

# **A STUDY OF MANAGEMENT FUNCTIONS OF RWANDESE INFORMAL FINANCIAL GROUPS; THE CASE OF INFORMAL FINANCIAL GROUPS OF MASORO CELL OF NDERA SECTOR, KIGALI CITY, REPUBLIC OF RWANDA.**

**Dr. BUTERA Edison**

And

**Mr. HAKIZIMANA Phanuel**

*Adventist University of Central Africa,*

*P.O.Box: 2461 Kigali, Rwanda.*

[\*buteraedison@gmail.com\*](mailto:buteraedison@gmail.com)

[\*hakizimanaphanuel@gmail.com\*](mailto:hakizimanaphanuel@gmail.com)

## **ABSTRACT**

The study intends to assess “**The Management Functions of Rwandan Informal Financial Groups; The Case of Informal Financial Groups of Masoro Cell of Ndera Sector, Kigali city, Republic of Rwanda**”. This topic was selected after realizing that they are many informal financial groups that have attracted many members but these informal financial groups apparently do not grow. These informal financial groups are composed by members of different categories such as highly educated members or not highly educated members and these informal financial groups seem to be not well managed. Therefore, researchers wanted to assess the significant differences between perceptions of non-highly educated and highly educated members in terms of planning, organizing, leading and controlling. Effective Management Functions were assessed through the perception of members of informal financial groups in terms of: planning; organizing; leading and controlling. Population of the study was composed by all members (around 251 members) of 8 informal financial groups of Ndera Cell whose members are not highly educated and one whose members are highly educated. Researchers used convenient sampling techniques and select 40 members from non-highly educated informal financial groups and 25 members from informal financial group of highly educated respondents and data were processed by using descriptive and Independent T-test tools. Interview and observation were also used. Findings showed that all standards assessed are moderately perceived by respondents and there is no significant differences between perception of highly educated and non-highly educated respondents on management functions except on controlling where non-highly educated seems to control better than those who are highly educate. The researcher has given different recommendations for strengthening the success of informal financial groups.

**Keyword:** *Informal Financial Groups*

## **Background and Problem of the Study**

Informal financial groups (ibimina) operate on the basis of contributions by their members. Members are people who have something in common such as living in the same village, working in the same company etc... They request no legal existence approval of the central bank or elsewhere for their activities. Informal financial groups are usually made up by many members, up to a hundreds, including both men and women. Their activities include lending money to its members and they rely on mutual trust among themselves. They do not lend money to non-members and each gets loans according to his / her contribution. Contributions are paid periodically.

Periodic contributions from members are then deposited on the formal financial group's account opened in a local savings and credit cooperative such as Umurenge SACCO or in any other microfinance institution and this money can be withdrawn only when the group is to lend it to members or when members want to make any payment such as health insurance, school fees etc.

Some informal financial groups also do not have formal financial account. All or one part of collected money either big or small is given to one member immediately after being collected. Members agree together on individual periodic contribution, the percentage/amount of money that will alternatively be given to each individual (member), time and place of collecting contributions (money). They also agree on the use of the other percentage/part of money that are not given to any member. Most of the time, money that are not distributed to members are consumed by members during special days like Christmas or New Year parties. This money can also be commonly invested in something else like purchasing a land or a house that may be used by all members according to their informal financial agreements.

Makuruki (October 13, 2016) says that National Bank of Rwanda encourages other banks to have partnership with informal financial groups because they can reduce poverty. Kamonyi District (2014) confirms that informal financial groups help people to have health insurance (Mutuelle). Hakizimana (March 27, 2017) says also that informal financial groups have improved lifestyle of people. Tumwebaze (November 8, 2013) confirmed the role of informal financial groups by saying that they have improved lifestyle of many.

Despite the significant role of informal financial groups to their members, they have presented some problems. Utuyimana (October 31, 2017) says that National Bank of Rwanda requests people who uses informal financial groups as a way of saving and lending money among themselves to keep their money in banks because lending money among themselves have more risks of losing the entire savings. Informal financial groups are not registered anywhere. Thus they are not supervised by any kind of institution. Maisha (January 23, 2013) confirms also the theft found in many informal financial groups. He says that these

groups have no policies, no official documents that can be used to sue the suspect person because they rely only on trust. Ruzindana (August 31, 2016) says also that management of informal financial groups of health insurance (Mutuelle) are incredible. According to Ishimwe (November 6<sup>th</sup>, 2012) some members of Informal Financial Institution confirm that partnership between informal financial groups and microfinances doesn't have profit because many members fail to pay the loan they have received and then all group members get involved in repaying that loan.

After finding out that members of many informal financial groups have problems of managing their funds and have success, the researchers assessed the management functions of those who are highly educated and those who are not highly educated and presented some recommendations that will improve these informal financial groups.

### **Objectives**

Objectives of this study are:

1. To assess perception of respondents on management functions of informal financial groups of non-highly educated and highly educated members in terms of planning, organizing, leading and controlling.
2. To assess significant differences between perceptions of non-highly educated and highly educated members in terms of planning, organizing, leading and controlling.

### **Methodology**

Researchers assessed the significant relationship between perception of respondents (members) on Management Functions of their Informal Financial Groups (in terms of planning, organizing, leading and controlling) The Case Study was Informal Financial Groups of Selected Cells of Ndera Sector, Kigali city, Republic of Rwanda. The questionnaire used a Likert four-point scale. The researcher solicited the opinion of various lecturers from the Adventist University of Central Africa. With their expertise and experiences, they gave various objective advices on the contents and judgment for the suitability and relevance of the instrument for the study. Data was gathered by the researcher in February, 2018.

The Study was processed by using descriptive and independent T-test design to analyze perception of respondents on management functions of informal financial groups of non-highly educated and highly educated members in terms of planning, organizing, leading and controlling and their significant differences. Population of the study was composed by all members (251 members) of eight selected informal financial groups of Ndera Cell whose members are not highly educated and one informal financial group whose members are highly educated. Researchers used convenient sampling techniques and select 40 respondents from informal financial groups whose members are not-highly educated and 25 respondents from informal financial group of highly educated members. Interview and observation were also used in order to well interpret data from descriptive and Independent T-test tools. Mean( $\bar{x}$ ) and standard deviation( $\sigma$ ) were computed and then analyzed and interpreted.

An item that had a statistical mean value between 1 and 1.999 was considered as weak, an item that had statistical mean value between 2.00 and 2.99 was considered as moderate and an item that had a statistical mean value between 3.00 and 4.00 was considered as strongly perceived by respondents.

### Findings and discussion

**Table 1:**  
**Perception of Respondents on the function of Planning**

Items Assessed under the function of Planning	Non-Highly Educated		Highly Educated	
	$\bar{x}$	$\delta$	$\bar{x}$	$\Delta$
Having a clear, understandable and knowledge on vision	1.45	.50	1.44	.51
Having all operations focusing to the vision	2.31	.89	2.36	.86
Being pleased by the vision	2.28	.79	2.56	.87
Having a mission which is clear, understandable and known by all members.	2.33	.93	2.21	.88
Having objectives which are clear, understandable and known by all members.	2.28	.83	2.36	.81
Being pleased by objectives of the informal financial group	2.13	.74	2.52	.96
<b>Overall Mean</b>	<b>2.13</b>		<b>2.24</b>	

*Source: Primary data, 2018*

Table 1 shows the perception of respondents on planning. Findings show that the overall mean of the two groups (highly educated and non-highly educated) are perceived moderately by respondents. Thus planning is not well done. All items assessed under planning process are all moderately perceived by respondents but with different perception of respondents around the mean, except having a clear, understanding and well known vision which is statistically weak.

Interview has shown that informal financial groups have no plans at all, either short ones or long ones. Most of their decisions are best on their intuitions. Informal Financial groups have no written shared vision, goals or mission. King Solomon says that where there is no vision people perish (Proverbs 29:18). Joel Ross and Michael Kami, stated by Fred R. David (2009), says that without a strategy, an organization is like a ship without a rudder, going around in circles. It's like a tramp; it has no place to go. According to Piter Drucker, stated by Fred R. David (2009), a business is not defined by its name, statutes, or articles of incorporation. It is defined by the business mission. Only a clear definition of the mission and purpose of the organization makes possible clear and realistic business objectives. According to Theodore Hesburgh, mentioned by Fred R. David (2009), the very essence of leadership is that you have to have vision. Peter Drucker, stated by Fred R. David (2009), says again that objectives

are the means to mobilize resources and energies of an organization for the making of the future.

**Table 2:**  
**Perception of Respondents on Organizing Function**

Items Assessed under the function of Organizing	Non-Highly Educated		Highly Educated	
	$\bar{x}$	$\delta$	$\bar{x}$	$\delta$
Having clear and understandable tasks for each leader and tasks that are known by all members	2.83	.75	2.68	.75
Respecting tasks of each leader and having task that do not change any how	2.95	.76	2.84	.80
Having a well ordered informal financial group	2.79	.77	2.96	.79
Giving Information on time according to hierarchy of administration	2.67	.81	2.32	.99
<b>Overall University</b>	<b>2.81</b>		<b>2.7</b>	

*Source: Primary data, 2018*

Table 2 shows perception of respondents on organization. Findings show that the overall mean of the two groups (highly educated and non-highly educated) are perceived moderately by respondents. Thus organizing is not well done. All items assessed under the function of organizing are all moderately perceived by respondents but with different perception of respondents around the mean. Thus having clear tasks for each leader that are understandable and known by all members, respecting tasks of each leader and having task that do not change anyhow, having a well ordered informal financial group and giving information on time according to hierarchy of administration are all moderately perceived by members which means that improvement is needed.

Interview has shown that majority of informal financial groups have no written rules, policies or structure. Presidents of informal financial groups take alone all decision. These are most of the time people who are popular in the certain area and become opinion leaders in that area.

According to Santos T. Emmanuel (2005), organizing is the process of building relationships among functions, material and people for a common purpose. Organizing answers the following questions:

1. What needs to be done and how? In answering this question logical extension of planning activities and tasks required to achieve the objectives are identified.
2. Who's involved and how? In answering this question authority, knowledge and responsibility to complete the tasks are identified.
3. Who needs resources and when? In answering this question, resources allocation at the right time are determined.

4. What are the relationships among people, tasks, places, things, and outcomes? In answering this question structure, hierarchies, lines of authority, and relationship, logical division of labor and coordination are established.

**Table 3:**  
**Perception of Respondents on the Function of Leadership**

Items Assessed under Leading Function	Non-Highly Educated		Highly Educated	
	$\bar{x}$	$\delta$	$\bar{x}$	$\delta$
Having transparent elections (democratically)	3.55	.55	3.83	.39
Having honest, credible and courageous leaders	3.50	.64	3.64	.57
Having leaders who motivate well members to participate actively in informal financial groups	3.45	.64	3.12	.93
Having leaders who are approachable, friendly and listen well members	3.32	.66	3.52	.65
Having leaders who brings regularly new ideas and welcome discussions	2.33	.90	2.80	.96
Having Leadership that focuses to the vision	2.44	.88	3.13	.74
Solving all conflicts among members	2.60	.78	2.83	.92
Having good policies that guide the informal financial groups and which are well implemented.	2.63	.91	2.76	.97
<b>Overall</b>	<b>2.98</b>		<b>3.20</b>	

Source: Primary data, 2018

Table 3 shows perception of respondents on leadership. Findings show that the overall mean of the two groups (highly educated and non-highly educated) are perceived moderately by respondents. Items such as having transparent elections (democratically), having honest, credible and courageous leaders, having leaders who motivate well members to participate actively in the informal financial groups and having leaders who are approachable, friendly and listen well members are all strongly perceived by members of informal financial groups (non-highly educated and highly educated).

Items such as having leaders who brings regularly new ideas and welcome discussions, solve all conflicts among members and have good policies that guide the informal financial groups are all perceived by respondents from the two groups (Highly educated and non-highly educated) at low level (weak). Having Leadership that focuses to the vision is assessed by non-highly educated group with a weak mean while the said item is assessed as strong by highly educated group.

These findings show that leadership is not well done. It needs some improvement. Genevieve Capowski, mentioned by Santos T. Emmanuel (2005), says that a leader embodies the “soul” characterized as visionary, passionate, creative, flexible, inspiring, innovative, courageous,

imaginative, experimental, change initiator, with power based on personal trait. Santos T. Emmanuel (2005) says again that leadership is influence; that is the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.

According to John P. Kotter, mentioned by Santos (2005), a leader establishes direction. Develop a vision for the future, often the distant future and strategies for producing the changes needed to achieve that vision. A good leader aligns people; means he communicates the direction by words and deeds to all those whose cooperation may be needed so as to influence the creation of terms and coalitions that understand the vision and strategies, and accept their validity. A good leader also motivates and inspires his followers. Means he energizes people to overcome major political, bureaucratic and resource barriers to change by satisfying very basic, but often unfulfilled human needs. Produces change often to a dramatic degree, and has the potential of producing extremely useful change (e.g., new products that customers want, new approaches to labor relations that help make a firm more competitive)

**Table 4:**  
**Perception of Respondents on Controlling Function**

Items Assessed under Controlling Function	Non-Highly Educated		Highly Educated	
	$\bar{x}$	$\delta$	$\bar{x}$	$\delta$
Having a regular monitoring of our operations	2.63	.70	2.12	.73
Having regularly and well evaluation of achievement of objectives	2.45	.68	1.88	.78
Taking quickly corrective measures for deviation	2.78	.73	1.96	.68
<b>Overall Mean</b>	<b>2.62</b>		<b>1.99</b>	

*Source: Primary data, 2018*

Table 4 shows perception of respondents on controlling. Findings show that the overall mean of highly educated group is weak which means that controlling is weak. The overall mean of non-highly educated group is moderately perceived by respondents, which means that non-highly educated group control moderately their informal financial group. Having regularly and well evaluation of achievement of objectives and taking quickly corrective measures for deviation are all assessed by highly educated members as weak.

Santos T. Emmanuel (2005) confirms that controlling is the process managers go through to find out what has been accomplished compared to the predetermined targets. It is a systematic effort to compare performance to pre-determined goals, objectives or standards in the plan to determine whether performance is in line with those standards or there are gaps/deviations to be corrected.

**Test of Hypothesis**

**Table 5:**  
*Differences Between perception of non-highly educated and highly educated members*

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Total Planning	Equal variances assumed	.022	.883	-1.00	63	.319	-.1517	.15101	-.45343	.15010
Total Organizing	Equal variances assumed	.002	.965	.314	63	.754	.0563	.17902	-.30149	.41399
Total Leading	Equal variances assumed	3.817	.055	-1.55	63	.125	-.2100	.13517	-.48013	.06013
.	Equal variances assumed	.416	.521	4.16	63	.000	.6300	.15144	.32737	.93263
Total Management Functions	Equal variances assumed	.250	.619	.713	63	.478	.0812	.11378	-.14623	.30852

*Source: Primary data, 2018*

The test of hypothesis shows that there is no significant differences of perceptions of respondents between the two groups (non-educated and highly educated) in terms of planning, organizing and leading. But controlling shows significant differences between the two groups (non-educated and highly educated). Non-highly educated controls better than highly educated. Interview and observation show that the Non-highly educated controls better than highly educated because they contribute more than what they earn. Majority of non-highly educated have no bank account in any formal financial institution. Thus they rely more on informal financial institutions and then they care for their savings.

According to interview and observation, highly educated members of informal financial groups are all workers of different institutions, thus they have some other responsibilities and then they don't put enough attention to their informal financial group. Non-highly educated members of informal financial groups have no enough knowledge of managing businesses. Majority of them have only primary school certificate. That is the reason of not having significant differences of perceptions between the two groups (non-educated and highly educated) in terms of planning, organizing and leading.



## **Conclusion and Recommendations**

All items assessed show a moderate perception of respondents. And there is no significant differences between perception of those who are not highly educated and those who are highly educated except on controlling where non-highly educated seems to control better than those who are highly educated.

Researchers recommend that:

1. The government should set possible ways of protecting these informal financial groups.
2. Local governments and NGOs should continue to support these informal financial groups not only in capacity building but also in having a written internal regulations and credit policies.
3. Local governments and NGOs should help members of informal financial groups to set visions and missions and work according to their visions and missions.

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