

FINSCOPE RWANDA 2008



FINSCOPE

FinScope Rwanda 2008

Rwanda has adopted a Financial Sector Development Program (FSDP) in order “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:

- To enhance access and affordability of financial services;
- To enhance savings mobilization;
- To develop appropriate policy, legal and regulatory framework for non-bank financial institutions; as well as
- To organise and modernise the national payment system.

The FSDP acknowledged the need for credible baseline data on access to finance and the Government of Rwanda, through the National Bank of Rwanda (BNR), requested FinMark Trust to assist in developing baseline data by implementing FinScope Rwanda 2008. BNR hosted FinScope Rwanda by facilitating its implementation and the survey was funded by DFID Rwanda. Incisive Africa, a market research firm based in Kigali, was contracted to conduct the fieldwork during May/June 2008 and the FinScope Rwanda data was captured and analysed by South African based TNS Research Surveys (Pty) Ltd.

FinScope Rwanda 2008 not only enables the assessment of the current landscape of financial access in Rwanda, but also provides a benchmark for repeat surveys that will enable the impact of new access related policy interventions to be assessed.

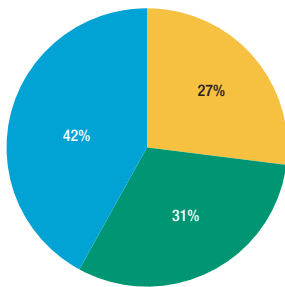
FinMark Trust developed the FinScope™ survey as a tool to assess financial access in a country and to identify the constraints that prevent financial markets from reaching out to poor consumers. The FinScope™ survey is an individual based survey representative of the adult population (rich and poor, 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 geographical access, the attitudes, behaviour, and quality-of-life of people impact on consumption patterns in various financial market segments.

FinMark Trust was established in March 2002 with initial funding from the UK’s Department for International Development (DFID). FinMark Trust is a not-for-profit independent trust registered in South Africa. The trust’s mission is to “make financial markets work for the poor” in Africa. It does this by conducting research to identify the systemic constraints that prevent financial markets from reaching out to poor consumers, and by advocating for change on the basis of research findings. In practice this means supporting institutional and organisational development to increase access to financial services by the unbanked and underbanked of Africa. For more information about FinMark Trust’s activities see www.finmarktrust.org.za.



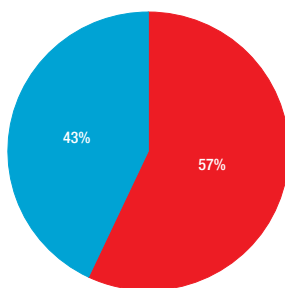


Age Distribution



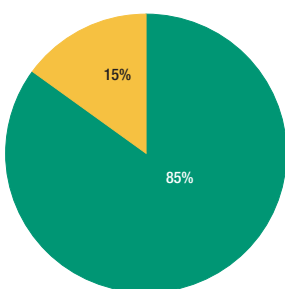
■ 31% 18 – 29 years
 ■ 42% 30 – 44 years
 ■ 27% 45 years and older

Gender Distribution



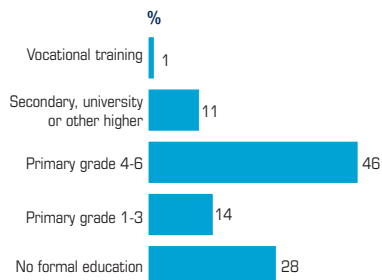
■ 43% Male
 ■ 57% Female

Urban-rural Distribution



■ 85% Rural
 ■ 15% Urban

Education Distribution



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

Sampling and Methodology

Respondent profile

- Universe = Rwandan residents 18+ years
- The Rwandan adult population is fairly young with an average life expectancy of 40 years¹, 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 education. 31% of adult females has had no form of schooling
- 36% female respondents indicated that they were the head of their households
- 2% of female respondents indicated that they were the head of their households and were either widowed or divorced – i.e. regarded as "vulnerable" in Rwandan context

Coverage and methodology

- 2 000 face-to-face interviews
- Individual based representative sample at a national level
- Sample Enumerator Area (ZD) based and drawn systematically with Probability to Proportional Size (PPS) by National Institute of Statistics of Rwanda (NISR)
- Questionnaire administered in Kinyarwanda
- Selection of individual respondents at random (using Kish grid) per randomly selected household per ZD
- Weighting of the data conducted by AfricaScope & FinMark Trust and approved by NISR



¹ http://www.hdrstats.undp.org/countries/country_fact_sheets/cty_fs_RWA



MAKING FINANCIAL MARKETS WORK FOR THE POOR IN RWANDA

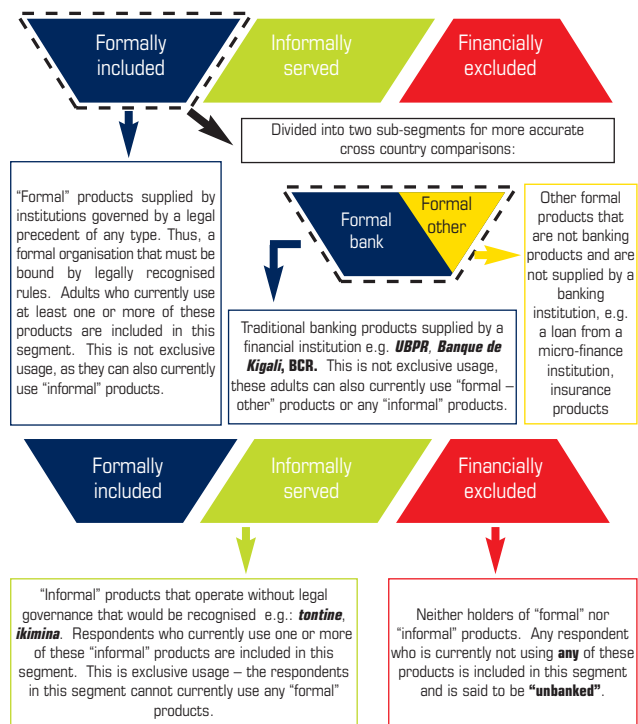
Financial Access

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: formally included, informally served and financially excluded.

The Financial Access Strand

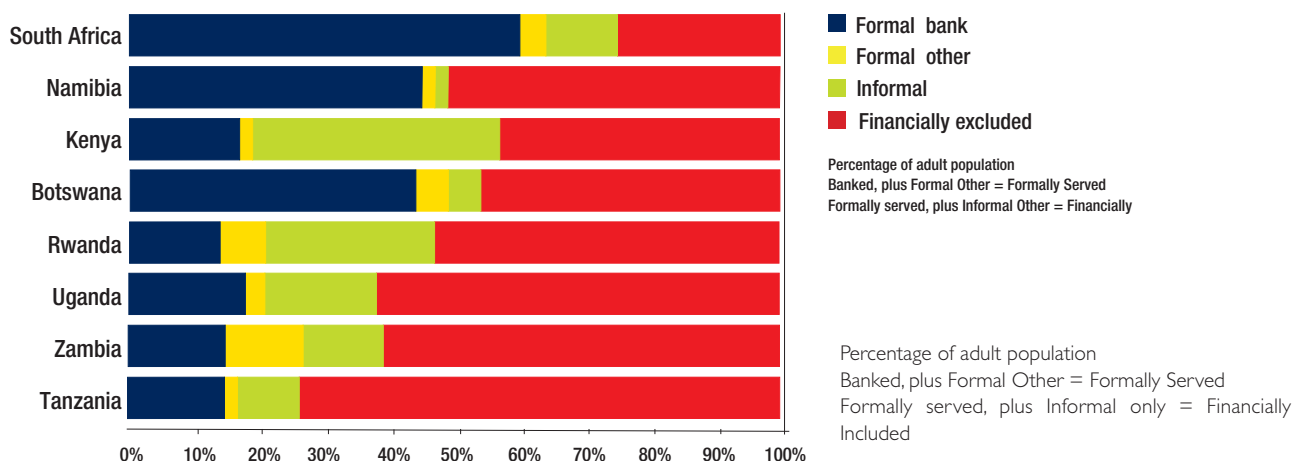
The hypothesis focuses on the financial system in its broadest sense and assumes all adults in a country will fall into one of three broad segments across the ACCESS STRAND. The segments are differentiated by current product usage indices ranging from people who are formally included, to those people who use informal products and finally to those people who use no products.

The Access Strand is segmented into the following three broad segments:



Access Strand Country Comparisons

With 14% of the adult population being banked, Rwanda faces greater challenges compared to the East African countries where FinScope has been conducted recently. In terms of the proportion of the adult population being financially included (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:





Rwanda Access Strand

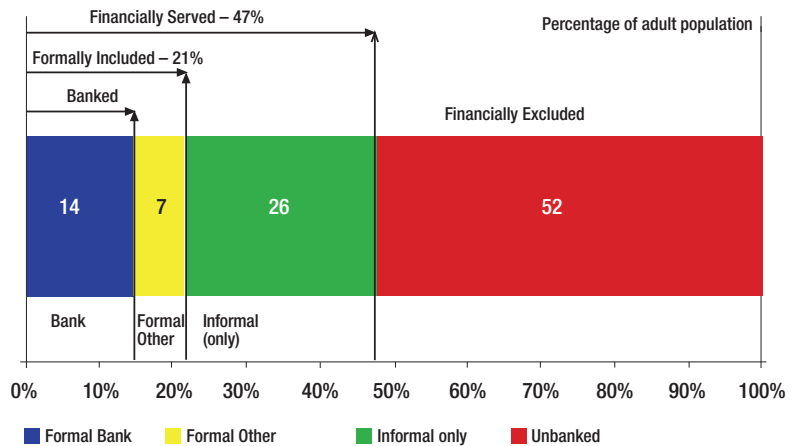
The Rwandan Access Strand reveals that:

- More than half of the Rwandan adult population (52%) manage their lives without using any kind of financial product (formal or informal)
- More than half (54%) of the 47% of Rwandan adults who do use financial products, use informal products
- Of those who are using formal financial products, most (67%) are using formal bank 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

Rwanda Access Strand

(n=2000)

Note that the Access Strand does not include *Mutuelle de Sante*, which most people in Rwanda claim membership of



Banking in Rwanda

- Just over half a million adults in Rwanda are banked
- 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
- Rwandans cite **saving** (69% of "banked" adults) and **getting access to credit** (52%) as the main reasons for having bank accounts
- 41% of "banked" adults regard a bank account as a place to keep their money safe and which provides access to their money when it is needed
- The majority of "banked" adults have accounts in their own names, although 18% 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 very much a cash-based society – this is reflected in bank accounts mostly being used for cash deposits and withdrawals and the fact that 74% pay creditors or bills in cash

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

Transacting

	% of banked population
Withdraw cash from an account	79.2
Deposit cash into an account	77.3
Pay creditors or bills in cash	74.4
Request a balance statement	10.5
Cash a cheque	5.3
Set up a debit order	4.8
Pay creditors or bills by cheque	3.3
Set up a stop order	1.5
Transfer between own acc and someone else's acc	1.1
Transfer money between own bank accounts	1.0
Credit card purchases	.1



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Barriers to Banking Access

86% of adults in Rwanda use no formal banking products. The overwhelming barrier to banking is related to lack of income. 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" – 83% of the currently "unbanked" citing the latter as the reason for not being banked. Physical access is not perceived as a barrier 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 data would 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).

Insurance Products

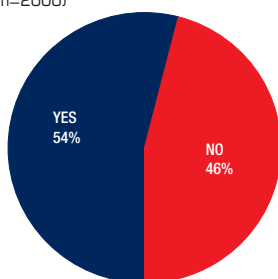
Insurance products	% of adult population	
		%
Medical insurance		82
Third party insurance		0
Household insurance		0
Life insurance		1
Other insurance		1

Insurance

- 82% of Rwandan adults have medical insurance. However, almost all (80%) of this is in the form of community health insurance through *Mutuelle de Sante* (MdS), whilst only 2% of adult Rwandans have other medical insurance products which includes RAMA and MMI which, like MdS are both part of the Government's Social Protection Programme
- Although penetration of other (e.g. life cover) insurance products are low with only 1 in 100 being covered, the desire for insurance is particularly high with 52% indicating a need for more information on life coverage and 47% indicating a need for more information on asset coverage

Savings

Incidence of savings
(n=2000)



- Over half the adult population (54%) claim to be saving
- Most (70.3%) 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
- 39% of adults who save are members of a *tontine* or *ikimina*. However their reasons for belonging to a *tontine* or *ikimina* tend to be social rather than financially related, i.e. to exchange ideas (57%) or to socialise (52%)
- The most common reason given for saving is to cover unexpected medical expenses (49% of those who save, save for this reason). Other reasons for saving include covering daily expenses when short of cash as well as other emergencies that are not medical/health related
- More than half of people in Kigali who save claim to be saving in case of loss of employment
- 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 either prefer spending their money when they have it rather than saving it or regard saving as "for rich people who have money left after covering daily expenses"

Savings products used

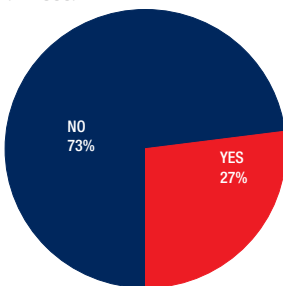
Savings	% of adult population
Keep cash at home or in a secret hiding place	70
Membership or <i>tontine/ikimina/umuryango</i>	39
Savings at a bank	26
Give to someone else for safe keeping	14
Savings account at a agricultural co-op	10
Savings at a MFI	5
Membership of <i>Caisse de l'Entree</i>	1
Employer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



Borrowing

Incidence of borrowing

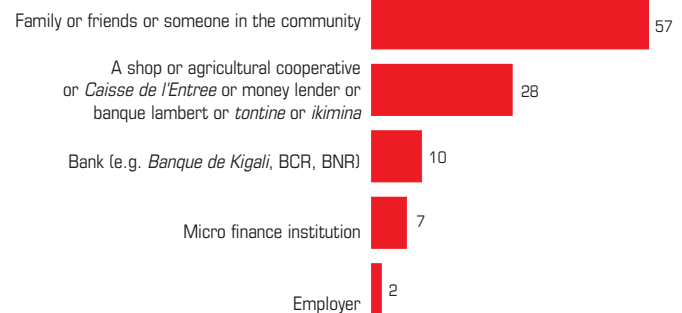
(n=2000)



Where borrowed from

(n=484)

%



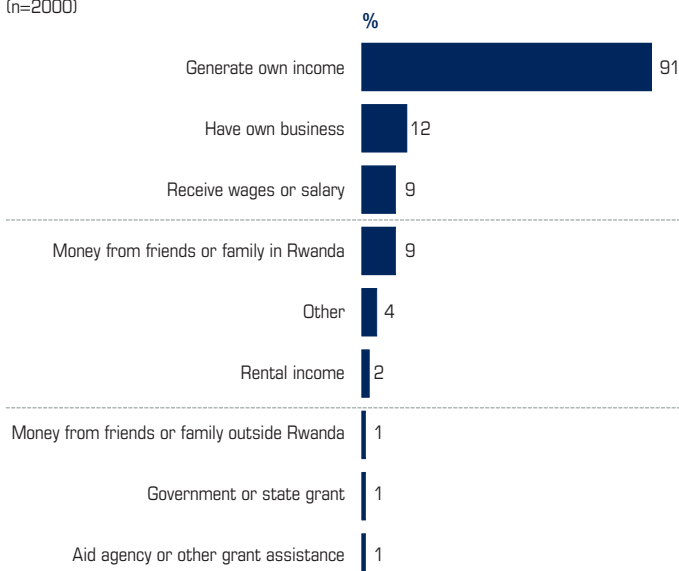
- 27% of the adult population claim to be borrowing. Most of the borrowing is from family and friends (57%) followed by borrowing from shops and agricultural co-operatives (28%) and banks (10%)
- The main reasons for borrowing are to cover living expenses (24%) and for medical expenses (22%). For both these purposes, people prefer to borrow from friends or family or someone in the community (which might refer to informal money lenders)
- The reasons for borrowing from an informal source (shop, tontine, or money lender) are mainly due to convenient and quick access to money when it is needed as well as trusting someone known to the borrower
- Attitudinal factors such as fear of debt (52%) and not being able to meet repayments (65%) are key reasons for those who do not borrow money

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.

Sources of money

(n=2000)



- 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
- 9% get remittances from friends or family inside Rwanda and 1% get remittances from friends or family outside of Rwanda
- 9% of adults receive wages or salaries but only 4% are employed 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
- 28% of adults receive income in kind or in combination with cash

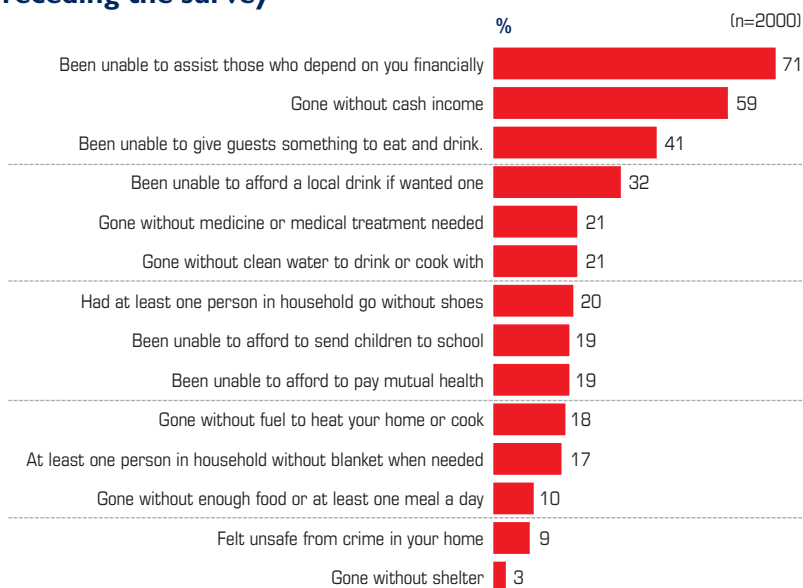


MAKING FINANCIAL MARKETS WORK FOR THE POOR IN RWANDA

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 survey:

- Almost 2/3 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

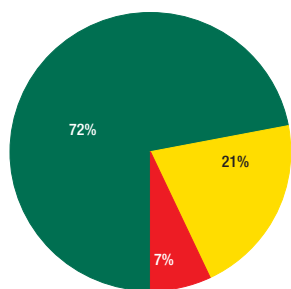


Agriculture

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.

Involvement in farming

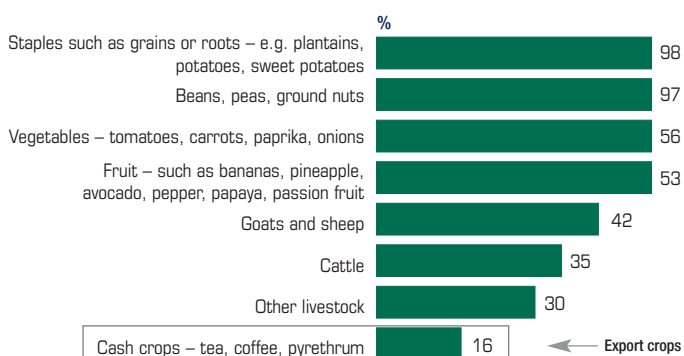
(n=2000)



- 72% Household only involved in farming
- 21% Household both farms and is involved in other work
- 7% Household has no involvement in farming

Type of farming

(n=1778)



Housing and Amenities

- Houses 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
- 6% of households have access to electricity
- Technology access is low with less than 1 in 5 people having access to cell phones
- 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 and 19% would sell their homes if they needed a large sum of money



Government Social Protection in Rwanda

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
 - ❑ 41% of Government employees have CSR coverage whilst only 4% of private employees CSR have 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 (FinScope Rwanda 2008)
 - ❑ 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

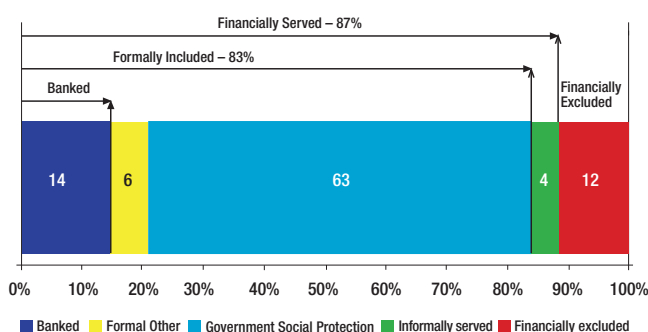
Also included in the Government Social Protection system in Rwanda is **Mutuelle de Sante (Mds)** – a small scale community based health insurance scheme which was introduced in 1999. Mds has not been included in the Rwandan Access Strand based on the limited nature of the benefit package, but can be 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 2005³
- Mds has a significant impact on the lives of Rwandans:
 - ❑ Only 1 in 5 Rwandan adults has gone without medicine or medical treatment that was needed. This is significant considering the burden that malaria places on families every year
 - ❑ Compared to those with Mds membership, people 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
 - ❑ 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.

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.

Government Social Protection Access Strand



⁴ 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

Contact

The FinScope Rwanda database offers a wealth of information that could be mined in more depth – for more information contact Irma Grundling
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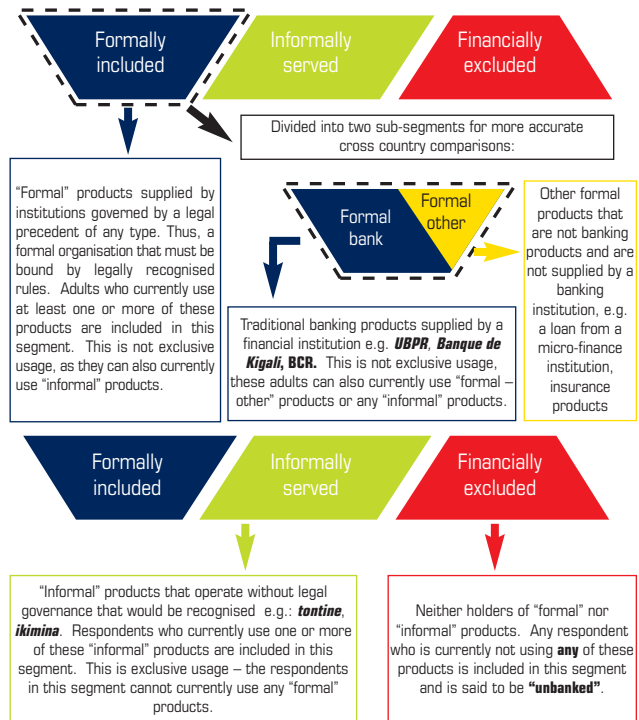
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