

**FINANCIAL LITERACY AND OVER-INDEBTEDNESS STATUS
WITHIN SACCOs IN RWANDA**

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ABSTRACT

The study entitled financial literacy and over-indebtedness status within SACCOs in Rwanda was about assessing the impact of financial literacy on the over-indebtedness status of the members. The research was guided by the following objectives: firstly, to assess the level of financial literacy among SACCO members in the area under study, secondly to find out the extent to which financial literacy affects the over-indebtedness status among U-SACCO members for the period under study and thirdly to establish the relationship between financial literacy and over-indebtedness among SACCO members for the period under study. The researcher used qualitative and quantitative approaches as the study was descriptive. The total population was 698 members and staff. A sample of 87 members was selected using Solvin's formula and stratified sampling procedure. The data collection techniques used to gather information were questionnaires and an interview guide to which a statistical software for data analysis SPSS was used for analyzing the data. The results of the study reveal that 17(19.5%) of the members were in the over-indebtedness status under the Financial distress, 70 (80.5%) were in the over-indebtedness status under Regular arrears. Findings also reveal that the number of members who do not know anything related to financial literacy at all was 2 (2.3%), those who had Financial knowledge were 16 (18.4%), 22 (25.3%) had Financial skills, 8 (9.2%) had Financial attitude, 16 (18.4%) had Financial behaviour and 23 (26.4%) had Financial awareness. The findings showed the members with a lack of financial literacy are exposed to fall in the over-indebtedness status as proved by SACCO from the responses they gave in the interview guide administered to them. The research highlighted a significant association in terms of the correlation coefficient computed and thus there is a significant association between financial literacy and the individual over-indebtedness status of the members in the area under study. The study concludes that the main variables that contribute

significantly to the over-indebtedness status were financial literacy, education and the time spent working with SACCO. Finally, the study recommends that education and regular financial literacy should be implemented for better overcome of individual over-indebtedness status to the members.

Keywords: Financial literacy, over-indebtedness, SACCO, Rwanda.

1.0 INTRODUCTION

From a long time ago, financial literacy has been a tangible issue as salient personal know-how and has gained prestige for both policymakers and different researchers in academia as a solution to financial problems. A great assemblage of different banks and other financial institutions in towns and less unfurl in rural areas in some countries resulted in the introduction of another accessible type of financial institution to bridge this gap (Idris et. al., 2016).

Currently, people have a multitude of services to choose from in the financial market for them to solve the financial problems they face. Due to this issue, they need the information to help them evaluate these different alternatives and taking decisions accordingly. Some individuals cannot know and use the principle concept of the financial market such as simple economic and interest computations, portfolio diversification to dispense risk etc (International Monetary Fund, 2015).

Other individuals have information about more sophisticated financial concepts such as the trade-off between bonds and stocks, making investment funds, basic asset pricing. The act of knowing how to use the concepts of financial instruments, how and where to obtain information that is necessary to make an informed decision are regarded under the concept of financial literacy (Lusardi, 2008). (Hung et. al., 2009), defined financial literacy as the level of financial skills and knowledge that allows individuals to effectively decide on the usage of available financial resources.

According to (Hathaway and Khatiwada, 2008), the higher the traditionally informed member, the better decisions taken and the more complexity in products and services, the more financial knowledge is needed by the consumers. (OECD, 2020), state that financial consumers in OECD and some non-OECD countries had low financial literacy which hampered them from making the right and knowledge-based financial decisions.

According to (Mason and Wilson, 2000), various factors make financial literacy to be a field of public concern such as having inadequate knowledge about how and where to obtain information about financial products and services outweigh, little knowledge about the presence and performance of different financial products and little awareness of financial needs.

On the other hand, an increase in household debt raise worry about the sustainability financial system worldwide, (Debelle, 2004), Even if the household debt has contributed to the consumption-led economic growth over the past two decades, the use of debt becomes a problem when it leads to over-indebtedness, (Dyanan and Kohn, 2007). Over-indebtedness occurs at certain permanence of problems over time for the consumer (Schicks, 2014).

Over-indebtedness includes measures such as the cost of debt servicing, accounts that are in arrears and the number of credit commitments held by the consumer, (D'Alessio and Lezzi, 2013). It is one of the most pertinent risks in microfinance, not only putting in danger the achievement of the social impact but also the sustainability of the industry. (Hudon, 2009), states that over-indebtedness can put microfinance institutions portfolio quality at risk and the consequences can spread over to investors, donors and the industry as a whole.

While the experience differs from region to region, when defining over-indebtedness in the context of microfinance institutions, the appropriate unit may be a borrower's extended kin support network (Guérin, Roesch, and Venkatasubramanian, 2011). Therefore, over-indebtedness definitions may apply either single or multiple criteria. Applying multiple criteria selectively risks extending a definition too far (Disney, Bridges and Gathergood, 2008), applying them simultaneously increases precision. Thus, Over-indebtedness can either be defined as a quantitative threshold such as debt to income ratio or in qualitative terms such as a perceived burden.

The most important aspect in the dimension of over-indebtedness is that the borrowers are over-indebted if their debt problems are structural and persistent over a certain time horizon (Canner and Luckett, 1991). The correct reference for measuring over-indebtedness would thus be a permanent, life-long estimate of a borrower's income (Betti et. al., 2007). Some countries only count legally bankrupt borrowers, whereas others include cases of default or arrears (Disney, Bridges and Gathergood, 2008), (Kappel, Krauss, Lontzek, 2010), or even all borrowers who struggle with an unhealthy debt balance (Collins, 2010).

(Elisabete and Margarida, 2013), measured the impact of financial literacy and financial behaviour of individuals on the likelihood of over-indebtedness, they concluded that financial literacy positively contributes to the prevention of over-indebtedness.

Savings and credit cooperatives were first brought to light in Germany in the year 1870 and then moved to North America in 1900 with European immigration then spread to Canada, the United States, Australia and Ireland, (Rwanda Cooperative Agency, 2018). In 1993, a world SACCOS was established. It evolved from the Cape Credit Union League (SACCOS), which was formed in 1981. Since these credit unions did not pay good interest on savings and that the loans were being availed at very cheap price, the member's loose delight in saving with the SACCOS and only enjoyed getting loans from the SACCOS, consequently, the SACCOS were unable to grow (Savings and Credit Co-operative League of South Africa, 2007).

For the year 1987, the SACCOS operations were enlarged to the western Cape region especially in South African credit union league but the main concern of the hornets' nest of non-practicability of SACCOS persisted until 1991 giving birth of the savings and credit co-operative league of South Africa (SACCOS) in 1993 (Savings and Credit Co-operative League of South Africa, 2007).

The government of Rwanda kicked off the idea of setting up Umurenge Sacco in 2008 to address the issue like 52 % of Rwandans could not embrace the benefits generated from the formal financial institutions, possessing huge sums of money in holes, Umurenge SACCOS was then initiated to increase access of financial services to citizens, motivate people of rural

areas not to fear financial institutions, heightening savings, provide loans to rural dwellers to uplift their income, enhance their livelihoods, mobilizing long-term capital for investment, thus graduating from chronic poverty (International Monetary Fund, 2015).

However, in this strenuous environment where the availability of loans is at ease, it may lead to excessive supply from banks and other financial institutions to stimulate the members' consumption behaviour. This in return may rise in the effect of a higher propensity to indebtedness and consequently growing to over-indebtedness if it is awkward and unruly, (Idris et. al.,2016). That is the reason why the researcher was motivated to assess the effect of financial literacy on the over-indebtedness among members of SACCOs within the Nyamasheke District of Rwanda.

1.1 Problem Statement

Even though SACCOs facilitated financial inclusion in recent years, the problem of overindebtedness can compromise their mission due to lack of financial literacy among others. According to BNR, 2018; There was a high level of non-performing loans due to over-indebted members among SACCOs, and it has become increasingly troublesome, not only a liquidity crisis in some of Umurenge SACCOs, freezing of the properties of the defaulters, holding salaries of government officials, members being taken to courts and ruin of the creditworthiness of the defaulters (Rwanda Cooperative Agency, 2019) and this situation can fragile the entire financial system and the welfare of society if the appropriate measures are taken on time.

According to (Rwanda Cooperative Agency, 2019), Umurenge SACCOs had the highest debt of Frw5,587,021,359 in non-performing loans equivalent to 11.76% which the audit conducted by National Bank of Rwanda revealed that it is beyond the required threshold of 5% and some of these non-performing loans started being written-off, (BNR, 2018). Members who fall into over-indebtedness have had distress in wellbeing and were detrimental to economic development and incidentally bestow the social problems at a personal level as well as the economy at large. (Tuyisenge, Mugambi, Kemirembe, 2015), analyzed the impact of financial literacy on loan repayment in Rwanda, however, their survey was centered on small and medium enterprises grouped in traditional groups and study on the relationship between financial literacy and individual over-indebtedness are relatively covered. Due to the to lack of financial skills of the members, the over-indebtedness status gets higher with the concerned people and thus this survey intended to evaluate the effect of financial literacy on over-indebtedness status among members of SACCOs within Nyamasheke District of Rwanda.

1.2 Objectives of the study

1. To assess the level of financial literacy among SACCO members under the period of study.
2. To find out the extent to which financial literacy affects to over-indebtedness among SACCO members for the period under study.
3. To establish the relationship between financial literacy and over-indebtedness among SACCO members for the period under study.

1.3 Research questions

1. What is the current level of financial literacy among SACCO members?
2. To what extent does financial literacy affect over-indebtedness among SACCO members?
3. Is there any significant relationship between financial literacy and over-indebtedness among SACCO members?

2.0 LITERATURE REVIEW

2.1 Definition of key concepts

2.1.1 Financial literacy

According to (Disney and Towill, 2008), (Townley, Griffiths and Bryant, 2008), (Agnew and Cameron, 2015), the low financial literacy level, the lack of experience to manage money and the lack of abilities are mentioned as the causes of over-indebtedness. (Friedman, 1957), and the life-cycle-permanent income theory by (Ando and Modigliani, 1963), were used to theoretically support the idea. They all find that a well-informed person consumes less than in his/her higher earning time for the primary purpose of financing consumption in a period of lesser earning time and a badly-informed person take wrong decisions including incurring debt beyond his means.

2.2 Over-indebtedness

According to (Haas, 2006), over-indebtedness has been defined as a state of affairs in which the families' income is downgrading to the extent that the living standard became poor and insufficient to discharge all settlement of the liabilities over a long period. This definition adopted in Germany marks the period of financial troubles for the households characterized by the lack of the capacity to settle their commitments according to their credit agreements.

2.3 SACCOs

Saving and Credit Cooperative, according to Olando, C. O. et.al. (2012), is microfinance which deals with the provision of financial services to low-income poor and very poor self-employed people.

SACCOs are user-owned financial institutions that offer both savings and credit services to their members to whom the remaining income from loans is returned back to, in the form of dividends on savings, share or both. They can accept deposits from its members as savings and also issue out loans to qualifying them. (Henama, 2012).

2.3 Theoretical framework financial Literacy and over-indebtedness

The theoretical review presents and reveals a body of knowledge studied and developed by experts. This section reviews the theories propounded by different scholars in finance and economics in explaining individual financial literacy and over-indebtedness.

2.4 The life cycle/permanent income theory

The permanent income and life-cycle hypotheses are theories of consumer spending developed by Modigliani Brumberg in 1954 and (Friedman, 1957), These theories state that individuals seek to smooth consumption over the course of a lifetime borrowing in times of low income and saving during periods of high income and that people will spend money at a level consistent with their expected long-term average income.

2.5 Behavioural-life-cycle theory

The behavioural life-cycle model was developed by (Shefrin and Thaler, 1988). According to it, the households consider the section of their wealth as non-fungible, even in the absence of credit rationing. Essentially, the behavioural life-cycle posits that there are psychological as well as financial transaction costs associated with spending from different types of assets. Thus individuals prefer to have unshakable lifestyles (Ando and Modigliani, 1963).

This theory divides wealth into divided mental accounts which are current income, current assets, and future income. First, individuals are tempted to spend all their resources on current consumption instead of saving for the future. Second, individuals who save, overcome this self-control problem by investing in a variety of assets that have different levels of temptation associated with them. Third, setting up these mental accounts implies that individuals engage in framing, a person's consumption spending not only depends on total wealth but also depends on how that wealth is allocated among assets with differing levels of temptation.

Indebtedness refers to an organized and rational decision that enables the inter-temporal redistribution of consumption. According to (Shefrin and Thaler, 1988), the behavioural-life-cycle theory concludes that people often do not think about spending and loan decisions using discount rates instead they use mental accounting, the concrete way individuals treat financial events. This means of consumption tactic is influenced by an absence of self-control, usually disregarded in economic analysis, which influences human behaviour.

In summary, Researchers have to retain that is not a single cause that leads to over-indebtedness. However, it is important to note that low income, unstable jobs, and precarious financial conditions will merge with other factors such as changes in circumstances to cause over-indebtedness. Researchers, therefore, realize that there are attitudinal causes of over-indebtedness such as poor money management, styles and ability linked to financial literacy and financial capability, and over-commitment as a consequence of over-borrowing or over-spending, or poverty that form a base of the financial difficulties of the families. Consequently, the reviewed literature overemphasizes the role of promoting financial literacy and financial advice to consumers as a tool to prevent over-indebtedness.

3.0 RESEARCH METHODOLOGY

3.1 Research approaches

This research has two approaches including quantitative and qualitative.

- Quantitative approaches: In this approach, focuses on collecting and analyzing numerical data; it concentrates on measuring the scale, range, frequency etc... phenomena.
- Qualitative approach: In this approach, is more subjective in nature than quantitative and involves examining and reflecting on the less tangible aspects of a research subject, e.g. values, attitudes, perception.

3.2 Research Design

The research was descriptive and it was designed as the stage of social research where the researcher must decide on how to measure the two main variables in his or her hypothesis and what group of people could be used as subjects and what their particular characteristics should be and what circumstances the data could be gathered. Concerning this part of the study, the main research question was to find out the benefit of microfinance in reducing poverty in the study area.

3.3 Target population

The total population was 698 members 321 females and 374 males who had the credits at least once during the year 2019 and 3 administrative staff (namely manager, loan officer and accountant) of Kagan SACCO within Nyamasheke district of Rwanda.

3.4 Sampling procedures

The researcher used purposive sampling to select the respondents. This design allows the population to have an equal chance of being selected in the different strata. The strata in this case are the different categories within the organization.

To get a sample size, the sloven's formula is calculated as follows

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

Where;

N: Population size,

e: Level of precision equals to 10%

n: Sample size

e= Error tolerance=0.1

$$n = \frac{N}{1+Ne^2} = \frac{698}{1+698(0.1)^2} = 87.4 \approx 87$$

The sample size used is equal to 87 respondents which is made by 84 members and 3staff.

4.0 DATA INSTRUMENTS AND DATA COLLECTION PROCESS

The mentioned instruments were used in collecting two types of data including; primary data and secondary data.

4.1 Questionnaire

The questionnaire is collecting primary research data, the researcher has included a closed-ended type of questionnaire that have been designed to collect data and meet the objectives of the study. This type of questionnaire has been employed because it is easier and faster for respondents to respond, and it is easier to compare the responses of the different respondents with the help of the SPSS. In addition, the answers are easier to code and statistically analyze. In the design of questionnaires, the Likert Scale has been used by the researcher to measure financial literacy among respondents. The same scale of ratings has also been used for individual over-indebtedness. The respondents have indicated whether they strongly disagree (1), disagree (2), neutral (3), agree (4) and strongly agree (5). They had also been required to choose the correct statements presented in the questionnaire. Questionnaires have been administered to all respondents.

4.2 Interview guide

Interview guides have been administered to three staff. In this research, therefore, the researcher consulted both primary and secondary documents within or outside of the institution.

5.0 ANALYSIS

5.1 Socio-demographic characteristics of Respondents

The researchers intended to determine the profile of socio-demographic characteristics of the Respondents. The following tables described the above profile of the respondents from whom the necessary information was drawn to achieve the main goal of the research.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	69	79.3	79.3	79.3
	Single	18	20.7	20.7	100.0
	Total	87	100.0	100.0	

Source: Primary data, December 2020

From the above table 1 it is obvious that total number of members who worked with Duterimbere twizigamira Kagano Sacco was 87 taken as a sample from whom the majorities were married 69 (79.3%) while single members were 18 (20.7%).

Table 2: Education level of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	58	66.7	66.7	66.7
	Secondary	26	29.9	29.9	96.6
	University	3	3.4	3.4	100.0
	Total	87	100.0	100.0	

Source: Primary data, December 2020

From the above table 2, it has been found that the members who completed primary education were 58 (66.7%), secondary education certificate 26 (29.9%) and university 3 (3.4%).

Table 3: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	38	43.7	43.7	43.7
	Male	49	56.3	56.3	100.0
	Total	87	100.0	100.0	

Source: Primary data, December 2020

Table 3 above reveals that the sample selected to represent the target population in the area under study is 87 of whom 38 (43.7%) were female and 49 (56.3%) were male.

Table 4: Age-group of respondents (Members)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-35	33	38.0	38.0	38.0
	36-49	28	32.2	32.2	70.2
	50 and above	26	29.8	29.8	100.0
	Total	87	100.0	100.0	

Source: Primary data, December 2020

Age group was variant in all stages of the members that represented the target population, 33 (38%) were between 20-35 years, 28 (32.2 %) between 36-50 years and 26 (29.8%) members were in the age group of 50 years and above.

5.2 Level of financial literacy among U-Sacco members under the period of study

To assess the level of financial literacy among U-Sacco members under the period of study, the researchers recorded the frequencies related to the questions responded by the respondents (members) and these records yielded tangible proof of this level.

Table 5: Level of financial literacy among members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Without financial literacy at all	2	2.3	2.3	2.3
	Financial knowledge	16	18.4	18.4	20.7
	Financial skill	22	25.3	25.3	46.0
	Financial attitude	8	9.2	9.2	55.2
	Financial behavior	16	18.4	18.4	73.6
	Financial awareness	23	26.4	26.4	100.0
	Total	87	100.0	100.0	

Source: Primary data, December 2020

In the above table 5, it stands for the base category of financial literacy and this means that the number of members who do not know anything related to financial literacy at all was 2 (2.3%), those who had Financial knowledge were 16 (18.4%), 22 (25.3%) had Financial skill, 8 (9.2%) had Financial attitude, 16 (18.4%) had Financial behaviour and 23 (26.4%) had Financial awareness.

5.3 Status of individual Over-Indebtedness among Respondents

To be aware of the indebtedness status of the members of this SACCO, the researchers recorded the information gathered from the questionnaire and yielded the following useful information on the outcome variable that characterizes the sample respondents.

Table 6: Status of individual Over-Indebtedness

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial distress	17	19.5	19.5	19.5
	Regular arrears	70	80.5	80.5	100.0
	Total	87	100.0	100.0	

Source: Primary data, December 2020

From the above table 6, 0 (0.0%) of the members were out of the over-indebtedness status, 17(19.5%) were in the over-indebtedness status under the Financial distress, 70 (80.5%) were in the over-indebtedness status under Regular arrears, none (0.0 %) were in the over-indebtedness status under Foreclosure, none (0.0%) were in the over-indebtedness status under High debt to income ratio and none (0.0%) were in the over-indebtedness status under the level of Making heavy use of credit.

5.4 Financial literacy over-indebtedness status of the members

The cross-tabulation can be used in yielding the information of the financial literacy with all its levels over the individual over-indebtedness status with all its levels of all the members under study.

Table 7: Financial Literacy over Individual Over-indebtedness Cross-tabulation

			Individual Over-indebtedness		Total
			Financial distress	Regular arrears	
Financial Literacy (F.L)	Without financial literacy at all	Count	1	1	2
		% within F.L	50.0%	50.0%	100.0%
Financial knowledge		Count	7	9	16
		% within F.L	43.8%	56.3%	100.0%
Financial skill		Count	5	17	22
		% within F.L	22.7%	77.3%	100.0%
Financial attitude		Count	1	7	8
		% within F.L	12.5%	87.5%	100.0%
Financial behavior		Count	2	14	16
		% within F.L	12.5%	87.5%	100.0%
Financial awareness		Count	1	22	23
		% within F.L	4.3%	95.7%	100.0%
Total		Count	17	70	87
		% within F.L	19.5%	80.5%	100.0%

Source: Primary data, December 2020

From the table above, the researchers noticed that there was one member (50.0%) who does not know anything about financial literacy and being in the over-indebtedness status, there were one member (50.0%) without financial literacy and being in the over-indebtedness under regular arrears, seven members (43.8%) had financial knowledge and being in the over-indebtedness under financial distress, nine members (56.3%) had financial knowledge and being in the over-indebtedness under regular arrears, five members (22.7%) had financial skills and being in the over-indebtedness status under financial distress, seventeen

members (77.3%) had financial skills under regular arrears' status, one member (12.5%) had financial attitude under financial distress as the level of over-indebtedness, seven members (87.5%) had financial attitude and being in the over-indebtedness under regular arrears, two members (12.5%) had financial behavior and being the financial distress status, fourteen members (87.5%) had financial behavior and being in the regular arrears status, one member (4.3%) had financial awareness and being in the financial distress status and finally twenty two members (95.7%) had financial awareness and being in the over-indebtedness status under the regular arrears.

5.5 Association of financial literacy and individual over-indebtedness

To check whether financial literacy affects the individual over-indebtedness status of the members in the area under study, the researcher referred to the cross-tabulation available in table 2 above and applied the Pearson Chi-Square test for association in SPSS to detect the association of these variables under study.

Table 8: Association of financial literacy and individual over-indebtedness

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	121.97 1 ^a	6	.001
Likelihood Ratio	126.85 6	6	.000
Linear-by-Linear Association	1.238	1	.266
N of Valid Cases	87		

Source: Primary data, December 2020

The found value of these metrics appeared to be 121.971, that is Pearson Chi-Square=121.971 with a corresponding p-value =.001. With a cutoff (level of significance=5%), the researchers noticed that this p-value <.05 and thus there is a significant association between financial literacy and the individual over-indebtedness status of the customers in the area under study.

6.0 DISCUSSIONS OF FINDINGS

The current study has the main purpose to assess the impact of financial literacy on the individual over-indebtedness among members of SACCO as the selected area under study. It was found that the staff of SACCO was composed of 4 (66.7%) males and 2 (33.3%) females. The gender distribution of the members in the area under study was as 38 (43.7%) were female and 49 (56.3%) were male. The current study revealed that most parts of the members at U-Sacco in the area under study was married persons with a corresponding figure

of 69 (79.3%) while single members were 18 (20.7%). The study showed that most of the members of SACCO had completed only completed primary education were 58 (66.7%), secondary education certificate 26 (29.9%) and university 3 (3.4%).

The study also revealed that the majority of the members 33 (38%) were between 20-35 years, 28 (32.2 %) between 36-50 years and 26 (29.8%) members were in the age group of 50 years and above. This study yielded the information about the level of financial literacy that the number of members who do not know anything related to financial literacy at all was 2 (2.3%), those who had Financial knowledge were 16 (18.4%), 22 (25.3%) had Financial skill, 8 (9.2%) had Financial attitude, 16 (18.4%) had Financial behaviour and 23 (26.4%) had Financial awareness.

In regards to the status of individual over-indebtedness, the status under the Financial distress 70 (80.5%) were in the over-indebtedness status under Regular arrears, none (0.0 %) were in the over-indebtedness status under Foreclosure, none (0.0%) were in the over-indebtedness status under High debt to income ratio and none (0.0%) were in the over-indebtedness status under the level of Making heavy use of credit.

The responses from the interview guide on the description of the overall financial literacy of the members recorded from the staff respondents revealed that the overall financial literacy of their members was at a low level, and this was obviously seen by all of the staff numbers; 3 (100.0%) that agreed that this level was low. On the training related issues of the clients, the staff of the SACCO in the area under study responded that there have been different pieces of training on the credit management processes but due to the lack of different skills and education-related issues, because most of them have completed primary education only, their members still miss this understanding even if such training has been offered to them. Thus, all staff members; 3 (100%) revealed that the main barrier that has their clients is the education level.

Due to the education as the main barrier and a loan understanding related issues of the SACCO members, then 17(19.5%) were in the over-indebtedness status under the Financial distress while 70 (80.5%) were in the over-indebtedness status under Regular arrears fail to manage their cash flows and multiple loans to honour their loan repayment. Thus, the staff still highlighting the problem of the education of their clients as a principal gap that prevents their members to manage their cash flows and flows and multiple loans to honour their loan repayment.

In addition, the clients that have been working with this SACCO for at least three years did not fall in the over-indebtedness status at a high level compared to the others, thus researchers suggest that the time spent working with the SACCO in the area under study has an effect on the individual over-indebtedness status. All three, 3 (100%) staff suggested that this is an essential factor that contributed to the individual over-indebtedness status.

Finally, the members and the staff of this SACCO understudy confirmed that financial knowledge, skills, attitude, behaviour and financial awareness are the main factors that contribute to individual over-indebtedness. This agreement has been stated by all the staff

respondents, and these factors can take on average 90% contribution on over-indebtedness status.

7.0 SUMMARY

A total of 87 respondents participated in the study, the female was 38(43.7%) and male 49(56.3%) and among three staff (manager, loan officer and the accountant). In addition, among the members, the majority of the members had completed only the primary education 58 (66.7%), followed by members who completed secondary education 26(29.9%) and then the minority of the members had attended the university level 3(3.4%). Young people aged between 20-35 years old who participated in the study were 33(38.0%), followed by members aged between 36- 50 years old being 28(32.2%) and then members aged above 50 years old being 26(29.8%). The association between the financial literacy and the individual over-indebtedness status of the members of this SACCO was found to be statistically significant and the main independent variables that contributed significantly to the outcome variable were financial literacy and the education status of the members in the area under study. With Chi-Square=121.971 with a corresponding p-value =.001 and a margin error =5%, the researchers noticed that this p-value <.05 and thus there is a significant association between financial literacy and individual over-indebtedness status.

8.0 CONCLUSION

In conclusion, most people working with SACCO in the area under study had primary education only and the people having attended the university level participate less in the services offered by the SACCO and male people are participating in these services than female people in the area of the study. The level of financial literacy of the members was assessed and found that most of the members of THE SACCO have financial literacy under the category of financial knowledge and few people in this study was found to have no financial literacy at all. The researchers found that there was a significant association between financial literacy and the individual over-indebtedness status of the members under study. In addition, the relationship between financial literacy and the individual over-indebtedness, the "education" was the first variable that came before financial literacy in explaining the outcome variable and the main factors that influence all the individual over-indebtedness status of the members were found to be education, financial literacy and the time spent working with SACCO in the area under study.

9.0 RECOMMENDATIONS

Financial literacy is an essential factor that influences the individual over-indebtedness in any business-related area and this comes from the main factor that holds it, which is education, thus the study recommends that education and ongoing training on financial literacy should be implemented for better overcome of individual over-indebtedness status:

SACCOs Administration

To plan regular training provision for members to massively mobilize them on the effect of financial literacy on members' over-indebtedness, especially in rural areas. Most of SACCOs

are incapable financially to hire experts. Therefore it is better to support recruiting and training experts through government and NGOs..

SACCO Members

SACCO members are highly recommended to attend training offered to them by SACCO.

Government

Policymakers should revise policies regarding loans and credits in terms of interest rate, The Government should attentively collaborate with SACCOs as it does with other Micro financial Institutions, private and public banks, and other Cooperatives without abiding by the cooperative rules.

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QUESTIONNAIRE AND INTERVIEW GUIDE

Appendix 1: Questionnaire

I. INSTRUCTIONS:

Read all the questions carefully before answering.

Put a cross (x) in the box corresponding to your point of view and justify clearly and concise answer where necessary.

Part I: Demographic profile

1. Age

20 – 35

36 – 50

51 – And above

2. Gender

Male

Female

3. Educational background

Primary education

Secondary education

University education

4. Marital status

Single

Married

other

5. How long have you been a customer of Duterimbere twigamira KaganoSacco?

Below one year

From 1 year to 2 years

From 3 years and above

6. What is your monthly income

50,000-10, 0000 frw

101,000-150,000

7. Have you ever given a loan/credit from Duterimbere twigamira KaganoSacco?

Yes

No

Not applicable.

8. What is the time period were you expected to pay your loan?

9. Have you exceeded the required period of paying the last installment of your loan? What was the expected time of your last installment?

10. In the following financial literacy, tick the most you think you use in managing your loan towards a good payment process:

Financial knowledge	
Financial skill	
Financial attitude	
Financial behaviour	
Financial awareness	

11. Do you find it is important to set goals for the future?

a) I do not worry about the future; I live only in the present.

b) After making a decision about money, I tend to worry too much about my decision.

c) I like to buy things, because it makes me feel good.

d) It is hard to build a family spending plan.

e) I am willing to spend money on things that are important to me.

f) I believe the way I manage my money will affect my future.

g) I think it is more satisfying to spend money than save it for the future.

h) Money is made to be spent.

i) I make notes and control my personal spending (e.g. monthly spreadsheet of income and expenses).

j) I compare prices when making a purchase

12. Do you agree that financial literacy affects your over-indebtedness status since you have had a loan/credit from Duterimbere twizigamira Kagano Sacco?

13. How do you admire the Umurenge Sacco's credit policies, Government policies and natural calamities as effects of loan payments?

Part II: INTERVIEW GUIDE

Date:	Location:
Interviewee:	Contact number:

Respondent Profile	
Age	
Gender	
Marital status	
Education	
Primary occupation	
How long are you associated with Duterimbere twizigamira Kagano Sacco?	

Now I am going to move on to ask about money matters. In these questions I may ask about you personally. Please can you start by telling me:

Questions	Answers
How would you describe the overall financial literacy of the clients of Duterimbere twizigamira Kagano Sacco?	
How do you think the clients of Duterimbere twizigamira Kagano Sacco? manage their cash flows and multiple loans to honour their loan repayment?	
How do you think the clients of Duterimbere twizigamira Kagano Sacco? Evaluate of the different sources of the loans, compute the penalties associated with non-repayment of the loan and budget their income and expenses?	

Did Duterimbere twizigamira Kagano Sacco train their clients on credit management processes?	
How can you make a determination to classify a client as over-indebted?	
What has been the level of over-indebtedness in the last 3 years?	
How would you describe the contribution of financial attitudes, financial knowledge and financial skills on individual over-indebtedness?	
What other factors do you consider to influence over-indebtedness among the clients of Duterimbere twizigamira Kagano Sacco?	
How do you think people here solve their problem in the event of financial crisis?	
What do you think are the main reasons of individual over-indebtedness?	
What are the major avenues of expenditure for the people for the clients of Duterimbere twizigamira Kagano Sacco?	
To what extent financial literacy contribute to individual over-indebtedness among the clients of Duterimbere twizigamira Kagano Sacco??	
How does financial literacy contribute to individual over-indebtedness clients of Duterimbere twizigamira Kagano Sacco?	