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Contribution of Cooperatives to Social-Economic Development in Rwanda

Jean Bosco Harelimana* and Berna Mukarukaka

Ruhengeri Institute of Higher Education, Musanze, Rwanda

*Corresponding author: Jean Bosco Harelimana, Ruhengeri Institute of Higher Education, Musanze, Rwanda, P.O.B. 155 Musanze, Rwanda

Abstract

Rwanda has put strategies in place for social-economic transformation of Rwandans basing incorporate with Sustainable Development Goals (SDGs). This paper is purposely to examine the contribution of cooperatives to social-economic development of Rwanda and to achieve that objective, contributions were revealed basing on five (5) sustainable goals areas which are End poverty, Empower girls and women and achieve gender equality, Provide quality education and lifelong learning, Ensure healthy live, Ensure food security and good nutrition, Ensure stable and peaceful societies. The study used descriptive analysis from different Rwanda Cooperative Agency (RCA) reports and literature review of different published papers. The findings of this paper proves there is big contributions of cooperatives towards social-economics development of Rwanda for all SDGs picked-up by this study, however this paper pointed limitation to growth of some cooperatives and this study recommend further research on role on cooperatives in Rwanda with use of econometric model, since this paper used descriptive analysis.

Keywords: Cooperatives; Socio economic development; Sustainable Development Goals

Introduction

Over 200 years cooperatives movement is increasing the importance to the economies and societies to the world and as well United Nations acknowledged cooperatives as effective strategy to improve their lives while contributing to the economic, social, cultural and political advancement of their community and nation [1]. According to Carrell, Grigore & Alina-Aurelia [2], earliest cooperative movement started on 14th march 1716 in Scotland with 15 men signed to be "honest and Faithfull to one another and to make good & sufficient work and exact neither higher nor lower prices than are accustomed", as time passes cooperatives are spread in the whole world which is consider as backbone for social-economic development and according to ICA [3], 12% of world population are cooperative members and it reports on analysis of contribution of 300 largest cooperatives and mutual organization to UN Sustainable Development Goals and finding revealed that by 2019 300 top cooperatives generated 2034.98 billion USD turnover and as well currently cooperatives employs 280 million people across the global which estimated to 10% of people employed in cooperatives and this demonstrates the vital role of cooperatives in contribution to social-economic developments of nations.

Cooperatives in Africa has been recognized as tool for poverty reduction and trend of cooperatives registration in Africa is upward trend, according to Develtere & Pollet, Ignace pollet

[4] suggest that over seven per cent of the African population is affiliated to primary cooperatives have been confirmed and most countries have hundreds of new cooperatives registered every year. Cooperatives approach in Africa was revealed as contributed much in achieving Millennium Development Goals and the promotion of decent work in Africa by promoting self-help initiatives, mutual assistance in communities.

According to Ortmann & King, Mhembwe & Dube [5] Cooperatives play a significant role in improving the livelihoods of communities in the world, of which are agents of sustainable development of most developing country and according to previous studies, Schwettmann & Mhembwe & Dube [5], revealed that 40% of household in Africa are members of cooperatives. Cooperatives' members are beneficial from each other socially and economically as well as country's economy boost through business oriented cooperatives. Cooperatives managed to pull together all people with small resources to manage to come with needed business for economic development and better standards of living and as well creation of employment for members and non-member benefit, agriculture is larger sector engages in cooperative in most of African countries. According to ILO [6], in Ethiopia, 900,000 people in the agricultural sector are estimated to generate most of their income through their cooperatives. This paper is purposely focus on cooperative movement in Rwanda and more specific to contribution of cooperatives to social-economic development.

Cooperative movement in Rwanda started in 1949 since then cooperatives remained control under political interest until policy of promotion for cooperatives amended by 1988 and in 2018 the policy was revised again and entitle as National policy cooperative in Rwanda [7]. Most of Rwandans are doing businesses through cooperative, currently Number of cooperatives registered are estimated to be 10,025 cooperatives and members estimated to be 4,872,729 People with share capital estimated as 49,797,022,184 Frw and cooperatives are categorized basing on ten main economic sector in additional to saving and credit cooperatives (SACCOs) [8]. Rwandan Cooperatives are private entities with legal personality which are regulated by government institutions. Rwanda cooperative Agency (RCA) is currently having mandate of developing cooperatives sector with back up of other government institution as National policy on cooperatives in Rwanda [9] declared the roles of stakeholders in cooperative movement. Rwandan cooperatives structured into Primary cooperatives, union, federation and confederation at National level.

Rwanda's cooperative sector has grown rapidly over the last ten years. This has been achieved through the support of Government of Rwanda, which has always given emphasis to the development and promotion of cooperatives to facilitate their activities and enhanced the structure of the cooperative movement in Rwanda. The government established Rwanda cooperative Agency to accelerate cooperative development in Rwanda. Precisely, RCA has three main mandates namely: Promotion, Registration and Regulation of Cooperatives. Since 2005, the Government of Rwanda has heavily invested in the Cooperative sector and 43.5 % of populations are engaged in cooperatives. Cooperatives are regarded as good mechanisms for pooling together people's meager resources with a view to helping them have enough capital for easy business operations and transactions. It is important to note that cooperatives are central to the approach of poverty alleviation and are therefore regarded as the basic pillar for economic empowerment. However, some cooperatives are still encountering challenges both externalities and internal challenges which are caused poor financial management of some cooperative. This paper is purposely to reveal the snapshot of contribution of cooperatives to in Rwanda.

Structure of cooperatives movement in Rwanda

The cooperative organizations are currently under hierarchical structure from primary cooperative, unions cooperatives, federations cooperatives and confederation cooperatives are formed complying both national cooperative policy and cooperative law. According to ICA [3], Cooperatives are built on seven principles of which adopted by principles of cooperatives as well as all Rwandan cooperatives comply with both principles (Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information Cooperation among Cooperatives and Concern for Community) and Rwandan cooperative law. 9423 Primary cooperatives, 150 Union cooperatives, 15 Federation cooperatives and 473 SACCOs registered in Rwanda cooperative [9].

Figure 1 Represents trend of primary cooperatives since 2010, it is increasing trend which demonstrates in 2010, only 2588 cooperatives were registered and by December 2019 active

cooperative increased to 9427 which implies how cooperatives are vital in Rwandan economy. Among the primary cooperative, majority of cooperatives are from agricultural sector which counts 27.1% of which is demonstrated in Figure 2 and least percentage are fishery cooperative with 0.9%. Union cooperatives counts 1.5%, federations cooperative 0.1% and Saving and credit cooperatives (SACCOs) represents 4.4% of cooperative registered in Rwanda.

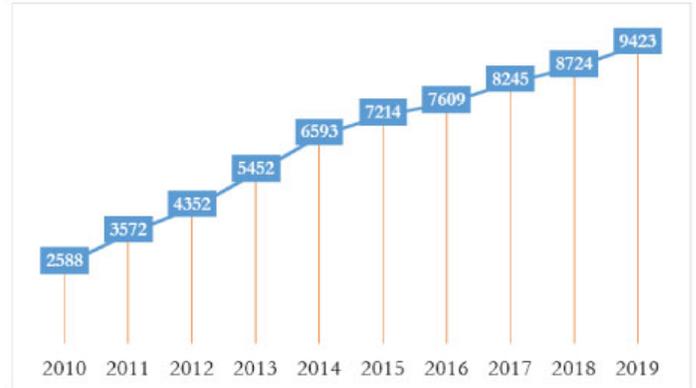


Figure 1: Cooperative distribution since 2010-2019.

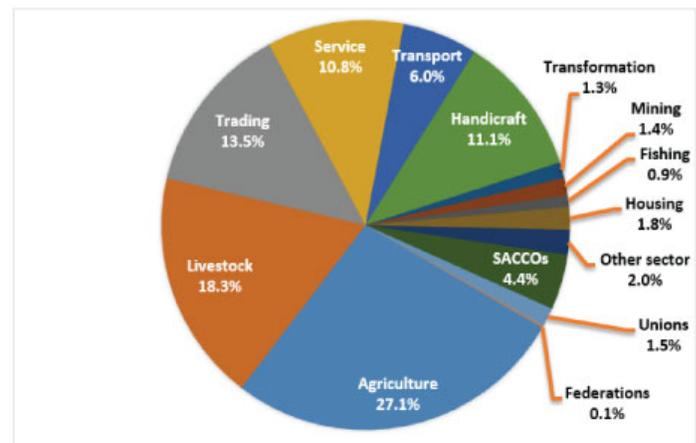


Figure 2: Distribution of cooperatives basing on economic activity, 2019.

Contribution of Cooperatives to SDGs

This paper focused on both social and economic benefits of cooperative gained by members of cooperatives, entire community and as well benefit to Rwandan government. According to ILO [6], cooperative are highly relevant and important in contributing to achievement of twelve Sustainable development goals (SDGs). This section is briefly demonstrates contribution of Rwandan cooperatives to SDGs goal but this paper focused on five goals which are:

- a. End poverty
- b. Empower girls and women and achieve gender equality
- c. Provide quality education and lifelong learning
- d. Ensure food security and good nutrition.
- e. Ensure stable and peaceful societies.

Poverty reduction

Cooperatives played big role in poverty reduction and it has been good approach to end poverty of all forms and everywhere. Rwanda was marked as faster growing economy country on continent with strong enforcement of strategies of poverty alleviation, cooperatives helped to bring people with shared capital and start-up business of which every member is equally gain from. Table 1 demonstrate the increment of both participants and share capital since 2010-2019, from 238,353 members with share capital of 5,178,550,576 Frw in 2010 to 1,839,956 members with 31,881,597,219 Frw in 2019. This reveals the cooperatives contribute to poverty reduction as there is increment of investments made in cooperative which implies that members are gaining from this investment which helps them to upgrade to better standard of life.

Cooperatives contributed financial security through job creation and access finance through loan to both members and to the community in general, most cooperatives are solution to unemployment rate. Umurenge SACCOs are source of permanent job creation and as well as source for start-up of owned businesses through access to finance (credit), all 437 SACCOs country have employed Managers, accountant Cashiers, Loans officers, Loan recoveries, fichiers, security gaurd and other employee basing on each need of SACCOs and 416 U-SACCO have employed many fulltime employees, each U-SACCO estimated to have 8 fulltime employees and it is estimated to 3328 employee across the country. This implies that cooperative contributed a lot on job creation and financial security as well as well- being of Rwandans.

Table 1: Cooperatives status (2010-2019) in Rwanda.

Year	No. of Coops.	Membership			Share capital (Frw)
		Male	Female	Total	
2010	2,588	-	-	238,353	5,178,550,576
2011	3,572	-	-	314,389	7,955,941,854
2012	4,352	205,970	172,963	378,933	10,366,647,014
2013	5,452	239,226	167,108	406,334	14,590,563,660
2014	6,593	312,849	217,405	530,254	20,395,158,375
2015	7,214	256,647	200,562	457,209	23,315,988,600
2016	7,609	310,528	216,631	527,159	27,181,872,888
2017	8,245	329,232	228,543	557,775	28,850,436,779
2018	8,724	341,405	238,054	579,459	30,621,460,663
2019	9,423	961,398	878,558	1,839,956	31,881,597,219

Source: Cooperative status since 2010-2019 in Rwanda (2019)

Table 2 demonstrates gross loan issued assets of SACCOs, Deposits and Profit made by September 2019 in each province. This implies members of SACCOs either invested loan or loan issued helped resolve issues for better standards of living, according to Quach [10] revealed positive significant between credit borrowing and household welfare though credit borrowing is not only tool for poverty reduction, it also require plan of investing credit for profit making.

Figure 3 shows the trend of saving in Umurenge SACCOs in Rwanda since 2010-2019. It demonstrates dramatic increasing of saving of members. This means that Rwandans are financially

Table 2: Financial status of SACCOs.

Province	SACCO Category	Gross Loans/Frw	Assets/Frw	Deposits/Frw	Profit/Frw
KIGALI CITY	U- SACCO	5,599,745,879	17,044,874,975	10,590,803,246	601,524,810
	Other SACCO	64,484,872,072	82,057,682,755	33,329,996,278	3,690,247,388
EASTERN	U-SACCO	11,370,707,971	34,702,852,111	19,550,062,908	1,370,564,209
	Other SACCO	386,498,674	579,467,936	455,907,515	12,966,943
WESTERN	U- SACCO	11,625,667,769	27,596,408,329	13,290,225,826	751,025,896
	Other SACCO	1,078,722,706	1,927,754,583	1,124,259,108	114,858,189
SOUTHERN	U-SACCO	10,094,345,775	31,640,829,951	15,447,333,951	766,725,978
	Other SACCO	1,316,643,325	2,370,678,495	1,304,021,867	82,689,976
NORTHERN	U-SACCO	10,099,426,483	25,635,193,769	12,853,017,836	910,084,870
	Other SACCO	1,259,859,176	2,296,267,024	1,536,418,395	119,460,083
TOTAL		117,316,489,830	225,852,009,928	109,482,046,930	8,420,148,342

Source: RCA, (2019).

inclusive with more savings of which SACCOs contributed a lot, according to FinScope in 2008 only 48% of populations were financially included and in 2016 report revealed that 89% of adult Rwandans are financially included and a large portion of the increase can be assigned to the Umurenge SACCO program. This implies that viability of savings through cooperatives contributed to poverty reduction in Rwanda.



Figure 3: Trend of savings in SACCOs in billion.

Empower women and gender equality through Cooperatives

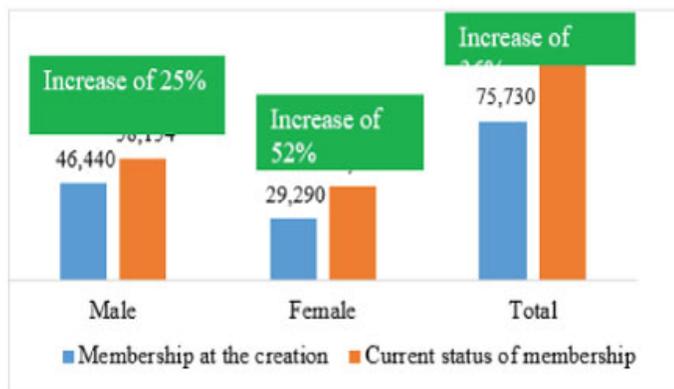
Rwanda has been role model in powering women on the content and also women are empowered through cooperatives, Table 3 demonstrates by Feb, 2020 female registered were 2,327,172 which are estimated to 44.7%. In Rwandan cooperative movement have empowered women to work together, there are many women cooperatives and through Rwanda cooperative Agency and other stakeholders have empowered by educating women to be fearless to business and managing cooperative with intent of profit making. According cooperatives law, election of cooperative of cooperative must consider gender equality. Through empowering women, Rwanda cooperative Agency together with other stakeholder trained 30 women cooperatives in Kigali city and 58 cross border women cooperatives on financial management, marketing and negotiation [9]. According to RCA [9], out of 552 assessed cooperatives the membership, Figure 4 showed an increase of 36% of membership in cooperatives since 2005. 52% of increase was female and 25% of that increase is male. This proves how Rwanda cooperatives contribute much in empowering women with respect to gender.

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Table 3: Cooperatives economics activity.

	No. of coops.	Membership			Share Capital
		Male	Female	Total	
Agriculture	2,712	462,530	392,358	854,888	5,311,572,128
Livestock	1,833	95,793	94,139	189,932	4,328,287,503
Trading	1,354	141,539	136,302	277,841	9,170,577,008
Service	1,085	133,565	121,659	255,224	2,451,552,380
Transport	597	24,073	3,043	27,116	1,923,115,800
Handicraft	1,111	60,966	63,865	124,831	2,018,592,080
Transformation	126	13,441	11,466	24,907	770,481,100
Mining	137	48,517	46,804	95,321	664,086,100
Fishing	93	9,758	11,624	21,382	162,422,000
Housing	177	27,022	18,546	45,568	5,271,556,338
Other sector	198	51,361	49,312	100,673	498,431,800
SubTotal	9,423	1,068,565	949,118	2,017,683	32,570,674,237
SACCOs	437	1,815,549	1,378,054	3,193,603	16,953,611,272
Unions	150	-	-	-	211,716,675
Federations	15	-	-	-	61,020,000
Grand Total	10,025	2,884,114	2,327,172	5,211,286	49,797,022,184

Source: RCA, February (2020)

**Figure 4:** Membership status of assessed cooperatives.

Food security in Cooperatives

Agricultural cooperatives contributes to food security by providing either law material or inputs like fertilizer and pest side to farmers and this has help much in increasing productivity as well as paving way to market channels for supplying of the production and helped members to easily access to finances. Previous study [11] revealed that Cooperatives contributed much to food security in Rwanda by comparing the output of members and non-member, there is facilitation to members of COIRWA cooperative to access to inputs which led to significant increase in output compare to non-members.

Provide quality education and lifelong learning in Cooperatives

Through cooperatives government empowered members to acquire knowledge with respect to what is needed. According to MINCOFIN [7], literacy rate is estimated to be 72% of Rwanda population adult, Rwanda cooperative in collaboration with other stakeholders educate, coach and follow-up the implementation of knowledge acquired members of cooperatives. In collaboration with PASP 201 members from 34 cooperatives were coached

on Governance and leadership of a cooperative organization, Cooperative law, Cooperative policy, financial management, internal control and Marketing [9]. This demonstrates how cooperative sector contributes to ease the way providing quality education and lifelong learning to Rwandan.

Ensure stable and peaceful country in Cooperatives

Rwandan cooperatives have been also vital platform for moral aspects and with guideline to resolve issues accordingly, through either general meetings or other special meetings complying with cooperative law. According to Claudia [12] cooperatives in Rwanda were among the vehicle for peace building after 1994 genocide against Tutsi, as well cooperatives restored interpersonal relationship among its members in post conflicts [13]. Cooperatives built a path towards agency, engage in advocacy, build and reconstruct social capital since people come together with one goal. As cooperatives are categorized basing economic activities are also be great channel through where people are easy connected to government program of moral empowering people in their respected specialization.

Table 3 Distribution of cooperatives categorized basing on economics activity national wide. Rwandan cooperatives are distributed into 11 economic sectors in additional to saving and credit cooperative (SACCOs) demonstrates that majority of cooperatives in Rwanda are under agricultural, livestock, artisanal Cooperatives, savings and credit (437 Co-operatives), trading cooperatives, service cooperatives, transformation cooperatives, mining cooperatives, housing cooperatives and fishery cooperatives. With respect statistics in Table 4, Cooperatives are great link to bring together many Rwandans which currently are 5,211,286 million active people and people with different ideas through cooperatives, members were able and felt free to resolve conflicts and reconcile quickly among them in cooperatives [14].

Challenges in Cooperatives Movements

Some cooperatives face challenges in either start-up or during the growth and some general challenges are due to mismanagement due some greedy members or miss allocation of resources due lack of knowledge. Assessment done by RCA [8] on CIP cooperative, Table 4 demonstrates out of 552 sampled cooperatives 141 are ghost cooperatives. This implies that members of those ghost cooperatives got loss from investment done.

Table 4: Existence of CIP cooperatives in Rwanda.

Status of sampled coops	Number of coops	Percent
Active Cooperatives	411	74.5
Ghost Coops	141	25.5
Total	552	100

Source: RCA (2019)

Conclusion

Cooperatives play big role in contribution to social-economic development. Finding of this paper demonstrated in poverty reduction more especially for job creation and financially security. Both individual members of cooperatives and country at large benefited from cooperative movement in tangible way.

As Rwanda cooperatives are categorized in economic activity in the way to boost economy of the country and contributed to all sectors of economy in both direct contribution and indirect, cooperatives are strong backbone for social-economic development as well as to SDGs as clear shown in the findings, like SACCOs contributed to job creation of 3328 full time jobs as well as cooperatives contributed to peace and reconciliation in Rwanda among the members and ensure stable communities. However, this paper revealed some limitations to sustainable cooperatives which lead to ghost cooperatives and this paper recommended the following.

- a. Government should track and investigate the cause of ghost cooperative.
- b. Rwanda cooperative Agency should put strong requirements for legal personality and track if that organization is really fulfill the requirement to be cooperative
- c. Rwanda cooperative Agency should ensure quick training, coaching and promotion of cooperatives immediate after issuing legal personality to new cooperative as measure to hinder mismanagement.
- d. Government should enforce ICT usage and automation in cooperatives to ease financial reporting and archives of documents.
- e. Government of Rwanda should keep on empowering women to engage in cooperatives since study demonstrates female is 44.7% and yet cooperative are revealed as poverty reduction.
- f. This study recommends further study on role cooperatives in Rwanda with baseline of all twelve SDGs.

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*Corresponding author: Jean Bosco Harelimana, Email: jbosco.harelimana@gmail.com

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