



# FinScope Rwanda 2008

Technical Report  
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Prepared by FinMark Trust  
for  
The Government of Rwanda  
*Banque Nationale du Rwanda*  
and  
DFID Rwanda



**MAKING FINANCIAL MARKETS WORK FOR THE POOR**

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## Table of Contents

<b>List of abbreviations .....</b>	<b>3</b>
<b>List of tables.....</b>	<b>3</b>
<b>List of figures and graphs.....</b>	<b>4</b>
<b>List of boxes .....</b>	<b>4</b>
<b>Executive Summary .....</b>	<b>5</b>
<b>Introduction.....</b>	<b>10</b>
<b>1 Background to FinScope Rwanda 2008.....</b>	<b>11</b>
1.1 The Financial Sector Development Program (FSDP) of Rwanda .....	11
1.2 The FinScope™ Survey .....	12
1.3 FinScope Rwanda 2008 .....	16
<b>2 Implementing FinScope Rwanda 2008 .....</b>	<b>15</b>
2.1 Implementation Arrangements and Process.....	18
2.2 FinScope Rwanda 2008 Methodology.....	21
2.3 NISR Role .....	23
2.4 Local Ownership.....	24
<b>3 Top-line Findings .....</b>	<b>24</b>
3.1 Introduction.....	24
3.2 Definitions.....	25
3.3 FinScope Rwanda 2008 Sample Profile .....	25
3.4 The Financial Access Strand.....	27
3.5 Overview of Banking in Rwanda.....	33

3.6 Insurance .....	35
3.7 Saving in Rwanda .....	36
3.8 Borrowing in Rwanda .....	38
3.9 Government Social Protection .....	39
3.10 Understanding People’s Lives .....	41
<b>4 Dissemination .....</b>	<b>45</b>
<b>5 Recommendations .....</b>	<b>47</b>

## List of abbreviations

GOR	Government of Rwanda
FSDP	Financial Sector Development Program
BNR	National Bank of Rwanda ( <i>Banque Nationale du Rwanda</i> )
UBPR	<i>Union des Banques Populaires du Rwanda</i>
NISR	National Institute of Statistics of Rwanda
DFID	Department for International Development
IMF	International Monetary Fund
MFMW4P	Making Financial Markets Work for the Poor
ZD	Rwandan Enumeration Area ( <i>Zone de dénombrement</i> )
MFI	Micro Finance Institution
SACCO	Savings and Credit Cooperation
MdS	<i>Mutuelle de Sante</i>

## List of tables

Table 1: Definitions of terms used to segment and analyse the data

Table 2: Number of banked adults (18 years and older)

Table 3: Types of savings products used by Rwandan adults who save

Table 4: Phase III – Post-launch roll-out activities

## **List of figures and graphs**

Figure 1: Three layers that define the architecture of financial markets

Figure 2: Demographic overview of the FinScope Rwanda 2008 sample

Figure 3: Diagrammatic description of the Access Strand

Figure 4: Rwanda Access Strand

Figure 5: Extent of overlap between the product utilisation segments of the financially included

Figure 6: Those more likely to be financially included

Figure 7: Country comparison of the Access Strand

Figure 8: Reasons why banked Rwandans have bank accounts

Figure 9: Barriers to access to non-medical insurance

Figure 10: Borrowing - Incidence and sources

Figure 11: Government social protection Access Strand

Figure 12: Sources of money of Rwandan adults

Figure 13: Percentage of respondents that said “often” or “always” to statement about living conditions in the 12 months preceding the survey

Figure 14: Agriculture involvement

Figure 15: Summary of the FinScope Rwanda 2008 dissemination strategy

## **List of boxes**

Box 1: Case studies of the application of FinScope for policy and product development

Box 2: Core Indicators of Financial Access

## **Executive Summary**

FinScope Rwanda 2008 makes a number of recommendations on the basis of the survey results targeted at policymakers and regulators, as well as at the commercial sector.

### **Policy recommendations**

1. An immediate supply side study is recommended. Demand side data alone (as provided by FinScope) should not be the exclusive framework for policy recommendations. A supply side study should be relatively quick and inexpensive, given the data already available in the market (e.g. FSAP, FSDP etc). We recommend that the terms of reference for the consultants should require them to draw up a comprehensive set of policy recommendations using FinScope and other data and present these at a workshop involving key government stakeholders. Their recommendations should be ranked according to priority, given capacity constraints in Rwanda.
2. The Government of Rwanda (GOR) should consider asking the financial industry to respond formally to the FinScope findings or possibly to the combined recommendations following the supply side work. FinScope is intended to be catalytic (i.e. to promote change) and for change to take place it is critical that the industry plays its part. Defining what that part is should be negotiated between GOR and the industry but it would be instructive for the GOR to know what, if anything, the industry intends to do collectively to address the acute access deficiencies now quantified in FinScope Rwanda 2008. Their response should focus on:
  - affordability issues (i.e. their intentions around entry level banking or micro insurance)
  - their strategies for addressing the agricultural sector in which commercial banks are underrepresented
  - market communication – how banks/insurance companies intend to change their appeal to attract a wider customer base
3. BNR should consider encouraging the banking industry to analyse and use the FinScope data in product/strategy development through co-funding (i.e. banks to at least match BNR's financial support).
4. BNR should immediately start a process of deciding on a comprehensive set of indicators to enable monitoring of the effectiveness of financial sector policy on access. Deciding on these indicators (FinScope is an important source for these but by no means the only one) will help to fulfill one of the main objectives of implementing FinScope Rwanda 2008 in the first place. Indicators should be qualitative (i.e. quality of access) as well as quantitative and embrace service-related and attitudinal indicators too.
5. Continue to address the urgent issue of upgrading the payment system. Key data from FinScope Rwanda 2008, such as the fact that 75% of banked people pay bills and creditors in cash, or only 3% have ever heard of the term "ATM",

indicate how much a functional payments system is a pre-condition to an improvement in access.

6. GOR should initiate a process towards the development of a national consumer financial empowerment strategy, focusing on financial literacy, rights and recourse. Rwandans, though poor, may be financially relatively literate (compared even to South Africa, perhaps due to the widespread use of informal financial systems and the extent of people's involvement in farming or small business activity. Nevertheless there is room for considerable improvement and also a need to add to the core issue of financial literacy provision for financial recourse (e.g. ombuds) and a mechanism to communicate to people what their financial rights are as consumers. GOR may also wish to consider how to make independent money advice available to consumers – note that, according to FinScope Rwanda 2008 more people would ask their children for financial advice than a bank which suggests that formal sources of money advice may be rather inaccessible to consumers.
7. GOR should explore the reasons for the very low banking penetration among the formally employed in the private sector. This may have to do with fear of the taxman, or employers wishing to perpetuate an exploitative economic relationship with their employees, or the cost of paying salaries into the bank or employees preferring the convenience of cash to the poor service they experience in banks – or a combination of all of this. Nevertheless, normally there is a close correlation between banking status and formal employment which is lacking in Rwanda.

It should be noted that FinScope picked up what appears to be significant non-compliance as regards payments into the Caisse Sociale which may follow on from the issues mentioned above. This has been questioned however (it has been suggested that, in fact, CSR adherence is high). Certainly, further analysis is required to clarify this apparent anomaly.

8. GOR should avoid the temptation to (over)regulate the informal sector (as distinct from the Formal Other sector (defined by the FinScope Access Strand) that includes MFIs and the cooperatives which are and should be regulated). The role of the informal sector, especially in farming, is immense and should be treated sensitively from a regulatory perspective. Perhaps the most controversial issue here is the market conduct of the informal moneylenders (*banque lambert*) who are at least an accessible source of credit where the formal sector is not. There does not appear (from FinScope Rwanda 2008 data) to be a widespread problem of over-indebtedness or debt spiraling which suggests that the problem of informal credit is under control. This needs to be tested further in the supply side study however, as credit statements from consumers in demand side studies are sometimes not wholly truthful.

Commercial micro lending is regulated however (and is therefore captured under Formal Other in the Access Strand); again, the problems we see in this sector in, say, South Africa, do not appear to feature prominently in Rwanda but should be monitored. Appropriate indicators should be agreed on.

9. GOR will wish to obtain specialist advice on rural/agricultural finance where it is clear penetration by the banking sector in all areas of agriculture is low.

As regards the indicators referred to in 4 above, it will be noted that monitoring the effectiveness of policy interventions to improve access was the main reason why BNR decided to implement FinScope Rwanda in the first place. There is thus a clear expectation that the survey will be repeated (perhaps at 2 or 3 year intervals depending on the level of uptake by users) and therefore the choice of which indicators to track becomes very important. Indicators can be used both passively (purely as a tracking device) and actively – as descriptors for a set of *targets* (i.e. a vision) around which the various stakeholders (policymakers, regulators, service providers etc.) can combine. In other words, at issue is not just which indicator (e.g. the percentage of the adult population with a bank account) but the *target* that is derived from it (e.g. “X% of the adult population with a bank account by 201X”).

The choice of indicators can therefore have a uniquely political purpose, articulating the nature of the financial sector that policymakers wish to create. It is therefore critically important that the indicators and their targets are appropriate (focusing on the issues that matter), credible and realistic. Accordingly, it is for BNR, and GOR generally, to decide on the indicators, not FinMark Trust. However, BNR/GOR may wish to consider to appropriateness of the following indicators that can be derived from FinScope (accepting that the final set of agreed indicators must eventually be based on supply side data as well):

- Access Strand indicators, especially:
  - % banked
  - % financially excluded
- % previously banked
- % private sector employees using bank accounts
- % all employees using CSR
- % banked who pay their bills/creditors in cash
- attitudinal indicators:
  - % who say “you don’t understand how they work”
- service-related indicators
  - “there are long queues for their services”
- international comparators (e.g. from Kenya, Tanzania, Zambia, Malawi, etc.)

### **Recommendations for service providers**

Although FinScope data is available as a public good, and has a clear policy purpose, it is also uniquely positioned to support service providers in the development of commercially valuable products and strategies. As FinScope is a perceptual survey it is able to convey important insights into how service providers can position themselves to be more attractive to particular segments of the population.

We summarise a number of recommendations for service providers as follows:



1. Service providers should think carefully about the messages they are/are not communicating
  - a. Generally, Rwandans trust banks as safe places to store their money and so communication should build on messages of trust. It should be noted that only 23% trust *tontines/ikiminal*/community groups more than banks, perhaps surprising given the reliance of such financial services on the common bond.
  - b. However, perceptions are negative in other ways with many people saying they “don’t understand how they (banks, insurance companies etc.) work”, or they are “for rich people”
  - c. The financial industry may wish to consider voluntarily moving towards some form of Consumer Charter to address service-related concerns (queuing, excessive paperwork, language difficulties etc.)
  
2. Specific commercial strategies:
  - a. As in many other markets, Rwandans have a strong desire for accessible savings products. This may not translate into a savings culture as such but there should be an opportunity to tap into this in creative ways – for example, by bundling low cost savings products with life or medical insurance
  - b. FinScope Rwanda 2008 clearly indicates the urgent need for banks to address the transactional part of the value proposition (the ongoing efforts to fix the payments system will contribute significantly to people be able to realize the utility of having a bank account). People need to know that ATMs will be able to dispense cash when it is needed, and will want to use ATMs for other purposes (e.g. bill payments)
  - c. There appears to be opportunities in housing finance – but product design needs to take into account people’s preferred repayment periods (13/14 months, rather than long term mortgage loans). There may also be opportunities in Kigali to support landlordism where there is a high incidence of renting property– e.g. products specifically to support the low-cost rental business
  - d. There is a need to explore the service-related reasons why 3 times as many people borrow from *banque lambert* etc. than from a bank, despite the cost of money from the *banque lambert*. There may be value for banks in mimicking certain aspects of the *banque lambert* value proposition (e.g. accessibility, intelligibility, responsiveness)
  - e. Rwanda has a high proportion of “previously banked” – 8% of the population, compared to 14% with a bank account. If banks were able to address the reasons why people became “previously banked” (mainly related to the cost of maintaining an account), this could be a relatively easily accessed market
  
3. Banks should look for, and scale up, their linkages with MFIs/co-operatives. There is considerable overlap between the banked population, and those using either “Formal Other” products (such as MFIs) or informal products. 1 out of 3 people who use MFIs or co-operatives are also banked, but 2 out of 3 are not, indicating a possible new market amongst people who are clearly economically active

4. The value of FinScope lies in the way the data can be mined and analysed in all sorts of ways, for example, by region, by income group, by gender etc. FinScope data can be used to create market segmentations that are proprietary to a service provider. FinMark Trust can support the further analysis of the data in this way.

## Introduction

This report documents the background, methodology and top-line preliminary findings of the FinScope Rwanda 2008 survey which was undertaken in Rwanda during the period January to October 2008.

FinScope Rwanda is an individual based survey representative of the adult population (rich and poor, urban and rural) which provides insights into how people source their income and manage their financial lives. It looks at the use of, and demand for, financial products and services (formal and informal) and how factors such as geographical access, the attitudes, behaviour, and quality-of-life of people impact on consumption patterns in various financial market segments.

The report has the following objectives:

- To provide background information to the FinScope Rwanda 2008 survey and its objectives as well as to provide general information about the FinScope™ survey as a tool to provide information and how it can be used to facilitate the building of inclusive financial markets (Chapter 1);
- To describe and discuss the implementation arrangements, sampling and survey methodology as well as quality control measures for the implementation of the FinScope Rwanda 2008 survey (Chapter 2);
- To provide top-line findings of the FinScope Rwanda 2008 survey (Chapter 3);
- To recommend the next steps for the dissemination and application of the FinScope Rwanda 2008 data (Chapter 4);
- To make recommendations on the basis of the survey results targeted at policymakers and regulators, as well as at the commercial sector (Chapter 5).

# 1 Background to FinScope Rwanda 2008

## 1.1 The Financial Sector Development Program (FSDP) of Rwanda

In the last decade, like most other countries in Sub-Saharan Africa, Rwanda has followed an economic liberalisation program, privatised the financial sector to reduce financial repression, encouraged market determined prices of financial services, encouraged entry of international players and enhanced market competition. In 1999 the National Bank of Rwanda Act was revised to grant the National Bank of Rwanda independence to formulate and implement monetary policy and ensure financial sector stability. The National Bank's supervisory capacity was strengthened to enhance regulatory frameworks, reduce regulatory forbearance, ensure market discipline and comply with the Basel Principles of Effective Supervision.

However, in spite of these reforms, Rwandan authorities recognised that the financial sector's ability to play its role of mobilising savings, conducting effective intermediation, and financing its ambitious economic reform agenda would be difficult to achieve. The Rwandan Government therefore invited the joint World Bank/IMF Financial Sector Assessment Program (FSAP) to carry out a diagnostic of the Rwandan financial sector and make recommendations for further reform.<sup>1</sup>

The 2005 FSAP report described the Rwandan financial sector as a “narrow, shallow and oligopolistic banking sector with very low penetration of insurance services as well as undiversified financial products”. The FSAP identified a number of weaknesses in the financial sector which included poor saving rates, scarcity of long term capital, unregulated pension and insurance sectors, and a malfunctioning payment system, and made recommendations for reforms to address these weaknesses.

The “Rwandan Vision 2020” statement which articulates the Rwandan Government's commitment to “*transform Rwanda into a middle income country as well as an economic trade and communications hub by the year 2020*” set the stage for the financial sector reform process in Rwanda and the Rwandan Financial Sector Development Program (FSDP), which constitutes the Rwandan Government's response to the FSAP recommendations, was launched in 2006.

The vision of the FSDP is to “*develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reduce poverty*”.

The FSDP has been made one of the key components in the Economic Development and Poverty Reduction Strategy 2008-2012 of Rwanda and has four core objectives:

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<sup>1</sup> *Financial Sector Development Program (FSDP): The case of Rwanda*, Rusagara, C., 2008

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

The FSDP recognised a lack of credible information about the financial infrastructure as well as about the demand for financial services in Rwanda and emphasised the need for such information in order to guide policy interventions as well as financial service providers in their efforts to expand the reach and depth of the financial system, thus permitting better access to financial services.

GOR believes it is essential to develop baseline data on financial sector access to enable it to monitor the impact of new financial sector policies on enhancing access. Accordingly, the National Bank of Rwanda (BNR) as the overall custodian of Rwanda’s financial sector, requested technical assistance from FinMark Trust for the implementation of a proposed survey into the state of access to finance in Rwanda – FinScope Rwanda.

FinMark Trust is a South Africa based non-profit organisation established as a trust in 2002. Its primary funder is the UK’s Department for International Development (DFID). Its mission is to make financial markets work for the poor.

## 1.2 The FinScope™ Survey

### 1.2.1 Information - the cornerstone of “making financial markets work for the poor” (MFMW4P)

An inclusive financial market is one that operates on the financial principles of efficiency, stability and consumer protection, but also one that provides access to financial services to the majority of the population so that those individuals who want to can use them. A financial market which seems to be working efficiently, but which is not serving a large segment of the population is not inclusive and can therefore not be regarded as working effectively. Within a ‘making markets work’ paradigm, special attention is given to make markets also work *for the poor*. By setting this objective, one

can define specific actions required to ensure that finance-led growth has the desired impact on poverty alleviation.

A MFMW4P country strategy can only be defined by understanding the poor as well as the complexities of that market. It will require interventions that are informed and evidence-based and which not pre-defined. In FinMark Trust's experience, the provision of market information has been highly effective in facilitating processes of change towards MFMW4P. The FinScope™ survey as well as the financial sector supply-side survey are diagnostic tools for MFMW4P.

Financial access is a complex term. MFMW4P requires an understanding of what will make access lead to effective usage, i.e. usage that allows an individual to use the financial system for economic activities, good cash management, and risk mitigation. Effective access can be defined as occurring when the dimensions of access are optimised. Dimensions of access include for example:

- *Physical access* – i.e. being able to access a financial service within an acceptable time and with minimised “opportunity costs”
- *Affordability* – i.e. the cost of the service is perceived to be within the price range the individual is willing to pay. The concept of affordability is complex as an individual may be willing to pay more for a service when there is little choice or competition (this has often been noted in micro lending and microfinance) whereas with greater competition, the amount an individual might be willing to pay might be lower. The important point is that price is a factor that needs to be considered in understanding access
- *Appropriateness* – i.e. the service is designed and delivered in a manner that makes it usable for an individual. For example, low-income households might want a safe place to put their money but they also might want to be able to make small deposits on a regular, even daily, basis. A service that restricts transactions, where office hours do not permit deposits, is not appropriate as it does not meet the needs in such a case. Understanding needs is thus very important in designing appropriate and usable financial services

Information on the dimensions of access is important to determine how best to improve financial access.

### **1.2.2 FinScope™ objectives and attributes**

FinMark Trust developed the FinScope™ survey as a tool to assess financial access in a country and to identify the constraints that prevent financial markets from reaching out to poor consumers. The FinScope™ survey is an individual based survey representative of the adult population (rich and poor, urban and rural) which provides insights into how people source their

income and manage their financial lives. It looks at the use of, and demand for, financial products and services (formal and informal) and how factors such as physical access, the attitudes, behaviour, and quality-of-life of people impact on consumption patterns in various financial market segments.

The survey aims to establish credible benchmarks and indicators of access, provide insights into regulatory and market obstacles to growth and innovation, and highlight opportunities for policy reform and innovation in product development and delivery. This is achieved by gathering information on a wide spectrum of financial usage and interest areas, including key product categories such as banking, savings and investment, credit and insurance.

Broad themes captured by the survey are tailored to suit local situations and information needs and would generally include:

- Access to, and usage of, formal and informal financial products and services
- Household economic, financial and risk management
- Financial discipline and knowledge
- Attitudes to, and preference for, financial service providers
- Features associated with products and providers
- Asset accumulation patterns
- Remittances
- Access to, and usage of, technology
- Psychographics and lifestyles.

In essence, FinScope™ findings can be used to:

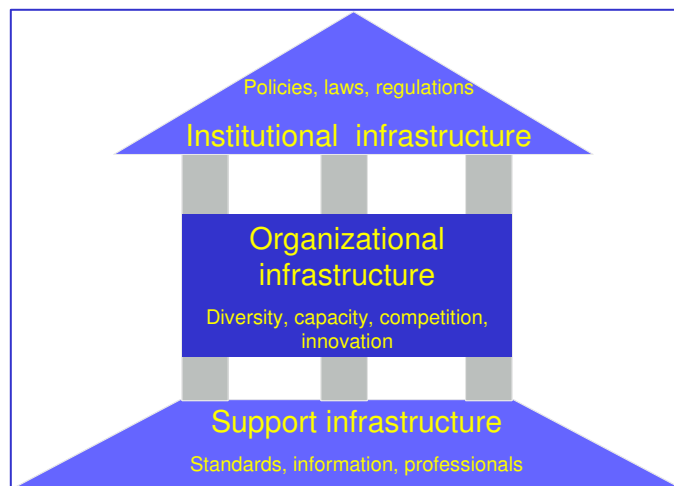
- Measure and track the landscape of access to financial services across key product categories – transaction banking, savings, credit and insurance – in both the formal and informal sectors (commercial banks, insurance, other regulated institutions, microfinance institutions, money lenders, and informal institutions) and across the entire adult population;
- Understand the characteristics of different market segments, including those who are currently served, those who represent potential expansion markets for existing institutions, and those who are at present beyond the “access frontier” of financial institutions, and
- Identify opportunities for expansion of financial services to all market segments, but in particular to the unbanked and under-served segments of the market.

FinScope™’s standardised methodology ensures that the findings can complement those of other financial, social or economic studies using similar research methods. This common approach also means that a country’s progress towards achieving success in improving access to finance can be compared and monitored, engendering a kind of peer pressure

between countries, thereby contributing towards greater harmonisation, cross fertilisation and regional integration around financial policy.

FinScope™ therefore plays an important role in building the information architecture which is key to strengthening a financial sector's organisational and institutional infrastructure, as is illustrated by Figure 1.

**Figure 1: Three layers that define the architecture of financial markets**



*Financial markets work effectively when the architecture of these three layers encourages financial development, innovation and the provision of financial services to consumers that want and can use them. Without effective financial markets, expansion of financial services to low-income households will not happen.*

### 1.2.3 FinScope™ Africa milestones

FinScope™ has already reached 14 countries and more countries (such as Morocco) are displaying interest. FinScope™ consumer surveys have been completed in eight countries (excluding Rwanda) - South Africa, Botswana, Namibia, Zambia, Kenya, Tanzania, Uganda and Nigeria. Pilot surveys were undertaken in Lesotho and Swaziland but funding limitations have impeded further implementations for these two countries.

Another three countries are currently implementing the survey - Ghana, Mozambique and Malawi, whilst Zambia, Tanzania, Kenya, Uganda, Botswana, Namibia and South Africa are implementing repeat cycles.

FinMark Trust is also extending its technical support beyond Africa to a FinScope™ exercise in Pakistan, which commenced in July 2006.

The vision of FinMark Trust's FinScope™ Africa initiative is to support the development of financial markets across Africa. By 2012 it is intended that 20 countries in Africa will have undertaken the survey. Repeat studies will take place on two-to-three year cycles, enabling trends within countries to be monitored and providing the basis for cross-country comparison, especially around access to finance.

A few case studies illustrating strategic application of the data by policy makers and providers in Southern Africa are summarised in Box 1.



***Box 1: Case Studies in the application of FinScope for policy and product development***

***Application by South Africa National Treasury (SANT):*** SANT's financial sector policy is guided by five fundamental principles: financial stability; prudential soundness; competition; consumer protection; and financial access. To further its understanding of trade-offs between financial stability and financial access, the SANT, since 2005, has become a syndicate member of the FinScope™ South Africa survey. SANT is using FinScope™ data to benchmark and monitor financial sector developments, review the impact of legal and regulatory reform on access, and define policies to support financial sector development without compromising stability.

***Supporting a mass-market retail strategy for ABSA Bank:*** ABSA, South Africa's largest retail bank, has committed itself to extending access of financial services to the poor. ABSA has been a syndicate member of FinScope™ since 2003 and has invested significant funds in using FinScope™ data to develop a richer understanding of this underserved part of the market. ABSA has invested over \$5 million since 2003 in product development for the lower-income market. As the bank's Head of Marketing Intelligence states, "Until FinScope™ there was no single source of information that provided us with an in-depth understanding of the lifestyles of different segments of South Africa's population... [FinScope™] really gave us that edge in terms of getting such an insight that we could really develop a customer value proposition for the mass market".

***Bank Windhoek – innovating savings for low income:*** Bank Windhoek and FinMark Trust co-funded FinScope™ Namibia 2004. Bank Windhoek wanted to gain insights into the markets and needs of existing and future clients who had traditionally been excluded from Namibia's formal banking system. Using the FinScope™ data Bank Windhoek designed the Easy Save savings product with a very low minimum balance, minimal opening requirements, low fees, and a free life insurance worth \$400. This product was targeted at consumers earning less than US\$240 per month and has been a tremendous success.

### **1.3 FinScope Rwanda 2008**

Acknowledging the need for credible baseline data about the demand for financial infrastructure and services recognised by the FSDP, the Government of Rwanda, through BNR, requested FinMark Trust to assist in developing baseline data by implementing FinScope Rwanda 2008.

The FinScope Rwanda 2008 objectives include:

- creating a ***landscape of access*** for Rwanda through which current levels of access could be assessed and which could serve as a benchmark against which (through repeat surveys) the impact of new access-related policy interventions could be assessed

- identifying *new policy interventions* in support of better financial access. FinMark Trust has also recommended that a supply side assessment also be undertaken to create a complete picture of access-related policy recommendations.

FinScope aims to identify the obstacles that constrain access from the demand side and can suggest policy interventions to combat these obstacles. Credible baseline data will highlight where the constraints on access are greatest and so will help the Government of Rwanda set its priorities in this area so as to achieve maximum impact.

- facilitating and supporting commercial innovation in Rwanda. Rwanda's banks and insurance companies serve only a fraction of the population in a niche market that is already competitive and will become increasingly competitive over time. In order to grow, they will need to expand into new market segments and will need information on how unbanked or uninsured consumers manage their money and what their financial needs are. The FinScope Rwanda 2008 survey aims to provide this information to financial service providers.

## 2 Implementing FinScope Rwanda 2008

### 2.1 Implementation Arrangements and Process

As mentioned above, BNR requested FinMark Trust on behalf of the Government of Rwanda to provide technical assistance for the implementation of FinScope Rwanda 2008. BNR acts as the “host” for the FinScope Rwanda 2008 survey in the sense of having facilitated survey implementation and taking responsibility for the dissemination of survey results.

DFID Rwanda provided funding for the FinScope Rwanda 2008 survey by way of an accountable grant to FinMark Trust. In addition to providing the funding for the FinScope Rwanda survey, DFID Rwanda was a valuable partner in implementing the survey and played an important role in building networks and relationships with a broad range of key stakeholders in the process of survey implementation.

FinMark Trust appointed a Kigali-based Local Project Coordinator (Ms Alphonsine Niyigena) who had the responsibility of carrying the administrative burden for the implementation of the FinScope Rwanda 2008 survey and the launch of the survey findings.

The FinScope Rwanda 2008 survey was implemented in two phases:

*Phase 1: Preparatory phase* involving:

- A FinScope scoping mission to Rwanda conducted by FinMark Trust in order to gain a better understanding of the Rwandan financial sector as well as to meet stakeholders from both the public and private sector in Rwanda before survey implementation to explain the implementation process as well as their expected involvement (November 2007)
- Further familiarisation with the Rwandan context and agreeing on a strategy for survey implementation with BNR following the scoping mission (November/December 2007)
- Agreeing contractual arrangements with the Local Project Coordinator to coordinate the survey process (November/ December 2007)
- Preparing a formal written application for a visa to obtain permission from the National Institute of Statistics of Rwanda (NISR) to conduct the FinScope Rwanda 2008 survey (December 2007)
- Preparing and sending out a Request for Proposals (RFP) to invite proposals from local market research houses in Rwanda for conducting the fieldwork (December 2007)

- Agreeing final timelines, budgets, terms of reference, and contractual procedures with BNR and DFID Rwanda (December 2007/January 2008)
- Agreeing contractual arrangements with South African based AfricaScope to ensure the credibility of the FinScope Rwanda data (December 2007)

*Phase 2: Implementation phase involving:*

- **Training the FinScope Rwanda Project Coordinator** in the understanding and application of the survey as well as in her role as supervisor and implementer of quality control measures (January 2008).

Undertaken in South Africa, the training program included:

- Familiarisation with the FinScope survey, its objectives and methodology
- The role of the Local Project Coordinator in terms of:
  - General project management and coordination
  - Stakeholder relationship management
  - Providing local context in the development of the survey instrument and facilitation
  - Obtaining input from key stakeholders in Rwanda
  - Providing contextual input during questionnaire development, fieldwork and analysis of the FinScope Rwanda data
  - Implementing quality control measures during fieldwork
  - The survey launch and the dissemination of the findings
- **Selecting a research house** via a competitive tender process involving written proposals and presentations from shortlisted firms and agreeing contractual arrangements with the selected firm (January/February 2008). Incisive Africa, a Kigali-based market research company was selected and contracted to conduct the fieldwork. The selection panel comprised representatives from FinMark Trust, AfricaScope<sup>2</sup>, BNR, DFID as well as Ms Niyigena. Against the background of Incisive Africa lacking statistical and analytical capacity, TNS Research Surveys Pty. Ltd. (TNS), a South African research house with extensive experience in the implementation of FinScope<sup>TM</sup> surveys and the analysis of FinScope<sup>TM</sup> data, was contracted to provide support in the development of the questionnaire and the training of fieldworkers, and to capture and analyse the FinScope Rwanda data (January/February 2008)
- **Carrying out a review of existing literature and data on financial access in Rwanda.** Ms Niyigena conducted the desktop research and the review of existing literature on financial access in Rwanda which was provided to the research houses and other stakeholders as background information prior to the development of the FinScope Rwanda questionnaire ( February/March 2008)
- **Working with other implementing stakeholders/partners to develop the FinScope Rwanda 2008 questionnaire to meet local needs and conditions.** Stakeholder workshops were conducted during February and March 2008 and

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<sup>2</sup> A South Africa based firm of statistical specialists subcontracted to FinMark Trust

were facilitated by Ms Niyigena, Incisive Africa and the FinMark Trust project team. Two stakeholder workshops were conducted involving representatives from the GOR, NISR and BNR as well as the private sector (i.e. banks, insurance companies, MFIs, etc.). In addition to the stakeholder workshops a number of interviews were also conducted with members of FSDP work groups.

A final draft questionnaire was circulated for comments (March 2008) to all participating stakeholders. After receiving input, the questionnaire was translated to Kinyarwanda (April 2008) and back-translated by an independent translator to English to check for accuracy of the Kinyarwanda translation

- **Ensuring, through support from the NISR and the research house, the development of a robust and nationally representative population sample.**

After consultation with NISR (see 2.3 for a summary of NISR's role) it was decided that FinScope Rwanda 2008 should use the same sampling frame and master listings developed for the national 2008 Demographic and Health Survey which was being conducted in Rwanda by NISR during the first half of 2008. Upon NISR's recommendation, it was agreed that the FinScope Rwanda survey sample size would be 2000. NISR agreed to draw a representative sample of 200 ZDs (*Zone de dénombrement* or enumerator areas) to be provided to Incisive Africa to conduct 10 interviews with randomly selected households within each of the sampled ZDs. The final ZD sample from the NISR, together with the maps for the selected ZDs, was received during April 2008.

In order to ensure the quality of the FinScope Rwanda data, it was agreed that NISR would supervise and monitor the fieldwork conducted by Incisive Africa (an MOU between FinMark Trust and NISR to describe the arrangements in this regard was signed during May 2008).

- **Overseeing the fieldwork (including training and quality control), participating in the training of enumerators and pilot testing of the questionnaire and survey methodology.** Fieldworkers were trained over a period of 10 days (April 2008). Ms Niyigena, FinMark Trust as well as TNS attended training to assist Incisive Africa with training and the production of field manuals. NISR provided training with regard to ZD localisation and the reading of ZD maps.

Team supervisors received additional training in terms of their supervision roles.

Quality control measures were put in place for fieldwork and included:

- Incisive Africa field supervision, back checking and editing of questionnaires as well as fieldworker debriefing
- NISR field supervision
- Independent and random field checks by the Local Project Coordinator
- Independent and random field visits by the FinMark Trust Technical team supported by AfricaScope

- The Local Project Coordinator checking completed questionnaires and providing feedback to Incisive Africa on an ongoing basis

A pilot survey was conducted in 2 ZDs (including both a rural and an urban ZD). The pilot survey tested fieldworker competency (in terms of applying the sampling methodology and conducting interviews) as well as the flow and phrasing of the questions. After the pilot survey final adjustments were made to the questionnaire and the questionnaire was submitted to BNR and NISR for sign-off (April 2008).

Fieldwork was conducted during the period May-June 2008 and was completed on 5 July 2008. 2000 interviews were conducted.

- **Data capture** of 2000 questionnaires was conducted by TNS. During the data capture process, an additional verification of each questionnaire was undertaken by TNS. Additional queries that were identified during this process were directed to Incisive Africa for response. The data verification process was cumbersome but thorough and took longer than expected. Data verification was completed with all queries satisfactorily addressed by 15 August 2008. The data was weighted by AfricaScope and the weighted data was approved by NISR (October 2008).
- **Supporting the analysis and production of the information package and data set** was conducted by TNS and preliminary findings were workshopped (in order to obtain contextualised input and interpretation) with representatives from BNR, DFID, NISR and the Financial Sector Development Programme (FSDP) before finalisation for the FinScope Rwanda launch presentation (December 2008).

## 2.2 FinScope Rwanda 2008 sampling methodology

While it is not logistically or financially possible to interview everyone in the country who is eligible, it is possible to randomly select people who represent the population eligible to be surveyed. Thus, when designing the sample, the methodology must take into account that everyone in the selected target population has an opportunity (proportional to size of strata identified) to be selected and interviewed.

The FinScope™ approach is to adopt a comparable sample design in each country. First a decision needs to be made on the age range of the target population. Typically the age range is defined by the legal age at which individuals are allowed to enter into binding contracts and at which an individual can hold a bank account. For the FinScope Rwanda 2008 survey the age range included individuals 18 years and older.

As the FinScope™ survey is an individual based survey and not a household based survey, it has to be ensured that the selection of individuals who are within the defined age range is governed by pure random sampling rules. These rules are based on three random selection elements:

- **Geographical area**

For the purpose of the FinScope Rwanda 2008 survey, the NISR used a ZD-based sampling frame designed to ensure that the data would be representative at national, urban-rural and provincial levels. A probability proportion to size (PPS) sample of 200 enumerator areas (out of a total of 7726 enumerator areas – Rwandan Census 2002) was provided by NISR to Incisive Africa for the purpose of fieldwork.

Once in field, enumerator areas were localized by using maps provided to the field teams by NISR with NISR supervisors assisting field teams where necessary.

- **Visiting points within the enumerator area**

Once the enumeration areas are identified, the households to select respondents from (i.e. visiting points) in the enumerator area must be identified. For the FinScope Rwanda 2008 survey a sampling interval was calculated by dividing the total number of households in the enumerator area by the number of interviews (including substitutes) that needed to be done in the enumerator area.

Interviewers selected a random starting point for each enumerator area from the enumerator area maps as a number of potential starting points were marked on each of the enumerator maps provided by the NISR. From the selected starting point, enumerators applied a random walk method and used the sampling interval to identify the visiting points for the enumerator area. A total of 12 visiting points were selected within each enumerator area to allow for substitution and achieving a total sample of 10 interviews per enumerator area.

- **Individual within the household to be interviewed**

Once the visiting points have been identified, the enumerator has to select the individual to be interviewed at a specific visiting point. To identify the respondent to be interviewed, a Kish grid is used. Should the respondent identified through the Kish grid not be available at the time of the first visit to the visiting point, the interviewer would need to make two further attempts to set up a time and come back to interview the respondent. Only if after the third attempt, interviewers cannot complete an interview may they go to a substitute visiting point to try to complete an interview.

For the FinScope Rwanda survey face-to-face interviews were carried out in Kinyarwanda. Show-cards in Kinyarwanda were used where necessary to aid the respondent in answering several of the questions. In cases where a respondent was unable to read, the surveyor was instructed to read through and repeat each option to ensure the respondent comprehended the statement and possible options for answering the questions.

### **2.3 NISR Role**

FinMark Trust always works closely with national statistics offices in the countries where FinScope is implemented, to access local skills and support and to ensure compatibility with national datasets such as census or other household survey data. Rwanda was no exception and NISR provided valuable support through the exercise. Some elements of its role have already been described but, to summarise, NISR contributed to FinScope Rwanda 2008 in the following way:

- providing input into the questionnaire development and design and signing off the Kinyarwanda translation of the questionnaire
- drawing of a robust and nationally representative sample of 200 ZDs for the purpose of the survey
- providing the maps of the sampled ZDs to Incisive Africa for the purpose of the fieldwork
- provided training to enumerators with regard to ZD localisation and the reading of ZD maps
- field supervision - ensuring effective and accurate ZD localisation, supervising the sampling methodology applied within sampled ZDs (i.e. sampling of visiting points as well as respondent selection)
- spot-checking questionnaires for accuracy and completeness
- doing a number of random back-checks
- providing guidance in terms of the weighting of the FinScope Rwanda 2008 data and approving the weighted data
- providing contextual input in terms of the initial survey findings ensuring relevant and accurate interpretation.

FinMark Trust would like to thank NISR for its excellent collaboration on FinScope Rwanda.

### **2.4 Local ownership**

Ownership of the FinScope Rwanda 2008 dataset, reports and other materials produced as outputs of FinMark Trust's work will, on completion, reside with BNR.

FinMark Trust will provide technical support to BNR and DFID Rwanda in rolling out the dissemination strategy and thereby help to maximise distribution and application of the data.



## 3 Top-line Findings

### 3.1 Introduction

This chapter provides an overview of the FinScope Rwanda 2008 sample and a summary of the top-line findings. These findings have been presented to and discussed with BNR, DFID, NISR and the FSDP and will form the basis of the FinScope Rwanda launch presentation as well as presentations to various stakeholder groups such as the banking, micro finance, insurance and rural finance sectors.

Generally the FinScope Rwanda 2008 data serves to confirm and put numbers to many trends and concepts that are already known, such as the low penetration of bank products, the dominance of using cash for transactions, and the importance of informal and microfinance services. These findings however present only a fraction of the data in the FinScope Rwanda 2008 data set. The full value of the data will come from further data mining for specific questions and concepts by academics, financial market researchers, and policy makers. For example, the data could be used to define indicators of financial inclusion and financial access standards/targets for financial institutions.

In South Africa, FinScope™ SA was used to define access standards as part of the Financial Sector Charter<sup>3</sup> score card. The World Bank, DFID and FinMark Trust<sup>4</sup> have jointly proposed eight core indicators of financial access that would be derived from FinScope™ type surveys, which are summarised in Box 2. These indicators will be captured globally and serve to inform policy in terms of a financial sector's contribution to achieving millennium development targets.

#### ***Box 2: Core Indicators of Financial Access***

- A1:** Banked – Percent of adult population with a bank account
- A2:** Formally Included Headline Indicator – Percent of adult population which uses any formal institution (A1 plus percent with formal non-bank products only)
- A3:** Financially Served – Percent of adult population that uses any formal and/or informal services (A2 plus percent with informal services only)
- A4:** Payments – Percent of adult population receiving money regularly through formal financial instruments
- A5:** Savings – Percent of adults who keep money in formal financial instruments that allow them to safeguard and accumulate money
- A6:** Loans and Credit – Percent of adults who have obtained/have outstanding a loan or credit facility from a formal institution in the last 12 months
- S1:** The proportion of adults who are formally included among the poor
- S2:** The proportion of adults who are formally included with direct access or indirect access through other household members

<sup>3</sup> Signed in October 2003 the Financial Sector Charter (a copy can be downloaded from [www.banking.org.za](http://www.banking.org.za)) committed the financial industry to achieving specific targets in key areas; black ownership and management; procurement, lending in targeted areas (housing, small business, agriculture, infrastructure) and access to finance.

<sup>4</sup> The World Bank, Financial Sector Vice Presidency, *Indicators of Financial Access: Household Surveys*, 2005. [http://www.finscope.co.za/documents/2006/WB\\_indicators.pdf](http://www.finscope.co.za/documents/2006/WB_indicators.pdf) [www.finmarktrust.org](http://www.finmarktrust.org).

### 3.2 Definitions

A number of definitions are used in the analysis and are explained in Table 1.

*Table 1: Definitions of terms used to segment and analyse the data*

<b>Segmentation term</b>	<b>Definition</b>
Formal financial service providers	Banks, insurance companies and registered micro financial service providers which are regulated by BNR
Informal financial service providers	Unregistered micro financial service providers, e.g. informal money lenders (i.e. <i>Banque Lambert</i> ) and savings clubs/ <i>tontines/ikimina</i> . Does not include family and friends
Banked	Adults (18 years and older) that use one or more bank product
Unbanked	Adults (18 years and older) that do not use any bank products
Formally included	Adults (18 years and older) that use one or more formal financial product, either from a bank and/or other formal financial institution
Financially served	Those that use one or more formal and/or informal financial product
Informally served	Those that use one or more informal financial product only
Financially excluded	Those that do not use either a formal or an informal financial product
<b>Function term</b>	<b>Definition</b>
Transactions	Financial services using cash or other means (e.g. cheques, cards, electronic means) to make or receive payments, domestic or international
Savings	Safeguarding wealth and accumulating wealth for future use
Credit/Loan	Obtaining funds from a third party with a promise of repayment of principal and, in most cases, with interest and arrangement charges in exchange for use of the money
Insurance	Payment of premium for risk of an event happening, where payout is made if or when the event occurs

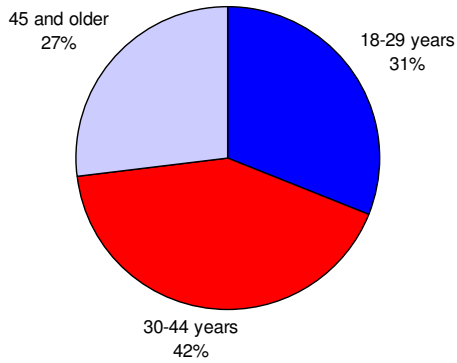
### 3.3 FinScope Rwanda 2008 Sample Profile

The Rwandan adult population is fairly young with an average life expectancy of 40 years<sup>5</sup>, largely rural (85% of adults living in rural areas) and female dominated. Only 12% of the adult population has secondary school or higher levels of

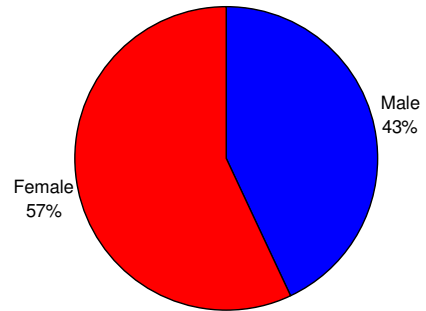
<sup>5</sup> [http://www.hdrstats.undp.org/countries/country\\_fact\\_sheets/cty\\_fs\\_RWA](http://www.hdrstats.undp.org/countries/country_fact_sheets/cty_fs_RWA)

education. 31% of adult females have had no form of schooling. Figure 1 gives an overview of the demographic profile of the FinScope Rwanda 2008 sample demographics.

**Figure 2: Demographic overview of the FinScope Rwanda 2008 sample**

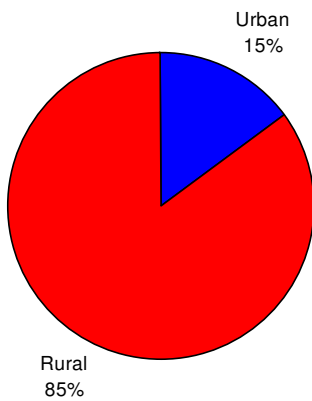


**FinScope Rwanda 2008 sample age distribution**

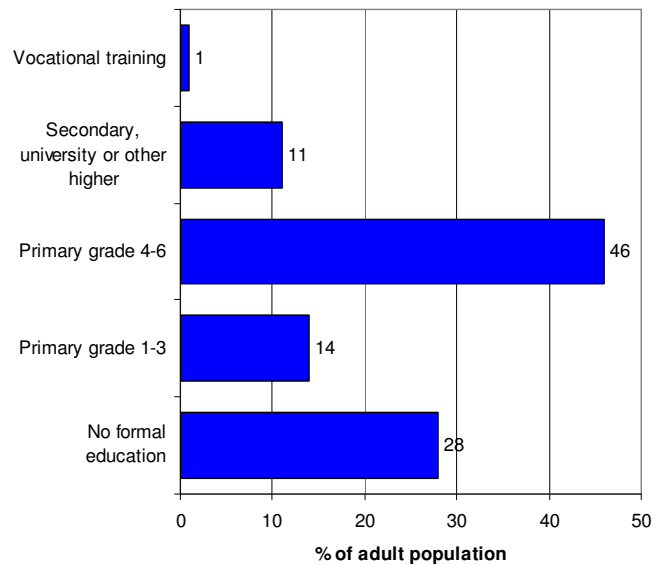


**FinScope Rwanda 2008 sample gender distribution**

- 41% female respondents indicated that they were the head of their households
- 30% of female respondents indicated that they were both the head of their households and were either widowed or divorced – i.e. regarded as "vulnerable" in Rwandan context



**FinScope Rwanda 2008 sample urban-rural distribution**

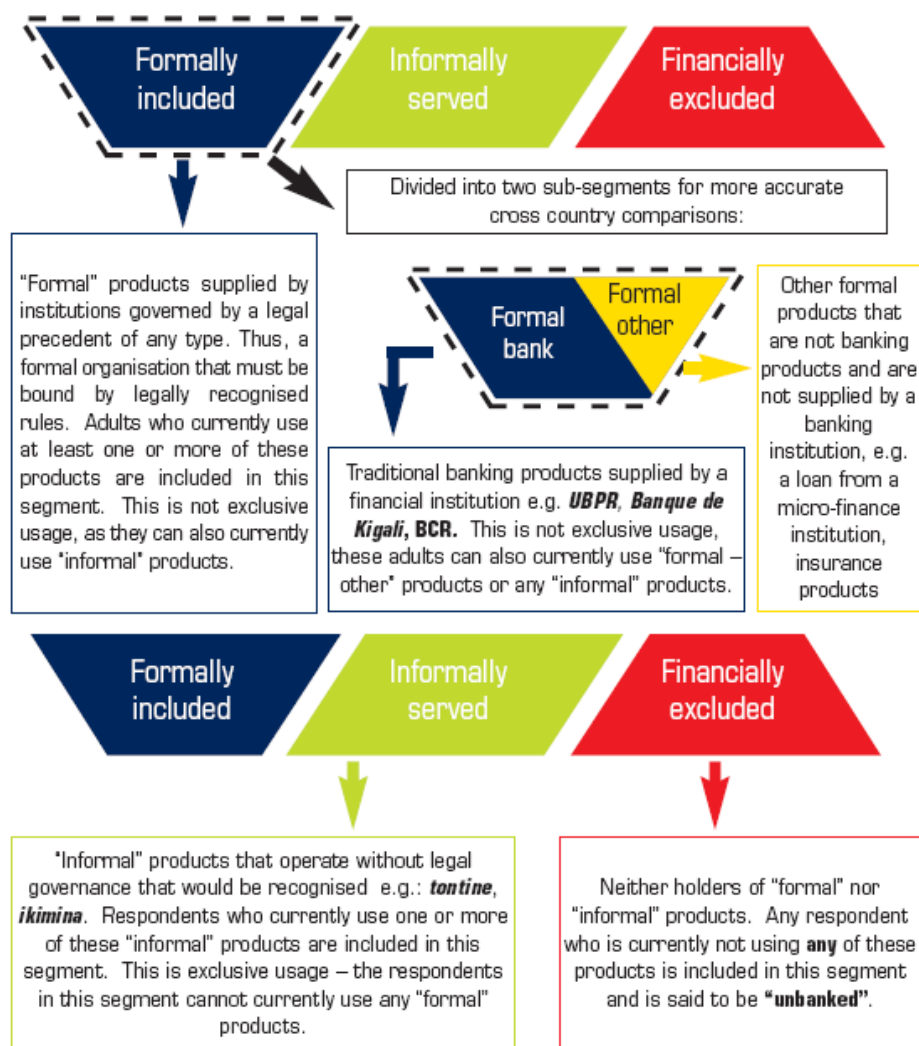


**FinScope Rwanda 2008 sample education distribution**

### 3.4 The Financial Access Strand

The FinScope™ survey uses the Financial Access Strand to compare financial access across countries. The Financial Access Strand focuses on the financial system of a country in its broadest sense and assumes all adults in the country will fall into one of three broad segments namely *formally included*, *informally served* or *financially excluded* as described by the diagram below (figure 3).

**Figure 3: Diagrammatic description of the Access Strand.**



#### 3.4.1 Rwanda Access Strand

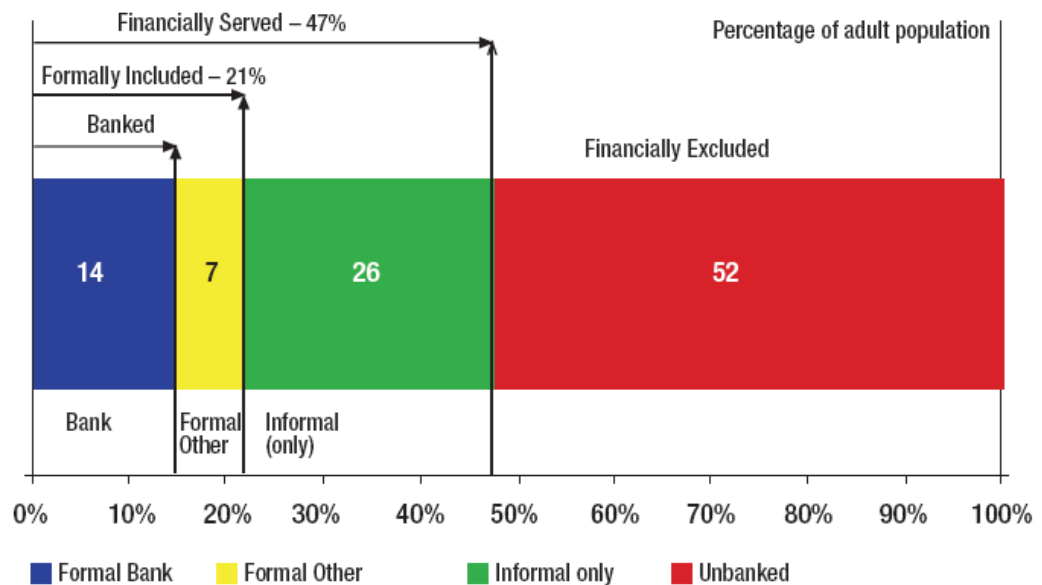
Figure 4 provides an overview of the Rwanda Access Strand whilst Figure 5 provides an overview of the extent of overlapping between the product utilisation segments of the *financially included*.

Analysis and interpretation of the FinScope Rwanda 2008 data presented by figures 4 and 5 reveal that:

- More than half of the Rwandan adult population (52%) manage their lives without using any kind of financial product (formal or informal)

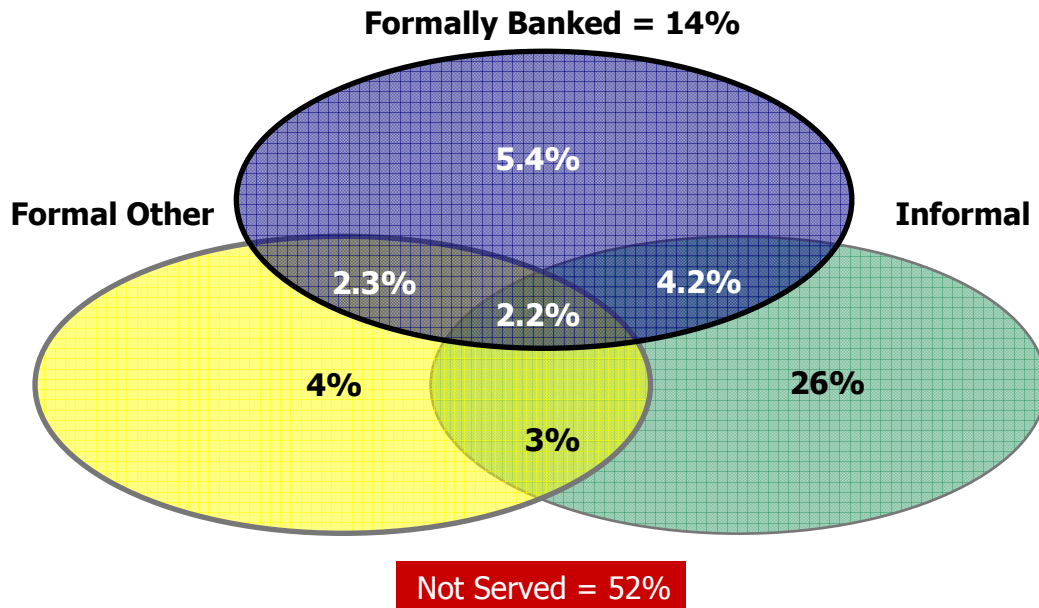
- More than three-quarters (77%) of the 48% of Rwandan adults who do use financial products, use informal products whilst 26% of Rwandan adults use only informal financial products
- Of those who are using formal financial products, most (67%) are using formal bank products with insurance and micro finance product penetration being significantly lower
- Of those who are banked, more than a third do not hold any additional informal or other formal financial products
- Bank usage is dominated by the *Union des Banques Populaires du Rwanda* (UBPR). Excluding UBPR, only 1% of the adult population use commercial bank products

**Figure 4: Rwanda Access Strand**



**Note: The Rwanda Access Strand does not include *Mutuelle de Sante***

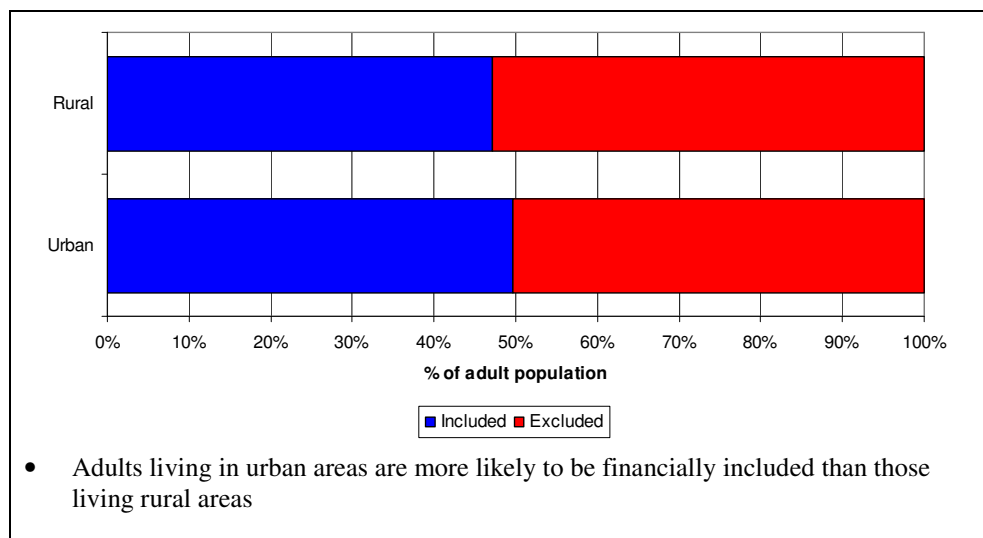
*Figure 5: Extent of overlap between the product utilisation segments of the financially included*

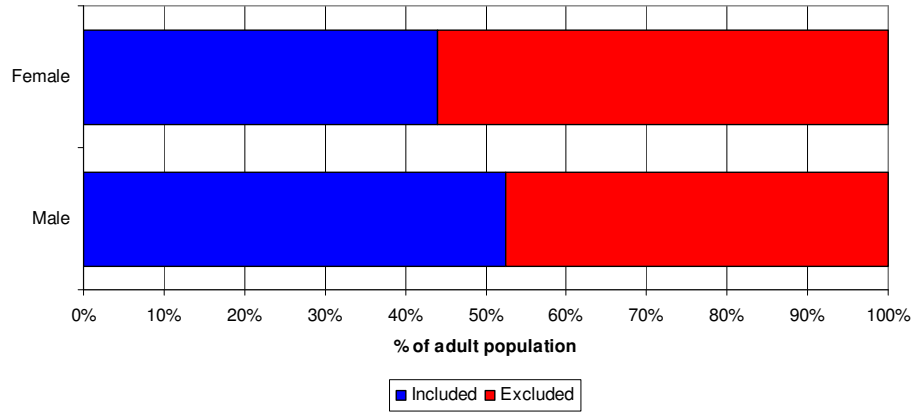


### 3.4.2 Who is more likely to be financially included?

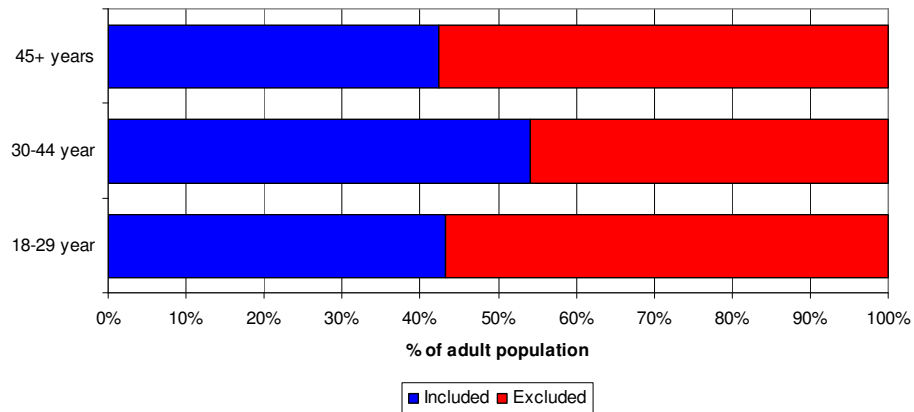
Figure 6 provides an overview of individuals aged 18 years and older in Rwanda who are more likely to be financially included (i.e. to be more likely to use a financial product – formal or informal).

*Figure 6: Those more likely to be financially included*

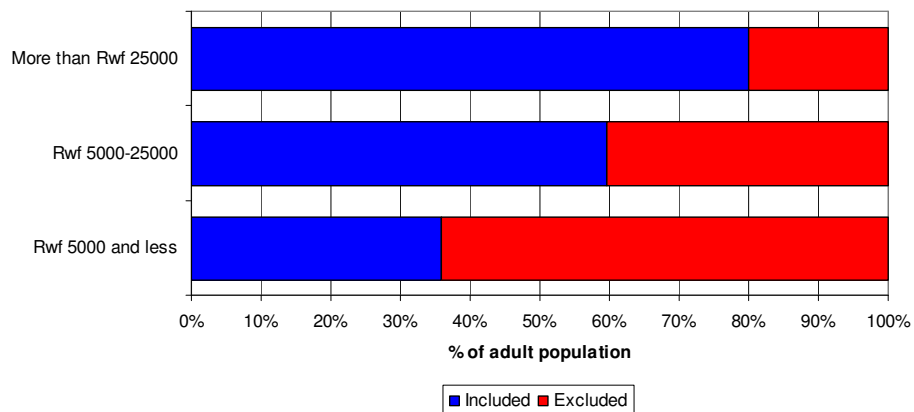




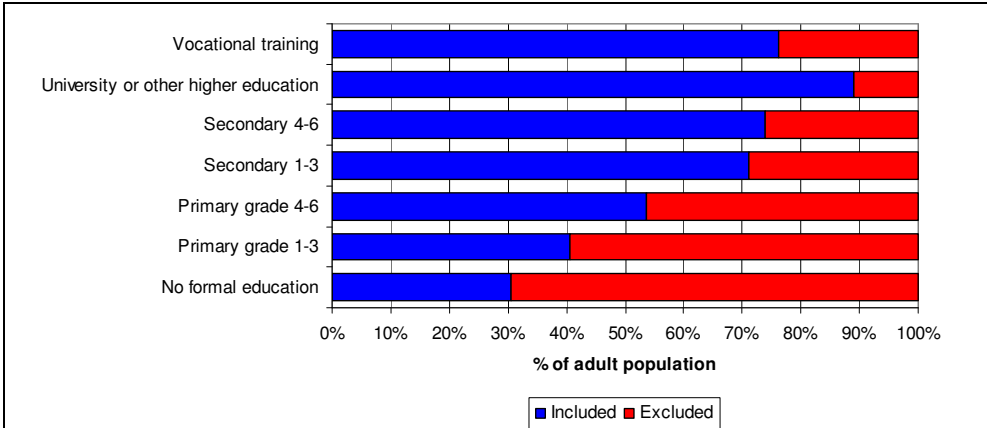
- Males are more likely to be financially included than females
- Females who are heads of their households are more likely to be financially included than females who are not household heads
- Females who are the heads of their households and who are either divorced or widowed are less likely than other females to be financially included



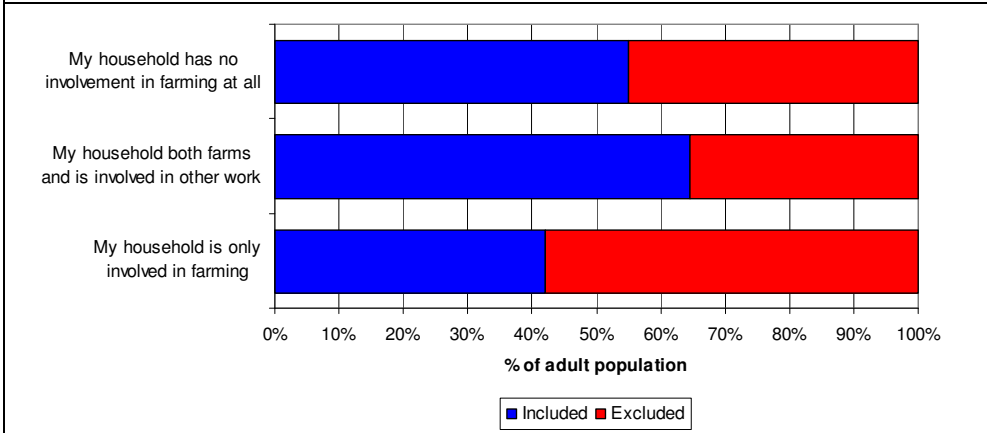
- Individuals in the 30-44 year age group are more likely to be financially included than those in the 18-29 year age group and those in the 45+ age group



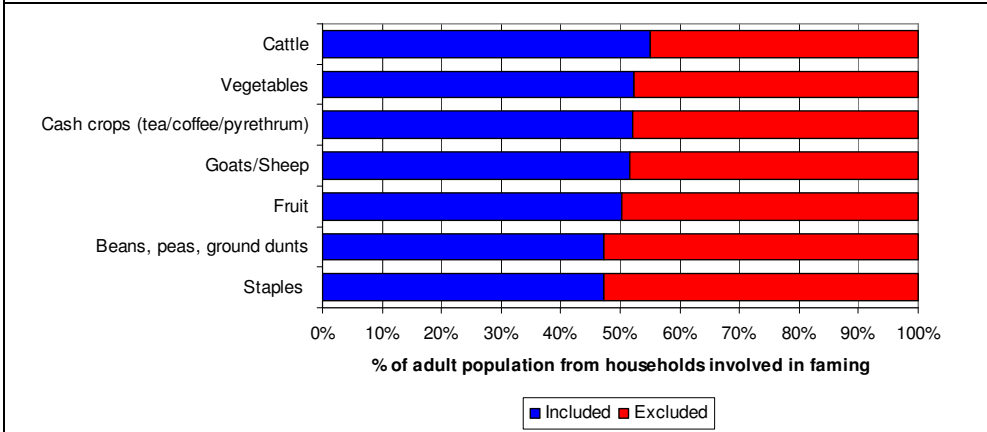
- Adults in higher personal monthly income groups are more likely to be financially included than adults in lower personal monthly income groups



- Adults with higher levels of education are more likely to be financially included than those with lower levels of education

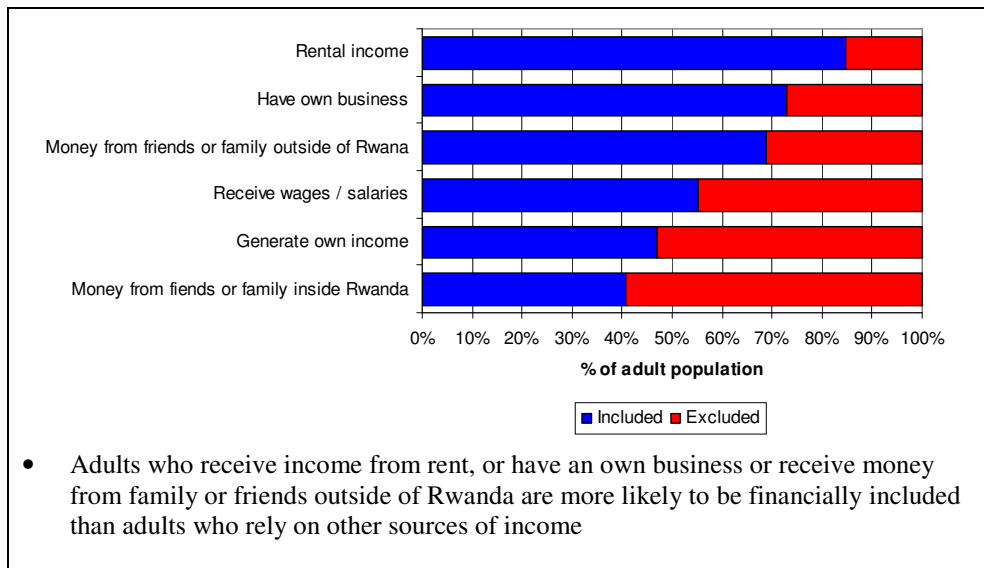


- Adults from households who are involved in farming activities but have other means of income as well are more likely to be financially included than adults from households who rely solely on farming or adults from households who rely solely on other means of income



- Adults from households who farm livestock, vegetables, or cash crops are more likely to be financially included than adults from households involved in other types of farming

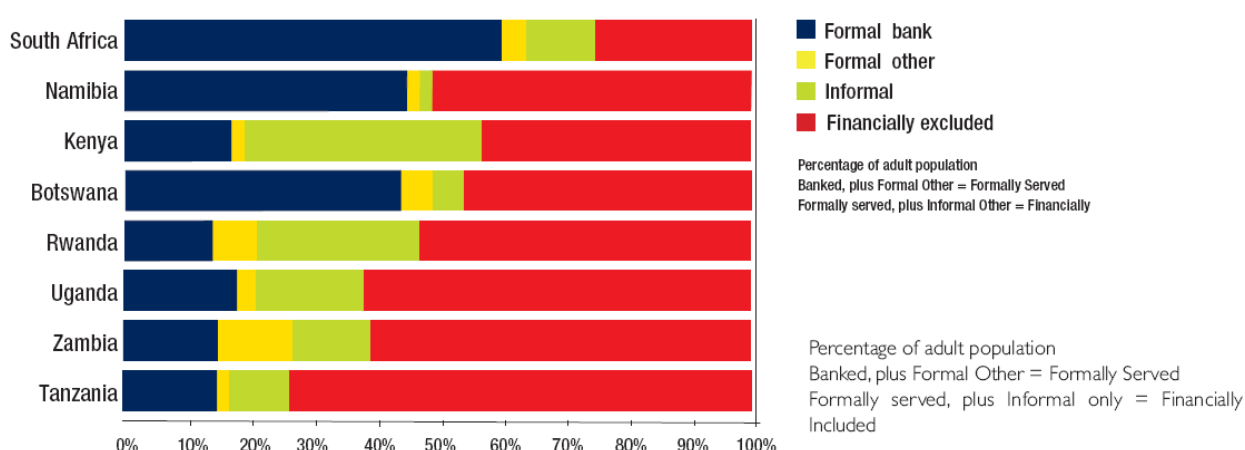




### 3.4.3 Country comparisons of Financial Access Strand

Figure 7 provides an overview of the comparison of the Access Strands of African countries where the FinScope™ survey has been conducted. With 14% of the adult population being banked, Rwanda seems to be facing greater challenges compared to the East African countries where the FinScope™ survey has been conducted. In terms of the proportion of the adult population being financially included however (i.e. using either formal or informal financial products), Rwanda (47%) lies second with only Kenya (57%) illustrating higher financial inclusion. This illustrates the role of the informal financial system in Rwanda and serves as an active user base for formal institutions to consider.

**Figure 7: Country comparison of the Access Strand**



### 3.5 Overview of Banking in Rwanda

Table 2 provides an overview of the number of adults 18 years and older who are banked indicating that just over half a million adults in Rwanda are banked (i.e. are using financial products provided by commercial banks in Rwanda).

**Table 2: Number of banked adults (18 years and older)**

Number of people banked	%	2008
No. of currently banked (formal) adults	14	518 423
No. of previously banked adults in Rwanda	8	278 680
No. of never banked adults in Rwanda	78	2 896 704
No. of currently un-banked adults in Rwanda	86	3 175 384
Total Population	100	3 693 807

- Most (97%) of banked adults in Rwanda have a product with *Union des Banques Populaires du Rwanda* (UBPR). UBPR used to be a cooperative and credit union network and only recently obtained commercial bank status
- The majority of banked adults have accounts in their own names - 20% of banked adults have indirect access through using someone else’s account. Females make up the majority of individuals using someone else’s account (mainly those of their spouses)

Rwanda is still very much a cash-based society and there is no evidence in the FinScope Rwanda 2008 data indicating a movement towards the payment system becoming increasingly technology-based. This is evident when one looks at the types of transactions conducted on a regular basis by banked individuals:

- More than 75% of banked individuals use their bank accounts to deposit and withdraw cash – other types of banking transactions (such as money

transfers between accounts, paying by cheque or debit orders, etc.) are only conducted on a regular basis by 10% or less of banked adults

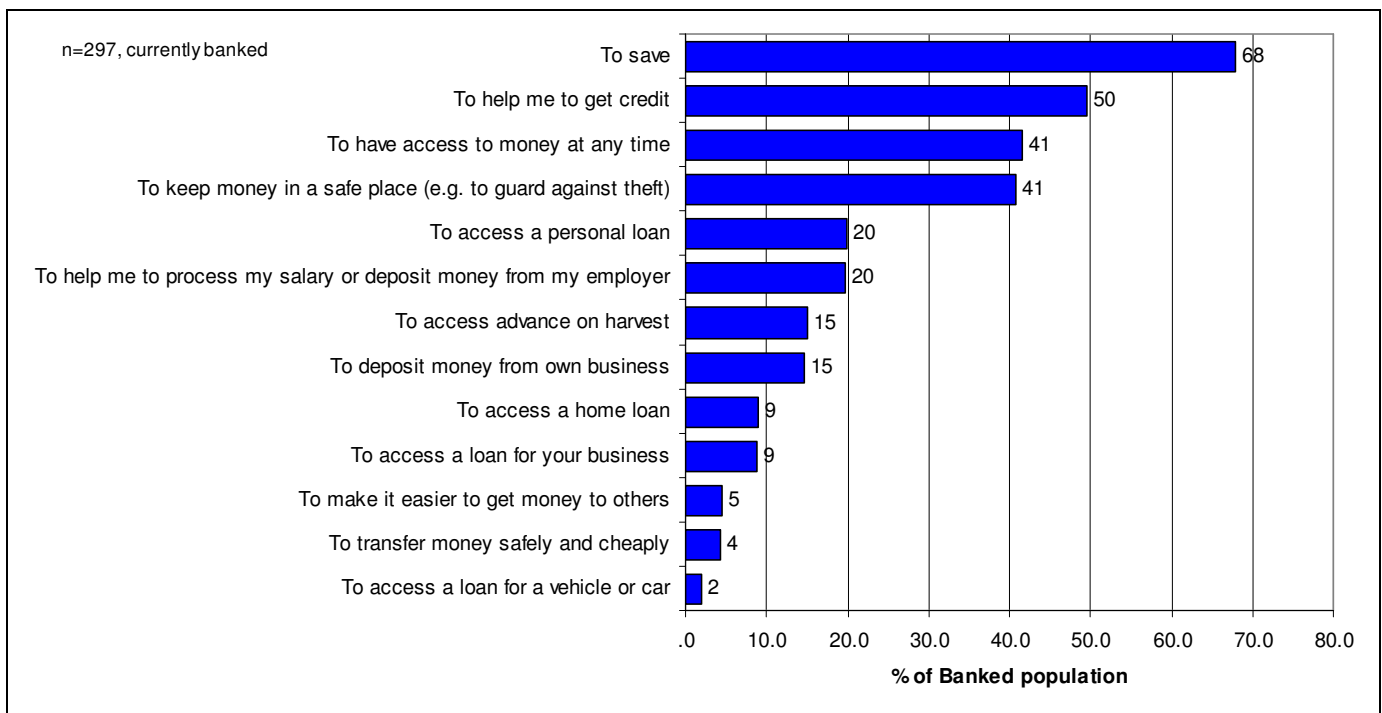
- 74% of banked individuals pay creditors and/or bills in cash

### 3.5.1 Reasons for having a bank account

The reasons cited by banked Rwandans for having bank account are summarised by figure 8 indicating the most frequently mentioned reasons for having bank accounts to be:

- To save (68% of banked adults)
- To get access to credit (50% of banked adults) - with 20% of banked adults having a bank account to access personal loans, 15% to access advances on harvest, 9% to access home loans, 9% to access business loans and 2% to access loans for vehicles/cars
- 41% of banked adults regard a bank account as a “place to keep their money safe” but which “provides access to their money when it is needed”

**Figure 8: Reasons why banked Rwandans have bank accounts**



### 3.5.2 Barriers to banking access

The overwhelming barrier to banking in Rwanda is related to lack of income. Adult Rwandans either do not have a cash income or they don't perceive a bank account to be of value as they "don't have enough of their income left after daily living expenses".

- 86% of adults in Rwanda use no formal banking products
- 83% of "unbanked" individuals indicate that they don't have enough money left after covering daily living expenses in order for them to put money into a bank account

Neither appropriateness of banking products nor physical access is perceived as barriers to banking. For those who travel to a bank, the most common form of transport is to walk which, on average, takes more than an hour. However, this is on par with the time taken to access health care and secondary schooling. The cost and availability of public transport (especially for those living outside of Kigali) are the barriers to using public transport to get to a bank.

A number of indicators in the FinScope Rwanda 2008 data indicate that the inadequate payment system in Rwanda is a major factor behind banking exclusion. Although the high percentage (8%) of "previously banked" adults suggests a strong market for reactivation, the reasons most previously banked people give for their account lapse is income related (88% citing "not having enough income left after covering daily living expenses" as the reason for lapsing).

### 3.6 Insurance

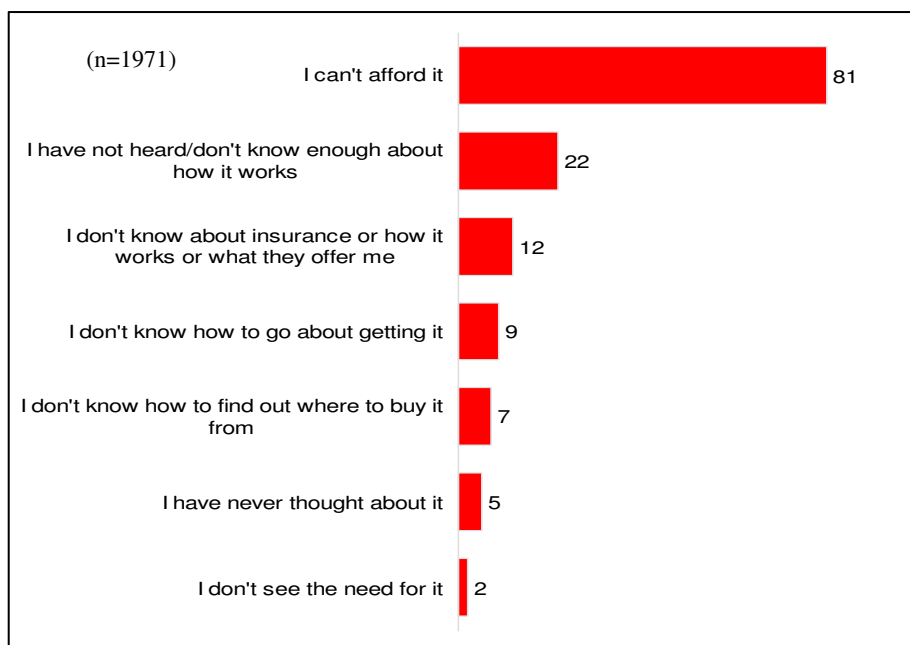
The FinScope Rwanda 2008 data once again illustrates the fact that insurance penetration in Rwanda is extremely low and that there is no evidence of a shift towards greater penetration.

- 1% of Rwandan adults have life insurance products
- Less than 1% of adult Rwandans (i.e. less than 1 in 100 adults) have third party, household or other insurance products
- In terms of product penetration, private medical insurance illustrates a slightly better performance than other types of insurance - 2% of adult Rwandans use private medical insurance schemes
- 80% of adult Rwandans have health insurance through the Government community-based health insurance scheme, *Mutuelle de Santé*, which increases the proportion of adult Rwandans who are using health insurance products to 82%

Barriers non-medical insurance access (figure 9) are mostly affordability-related – 81% of uninsured adult Rwandans indicating that they could not afford insurance products.

Although very few Rwandans use insurance products, the desire for insurance is particularly high with 52% of Rwandan adults indicating a need for more information on life coverage and 47% indicating a need for more information on asset coverage. In order to penetrate this market however, insurance product providers would have to recognise the significant need for an insurance-related information campaign. Apart from affordability being a barrier to insurance access, most other reasons Rwandan adults give for not using insurance products are related to a lack of information on insurance, insurance products and insurance benefits as well as a lack of information about where to go and how to go about obtaining insurance.

**Figure 9: Barriers to access to non-medical insurance**



### 3.7 Saving in Rwanda

Over half the adult population (54%) claim to be saving. However, most (70%) of those who claim to be saving keep cash at home in a secret hiding place and are not using any formal or informal financial product for the purpose of saving – indications are that in most cases this form of “saving” merely serves to have cash at hand to cover daily living expenses and could not be regarded as “savings” in the true sense.

**Table 3: Types of savings products used by Rwandan adults who save**

Savings	% of Adults who save
Keep cash at home or in a secret hiding place	70
Membership or <i>tontine/ikimina/umuryango</i>	39
Savings at a bank	26
Give to someone else for safe keeping	14
Savings account at a agricultural co-op	10
Savings at a MFI	5
Membership of <i>Caisse de l'Entree</i>	1
Employer savings schemes	1
Savings at a post office	0
Capital/stock market	0
<b>Retirement/pension</b>	
Pension fund	3

- Apart from keeping cash at home the most common form of saving amongst Rwandans 18 years and older is through *tontine* or *ikimina* membership (39% of those who save). The most important benefits for these individuals who use these informal savings products seem to be social rather than financial in nature i.e. membership provides them with the opportunity to exchange ideas (57%) or to socialise (52%). Other types of informal savings products include “giving cash to someone for safe keeping” (14%), Agricultural co-op savings (10%) or employer saving schemes (1%)
- Formal saving products used by Rwandans who save include savings at a bank (26%) and savings at an MFI/SACCO (5%)
- The most common reason why Rwandans save is “to cover unexpected medical expenses (49% of those who save, save for this reason). Other reasons for saving include “putting money away to ensure that daily living expenses could be covered during hard times” as well as for “dealing with other emergencies which are not medical/health related when they occur”.

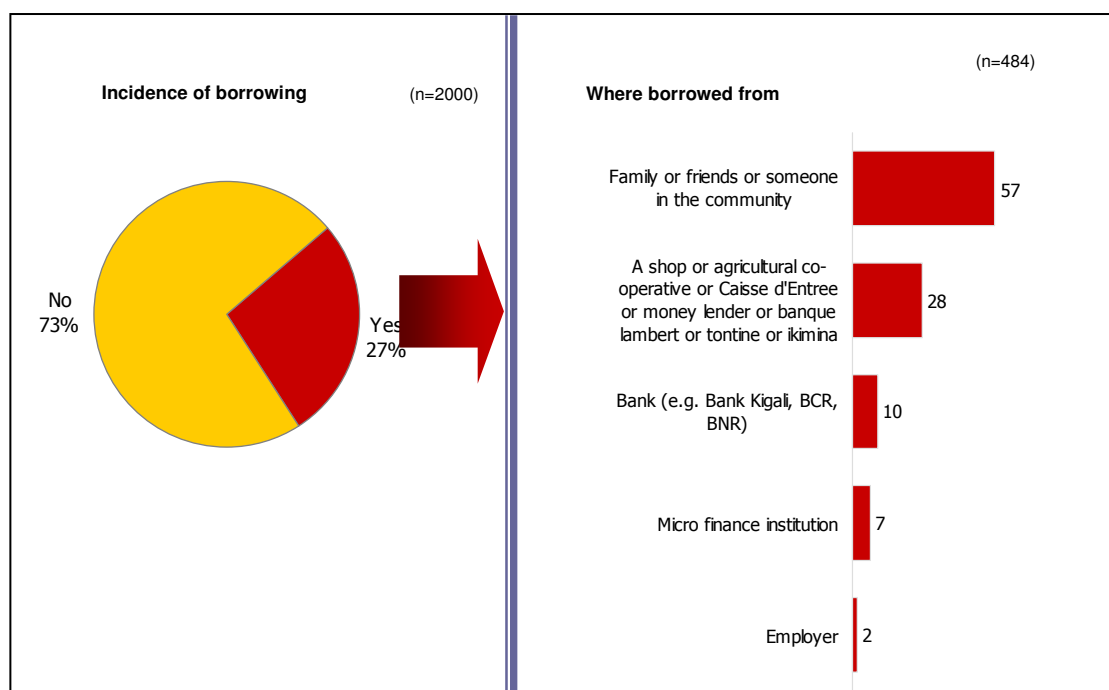
In Kigali reasons for saving differ significantly from other areas - more than half of people in Kigali who save claim to be saving for being able to cover their expenses in the case of loss of employment.

Barriers to saving are mostly financial in nature. Almost all people who do not save refer to some form of financial exclusion as the reason for not saving e.g. “I don’t have money left to save after covering daily expenses” (81%) and “I don’t have an income – no money to save” (24% of those who do not save).

Attitudinal exclusion is also significantly mentioned – 1 in 5 adults who do not save prefer spending their money when they have it rather than saving and 1 in 4 who do not save regard it or regard saving as “for rich people who have money left after covering daily expenses”.

### 3.8 Borrowing in Rwanda

Figure 10: Borrowing - Incidence and sources



- 27% of the adult population claim to be borrowing. Most of the borrowing however is from family and friends (57%) – most of the adults in Rwanda who borrow therefore are not using any formal or informal financial credit products
- Similar to savings products, informal products are more likely to be used than formal products for credit purposes – 28% of those who borrow, borrow from informal lenders such as shops or agricultural co-operatives whilst 10% of borrowers borrow from banks
- Like with savings, the main reasons for borrowing are “to cover living expenses” (24%), or “for covering medical expenses” (22%). For both these reasons of having to borrow Rwandans to prefer to borrow from friends or family or someone in the community (which might refer to informal money lenders or *banque lambert* which tend to charge interest rates which are significantly higher than formal credit interest rates).

The reasons for borrowing from an informal source (i.e. shop, *tontine*, or money lender/someone in the community) are mainly related to “convenient and quick access to money when it is needed” or “trust” (as informal lenders are more likely to be someone known to the borrower).

- Barriers to borrowing are mainly attitudinal in nature.
  - 52% of individuals who claim not to borrow claim that it is because they “fear debt”

- 65% of individuals who claim not to borrow, claim that the reason is because they fear “not being able to able to meet repayments requirements”

### 3.9 Government Social Protection

Social protection is a fairly new sector in Rwanda but has grown in importance. A national social protection policy was established in 2005 providing an orientation on how to improve the wellbeing of the Rwanda population. The Government Social Protection includes the following products which are included under “*formal other*” segment of the Rwandan Access Strand:

- The *Caisse Sociale du Rwanda (CSR)* covering occupational hazards and pension of people employed in the formal sector. Contributions are compulsory for all salaried workers.
  - 2% of adult Rwandans have CSR coverage – this is much lower than the 9% of adults who are formally employed but this finding correlates with the findings of other authors<sup>6</sup>
  - 41% of Government employees have CSR coverage whilst only 4% of private employees have CSR coverage
- *Rwanda Medical Insurance Scheme (RAMA)* which was founded in 2001 to cover health related risks of Government employees. Since 2003 RAMA has also been accepting employees from the private sector to enlarge its member base.
  - RAMA covers 1% of the adult population of Rwanda (this FinScope Rwanda 2008 finding is lower than the 2% coverage reported by other authors<sup>5</sup>)
  - 41% of Government employees have RAMA coverage whilst only 2% of private employees have RAMA coverage
- *Military Medical Insurance (MMI)* which was founded in 2005 as health insurance for military personnel. The benefit package of MMI is the same as that of RAMA.
  - MMI covers less than 0.3% of the adult population of Rwanda

Also included in the Government Social Protection system in Rwanda is *Mutuelle de Santé (MdS)* – a small scale community based health insurance scheme which was introduced in 1999. MdS has not been included in the Rwandan Access Strand based on the limited nature of the benefit package, but can be considered to be a limited form of health insurance.

- 80% of the adult Rwandan population are covered by MdS which is a significant increase from 9% in 2003 and 44% in 2005<sup>5</sup>

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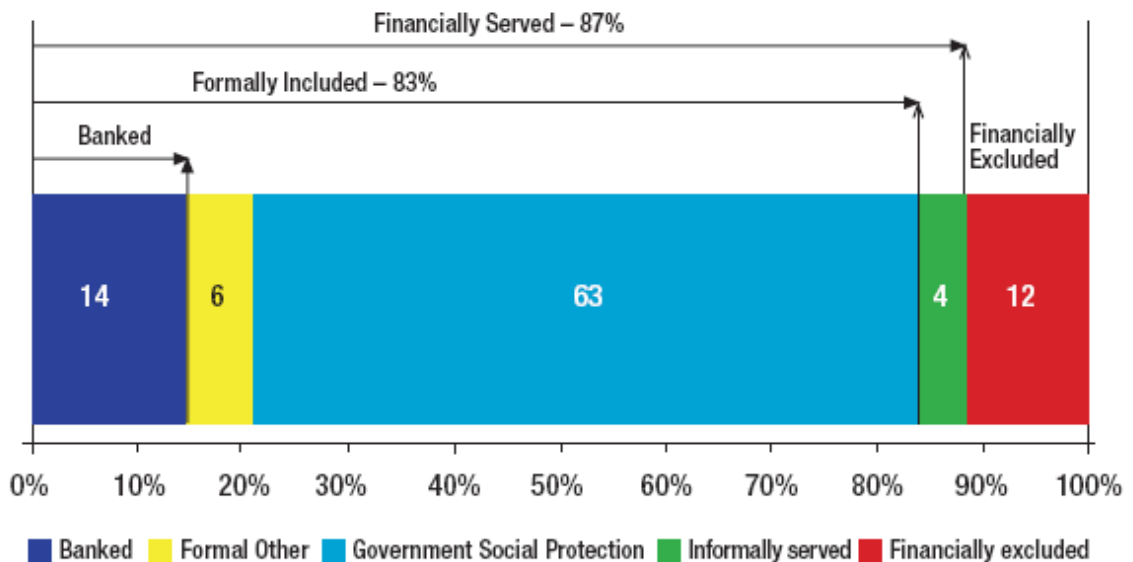
<sup>6</sup> Etude sur les articulations entre les systèmes légaux de sécurité sociale et les mécanismes de protection sociale à base communautaire  
[www.ilo.org/gimi/resource.do?page=/wiki%20linkages/home/fr/rwanda2.pdf](http://www.ilo.org/gimi/resource.do?page=/wiki%20linkages/home/fr/rwanda2.pdf)



- Mds has a significant impact on the lives of Rwandans:
  - Only 1 in 5 Rwandan adults had to go without medicine or medical treatment that was needed in the 12 months preceding the FinScope Rwanda 2008 survey. This is significant considering the burden that malaria places on Rwandan families every year.
  - Compared to those with Mds membership, individuals without Mds membership are more likely *not to seek treatment at all, or to treat themselves, or to visit a traditional healer* when in need of medical help rather than going to private or public medical health care facilities/individuals to seek medical treatment
  - People without Mds are more likely to sell their possessions or borrow money to cover their medical bills than those who have Mds membership

If the Government Social Protection products (including Mds) are included as a separate segment in the Access Strand, financial inclusion of the adult population is increased to 88% with only 12% of the population with no access to any financial products (figure 11). Despite the contribution of Mds towards better health care provision, FinMark Trust believes including Mds in the Access Strand in this way would create an unrealistically positive picture of access to financial services in Rwanda.

**Figure 11: Government social protection Access Strand**

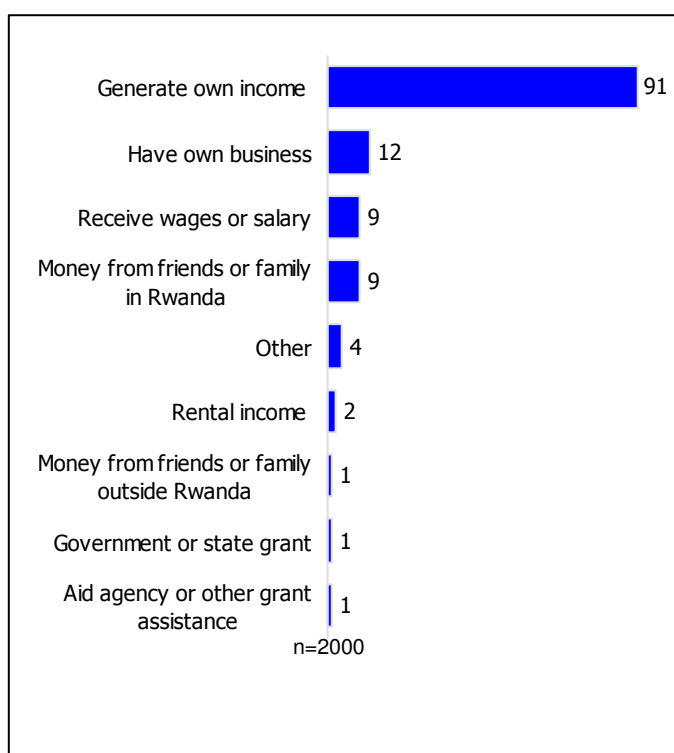


### 3.10 Understanding People's Lives

Rwanda has one of the fastest growing economies in Africa but the question remains whether this development is sustainable and whether this change and development reach the poor and especially those in rural areas. The inequalities in Rwanda's economy are vividly apparent in the FinScope Rwanda 2008 data.

#### 3.10.1 Sources of money

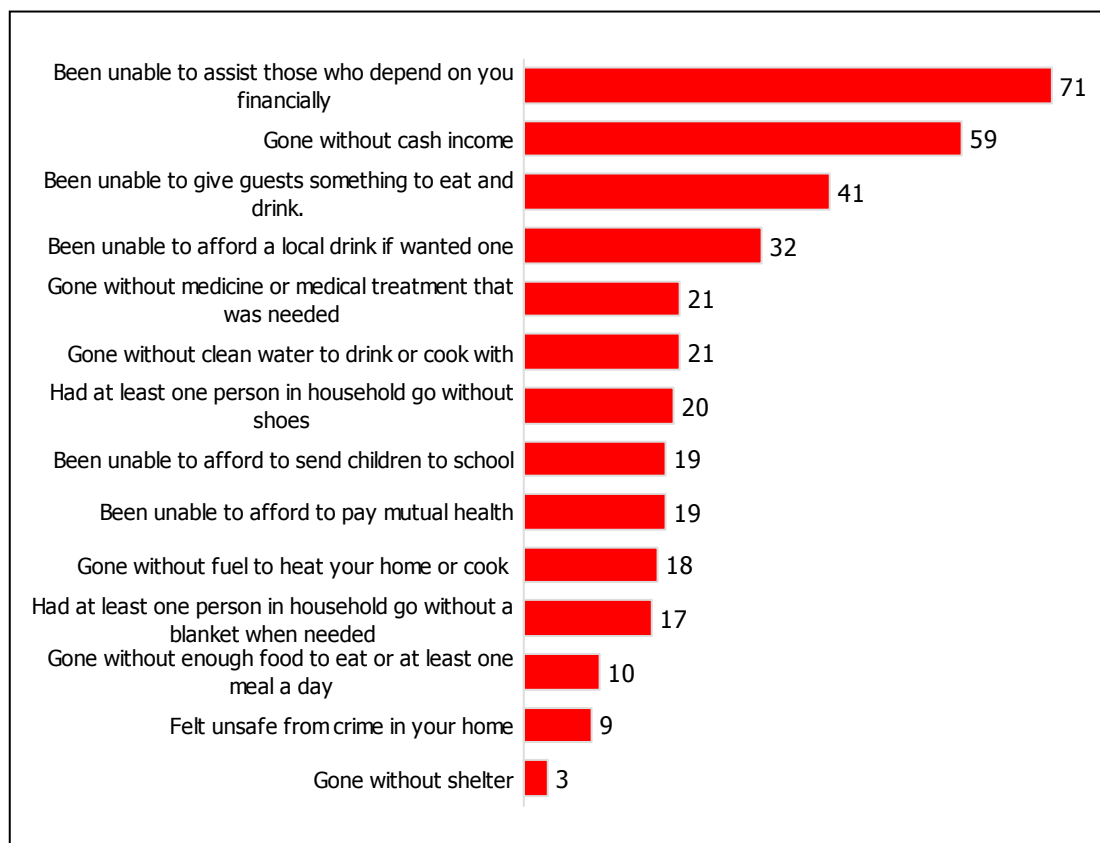
*Figure 12: Sources of money of Rwandan adults*



- 91% of adults generate their own income through activities such as farming, selling produce and handicrafts, bartering or lending money to others
- 12% of adults have their own business such as bicycle repair shops or selling groceries
- 9% of adults receive wages or salaries but only 4% of all Rwandan adults are employed in waged/salaried labour on a full-time basis (61% of these individuals are male)
- Over half the adult population has a personal monthly income of less than 5,000 Rwf. Those with the lowest income levels are more likely to be female and people living in rural areas
- Relatively few people (9%) receive money from friends or family in Rwanda and hardly anyone (1%) says they receive money from friends or family outside of Rwanda

- The majority of income is received irregularly and 30% of adults receive income in kind or in combination with cash
- The huge reliance on rain fed subsistence farming is high risk, but interestingly the biggest perceived threat to individuals' income is war or unrest.

**Figure 13: Percentage of respondents that said “often” or “always” to statement about living conditions in the 12 months preceding the survey**



In the 12 month period preceding the FinScope Rwanda 2008 survey:

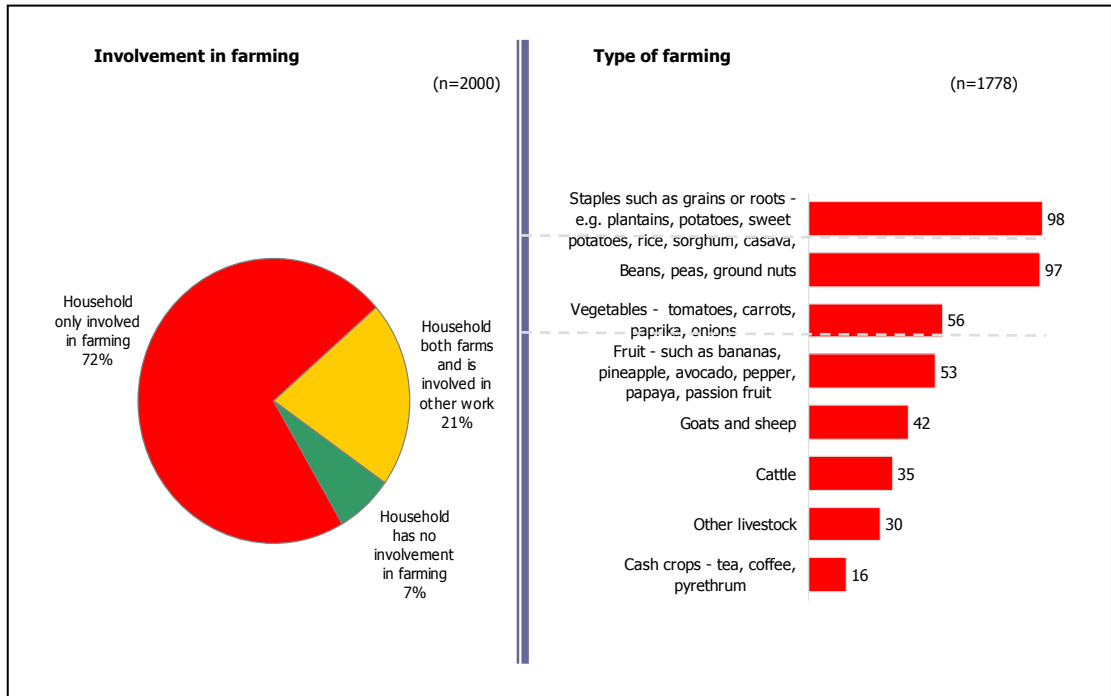
- Almost 2 out of 3 of Rwandan adults had often or always gone without cash income and even more had been unable to assist financial dependents
- 1 in 5 often or always had to go without medical treatment, clean water, clothing, or fuel to heat their homes or cook their food

### 3.10.2 Agriculture

More than 90% of households in Rwanda are involved in farming with those who farm staples such as grains or roots as well as beans, peas and ground

nuts being the most prevalent. Only 16% of those who farm are involved in cash crop farming such as tea, coffee or pyrethrum.

**Figure 14: Agriculture involvement**



- More than 90% of households in Rwanda are involved in farming
- Although Kigali has the lowest incidence of farming, more than half of all households in Kigali are involved in farming
- Farming is most prevalent in Province du Sud – 83% of households are only involved in farming (and have no other means of income) - a third of all livestock farming in Rwanda takes place in this province
- Cattle farmers are most likely to be financially included (i.e. to use financial products – formal and/or informal)
- Agricultural co-ops successfully reach families engaged in all the above farming activities

### 3.10.3 Housing and amenities

Houses in Rwanda have brick (52%) or wood (48%) walls and iron sheets (47%) or earth tiles (46%) are mostly used for roofing material. Most (83%) houses have mud, clay or sand floors.

A small proportion of households have tap water on the property (which is most likely to be found in urban areas). The primary source of water for Rwandan households is a protected spring which takes on average 18 minutes to reach.

The majority of households have their own toilet which is most likely to be an ordinary pit latrine.

Most (94%) of Rwandan households do not have access to electricity.

Technology access is low with less than 1 in 5 people having access to cell phones.

Nearly 2 out of 3 adult Rwandans live in houses which they either own themselves or which are owned by someone in the household. Only 8% of homes are rented. Ownership of more than one property however is rare and skewed towards individuals who are more educated, from non-farming households and banked.

The majority of adults regard their homes as an asset and they are not likely to move. More than half of the adult population of Rwanda has lived in their homes for more than 5 years.

- 67% of adults see their homes as an asset they can use to make money
- 35% would use their house as security when need to borrow money
- 19% would sell their homes if they needed a large sum of money

## 4 Dissemination

It is proposed that the FinScope Rwanda 2008 findings be disseminated in three phases as is outlined by figure 15. Phase I, comprising internal consultation with BNR, NISR, the Ministry of Finance and DFID has been completed. The objective of this phase was to discuss the initial top-line findings with key stakeholders in order to gain input and contextual interpretation of the findings as well as to ensure that the Rwandan context is understood and taken into account in interpreting the FinScope Rwanda 2008 findings.

*Figure 15: Summary of the FinScope Rwanda 2008 dissemination strategy*



### **a. Phase II: National launch**

The objective of Phase II is to disseminate the findings to relevant parties involved in financial sector development in Rwanda. The overall aim is to stimulate interest in expanding the landscape of financial access to lower-income groups, whether through further research, policy reform, or product innovation.

The principle activity of this phase will be the presentation of top-line findings at a national stakeholder launch. This event is scheduled to take place on 3 December 2008 and is expected to be attended by wide audience of public and private stakeholders including: representatives of BNR; government officials; banks and other financial institutions; representatives of private sector associations; research institutions; financial consultants; international development partners; and the media.

The findings will be disseminated at the launch primarily through a power-point presentation and the distribution of a user-friendly brochure that will document the background and key findings of the survey.

### **b. Phase III: Post-launch roll-out**

Phase III aims to build on the interest generated during previous phases, and facilitate the application of the data for policy and product development initiatives that focus on enhancing pro-poor financial access. Key activities, as summarised in Table 4, will include conducting workshops with relevant stakeholder groups to discuss in more detail issues highlighted by further analysis of the findings that are relevant to each specific group.

FinMark Trust will facilitate training and mentorship to individuals and organisations that are interested in using the dataset for their own purposes. The overall aim of these activities will be to promote active use of the data, leading to policy reform and the development of new product strategies that specifically target low-income groups and ultimately build a more inclusive financial system.

**Table 4: Phase III – Post-launch roll-out activities**

<b>Activity</b>	<b>Objective</b>	<b>Audience</b>
Ongoing discussions with BNR, DFID & the FSDP	Raise questions and issues to guide further data mining and analysis	BNR, DFID & the FSDP
Focused workshops to targeted stakeholder groups	Focus on presenting and discussing issues of relevance for each stakeholder group	Key financial sectors: banking, insurance, microfinance, agriculture, rural finance, etc
Distribution of FinScope dataset and facilitating use and application	Encourage further tailored data mining and analysis through mentorship leading to policy reform and product innovation	To be demand-driven, but likely to include key financial sectors: banking, insurance, microfinance, etc.
Research briefs	Focus on specific issues highlighted by the data to stimulate further debate leading to action	To be available through BNR and FinMark websites and email distribution

## 5 Recommendations

FinScope Rwanda 2008 makes a number of recommendations on the basis of the survey results targeted at policymakers and regulators, as well as at the commercial sector.

### Policy recommendations

1. An immediate supply side study is recommended. Demand side data alone (as provided by FinScope) should not be the exclusive framework for policy recommendations. A supply side study should be relatively quick and inexpensive, given the data already available in the market (e.g. FSAP, FSDP etc). We recommend that the terms of reference for the consultants should require them to draw up a comprehensive set of policy recommendations using FinScope and other data and present these at a workshop involving key government stakeholders. Their recommendations should be ranked according to priority, given capacity constraints in Rwanda.
2. The Government of Rwanda (GOR) should consider asking the financial industry to respond formally to the FinScope findings or possibly to the combined recommendations following the supply side work. FinScope is intended to be catalytic (i.e. to promote change) and for change to take place it is critical that the industry plays its part. Defining what that part is should be negotiated between GOR and the industry but it would be instructive for the GOR to know what, if anything, the industry intends to do collectively to address the acute access deficiencies now quantified in FinScope Rwanda 2008. Their response should focus on:
  - affordability issues (i.e. their intentions around entry level banking or micro insurance)
  - their strategies for addressing the agricultural sector in which commercial banks are underrepresented
  - market communication – how banks/insurance companies intend to change their appeal to attract a wider customer base
3. BNR should consider encouraging the banking industry to analyse and use the FinScope data in product/strategy development through co-funding (i.e. banks to at least match BNR's financial support).
4. BNR should immediately start a process of deciding on a comprehensive set of indicators to enable monitoring of the effectiveness of financial sector policy on access. Deciding on these indicators (FinScope is an important source for these but by no means the only one) will help to fulfill one of the main objectives of implementing FinScope Rwanda 2008 in the first place. Indicators should be qualitative (i.e. quality of access) as well as quantitative and embrace service-related and attitudinal indicators too.
5. Continue to address the urgent issue of upgrading the payment system. Key data from FinScope Rwanda 2008, such as the fact that 75% of banked people pay bills and creditors in cash, or only 3% have ever heard of the term "ATM",



indicate how much a functional payments system is a pre-condition to an improvement in access.

6. GOR should initiate a process towards the development of a national consumer financial empowerment strategy, focusing on financial literacy, rights and recourse. Rwandans, though poor, may be financially relatively literate (compared even to South Africa, perhaps due to the widespread use of informal financial systems and the extent of people's involvement in farming or small business activity. Nevertheless there is room for considerable improvement and also a need to add to the core issue of financial literacy provision for financial recourse (e.g. ombuds) and a mechanism to communicate to people what their financial rights are as consumers. GOR may also wish to consider how to make independent money advice available to consumers – note that, according to FinScope Rwanda 2008 more people would ask their children for financial advice than a bank which suggests that formal sources of money advice may be rather inaccessible to consumers.
7. GOR should explore the reasons for the very low banking penetration among the formally employed in the private sector. This may have to do with fear of the taxman, or employers wishing to perpetuate an exploitative economic relationship with their employees, or the cost of paying salaries into the bank or employees preferring the convenience of cash to the poor service they experience in banks – or a combination of all of this. Nevertheless, normally there is a close correlation between banking status and formal employment which is lacking in Rwanda.

It should be noted that FinScope picked up what appears to be significant non-compliance as regards payments into the Caisse Sociale which may follow on from the issues mentioned above. This has been questioned however (it has been suggested that, in fact, CSR adherence is high). Certainly, further analysis is required to clarify this apparent anomaly.

8. GOR should avoid the temptation to (over)regulate the informal sector (as distinct from the Formal Other sector (defined by the FinScope Access Strand) that includes MFIs and the cooperatives which are and should be regulated). The role of the informal sector, especially in farming, is immense and should be treated sensitively from a regulatory perspective. Perhaps the most controversial issue here is the market conduct of the informal moneylenders (*banque lambert*) who are at least an accessible source of credit where the formal sector is not. There does not appear (from FinScope Rwanda 2008 data) to be a widespread problem of over-indebtedness or debt spiraling which suggests that the problem of informal credit is under control. This needs to be tested further in the supply side study however, as credit statements from consumers in demand side studies are sometimes not wholly truthful.

Commercial micro lending is regulated however (and is therefore captured under Formal Other in the Access Strand); again, the problems we see in this sector in, say, South Africa, do not appear to feature prominently in Rwanda but should be monitored. Appropriate indicators should be agreed on.

9. GOR will wish to obtain specialist advice on rural/agricultural finance where it is clear penetration by the banking sector in all areas of agriculture is low.

As regards the indicators referred to in 4 above, it will be noted that monitoring the effectiveness of policy interventions to improve access was the main reason why BNR decided to implement FinScope Rwanda in the first place. There is thus a clear expectation that the survey will be repeated (perhaps at 2 or 3 year intervals depending on the level of uptake by users) and therefore the choice of which indicators to track becomes very important. Indicators can be used both passively (purely as a tracking device) and actively – as descriptors for a set of *targets* (i.e. a vision) around which the various stakeholders (policymakers, regulators, service providers etc.) can combine. In other words, at issue is not just which indicator (e.g. the percentage of the adult population with a bank account) but the *target* that is derived from it (e.g. “X% of the adult population with a bank account by 201X”).

The choice of indicators can therefore have a uniquely political purpose, articulating the nature of the financial sector that policymakers wish to create. It is therefore critically important that the indicators and their targets are appropriate (focusing on the issues that matter), credible and realistic. Accordingly, it is for BNR, and GOR generally, to decide on the indicators, not FinMark Trust. However, BNR/GOR may wish to consider to appropriateness of the following indicators that can be derived from FinScope (accepting that the final set of agreed indicators must eventually be based on supply side data as well):

- Access Strand indicators, especially:
  - % banked
  - % financially excluded
- % previously banked
- % private sector employees using bank accounts
- % all employees using CSR
- % banked who pay their bills/creditors in cash
- attitudinal indicators:
  - % who say “you don’t understand how they work”
- service-related indicators
  - “there are long queues for their services”
- international comparators (e.g. from Kenya, Tanzania, Zambia, Malawi, etc.)

### **Recommendations for service providers**

Although FinScope data is available as a public good, and has a clear policy purpose, it is also uniquely positioned to support service providers in the development of commercially valuable products and strategies. As FinScope is a perceptual survey it is able to convey important insights into how service providers can position themselves to be more attractive to particular segments of the population.

We summarise a number of recommendations for service providers as follows:

5. Service providers should think carefully about the messages they are/are not communicating
  - a. Generally, Rwandans trust banks as safe places to store their money and so communication should build on messages of trust. It should be noted that only 23% trust *tontines/ikiminal*/community groups more than banks, perhaps surprising given the reliance of such financial services on the common bond.
  - b. However, perceptions are negative in other ways with many people saying they “don’t understand how they (banks, insurance companies etc.) work”, or they are “for rich people”
  - c. The financial industry may wish to consider voluntarily moving towards some form of Consumer Charter to address service-related concerns (queuing, excessive paperwork, language difficulties etc.)
  
6. Specific commercial strategies:
  - a. As in many other markets, Rwandans have a strong desire for accessible savings products. This may not translate into a savings culture as such but there should be an opportunity to tap into this in creative ways – for example, by bundling low cost savings products with life or medical insurance
  - b. FinScope Rwanda 2008 clearly indicates the urgent need for banks to address the transactional part of the value proposition (the ongoing efforts to fix the payments system will contribute significantly to people be able to realize the utility of having a bank account). People need to know that ATMs will be able to dispense cash when it is needed, and will want to use ATMs for other purposes (e.g. bill payments)
  - c. There appears to be opportunities in housing finance – but product design needs to take into account people’s preferred repayment periods (13/14 months, rather than long term mortgage loans). There may also be opportunities in Kigali to support landlordism where there is a high incidence of renting property– e.g. products specifically to support the low-cost rental business
  - d. There is a need to explore the service-related reasons why 3 times as many people borrow from *banque lambert* etc. than from a bank, despite the cost of money from the *banque lambert*. There may be value for banks in mimicking certain aspects of the *banque lambert* value proposition (e.g. accessibility, intelligibility, responsiveness)
  - e. Rwanda has a high proportion of “previously banked” – 8% of the population, compared to 14% with a bank account. If banks were able to address the reasons why people became “previously banked” (mainly related to the cost of maintaining an account), this could be a relatively easily accessed market
  
7. Banks should look for, and scale up, their linkages with MFIs/co-operatives. There is considerable overlap between the banked population, and those using either “Formal Other” products (such as MFIs) or informal products. 1 out of 3 people who use MFIs or co-operatives are also banked, but 2 out of 3 are not, indicating a possible new market amongst people who are clearly economically active

8. The value of FinScope lies in the way the data can be mined and analysed in all sorts of ways, for example, by region, by income group, by gender etc. FinScope data can be used to create market segmentations that are proprietary to a service provider. FinMark Trust can support the further analysis of the data in this way.