FINSCOPE

FINANCIAL INCLUSION IN RWANDA 2008 – 2012

ACCESS TO FINANCE RWANDA

Contents

Acknowledgements

Key Findings: FinScope Rwanda 2012

1. Introduction **1**

2. FinScope Rwanda **2**

3. Improving the Lives of Rwandans **4**

3.1 Demographics 4
3.2 Money management 7

4. Towards Increased Financial Inclusion in Rwanda **11**

4.1 Dimensions of financial inclusion 12
4.1.1 Physical access to financial institutions in Rwanda 13
4.1.2 Eligibility 15
4.1.4 Uptake of financial products and services: 2008 – 2012 16
4.1.5 Usage of financial products and services 25
4.2 Determinants of financial inclusion 28
4.3 Identifying new opportunities for formal inclusion 30

Profiles: Banking, Microfinance Institutions, Umurenge SACCOs, Informal Mechanisms **33 – 46**


Acknowledgements

REPUBULIKA Y'U RWANDA
UBUMWE - UMURIMO - GUKUNDA IGIHUGU

NISR NATIONAL INSTITUTE OF STATISTICS OF RWANDA

NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA
BNR

Department for International Development

UKaid from the British people

THE WORLD BANK

Centre for Economic and Social Studies

Yakini Development Consulting

Institute of Policy Analysis and Research - Rwanda

FinScope

FINMARK TRUST
Making financial markets work for the poor

Key Findings: FinScope Rwanda 2012

Realisation of financial inclusion is only effective or functional if consumers:

- have physical access to financial institutions – Accessibility;
- are eligible to open an account or use a product or service – Eligibility;
- can afford to open an account or use a product or service – Affordability;
- open accounts or take up products or services – Uptake; and
- use those products and services in managing their financial lives - Usage.

Uptake

- Financial **exclusion has dropped by 46%** since 2008.
    - In 2008 52% of adults (i.e. individuals 18 years or older) were financially excluded; in 2012 28% (1.3 million adults) are excluded and 72% (3.2 million adults) of Rwandan adults have or use financial products or mechanisms
- The reduction in exclusion was caused by a significant increase in the proportion of adults who are **formally served** (i.e. who have or use a product or service from a formal financial institution).
    - In 2008, 21% of adults were formally served; this proportion increased to 42% in 2012
    - The increase in formal inclusion was caused by an uptake of banking products, and of products offered by non-bank formal financial institutions (such as Umurenge SACCOs and insurance companies)
- The **banked population** increased from 14% of adults in 2008 to 23% in 2012.
- The establishment of **Umurenge SACCOs** has significantly changed the landscape of formal access in Rwanda. This intervention has been successful in providing formal financial services to Rwandans who would otherwise not use formal financial services.
    - 22% of adults have Umurenge SACCO products
- The proportion of adults with MFI accounts did not change significantly since 2008. It has to be noted however that some MFIs were registered as commercial banks since 2008.
- Despite the increase in the uptake of formal financial products, many Rwandans still use **informal mechanisms** to manage their money.
    - Informal inclusion increased from 39% in 2008 to 58% in 2012
    - 66% of individuals who have formal financial products also use informal mechanisms
- **Insurance uptake** has increased from 3% in 2008 to 7% in 2012.
    - **Savings groups** are not only a mechanism to save, but also play an important role in terms of social protection. Many Rwandans therefore belong to savings groups despite their use of formal savings products provided by banks, SACCOs, etc.

- 37% of adults belong to savings groups.
- 45% of group members joined a savings group because it provides them with "someone to turn to" when in financial need.

Usage

- 42% of Rwandan adults are formally included.
    - 32% used a formal financial product or service in the 6 months prior to the FinScope survey; 23% in the month before the survey; and 10% had formal financial products but had not used them in 6 months
    - Umurenge SACCO products are more likely to be actively used than bank products especially in rural areas

Accessibility, Eligibility and Affordability

With 42% of adults being formally served and the Government of Rwanda having set a target of 80% formal inclusion by 2017, it is important to note that:

- Proximity to financial institutions is not a barrier to formal financial inclusion. More than 90% of adult Rwandans live within a 5km radius from a formal financial institution.
- Eligibility is not a barrier to formal financial inclusion. For most financial institutions strict deposit and minimum balance requirements do not apply. The main requirement for opening a basic entry-level type of account is proof of identity. Carrying of the national identity card is obligatory to every Rwandan 16 years or older.
- A significant barrier to uptake of formal financial products and services is consumers' lack of **awareness** or **understanding** of how the uptake and usage of financial products would improve their lives.
- FinScope 2012 findings further indicated that 1.4 million (56%) of the 2.3 million Rwandan adults who are currently not formally served are not very likely to offer new opportunities for formal financial inclusion in the short or medium term.
    - **Poverty** is a significant barrier for these individuals. Almost 50% of them are from households in the two lowest categories of the Ubudehe socio-economic classification system; 65% of them had often run out of cash and had to make a plan for their daily needs in the 6 month period before the FinScope 2012 survey
    - **A low level of education** is another significant barrier; 54% of these individuals have never had any formal education

1. Introduction

Rwanda's development policy is guided by Vision 2020 (Ministry of Finance and Economic Planning, 2000). This statement articulates the Rwandan Government's aim to *"transform Rwanda into a middle income country, as well as an economic trade and communications hub by the year 2020"*. Illustrating its commitment to this vision, Rwanda has made significant progress over the last decade which has been characterised by sustained economic growth, significant poverty reduction and the beginning of economic transformation (2010/11 Integrated Household Survey (EICV3)):

- Poverty has declined from 58% in 2000/1 to 45% in 2012.
- There has been a reduction in the proportion of the population dependent on subsistence agriculture from 90% to 72%.
- Nonfarm jobs increased from 200,000 to 500,000.
- There has been a steady growth in agricultural production, the agricultural sector growing at an average rate of 5.8% of GDP per annum between 2000 and 2010, the industrial sector at an average annual rate of 8.8% and the services sector at an average annual rate of 10.5%.

Vision 2020 set the stage for the financial sector reform process in Rwanda. The Rwandan Financial Sector Development Programme (FSDP) was launched in 2006 with the vision to *"develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reduce poverty"*. The FSDP is one of the key components in the implementation strategy for Vision 2020 (the Economic Development and Poverty Reduction Strategy of Rwanda, EDPRS) and has four core objectives:

- To enhance access and affordability of financial services by developing a strong, efficient and competitive banking sector offering a diversified array of financial products and services. This includes support for the development and broad outreach of a healthy, well-regulated and professionally managed microfinance sector as a tool to extend financial services to the unbanked and to contribute to poverty reduction;
- To enhance savings mobilisation by creating an appropriate environment, developing institutions and fostering market incentives for the development of long-term financial instruments and an efficient capital market;
- To develop an appropriate policy, legal and regulatory framework for non-bank financial institutions;
- To develop an efficient, secure and technology-based modernised national payment system.

2. FinScope Rwanda

FinScope is a research tool which was developed by FinMark Trust[1] to address the need for credible financial sector information and which helps to provide guidance in terms of how to address or respond to some of the challenges policy makers, regulators and financial service providers are faced with.

The FinScope survey provides a holistic understanding of how individuals generate an income and how they manage their financial lives. It identifies the factors that drive financial behaviour and those that prevent individuals from using financial products and services. Implementing the FinScope survey over time provides the opportunity to assess whether, and how, a country's situation changes.

The implementation of FinScope Rwanda in 2008 was driven by a lack of credible information to guide policy interventions and financial service providers in their efforts to expand the reach and depth of the financial system. This decision was urged by the National Bank of Rwanda (BNR) as the overall custodian of Rwanda's financial sector.

The 2012 FinScope survey was commissioned by Access to Finance Rwanda (AFR) which was launched in March 2010 at the request of the Government of Rwanda, and with support from the United Kingdom's Department for International Development (DFID) and the World Bank. The core objective of AFR is to remove systemic barriers to financial services by putting the poor at the centre of its interventions. In pursuit of this objective, AFR needed information about how the landscape of access to, and usage of, financial services had changed since 2008.

A review of the implementation of the Economic Development and Poverty Reduction Strategy *EDPRS 2007 – 13 (EDPRS-1)* concluded that substantial progress had been made in meeting the targets set (Ministry of Finance and Economic Planning 2012) for financial sector development. However, it is clear that economic transformation and growth will need to be accelerated if *Vision 2020* is to be realised. Having access to the FinScope 2012 information will provide the Government of Rwanda with crucial information about whether financial sector interventions implemented since 2008 have changed the financial landscape and whether these interventions have had the intended impact. Implementation of the FinScope Rwanda 2012 survey was therefore a collaborative effort between AFR, its funders (DFID and the World Bank), the National Bank of Rwanda and the Ministry of Finance and Economic Planning (MINECOFIN).

1 FinMark Trust was established in March 2002 with initial funding from the UK's Department for International Development (DFID). FinMark Trust is an independent trust whose purpose is 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration'. In pursuit of its goal of improving the livelihoods of the poor through the usage of financial products and services, FinMark Trust recognises the complementary role of governments (as policymakers and regulators) and the private sector (as service providers) and believes that the availability of credible financial sector information enables effective, evidence-based dialogue amongst financial sector role players, and that this will facilitate the development of effective interventions that are essential for sustainable financial market development.

- The sampling frame was provided by the National Institute of Statistics Rwanda (NISR)
- A random sample of 615 enumerator areas was drawn in collaboration with the NISR
- Geographically, the sample was representative at national, provincial, urban-rural and district levels
- 10 face-to-face interviews were conducted with randomly selected adults (16 years or older) within each of the sampled enumerator areas
- Fieldwork was conducted by the Centre for Economic and Social Studies (CESS) during May/June 2012
- A total sample of 6 150 interviews was achieved
- Demographically, the sample was representative of Rwandans 16 years or older
- The data was weighted and benchmarked to the 2010/11 Integrated Household Survey (EICV3)
- The FinScope Rwanda 2012 survey findings were validated and approved by the NISR
- Data analysis was conducted by the Institute of Policy Analysis and Research – Rwanda (IPAR) and Yakini Development Consulting (Yakini)

3. Improving the Lives of Rwandans

The term *"financial inclusion"* generally refers to *"being served by the financial sector"* – an individual will therefore be *"financially included"* or *"financially served"* when he/she is using a financial product or service. An individual who does not use any financial product or service would be regarded as being *"financially excluded"* or *"not financially served"*.

Ultimately, the goal of financial sector development and increased financial inclusion in Rwanda is to improve the lives of Rwandans – the premise being that access to secure savings facilities and other financial services will better enable the poor to build financial security, manage financial shocks and to invest in business opportunities – the cumulative effect being poverty reduction through greater participation in economic activities. However, to achieve this **appropriate financial products and services must be made accessible** to Rwandan adults. In order to provide such products and services, financial service providers need to have a clear understanding of who the consumer is and how financial products and services fit into their lives. Findings from the FinScope 2012 survey provide such an understanding.

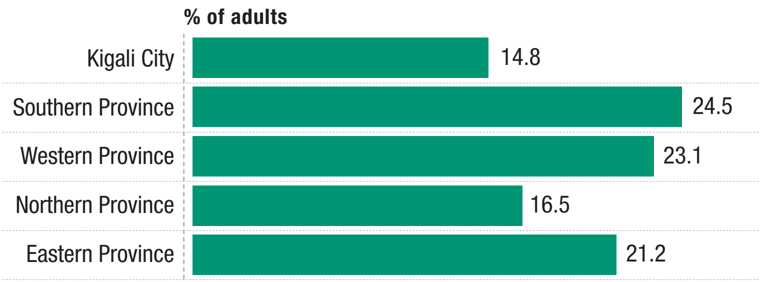
3.1 Demographics

- Almost 5 million Rwandans are 18 years or older and should be eligible to open an account with a financial institution.
- The Rwandan adult population is largely rural-based, with 74% (3.3million) residing in rural areas, 15% (0.7m) in Kigali City and 11% in other urban areas.
- The gender distribution of the adult population is skewed towards females (58%).
- 27% of adults have no formal education and an additional 56% have achieved some level of primary school education but no secondary school education.
- Most adults are from households that do not have access to piped water in their homes or yards or access to electricity that could be used for cooking and lighting purposes. Fetching drinking water and firewood for cooking purposes is a daily reality in these households.
- 87% of adults are from households that are involved in farming activities.
    - In Kigali City, most adults generate an income from piece work (26%), running their own business (19%), or from Government employment (11%); 15% earn an income from farming activities
    - There is no significant difference between other urban areas and rural areas in terms of the income generating activities of adults residing in these areas – most of which are farming related. More than half (52%) of the adults in these areas generate an income from farming

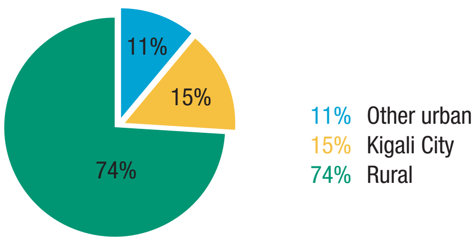
activities, 28% from selling something that they grow in their yards and 17% from wages for farm work; 35% earn an income from piece work and 8% from running their own businesses

- 44% of adults have more than one source of income.
  - Only 3% of adults do not generate an income but depend on income sources such as a Government pension or grant, maintenance money, remittances, or money they get from other household members to pay their expenses
- The Ubudehe programme categorises Rwandan households into 6 categories (1-6) according to the socio-economic status of the household, with Category 6 households being the most affluent, and households in Category 1 the least. Based on their self-reported Ubudehe status, 30% of adults are from households that fall into Categories 1 and 2.

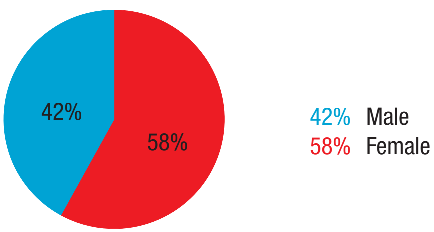
PROVINCIAL DISTRIBUTION



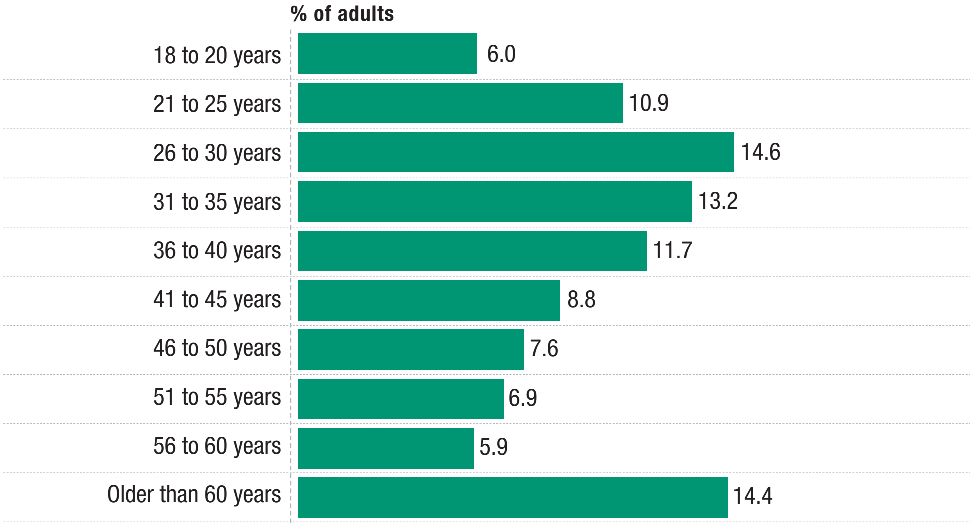
URBAN-RURAL DISTRIBUTION



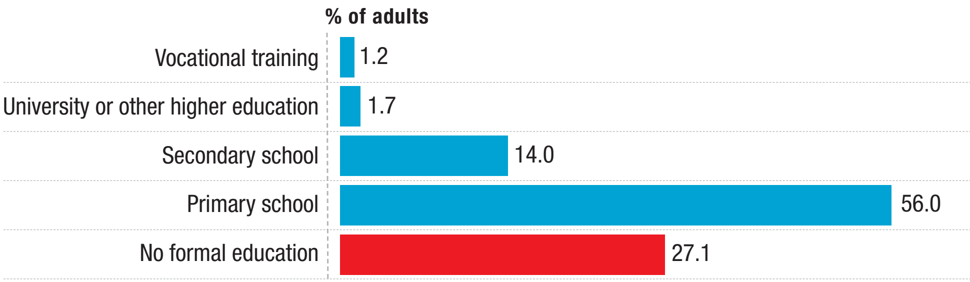
GENDER DISTRIBUTION



AGE DISTRIBUTION



EDUCATION DISTRIBUTION



Access to amenities

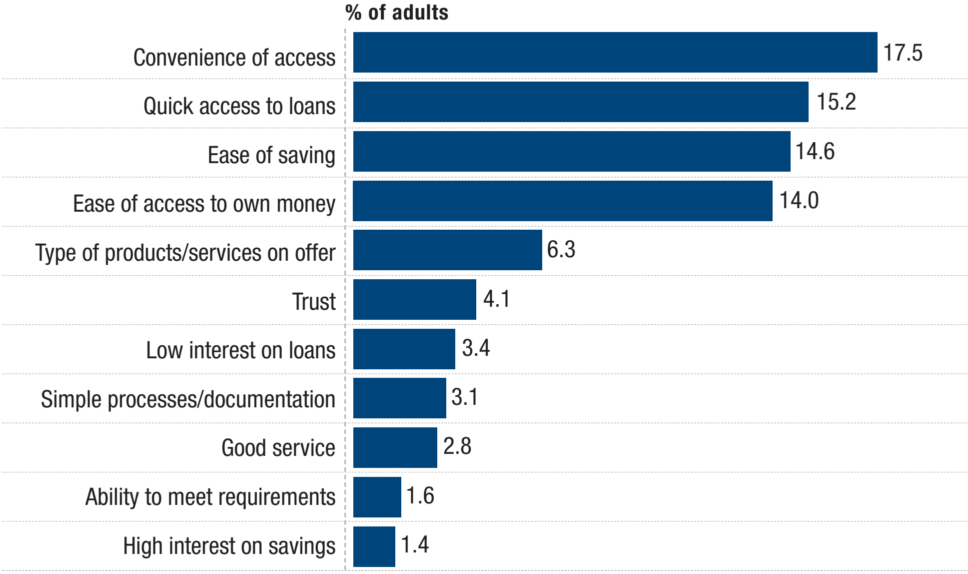
% of adults	Kigali City	Other urban	Rural
Have to fetch water from a public tap or natural water source	60	91	97
Fetch wood for cooking purposes	38	85	94
Have electricity for lighting purposes	64	19	8

3.2 Money management

Access to financial institutions

- Financial institutions are perceived to be less accessible than other facilities such as markets, sector offices, schools and health care facilities. Issues related to public transport such as affordability, reliability and distance to access points, further serve to restrict access to financial institutions for rural communities.
  - Rwandan adults regard convenience of access as one of the most important criteria when choosing a financial institution

CRITERIA APPLIED IN CHOOSING A FINANCIAL INSTITUTION



Adults' perceptions about access to facilities:

% access within an hour	Kigali City	Other urban	Rural
Market	84	73	80
Sector office	84	61	54
Health care facility	85	69	61
Taxi rank	85	69	47
Umurenge SACCO	84	63	56
Bank	77	57	38

Adults' perceptions about public transport			
% adults	Kigali City	Other urban	Rural
Reliable	86	64	47
Affordable	69	37	28
Safe to use	87	73	58

Saving

- 68% (3 million) of Rwandan adults save or put money away.
- Rwandan adults do not perceive saving as a means of wealth accumulation.
  - 40% of adults regard saving as "putting money in a special place to keep it safe"
  - 29% of adults regard saving as "putting money aside to stop you from spending it immediately so that you have it later when you need it"
- Savings behaviour does not have a long-term or investment orientation.
  - Most adults (63%) who save, put money away to enable them to cover living expenses during times of financial difficulty. A secondary driver of savings behaviour is school fees – 8% of savers save for this purpose
  - 5% of savers save for the purpose of investing in a house or land

Who do Rwandans trust most with their savings?				
% adults	Kigali City	Other urban	Rural	Total adult population
Bank	60.3	33.8	27.5	33.0
Umurenge SACCO	29.1	45.9	53.9	49.4
Non-umurenge SACCO or a MFI	2.8	3.3	2.3	2.5
Savings group like a VSLA, tontine, ikibina	3.1	9.5	9.5	8.6

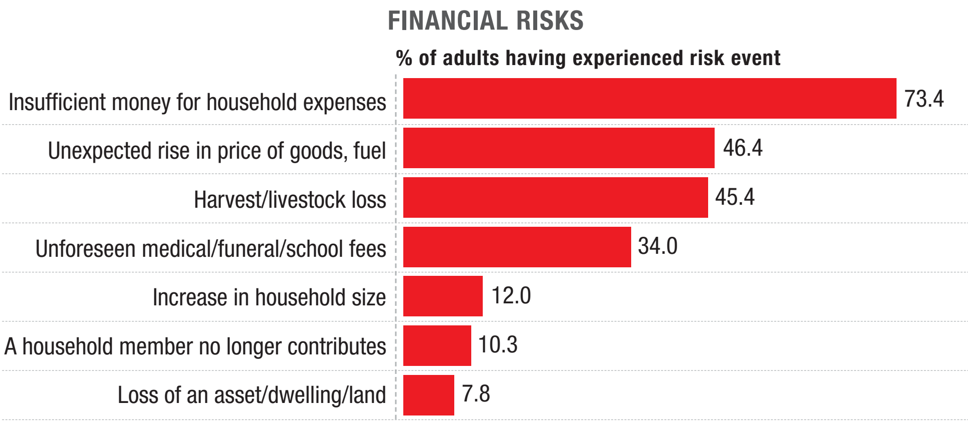
Borrowing

- Attitude to debt.
  - 68% of adults avoid borrowing if they can
  - 86% prefer to save for something rather than to borrow to buy it
  - 40% of adults would not be able to pay for their children's education if they did not borrow
  - 41% would borrow to pay off debt
  - 62% of adults regard 'being able to borrow when they need to' as more important than the amount they have to pay back
  - 35% will keep savings rather than to use it to pay off debt
  - 28% of adults would be embarrassed to admit that they have to borrow to meet their needs

- 56% (2.5 million) of Rwandan adults borrowed money or were indebted at some stage during the 12 month period preceding the FinScope Rwanda 2012 survey.
- Borrowing behaviour is driven by the same factors as savings behaviour.
  - 39% of those who borrowed money, did so to enable them to cover living expenses during times of financial difficulty; 9% borrowed money to cover school fees; 10% borrowed to cover the cost of a medical emergency costs
  - 6% of borrowers borrowed for the purpose of investing in a house or land
- 26% of adults repaid a loan or credit from an informal lender such as a shop owner or someone in the community with goods or services.
- Barriers to borrowing.
  - 20% of adults did not borrow because they were concerned about not being able to repay their debt
  - 5% did not borrow because they did not have collateral or did not meet lender requirements

Financial risks

- Examining the financial risks faced by Rwandan adults leads to a greater understanding of the drivers of saving and borrowing behaviour.
- Running out of money to meet household expenses is the biggest financial risk for most Rwandan adults – 73% (3.3 million) experienced this in the 6 months prior to the FinScope Rwanda 2012 survey.
  - 26% of adults who experienced this, coped financially by cutting down on expenses
  - 28% had to borrow money to cope
  - 23% used savings to cope
  - 4% sold something to get access to money



Note: Multiple response question – total % will exceed 100%

Transacting

- 14% (0.6 million) of Rwandan adults sent/received remittance money.
    - 5% (0.23 million) of Rwandan adults have used a mobile phone to send or receive money
    - 38% have trust in a mobile-based mechanism for sending and receiving money
- The Rwandan payment system is cash-based. Food, clothes and even larger appliances are paid for in cash.
- Sources of money for farming inputs.
    - 26% of adults who need farming inputs do not buy these as they keep seed from their own harvest for the next season
    - 25% sell produce or livestock to get money for inputs
    - 12% use money from other sources of income
    - 6% use savings they put aside for this purpose
    - 3% get money in advance from a buyer to whom they sell their products
    - 2% get these inputs from a supplier or distributor on credit
    - 2% borrow money from a savings group

4. Towards Increased Financial Inclusion in Rwanda

Broadly viewed, the overall objective with financial sector development would be to decrease the proportion of the population who are financially excluded. In 2008, FinScope illustrated that:

- More than half (52%) of Rwandan adults (18 years or older) did not use any financial product or service.
  - 39% used financial mechanisms **not provided** by regulated financial institutions to save, borrow, manage their financial risks or to send money (**informal** mechanisms)
  - 21% used financial products or services provided by regulated financial institutions (**formal** financial services or products) to transact, save, borrow and mitigate financial risks

As any Government's objective is to channel as much of the money in a country through the formal financial system, financial sector interventions are aimed at increasing the uptake and usage of financial products offered by **regulated (or formal)** financial institutions (i.e. to increase **formal financial inclusion**). This could be achieved either through increasing **access to financial institutions** or by increasing **uptake and usage of financial services and products provided by these institutions**.

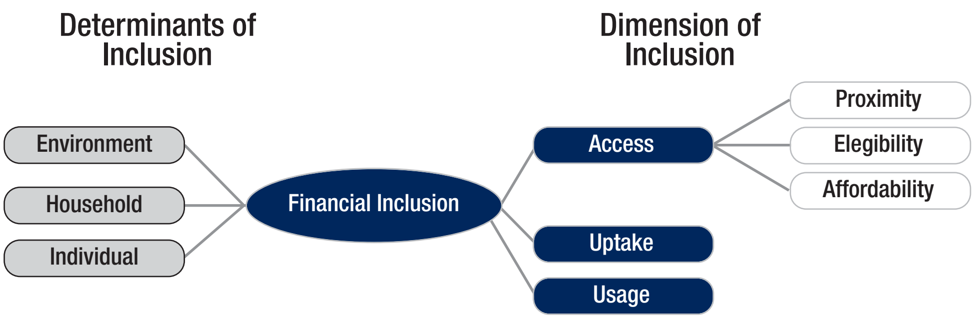
In recent years, the focus was on the development of a stronger and more effective banking system, and the mobilisation of the Rwandan population to save for the future. The latter was pursued by creating an appropriate environment and developing institutions that could provide access to members of the population who would not normally save in the formal sector and would generally not use formal financial institutions mainly due to proximity and deposit restrictions. The Umurenge Savings and Credit Cooperatives (Umurenge SACCO) initiative was launched in 2009 with the resolution to reach out to areas that were unattractive to banks. The aim was to establish at least one financial service provider in each administrative sector.

The FinScope Rwanda 2012 survey findings do not only provide insight into the impact of these and other financial sector development efforts in recent years, but also in terms of the potential and opportunities for further development.

FINSCOPE INDICATORS USED TO DESCRIBE THE LEVEL OF FINANCIAL INCLUSION AMONGST ADULTS

% of adults who are banked	Includes adults who have or use any product or service from a commercial bank
% of adults served by formal non-bank financial institutions	Includes adults who have or use any product or service from any regulated or registered financial institution which is not a commercial bank e.g. SACCOS, MFIs, insurance companies, NGO & government services, mobile money systems, Western Union
Total % of adults who are formally served	Includes adults who are EITHER banked OR who are served by formal non-bank financial institutions OR BOTH
% of adults informally served	Includes adults who use informal mechanisms to transact, save, borrow or manage their financial risks. This could include for example credit or loans provided by agricultural associations, saving with groups such as VSLAs or savings groups/tontines, borrowing from community-based money lenders (bank lambert) or savings groups, or sending money to family/friends by means of a so-called runner (a taxi/bus driver) etc.
% of adults who are financially served	Includes adults who are EITHER formally OR informally served OR BOTH
% of adults who are financially unserved or financially excluded	Includes adults who are NEITHER formally served NOR informally served – for credit purposes they rely on family and friends; savings are kept at home or with family members; transactions are cash-based

In order to provide appropriate products and services, financial service providers need to have a clear understanding of who the consumer is and what factors determine whether or not the consumer will use financial products – i.e. more appropriate offerings of financial services and products can only be developed if we understand the determinants of the uptake and usage of financial products and services. FinScope 2012 attempts to determine which demand side factors influence uptake and usage.



4.1 Dimensions of financial inclusion

Realisation of financial inclusion is only effective or functional if consumers:

4.1.1 have physical access to financial institutions,

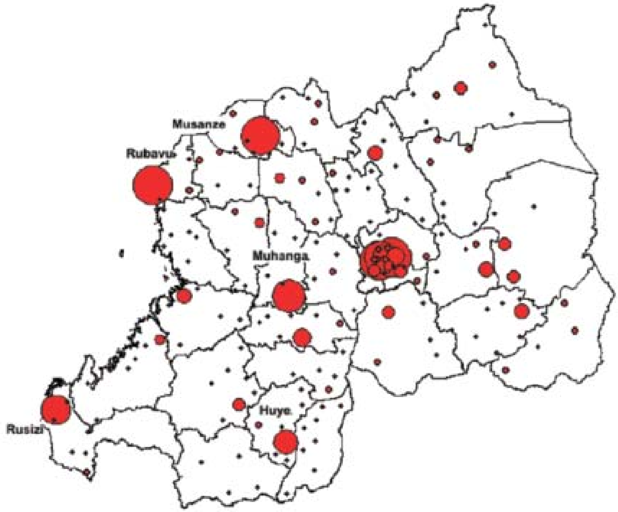
4.1.2 are eligible to open an account or use a product or service,

4.1.3 open accounts or take up products and services, and

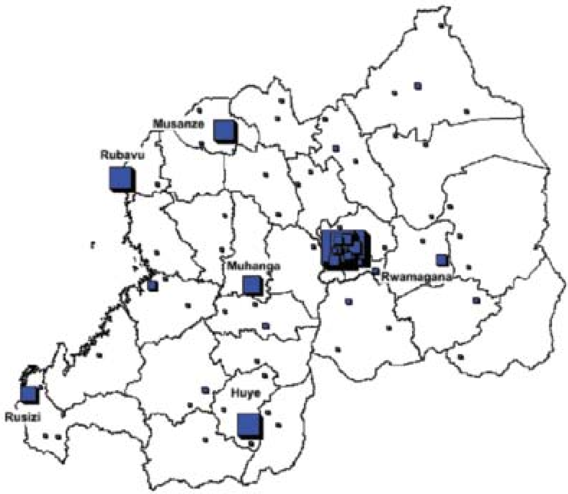
4.1.4 use those products and services in managing their financial lives.

4.1.1 Physical access to financial institutions in Rwanda

GEOGRAPHICAL DISTRIBUTION OF BRANCHES*

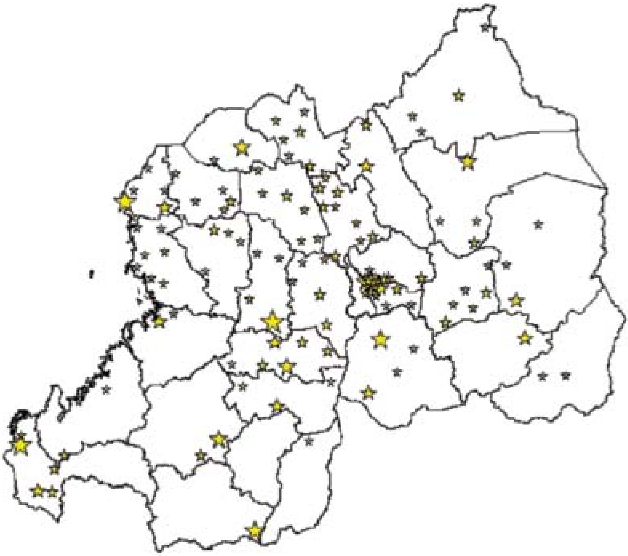


GEOGRAPHICAL DISTRIBUTION OF BANK ATMs*



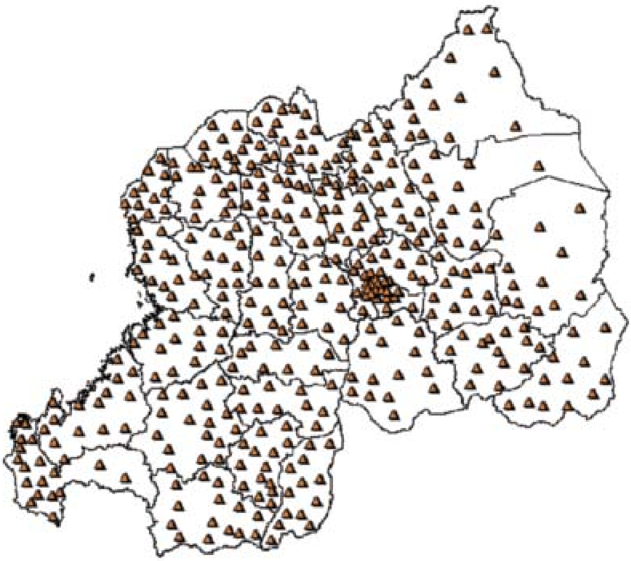
* Larger icons indicative of larger concentrations of institutions

GEOGRAPHICAL DISTRIBUTION OF MICROFINANCE INSTITUTIONS



* Larger icons indicative of larger concentrations of institutions

GEOGRAPHICAL DISTRIBUTION OF UMURENGE SACCOs



Assessing the geographical distribution of individuals 18 years or older in terms of the geographical distribution of formal financial institutions in Rwanda led to the conclusion that physical access or proximity to financial institutions does not serve as a major restriction to formal financial inclusion.

- 88% of adults live within a 8km radius of a commercial bank branch or bank ATM access point; 60% within a 5km radius.
- 68% of adults live within a 8km radius of a microfinance institution; 44% within a 5km radius.
- 91% of adults live within a 5km radius of an Umurenge SACCO; 56% live within a 3km radius.

4.1.2 Eligibility

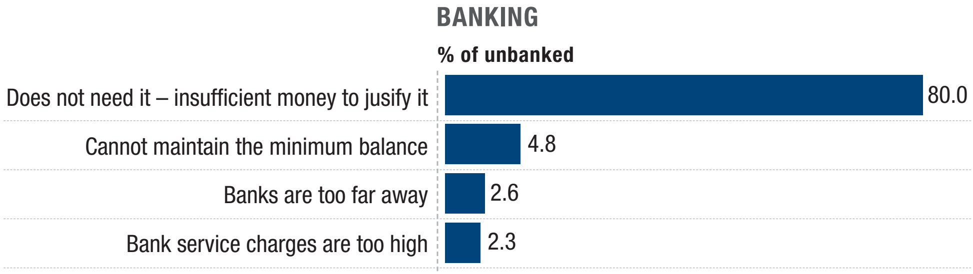
Product information from Rwandan financial institutions suggests that the main requirement for opening a basic entry-level type of account includes proof of identity and the provision of two passport photographs. For most financial institutions strict deposit and minimum balance requirements do not apply. As carrying of the national identity card is obligatory to every Rwandan aged 16 years or older, eligibility, like physical access, does not seem to serve as a major restriction to formal financial inclusion.

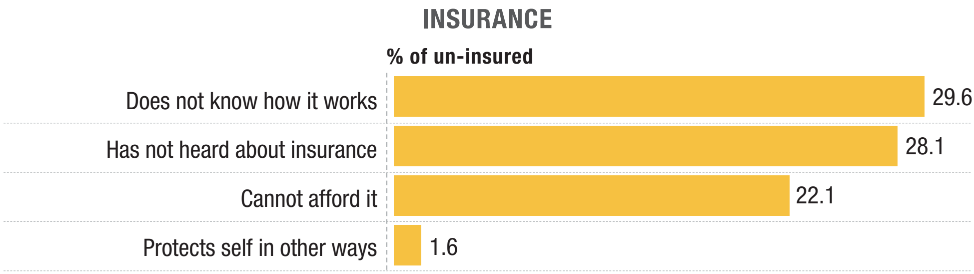
Substantiating the supply-side assessment of proximity and eligibility as potentially prohibiting access, FinScope 2012 findings suggest **individual awareness** to be a more significant barrier to financial inclusion than proximity and eligibility as explained below.

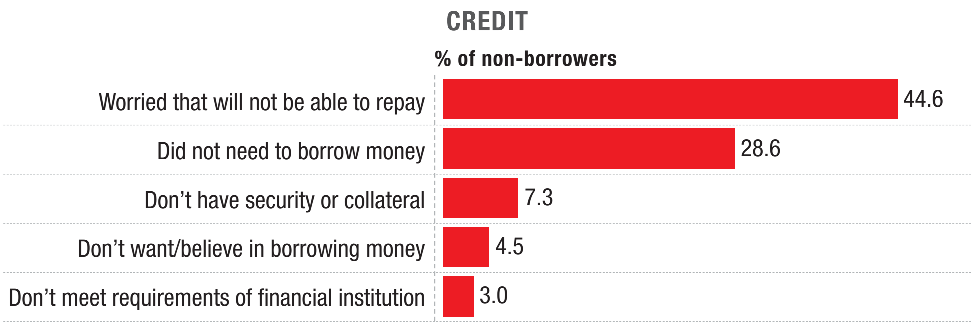
- The most significant barrier to banking is adults' perception that they *'don't need bank accounts because they earn insufficient money to justify opening a bank account'* (this is the perception of 80% of unbanked adults).
  - Only 7% of the unbanked cite affordability as the main barrier to banking
  - 3% regard proximity as a significant barrier

- 58% of uninsured adults either haven't heard about insurance, do not know how insurance works or don't know how or where to get insurance.
  - 22% of the uninsured perceive affordability as a significant barrier

- With regard to credit uptake, **consumer attitude to debt** seems to be a more significant barrier amongst Rwandan adults than access and eligibility or perceived affordability.
  - 45% of non-borrowers did not borrow because they feared not being able to meet repayment requirements; 5% of non-borrowers did not borrow because they did not want to borrow or did not believe in borrowing
  - 10% of non-borrowers did not borrow because they did not have collateral or did not meet other lender requirements


BANKING
% of unbanked
Does not need it – insufficient money to jusify it
80.0
Cannot maintain the minimum balance
4.8
Banks are too far away
2.6
Bank service charges are too high
2.3


INSURANCE
% of un-insured
Does not know how it works
29.6
Has not heard about insurance
28.1
Cannot afford it
22.1
Protects self in other ways
1.6

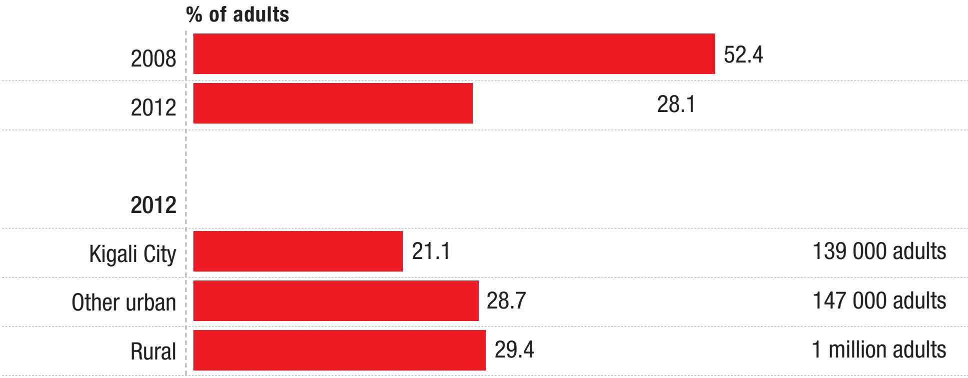

CREDIT
% of non-borrowers
Worried that will not be able to repay
44.6
Did not need to borrow money
28.6
Don’t have security or collateral
7.3
Don’t want/believe in borrowing money
4.5
Don’t meet requirements of financial institution
3.0

4.1.3 Uptake of financial products and services: 2008 – 2012

Comparing the FinScope 2008 and the FinScope 2012 findings shows that:

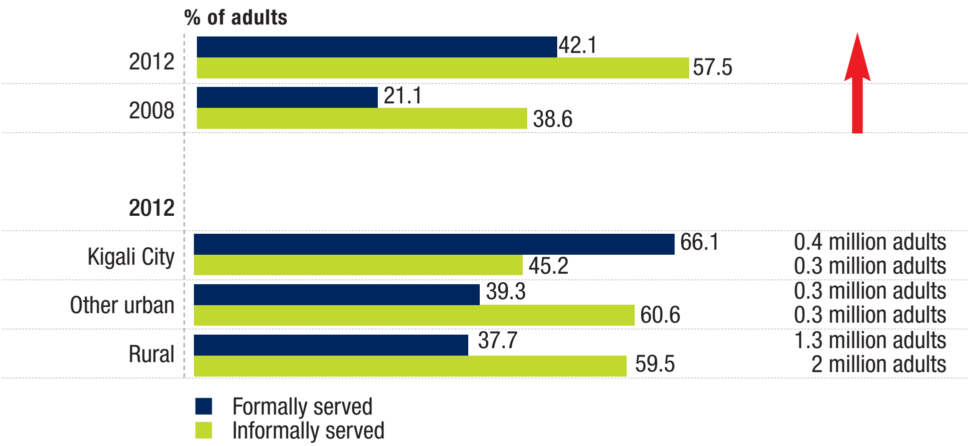
- The proportion of **financially excluded** individuals 18 years or older have **decreased** by 46%.
  - Currently 28% of adults (1.3 million) are financially excluded

FINSCOPE 2008 COMPARED TO 2012



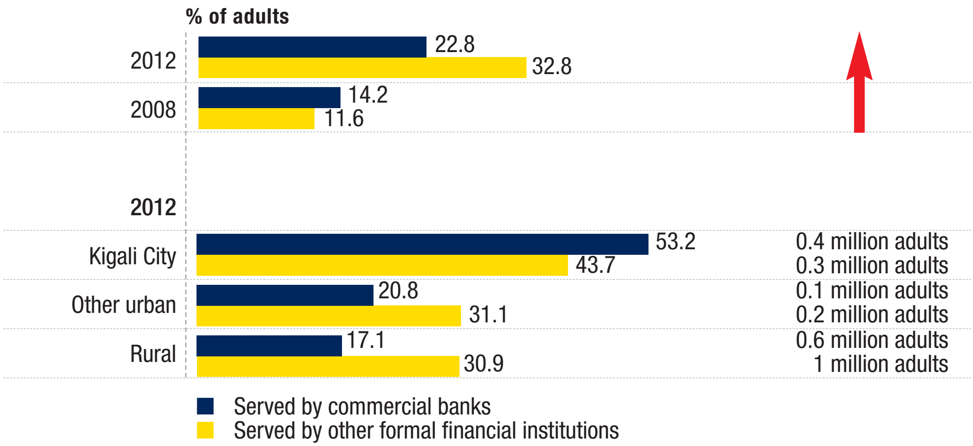
- The **decrease in financial exclusion** was caused by:
  - increased uptake of formal financial services and products (1.9 million adults formally served in 2012); as well as
  - an increase in usage of informal financial mechanisms (2.6 million adults informally served in 2012)

FORMAL/INFORMAL 2008 COMPARED TO 2012



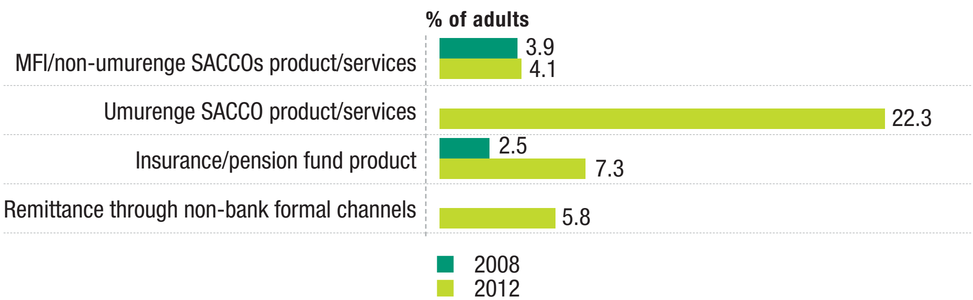
- The **increase in formal financial inclusion** was caused by:
  - increased uptake in commercial bank products and services (1 million adults banked in 2012); as well as
  - an increase in uptake of non-bank formal financial mechanisms (1.5 million adults served by non-bank formal financial institutions in 2012)

COMPARING COMMERCIAL BANK AND NON-BANK FORMAL INSTITUTION PRODUCT UPTAKE: 2008 – 2012

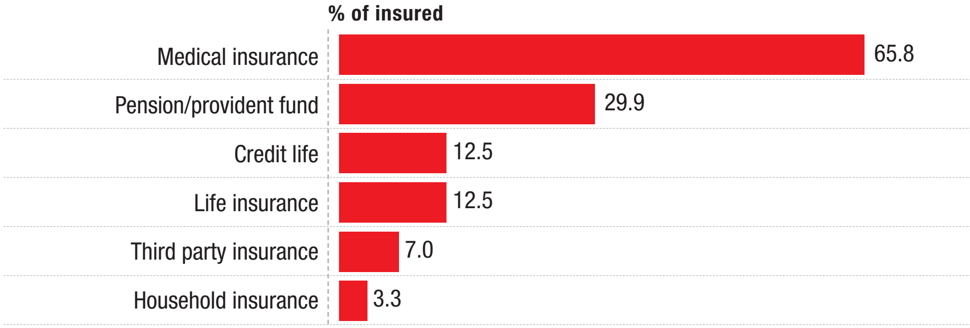


- The **increase in uptake of non-bank formal financial services and products** was caused by:
  - uptake of Umurenge SACCO products and services (1 million adults served by Umurenge SACCOs in 2012); as well as
  - increased uptake of insurance products (330 000 adults insured in 2012)

NON-BANK FORMAL PRODUCT UPTAKE: 2008 – 2012

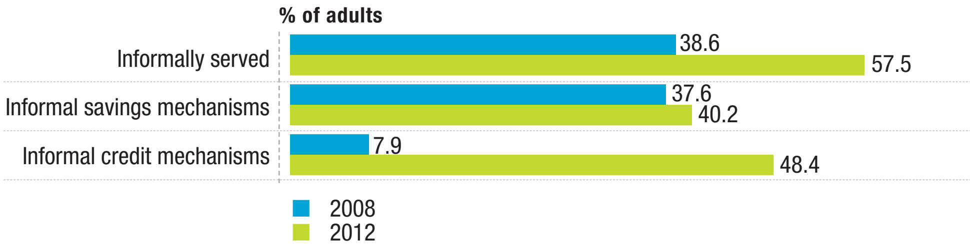


INSURANCE UPTAKE

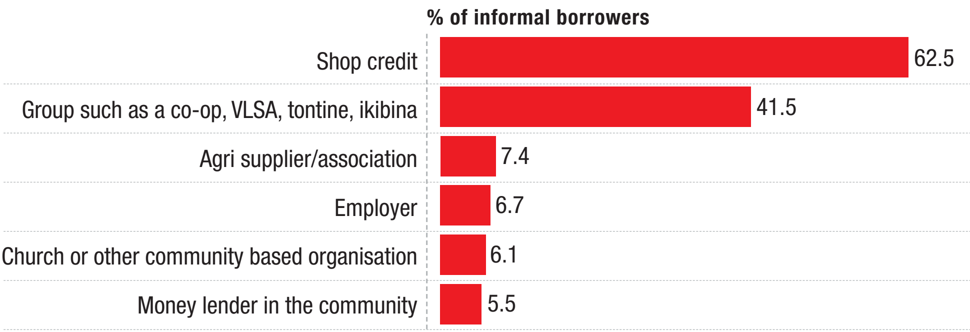


- The **increase in informal inclusion** was caused by a highly significant increase in informal credit usage.
  - 2.2 million adults borrowed informally or took informal credit in 2012
  - Although 63% of informal borrowers made use of shop credit, savings groups were most used for **borrowing money** (used by 42% of informal borrowers)

INFORMAL MECHANISMS USED: 2008 – 2012



CREDIT SOURCES OF INFORMAL BORROWERS

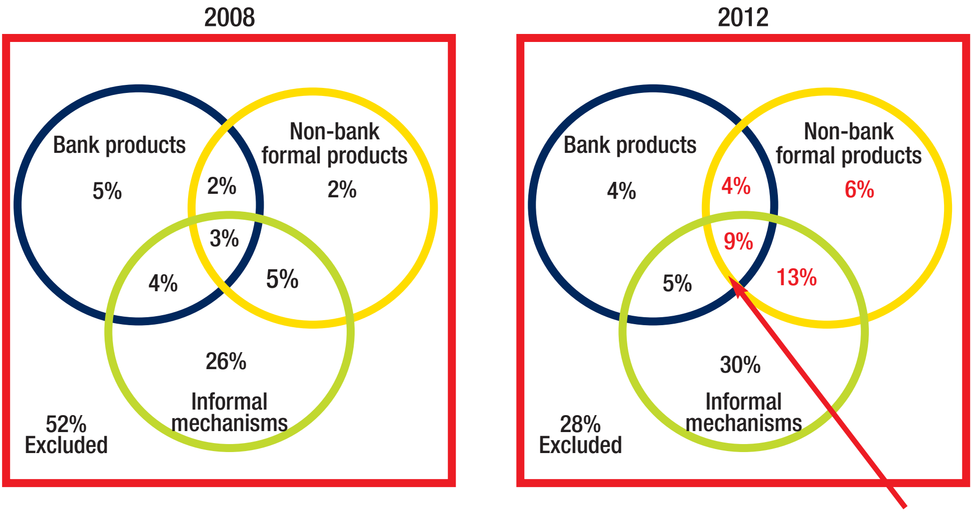


Overlap in product usage

Consumers generally use a combination of financial products and services to meet their financial needs. Someone could for example be banked, and receive his/her salary through a bank account, but could also belong to a savings group to enable him/her to get quick access to money in times of an emergency such as unforeseen medical expenses or to pay school fees.

Comparisons between 2008 and 2012 reveal a shift mainly caused by increased uptake in non-bank formal products which, as was previously illustrated, was mainly caused by the uptake of Umurenge SACCO products.

COMPARISON OF OVERLAPS IN FORMAL AND INFORMAL PRODUCT USAGE: 2008 – 2012



66% of the formally served use informal mechanisms too (57% in 2008)

FinScope Access Strand

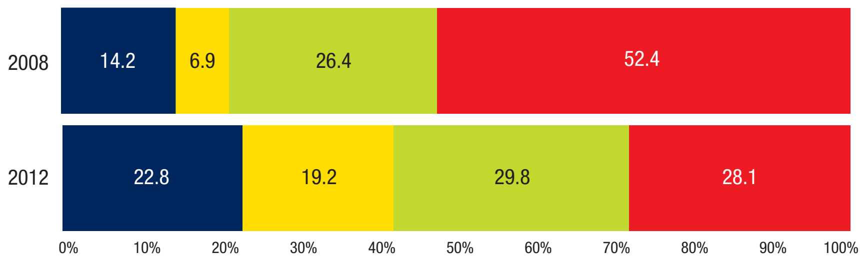
The FinScope Access Strand is constructed based on the premise that the ultimate goal of financial inclusion initiatives is **formal** financial inclusion. It is therefore constructed to illustrate the:

- % of adults that are **financially excluded**.
- % of adults who are financially served but not formally served – i.e. % of adults who are **informally served only**.
- % of adults who are formally served but not banked – i.e. % of adults who are **served by non-bank formal financial institutions but not by commercial banks**.
- % of adults who are banked – i.e. % of adults who are **served by commercial banks**.

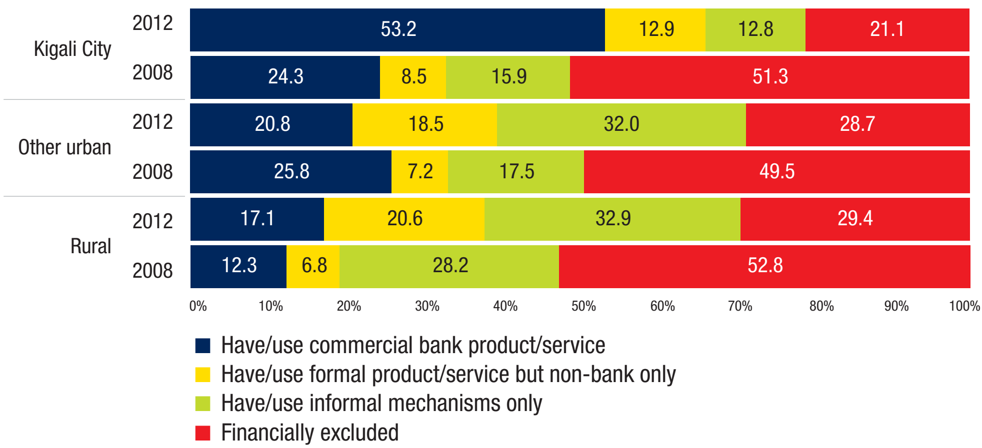
When the Access Strand for 2008 is compared with the 2012 Access Strand, the significant shift in formal inclusion as a result of recent financial sector development interventions is clearly illustrated.

- The percentage of banked adults increased from 14% in 2008 to 23% in 2012. This increase was mainly due to new banks entering the market and increased outreach of existing banks. The bank branch network increased from 259 branches and outlets in 2008/2009 to 467 in 2012.
- The percentage of adults who are formally served, although not banked, increased from 7% in 2008 to 19% in 2012. This shift was mainly due to the establishment of Umurenge SACCOs . This intervention brought formal financial services to the people of Rwanda and provided access to consumers who would not normally have used formal financial institutions and services.
    - Umurenge SACCOs played a more significant role in pushing out the boundaries of formal financial access for farmers, farm workers and individuals who earn an income from piece work than for individuals earning an income through formal employment

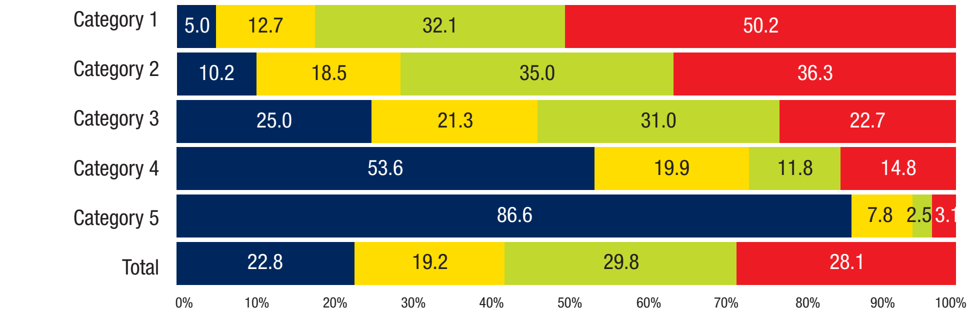
RWANDAN ACCESS STRAND



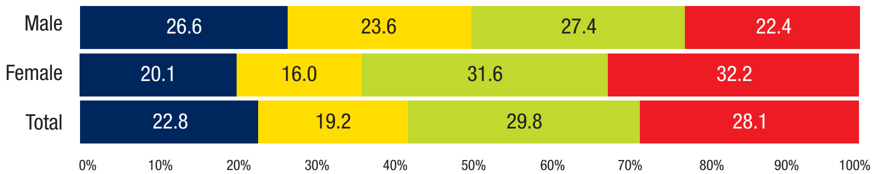
URBAN-RURAL ACCESS STRAND



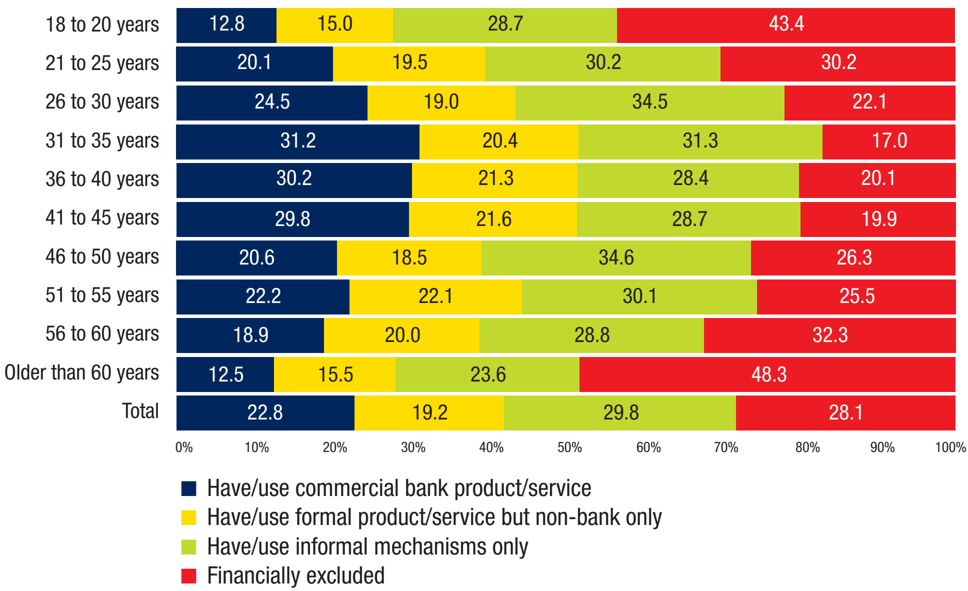
ACCESS STRAND PER UBUDEHE CATEGORY



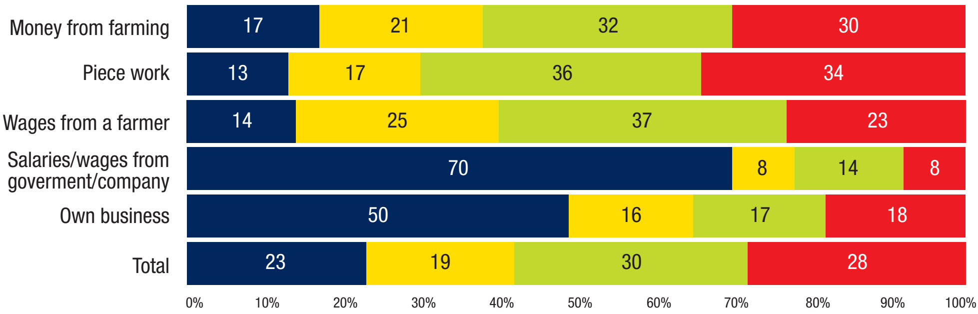
ACCESS STRAND PER GENDER



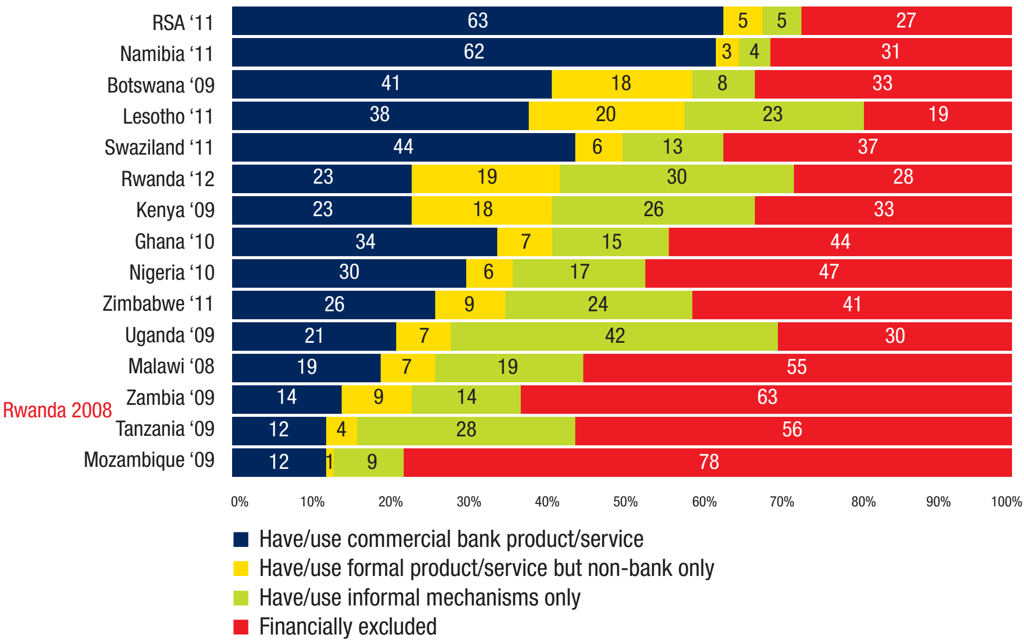
ACCESS STRAND PER AGE GROUP



ACCESS STRAND PER MAIN INCOME GENERATION ACTIVITY



Comparison of the Rwandan Access Strand with that of other countries where FinScope surveys have been conducted:



FinScope Landscape of Access

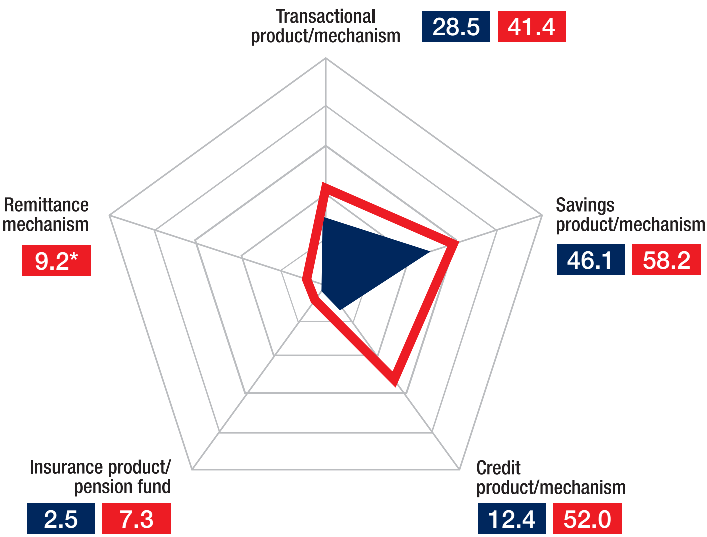
The FinScope **Landscape of Access** looks at the **types of products taken up by consumers** and describes the percentage of adults that have or use:

- transactional products;
- savings products;
- credit products;
- insurance products; and
- remittance products.

Comparing the landscapes of access of 2008 and 2012 illustrates:

- An overall increase in uptake across product types.
- The most significant change in the landscape access was caused by an increased uptake of credit which increased from 12% of adults who used credit products/mechanisms in 2008 to 52% of adults in 2012. This shift was mostly due to the increased usage of informal credit.

LANDSCAPE OF ACCESS



*Not measured in 2008

- 2008
- 2012

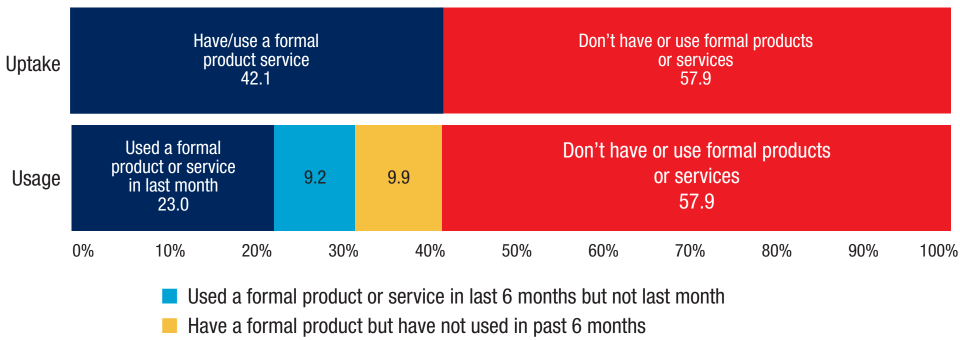
4.1.4 Usage of financial products and services

Although financial sector development interventions are aimed at increased inclusion, the lives of consumers will only be improved by inclusion if the products and services that consumers take up are **used** because they **meet the financial needs** of consumers.

FinScope Rwanda 2012 illustrated that 42% of Rwandan adults are formally included and that:

- 32% used a formal financial product or service in the 6 months prior to the FinScope survey;
- 23% in the month before the survey; and
- 10% had formal financial products but had not used them in 6 months.

USAGE OF FINANCIAL PRODUCTS AND SERVICES

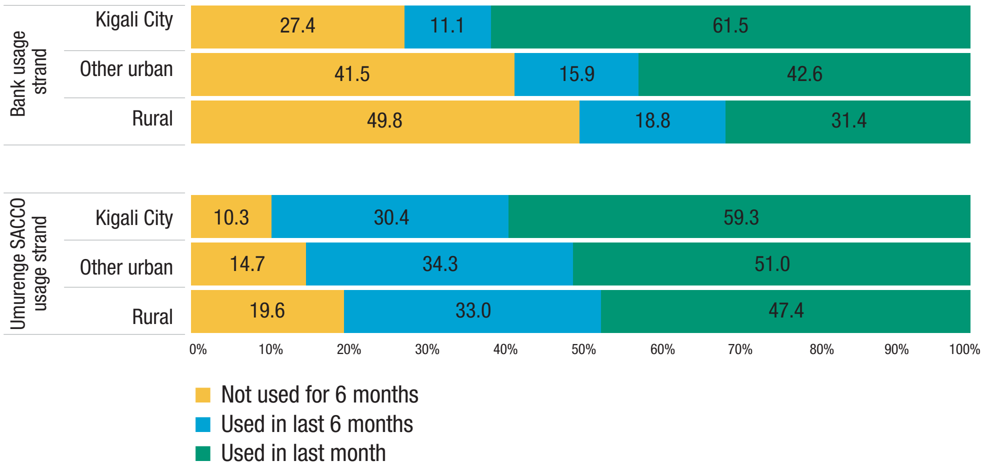


Comparing usage of bank products by bank clients with usage of Umurenge SACCO products by SACCO members, FinScope 2012 findings show that:

- SACCO products are more likely to be actively used than bank products especially in rural areas.
  - In rural areas almost half (47%) of SACCO members used their SACCO products in the month prior to the FinScope 2012 survey whilst 80% of SACCO members used it in the 6 month period before the survey

Irrespective of whether the higher likelihood of usage of SACCO products is due to better accessibility or better functionality (i.e. being more appropriate in terms of meeting the needs of SACCO clients) than bank products or both, these findings seem to indicate that the Government of Rwanda has been successful in terms of providing formal financial services to Rwandans who would otherwise not use formal financial services in a manner that meets their needs.

URBAN-RURAL USAGE STRAND



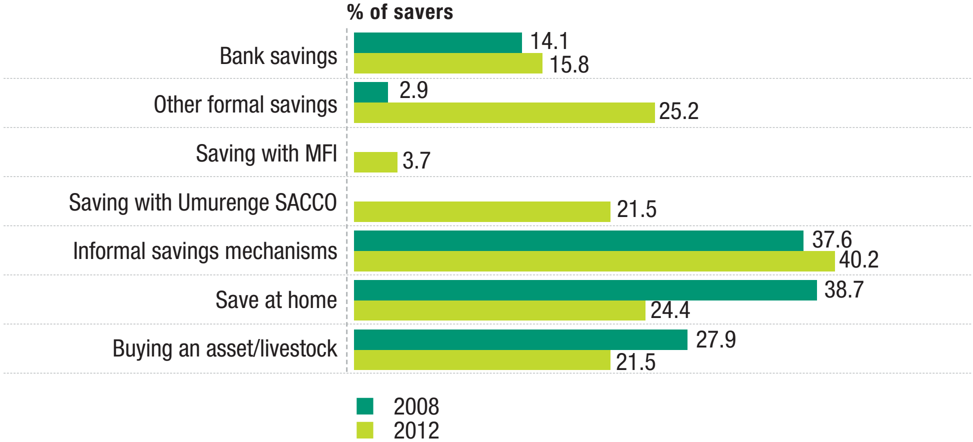
FinScope 2012 findings indicate that financial activity has increased amongst Rwandan adults since 2008.

- In 2008 52% of Rwandan adults saved, in 2012 71% are saving.
- In 2008 27% reported that they borrowed money or accessed credit, in 2012 59% are borrowing or accessing credit.

Saving

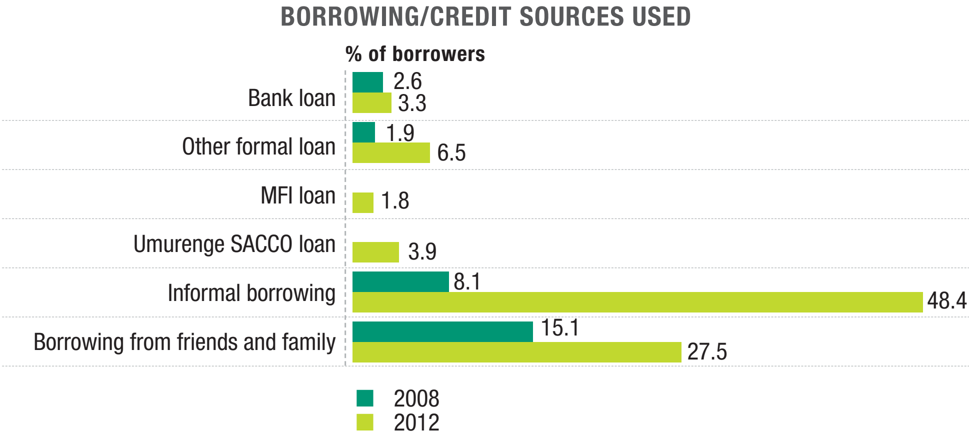
- The significant uptake of SACCO usage for savings has lead to decreased usage of "home savings" and the use of "own" mechanisms such as buying assets or livestock as a means of saving.

SAVINGS MECHANISMS USED



Borrowing

- There has been a general increase in terms of usage of all borrowing sources although the increase in informal borrowing represents the most significant shift since 2008.

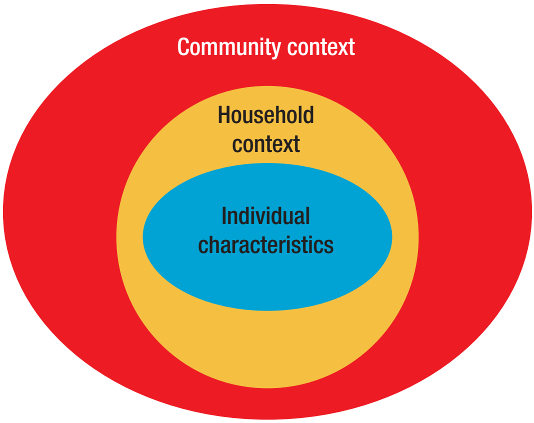


Note: % of borrowers who borrowed from a MFI not available for 2008

4.2 Determinants of financial inclusion

Although physical access to a financial institution and eligibility to open an account or use a product are prerequisites for the uptake of financial services, the **actual uptake and usage of a financial service or product** depends on the individual. This would be influenced by:

DETERMINANTS OF INDIVIDUAL'S BEHAVIOUR



- Characteristics of the **individual** such as:
  - Demographics – age, gender, level of education
  - Attitudes and perceptions about money, money management and financial services and institutions
  - Aspirations and dreams
  - Income levels, income generating activities and money management strategies

- The influence of the **household** on the decisions of the individual, such as:
  - The socio-economic status of the household
  - The number of dependents in the household; the number of income earners; the effect of the household structure on the money management strategies and financial decisions in the household

- The attributes of the **community** the individual lives in, such as:
  - The level of access to infrastructure – does it provide physical access to formal financial institutions? Are there roads? Is transport available?
  - Whether there is a sense of community connectedness. Does a tendency to engage informally in the community affect the individual's potential uptake of formal financial services?

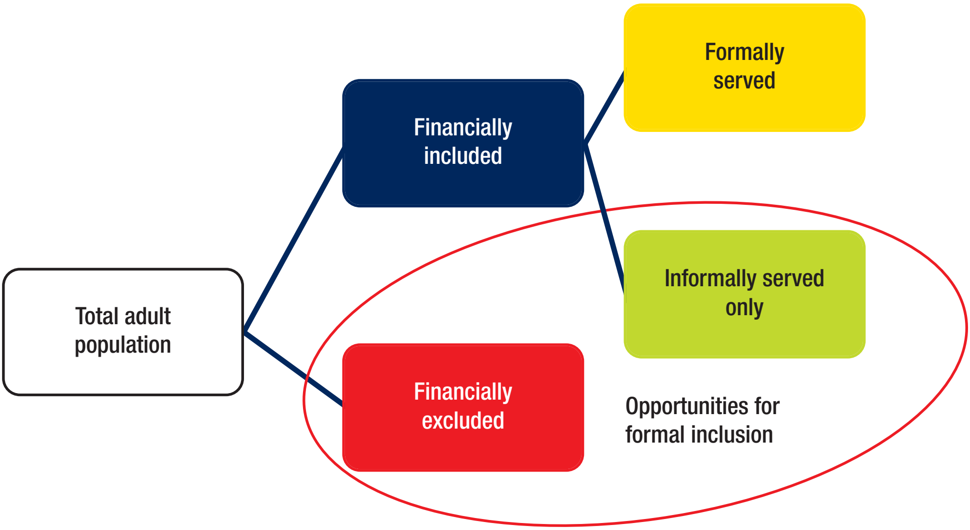
The FinScope 2012 data was used to identify which characteristics of Rwandan adults, their households and their communities would favour **the uptake of formal financial services**. In terms of these findings the "ideal candidate" for formal financial inclusion in Rwanda is an adult (18 years or older):

- Who has at least **completed primary school education**.
- Who is **saving**.
- Who has a **high level of trust** in formal financial institutions in terms of their savings.
- Who perceives that formal financial institutions cater ***"for the people"***.
- Who is part of a household.
  - With a **socio-economic status of at least category 3** in terms of the Ubudehe categorisation
  - Of which the household head has at least **completed primary school education**
- Who resides in a community where **proximity to financial institutions** is similar to the proximity to sector offices and schools.

4.3 Identifying new opportunities for formal inclusion

In attempting to identify new opportunities for further formal financial inclusion, financial service providers and decision makers would have to look at those individuals who are not currently formally served and therefore either:

- Financially excluded, or
- Informally served only.



New opportunities for formal financial inclusion in Rwanda were identified by looking at adults who are not currently formally served and attempting to find individuals with the characteristics of the "ideal candidate" for formal financial inclusion. Segmentation analysis enabled dividing adults who are not currently formally served into 3 market segments:

<table>
<tr><th>The opportunity segment</th><th>The development segment</th><th>The poor</th></tr>
<tr><td>Represents 341 000 adults with most of the characteristics of the ‘ideal candidate’ for formal inclusion. Individuals in this market segment are most likely to offer new opportunities for formal financial inclusion.</td><td>Represents 795 000 adults who posess some of the characteristics of the ‘ideal candidate’ for formal inclusion.</td><td rowspan="6">Represents 1.4 million adults lacking all the characteristics of the 'ideal candidate' for formal inclusion. Individuals in this market segment do not seem very likely to offer new opportunities for formal financial inclusion in the short or medium term</td></tr>
<tr><td>Saving happens in groups, at home and through buying assets</td><td>Saving more likely to be in groups and at home rather than through buying assets</td></tr>
<tr><td rowspan="3">• Lack trust in SACCOs but have
• High level of trust in banks</td><td>• Lack trust in banks but have
• High level of trust in SACCOs</td></tr>
<tr><td>• Proximity to SACCOs is better than proximity to banks</td></tr>
<tr><td>• Education level of individual lower than ideal
• Education levels of household heads lower than ideal</td></tr>
<tr><td>Most individuals in this segment earn an income through farming, farm work and piece work but this segment is more likely to also include business owners and individuals who earn a salary/wage from a business</td><td>Mostly individuals in this segment earn an income through farming, farm work and piece work</td></tr>
</table>


SteelRwa

PROFILES:

BANKING
MICROFINANCE INSTITUTIONS
UMURENGE SACCOs
INFORMAL MECHANISMS

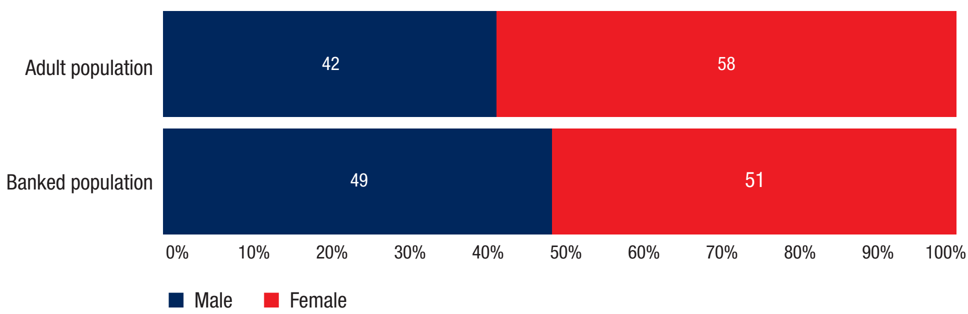
Banking

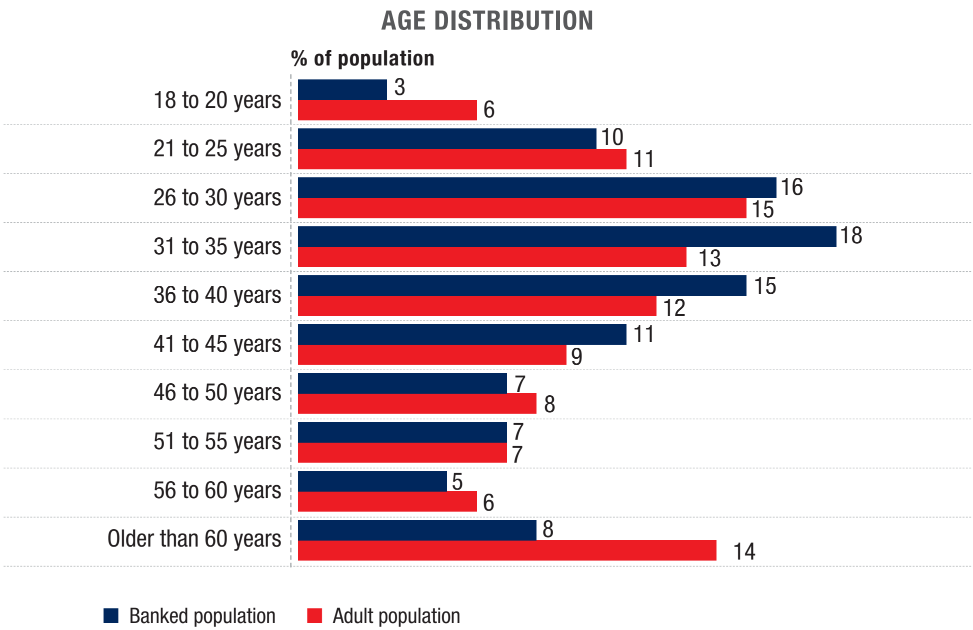
Change in the Rwandan banking situation: 2008/2009 to 2012			
Banks: 2008/2009		**Banks: 2012**	
Access Bank	**259 branches and outlets**	Access Bank	**467 branches and outlets; 229 ATMs**
Banque Commerciale du Rwanda		Banque Commerciale du Rwanda	
Banque de Kigali		Banque de Kigali	
Banque Populaire		Banque Populaire	
Cogebanque		Cogebanque	
Ecobank		Ecobank	
Finabank		Finabank	
Kenya Commercial Bank		Kenya Commercial Bank	
Urwego Opportunity Bank		Urwego Opportunity Bank	
Zigama Credit and Saving Society		Equity Bank	
		Zigama Credit and Saving Society	
		Agaseke Bank	
		Unguka Bank	

Profile of bank clients

- Skewed towards males.
- Skewed towards individuals aged 31 to 45 years.
- Skewed towards individuals who get salaries/wages rather than individuals with inconsistent or irregular sources of income.

GENDER DISTRIBUTION





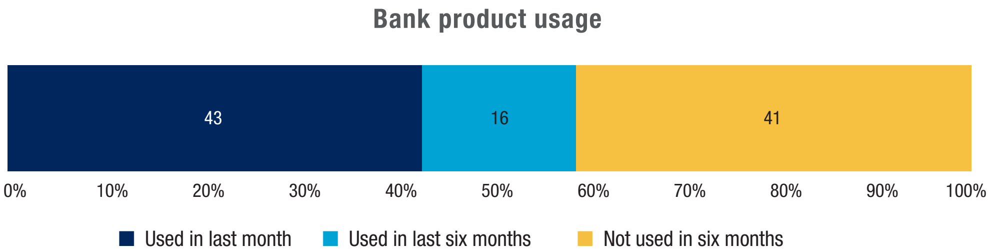
Main income generating activities	% of Banked population	% of Adult population
Money from farming	28	38
Salary/wages from Government/company	25	8
Salary/wages from a farmer	9	14
Self-employed (have own business)	6	3
Piece work	0	16

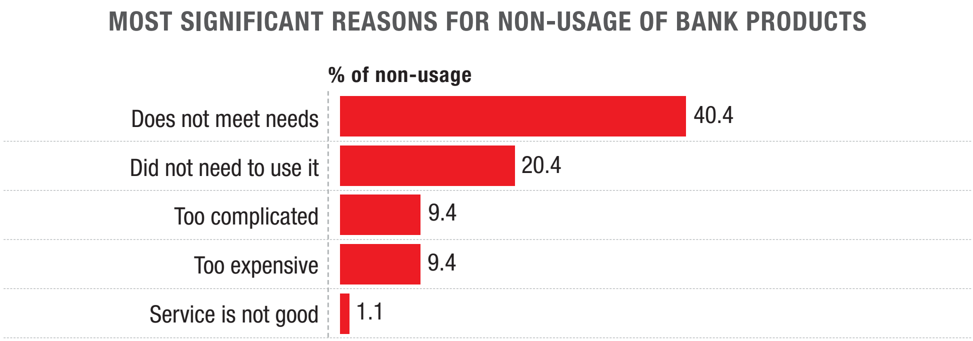
Perceptions of the population about banks/banking				
% of the population	Total adult population	Urban population	Other urban population	Rural population
If you are not employed you cannot open a bank account	60	49	60	62
Having a bank account makes it easier to get credit	86	91	86	85
You can easily live your life without a bank account	45	52	50	43
Most services from banks are also offered elsewhere	41	39	43	42
You trust banks with your money	75	80	72	74
Banking is for people like me	66	74	64	64
Banks treat people with respect	71	81	67	70
Trust banks most with savings	33	60	34	27
Trust banks most as lender	31	59	31	25

Bank products		
Bank product	% of population who have bank products	
	Total adult population	Banked population
Savings account	20.1	88.2
Loan account	2.3	10.2
Debit card	2.2	9.4
Current or cheque account	12.8	55.8
Overdraft facilities	.5	2.0
Credit card	.0	0.2
Foreign bank account	.0	0.1

Bank product usage

- 43% of bank clients used at least one bank product during the month prior to FinScope 2012; an additional 16% used at least one product during the 6 months prior to FinScope 2012 although not in the month prior to the survey.
- 97% of bank clients report that they can access their accounts when they need to.
- 41% of bank clients did not use their bank products during the 6 months prior to FinScope 2012.
  - 40% of bank clients who did not use their bank products in the 6 month period prior to FinScope 2012 cited these products not being suitable for their needs as the most important reason for non-usage



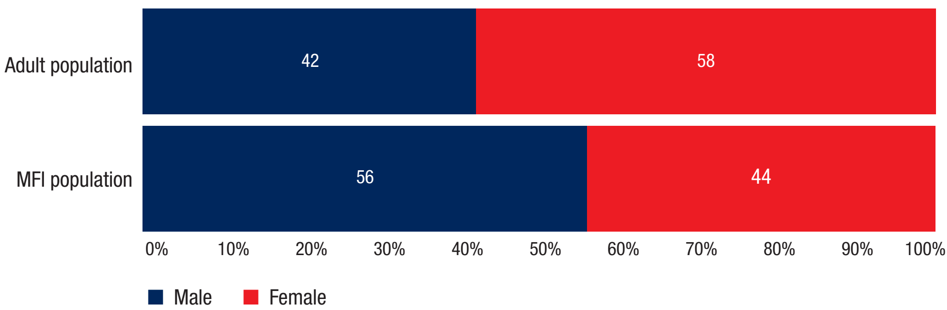


Microfinance Institutions (MFIs)

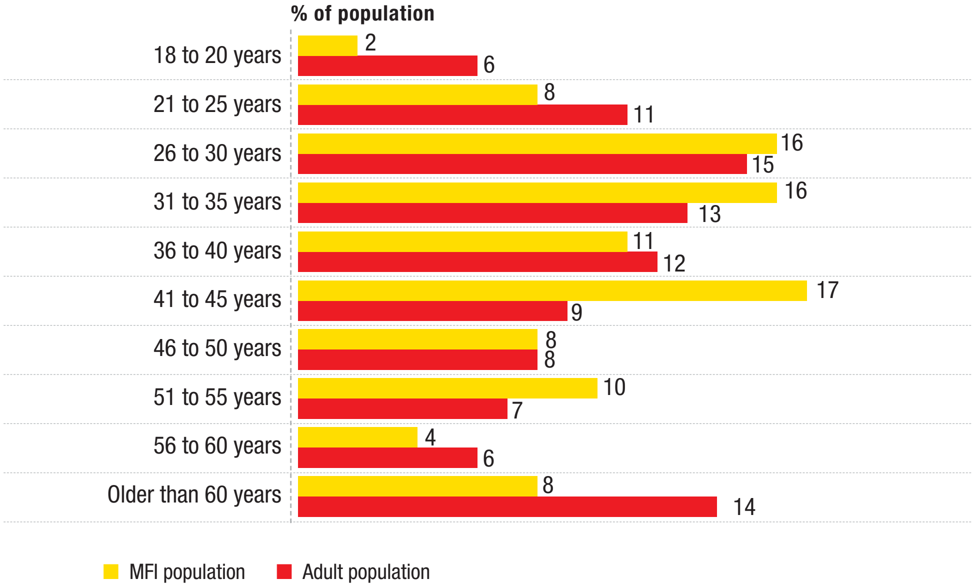
Profile of MFI clients

- Skewed towards males.
- Skewed towards individuals aged 31 to 45 years.
- Skewed towards individuals who get salaries/wages rather than individuals with inconsistent or irregular sources of income.

GENDER DISTRIBUTION



AGE DISTRIBUTION



Main income generating activities	% of MFI population	% of Adult population
Money from farming	29	38
Salary/wages from Government/company	26	8
Salary/wages from a farmer	10	14
Self-employed (have own business)	7	3
Piece work	7	16

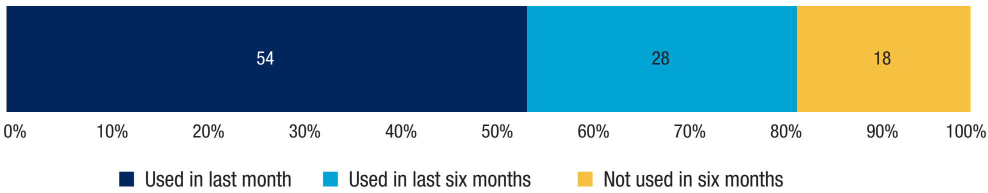
Perceptions of the population about MFIs				
% of the population	Total adult population	Urban population	Other urban population	Rural population
Trust MFIs most with savings	3	3	3	2
Trust MFIs most as lender	3	3	3	3

MFI products		
MFI product	% of population who have MFI products	
	Total adult population	MFI clients
Savings facility	3	83
Credit facility	2	46

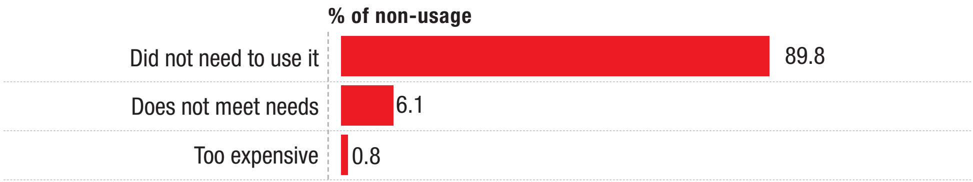
MFI product usage

- 54% of MFI clients used a MFI product during the month prior to FinScope 2012; an additional 28% used a product during the 6 months prior to FinScope 2012 although not in the month prior to the survey.
- 18% of MFI clients did not use their MFI products during the 6 months prior to FinScope 2012.
  - 90% of MFI clients who did not use their MFI products in the 6 month period prior to FinScope 2012 reported that they did not need to use these products during that time

MFI product usage



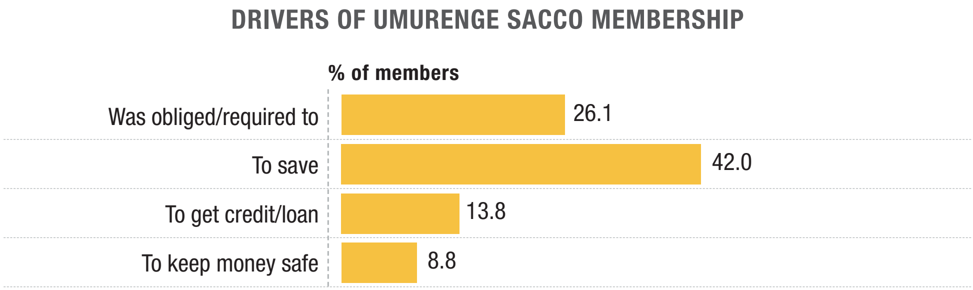
MOST SIGNIFICANT REASONS FOR NON-USAGE OF MFI PRODUCTS



Umurenge SACCOs

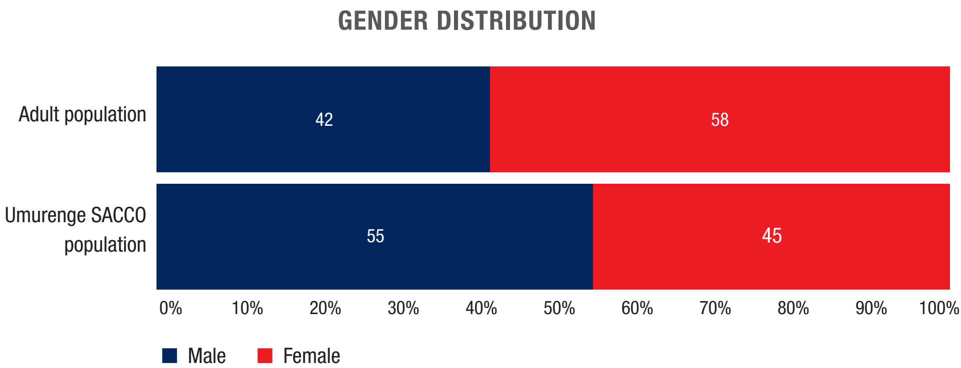
Drivers of Umurenge SACCO membership

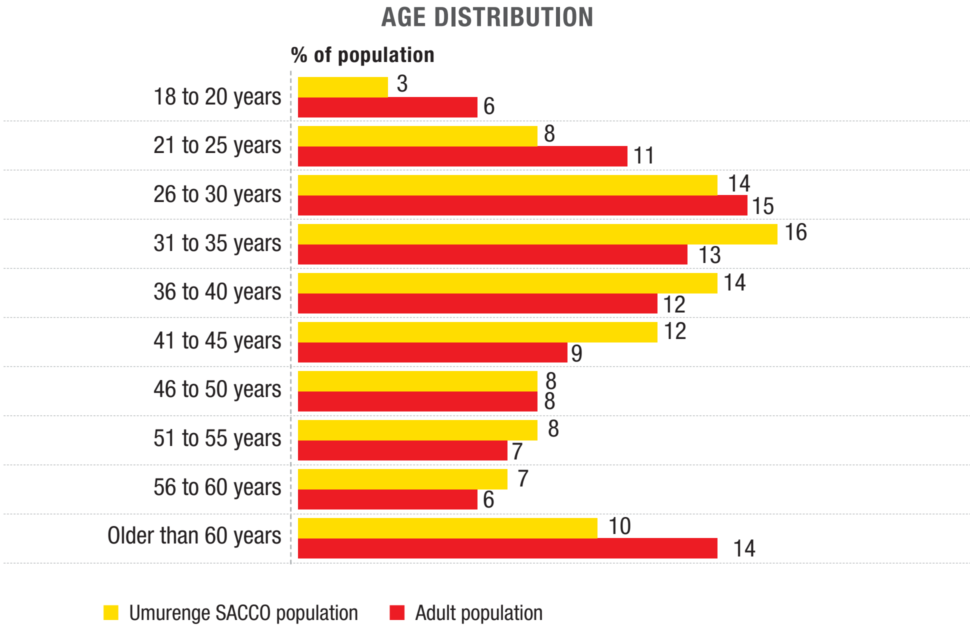
- A need to save is the most significant driver of Umurenge SACCO membership.
  - 42% of members joined to save whilst an additional 9% of members joined to keep their money safe



Profile of Umurenge SACCO clients

- Skewed towards males.
- Skewed towards individuals aged 31 to 45 years.
- Income generating activity distribution of Umurenge SACCO members not significantly different from that of adult population.





Main income generating activities	% of Umurenge SACCO population	% of Adult population
Money from farming	40	38
Salary/wages from Government/company	10	8
Salary/wages from a farmer	17	14
Self-employed (have own business)	2	3
Piece work	13	16

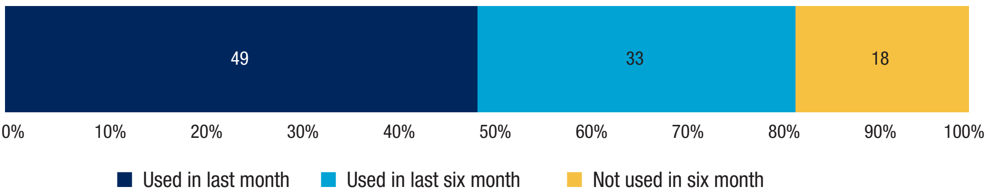
Perceptions of the population about Umurenge SACCOs				
% of the population	Total adult population	Urban population	Other urban population	Rural population
Trust Umurenge SACCOs most with savings	49	29	46	54
Trust Umurenge SACCOs most as lender	50	30	45	55

Umurenge SACCO products		
Umurenge SACCO product	% of population who have Umurenge SACCO products	
	Total adult population	Umurenge SACCO clients
Savings facility	19	90
Credit facility	3	11

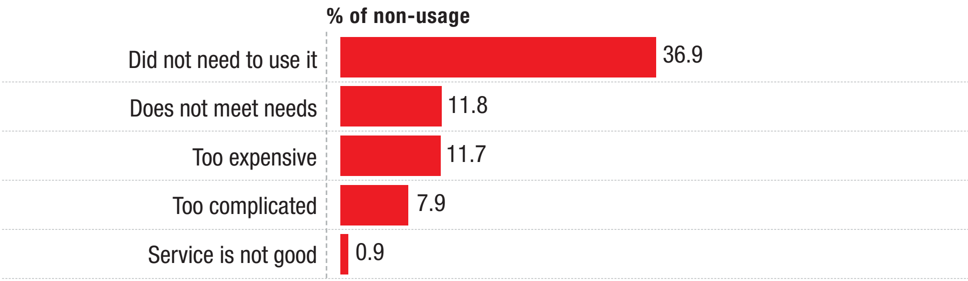
Umurenge SACCO product usage

- 49% of Umurenge SACCO members used an Umurenge SACCO product during the month prior to FinScope 2012; an additional 33% used a product during the 6 months prior to FinScope 2012 although not in the month prior to the survey.
- 18% of Umurenge SACCO members did not use their SACCO products during the 6 months prior to FinScope 2012.
    - 37% of SACCO members who did not use their SACCO products in the 6 month period prior to FinScope 2012 reported that they did not need to use these products during that time

UMURENGE SACCO PRODUCT USAGE



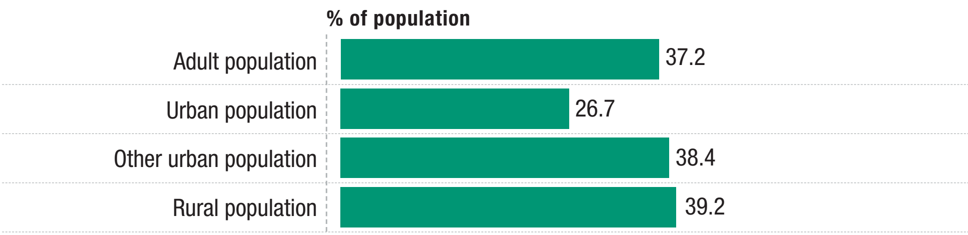
MOST SIGNIFICANT REASONS FOR NON-USAGE OF UMURENGE SACCO PRODUCTS



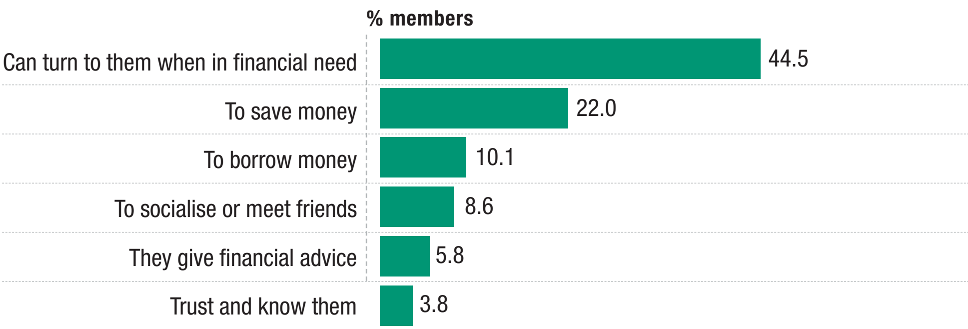
Informal groups

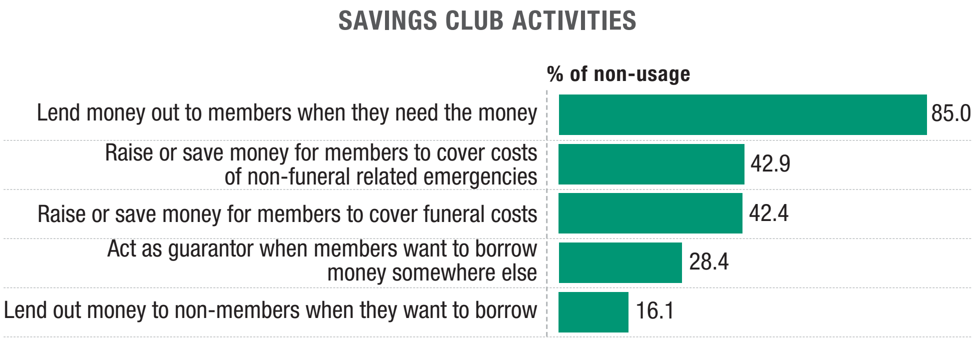
- 37% (1.7 million) of adults belong to savings groups.
- Savings group membership provides social protection to the Rwandan population.
  - 45% of group members joined a savings group because it provides them with "someone to turn to" when in financial need
  - 43% of group members belong to groups that raise or save money for members to cover the costs of non-funeral related emergencies
  - 42% of group members belong to groups that raise or save money for members to cover funeral costs
  - 66% of members of savings groups borrow from these groups

SAVINGS GROUP MEMBERSHIP



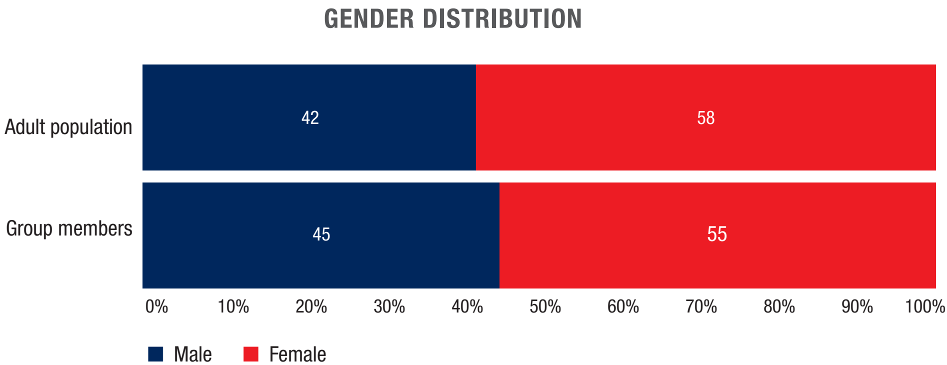
DRIVERS OF GROUP MEMBERSHIP



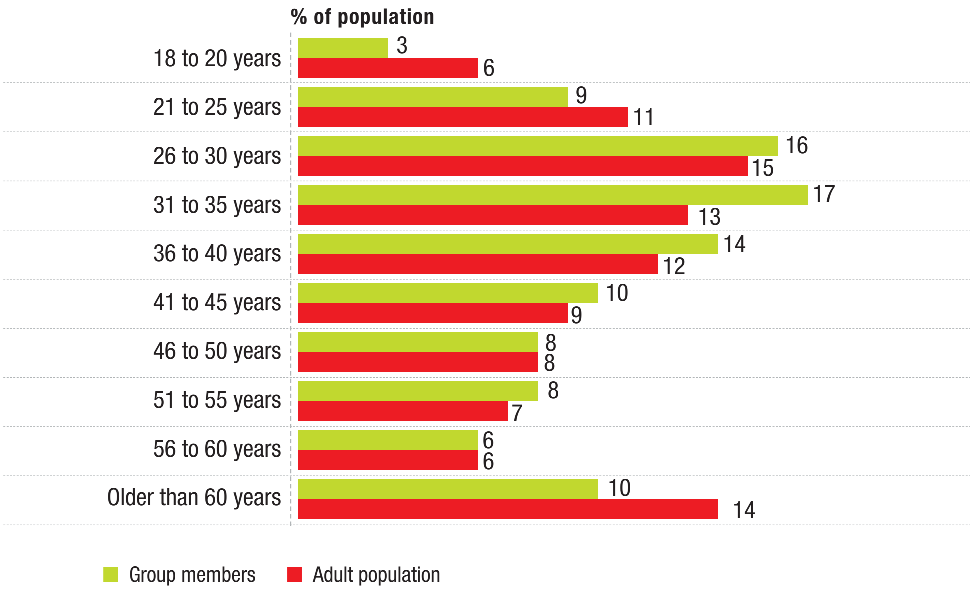


Profile of group members

- Gender distribution of group members not significantly different from that of adult population.
- Age distribution of group members not significantly different from that of adult population.



AGE DISTRIBUTION



Compiled by:

Irma Grundling, Trevor Kaseke, Ivan Murenzi

Ivan Murenzi
Survey Coordinator & Analyst

ACCESS TO FINANCE RWANDA (AFR)
PO Box 1599 Kigali Rwanda
Phone: +250782507751
Email: ivan@afr.rw
Email: info@afr.rw