A close-up photograph of two individuals' hands holding mobile phones. The person on the left holds a black feature phone, while the person on the right holds a silver smartphone. They are wearing vibrant, patterned clothing in shades of blue, red, and gold. The background is slightly blurred, focusing attention on the phones and hands.

FinScope  
Financial  
Inclusion

**Rwanda**

**2020**

## *Acknowledgements*

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The SC members formed an integral part of the FinScope Rwanda questionnaire design and analysis to offer valuable insight into consumer demand behaviour. Without these institutions and individuals' efforts and commitments, the project would not have seen the light.



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# KEY FINDINGS

The ultimate aim of policies and strategies for financial inclusion is increased access to formal financial institutions and increased uptake and usage of formal financial products and services (i.e. those provided by regulated service providers). The target of the Government of Rwanda is to increase the proportion of formally served adults to 100% by 2024.

It is generally agreed that one of the core drivers to an inclusive economy is the constant fight against poverty and the inclusion of most of the population in the formal economy. Hence, the importance of a more financially included adult population is vital as it gives rise to financial stability. As more funds are channelled and flow in the formal economy, this allows for a more effective monetary stimulus while helping reduce costs of conducting financial transactions and increase oversight among other reasons. Given the crucial role of financial inclusion in the national agenda, priority should be aimed at strategies that increase and deepen financial inclusion. To do so, it is imperative that these interventions are specifically targeted, and evidence based. It is in pursuit of this objective that the Rwandan Government with support from the Access to Finance Rwanda (AFR) initiated the fourth FinScope 2020 consumer survey.

The FinScope Rwanda survey is a nationally representative demand-side survey implemented by AFR to address the need for credible financial sector information. It provides insights to guide policymakers and regulators in terms of how to address or respond to existing challenges, monitoring and reviewing the financial inclusion target.

The first FinScope Rwanda Survey 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 Rwanda financial system. The decision to implement FinScope Rwanda 2008 was championed by the Ministry of Finance as the overall custodian of Rwandan's financial sector.

In pursuit of the objective of removing systemic barriers to the uptake of financial services, the Rwandan government needed to obtain credible information on how the landscape of access to and usage of financial services has changed since 2008. AFR on behalf of the government commissioned follow-up surveys in 2012 and 2016.

Similarly, FinScope Rwanda 2020 survey is expected to illustrate how many adult Rwandans are financially included, specifically aligning the levels of inclusion to the revised National Financial Inclusion Strategy (NFIS) and also to report any changes since the last FinScope survey in 2016.

## *Objectives of the FinScope Rwanda 2020 Survey*

- Describe the levels of financial inclusion (i.e. levels of access to financial products and services – both formal and informal)
- Describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- Identify the drivers of, and barriers to financial access
- Assess trends/changes over time (a decade financial inclusion indicator since 2008 to 2020 and 2016 – 2020 comparison)
- Stimulate evidence-based dialogue that will ultimately lead to effective public and private sector interventions that will increase and deepen financial inclusion
- Provide credible information on new opportunities for increased financial inclusion
- Provide information on new opportunities for increased financial inclusion and the extent to which financial services are meeting Rwandans’ needs

FinScope Rwanda 2020 was designed to encompass a broad range of stakeholders in a comprehensive and intensive consultative process. This process has enriched the survey and the shared results have contributed meaningfully to members who have a common interest in financial inclusion. The study was funded by Access to Finance Rwanda (AFR) and implemented by FinMark Trust (FMT) and Centre for Economic and Social Studies (CESS) with technical support of National Institute of Statistics Rwanda (NSIR), National Bank of Rwanda (BNR), Ministry of Finance and Economic Planning (MINECOFIN). These stakeholders including other industry players such as NGOs and FSPs played an integral role in the design of the survey questionnaire and provided valuable insight into consumer behaviour.

## *Methodology*

FinScope Rwanda 2020 is representative at national, urban/rural and district levels. The sampling frame was provided by National Institute of Statistics. The sample was designed according to the latest Census through the listing information conducted in the selected Enumeration Areas (EA). All households in the selected EAs were listed. As such about 158 386 households were listed. Within each selected EAs, sixteen households were randomly selected from the listed households. Within the selected households, individual respondents were randomly selected using the automated Kish Grid. A total of 12,480 interviews were conducted during September to November 2019 by Centre for Economic and Social Studies.

## *Socio-economic profile*

**Overview:** There are around 7.1 million adults (16 years and older) in Rwanda. The Rwandan adult population is largely rural based, with 74% (5.2 million) residing in rural areas. Around 30% of Rwandans are between the age group of 16 - 30 years. This makes Rwanda a young nation with around 60% of the

population younger than 31 years. About 46% of the adults in Rwanda mainly generate an income from informal sector (including piece work, selling goods) as well as farming activities (29%) and only about 10% are employed in the formal sector. Approximately 800 000 adult Rwandans own businesses, recording a 200 000 growth from 2016. Around 53% of these businesses are registered. The growth in the business owners and the formality of these businesses may indicate the attention given to developing the micro, small and medium business (MSMEs). It is widely acknowledged that MSMEs are significant contributors to job creation, development and economic growth. Given the crucial role of MSMEs in the national economy, it is in the interest to harness and optimise on this potential by putting into place strategies to mobilise and enable MSME growth and development through access to finance and markets.

The business owners (800 thousand) in Rwanda employ a total of 1.2 million people (excluding the business owners themselves). As such, the sector contributes significantly to job creation with a total of 2 million people working in the sector inclusive of business owners. Further it contributes to poverty alleviation as survivalist businesses play an essential role, especially as a buffer against slipping into deeper poverty and as such reducing individual and household vulnerability.

The results also show rapid improvements in access to basic services, such as the number of households with access to electricity at 42% up from 26% in 2016 and access to piped water at 54% up from 44% in 2016. Slightly more households are within the proximity of 30 minutes and less travel distance to schools and health care facilities. The growth in households accessible to these amenities (health and schools) are however lagging the population growth of the country since 2016.

### ***Financial inclusion***

In total, 93% (about 7 million adults) in Rwanda are financially included (including both formal and informal financial products/services). Levels of financial inclusion vary from 99% in Gasabo district to about 83% in Rusizi district. Gender gap in financial inclusion is closing with only 8% excluded women compared to 7% amongst male counterparts. As expected, when comparing seniors and youth, youth within the age group of 16 - 24 years are financially excluded at 18% points, significantly higher compared to the national average of 7% exclusion.

**Formally served:** About 77% (5.5 million adults) in Rwanda have/use formal financial products/ services, including banking sector and other formal (non-bank) financial products/services from insurance firms, mobile network operators, etc. Again, levels vary from 99% in Gasabo district to only 56% in Burera district. There is clear gender gap in accessing and using formal financial services, women (74%) are lagging with 7% gap compared to male counterparts at 81%.

**Banked:** About 36% (2.6 million individuals) of adults in Rwanda are banked or are using banking services. The proportion of adults that are banked ranges from 80% in Gasabo district to only 8% in Ngororero district. Women lag behind men in the usage of bank services, 34% of female adults in Rwanda use bank services or products versus 39% of their male counterparts. Banked population growth has increased by 1.1 million since 2016. Bank uptake and usage seems to be driven by transactional products, as more people (around 900 000) are receiving their income through banking accounts. About 25% (1.7 million) banked adults use digital payments, this is up from 6% or around 400,000 in 2016. Digital payments have a direct impact on the increased usage, 68% of bank clients use their accounts on a monthly basis, and this is up by 16 percentage points since 2016.

**Mobile money:** About 87% (6.2 million adults) in Rwanda have access to a mobile phone with females (84%) having lower access compared to men (90%). Around 3 in 5 (61%) adults use mobile money and more males (68%) have mobile money accounts as compared to women (56%). Key barriers to the uptake of mobile money relate to lack of product knowledge and lack of interest in the product.

**Other formal (non-bank):** Almost 75% (5.3 million individuals) of adults in Rwanda have/use other formal (non-bank) financial products/services. The proportion of adults that have/use other formal (non-bank) financial products/services ranges from 98% in Gasabo district to 53% in Burera. Though the use of other formal non-bank services is high amongst both males and females, a lesser proportion of females (71%) have access compared to 80% males. The other formal non-bank institution usage is driven by mobile money accounts.

**Informally served:** In total, about 78% of adults in Rwanda use informal mechanisms (5.6 million individuals). Around 80% women belong to a savings group or use informal mechanism to manage their financial needs and about 20% of adult women rely ONLY on informal financial devices compared to 12% of men counterparts. Levels of informal financial products usage vary from 90% in Rulindo district to 59% in Kicukiro district. The informal sector plays an important role in extending the overall levels of financial inclusion, particularly in rural areas and among women. About 16% of adults in Rwanda rely ONLY on informal mechanisms, declining from 21% in 2016.

**Excluded:** Only 7% of adults in Rwanda (0.5 million) do not use any financial products or services (neither formal nor informal) to manage their financial lives, i.e. they are financially excluded. Levels of exclusion vary considerably across the country from zero% in Gasabo district to 17% in Gatsibo and Rusizi districts. As shown here, traditionally vulnerable groups such as the poor, those residing in remote rural areas, youth, women, and the adult (senior citizen) population are more likely to be financially excluded.

**Savings and investments:** About 86% (6 million individuals) of adults in Rwanda save, including all forms of savings. Saving through formal institutions, grew from 49% in 2016 to 54% in 2020. Informal savings grew significantly, reducing high number of adults saving money at home. People in Rwanda mainly save for living expenses. Women and young youth (16-24 years) are less likely to save money through formal financial service providers. Both women and young youth (49% respectively) are below national formal savings of 54%.

**Borrowing and credit:** About 76% (5.4 million) of adults in Rwanda borrow money, including all forms of borrowing. Slightly more females (77%) have borrowed in the past 12 months compared to their male counterparts (76%). Same as saving uptake, there has been an impressive increase in formal credit consumption, however, formal credit remains low at 22%. Formal borrowings in Rwanda are driven by borrowing from mobile money and SACCO, each with 9% penetration.

**Insurance and risk mitigation:** In general, the uptake of insurance is low in Rwanda, nevertheless the uptake of insurance show a rapid growth since 2016. About 17% of adults have insurance products, (around 1.2 million, increasing from 0.5 million since 2016). Slightly more males (19%) are insured compared to their female counterparts (15%). Insurance in Rwanda is driven by medical insurance. Life insurance is also garnering traction at 23%, up from 12% in 2016.

**Remittances:** About 45% (3.2 million individuals) of adults in Rwanda sent and/or received money in the past 12 months prior to FinScope Rwanda 2020 survey, including all forms of remittance channels. Slightly more people (45%) remitted money in 2020 compared to 43% in 2016. When using gender lenses, more males (49%) have remitted in the past compared to females (41%). The results show that for those that remit, the most reported means of remitting is through formal (non-bank) remittance products (93%) which is mainly driven by mobile money.

**Financial health:** Individuals around developing world are striving to improve their financial lives. They spend, save, borrow, plan and work to grow their assets and protect their resources, in the pursuit of improved financial health. Financial health framework is a relative new concept that seeks to assess how well one's daily financial systems help build resilience from shocks and create opportunities to pursue one's dreams. FinScope Rwanda 2020 survey embraced this framework and thus provides a baseline of financial health indicators:

Overall, Rwandans show good signs of financial health in four of the six indicators: that is balancing income and expenses; building and maintaining reserves; managing existing debts and using effective range of financial tools to manage financial lives. About 71% adults in Rwanda have strategies to balance their income and expenses. Strategies Rwandans used include saving excess cash and borrowing when there is an income gap. Around 63% of adults build and

maintain reserves through saving money and investing in assets and businesses. Amongst the credit active consumers, only 33% showed signs of credit stress or over-indebtedness. More financially served adults (88%) have 2 or more financial products portfolio, allowing them to use effective range of financial tools to manage their financial lives.

The financial health indicator however shows some gaps on planning and prioritising (time horizon for planning, types of goals, action steps towards goals) and recovering from financial shocks indicators. The data shows that Rwandans' goals and aspirations revolved around improving economic well-being whether through starting a business, improving shelter, or investment on education. The steps or devices used towards goals do not show financial health confidence as majority of adults use informal and non-financial methods. Minimum usage of formal financial devices may suggest that the available formal products do not meet consumers' needs.

*Table 1: Financial health score matrix*

INDICATORS	SCORE	GAP/STRENGTH	IMPLICATION
<b>1</b> Balances income and expenses	<b>71%</b>	23% of the 71% relied mostly on informal credit - are they financially healthy?	Track the progress in this indicator to improve it and to track the changes in the state of nation financial health
<b>2</b> Builds and maintains reserves	<b>63%</b>	71% save through informal, 68% Formally served	Healthy state - to track the changes in the state of nation financial health
<b>3</b> Manage existing debts goals	<b>33%</b>	Majority of credit active consumers borrow from informal sector - can informal sector be used to build credit record?	Use this tool to identify targets for tailored policy intervention
<b>4</b> Plan and prioritize	<b>53%</b>	Majority are meeting life goals: purchasing house/property/land business and education; devices used are informal savings and non-financial devices	Improving product design and strategy development Modify product suites, improve functionality, or adapt distribution methods
<b>5</b> Recover from financial shocks	<b>61%</b>	45% did not recover from shock, majority did nothing about their shocks or used non-financial devices	Improving product design and strategy development Modify product suites, improve functionality, or adapt distribution methods
<b>6</b> Effective range of financial products	<b>88%</b>	More Rwandans have more than one financial product landscape (transaction, savings, credit and insurance) to acquire, move, and store funds as well as to grow their assets	Monitor progress or set new targets looking at the formality of the product suite

Beyond Rwandans' ability to meet day-to-day needs, a financially healthy nation should be prepared for the unexpected (that is financial shock or emergency). Of the adult population, 61% experienced financial shocks in the past 12 months prior to the FinScope 2020 fieldwork. Of those who experienced financial shocks, 47% mentioned serious illness of household members; 12% agricultural crop/livestock destroyed and 10% death of a relative or household member. From those who experienced financial shocks, only 40% used financial devices to mitigate financial shock. Of those who responded to recovery indicator, only 44% agreed that they recovered from the financial shock.

### *Conclusions and recommendations*

The level of financial inclusion is relatively high in Rwanda at 93%, narrowing the gap in reaching the 2024 target of 100% financial inclusion. There is still room to further reduce the level of those who do not have transaction accounts (bank and/or mobile money). However, the greatest opportunity would come from ensuring financial inclusion that goes beyond access and uptake to measure the impact of financial inclusion and financial health in Rwanda.

The findings of the FinScope Rwanda 2020 survey indicated that the financial landscape in Rwanda continues to change due to sector interventions. Both banking and other formal non-bank sectors recorded significant growth in the number of financially included population, in line to the population growth and effort to reduce population who previously relied only on informal financial mechanisms.

The informal sector continues to play a significant role in financial inclusion and increasing product portfolio choices. Mobile money continues to be an enabler for financial inclusion and it is used by both banked and unbanked population.

### *Priority areas*

The priorities of financial inclusion in Rwanda continue to ensure that the lives of Rwandans are improved. To this end, the following areas could be prioritised in the financial inclusion agenda:

- Adopt Financial Inclusion 2.0 (FI2.0) and embrace a focus towards addressing real economy needs through better financial solutions. Identify and facilitate the implementation of the financial interventions that will improve the resilience and sustainable livelihoods for the target groups (informal sector, women and youth), as well as enhance the contribution to the macro-economic indicators for the country
- Develop and expand the roadmaps that will support the implementation of the emerging thematic areas within the financial inclusion agenda. This includes expanding the gender and youth financial inclusion pillars within the National Financial Inclusion Strategy (NFIS) through establishing specific interventions

for implementation as well as the inclusion of vulnerable groups, e.g. refugees and people living with disabilities

- Emphasise the focus on the financial health indicators, quality and impact of the financial services and come up with specific indicators to monitor these. The use of digital financial services and economic platforms have the potential to unlock the opportunities and contribute positively to financial inclusion.

### ***Potential use case: financial services providers (FSPs)***

- Financial health measurement can be a tool for improving product design and strategy development.
- Improve financial health through high-quality and consumer-centric products.
- Use research results/indicator to modify product suites, improve functionality, or adapt distribution methods, all with the ultimate goal of better serving their existing clients, as well as growing their customer base.

### ***Potential use case: policymakers and regulators***

- Adopt Financial Health framework and develop Rwandan's theory of change which will guide and implement the financial health framework, which is likely to be of significant interest to policy-making.
- Use the financial health indicator both to gauge the financial health of Rwandans' population, as well as to track progress in improving it.
- Focus on thematic analysis using the framework/indicator as a tool to identify targets for tailored policy intervention and to monitor policy effectiveness.
- Adopt the financial health framework and include it in the NFIS and nationally-demand side representative surveys.

# INTRODUCTION

## *Background on the Rwanda financial services*

It is widely accepted that financial inclusion plays an important role in promoting faster, broad-based economic growth, and poverty reduction, and thus strongly supports national level objectives. In recognizing the efforts to support financial inclusion, the Government of Rwanda (GoR) has introduced a number of initiatives to promote financial inclusion, including the implementation of the National Inclusion Financial Strategy (NFIS) and in ensuring that the NFIS is a living document that continues measuring and monitoring the identified areas of priority or pillars.

The development of the NFIS is a continuation of endeavour by the GoR to afford appropriate and quality financial services and product accessible to all categories of the population as well as to the small businesses and farmers. Inclusive and effective financial systems help mobilise savings for investment, reduces transaction costs and increases efficiency, thereby contributing to employment generation and growth. Financial inclusion also helps improve household welfare, by reducing their transaction costs, enabling them to efficiently manage risks and shocks, allocating capital for productive use and supporting the accumulation of wealth over time.

Arising through a collaborative stakeholder review processes, the NFIS 2019 - 2024 aims to guide and assist the government and stakeholders to identify and implement actions that best improve financial inclusion. The development of the NFIS has been rolled out under the guidance of the government, being jointly led by the National Bank of Rwanda (BNR) and the Ministry of Finance and Economic Planning (MINECOFIN), with technical support from Access to Finance Rwanda (AFR).

The strategy outlines a series of actionable policy objectives to be undertaken by various actors - including both public and private sector institutions and agencies - to increase access to and use of appropriate and affordable financial services, by all adults in Rwanda to meet their needs.

The NFIS comprises the following action items:

1. **Resilience and money management for household** - This pillar speaks to need for the financial services to support individuals or households to build resilience to shocks and pursue opportunities and dreams;
2. **SME access to finance for investment** - Expand productive credit to benefit small firms who would normally struggle to mobilise finances for operations, expansion or even starting up a business;

3. **Access to finance for investment and resilience for farmers** - Agriculture is critical to Rwanda's economy, contributing nearly a third of the national gross domestic product (GDP), employing more than three-fourths of the workforce, and generating more than half of the country's export revenues<sup>1</sup>. Agriculture finance and financial inclusion in the sector is therefore a national priority;
4. **Expansion of digital finances** - The broad goal envisaged by the NST<sup>1</sup>, RNPS and the SRMP is for a cashless society by encouraging the use of electronic payments by all residents of Rwanda. Rwanda can be a country in which citizens use DFS well beyond the currently prevalent person-to-person (P2P) and cash in and out transactions, by encompassing ecosystems where citizens receive income digitally, and spend it digitally including at merchant points, schools, health providers and government payments, as well as eventually e-commerce;
5. **Responsible finances** - The financial capability is of importance in Rwanda, its purpose being to provide consumers with the knowledge to safeguard themselves against unfair or exploitative practices, as well as to improve decision making regarding financial products and services that are appropriate to their needs. Consumer protection and financial literacy (financial capability) ensure there is trust in the financial sector, and uptake and usage of financial services are optimised;
6. **Cross cutting actions** - Regular collaboration between the policy makers, regulators and stakeholders in the sector to ensure that the overall objectives are being achieved.

## FINSCOPE SURVEYS

FinScope is a research tool which was developed by FinMark Trust<sup>2</sup> to address the need for credible financial sector information. It provides insights to guide policy makers and regulators in terms of how to address or respond to some of the challenges they face in order to meet financial inclusion targets.

It also provides financial service providers with crucial strategic information regarding their target markets and the financial services these markets need

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<sup>1</sup> *Agriculture Finance Diagnostic, World Bank Group, 2018*

<sup>2</sup> *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.*

- enabling them to extend their reach and broaden the range of services they provide. FinScope surveys have been conducted in 24 African countries and 10 beyond the African continent. Currently FinScope surveys are being implemented in Botswana, Nigeria, South Africa (both small business and consumer survey) and Sudan.

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 further provides the opportunity to assess whether, and how, a country's situation changes.

### ***FinScope Rwanda***

The first implementation of the FinScope survey 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 Rwandan financial system. This decision to implement FinScope Rwanda 2008 was urged by the BNR as the overall custodian of Rwanda's financial sector.

In pursuit of their objective of removing systemic barriers to uptake of financial services, Access to Finance Rwanda<sup>3</sup> (AFR) needed to obtain information about how the landscape of access to, and usage of, financial services has changed since 2008. AFR therefore commissioned a follow-up survey in 2012 and 2016.

In partnership with the Government of Rwanda, AFR initiated the fourth FinScope survey with an intention to continue measuring progress in the financial inclusion. FinScope 2020 is expected to illustrate how many adults Rwandan were linked to financial inclusion specifically formal accounts through different sector interventions.

### ***FinScope Rwanda 2020***

After a competitive tender process, the Centre for Economic and Social Studies (CESS) was selected to conduct the FinScope Rwanda 2020 survey under the supervision of the steering committee members and with technical support from FinMark Trust (FMT).

The main objective of the FinScope Rwanda 2020 survey was to:

- Describe the levels of financial inclusion (i.e. levels of access to financial

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<sup>3</sup> AFR was launched in March 2010 at the request of the Government of Rwanda and with support from 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.

- products and services – both formal and informal)
- Describe the landscape of access (i.e. the type of products and services used by financially included individuals)
- Identify the drivers of, and barriers to, financial access
- Assess trends/changes over time (from 2016)
- Stimulate evidence-based dialogue that will lead to effective public and private sector interventions in order to increase and deepen financial inclusion
- Provide information on new opportunities for increased financial inclusion and the extent to which financial services are meeting Rwandans’ needs.

### ***Survey and instrument design***

Like the FinScope Rwanda 2016 survey, the current wave (FinScope 2020) was expanded (with reporting domains at national, regional, urban/rural and districts levels) to allow for greater data interrogation:

#### **1. Respondent profile**

- Universe: adult population in Rwanda
- Rwandan residents 16 years and older

#### **2. Coverage and methodology**

- Fieldwork conducted September 2019 to November 2019
- Computer Aided Personal Interviews (CAPI) conducted face-to-face
- Questionnaire reviews included reordering of some questions and the addition of new questions based on feedback from stakeholders
- Questionnaire in Kinyarwanda and translated into English
- Total of 12 480 interviews conducted

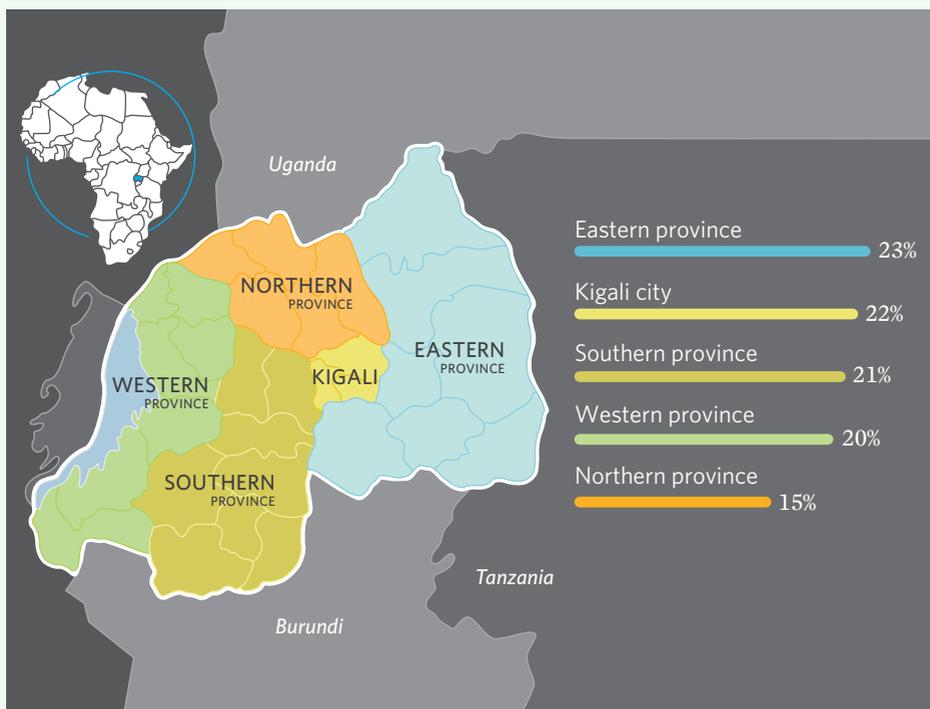
#### **3. Sample and fieldwork validation**

- Nationally representative sample
- Sample drawn systematically using Probability Proportional to Size (PPS) sampling
- Enumerator Area (Villages)-based, 780 Villages (up from 615 villages in 2012) and 16 interviews per Village were conducted
- Comprehensive Listing in 780 villages – listing 158 386 households
- To identify respondents, two further levels of random sampling:
  - » Households randomly selected within each sampled village
  - » Individual respondents randomly selected from sampled households using the automated Kish grid
- The data was weighted and benchmarked to the 2016/17 Integrated Household Survey (EICV5)
- The FinScope Rwanda 2020 survey findings were validated and approved by the NISR
- Data analysis was conducted by the members of the steering committee and FinMark Trust

## SOCIO-ECONOMIC PROFILE

This section presents the FinScope results on the socio-economic status of Rwanda. The estimated adult population (16 years and older) was 7 131654

Figure 1: Provincial distribution



with the smallest population of adults being in the Northern Province and the largest population in the Eastern Province. Other FinScope Rwanda facts include:

- The Rwandan adult population is largely rural based, with 74% (5.3million) residing in rural areas
- 30% are young adults aged between 16 to 30 years
- The gender distribution of the adult population is skewed in favour of females (56%)
- A slight decline in the proportion of adults with no formal education or those who have attained some primary school education. 19% (from 21% in 2016) of adults have no formal education and about 52% (54% in 2016) have achieved some level of primary school education but with no secondary school education. Encouragingly, the proportion of adults with tertiary education has risen from 2% in 2016 to 6% in 2020
- The percentage of adults with access to piped water in their homes or yards or access to electricity that could be used for cooking and lighting purposes has increased, although the majority still have limited access. Fetching drinking

- water and firewood for cooking purposes is a daily reality in these households
- 80% of adults are from households that are involved in farming activities
- Approximately 42% of the adults in Rwanda generate an income from farming activities and 12% from farm work wages; 34% earn an income from piece work. This makes farming and piece work leading sources of income (these livelihoods are often related to irregular and low levels of income)
- 44% of adults have more than one source of income
- About 10% of adults generate an income from government institutions and private businesses/companies (5% mention per source)
- 11% of adults are self-employed, meaning that they own businesses. 36% of them employ 1.2 million people thus creating 2 million employment including 0.8 million owners

Figure 2: Urban-rural distribution (%)

Figure 3: Gender distribution(%)

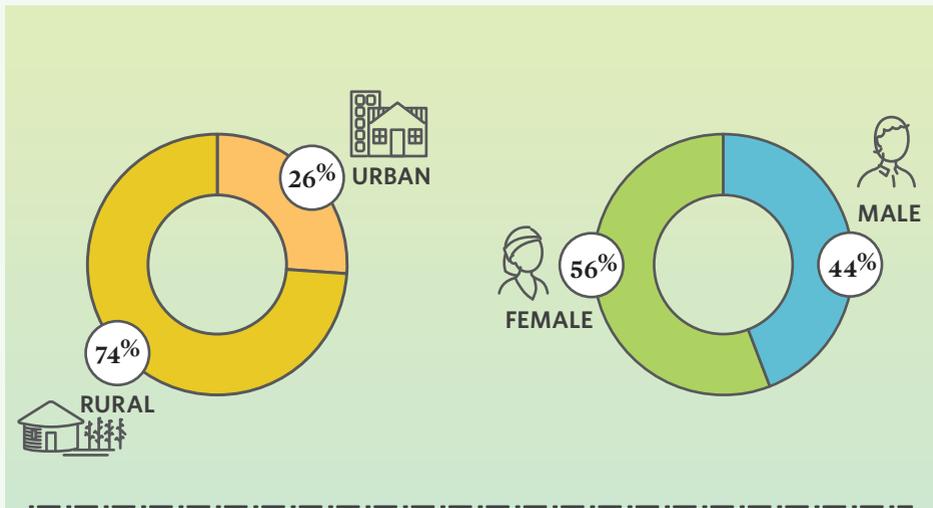
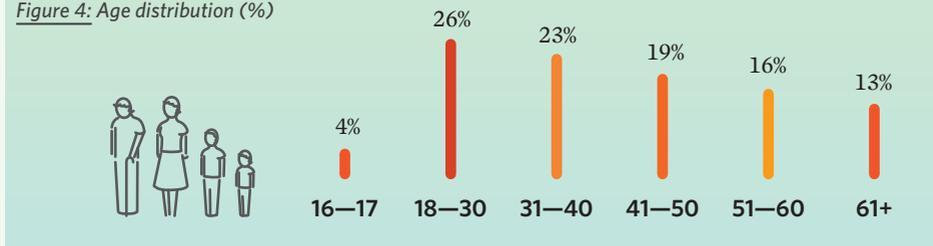
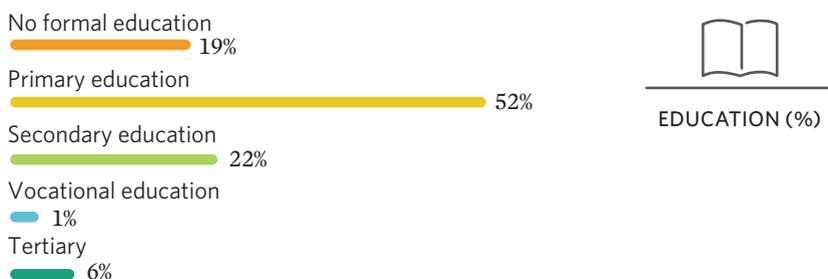


Figure 4: Age distribution (%)



- The Ubudehe programme categorises Rwandan households into 4 categories according to the socio-economic status of the household, with Category 4 households being the most affluent, and households in Category 1 the least. Based on their self-reported Ubudehe status, only 14% of adults are from households that fall into Category 1 (these are families who do not own a house and can hardly afford basic needs). 41% reported that they are from households that fall into Category 2 meaning that they are families who have a dwelling of their own or are able to rent one but rarely get full time jobs.

*Figure 5: Levels of Education distribution (%)*



*Figure 6: Source of Income distribution (%)*

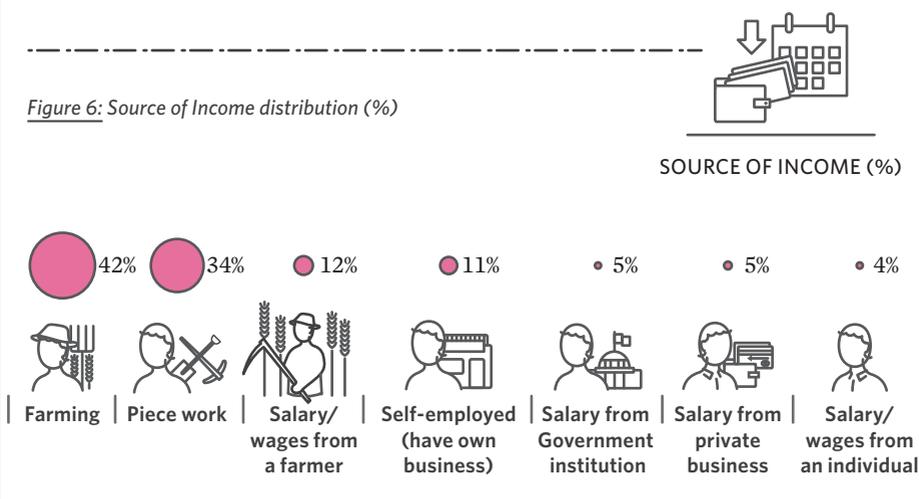
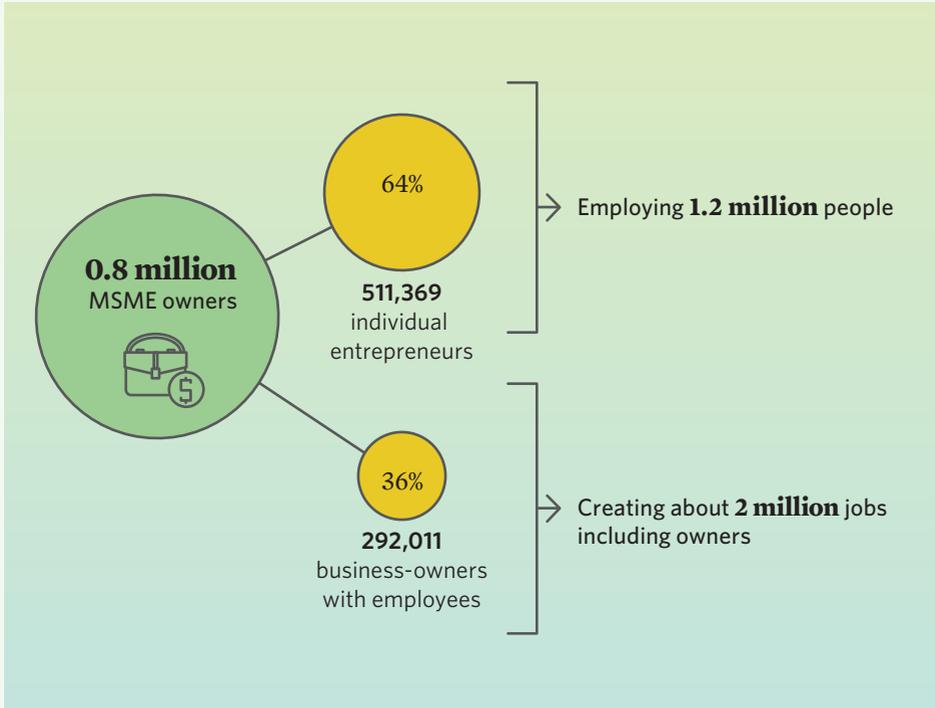


Figure 7: Size, scope & challenges of business owners







## MONEY MANAGEMENT

### Knowledge about financial products

As financial products and services are always in constant evolution, it is imperative to offer financial education among adults. The knowledge level of adults regarding financial products significantly influences their decisions. Encouragingly, adult Rwandans display high levels of knowledge for financial products with the most known products being U\_SACCO and savings account with a bank.

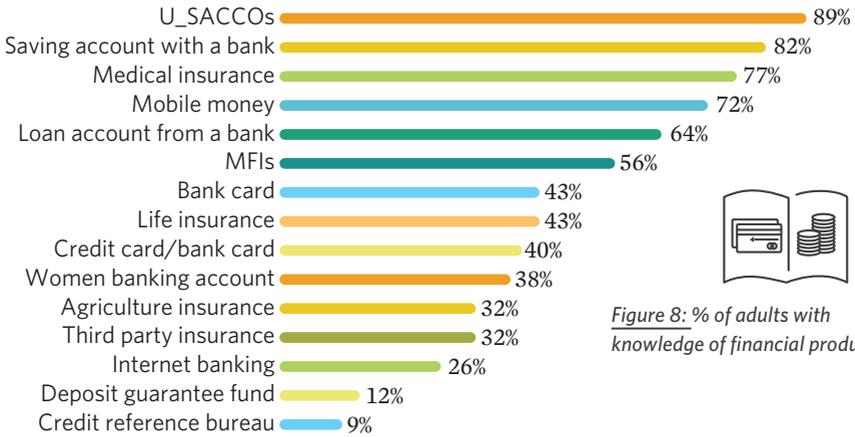
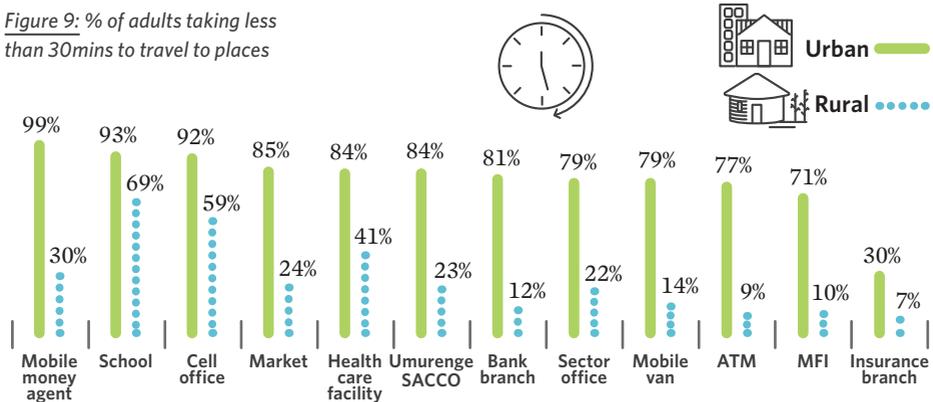


Figure 8: % of adults with knowledge of financial products

### Access to infrastructure

Proximity to financial services usually gives an indication of how close services are to the people, and even highlights areas where geographical access is limited. Urban areas usually have developed infrastructure that supports the access and availability of financial services.

Figure 9: % of adults taking less than 30mins to travel to places



From Figure 9, it can be clearly seen that most of the adults in the urban areas travel less than 30mins to get to their destinations with the closest facility to most being the mobile money agent, school and cell office. For the majority of the Rwandans who live in the rural areas, only a few take 30mins on average to get to their desired place with the school premises and the cell offices being the closest ones. The financial service facility closest to most of the rural population are mobile money agents and only 1 in every 10 adults in the rural areas takes on average less than 30 mins to get to a bank branch or ATM or MFI. The availability of access points determines whether people will have access or not.

There are major differences among the provinces and districts worth noting as presented in Tables 2 and 3. Adults living in Kigali are closer to most of the financial services as compared to other provinces. Mobile money agencies are conveniently located in most of the provinces. Overall, there has been improvement in reducing time to

access these amenities with reduction from 46:46 minutes to 38.86 (SACCO); 52:07 to 41.16 (MFI); 53:30 to 42.85 (bank branch); 53:37 to 41:21 (ATM) and 31:00 to 18:78 (mobile money agent).

Notable differences amongst the districts with Nyarugenge district having lowest average time to get to financial institutions (see table 3). Adults in Ngororero on average takes more than 50 mins to get to any financial institutions. Targeted interventions per district can yield much resulting in more adults being financially included. In all districts, adults generally have access to mobile money agents ranging between 8 minutes to 34 minutes.

Overall, this suggests that there are no significant infrastructural barriers to access financial service providers. However, improvements can be made to reduce the time taken to reach financial access points in areas that exhibit longer distances in order to stimulate ease of access to financial institutions.

*Table 2: Average time taken to destination (in minutes:seconds) by provinces*

Destination	Kigali City	Southern Province	Western Province	Northern Province	Eastern Province	National average
 UMURENGE SACCO	21:25	45:38	43:55	41:77	43:42	38:86
 MFI'S	22:74	48:68	47:18	47:01	47:96	41:16
 BANK BRANCH	22:78	50:20	49:03	48:06	48:25	42:85
 ATM	22:06	49:23	48:68	49:86	47:67	41:21
 MOBILE MONEY AGENT	8:96	23:62	23:76	22:36	17:49	18:78

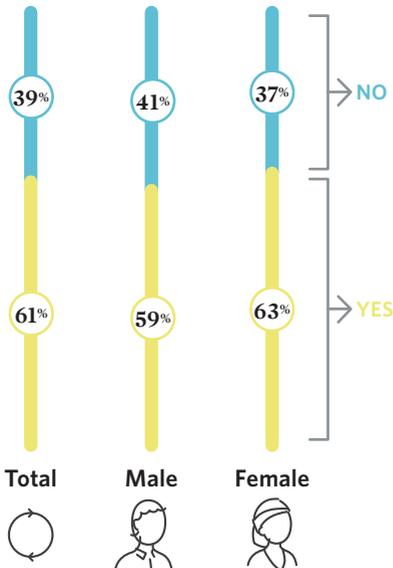
Table 3: Average time taken to destination (in minutes:seconds) by districts

	 UMURENGE SACCO	 MFI'S	 BANK BRANCH	 ATM	 MOBILE MONEY AGENT
Nyarugenge	20:34	19:69	19:71	18:81	7:91
Gasabo	21:67	23:73	24:06	23:40	9:34
Kicukiro	20:80	22:22	21:65	20:88	8:70
Nyanza	49:78	51:67	51:97	52:80	26:84
Gisagara	47:83	49:68	49:74	49:53	23:87
Nyaruguru	43:82	52:21	54:34	53:13	29:31
Huye	45:06	48:75	49:46	48:67	23:29
Nyamagabe	49:68	50:63	52:42	48:94	29:17
Ruhango	45:79	44:05	48:07	45:81	23:17
Muhanga	40:61	47:26	49:07	48:96	17:18
Kamonyi	41:82	47:56	48:24	47:51	19:49
Karongi	49:52	52:49	52:93	53:66	33:88
Rutsiro	46:65	52:44	55:65	54:78	25:25
Rubavu	34:78	38:54	40:55	41:60	13:71
Nyabihu	40:70	45:56	47:40	47:83	19:75
Ngororero	50:91	55:84	56:51	56:48	28:96
Rusizi	36:92	38:63	40:82	40:18	21:20
Nyamasheke	50:23	52:91	55:09	55:18	27:03
Rulindo	40:91	46:45	47:33	49:33	20:21
Gakenke	42:49	51:27	51:77	54:93	26:78
Musanze	34:12	39:69	41:40	42:39	18:95
Burera	45:14	50:00	50:24	52:87	26:73
Gicumbi	46:74	49:08	50:51	51:79	19:40
Rwamagana	45:78	50:64	46:85	47:89	16:51
Nyagatare	39:56	43:64	46:34	43:78	17:93
Gatsibo	44:34	45:82	48:65	47:02	18:82
Kayanza	43:34	48:58	49:06	48:57	15:13
Kirehe	46:48	51:50	52:46	51:79	13:00
Ngoma	48:00	52:64	51:85	51:63	19:42
Bugesera	39:87	45:85	43:86	44:90	20:86

## Risk and coping mechanisms

Unforeseen events pose a significant amount of strain on households especially if it is not covered. This has direct financial and non-financial implications on the quality of one's life. Beyond Rwandans' ability to meet day-to-day needs, a financially healthy nation should be prepared for the unexpected (that is financial shock or emergency). Approximately 3 in every 5 adults claimed to have experienced a shock that affected their income in the past 12 months prior to the FinScope survey. Furthermore, slightly more women (63%) experienced financial shocks as compared their male counterparts (59%).

Adults experience different types of risks  
**Figure 10: % of adults who experienced unforeseen events**



and unforeseen events as shown in Figure 11. Almost half of the adults (47%) witnessed the illness of a household member with the least adults having had loss of household goods (1%). Amongst other top risks experienced were death of a relative/ household member (10%), agriculture crop/livestock destroyed (8%) and huge price increases (7%). A further split by province reveals that adults in the Western province experienced slightly more unanticipated events (65%), followed by adults from the Southern province (63%), Eastern province and Kigali (60%), with the least affected being Northern province (58%).

As most households faced unforeseen events such as illness in their households or an increase in commodity prices due to inflation, it was important for the study to explore what mechanisms they used to alleviate these risks or hardships. The main mechanisms used to cope such events for most Rwandans were to borrow money from family, friends and other sources or sell assets or livestock. Some of the adult Rwandans also resort to doing nothing about the situation, this reflect the hard times adults usually face. There is need to educate people about saving for rainy days in order to mitigate these risks when they do happen.

Additionally, apart from adults using non-financial devices such as cutting down expenses, and doing nothing, about 40% used financial devices such as savings, and insurance to mitigate financial shock. Usually after an unforeseen event happens, some adults may quickly recover from the aftermath whilst others may not fully recover. Of those who responded to recovery indicator, only 44% agreed that they recovered from the financial shock.

Figure 11: Risk or hardship experienced in the past 12 months

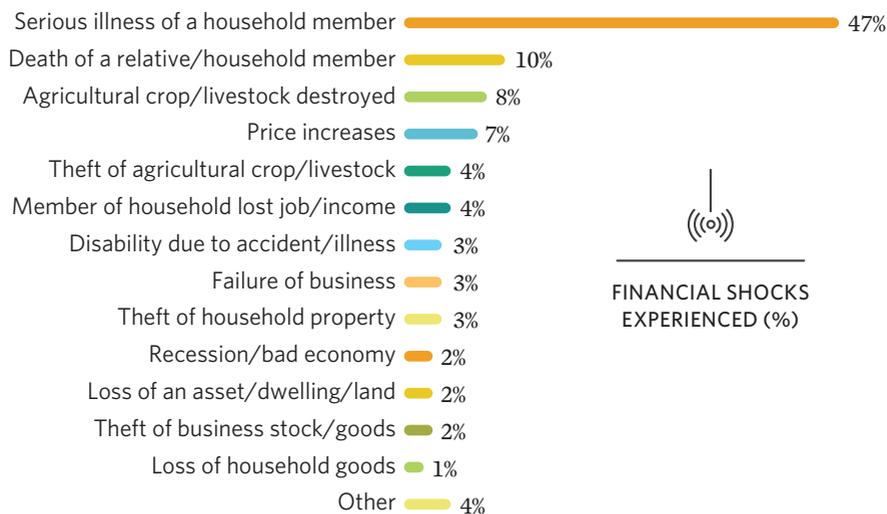


Table 4: Main risk or hardship experienced in the past 12 months and coping mechanism

EVENT-COPING MECHANISMS	CUT DOWN EXPENSES	USED SAVINGS	BORROWED MONEY	CLAIMED INSURANCE	SOLD SOMETHING TO GET MONEY	DID NOTHING
Rise in prices of goods and services	16%	12%	28%	1%	12%	17%
Illness within your household or family that requires medical expenses	12%	12%	32%	1%	21%	12%
Loss to agriculture or livestock	11%	8%	30%	0%	11%	25%
Death of a householder or family member resulting in unexpected costs for you	7%	12%	33%	1%	22%	11%



## FINANCIAL INCLUSION FRAMEWORK

**Financial inclusion:** The concept “financial inclusion” is core to the FinScope methodology. Based on financial product usage, the bankable population is firstly segmented into two groups: the ‘financially excluded’ and the ‘financially included’:

**Financially excluded:** Individuals who manage their financial lives without the use of any financial products or mechanisms external to their personal relationships. If they borrow, they rely on family/friends; and if they save, they save at home.

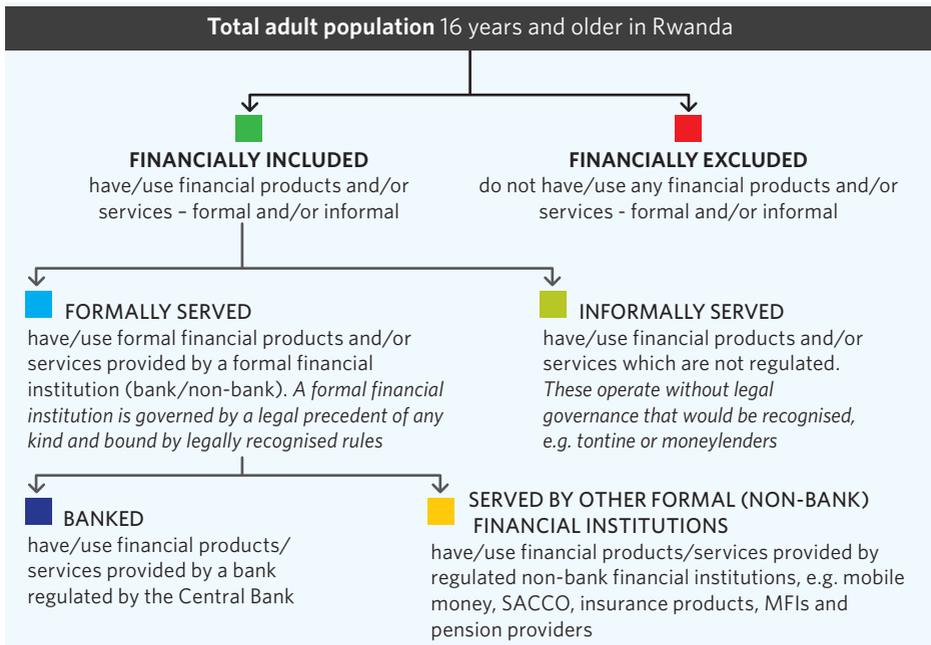
**Financially included:** Individuals who have/use formal and/or informal financial products and mechanisms. Note: That does not mean that these individuals have the products in their name. They could also, for example, use someone else’s bank account or be covered by some else’s insurance. That includes:

- **Formally served:** Individuals who have or use products or services from financial institutions that are regulated through an Act of law (formal financial institutions).
- **Informally served:** Individuals who have or use products or services from financial institutions that are not regulated (informal financial institutions and mechanisms) and/or use community-based organisations/mechanisms to save or borrow money.
- Those individuals who have or use **both** formal and informal products and services.

The formally served population can further be segmented into:

- **Banked:** Individuals who have or use products or services from licensed commercial banks that are regulated by the central/reserve bank.
- Served by **other formal** financial institutions

Figure 12: Financial inclusion framework



(non-bank): Those individuals who have or use products or services from financial institutions that are regulated through Acts of law but which are not commercial banks.

- Those individuals who have or use products or services from **both** commercial banks and other formal financial institutions.

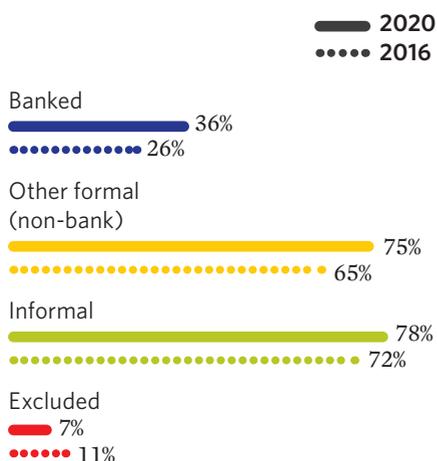
Important to note is the fact that there are overlaps in product uptake as one sector might not fulfil all needs, e.g. a person might have a bank account, an insurance product, and be part of a community savings group. Possible overlaps are illustrated below.

**FinScope tools:** Main analytical tools used here include the Overview, Financial Access Strand and the Landscape of Access.



## LEVELS OF FINANCIAL INCLUSION IN RWANDA

Figure 13: Overview of financial products/services uptake by years (%)



The level of financial exclusion has dropped by 4 percentage points:

- In 2020, 7% (0.5 million) adults are excluded down from 11% (0.7 million) in 2016. About 93% (6.5 million) of Rwandan adults have or use formal or informal financial products or mechanism

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 2016, 26% of adults were having/using bank products/services; this proportion increased to 36% in 2020. The increase was mainly due to new banking channels entering the market resulting in increased outreach of existing banks
- The uptake of non-bank channel/ services increased from 65% in 2016 to 75% in 2020. The increase was caused by an uptake of products offered by non-bank formal financial institutions (such as Mobile money, Umurenge SACCOs and insurance companies)

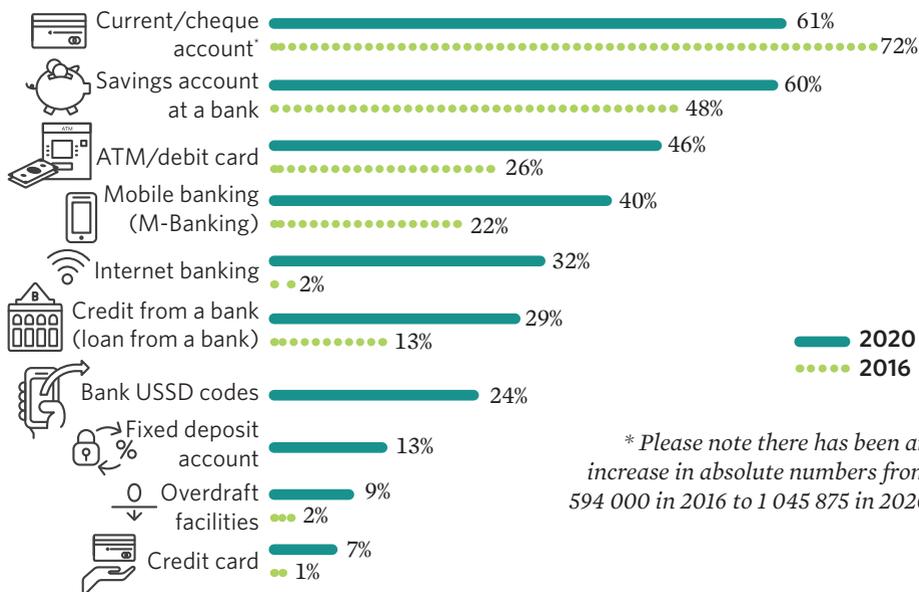
Despite the increase in the uptake of formal financial products, many Rwandans still use informal mechanisms to manage their money:

- Informal inclusion increased from 72% in 2016 to 78% in 2020
- 81% of individuals who have formal financial products also use informal mechanisms (up from 76% in 2016)

### Drivers of banking sector

High uptake and usage of banking products has also led to formal financial inclusion. The growth in the banking products or services was driven by both savings account and as well transactional products including credit facility products such as credit and overdraft.

Figure 14: What drives banking?



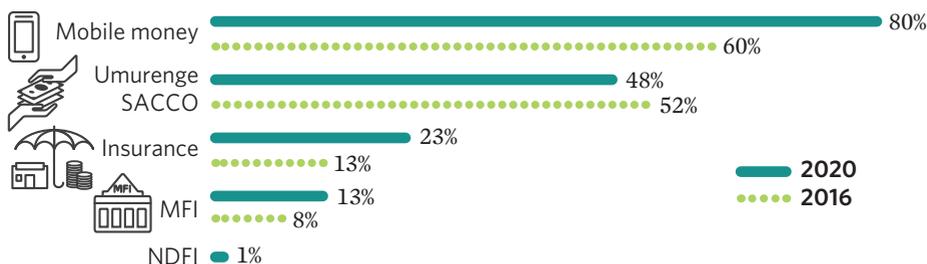
\* Please note there has been an increase in absolute numbers from 594 000 in 2016 to 1 045 875 in 2020

### Drivers of other formal (non-bank) products/services

The increase in the formal financial inclusion was caused by:

- Rise in uptake of mobile money (4.4 million adults use mobile money account in 2020 from 2.3 million in 2016)
- Slight increase in the uptake of Umurenge SACCOs (2.4 million adults have Umurenge SACCO accounts from 2.0 million in 2016)
- More people being insured. About 1.2 million adults in Rwanda had any type of insurance from 0.5 million in 2016
- More MFI accounts opened. About 0.7 million have MFI account (up from 0.3 million in 2016)

Figure 15: What drives other formal (non-bank)?



## Drivers of informal mechanism

About 5.6 million or 78% adults use informal mechanism to manage their finances. This uptake is driven by informal savings groups:

- 4.2 million adults in Rwanda reported that they use informal groups such as Village Savings Loan Association:
  - » 3.9 million adults save through savings group
  - » 2.8 million borrow money from these savings groups (overlaps possible)
- 2.3 million adults used credit shop (i.e. took goods in advance from the shop and paid back later)

Figure 16: What drives informal mechanism uptake? (%)



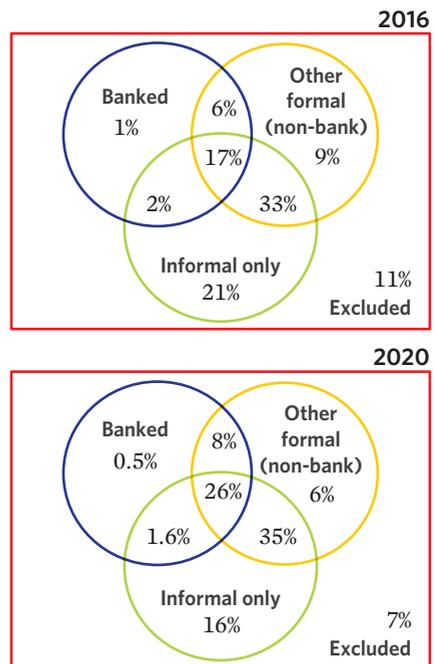
## Overlaps in product usage

Figure 17 displays that 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 or using mobile money to remit money.

Comparisons between 2016 and 2020 reveal a shift mainly caused by increased uptake in both formal and informal products. The uptake is mainly driven by usage of bank services, mobile money and savings group.

- Only 0.5% (38,786) of adults rely exclusively on banking services, down from about 60,627 adults in 2016;
- 63% use a combination of formal and

Figure 17: Overlaps



informal mechanisms to manage their financial needs (up from 52% 2016), thus indicating that their needs are not fully met by the formal sector alone, but also indicating the fact that those who were served only by informal mechanism are now able to use formal financial product;

- 16% (1.1 million) of the adult population ONLY rely on informal mechanisms such as Village for savings and loans, down from 21% in 2020 – therefore vulnerability of relying exclusively on informal mechanism is being reduced.

### FinScope Access Strand

The FinScope Access Strand is a key indicator in determining and segmenting financial inclusion. It is constructed based on the premise that the goal of financial inclusion initiatives is formal financial inclusion. It is therefore constructed to illustrate the:

- % of adults who are banked – i.e. % of adults who are served by commercial banks
- % of adults who are formally served but not banked – i.e. % of adults who are served by nonbank formal financial institutions but not by commercial banks
- % of adults who are financially served but

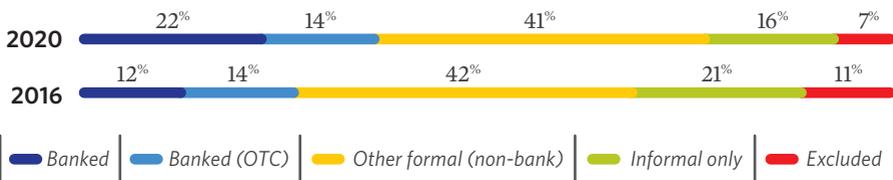
not formally served – i.e. % of adults who are informally served only

- % of adults that are financially excluded.

### Access Strand summary

- The percentage of banked adults increased from 26% in 2016 to 36% in 2020. This is driven by people who opened bank account in their name. About 38% new bank account were opened in the past 4 years. Around 1.6 million or 22% have bank account in their own name, while further 14% or a million adults indirectly use bank account either through using banking channels or somebody else’s account, but they do not have a bank account in their own name.
- The percentage of adults who are formally served, although not banked, slightly decreased from 42% in 2016 to 41% in 2020.
- The proportion of adults using only informal products declined to 16% from 21% in 2016.
- Financially excluded adult Rwandans are approximately 0.5 million, a decline from 11% in 2016 to 7% in 2020. These adults neither use formal nor informal products.
- As shown in Figure 19 and 20, the rural-urban gap of adults who are financially excluded remains the same at -7% in 2020. About 91% of the rural population

Figure 18: Rwanda Access Strand (%)



are financially included compared to 98% of the urban population. The formal inclusion in the urban areas is largely driven by the high uptake of banking services whilst in the rural areas its mostly driven by SACCOs and mobile money.

- The gender gap continues to narrow down in the 2020 with 92% of women financially included (versus 93% males) compared to

87% financially included women in 2016 (versus 91% males).

- There are still differences in the type of access women and men have, men are more likely to use formal financial services compared to women, creating a -7% gender gap in access and uptake of formal financial services/products.
- Figure 25 shows that mobile money

Figure 19: Access Strand by area type - 2016 (%)

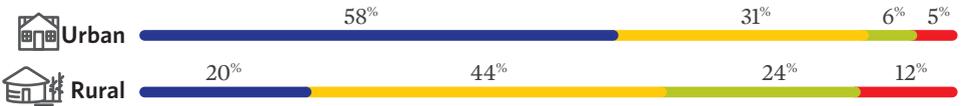


Figure 20: Access Strand by area type - 2020 (%)

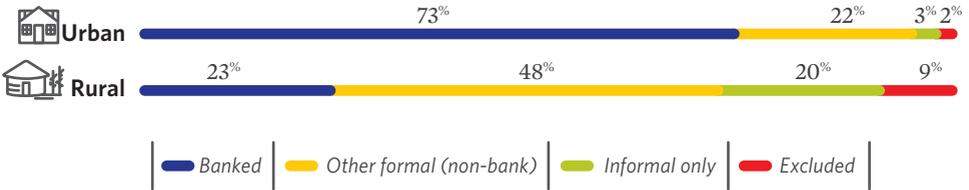


Figure 21: Access Strand by gender - 2016 (%)

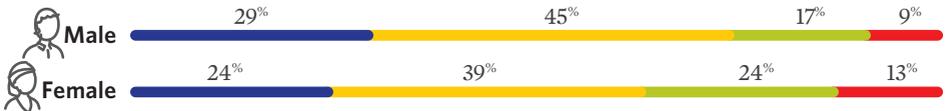
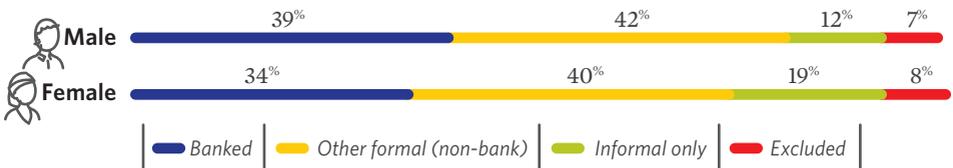


Figure 22: Access Strand by gender - 2020 (%)



- and Umurenge SACCOs played a more significant role in pushing out the boundaries of formal financial access for adults receiving livelihoods from farming and informal sector.
- However, there are disparities and levers that should act to enable a broader inclusion of the population:
    - » Informal economy
    - » Dependents from other people (mainly youth between age of 16 – 24 years)
    - » Incoming from farming
  - As displayed in Figure 26, high uptake of formal products or services is driving inclusion among all age groups with the mobile money pushing out the boundaries for the 16-24 year olds and 25- 30 year olds.
  - Young adults between the ages of 16 – 24 years remain are more likely to be unbanked and excluded.

Figure 23: Access Strand by Ubudehe category<sup>4</sup> 2016 (%)

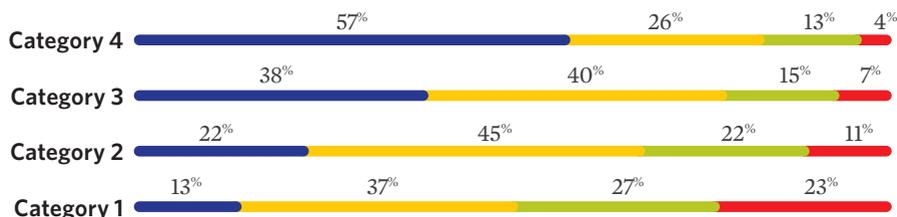
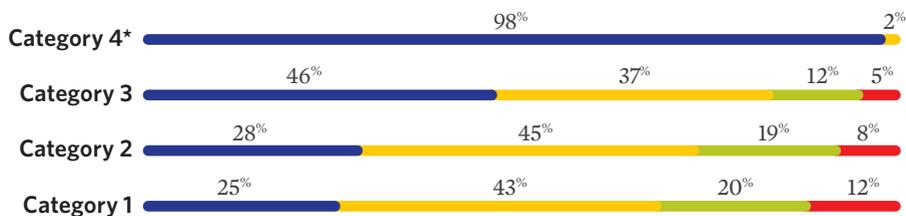


Figure 24: Access Strand by Ubudehe category 2020 (%)



\*Kindly note that the banked population figures for category 4 (from 57% in 2016 to 98% in 2020) are not stable due to small sub-sample sizes.

4. The Ubudehe classification was launched in 2001 to classify people in 6 categories according to their wealth. It was reduced to 4 categories in 2013.

Figure 25: Access Strand by main income generation activity (%)

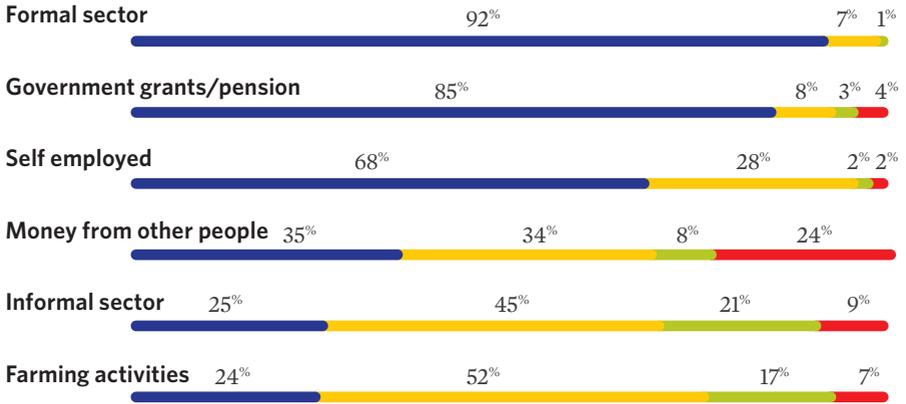
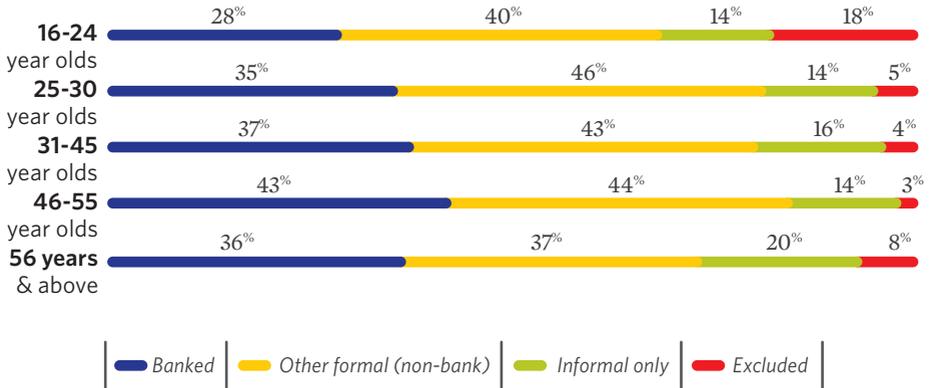


Figure 26: Access Strand by age group



Comparing Rwandan access strand to other countries where FinScope surveys have been conducted (Figure 27) show that:

- Rwanda is in position 3 when the countries are ranked by financially included adult population

Access strand through the districts' lenses (Figure 28 and 29) shows that:

- Gasabo, Nyarugenge and Kicukiro districts have highest uptake of banking services.
- Mobile money and U\_SACCOs driving formal financial inclusion in most of the districts especially Nyabihu, Ngoma and Kirehe.
- Gatsibo, Rusizi and Karongi districts have high levels of financial exclusion
- Three districts (Nyamagabe, Burera, Gisagara) have high number of adults who rely exclusively on informal mechanism

*Figure 27: % Comparison of the Rwandan Access Strand with that of other countries where FinScope surveys have been conducted - ranked by financially included*

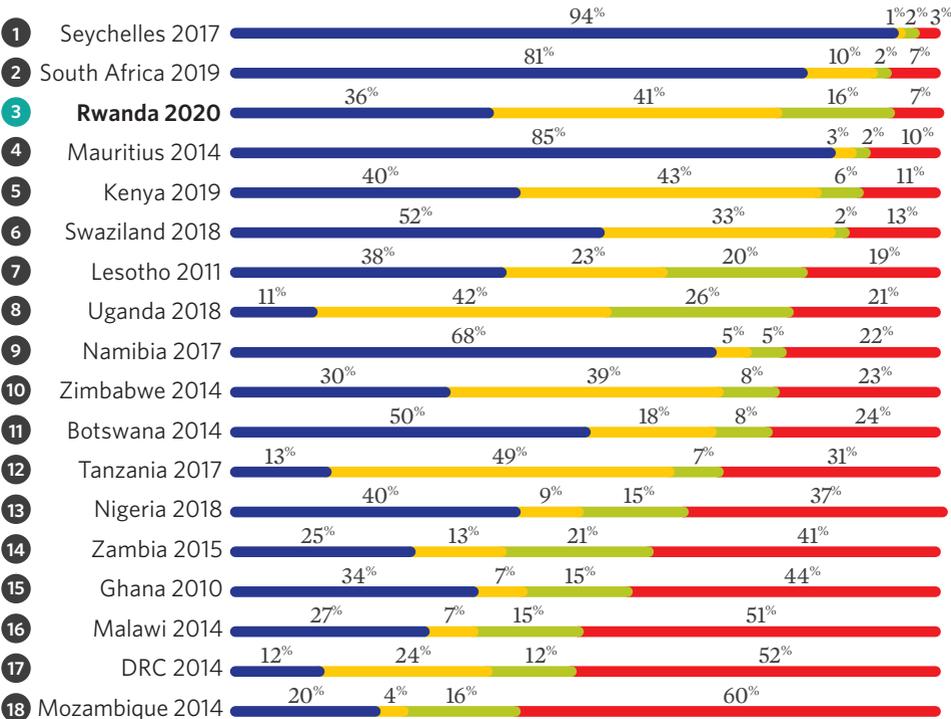


Figure 28: Access Strand by districts above national average of 77% adults formally served

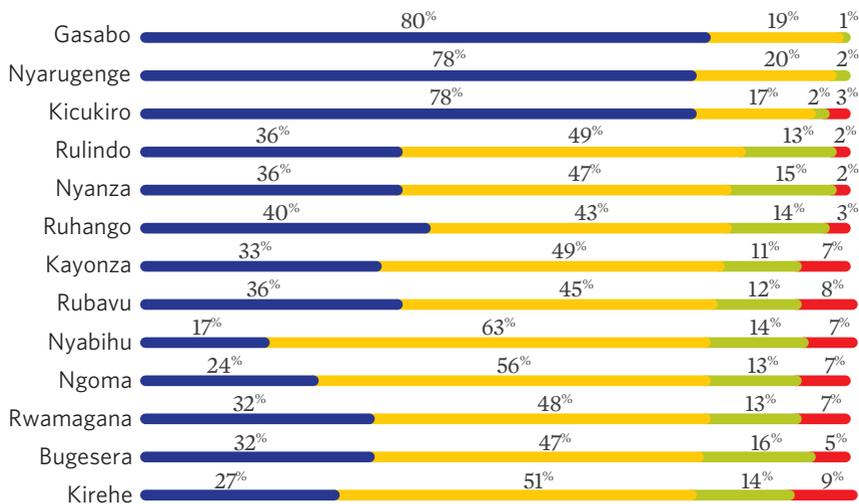
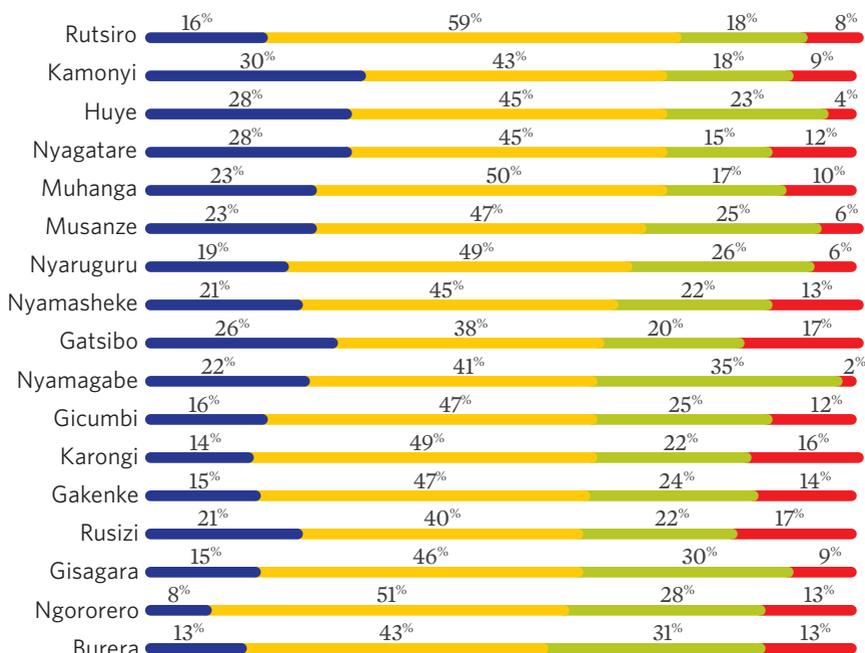


Figure 29: Access Strand by districts below national average of 77% adults formally served



■ Banked | 
 ■ Other formal (non-bank) | 
 ■ Informal only | 
 ■ Excluded

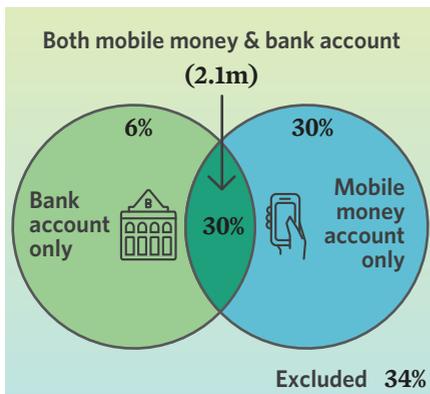




## TRANSACTIONAL ACCOUNTS (BANK AND MOBILE MONEY)

Access to a transactional account is a first step towards broader financial inclusion since it allows people to store money, and to send and receive payments. In this report, transactional accounts are defined as those accounts offered by a bank or mobile money services providers. The underlying proposition of a transactional account is to help account holders manage their money. It enables the account holder to deposit and withdraw cash, make digital payments to third parties and store electronic value. In addition, an account often, but not always, supports a money management objective by enabling users to keep track of money as it moves into and out of, the account.

*Figure 30: Transaction account strand (Bank & Mobile money accounts)*



- About 30% of adults are using both mobile money and bank accounts to manage their financial needs
- It seems that mobile money is used as an alternative to meet specific needs as it does not substitute bank account ownership
- About one third of adults in Rwanda use mobile money accounts only, illustrating

the role of the mobile money in terms of increasing financial inclusion, especially in rural areas

- About 34% of the adult population do not have access to either a mobile money account and/or bank account
- There is a gender gap of -9% in favor of men. Females with transactional accounts stood at 62% compared to 71% of male counterparts.



## BANKING ACCOUNT

About 36% (around 2.6 million) adults in Rwanda are banked (meaning they have bank account in their name or joint account and/or are using banking channels or services to manage their finances). The proportion of the banked adults varies considerable across the districts ranges from 80% in Gasabo district to only 8 % in Ngororero district.

Table 5 shows an increase in uptake of the following products/channels:

- Debit cards
- Current or cheque account
- Overdraft
- High uptake of mobile banking and internet banking

### Bank product usage

- Figure 32 shows that more adults are now transacting on a monthly basis as 68% of bank clients used at least one bank product during the month prior to the FinScope 2020
- An additional 13% used at least one product during the 6 months prior to FinScope 2020
- 19% of the banked adults have dormant account, meaning it was not used in a past year prior to FinScope survey- there was a decline in the number of dormant accounts
- Affordability remains the major hindrance to opening a bank account (see Figure 33).

Figure 31: Proportion of adult population that are banked by districts (%)

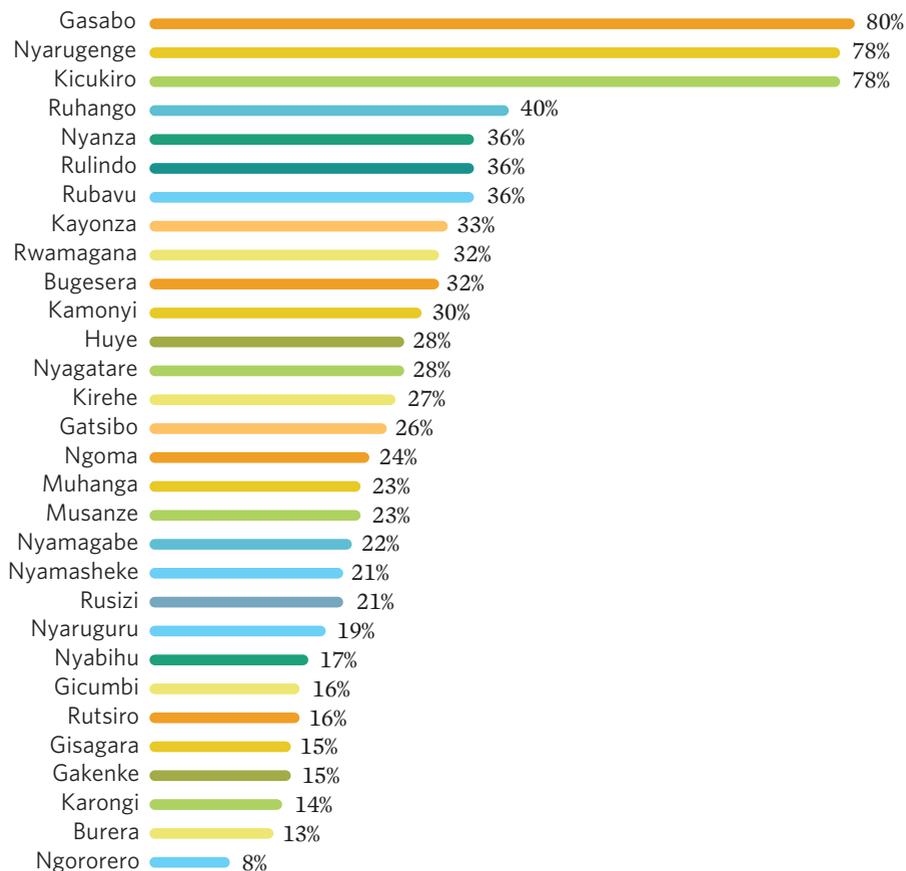


Table 5: Bank Products

	2016	2020	GROWTH
Banked population	1 464 541	2 579 942	1 115 401
Savings account	744 574	1 039 934	295 360
Loan with a bank	219 708	494 529	274 821
An ATM/Debit card	207 563	799 771	592 208
Credit card	5 283	127 097	121 814
Current or cheque account	588 200	1 045 875	457 675
Overdraft	12 833	494 529	481 696
Mobile banking	180 493	692 159	511 666
Internet banking	15 316	550 630	535 314

Figure 32: Bank product usage (%)

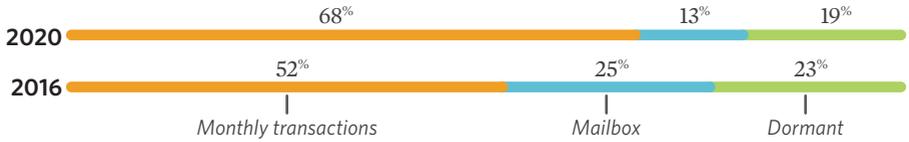


Figure 33: Barriers to opening a bank account (%)

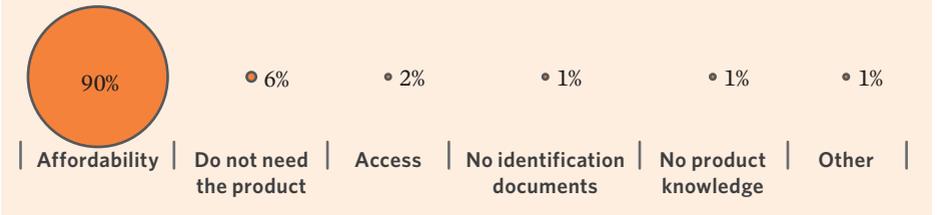


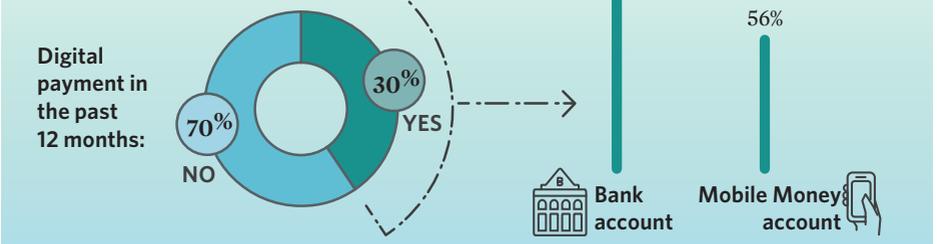
Figure 34: Mobile money uses (%)



Figure 35: Barriers to opening a mobile money account (%)



Figure 36: Digital payments



## Mobile money penetration

When considering what drives the usage of mobile money accounts it is important to do this by looking through the consumer lens, as we seek to understand what the triggers, drivers and barriers to unlock usage are. About 87% of adults in Rwanda have access to a cell phone with females (84%) having slightly less access compared to their male counterparts (90%). About 3 in every 5 (60%) adults (see Figure 34) use mobile money.

- Amongst the services available to the users of mobile money are money transfers, airtime purchases and bills payments. Only 23% of the Rwandan adult population use the mobile money to pay for services including buying airtime, saving and to borrow money
- About 2.7 million (38%) of mobile money users use it for remittances ONLY
- Figure 35 shows that of those not using mobile money, the key barrier to uptake relate to the lack product knowledge about mobile money.

## Growth in e-money to transact

Digital finance and financial inclusion have several benefits to users of financial services,

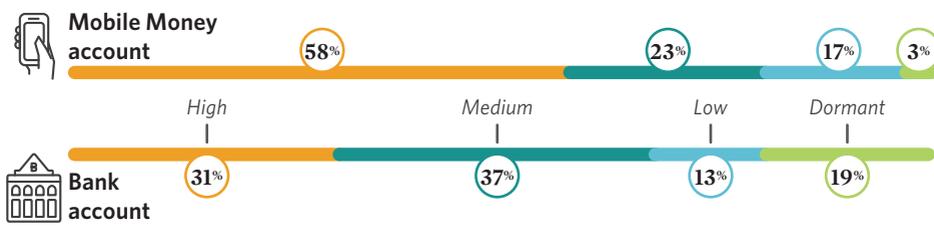
digital finance providers, governments and the economy; notwithstanding a number of issues still persist which, if addressed, can make digital finance work better for individuals, businesses and governments. The digital finance issues discussed in this section are relevant for the on-going debate and country-level projects directed at greater financial inclusion via digital finance in developing and emerging economies.

- Approximately 30% (2.1 million) of Rwandans transacted or made digital payments in the past 12 months prior to the survey up from 18% (1.1 million) in 2016. More people transacted through bank accounts (see Figure 36)
- Third party payments and those who receive their income digitally are the main drivers of e-money.

## Transactional accounts usage

- Mobile money account is widely used, 58% of the users transact 3 or more times on a monthly basis
- Though MM is used more frequently, encouraging digital payments could strengthen the impact.

Figure 37: Transactional account usage (%)



**High** = Use the account at least 3 or more time on a monthly basis  
**Medium** = Use the account once or twice monthly  
**Low** = Use the account less often (in the past 60 days to 12 months)  
**Dormant** = not used more than 12 months



## SAVINGS

Savings are the leading product type and one of the main drivers for financial inclusion for the entire Rwanda and this is encouraging as savings are the doorway to enabling adults to create wealth, pay for household furniture and equipment and most importantly, enabling adults to use savings as collateral for accessing credit.

Figure 38 illustrates that:

- 21% of adults save in banks (rise from 13% in 2016)
- 48% of adults have a formal savings product from a non-bank (up from 45% in 2012) financial institution (this could be savings form SACCOs, Mobile Money)
- A large proportion (64%) of Rwandans use other informal savings mechanisms such as savings groups
- Only 13% of adults claim to save at home or with someone in the household recording a huge decline from 35% in 2016

Figure 38: Savings overall (%)

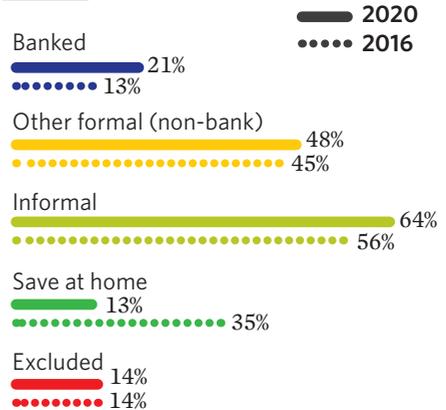
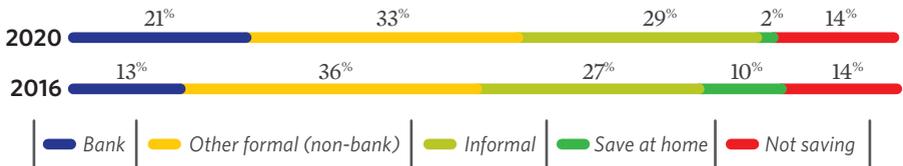


Figure 39: Savings strand (%)



In constructing this strand, the overlaps in savings product/services usage are removed:

- The percentage of adults not saving remained the same at 14%.
- Only 2% of adults (0.2 million) keep all their savings only at home, i.e. they do not have/use formal or informal savings products or mechanisms [decreased from 10% in 2016]
- About 29% of individuals rely on informal mechanisms such as savings groups (they might also save at home, but they do not have/use any formal savings products).
- 33% of Rwandans have/use other formal non-bank savings products (they might also have/use informal savings mechanisms and/or save at home, but they do not have/use savings products from a commercial bank).
- More adults (21%) are using bank channels to save up from 13% in 2016. These adults have/use savings products from a commercial bank (they might also have/use other formal and/or informal mechanisms, and/or save at home).

- There is significant uptake in savings via bank and savings group:
  - » Drivers for saving remain short-term (63% of those who are saving, mainly save for living expenses for when times are hard)
- Increase in saving mechanism is driven mainly by bank, and savings groups:
  - » Bank: 14% in 2016 to 21% in 2020
  - » Savings groups: 40% in 2016 to 55% in 2020

Figure 40: Sources for savings (%)

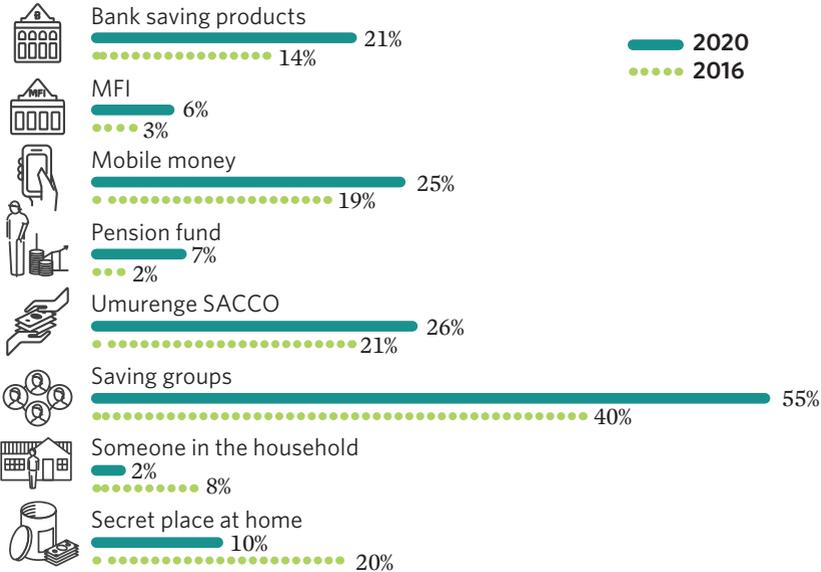
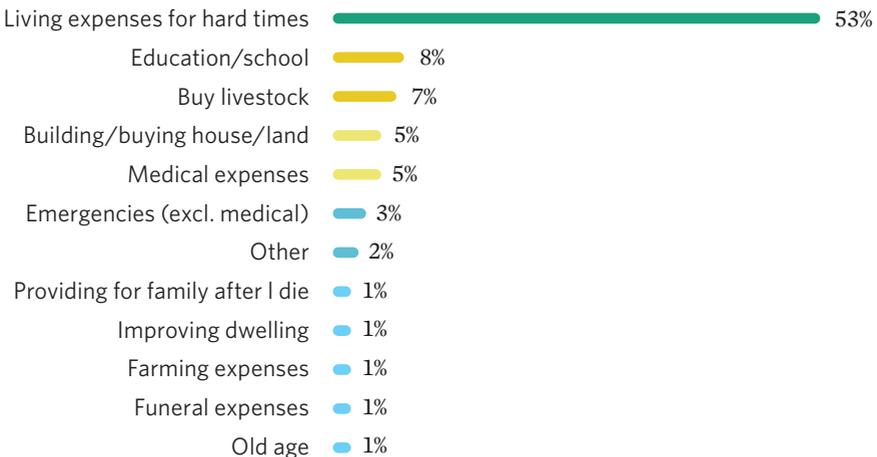


Figure 41: Drivers for savings (%)





## CREDIT

The study sought to find out the proportion of adults that borrow money or use credit to finance capital purchases, daily consumption or other needs like agricultural inputs. In Rwanda, 76% of adults have borrowed in the past 12 months and the credit overall uptake revealed the following:

- 8% of adults borrow from the bank (up by 4 percentage point from 2016)
- 18% of adults have formal credit facilities from non-bank financial institutions
- Credit from the informal groups (such as savings groups, use shop credit and moneylenders) remained at 61%
- Slightly fewer adults (30%) claimed to have borrowed from family and friends.

Figure 42: Credit overall (%)

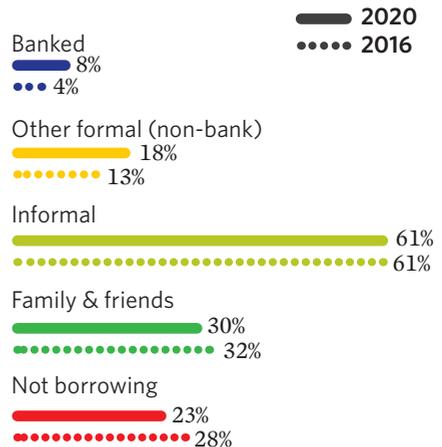
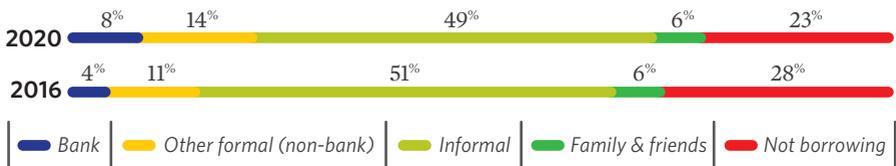


Figure 43: Credit strand (%)



In constructing the credit strand, the overlaps in financial products/services usage are removed

- 23% of adults do not borrow
- 6% rely on friends and family only, i.e. they do not have/use any credit products (neither formal nor informal)
- Slight decline in number of adults who borrowed from the informal groups. 49% rely on informal mechanisms such as moneylenders (they might also borrow from friends and family, but they do not have any formal credit products)
- 14% of adults have/use formal non-bank credit products (they might also have/use informal mechanisms, but they do not have/use credit products from a commercial bank)
- The proportion of those adults who borrowed from the bank has doubled. About 8% (0.6million) have/use credit/loan products from a commercial bank (they might also have/use other formal and/or informal mechanisms, or borrow from friends and family).
- Figure 44 shows that there has been a general increase in terms of usage of all sources, informal mechanism remains the main source of borrowing in Rwanda

- It is encouraging to note that Rwandan adults are mainly borrowing for developmental reasons (credit to invest in the business, farming, education and property)
- Surprisingly of those who have been denied, a large proportion (74%) of adults have been refused a loan by the savings group (see Figure 45).

Figure 44: Sources for credit and reasons for borrowing (%)

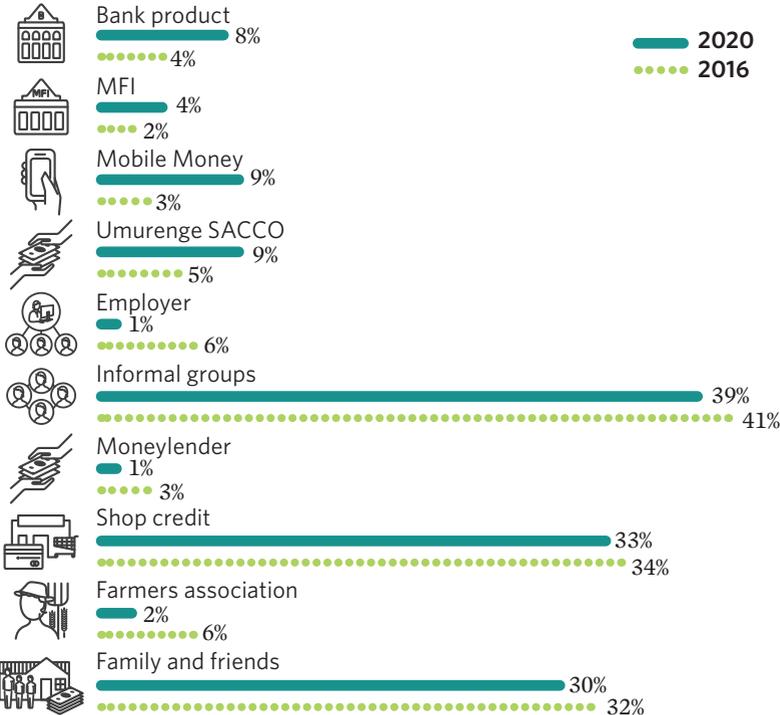


Figure 45: Reasons for borrowing (%)

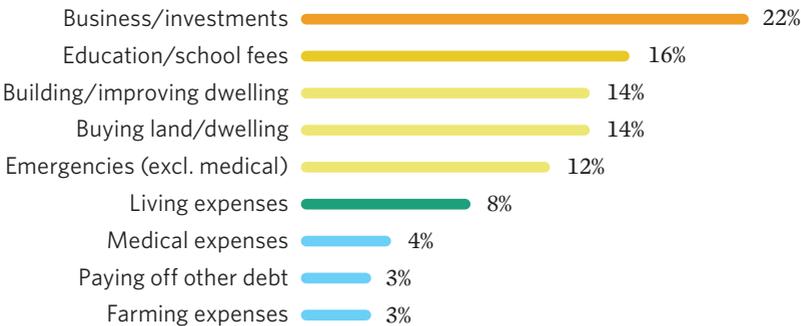


Figure 46: % of adults who have been refused a loan

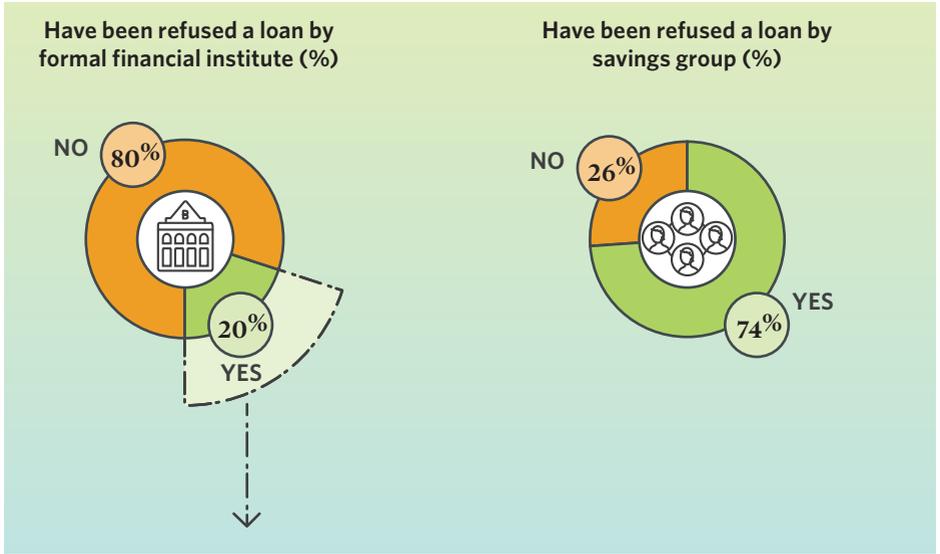
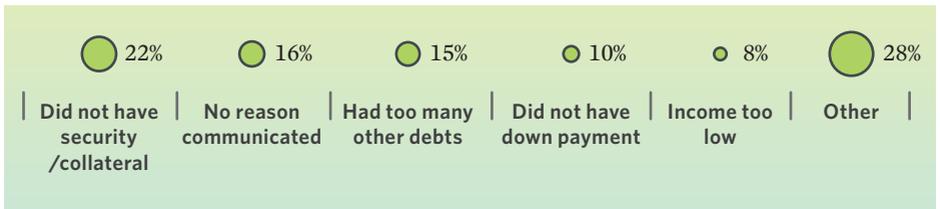


Figure 47: Reasons for refusal





## INSURANCE

Risk poses a significant amount of strain on individuals and households especially if it is not covered. This has direct implications on the quality of one's life. The study explored the risks and hardships that people have experienced and which products they have used in covering such risks. In total, 17% adults in Rwanda have/use insurance products.

- Insurance uptake almost doubled from 507,220 in 2016 to 1,189,164 in 2020
  - » Main growth is seen in life insurance and household insurance. Main decline is realised in medical insurance.
- Main barriers to uptake remain affordability and lack of awareness (75% & 21% respectively)

Figure 48: Insurance uptake (%)

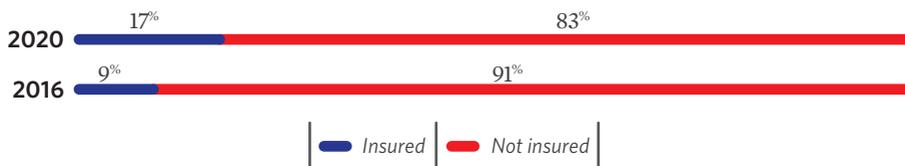
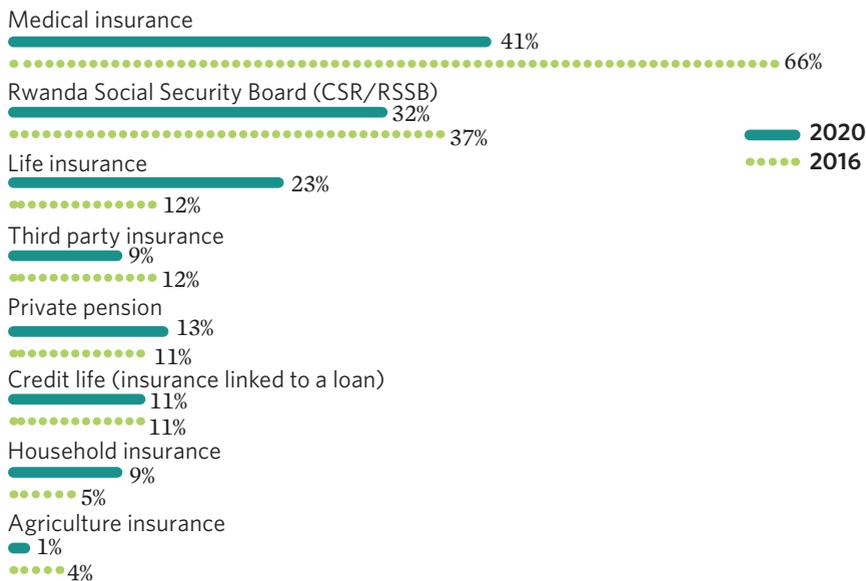


Figure 49: Drivers for insurance uptake (%)



## Mutuelle de Sante

Mutuelle de Sante is part of the Government of Rwanda’s social protection system introduced in 1999. The aim with Mutuelle de Sante was to enable members to access health care through all public and private non-profit health centres in Rwanda and to reduce the financial burden of health care particularly for the poorer groups of society. Membership is voluntary and open to all Rwandan residents for a modest annual payment. Households in the bottom two Ubudehe categories (i.e. the most vulnerable) are entitled to have the membership fee waived. The Mutuelle de Sante system is primarily coordinated at district and sector level.

FinScope 2020 findings indicated that 88% of adults were covered by Mutuelle de Sante, up from 77% in 2016.



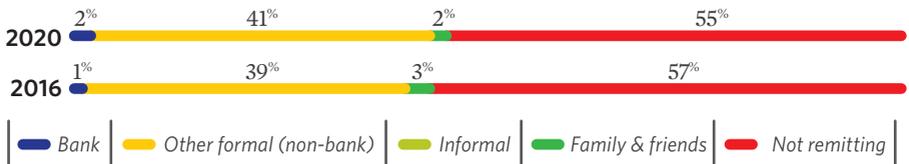
## REMITTANCES

Around 3.2 million (45%) adults in Rwanda either sent and/or received money from people living in a different place. The most common mechanism used to transfer money is through formal channels. Remittances are supporting the vulnerable dependents.

- Mobile money is significantly driving the formal remitting channels. Majority of those who sent money in the past six months prior to FinScope survey used mobile money (88%)
- Of those who received money from someone in a different place used mobile money (87%)
- There are still few who received money in cash or through a relative or in person



Figure 50: Remittances strand





## FINANCIAL HEALTH

Financial health is a relatively new term in the financial inclusion community, aiming to provide a model for assessing how well one's daily financial systems enable a person or household to build resilience to shocks and pursue opportunities and dreams.

### *Financial health indicators include*

**Balances income and expenses** (success in shaping income and expenditure in order to meet daily needs and financial obligations)

**Builds and maintains reserves** (this indicator captures the behaviour of intentionally or habitually putting away assets, as well as the magnitude of assets immediately available)

**Manage existing debts goals** (this speaks to how manageable current formal and informal debt are, and what resources a person can call upon through formal and informal sources)

**Plan and prioritise** (improving and maintaining financial health requires active and intentional engagement, including activities such as planning and prioritisation)

**Recover from financial shocks** (how well a person can leverage financial resources to weather and recover from an economic shock)

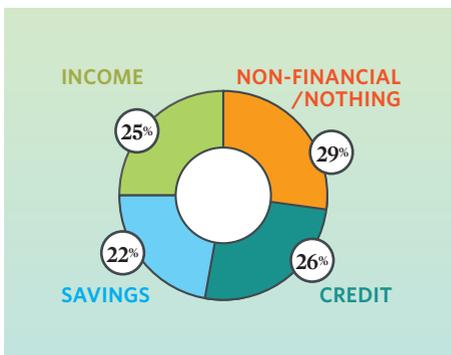
**Effective range of financial products** (the indicator assesses how well an individual

can access and use those tools to acquire, move, and store funds as well as and grow their assets)

Overall, Rwandans show good signs of financial health in four of the six indicators: that is balancing income and expenses; building and maintaining reserves; managing existing debts and using effective range of financial tools to manage financial lives.

- About 71% adults in Rwanda have strategies to balance their income and expenses. Strategies Rwandans use include saving excess cash and borrowing when there is an income gap (see Figure 51).
- Figure 52 shows that around 63% of adults build and maintain reserves through saving money and investing in assets and businesses.
- Figure 53 shows that amongst the credit active consumers, only 33% showed signs of credit stress or over-indebtedness
- More financially served adults (88%) have 2 or more financial products portfolio, allowing them to use effective range of financial tools to manage their financial lives (see Figure 54).
- The financial health indicator however shows some gaps on planning and prioritising (time

*Figure 51: Balancing income and expenses (%)*



*Figure 52: Build and maintain reserves (%)*

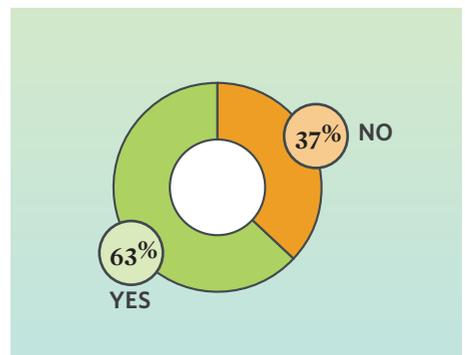


Figure 53: Managing existing debts (%)

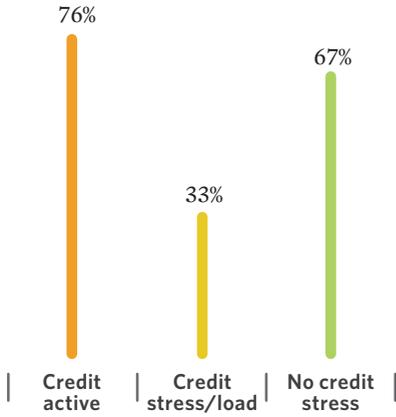


Figure 54: Range of financial tools to manage financial lives

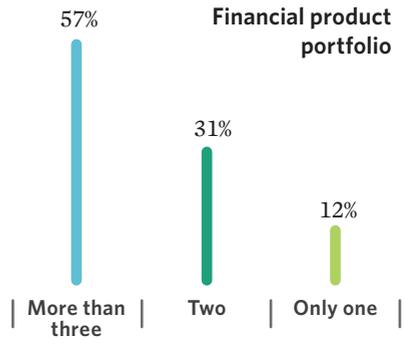


Figure 55: Planning and prioritizing (%)

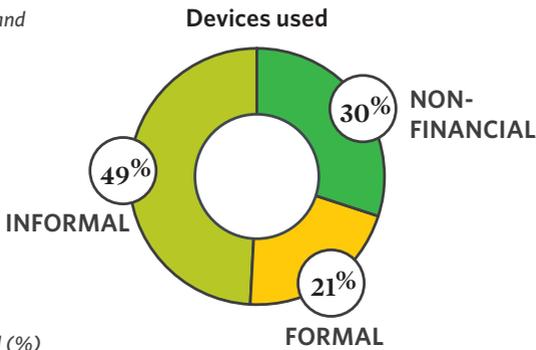
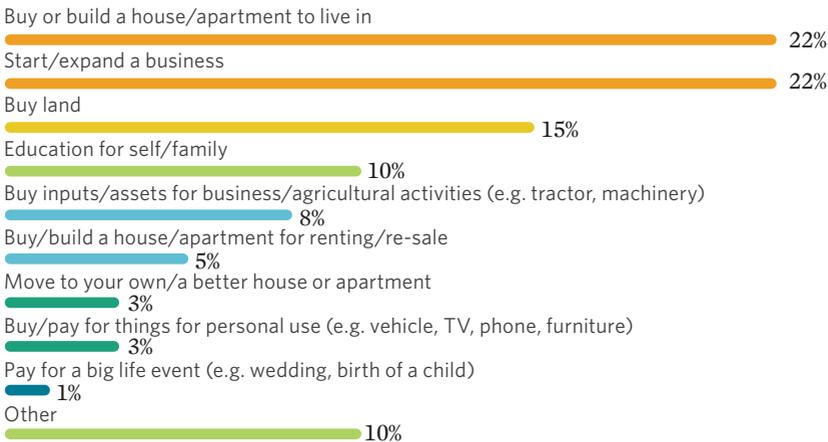


Figure 56: Main goal (%)



horizon for planning, types of goals, action steps towards goals) and recovering from financial shocks indicators.

- As shown in Figure 56, Rwandans' goals and aspirations revolved around improving economic well-being whether through starting a business, improving shelter, or investment on education.
- The steps or devices used towards goals do not show financial health confidence as majority of adults use informal and non-financial methods. Minimum usage of formal financial devices may suggest that the available formal products do not meet consumers' needs (see Figure 55).
- A financially healthy nation should be

prepared for the unexpected that is financial shock or emergency.

- Of the adult population, 61% experienced financial shocks in the past 12 months prior to the FinScope 2020 fieldwork.
- Figure 57 reveals that of those who experienced financial shocks, 47% mentioned serious illness of household members; 10% agricultural crop/livestock destroyed and 10% death of a relative or household member.
- Of those who experience financial shocks, only 40% used financial devices to mitigate financial shock. Of those responded to recovery indicator, only 44% agreed that they recovered from the financial shock.

Figure 57: Financial shocks experienced (%)

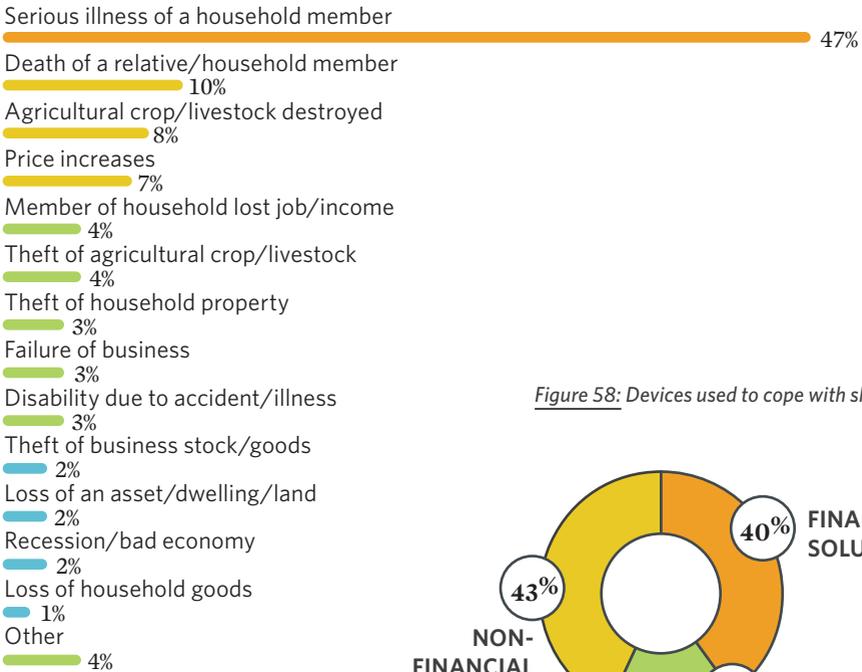


Figure 58: Devices used to cope with shock (%)

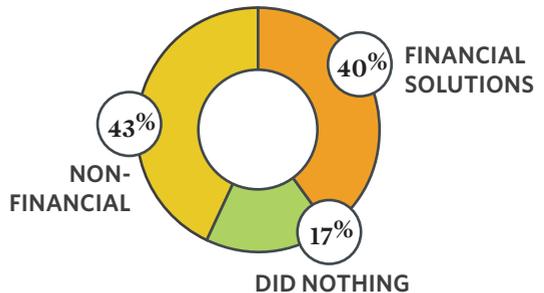


Figure 59: Summary of financial health indicators by target groups

	BALANCE INCOME & EXPENSES	BUILD AND MAINTAIN RESERVES	CREDIT STRESS	FINANCIAL PRODUCT PORTFOLIO	PLAN AND PRIORITIZE	EXPERIENCED FINANCIAL SHOCKS
National average	71%	63%	33%	83%	53%	61%
Women	71%	63%	33%	79%	50%	63%
Men	72%	65%	32%	83%	58%	59%
Youth (16-24)	71%	53%	28%	68%	52%	49%
Youth (25-30)	72%	69%	32%	85%	60%	62%
People with disabilities	67%	53%	32%	77%	46%	63%
Rural population	67%	60%	35%	77%	50%	62%



## LANDSCAPE OF ACCESS

The FinScope Landscape of Access is used to gain more insight into the type of financial products held or used. Landscape of Access looks at the types of products taken up by consumers who are financially included (6.6 million) and describes the percentage of adults that have/use formal and informal products/mechanisms, including the following:

- **Transactional products/services** - current accounts, debit cards, credit cards or basic savings accounts, which could be used for transactional purposes, etc.
- **Savings products/services** - Long and short-term products are included - i.e. basic savings accounts, fixed deposit accounts, shares, government and/or utility bonds, savings with savings groups, etc.
- **Credit products/services** - Loans from formal financial institutions and informal credit such as shop credit and credit from moneylenders; shops or savings groups, etc. are included.
- **Insurance products/services** - Risk management products from formal institutions
- **Remittance services/mechanisms** - remittance services provided by formal

institutions such as Western Union or informal mechanisms such as paying tax or bus drivers a fee to transport remittances, etc. are included.

The study findings summarised by Figure 60 revealed that:

- Rwandan adults who are financially included were most likely to have formal savings products (71%)
- Transactional products/services have been reported by 39%
- Remittances (56%)
- Credit product (28%)
- Insurance (22%)



## EXCLUDED POPULATION

Around 7% (0.5 million) adults including those who are between the ages of 16 to 17 years of age do not use any financial products or services (neither formal nor informal) to manage their financial lives, i.e. they are financially excluded. If they save, they save at home, and if they borrow, they rely on friends and family. Gatsibo, Rusizi, and Karongi feature the highest levels of financial exclusion (see Figure 29).

Figure 60: Landscape of access - formally served

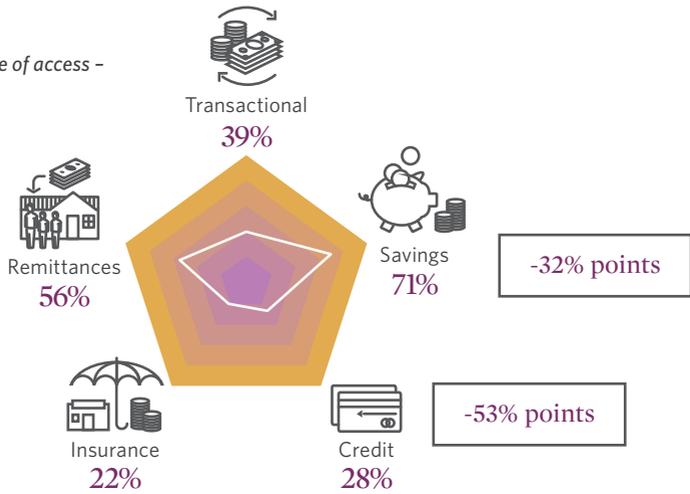


Table 6 gives an overview of the characteristics of adults neither using formal nor informal mechanisms indicating that financially excluded population is most significantly skewed towards (vulnerable groups):

- Adults from ubudehe category 1
- Women
- Youth aged 16-17 years and seniors citizens above 60 years
- Never married and widowed (spouses do not appear as barrier to take up financial products)
- Those who get their income from piece jobs
- Adults without formal education

Table 6: Distribution of excluded adult population

	TOTAL POPULATION (%)	EXCLUDED (%)
<b>Location</b>		
Urban	24	8
Rural	76	92
<b>Gender</b>		
Male	44	40
Female	56	60
<b>Age category</b>		
16 - 17 years	4	18
18 - 30 years	26	32
31 - 40 years	23	15
41 - 50 years	19	9
51 - 60 years	16	10
Older than 60 years	13	16

	TOTAL POPULATION (%)	EXCLUDED (%)
<b>Marital status</b>		
Never married	22	47
Married	60	33
Living together	5	3
Divorced/Separated	3	5
Widowed	10	12
<b>Physically challenged</b>		
Have disability	19	25
<b>Source of income</b>		
Salaried	8	0
Wages from farmer	10	8
Money from farming	29	26
Piece work	24	37
<b>Level of education</b>		
No formal education	19	32
Primary 1-3	12	17
Primary 4-6	40	36
Secondary 1-3	11	10
Secondary 4-6	11	4
University or other higher education	6	1
Vocational training	1	1
<b>Ubudehe category</b>		
Category 1	13	21
Category 2	40	45
Category 3	46	33
Category 4	1	0

## CONCLUSIONS AND OPPORTUNITIES

This summary report intends to provide a bird's eye view of financial inclusion in the whole of Rwanda. By comparing and contrasting different districts in the country, the summary report enriches one's understanding of the challenges and progress of financial inclusion in Rwanda.

The levels of financial inclusion are relatively high in Rwanda at 93%, narrowing the gap in

reaching the 2024 target of 100% financial inclusion. There is still room to further reduce the levels of those who do not have transactional accounts. However, the greatest opportunity would come from ensuring financial inclusion that goes beyond access and uptake to measure the impact of financial inclusion and financial health in Rwanda.

The findings of the FinScope Rwanda 2020 survey indicated that the financial landscape in Rwanda continues to change due to sector interventions. Both banking and other formal

non-bank sectors recorded significant growth in the number of financially included population, in line to the population growth and effort to reduce population who previously relied only on informal financial mechanisms.

The informal sector continues to play a significant role in financial inclusion and increasing product portfolio choices. Mobile money continues to be an enabler for financial inclusion and it is used by both the banked and the unbanked population.

### ***Priority areas***

- The priorities of financial inclusion in Rwanda continue to ensure that the lives of Rwandans are improved. To this end the following areas could be prioritized in the financial inclusion agenda:
- Adopt Financial Inclusion 2.0 (FI2.0) and embrace a focus towards addressing real economy needs through better financial solutions. Identify and facilitate the implementation of the financial interventions that will improve the resilience and sustainable livelihoods for the target groups (informal sector, women and youth), as well as enhance the contribution to the macro-economic indicators for the country;
- Develop and expand the roadmaps that will support the implementation of the emerging thematic areas within the financial inclusion agenda. This includes expanding the gender and youth financial inclusion pillars within the NFIS through establishing specific interventions for implementation as well as the inclusion of vulnerable groups, e.g. refugees, and people living with disabilities;
- Emphasize the focus on the financial health indicators, quality and impact of the financial services and come up with specific indicators to monitor these. The use of digital financial services and economic platforms have the potential to unlock the opportunities and contribute positively to financial inclusion.

### ***Potential use case: financial services providers (FSPs)***

- Financial health measurement can be a tool for improving product design and strategy development.
- Improve financial health through high-quality and consumer-centric products.
- Use research results/indicator to modify product suites, improve functionality, or adapt distribution methods, all with the ultimate goal of better serving their existing clients, as well as growing their customer base.

### ***Potential use case: policymakers and regulators***

- Adopt Financial Health framework and develop Rwandan's theory of change which will guide and implement the financial health framework, which is likely to be of significant interest to policymaking.
- Use the financial health indicator both to gauge the financial health of Rwandans' population, as well as to track progress in improving it.
- Focus on thematic analysis using the framework/indicator as a tool to identify targets for tailored policy intervention and to monitor policy effectiveness.
- Adopt the financial health framework and include it in the NFIS and nationally-demand side representative surveys.

## FINSCOPE FOOTPRINT

FinScope surveys allow cross-country comparisons and sharing of findings which are key in assisting ongoing growth and strengthening the development of financial markets.



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