their members directly or through their sector branches. The members of the Umurenge SACCOs become automatically shareholders of the District SACCOs. The governance structure on the sector level should be maintained at the same time. At the end of my stay, it was not finally decided if the committees, which were elected by the General Assembly respectively from the village representatives, were kept with decision power (on loans for example) or only as a kind of advisory board to the District SACCO's committees without independent decision power.
First of all, the merger could help improve the manual processes. The inability to access services from other Umurenge SACCOs will be abolished, since a stronger computerization and interconnection between the branches of the District SACCOs goes along with the consolidation process. Further the storage and monitoring of account and loan documents will be digitalized and can thereby improve professionalism.
Further, since all Umurenge SACCOs' deposits will be summed up into total deposits of the District SACCO, it will be possible to provide higher individual loans as was demanded by some of the members and also employees and committee members. That again would lead to improved competitiveness with other MFIs.[38] Larger repaid loans

[38] At least the more urban SACCOs, like SACCO Abamuhoza find themselves in competition to other Microfinance Institutions, even though their customer profile in serving the very poor differs a little from that of commercial Microfinance Institutions. According to Jean-Pierre Uwizeye from AMIR, the usual microfinance institutions were targeting to become the status of a microfinance bank and therefore mainly aim "bigger" customers.

could not only help to address the needs of those members better, but also improve the financial stability of the SACCO. Costs per loan unit are lower with bigger loans than with smaller ones, such that the SACCO can profit from the paid interests. A consequence of somehow “easier” interest income is the risk that the attention to the very poor, who are particularly the major reason of the establishment of the Umurenge SACCOs, could get lost. While discussing this issue with SACCO-managers or board members, all of them assured me that this would not happen and each SACCO member is regarded the same way. To manage this balancing act – attracting larger customers while not losing focus to serve the very poor – is one important issue, if the merger of the Umurenge SACCOs should be an improvement for the majority of its members.

Furthermore I got the impression that it is important to keep some decision power, especially the one for loan processes, on the sector level. Village representatives and board members are very much included in the present loan application processes in keeping personal contact to the loan applicants. I had the impression that this was very important for the acceptance of the SACCOs and their decisions. Shifting the decision to the district level could affect the frequently emphasized SACCO yacu feeling negatively, if decisions made on a district level from people they would not know personally.

When I asked employees and board members if a merger of the Umurenge SACCOs could affect the members’ SACCO yacu feeling, the respondents hardly understood the question. The building and therefore the proximity for the members would remain and therefore the SACCO yacu feeling could not get lost. When asked if a shifting of decisions to the district level could affect the feeling that the SACCO belongs to the members, they agreed, but mentioned that this probably would not be the case.

Another advantage of a consolidation could be that financially weak institutions could be supported and kept alive with the help of a merger. Otherwise, SACCOs which are making losses in a long term, would have to rely on donations or state subsidies or fail otherwise, which again could have a bad influence on the reputation of the whole sector. This is important, since trust and a sound reputation is one major asset of the SACCOs.

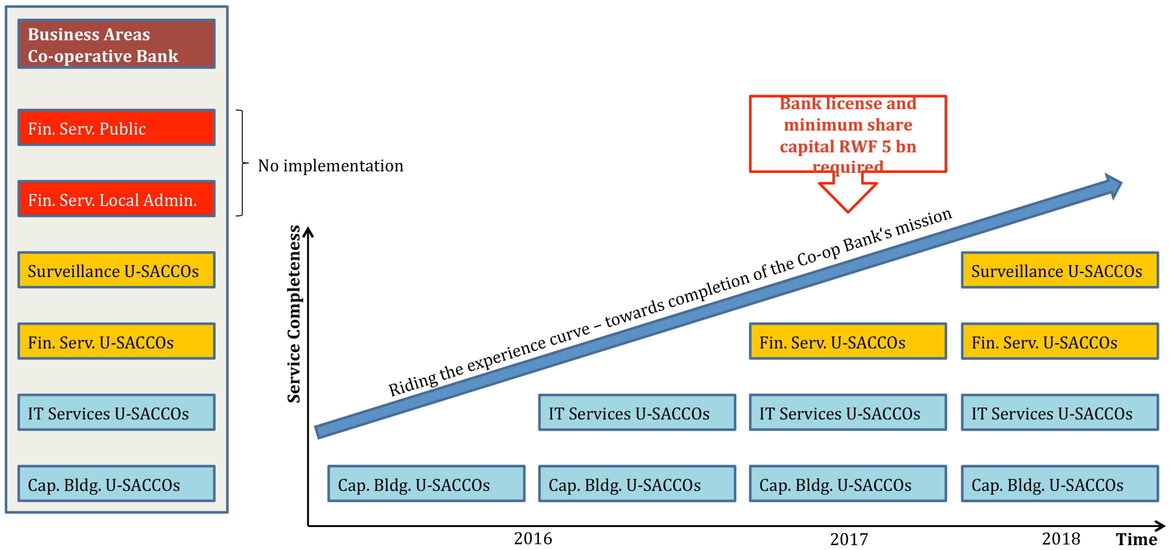
Further, the costs for the supervision and the auditing of the SACCOs are likely to shrink, since it seems easier to observe 30 consolidated SACCOs instead of 416 individual SACCOs.

The first service of the cooperative bank will be to push and to coordinate capacity building of the SACCOs (a roadmap of the successive implementation of the cooperative banks' services is shown in figure 6). Especially Jean-Pierre Uwizeye from AMIR, but also Thomas Konitzer from SBFIC and the President of the Board of Director in SACCO Abamuhoza, told me repeatedly that a lot of employees and committee members were lacking sufficient skills and therefore capacity building would be the most important issue to foster the sustainability of the SACCOs. Training in all fields relevant to the SACCOS, e.g. finance, management, governance or loan management, would be needed and therefore organized via the cooperative bank and could be executed by the Rwandan Institute of Cooperatives, Entrepreneurship and Microfinance (RICEM).[39]

Additionally, after the establishment of a joint IT-system for the District SACCOs the new Cooperative Bank is supposed to organize the permanent functioning of the IT, including the provider management, the hosting of the software, the support services and the capacity building for the Umurenge SACCO staff (SBFIC 2015). The development of an IT-system is important to improve and professionalize services, ease the surveillance and therefore is an important driver in the maturing microfinance industry (see also Kauffman and Riggins 2012).

[39] RICEM is a vocational training center for small and medium enterprises (SME) and all kind of Microfinance Institutions which has been established in 2014/2015.

Figure 6: Overview of the Services of the Cooperative Bank and the Planned Implementation Time



Source: SBFIC (2015)

The cooperative bank should also overtake major financial services to assist the SACCOs according to Konitzer. Those services can be subdivided into treasury and liquidity management, loans, payment services and access to financial markets. For the treasury and liquidity management, the cooperative bank can jointly invest the liquidity of the SACCOs, which so far place their money with other commercial banks. Those resources could be kept within the SACCO sector. Further loans, loans could be given to the SACCOs in case of refinancing needs. Surveillance services to support BNR supervision should complete the service portfolio by 2018 (SBFIC 2015).

This section described the soon-to-be transformation process of the cooperative banking sector in Rwanda, including the merger of the Umurenge SACCOs and the implementation of the Cooperative Bank as a national central institution. Advantages of both were described and thus, showed potential to improve efficiency for the whole sector. Examples from my field visits, where the transformation could address the needs of the members in a better way, were presented. Efficiency has been defined for this thesis as a measure of costs and profits. Since a cost-benefit analysis is hard to perform before the actual implementation or would go beyond the scope of this thesis I decided to continue my discussion based on the classification scheme of Desrochers and Fischer (2005).

5.2.2.2. Classification of the Rwandan Network according to Desrochers & Fischer (2005)

The final part of the efficiency analysis categorizes the Rwandan network, as it is projected into D&F's scheme. One important goal of their research was to „design a FC system taxonomy which allows meaningful comparisons across systems." A conclusion based on this categorization will be given at the end of the section.

As mentioned in section four, the major reason for that procedure was, to evaluate the transformation plans in a qualitative way. Further, the Rwandan network was not included in the evaluation of D&F and I saw a chance to fill the gap. The advantage of the practicability of such kind of classification has also been mentioned.

To classify the Rwandan network into one of the three categories (*atomized system* (AS), *consensual network (CN), strategic network (SN))* I decided for each of the ten features (as presented in figure 5) whether they were fulfilled by the Rwandan network. Drawing on D&F, I use essentially a matrix of Boolean (0/1) values to fill the table. I base the decision whether a feature was fulfilled on a written analysis of SBFIC (2015) and additionally on discussions with Sebastian Heinen and Thomas Konitzer (consultants for the Cooperative Bank project for SBFIC). This approach is used, since it is in line with the D&F-methodology, who „interrogated the sources and information available" to them.

The ten features (in line with figure 5) are presented below, including a short comment if they will be fulfilled in the Rwandan network or not.

1 Representation: The central node represents the system in issues of common concern (regulation, taxation, other cooperative movements, etc.).

Rather yes. It is likely that the District SACCOs will be organized in a federation. Right now, there is an unofficial so called "Deans Committee", which is elected by the Umurenge SACCO managers consisting of one Umurenge SACCO manager in each district (that means it includes 30 people). The Deans Committee again elects a body of five people who represent the SACCOs on a national level. For the board of directors, which are elected by the members, there is a rather similar national structure. It seems plausible that those organizations form a federation at some point, which would include all District SACCOs, even though it would not be part of the Cooperative Bank.

2 Cooperative education: The central node provides or supports cooperative education among members of first tier nodes.

Yes. This is one of the core functions the Cooperative Bank (figure 6) should overtake. It should be governed and organized by the Cooperative Bank and executed via RICEM.

3 Advisory and prudential services: The central node provides business and/or prudential management services for the first tier nodes.

Yes. This will also be a core task of the Cooperative Bank, especially financial and advisory services. Prudential services (internal and external audits) are so far provided by AMIR. It is not yet decided, if they will be passed over to the Cooperative Bank.

4 Voluntary pooling of resources and standardization: The central node is made responsible for the management of common resources and to support standardization of operating procedures across the system.

Not yet decided. As the services of the Cooperative Bank will be introduced successively (figure 5), it is not yet clear whether pooling of resources or pooling of investments will be a task of the Cooperative Bank or not.

5 Market sharing: The network has rules by which inter-nodes competition is eliminated.

Yes. The SACCOs are strictly divided into sectors respectively districts. Even though the rule is not established by the cooperatives but by the government, there will be no inter-nodes competition.

6 Unique image: The network assumes a unique trade mark and image to which all first-tier nodes adhere.

Not yet decided. This could be a plan for the future, but is not a topic during the current implementation period.

7 Delegation of strategic planning function: The central node is given the function to perform strategic planning for the system, although there is no mandatory compliance of strategic plans approved by the system.

Rather not part of the cooperative bank. However, since most strategic decisions for the SACCOs are made by the government and therefore follow a top-down principle the SACCOs' strategies are in general rather uniform.

8 Separation of strategic and operational decision management: There is separation of strategic and operational decision management between central nodes (strategic) and first-tier nodes (operational). First and second tier nodes are bound by network decisions. This includes mandatory pooling of resources and standardizations of operations in areas chosen by the network.

Rather not part of the Cooperative Bank. Neither strategic nor operational decision management for the District SACCOs is part of the Cooperative Bank services. Again, major decisions are made top-down by the government.

9 Prudential supervision role: The central node assumes the role of prudential supervisor (or auxiliary supervisor) of first tier nodes.

No. The Cooperative Bank should coordinate supervision, but not actually act as a supervisor. Actutal Supervision will be kept at BNR and RCA, but is also centralized.

10 Contractual solidarity: The networks introduces mechanisms of collective insurance designed to assist first or second tier nodes in difficulties

Yes. This is also an issue, which should be addressed by the Cooperative Bank in the medium-term.

D&F classified those systems with features 1–3 as AS. Networks, which had additionally at least some features of 4–7 were categorized in CN, and systems which presented some of the features 8–10 on top, were described as SN.

The Rwandan version fulfilled all of the three features of an AS, so far, only one feature of a CN and one feature of a SN, if the tasks of the cooperative bank are taken as the sole reference. Still, many decisions in Rwanda's cooperative banking sector are made centrally and not on the basis (Umurenge or District SACCO) level. Since the ability of independent decision making was of major importance for D&F, I decided to classify the Rwandan model as a strategic network. One can surely argue to classify it as a CN, because a lot of the features are not fulfilled by the cooperative network itself.

D&F concluded that variability of performance decreases with increasing integration, so that the lowest variability was found for strategic networks. The results also showed a tendency that expense preferences of managers increase in size of the institution, but decrease in growing networks. Thus, a strategic network, as the soon-to-be one in Rwanda has been classified in the recent analysis, has upside potential with regards to efficiency (lower variability, lower risk of expense preferences).

Further, D&F detect that performance increases with increasing integration in developed countries. But, that would not be the case for developing countries. As mentioned in section four, this could be due to lower profits in a developing cooperative system compared to higher cost of a larger network.

From that point of view, one could draw the political consequence, that poor countries – like Rwanda – should not advance integration. However, the authors mentioned several arguments, why such an advice would also be problematic:

First, the requirements of a developing financial system with increased complexities in the demand for financial services by its members have to be faced. Second, low integration also reduces their ability to perform successful regulatory advocacy, and third, expense preferences seem to increase in FCs size, but decline in growing networks.

D&F further mention the example of Willhelm Raiffeisen who achieved a qualitative operational jump of those FCs and vast long-term consequences – with the introduction of today's successful auditing federation model. The authors therefore state, that their model of FC network creation lacks details to take all these elements into account. However, it should be noted that FC performance does not necessarily improve with increasing networks.

As a key result one can state that careful integration could lead to advantages in the Rwandan context. A reduction in performance volatility can be reached, as well as lower risks of expense preferences. A better general performance with regards to cost-efficiency, which was a major object of research of this thesis, it seems important that the network is developed step by step with regards to the needs of the SACCOs. Otherwise, it is likely that the costs of larger integration exceed the additional value. Further, it seems important to include SACCOs stakeholder into the integration process. SACCOs are member-based microfinance institutions and therefore it appears to be even more important not to make decisions without consulting the owners.

6. Concluding Discussion

This thesis focused on two main questions. First, it asks whether Umurenge SACCOs are effective from the shareholders' point of view in general, and especially from the members point of view. Second, it investigates if the soon-to-be transformation processes concerning the cooperative banking sector in Rwanda can improve efficiency of the SACCOs.

In order to answer these questions, I conducted a field study, which is, to the best of my knowledge, the first qualitative field study on member-based microfinance institutions in Rwanda. For that field study I spent in total 11 weeks in Rwanda, mainly to assess the perceptions of stakeholders of the Umurgene SACCOs. These have been implemented by the government to increase financial inclusion as one component to fight poverty. Core element of the study were three one-week visits in three different SACCOs, during which I was able to capture members' and employees' perceptions. Thereby, the main contribution of this thesis was to assess a topic in which qualitative analysis is scarce, although it is generally a highly relevant topic in development economics.

The first question therefore focused on the perceptions of the members if the implementation of the SACCOs has improved financial inclusion and thus, has had an impact on their social and economic life and if it has reduced poverty. Furthermore, it was assessed whether the cooperative character of those MFIs was of importance for its members.

In the case of the second question, I concentrated on obtaining information of decision-makers and consultants of the transformation process. But still, perceptions of SACCO staff and members were included in the analysis. Thereby, I focused on information concerning the implementation of the mergers of the Umurenge SACCOs on a district level on the one hand, and the launch of the Cooperative Bank, as an apex institution for the Umurenge SACCOs and its tasks and services on the other hand. That again should add value to the analysis, if these two developments could improve efficiency of the SACCOs. I wanted to assess possible improvements of cost-efficiency or profit-efficiency (for example according to Berger and Mester 1997), but first, the timeframe for such an analysis was short, and second, the data was insufficient. Thus, I evaluated efficiency by using a comparison of the Rwandan model to the German cooperative banking system in the 19th century on the one hand, and an embedding into a cross-country analysis on cooperative banking systems of Desrochers and Fischer (2005) on the other hand.

The results of the first question showed, that SACCO members perceive the SACCO as effective with regards to my main questions. The vast majority of the members felt financially included and was not able to state any possible improvements of the SACCO to address their needs. Certainly, the members of a microfinance institution are likely to feel financially included to some degree. Those, who are not member of the SACCO or customer of any other microfinance institution, could not be asked during my study. Doubtless, there are still a lot of them (Collins et al. 2013). Nevertheless, since this part of the thesis focused on members' perceptions and most of my interviewees were satisfied with the services of the SACCOs, I conclude that the implementation of the Umurenge SACCOs has improved financial inclusion and thus, has been effective.

The results of the other two questions, which targeted the effectiveness of the SACCOs, were even more convincing. All members being interviewed stated that the existence of the SACCO has had a huge impact on the life of its members and that there were a lot of cases in which the SACCO has helped reducing poverty. The members mentioned proximity, quick and good services, and the possibility for everyone to get a loan as major reasons for their membership. The most often mentioned shortcomings of the SACCOs were lack of computerization and the loan maximum, which was due to regulatory reasons.

Further, many members, being asked for the reason of their membership, answered that they felt at home, that it was their own property or that one is among his or her peers. The cooperative character in general seemed to be of high importance to the members. On explicit inquiry members told me that it was important to them to elect their representatives. The mere existence of a contact person to whom they could talk was mentioned frequently and was of great relevance for the members. Additionally, the member recruitment especially during community meetings like Umuganda was often emphasized as highly important for the development of the Umurenge SACCOs.

A source of bias could result from the fact, that predominantly active and satisfied members are frequently doing business with the SACCOs. Further a qualitative study like the one here cannot raise a claim of being representative. However, observing three different SACCOs gave a good impression on the members' perceptions. How much of this result is driven by the fact that the SACCOs I visited were not randomly selected is beyond the scope of this work.

To summarize, I provide first evidence that Umurenge SACCOs are perceived as effective, based on the results from my study.

For the efficiency analysis, the soon-to-be Rwandan network was compared to the German cooperative model in the 19^{th} century. One major key for the success of the German model in the beginning was reduced information asymmetry due to limited member size of a single financial cooperative. Transaction costs were not too high despite small loan amounts, since member knew each other and their projects. The Rwandan SACCOs are significantly larger in member size. Nevertheless, the personal connection between SACCO staff, representatives and members is close especially for loan takers. To keep the advantage of reduced transaction costs, these strong bonds should not be broken. Shifting all major responsibilities to a higher administrative level seems therefore not recommendable.

The transformation process of the Rwandan cooperative banking sector was described in detail. Efficiency potential of both, SACCO merger on a district level, and the implementation of a national cooperative central institution, was presented. Especially the provided services of the cooperative bank, like an integrated IT system or stronger educational services for SACCO staff, seemed necessary according to the results of my interviews. With a merger of the Umurenge SACCOs on a district level higher loan demands can be satisfied due to the regulatory framework, which can lead to increased profits. However, it is essential not to lose focus on the very poor, since the major objective of the SACCOs is not to maximize profits, but to include the poor financially. This again, can indeed be one instrument to achieve Rwanda's huge development goals.
The inclusion of the Rwandan network into the scheme of Desrochers and Fischer showed the potential of efficiency gains through stronger integration of networks. Nevertheless it can be concluded that a step-by-step integration is advisable, to avoid that costs of larger integration exceed the additional value. To include the SACCOs' members and representatives as much as possible seems important for a successful integration process.

Having analyzed particularly three SACCOs, the risk of a selection bias is high, which is why the results have to be regarded carefully. Only indications about the total picture can be drawn. The Umurenge SACCO sector in Rwanda is still young and thus, there is need for more comprehensive studies, in both areas: Impact on poverty reduction and efficiency gains through cooperative networks. The effects of the implementation of financial institutions on poverty, especially in the long-term, should be of important interest for the future. Working out further studies, for example with a larger sample and randomly selected SACCOs, could add further knowledge on SACCOs and networks. Accumulating knowledge in the cooperative banking sector remains an important task and could contribute to the performance of SACCOs and other financial cooperatives.

Appendix:

Interview guideline SACCO members

1. **Personal Information** and reasons for joining the SACCO

- Name, Age, Job(s), Family?
- Why are you member of the SACCO?
- What products of the SACCO do you use?
- For what purpose do you use them?
- Why don’t you use other products?

2. **Strengths and Weaknesses of SACCOs**

- What are strengths and limitations of the SACCO?
- Does the SACCO and its products meet the clients’ needs? If not what could be improved or added?

3. **Experiences with the SACCO/ Comparison with other MFIs**

- Where do you see differences for the members between being member of a SACCO or client of a MFI? Where do you see advantages/disadvantages?
- Do you have any friends with good/bad SACCO-experiences (denied loan requests for example)
- What does ‘SACCO yacu’ mean for you?

4. **Impact of the SACCOs on its members**

- Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
- Do you think the SACCO contributes to poverty reduction?
- Which are the potential obstacles for leading to poverty reduction?

Interview guideline Committee member (Board of Directors, Credit Committee, Surveillance Committee) of SACCOs

1. Responsibilities within the SACCO/ Personal Information

- What's your profession?
- What is your job within the SACCO?
- Since when are you part of the committee?
- How much time to you spend for SACCO related work?
- What are your responsibilities?
- How often do you meet?

2. Information on Loans and the decision making process

- How many loans does the SACCO give out in a year?
- Who does get a loan? / What are the most important criteria for receiving a loan?
- What are the intended purposes for loans?
- How many loans are not paid back in time/ at all? What's the process in each case?
- How is the ratio of people asking for loans and not getting any?
- How does the decision-making process works? (Loan Officer, Manager, Credit Committee)
- Do you think you have sufficient knowledge on financial topics/ loan processing (financial capacity)?

3. Strengths and Weaknesses of SACCOs

- What are strengths and limitations of the SACCO?
- What do you think could be improved?
- What are the biggest challenges of the SACCOs?
- Does the SACCO and its products meet the clients' needs? If not what could be improved or added?
- Does the regulatory background limit the SACCO?

- On Financial diaries: A lot of people seem to use informal “products” (shop credit, , familiy&friends, in-house-savings): How do you think could the SACCO better address those people?
- Where do you see differences for the members between being member of a SACCO or client of a MFI? Where do you see advantages/disadvantages?
- Why are there so many members who don’t use the SACCOs financial products?

4. Transformation of the Umurenge SACCO sector

- What do you think of the three options regarding restructuring of the SACCO sector?
- Do you think the ‘SACCO yacu’ effect could get lost, when merging U-SACCOs on a district or national level?

5. Impact of the SACCOs on its members

- Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
- Do you think the SACCO contributes to poverty reduction?
- Which are the potential obstacles for leading to poverty reduction?
- Do you think the members are sufficiently financially included?

Interview guideline SACCO Manager

1. Information about the SACCO

- Information about the SACCO (fact sheet)
- How many members?
- How many clients?
- How many products does the SACCO have? How many of each?
- How many current accounts? How frequently used? Kubitza
- How many savings? Total amount? Average amount? Kuzijame
- Total deposits?
- How many loans? Total amount? Average amount?

2. On Loans and Savings

2.1 On Loans

- How many loans does the SACCO give out in a year?
- What is the range of loans?
- What are the repayment conditions?
- Who does get a loan? / What are the most important criteria for receiving a loan?
- What are the intended purposes for loans?
- How are the repayment conditions? What's the interest rate on loans?
- How many loans are not paid back in time/ at all? What's the process in each case?
- How is the ratio of people asking for loans and not getting any?
- How does the decision-making process works? (Loan Officer, Manager, Credit Committee)
- Do you think that deciders have sufficient knowledge on financial topics/ loan processing (financial capacity)?
-

2.2 On Savings

- How big are savings in general?
- How much is the interest on savings?

- How frequently do people save?
- Do you think people could save more in SACCOs? → If yes: Why don't they?

3. About Job/ Responsibilities

- What is your job within the SACCO?
- What are your responsibilities?
- How does a "normal" work day/ week looks like for you?

4. Strengths and Weaknesses of U-SACCOs

- What are strengths and limitations of the SACCO?
- What do you think could be improved?
- What are the biggest challenges of the SACCOs?
- Does the SACCO and its products meet the clients' needs? If not what could be improved or added?
- Does the regulatory background limit the SACCO?
- On Financial diaries: A lot of people seem to use informal "products" (shop credit, ROSCA, familiy&friends, in-house-savings): How do you think could the SACCO better address those people?
- Where do you see differences for the members between being member of a SACCO or client of a MFI? Where do you see advantages/disadvantages?
- Why are there so many members who don't use the SACCOs financial products?

5. Restructuring of the U-SACCO sector

- What do you think of the three options regarding restructuring of the SACCO sector?
- Do you think the 'SACCO yacu' effect could get lost, when merging U-SACCOs on a district or national level?

6. Impact of the SACCOs on its members

- Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
- Do you think the SACCO contributes to poverty reduction?

- Which are the potential obstacles for leading to poverty reduction?
- Do you think the members are sufficiently financially included?

Interview Guideline Loan Officer

1. **About Job/ Responsibilities**

- What is your job within the SACCO?
- What are your responsibilities?
- How does a "normal" work day/ week looks like for you?

2.1. On Loans

- How many loans does the SACCO give out in a year?
- What is the range of loans?
- What are the repayment conditions?
- Who does get a loan? / What are the most important criteria for receiving a loan?
- What are the intended purposes for loans?
- How are the repayment conditions? What's the interest rate on loans?
- How many loans are not paid back in time/ at all? What's the process in each case?
- How is the ratio of people asking for loans and not getting any?
- How does the decision-making process works? (Loan Officer, Manager, Credit Committee)
- Do you think that deciders have sufficient knowledge on financial topics/ loan processing (financial capacity)?

3. **Strengths and Weaknesses of U-SACCOs**

- What are strengths and limitations of the SACCO?
- What do you think could be improved?
- What are the biggest challenges of the SACCOs?
- Does the SACCO and its products meet the clients' needs? If not what could be improved or added?
- Does the regulatory background limit the SACCO?
- On Financial diaries: A lot of people seem to use informal "products" (shop credit, familiy&friends, in-house-savings): How do you think could the SACCO better address those people?

- Where do you see differences for the members between being member of a SACCO or client of a MFI? Where do you see advantages/disadvantages?

5. Impact of the SACCOs on its members

- Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
- Do you think the SACCO contributes to poverty reduction?
- Which are the potential obstacles for leading to poverty reduction?
- Do you think the members are sufficiently financially included?

Interview Guideline Accountant

1. **About Job/ Responsibilities**

- What is your job within the SACCO?
- What are your responsibilities?
- How does a “normal” work day/ week looks like for you?

2. **Strengths and Weaknesses of U-SACCOs**

- What are strengths and limitations of the SACCO?
- What do you think could be improved?
- What are the biggest challenges of the SACCOs?
- Does the SACCO and its products meet the clients’ needs? If not what could be improved or added?
- Does the regulatory background limit the SACCO?
- On Financial diaries: A lot of people seem to use informal “products” (shop credit, familiy&friends, in-house-savings): How do you think could the SACCO better address those people?
- Where do you see differences for the members between being member of a SACCO or client of a MFI? Where do you see advantages/disadvantages?

3. **Impact of the SACCOs on its members**

- Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
- Do you think the SACCO contributes to poverty reduction?
- Which are the potential obstacles for leading to poverty reduction?
- Do you think the members are sufficiently financially included?

Interview guideline WOCCU und AMIR

1. **Connection AMIR or WOCCU/SACCO**

- Introduction to AMIR/WOCCU and its connection to the SACCO sector in general and in Rwanda
- What were your general experiences during this work?
- Do SACCOs in Rwanda differ from SACCOs in other countries?
- How does Computerisation for the SACCOs exactly look like?

2. **Strengths and Weaknesses of U-SACCOs**

- What are strengths and limitations of the SACCO?
- What do you think could be improved?
- What are the biggest challenges of the SACCOs?
- Does the SACCO and its products meet the clients' needs? If not what could be improved or added?
- Does the regulatory background limit the SACCO?
- Where do you see differences for the members between being member of a SACCO or client of a MFI? Where do you see advantages/disadvantages?

3. **Restructuring of the U-SACCO sector**

- What do you think of the three options regarding restructuring of the SACCO sector?
- Do you think the 'SACCO yacu' effect could get lost, when merging U-SACCOs on a district or national level? (details)

4. **Impact of the SACCOs on its members**

- Do you think being member of a SACCO has a positive impact on the social and economic situation of its members?
- Do you think the SACCO contributes to poverty reduction?
- Which are the potential obstacles for leading to poverty reduction?

Interview guideline transformation SACCO sector (BNR, RCA)

1. Cooperative Bank

(4 Pillars: Financial Solutions; Internal Audit; Capacity Building; IT support)

What are the major reasons for the implementation of the Cooporative Bank?

Which services should the Cooperative Bank offer to the SACCOs?

What major problems could occur with the implementation of the Coop. Bank?

2. Restructuring of the U-SACCO sector (mergers)

Why do you think a merger of the U-SACCOs on a district level could help the U-SACCOs?

What are the main advantages of the merger?

Do you see any risks that could occur with the merger?

Could it be a threat that the SACCOs lose their touch to the people when decisions are shifted to a higher level?

3. Role of RCA/ BNR

What are the main tasks of RCA /BNR within the SACCO sector?

What are the different tasks between RCA/BNR regarding supervision of the SACCOs?

4. Others

Higher loans were demanded in interviews. Do you think this would be helpful? Could it be solved with the merger on a district level?

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Eidesstattliche Erklärung

Hiermit versichere ich an Eides Statt, dass ich die vorliegende Arbeit selbstständig und ohne die Benutzung anderer als der angegebenen Hilfsmittel angefertigt habe. Alle Stellen, die wörtlich oder sinngemäß aus veröffentlichten und nicht veröffentlichten Schriften entnommen wurden, sind als solche kenntlich gemacht. Die Arbeit ist in gleicher oder ähnlicher Form oder auszugsweise im Rahmen einer anderen Prüfung noch nicht vorgelegt worden.

Köln, den 01.04.2016

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AUSBILDUNG

10/2012 – heute	**Universität zu Köln**, Köln Master of Science in Economics <u>Masterarbeit:</u> **Efficiency and Effectiveness of Member-Based Microfinance Institutions - A Field Study on SACCOs in Rwanda**
08/2013 – 12/2013	**Asian Institute of Management**, Manila, Philippinen Auslandssemester im MBA und MDM Programm Majors: Development Economics and Corporate Finance
04/2008 – 07/2012	**Rheinische Friedrich-Wilhelms-Universität**, Bonn Bachelor of Science in Volkswirtschaftslehre Schwerpunkte: Finanzierung und Industrieökonomik
02/2011 – 07/2011	**Karls-Universität**, Prag, Tschechien Auslandssemester Kurse in Corporate Finance und Game Theory
08/1995 – 06/2004	**Siebengebirgsgymnasium**, Bad Honnef Abitur

BERUFSERFAHRUNG

09/2014 – 12/2014	**Sparkassenstiftung für internationale Kooperation e.V.**, Kigali, Ruanda *Junior Consultant, Mikrofinanzierung* • U.a. selbstständige Planung und gemeinsame Durchführung von Workshops im Zuge der Errichtung einer Bildungseinrichtung im Mikrofinanzsektor • Stipendium durch das vom BMZ finanzierte und auf Projekte in der Entwicklungszusammenarbeit ausgelegte ASA-Programm
07/2014– 09/2014	**PricewaterhouseCoopers AG WPG**, Düsseldorf *Praktikum, Transactions* • Analyse der historischen Vermögens-, Finanz- und Ertragslage sowie Erstellung und Analyse von Finanzmodellen im Rahmen einer Vendor Due Diligence im Energiesektor • Ableitung von Kapitalkosten für ein Energieversorgungsunternehmen im Zuge eines Impairment Tests
07/2012 – 09/2012	**VR Equitypartner GmbH**, Frankfurt am Main *Praktikum, Beteiligungsgeschäft der DZ Bank*

- Eigenständige Prüfung von Beteiligungsanfragen, Analyse von Businessplänen sowie Durchführung von Unternehmensbewertungen für das Investmentteam
- Erstellung von internen Entscheidungsvorlagen für die Geschäftsleitung mit Handlungsempfehlungen, u.a. im Rahmen einer abgeschlossenen Transaktion im Chemie-Sektor

11/2011 – 01/2012 **SSC Consult GmbH & Co. KG,** Köln
Praktikum, Corporate Finance-Consulting

- Erstellung von Finanzübersichten (Bilanzanalyse, GuV) zur Ableitung von Finanzkennzahlen
- Aufbereitung von Pitch-Präsentationen zu unterschiedlichen Märkten sowie Erstellung von Investorenprofilen

08/2005 – 01/2008 **Kölner Bank eG**, Köln
Ausbildung zum Bankkaufmann

- IHK-Abschlussprüfung
- U.a. selbstständige Beratung von Kunden im Geldanlagegeschäft

EHRENAMTLICHE TÄTIGKEITEN

04/2014 – 03/2015 **ASA-Programm – Stipendium**
Teilnahme an drei einwöchigen Seminaren zur Vermittlung von

- Wissen über globale Zusammenhänge und Entwicklungszusammenarbeit
- Wissen und Kompetenzen in interkultureller Kommunikation und Konfliktbearbeitung
- Umgang mit Rassismus und Diskriminierung

09/2006 – 05/2010 **Siebengebirgsgymnasium – Projekt: business@school**
Führung von Schülerteams der gymnasialen Oberstufe zur Förderung des wirtschaftlichen Verständnisses im Rahmen des Wirtschaftswettbewerbs business@school

09/2004 – 06/2005 **AWO Pflege+Service gGmbH**, Bonn
Zivildienst, Mobile Pflege

WEITERE QUALIFIKATIONEN

Sprachen

Deutsch	Muttersprache
Englisch	Verhandlungssicher
Französisch	Gute Kenntnisse

EDV

MS-Office	Sehr gute Kenntnisse

Hobbys/Interessen Basketball (Landesliga), Fitness, Reisen, Entwicklungsökonomik

Köln, 01. April 2016