

**DOMINIQUE HABIMANA**

**University of Rwanda and Food and Agriculture Organization of the United Nations, Italy**

## **IMPACT OF MICROCREDIT PROGRAMME ON POVERTY AND EMPLOYMENT IN RWANDA**

### **Abstract:**

This paper provides an impact measurement of the Vision 2020 Umurenge- Financial Services (VUP-FS), a microcredit social protection programme in Rwanda. The paper uses a panel dataset to evaluate the effects of the programme on poverty, consumption, and employment, using a difference-in-difference model with sector fixed effects. The heterogeneous effect of borrowing structure and purpose of loans is investigated. The findings suggest that the programme reduce poverty rate by about 8.8 percentage points and increases consumption and off-farm employment by 7.5 and 8 percentage points, respectively. However, the programme did not have nonnegative effects on ownership of livestock or savings bank accounts as secondary outcomes. A number of robustness checks support the conclusions. Even if the programme can provide a pathway out of poverty, it only gets to a small fraction of the population; therefore, there is unmet need still.

### **Keywords:**

Consumption, difference-in-difference, microcredit, poverty, Rwanda

**JEL Classification:** C10, O11, I32