

Micro Finance Institutional Services and Poverty Reduction in Rural Areas of Rwanda: A Case of Goshen Finance in Rwamagana District

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Abstract:

The study aimed to evaluate the impact of micro finance institutions on poverty reduction in rural Rwanda, using a case study of Goshen Finance in Rwamagana District. The study adopted a descriptive and analytical research design, collecting primary data from Goshen Finance staff and customers, and processing it using SPSS and Excel. The targeted population consisted of 150 respondents, including 45 employees and 105 beneficiaries. The study found compelling correlations between micro-saving and lending services and financial inclusion and well-being. A robust positive correlation was found between these services and increased access to financial services, highlighting the pivotal role of microfinance institutions in extending financial inclusion, especially for underserved populations. A strong positive correlation was found between micro-saving and lending services and improved income levels, indicating that individuals engaging with these services tend to experience higher earnings due to the empowerment provided by microfinance. Additionally, a significant positive correlation was found between micro-saving and lending services and improved access to micro-insurance and medical services, crucial for ensuring financial resilience and healthcare access for vulnerable communities. The study also highlighted the importance of micro-insurance services, showing positive correlations with increased access to financial services, significantly improved income, and enhanced access to healthcare services. A positive correlation indicated that micro-insurance can contribute to better access to education for children. In conclusion, both micro-saving and lending services and micro-insurance services have proven to be valuable tools for enhancing financial inclusion, financial stability, and access to vital services, offering significant benefits to individuals and vulnerable populations.

Keyword: *Micro-finance, institutional services, poverty reduction, Rwanda.*

1. Introduction

Microfinance institutions all over the world provide financial services to low-income individuals or groups who do not have access to traditional banking services, such as small loans, savings accounts, insurance, and other financial products. Microfinance programs seek to increase financial inclusion, alleviate poverty, and promote economic development in underserved communities (Elzahi, 2022).

Microfinance institutions (MFIs) typically target individuals who lack collateral and have a limited financial history, making traditional bank loans difficult to obtain. Instead, MFIs assess creditworthiness using alternative methods such as community-based lending, peer-group lending, and credit scoring models based on social factors. Microfinance has grown in popularity in recent years as a strategy for poverty reduction. It is thought to empower individuals and communities by giving them the tools they need to start their own businesses, generate income, and improve their overall standard of living. According to the records of world Bank, India falls under low income class. Rural people have very low access to institutionalized credit. Microfinance is viewed as a valuable tool for socioeconomic development. It is expected to play a significant role in poverty alleviation and development by providing financial services to the poor and low income individuals, (Mohd, 2018).

In Nigeria, credit inaccessibility constitutes a major hindrance to business growth, where a large majority of micro and small business owners do not have adequate collateral to secure a loan. Microfinance institution and poverty alleviation are positively and significantly related. Microfinance institutions should be given a conducive environment to operate in order to assist in developing micro and small business enterprises, thereby help mitigate the effect of the poverty ravaging the Nigerian society, (Tafamel, 2019). In Ethiopia, almost most microfinance institutions have common goals, poverty reduction by providing loans and saving services. Education level, voluntary savings and utilizations of loan for the intended purposes are statistically significant and positively contribute to the income improvement. This is due to joining programs which impact positively in improving standards of living, (Chomen, 2021).

In Rwanda, microfinance loans empower the poor and enable them to overcome obstacles. Microfinance loans have resulted in the establishment, growth, and expansion of micro and small businesses, resulting in asset creation, job creation, poverty reduction, and an improved standard of living, (Ingabire and Ogoi, 2021). Rwanda's flagship social protection program is known as the "Vision 2020 Umurenge Programme" (VUP). The program began in 2008 with the goal of reducing poverty and promoting economic growth by assisting vulnerable

households. The VUP program's vision is to build a long-term social protection system that ensures every Rwandan has access to basic services such as health care, education, and social welfare. The program's goal is to empower vulnerable households and individuals, particularly women, by giving them the skills, resources, and opportunities they need to improve their livelihoods and contribute to the development of their communities. Overall, the VUP program's vision is to create a more inclusive and equitable society in which all Rwandans can realize their full potential and contribute to the development of their communities.

2. Problem Statement

The World Bank's study on microfinance in 60 countries found that it can increase household income by 5-20%. However, it is crucial to continuously evaluate and improve microfinance interventions to ensure their effectiveness and long-term sustainability in poverty reduction and promoting inclusive economic growth. To evaluate the impact of microfinance institutions on poverty reduction, various poverty indicators should be considered, such as income levels, employment opportunities, access to education and healthcare, women's empowerment, and overall improvements in the quality of life for individuals and communities. The National Bank of Rwanda is mandated to regulate and supervise Microfinance institutions, including Savings and Credit Cooperatives (SACCOs) and limited companies operating microfinance activities. These institutions have been known to help alleviate social ills in poverty due to their efficiency in loans or credits dispensation and social equality. Scholars agree that microfinance institutions play a critical role in wealth development and poverty reduction in developing nations, particularly in Africa. Studies have shown a favorable and strong relationship between microfinance and poverty alleviation in Nigeria, Nigeria, and Rwanda. This study aimed to investigate the role of financial institutions in wealth development in Rwanda's rural areas, with a focus on the Rwamagana District. The National Bank of Rwanda supervises Microfinance Institutions (MFIs) based on Law n° 55/2007, Law n° 40/2008, and Regulation n°02/2009. The bank monitors the performance of the financial system and adopts appropriate policy measures to foster financial stability. The current study focuses on a rural area of Rwanda, with Goshen Finance in the Rwamagana district serving as a contrasting setting.

2.1 Research Objective

The study aimed to assess the contribution of microfinance institutional services on poverty reduction in rural areas of Rwanda, a case of Goshen Microfinance in Rwamagana District.

3. Literature Review

3.1 Theoretical Review

3.1.1 Financial Inclusion Theory

One of the most fundamental theories supporting MFI is that access to financial services can improve the economic well-being of low-income households. By providing financial services such as savings accounts, loans, and insurance, MFIs can help poor individuals and communities become financially independent and reduce their vulnerability to economic shocks.

3.1.2 Social Capital Theory

Another theory supporting MFI is the idea of social capital. By forming groups and networks, low-income individuals can pool their resources and create social capital that can be used to support one another. This can lead to improved livelihoods and a reduction in poverty. Economic Development: MFIs can also play a crucial role in promoting economic development at the community level. By providing small loans to entrepreneurs and small businesses, MFIs can help to create jobs and stimulate local economic growth. Women Empowerment: Several studies have shown that women who have access to microfinance are more likely to have control over their finances, have greater decision-making power within their households, and have more opportunities to start their own businesses. This can lead to improved gender equality and a reduction in poverty.

Economic Development and Poverty Reduction Strategy is our second medium-term strategy towards attainment of the long-term Rwanda Vision 2020 objectives. The first strategy was elaborated towards the end of the emergency period, when we were still recovering from the effects of the war and genocide of 1994. Our main concerns were for securing the nation, rebuilding the economy, growing enough food, building roads, providing housing, educating our children, providing health care and ensuring justice was done. It is now 2023, and Rwanda has come a long way to become a stable nation, on the path to achieving better lives for each and every citizen. Rwanda has made great achievements in human development, particularly in the areas of health and education. The country is making strides towards improving economic governance, through the decentralization of public service delivery and the involvement of the private sector in both decisions making and policy implementation.

The Government of Rwanda has been working on the elaboration of the EDPRS for the past eighteen months. The EDPRS is the second phase of Rwanda's long-term development plan, following the Vision 2020, which aimed to transform Rwanda into a middle-income country by 2020. While Rwanda has made significant progress towards achieving this goal, there is still much work to be done, particularly in reducing poverty and promoting sustainable economic growth. The EDPRS aims to

address these challenges by focusing on key priority areas, such as agriculture, energy, infrastructure, education, health, and private sector development. It also places a strong emphasis on promoting social inclusion and gender equality, as well as improving governance and public sector management.

Over the past eighteen months, the Government of Rwanda has worked closely with various stakeholders, including civil society organizations, development partners, and private sector actors, to develop the EDPRS. This process has involved extensive consultations and engagement with communities and citizens across the country, ensuring that the strategy reflects their priorities and needs. The elaboration of the EDPRS underscores Rwanda's commitment to achieving sustainable economic growth and reducing poverty. By focusing on key priority areas and promoting social inclusion and gender equality, the strategy has the potential to bring about positive change and improve the lives of Rwandans.

3.2 Empirical review

Microfinance has gained significant attention worldwide as a tool for poverty reduction. Numerous studies and empirical reviews have been conducted across various countries and regions, examining the impact of MFIs on poverty alleviation. These studies have shown mixed results, with some suggesting positive effects on poverty reduction, while others emphasize the need for a comprehensive approach to address multiple dimensions of poverty beyond access to financial services.

These studies include the ones conducted by Kelikume, (2021) to assess the impact of digital financial inclusion, informal economy, and poverty reduction in Africa. The study indicated that found a strong correlation between the informal economy, internet use, and mobile adoption. Since the informal economy has a big impact on society, it is connected to increased financial inclusion. Furthermore, the relationship between financial inclusion and the informal economy is significantly impacted by smartphone and internet use. Additionally, there is a strong correlation between the prevalence of mobile devices and the internet with the lessening of poverty. The same is true for financial inclusion, hence a higher level of financial inclusion is linked to a lower level of poverty. The impact of the informal economy is equally substantial, proving that the decline of poverty is related to its expansion.

The impact of MFIs on poverty reduction can vary depending on the specific country context, including social, economic, and cultural factors. Rwanda, as a country, has made notable progress in poverty reduction over the years. The government has implemented policies to promote financial inclusion and support the development of MFIs to enhance access to financial services for the poor. Dushime, Nakalembe, Makuei, Kwitonda, Hakizimana and Muathe, (2022) conducted a study to assess the role of Microfinance Institutions as a Vehicle for Poverty Eradication in Developing

Countries in East African Community Member States. The study was driven by the varying interpretations, debates, and opposing opinions in literature on the effects of MFIs on poverty eradication in developing economies, particularly in the East African Community (EAC). The results pointed out that despite the challenges such as high transaction rates, limited funding and others, microfinance credit has played a significant role in poverty eradication among poor/low-income families in the EAC Member States (Dushime *et al.*, 2022).

To understand the impact of MFI services on poverty reduction in Rwanda, it would be necessary to consider local-level studies and evaluations specific to the country. These studies might assess factors such as the reach of MFIs, the effectiveness of their services, the utilization of microloans for income-generating activities, and the overall impact on poverty indicators. In this context Emmanuel, (2018) conducted his doctoral dissertation to assess the impact of *microfinance loans and poverty reduction in Rwanda a case study of Coopedu, in Kicukiro district*. The author's specific goal was to investigate the effects of COOPEDU loans on poverty reduction in the Niboye sector of the Kicukiro district, to assess the difficulties COOPEDU encountered in providing small loans to its clients in the Niboye sector of the Kicukiro district, and to evaluate the relationship between microfinance loans and poverty reduction in the Niboye sector of the Kicukiro district. The study's findings demonstrate that COOPEDU has made a major impact to poverty reduction in the Kicukiro district's Niboye sector. It was also concluded that, notwithstanding COOPEDU's successes, the beneficiaries continue to confront considerable difficulties in debt management. Furthermore, the study's findings indicate a significant correlation between microloans and poverty alleviation.

3.2.1 Importance of micro lending

A study by Hong and Byun (2020) found that cultural variations affect prosocial microlending differently, with individualists lending less to those in need than collectivists. The participants' financial destitution is reduced through the microfinance programs offered by SMFIs. The study also showed that recipients of loans with higher loan amounts were perceived as living in less poverty than recipients of loans with extremely modest amounts. (Ramanathan, Elsafi, and Ahmed, 2020).

According to Boachie (2019), a study that looked at how microfinance helped reduce poverty found that it had a good effect on microbusinesses. The study also discovered that microentrepreneurs use credit to address the needs of both their businesses and households due to the dependency pressures they face and the limited credit available from microfinance organizations for productive activities. According to Buchenrieder, Gnilachi, and Benjamin (2019), microcredit has a short-term, large positive influence on per capita income, but a long-term, negative, albeit

insignificant, effect. Over time, absolute income poverty had dropped even more in the treatment group, though not as significantly as in the control group. Lower marginal income impacts may have resulted from the treatment group's transition back to the informal financial system and their use of some of the microcredit for consumption (Fatima, & Elbanna, 2022).

3.2.2 Types of services provided by micro finance institutions.

Microfinance refers to a variety of financial services provided to the poor and low-income individuals such as deposits, instalment payments, loans, money payment services, money transfers, insurance, and savings micro-credit services, (Verma, 2019).

With the supply of credit to the underprivileged and economically marginalized groups, microfinance has been positioned as a method to combat poverty. However, the primary purpose for which these institutions were created has mostly not materialized, especially in developing nations. Persistent illegal financing may cause poverty levels to rise unacceptably (Chikwira, Vengesai, and Mandude, 2022). Microfinance enables people to take out reasonable small business loans safely and in accordance with ethical lending practices. Despite the fact that they exist all over the world, the majority of microfinance operations take place in developing countries such as Uganda, Indonesia, Serbia, and Honduras (Brammer, 2019). Microfinance is regarded as an effective tool for eradicating hunger, alleviating poverty, generating income, and improving the living standards of the poor in society. It has given low-income and vulnerable people access to financial products and services (Dang & Vu, 2020; Lensink, Mersland, & Zamore, 2018).

Lensink, Mersland, and Zamore (2018) conducted a study to investigate the effects of microfinance "plus" (i.e., coordinated combination of financial and nonfinancial services) on the performance of microfinance organizations. According to the study, offering non-financial services has no negative effects and has no positive effects on the viability and effectiveness of microfinance firms. Yet, the findings indicated that offering social services focused at enhancing clients' wellbeing is connected to better loan quality and a deeper level of outreach. In terms of client base, the majority of microfinance institutions target SME operators. MFIs are also classified according to their services, such as individual lending, group lending, compulsory and voluntary savings, and so on. Again, the study discovered that MFIs contribute to the local economy in a variety of ways, including providing people with financial capital, generating income, engaging the non-formal economy, and assisting SMEs to grow. Other contributions include women's empowerment, a culture of saving, credit facilities, asset creation tools, and financial literacy (Odoom, Fosu, Ankomah, & Amofa, 2019).

3.2.3 Benefits to Micro Finance Institutions (MFIs)

The requirements for MFI loans are straightforward and simple to meet. For instance, expanding business, improving profitability, and gaining access to expertise. Reaching a new sector of clients with extra finances, flexible access funding and payback arrangements, decreased operating costs of obtaining fund Credit conditions are flexible among microfinance managers in order to aid in the fight against poverty. Nonetheless, it had been thought that the characteristics of the borrower and the terms of their credit may explain how well the loan was repaid (Ssekiziyivu, Bananuka, Nabeta, and Tumwebaze, 2018).

Micro finance institutions help the unbanked community access formal financial services, raise household income, address unemployment issues, raise the standard of living in the neighbourhood, and contribute to the eradication of poverty. In general, microfinance is viewed as a tool to stabilize the credit markets and unleash the productive potential of low-income individuals who rely on self-employment. Providing liquidity for a variety of needs rather than just increasing business income, microfinance generates benefits (Cull & Morduch, 2018).

4. Methodology

The study aimed to assess the contributions of micro finance institutions on poverty reduction in rural areas of Rwanda using a case study of Goshen Finance in Rwamagana District. The specific objectives of this study was to analyze the extent to which micro finance institutions' activities contributes on poverty reduction in rural areas, to determine the impact of micro credit on poverty reduction in rural areas of Rwanda and to identify the barriers of social economic development in rural areas of Rwanda and suggest possible solution to reduce poverty in rural areas of Rwanda. The study used descriptive and analytical research design. The researcher used both primary and secondary data sources in this research. Primary data was collected with the use of questionnaires and semi-interviews guides to the staff of Goshen finance and customers of Goshen finance in Rwamagana district. The data processing, tabulation and editing was done with the use of SPSS and Ms Excel. The targeted population of this study was equal to 150 respondents made of 45 Employees of Goshen finance from head office of Goshen and Rwamagana district outlet and 105 beneficiaries of Goshen finance in Rwamagana District and the sample population of this study is equal to 109 respondents.

5. Findings and Discussion

5.1 Indicators of poverty reduction

The study sought to establish the respondents' knowledge of poverty indicators in their respective districts. The results are shown in Table 1.

Table 1: Do you know the indicators of poverty reduction in your district?

	Frequency	Percent
Yes	78	82.1
No	17	17.9
Total	95	100.0

Source: Researcher, (2023)

Table 1 reveals that the majority of the respondents, 78 (82.1%) knew the indicators of poverty in their respective districts. This category represents respondents who have knowledge of the indicators used to measure poverty in their respective districts. The majority of the respondents, comprising 82.1%, fall into this group, indicating that a significant portion of the participants is aware of the poverty indicators.

Similarly, 17 (17.9%) of the respondents didn't know the indicators of poverty in their respective districts. The category "Didn't know the indicators of poverty" includes respondents who lack awareness or understanding of the indicators used to measure poverty in their districts. While smaller than the group with knowledge, this still represents a notable proportion of the sample, comprising 17.9% of the respondents. The distribution of knowledge about poverty indicators can have implications for the effectiveness of poverty reduction programs and initiatives in the region. Additionally, respondents who knew the indicators of poverty may have received training, education or information on poverty measurement and indicators through various channels, such as workshops, seminars, or awareness campaigns. On the other hand, respondents who lacked knowledge about poverty indicators might not have had access to relevant training or awareness programs on the topic.

5.2 Various MFI services offered in Goshen MFI

The study sought to establish MFI services offered in Goshen MFI. The results are shown in Table 2.

Table 2: Some of the MFI services offered in Goshen MFI

	Mean	Std. Deviation
Micro saving	1.2105	.58154
Micro lending/financing	1.3158	.64020
Microinsurance service	1.2526	.61831
Financial literacy	1.1368	.47514
Valid N (listwise)		

Source: Researcher, (2023)

Table 2 indicates that Goshen Finance offers a comprehensive suite of services to its beneficiaries in the rural areas of the Rwamagana district, each of which brings several notable benefits to the local population. These services, including micro savings, micro lending/financing, microinsurance, and financial literacy programs, collectively contribute to poverty reduction and economic empowerment. The study indicates that there were 95 respondents who utilized the micro saving service. The minimum score was 1.00, the maximum score was 3.00 and the mean score was 1.2105. The relatively small standard deviation (0.58154) suggests that the responses were not widely dispersed, indicating a consistent pattern of use among respondents. This implies that majority of the respondents strongly agreed that micro savings is a fundamental service provided by Goshen MFI. By offering a safe and accessible platform for individuals to deposit their savings, it encourages a culture of saving among rural residents. This has several advantages, including creating a financial cushion for emergencies, enabling individuals to invest in income-generating activities, and building financial resilience. Micro savings also promote financial stability, helping families plan for the future and avoid falling into cycles of debt. The micro lending/financing service had 95 respondents as well. The scores ranged from 1.00 to 3.00, with a mean score of 1.3158. The standard deviation of 0.64020 indicates a slightly higher variability in responses compared to micro saving. Similarly, the majority of the respondents also strongly supported that Micro lending/financing is another key service that Goshen MFI offers. It provides much-needed access to credit for individuals and small businesses in rural areas where traditional banking services may be limited. This financial support allows beneficiaries to invest in agriculture, small businesses, and other income-generating activities. As a result, microfinance services stimulate local economic growth, create

employment opportunities, and ultimately contribute to poverty reduction by increasing the financial resources available to borrowers. The micro-insurance services offered by Goshen MFI are instrumental in mitigating risks faced by rural populations. These services protect beneficiaries from unexpected events such as crop failures, illnesses, or accidents, which can have devastating financial consequences for vulnerable households. By offering affordable insurance products tailored to the needs of the rural population, Goshen MFI helps reduce the vulnerability of its beneficiaries, enhancing their overall financial security. Similarly, 95 respondents used the micro insurance service. The scores ranged from 1.00 to 3.00 and the mean score was 1.2526. The standard deviation of 0.61831 suggests a moderate level of variability in respondents' use of micro insurance. There were also 95 respondents who received financial literacy training. The scores ranged from 1.00 to 3.00, with a mean score of 1.1368. The standard deviation of 0.47514 indicates a relatively low variability in responses, suggesting a consistent level of satisfaction or knowledge gain among respondents. Financial literacy programs are an essential component of Goshen MFI's services. They empower beneficiaries with the knowledge and skills needed to make informed financial decisions. Through workshops and training sessions, individuals learn how to manage their finances effectively, budget, and understand the terms and conditions of the financial products they use. Financial literacy not only ensures that beneficiaries can fully utilize the services offered by Goshen MFI but also equips them to navigate the broader financial landscape with confidence. In conclusion, Goshen MFI's services, including micro savings, micro lending/financing, microinsurance, and financial literacy programs, play a vital role in improving the socio-economic conditions of rural communities in the Rwamagana district. These services promote savings, provide access to credit, protect against risks, and enhance financial knowledge, all of which contribute to poverty reduction, economic empowerment, and a brighter future for the beneficiaries. Goshen MFI's holistic approach to addressing financial needs in rural areas serves as a model for sustainable development and inclusive growth.

5.3 Micro finance as the most important strategic option for accessing financial services.

Table 3: Beneficiary views on strategic importance of Goshen MFI services

	Mean	Std. Deviation
Targeting the Unbanked	1.1895	.73361
Customized Financial Solutions	1.2211	.78793

Overcoming Collateral Requirements	1.3789	.86515
Focus on Financial Education	1.5368	.79641
Social Impact and Empowerment	1.3579	.65095
Promotes Sustainable Development	1.6000	.65882
Valid N (listwise)		

Source: Researcher, (2023)

The study reveals that rural beneficiaries hold highly favorable views of Goshen Microfinance Institution (MFI) due to its strategic importance in addressing their unique financial needs and challenges. The majority of respondents rated the importance of targeting the unbanked population to expand financial services, providing them with a safe place to store their money and facilitating access to credit and other financial services. Goshen MFI's ability to tailor financial products to the specific needs of rural clients is a significant advantage, as it understands their livelihoods, income streams, and financial goals. The importance of overcoming collateral requirements in accessing financial services was rated by 95 respondents, with some viewing it as a more critical factor than others. Goshen MFI's approach of considering alternative creditworthiness factors, such as group guarantees or community-based lending, eliminates the hurdle of collateral requirements, granting beneficiaries access to credit that was previously unattainable. The significance of focusing on financial education to improve access to financial services was rated by 95 respondents, with a mean rating of 1.5368. Beneficiaries view financial literacy programs as a means to empower themselves with the knowledge and skills necessary to make sound financial decisions.

Lastly, the importance of social impact and empowerment in providing financial services was rated by 95 respondents, with a mean rating of 1.3579. Rural beneficiaries often view Goshen MFI as a catalyst for positive social change, providing access to financial resources and enabling them to improve their financial situation. their living conditions, invest in education and healthcare, and strengthen their communities. Many beneficiaries report increased self-esteem and a sense of empowerment as they gain control over their financial lives. The importance of microfinance in promoting sustainable development was rated by 95 respondents. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.6000. The standard deviation of 0.65882 suggests a moderate level of variability in opinions, with some respondents valuing this strategy more highly than others. Goshen MFI's services contribute significantly to sustainable development in rural areas. By supporting income-generating activities, such as agriculture and small businesses, the institution helps create economic opportunities, reduce poverty, and enhance the overall

quality of life. Beneficiaries see these positive changes as not only improving their present circumstances but also ensuring a brighter future for themselves and their families.

5.4 Effectiveness of micro finance institutional services in rural areas

The study sought to establish the benefits of micro finance institutional services in rural areas. The results are shown in table 4.

Table 4: Effectiveness of micro finance institutional services in rural areas

	Mean	Std. Deviation
Reaching a new segment of clients with additional funds	1.6211	.86515
Flexible access funding and repayment arrangement	1.8421	.67344
Decrease operating costs of obtaining funds	1.5789	.80661
Overcome regulatory constraints of deposit taking	1.6737	.81791
Helps unbanked community to get access to formal financial services	1.8316	.64664
Expand its operations and increase profitability	1.5263	.69714
Increase income of households and solve unemployment problems.	1.7684	.77806
Improves saving cultures and community	1.7579	.64768
Access to expertise	1.4842	.59899
Valid N (listwise)		

Source: Researcher, (2023)

Table 4 revealed that there were 95 respondents who rated the benefit of reaching new clients with additional funds. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.6211. The standard deviation of 0.86515 indicates a moderate level of variability in opinions, with some respondents valuing this benefit more than others. Similarly, 95 respondents rated the benefit of flexible funding and repayment arrangements. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.8421. The relatively low standard deviation of 0.67344 suggests a higher level of agreement among respondents regarding the importance of this benefit. The benefit of reducing operating costs associated with obtaining funds was rated by 95 respondents. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.5789. The standard deviation of 0.80661 indicates a moderate level of variability in opinions, with some respondents finding this benefit more significant than others. There were also 95 respondents who rated the benefit of overcoming regulatory constraints

related to deposit taking. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.6737. The standard deviation of 0.81791 suggests a moderate level of agreement among respondents regarding the importance of this benefit. The benefit of assisting the unbanked community in accessing formal financial services was rated by 95 respondents. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.8316. The relatively low standard deviation of 0.64664 indicates a higher level of agreement among respondents regarding the significance of this benefit. For the case of expanding its operations and increase profitability benefit, there were 95 respondents, but the ratings ranged from 1.00 to 3.00. The mean rating was 1.5263, and the standard deviation was 0.69714. This indicates that some respondents might have viewed this benefit as less important, as reflected in the lower maximum rating. The benefit of increasing household income and addressing unemployment issues was rated by 95 respondents. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.7684. The standard deviation of 0.77806 indicates a moderate level of variability in opinions, with some respondents valuing this benefit more highly than others. Similarly, 95 respondents rated the benefit of improving saving cultures within the community. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.7579. The relatively low standard deviation of 0.64768 suggests a higher level of agreement among respondents regarding the significance of this benefit. Access to expertise: For this benefit, there were 95 respondents as well, but the ratings ranged from 1.00 to 3.00. The mean rating was 1.4842, and the standard deviation was 0.59899. Like the previous benefit, this indicates some respondents might have considered this benefit less important, as reflected in the lower maximum rating.

5.5 Ways in which MFI services contribute to poverty reduction in rural areas.

The respondents were requested to indicate ways in which MFI services contribute to poverty reduction in rural areas. The results are shown in table 5 below.

Table 5: Contribution of Goshen MFI services to poverty reduction in rural areas

	Mean	Std. Deviation
Increased access to financial services	1.3579	.75675
Improved our level of income	1.8105	.64072
Improved access to micro insurance and other medical services	1.8316	.72424
Improved access to education for our children	1.5368	.71176
Valid N (listwise)		

Source: Researcher, (2023)

There were 95 respondents who rated the contribution of increased access to financial services. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.3579. The standard deviation of 0.75675 indicates a moderate level of variability in opinions, with some respondents valuing this contribution more than others. Similarly, 95 respondents rated the contribution of improved income levels. The ratings ranged from 1.00 to 3.00, with a mean rating of 1.8105. The relatively low standard deviation of 0.64072 suggests a higher level of agreement among respondents regarding the importance of this contribution. The contribution of improved access to micro insurance and medical services was rated by 95 respondents. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.8316. The standard deviation of 0.72424 indicates a moderate level of variability in opinions, with some respondents finding this contribution more significant than others. There were also 95 respondents who rated the contribution of improved access to education for their children. The ratings ranged from 1.00 to 4.00, with a mean rating of 1.5368. The standard deviation of 0.71176 indicates a moderate level of variability in opinions, with some respondents valuing this contribution more highly than others.

6. Conclusion

The study aimed to evaluate the impact of microfinance institutions on poverty reduction in rural Rwanda, focusing on Goshen Finance in the Rwamagana District. The study highlighted the significant influence of micro-saving and lending services on financial inclusion and well-being. The study demonstrated a strong positive correlation with increased access to financial services, improved income levels, and better access to critical services like healthcare. The study underscored the vital role of microfinance institutions in supporting underserved populations and fostering financial resilience. Notably, both micro-saving and lending services, alongside micro insurance, emerged as crucial tools for improving financial stability, access to essential services, and ultimately reducing poverty in rural areas. Their value in socioeconomic development was evident, providing tangible benefits to individuals and vulnerable communities.

7. Recommendations

Expand Goshen MFI's Outreach: Given the positive correlation between Goshen MFI services and improved socio-economic indicators, it is recommended that the institution consider expanding its outreach to reach even more underserved communities in rural areas. This expansion could include opening new branches or utilizing mobile banking services to further broaden their impact and extend the benefits of financial inclusion to a wider population.

Enhance Financial Literacy Programs: Building on the study's indication of the importance of financial education, Goshen MFI should consider enhancing its financial literacy programs. These programs can empower beneficiaries with the knowledge and skills required to make sound financial decisions, manage their resources effectively, and protect themselves from financial risks. Regular workshops and training sessions should be conducted to ensure ongoing financial education.

Diversify Micro-insurance Offerings: To further improve access to medical services and mitigate risks for beneficiaries, Goshen MFI should consider diversifying its microinsurance offerings. This could include introducing tailored health insurance products that cater to the specific healthcare needs of rural populations. The institution should also explore partnerships with healthcare providers to ensure seamless access to medical services for insured individuals.

Monitor and Evaluate Impact: Continuous monitoring and evaluation of the impact of Goshen MFI services are essential. The institution should implement robust data collection and analysis mechanisms to track changes in income levels, access to education, and other socio-economic indicators among beneficiaries. Regular impact assessments helped identify areas for improvement and allow Goshen MFI to fine-tune its services to better meet the evolving needs of the community.

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