



**Research presentation prepared for BANQUE NATIONALE DU RWANDA
by FinMark Trust**



2008

FINSOPE RWANDA

LAUNCH



- The Rwanda stakeholders are BNR, NISR and DFID Rwanda
- Stakeholders were essential to questionnaire design, fieldwork training, data weighting, quality control and overall project support







FinMark Trust was established in March 2002 with funding from the UK's Department for International Development (DFID). FinMark Trust is an independent trust whose mission is *'making financial markets work for the poor'*

FinMark Trust is committed to improving the accessibility of the poor to financial markets by supporting organisations which seek to do so by developing new products or processes.

FinScope™ is a national household survey of financial services needs and usage amongst consumers. The aim is to establish benchmarks and highlight opportunities for product innovation.

2008 is the first year that a FinScope study has been conducted in Rwanda . The survey covers all areas of financial interest that examine quality of life, poverty, attitudes towards and usage of financial products, as well as measuring levels of financial literacy. The aim is to set key benchmarks which can then be tracked in future.

“Making financial markets work for the poor”

Background to FinMark Trust and FinScope Rwanda

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

There are four core **FSDP** objectives:

1. Enhance access and affordability of financial services
2. Enhance savings mobilisation
3. Develop appropriate policy, legal and regulatory framework for non-bank financial institutions
4. Organise and modernise the national payment system

Positive steps that have already been taken include:

- Amending the Central Bank Act to allow BNR to regulate non-bank financial institutions
- Promulgating a new insurance law
- Transforming UBPR and issuing it with a full commercial bank license
- Launching National Microfinance Policy and implementation strategy
- Commissioning the FinScope survey to provide baseline data on demand-side financial access

Source: Financial Sector Development Program (FSDP): The case of Rwanda, Rusagara, C., 2008

FinScope is a tool that assesses levels of access to various financial and other services. With repeat surveys, it will be possible to monitor the effectiveness of new policy interventions launched to **enhance access**.

In addition to the mandate of Rwanda's **FSDP**, FinScope is also a powerful instrument to support and extend on other development goals laid out in the 2008-2012 Economic Development and Poverty Reduction Strategy, as well as Rwanda Vision 2020 and the Millennium Development Goals

Access to finance can only improve if financial service providers deliver products and services to more people. Rwanda's banks and insurance companies currently **serve only a fraction of the population** in a niche market that is already competitively over-traded and will become increasingly competitive over time

Financial services providers recognise that if they want to grow they will need **to expand** into new market segments and will **need information** on how **unbanked and uninsured** consumers manage their money and what their financial needs are.

FinScope has a proven **track record** in supporting and stimulating new **product innovation for lower income consumers**.

How FinScope can advance Rwanda's
development strategies

Respondent profile

- Universe = Rwandan residents 18+ years
- 43% male and 57% female
- 15% urban and 85% rural

Coverage and methodology

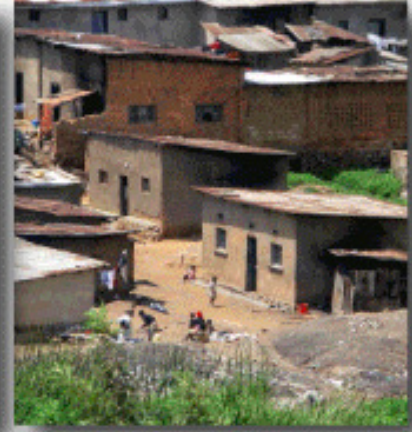
- 2 000 face-to-face interviews
- Representative sample at a national level, drawn by ZD (*Zone de dénombrement*): Rwanda is divided into 7726 ZDs as per Census 2002
- Stratification and multi-stage sampling using:
- Sample and weighting conducted by NISR
- ZD maps printed by NISR
- The Access Strand included in the study
- Fieldwork: May/June 2008
- Questionnaire administered in Kinyarwanda

Sampling methods

- Sample drawn systematically with Probability Proportional to Size (PPS) from 200 of 250 ZDs used in 2007 DHS survey
- Nationally representative sample (weighted and benchmarked to EICV 2007 number of households per ZD)
- Complex sample design → stratification and multi-stage sampling procedure
- Selection of individual respondent per household by Kish Table method (random selection, those 18+ yrs of age)

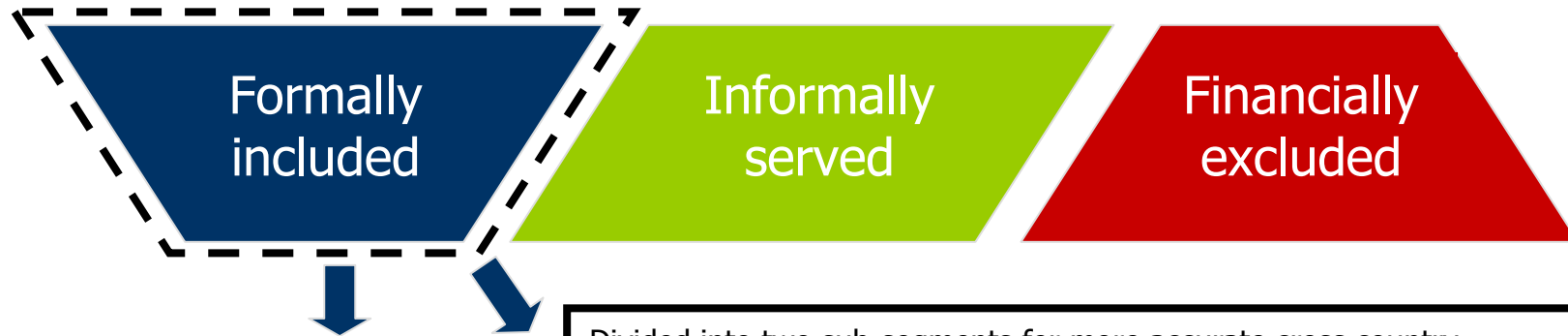
KEY HEADLINE RESULTS

2008



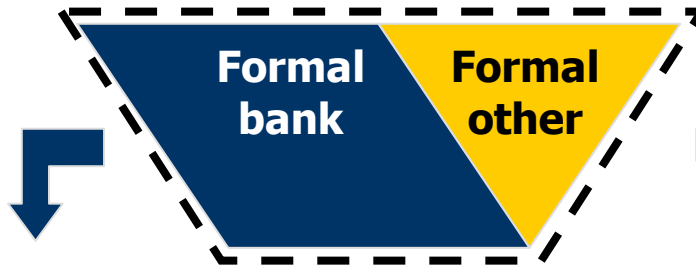
- The hypothesis focuses on the financial system in its broadest sense and assumes all adults in a country will fall into one of three broad segments across the Access Strand. The segments are differentiated by current product usage indices ranging from people who are formally included, to those people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

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



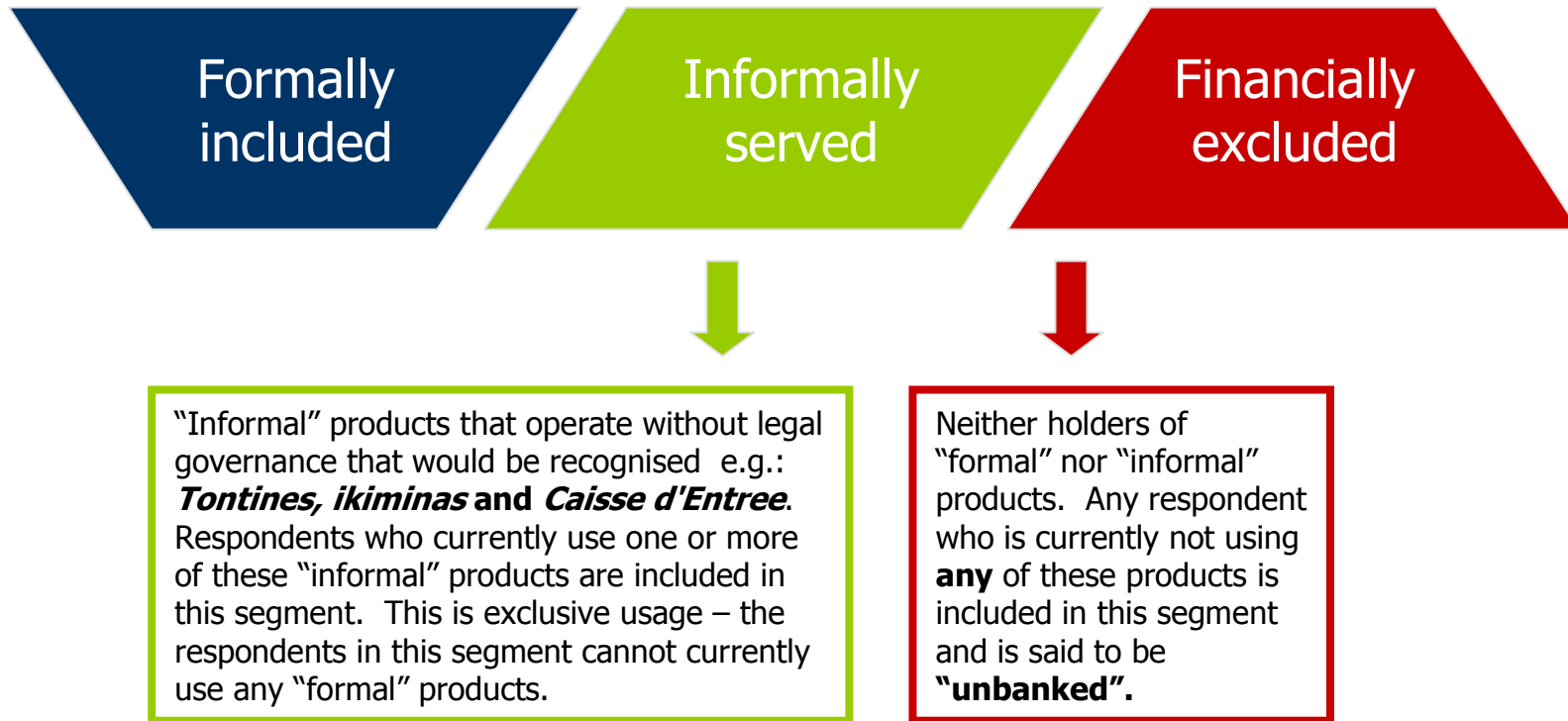
Divided into two sub-segments for more accurate cross country comparisons:

“Formal” products supplied by institutions governed by a legal precedent of any type. Thus, a formal organisation that must be bound by legally recognised rules. Adults who currently use at least one or more of these products are included in this segment. This is not exclusive usage, as they can also currently use “informal” products.



Traditional banking products supplied by a financial institution e.g. **UBPR, Fina Bank, Eco Bank**. This is not exclusive usage, these adults can also currently use “formal – other” products or any “informal” products.

Other formal products that are not banking products and are not supplied by a banking institution e.g. **CSR, RAMA**

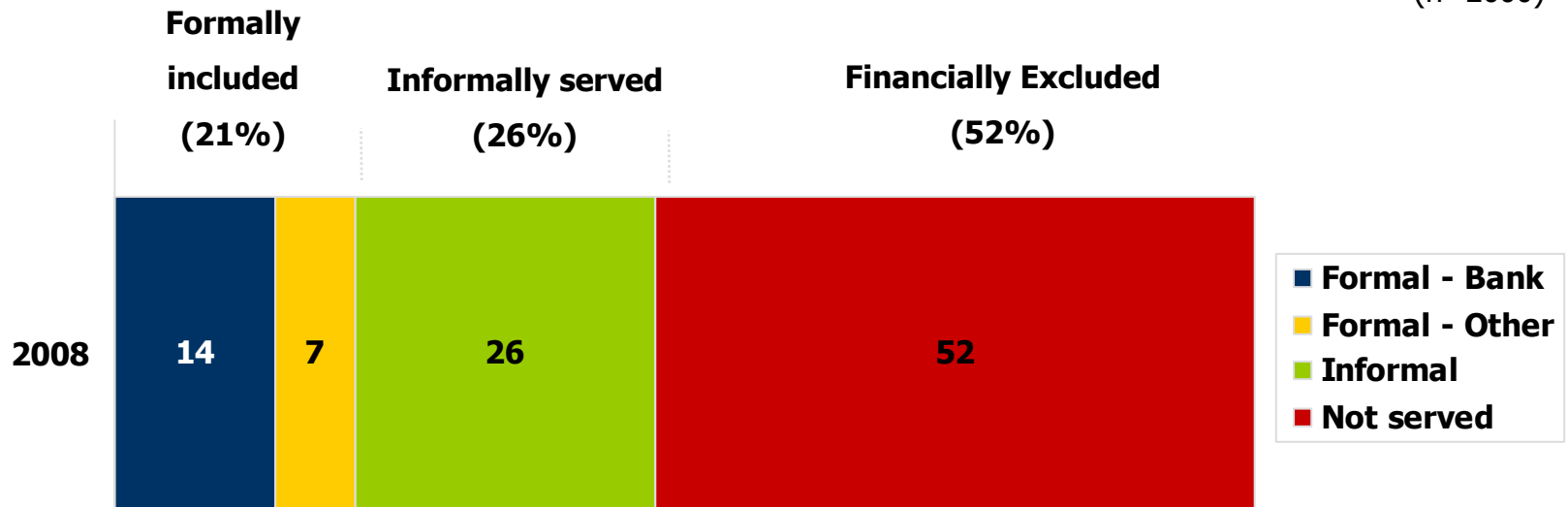


“Informal” products that operate without legal governance that would be recognised e.g.: **Tontines, ikiminas and Caisse d'Entree.** Respondents who currently use one or more of these “informal” products are included in this segment. This is exclusive usage – the respondents in this segment cannot currently use any “formal” products.

Neither holders of “formal” nor “informal” products. Any respondent who is currently not using **any** of these products is included in this segment and is said to be **“unbanked”**.

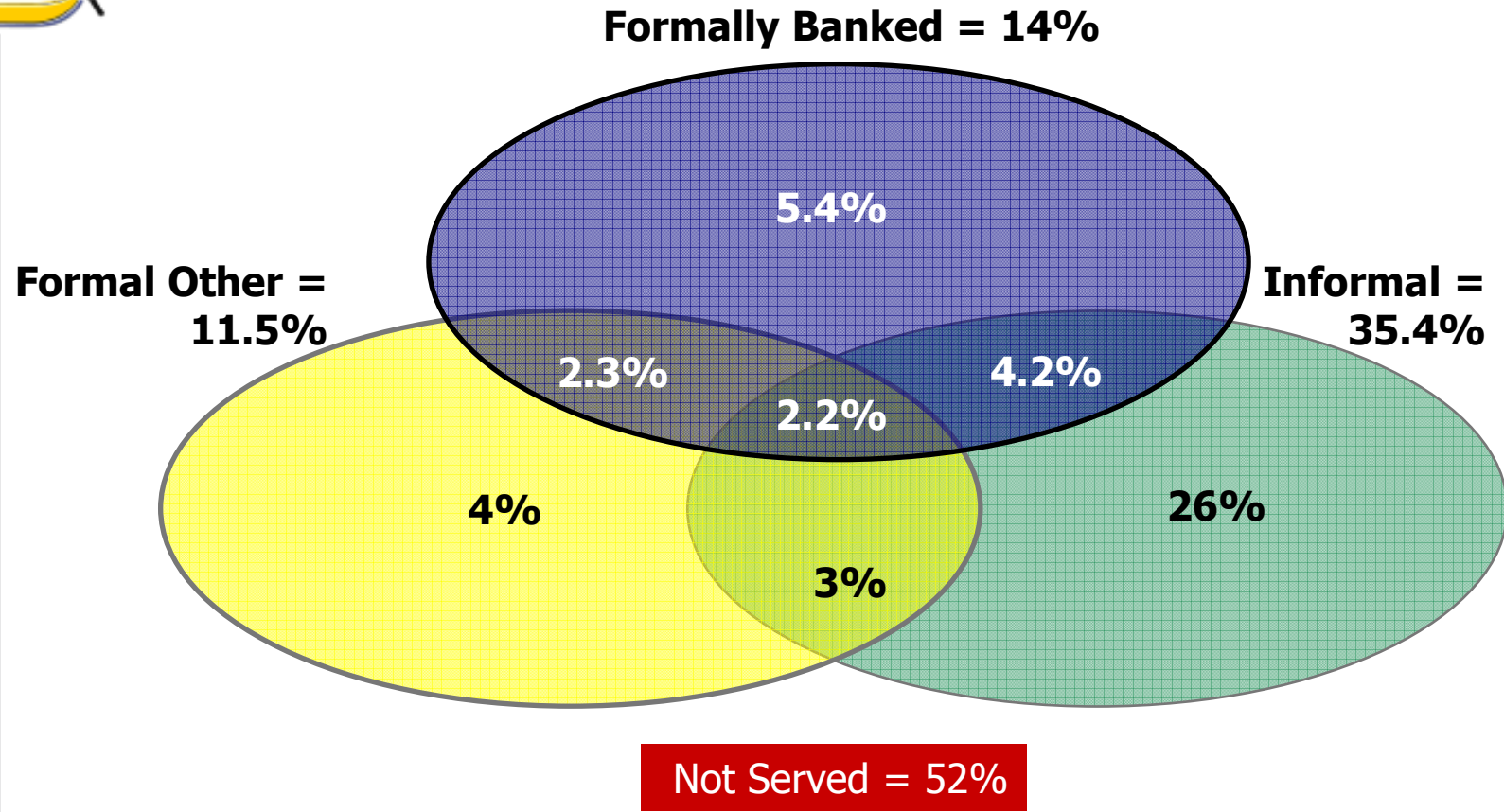
- The common rationale for segmentation to be applied across all countries is to be based on product type rather than product descriptor i.e.: formal products versus informal products

(n=2000)



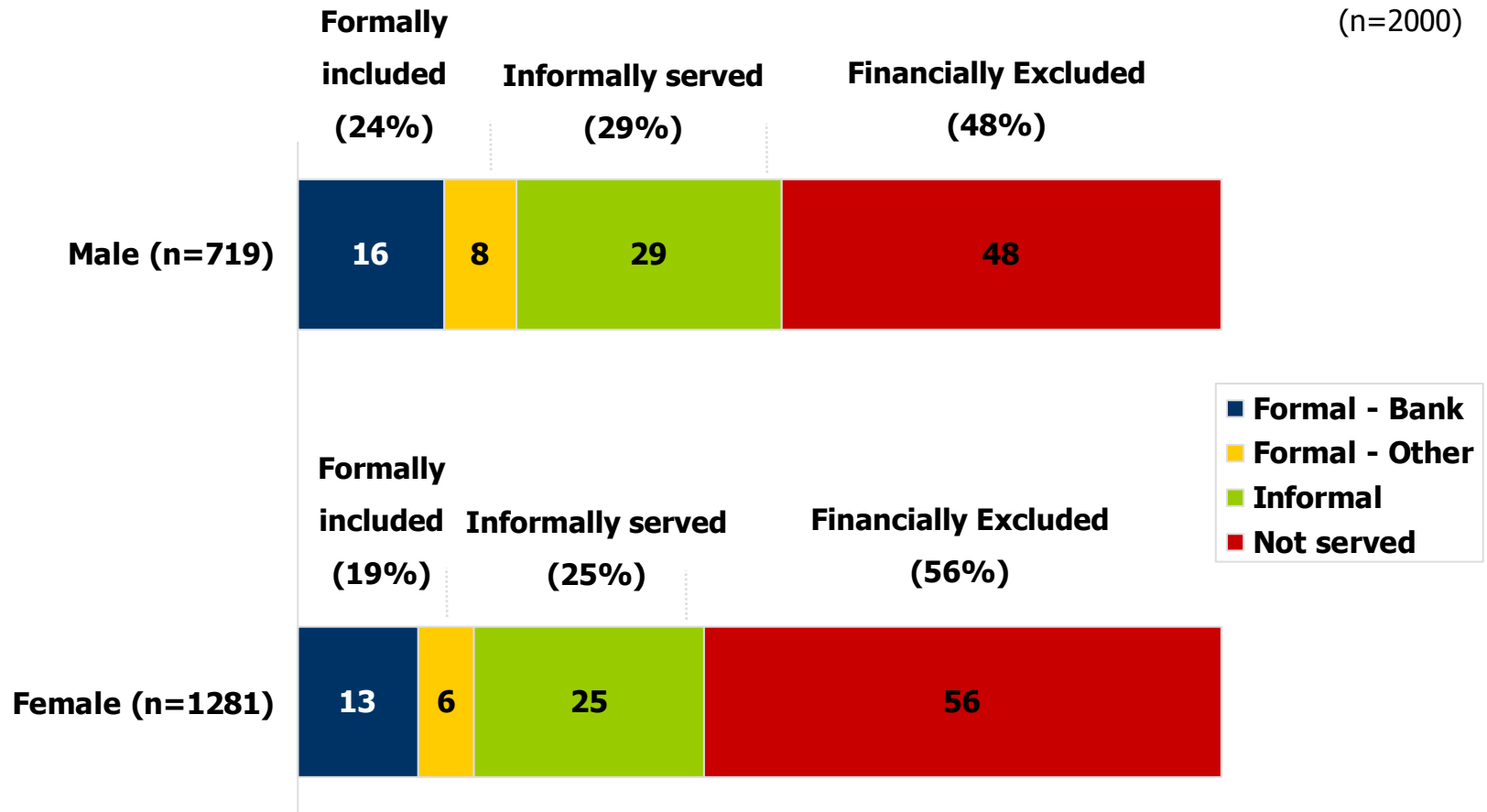
■ Although 14% of Rwanda classified as banked, 97% of these people bank with UBPR

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



- Of those banked at formal institutions, a third do not hold any additional informal or other formal financial products. Those banked individuals who do hold other products are more likely to hold informal products than other formal products.
- More than half of those who are classified as 'formal other' under the Access Strand do not hold an informal product

(n=2000)



Ville de Kigali

(n=240)



Other provinces

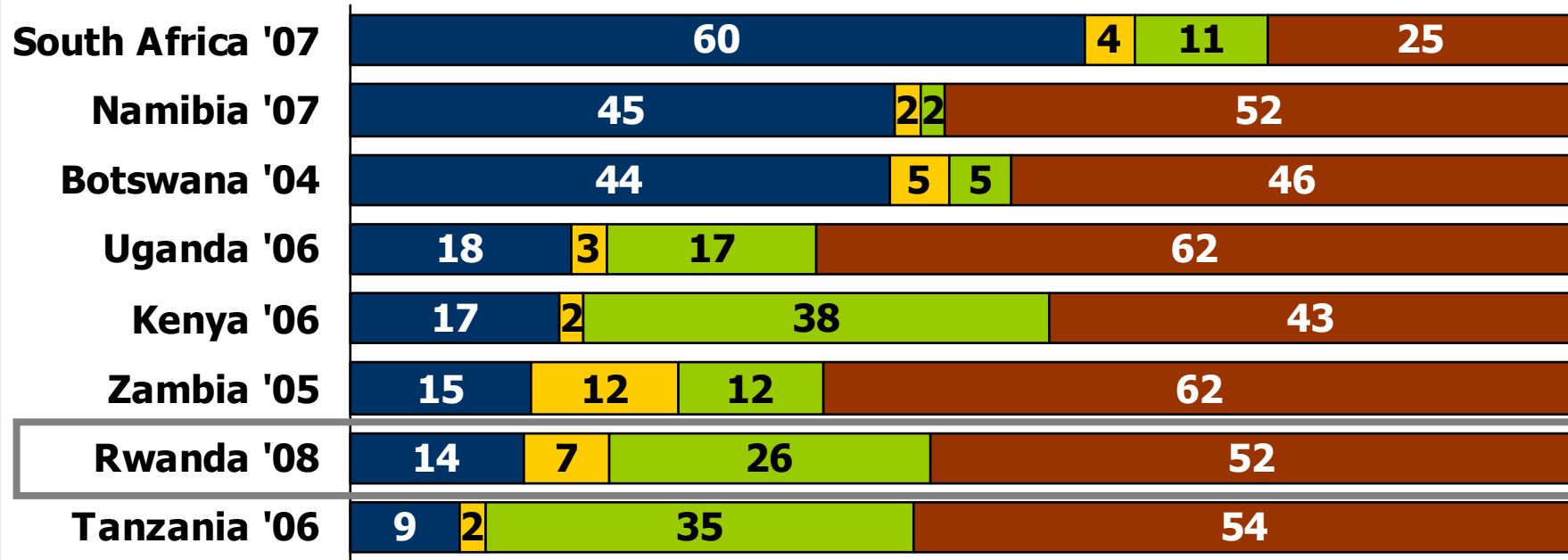
(n=1760)



Nairobi province is 38% banked

■ Banked ■ Formally served ■ Informally served ■ Not served

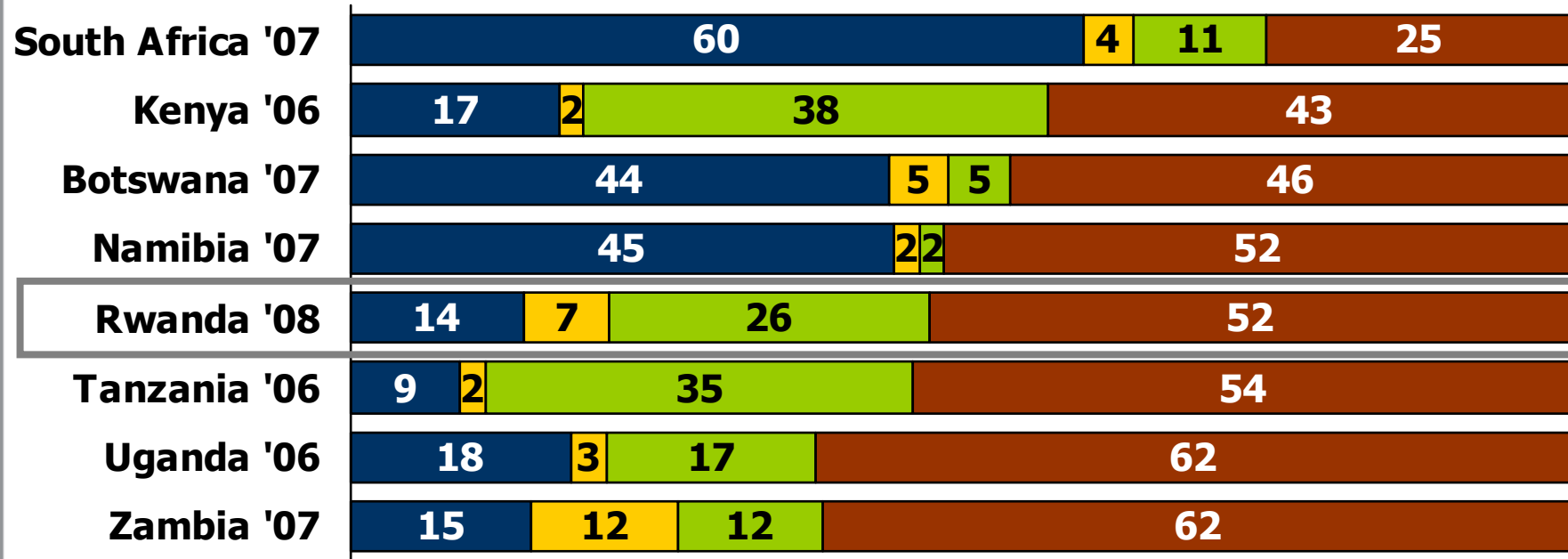
- Those who reside in Kigali are more likely to be banked and formally served.
- However the % not served is the same, demonstrating the impact of informal products and organisations outside of Kigali and the wide disparities of wealth in Kigali itself
- Despite this, those “Not served” in Kigali represent a distinct opportunity to extend access:
 - Those in Kigali are more likely to receive wages/salaries, have their own business and receive remittances, whereas people outside Kigali are subsistence farmers
 - Those “Not Served” in Kigali are better educated, earn higher incomes, are young and previously banked



■ Formal - Bank ■ Formal - Other ■ Informal ■ Financially excluded

Banked, plus Formal Other = Formally Served

Formally served, plus Informal Other = Financially Included

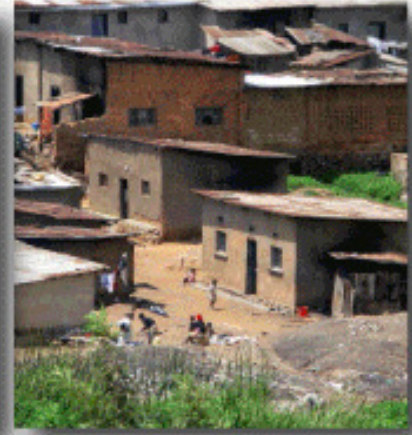


■ Formal - Bank ■ Formal - Other ■ Informal ■ Financially excluded

Banked, plus Formal Other = Formally Served

Formally served, plus Informal Other = Financially Included

UNDERSTANDING PEOPLE'S LIVES



2008



Rwanda has one of the **fastest growing economies** in Africa but, in income terms, one of its most unequal. **Farming** dominates how people make a living – only 7% of Rwandans are not involved in farming.

Incomes are unequal and irregular. More than half of Rwandans earn less than Rwf5000 per month (US\$10); but 1 in 10 earn more than Rwf25,000. 41% say they have often or always been unable to give guests something to eat and drink

Adult literacy levels are poor. Both the UNDP and FinScope estimate that 1 in 3 adults are illiterate.

Technology access is low with less than 1 in 4 people having any access to cars and cell phones. Only 1 in 10 say they access **television** once a month or more

The biggest perceived **threat to income** (by far) is not drought or harvest failure but **war or unrest (57% say this)**.

Only 3% say they have a **water tap on their property**



Video clip

However, overall sentiment is fairly positive. 2 out of 3 Rwandans have **hope for the future** and 57% have **friends and family** to turn to whenever they need them. More than half say their **life is ideal** (or ideal in some ways but not in others).

Over a quarter of the adult population has **no formal education** but positively 97% are involved in **decision making** about their own money. Women are more likely to make financial decisions alone than men.

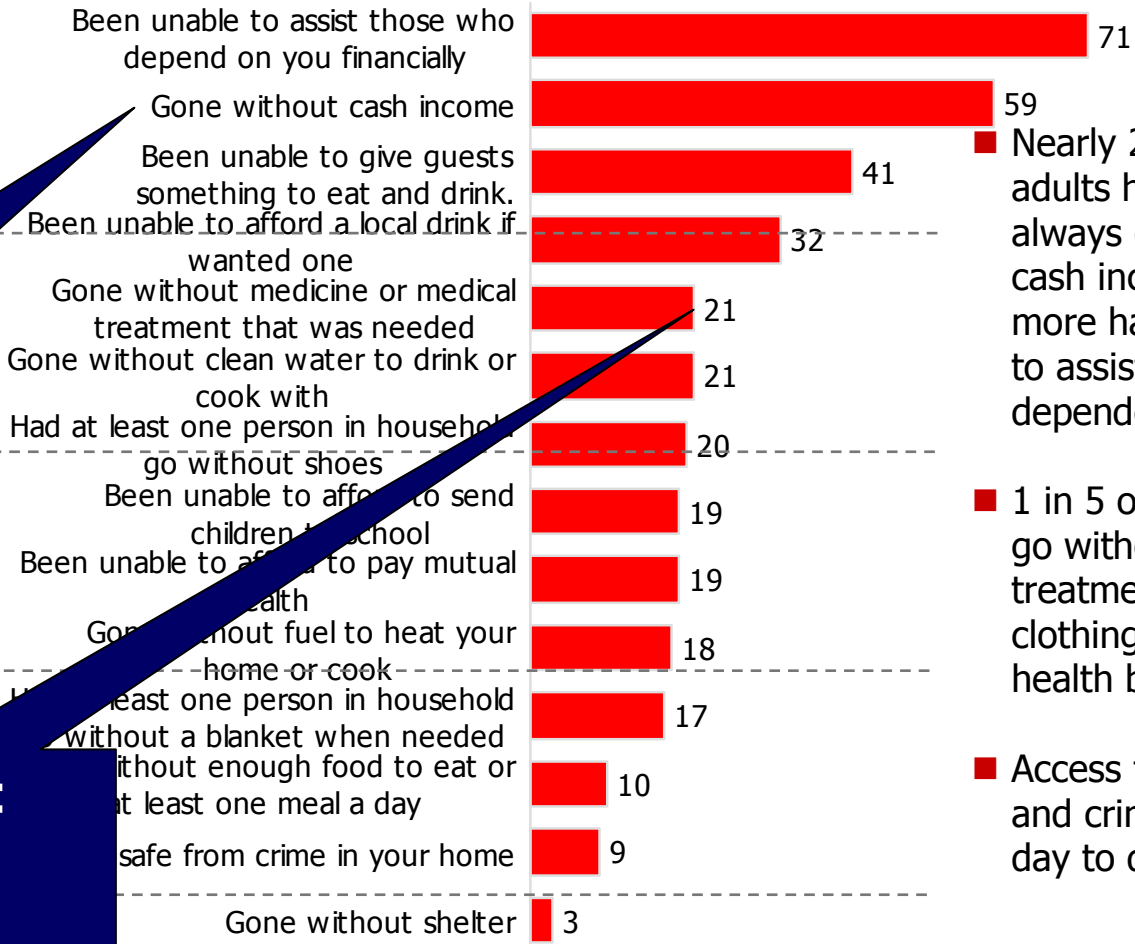
Nearly 2/3 live in owner occupied homes and **over half the population has lived in their home for more than 5 years**. Most see their home as an investment that will grow in value. 1 in 3 even say **they would use their home as security** when borrowing money.

Although it takes people **over an hour to get to the bank** (most people walk), this is no worse than the time it takes to access healthcare and secondary schooling.

Physical access is not an issue associated only with banking.



Percentage of respondents that said "often" or "always" to statement about living conditions in the 12 months preceding the survey



- Nearly 2/3 of Rwandan adults have often or always gone without cash income and even more have been unable to assist financial dependents
- 1 in 5 often or always go without medical treatment, clean water, clothing, schooling or health benefits
- Access to food, shelter and crime is less of a day to day concern

South Africa:
Rural 56%
Urban 29%

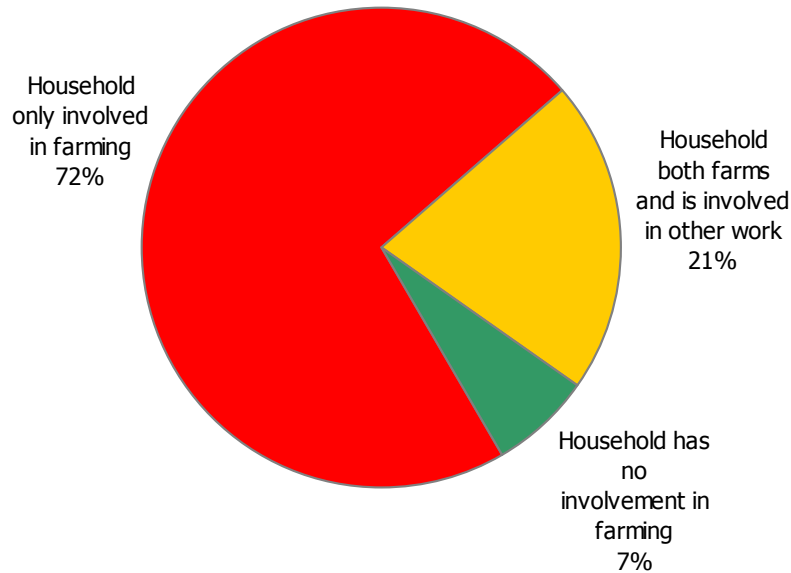
South Africa:
Rural 44%
Urban 19%

(n=2000)

Source: Q.2.3

Involvement in farming

(n=2000)

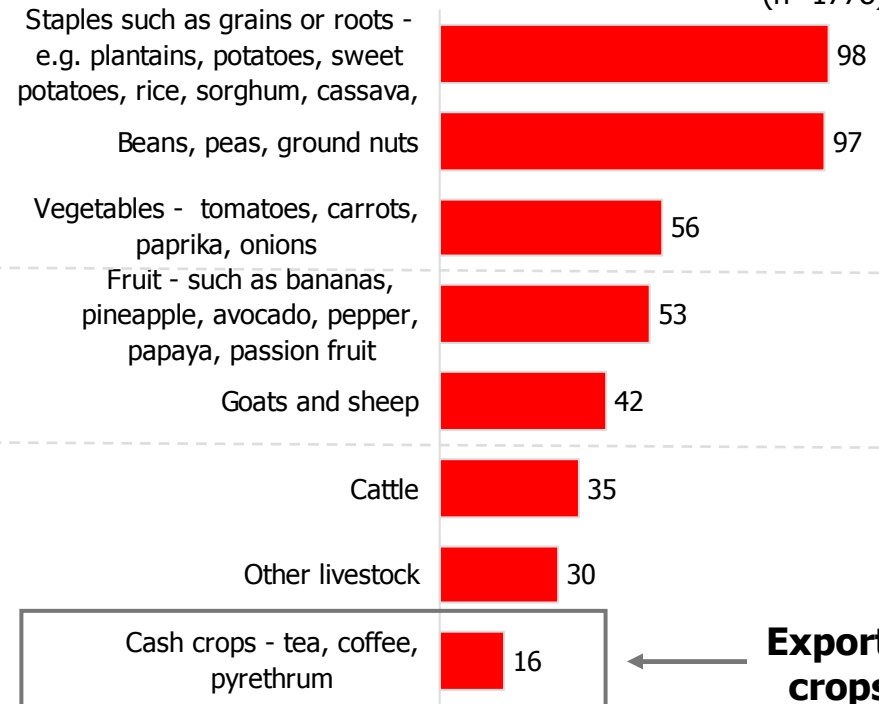


- More than 90% of households in Rwanda are involved in farming
- Although Kigali has the lowest incidence of farming, more than half of all households in Kigali are involved in farming
- Farming is most prevalent in *Province du Sud* – 83% of households are only involved in farming and a third of all livestock farming takes place there

Source: Q.3.1, Q.3.2, Q.3.3, Q.3.4

Type of farming

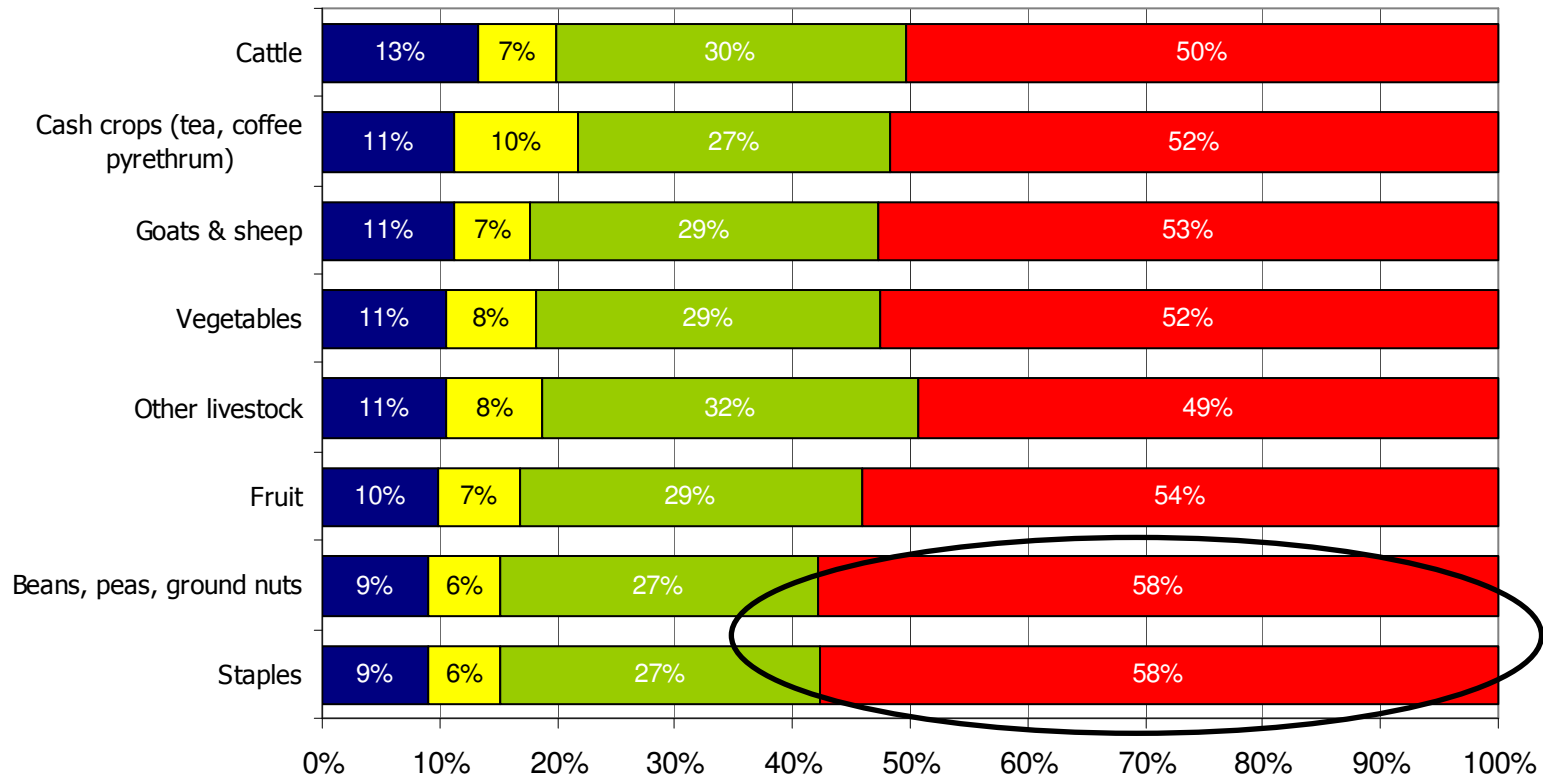
(n=1778)



Export crops

- The number of households that claim some form of livestock farming is 63%,
- For accessing finance, UBPR finance is associated with families who farm cattle and agricultural co-ops successfully reach families engaged in all the above farming activities

*Rwanda: Poverty Reduction Strategy Paper, IMF Country Report No. 08/90, 2008



- Individuals who are involved in farming and are farming staples or beans, peas and ground nuts are most likely to be **financially excluded**
- Individuals involved in cattle farming are most likely to be **banked**
- Individuals involved in cash crop farming are more likely to be served by **MFIs**

■ Banked ■ Formal Other ■ Informal only ■ Financially excluded

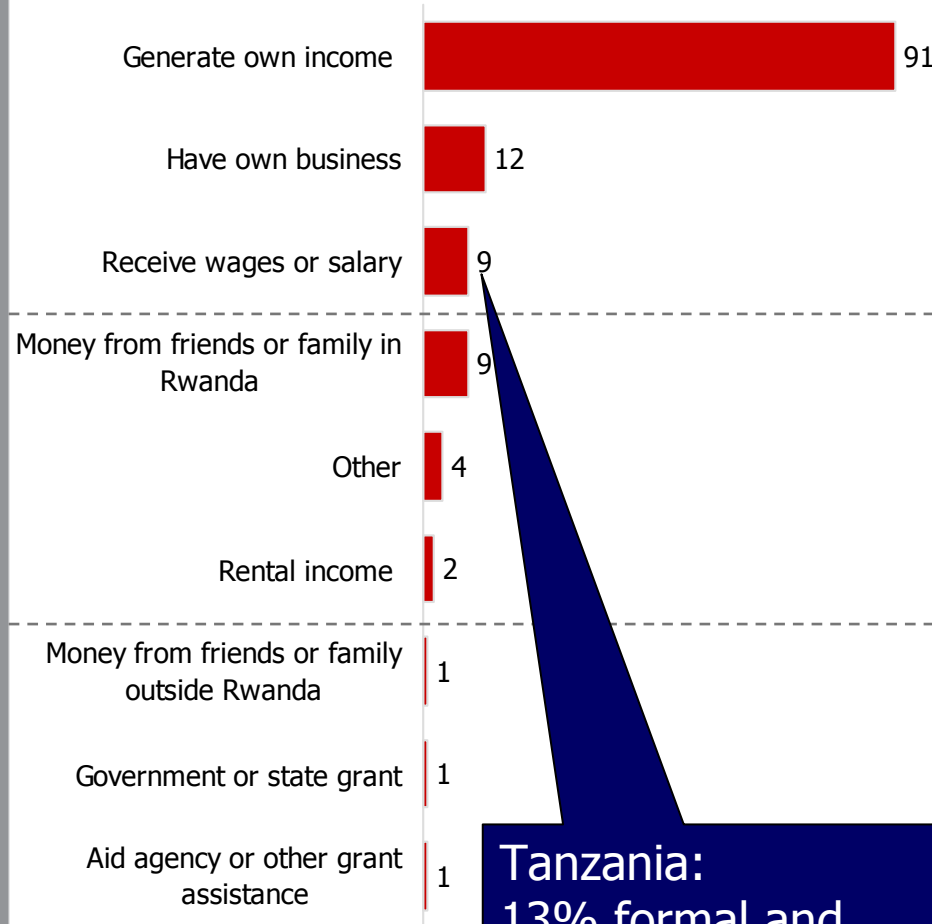
- Individuals who are involved in staples or beans, peas and ground nut farming are least likely to **save**
- Individuals who are involved in farming and claim to be saving, mostly keep cash at home (3 out of 5) or save through membership of a *tontine/ikimina* (1 in 3)

- Individuals who are involved in cash crop farming are more likely to **borrow**
- Individuals who farm are most likely to borrow from family or friends, someone in the community (informal lender) or from another informal source such as an agricultural co-op

2 Access Strand of financial services by type of farming

Employment type

(n=2000)



Tanzania:
13% formal and informal, or domestic

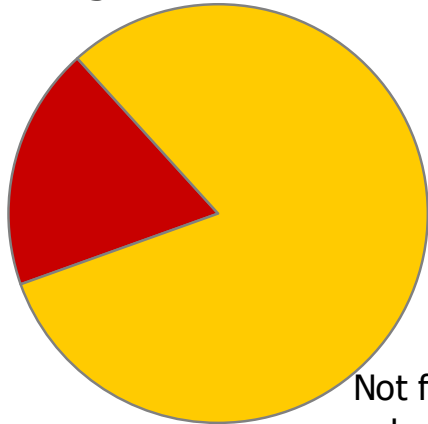
- Generate own income includes farming, selling produce and handicrafts, bartering or being a *banque Lambert*. These people are most likely to claim to receive income irregularly
- Have own business - examples include bike repair and renting car as a taxi
- People who generate their own income and have their own business are more likely to work full-time and to work for themselves
- People in urban areas, males, banked people and people not involved in farming are more likely to receive wages/salaries
- People in urban areas and people not involved in farming are also more likely to have their own business and receive remittances
- About three quarters of Rwandan adults only claim to have one type of income source. 1 in 4 Rwandans claim to have two types of income sources and 2% claim to have 3 or more types of income sources
- People with additional income source types are more likely to live in urban areas and be banked
- It is possible to have multiple sources of income that are captured as the same type of income source (e.g. having both a bike repair business and renting a car as a taxi are captured as one type of source – have own business)

Source: Q.4.1, Q.4.2

Full time Private Employer wage/salary (n=137)

Formal banking

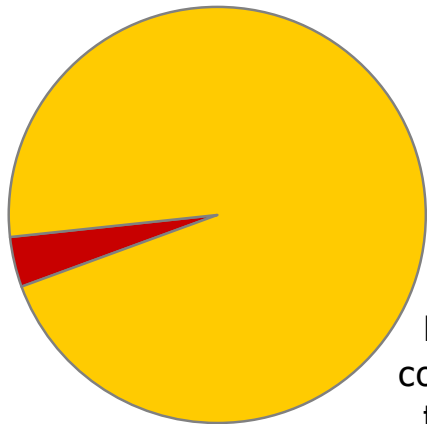
Formally banked
19%



Not formally banked
81%

CSR status

Contribute to CSR
4%



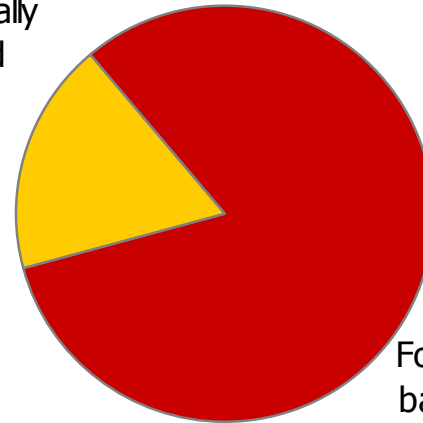
Do not contribute to CSR
96%

* Caution: small base size

Full time State wage/salary (n=42*)

Formal banking

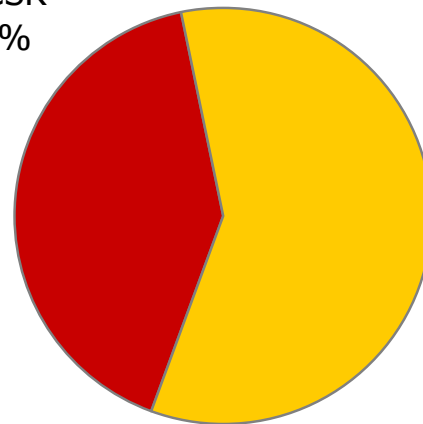
Not formally banked
18%



Formally banked
82%

CSR status

Contribute to CSR
41%

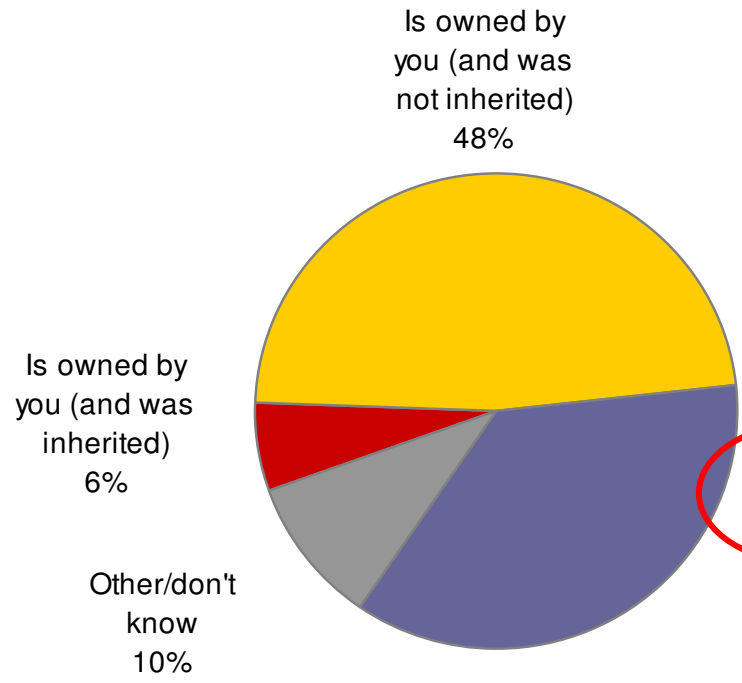


Do not contribute to CSR
59%

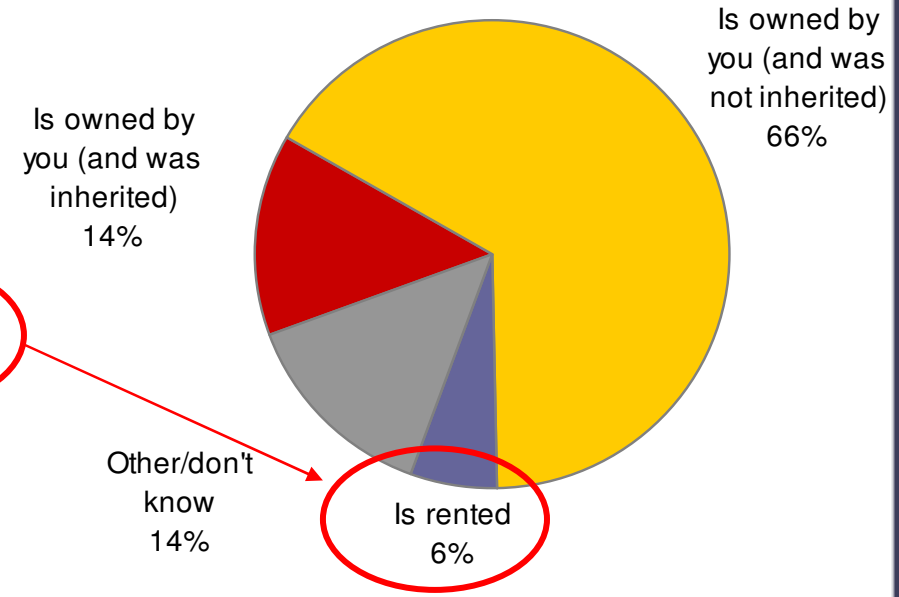
■ People employed by the government are far more likely to have both bank accounts and CSR retirement provision

■ Even the most sophisticated people in the economy have very little income going into the bank

**Ville de Kigali
(n=240)**

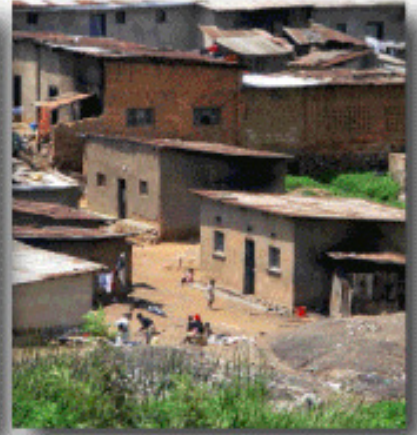


Other areas (n=1760)



Source: Q1.3

FINANCIAL LITERACY



2008

(n=2000)

	Heard – claim to understand %	Heard – don't understand %	Never heard %
Loans	95	4	1
Leasing	92	7	1
Credit	89	8	3
Assets	79	11	10
Inflation	79	19	2
Insurance	68	26	7
Interest on loans	56	29	14
Savings account	46	31	22
Interest on savings	37	37	26
Investments	35	43	22
Micro-finance institutions	33	38	28
Shares	32	32	36
Current account	29	32	39
Budget	24	49	28
Grace period for loans	14	28	57
ATM	1	2	97
Visa Horizon/Debit card	1	3	96

Data doesn't always reveal when people are telling the truth

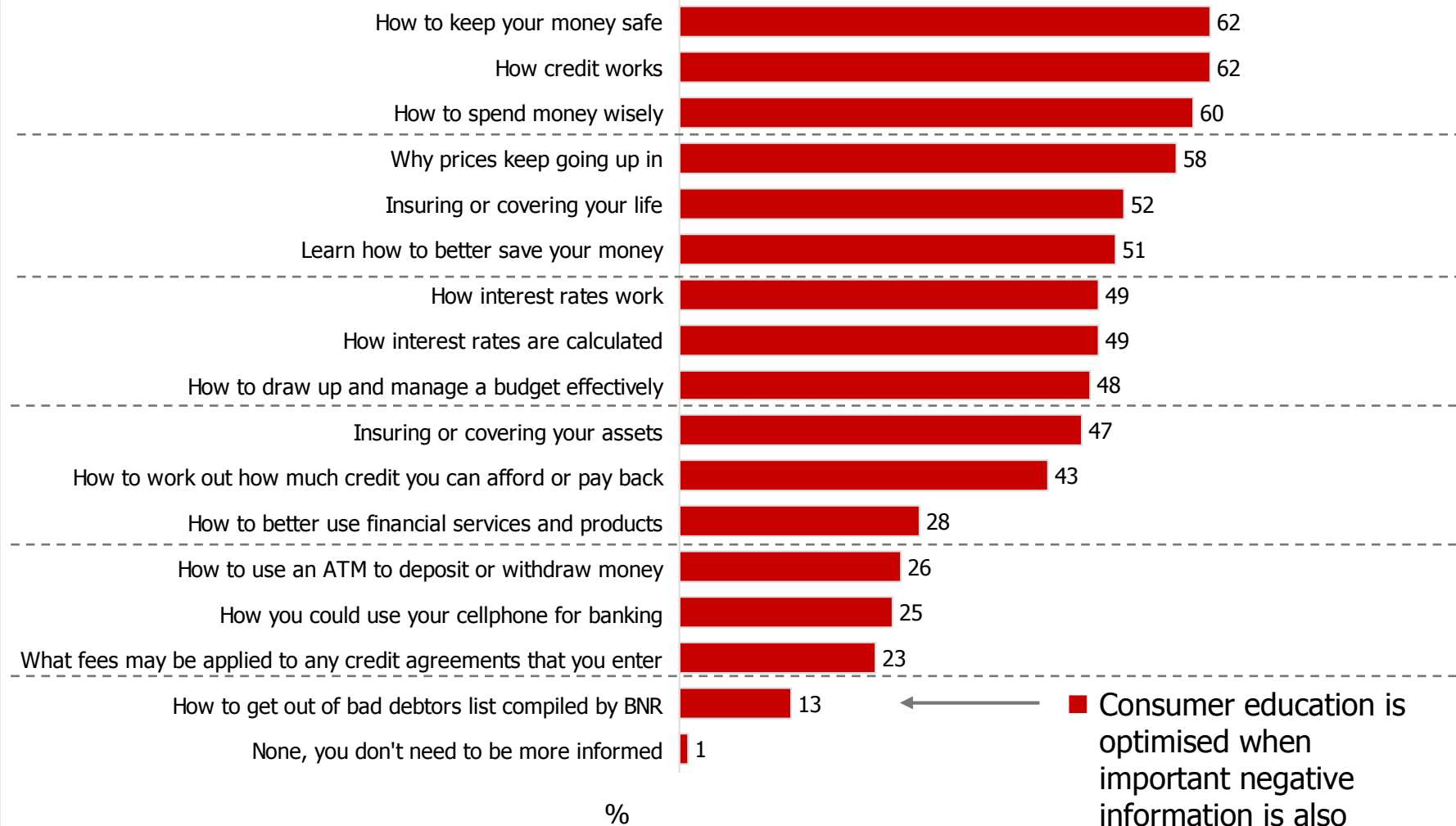
Aggregate figure in SA is 60%

Payments systems issues?

Source: Q.7.3

Note: Questionnaire fully translated into Kinyarwanda

Which would you like to know more about to better understand financial matters (n=2000)



Consumer education is optimised when important negative information is also shared

Source: Q7.7

Aided awareness of the major financial institutions is high, with UBPR, BNR and agricultural co-operatives all having aided awareness of more than 80%.

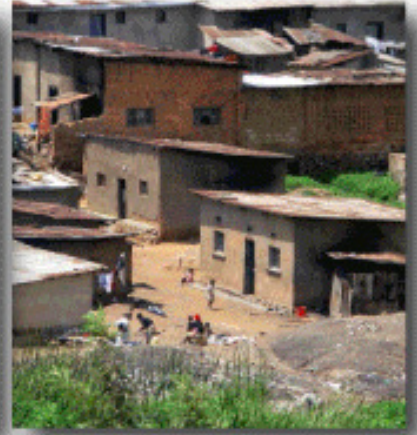
Informal sources of financial advice are very prevalent, with the majority relying on friends, family members or a trusted member of community. *Tontines* or *ikiminas* are more likely to be approached than banks or agricultural co-operatives despite the high awareness of these institutions.

People list **spending, budgeting, basic financial understanding and safety** as educational needs.

The **desire for insurance** is particularly high, perhaps linked to safety and perceived risks.



FINANCIAL SERVICE PROVIDERS



2008



▪ ° = Correlation < 0.50

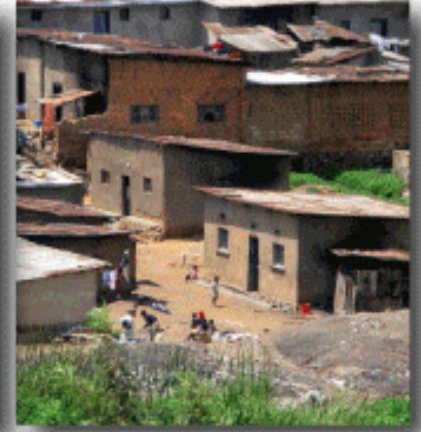
Axis 2 29.1%

Inertia = 0.4

Source: Q.7.6

Video clip

BANKING



2008

- 14% of the adult Rwandan population is '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 un-banked adults in Rwanda	86%	3 175 384
Total Population	100%	3 693 807

	Total Sample (n=2000)	Currently banked (formal) (n=275)	Previously banked (n=148)	Never banked (n=1555)
Age				
18-29	31	21	20	34
30-44	42	55	44	39
45+	27	33	37	27
Gender				
Male	43	50	59	40
Female	57	50	41	60
Area				
Urban	15	26	25	12
Rural	85	74	75	88
Farming types				
Crops not Livestock	30	17	23	33
Crops and livestock	63	68	64	62
No farming	7	15	13	5
Personal income				
Less/equal to 5,000 Rwf	53	16	41	61
5,000 to 25,000 Rwf	33	49	41	29
25,000+ Rwf	9	31	10	5
Education level				
No formal education	28	4	23	33
Primary grade 1-3	14	7	7	16
Primary grade 4-6	46	52	49	44
Secondary, university or other higher	11	34	17	6
Vocational training	1	2	5	1

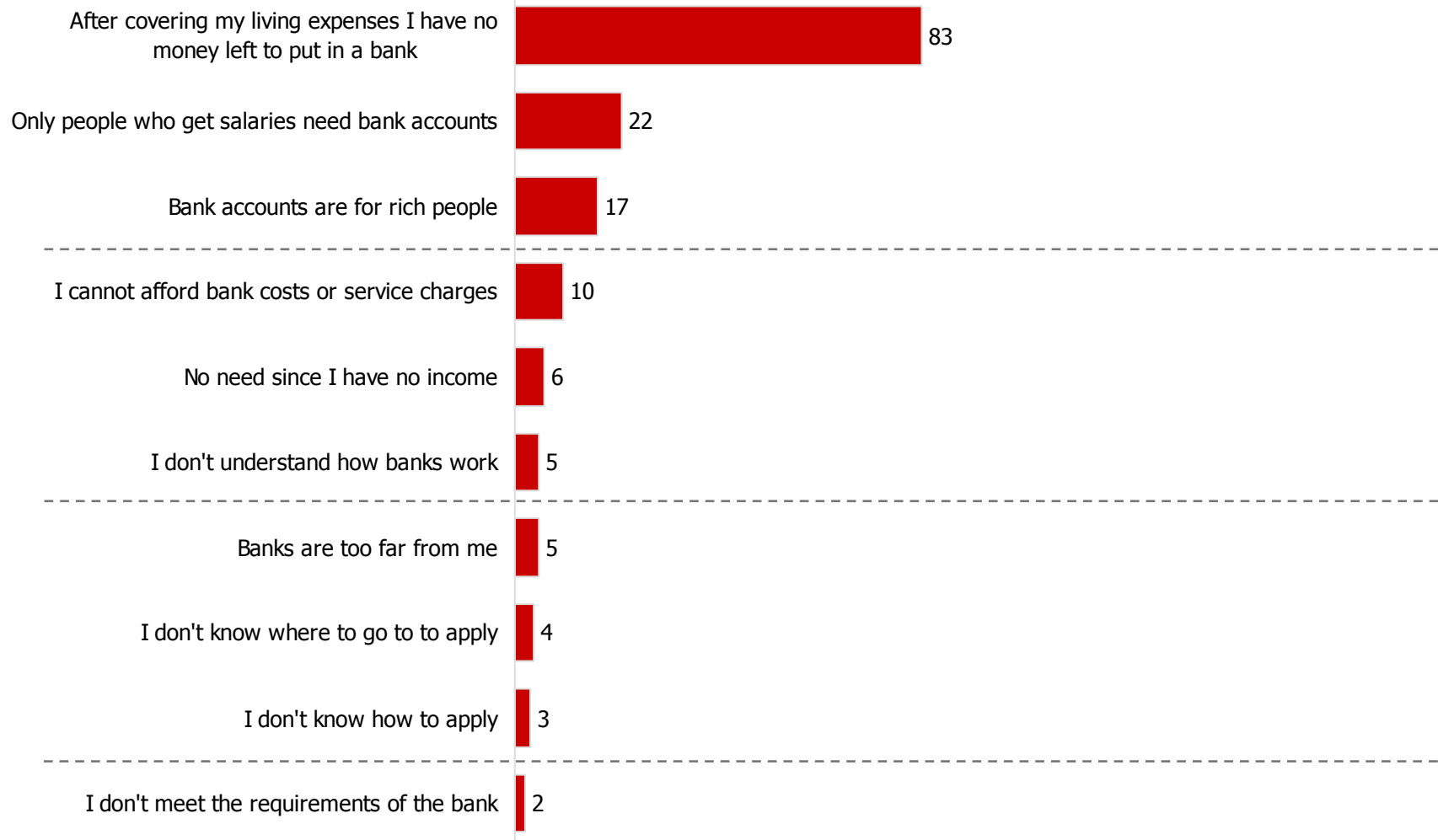


Column %

- Banked people tend to be male, older, live in urban areas, not be involved in farming, earn higher incomes and have a higher level of education
- Previously banked people tend to be older, male, and live in urban areas
- People that have never been banked tend to have lower incomes and levels of education

Read: 31% of the total sample are aged between 18-29

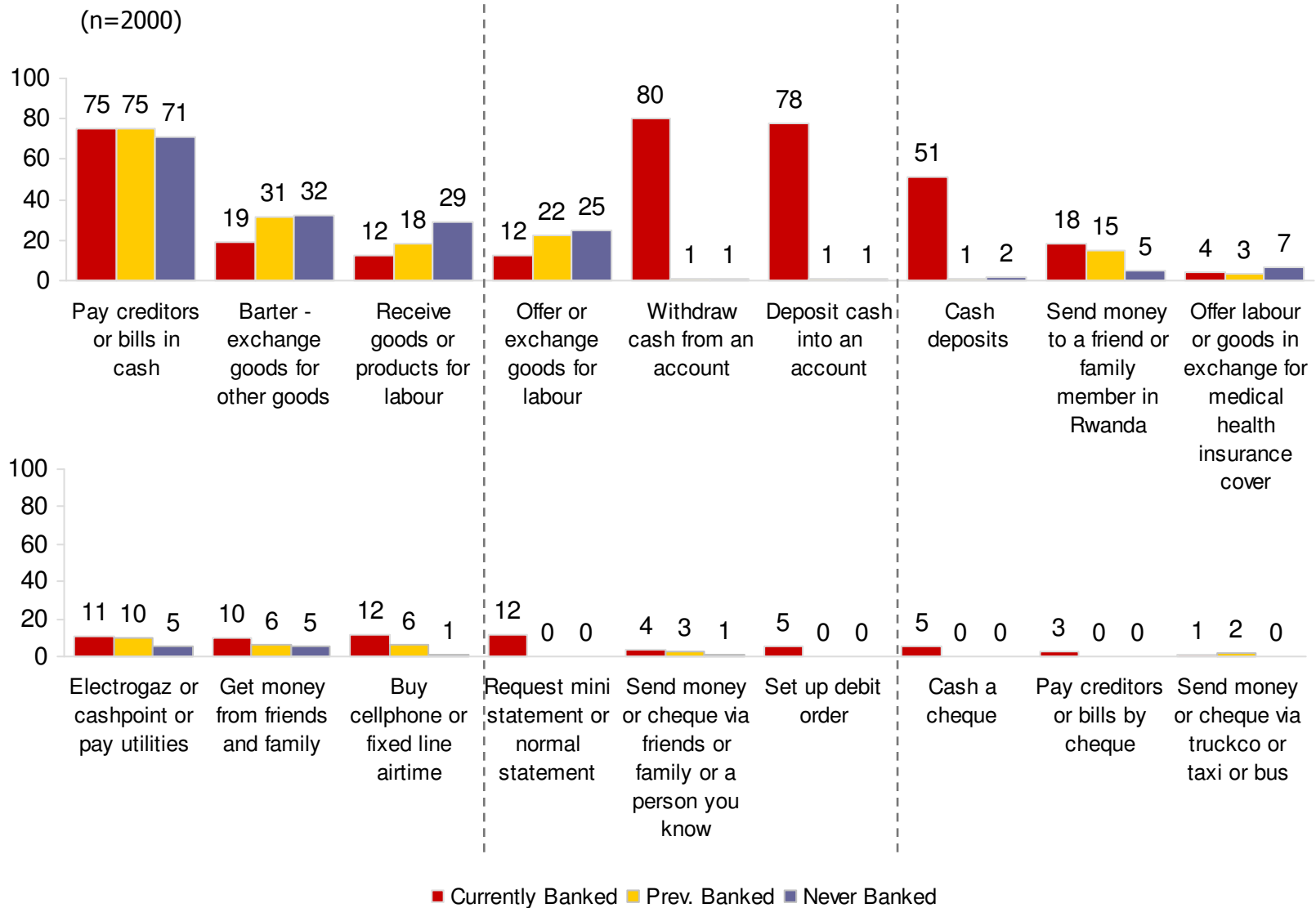
(n=1703, previously & never banked)



Source: Q.8.4

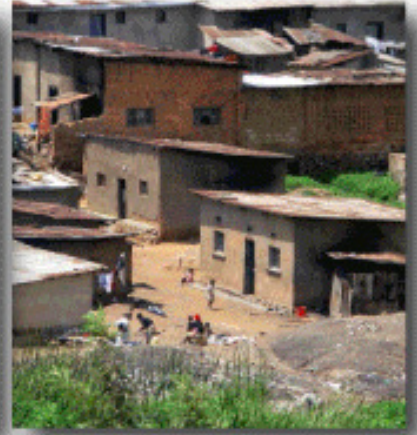
Reasons for not having a bank account

Top 10



Source: Q.9.6

INSURANCE & MEDICAL



38
2008

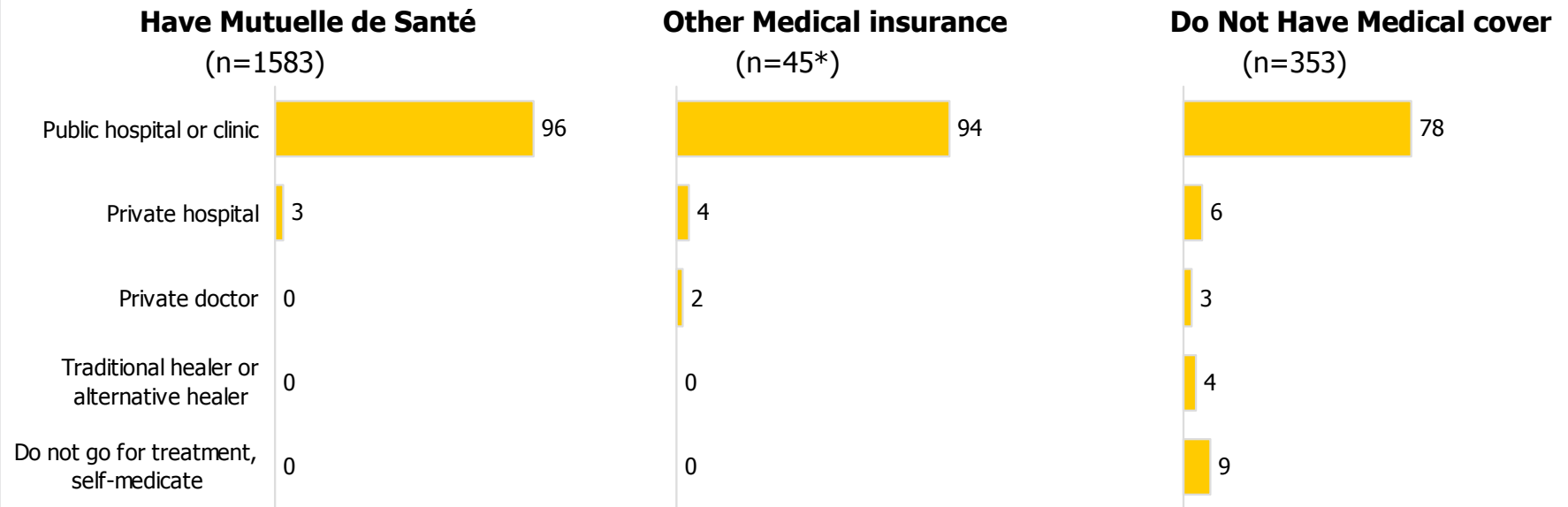
(n=2000)

	Have now
Insurance	
Medical insurance	82
Third party insurance	0
Household insurance	0
Life insurance	1
Other insurance	1

- 80% of Rwandan adults have medical insurance with *Mutuelle de Santé*, whereas 2% of Rwandans use other medical insurance schemes
- This reflects further progress on the already impressive extension of community health cover from 27% of the total Rwandan population in 2004 to 75% in 2007*
- Only 1 in 5 Rwandan adults has gone without medicine or medical treatment that was needed
- This is particularly impressive considering the burden that malaria places on families every year

Source: Q.8.1

**Meeting the goals*, interview with President Paul Kagame on the progress of Rwanda in achieving the UN's Millennium Development Goals, Mail & Guardian, 2008/09/30



■ People without medical cover are far more likely to self-treat, not treat at all, or visit a traditional healer

Source: Q2.2
Caution: small base size

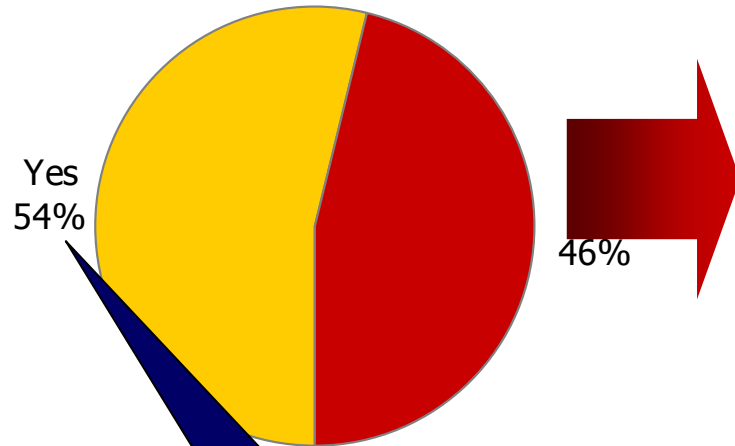
Video clip

SAVINGS & INVESTMENTS



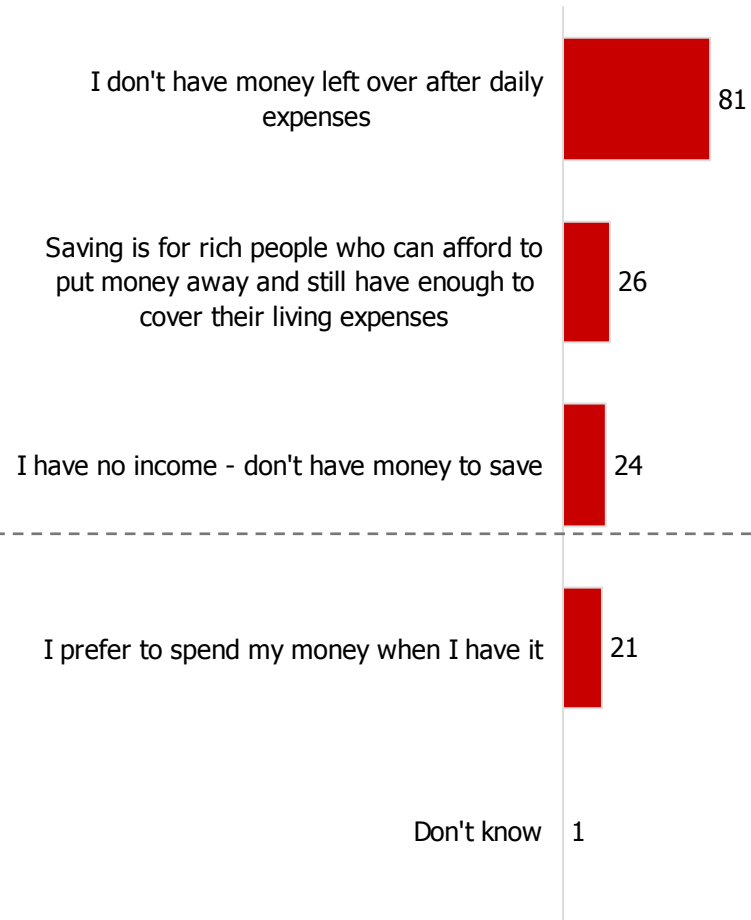
2008

Incidence of savings (n=2000)



**South Africa:
50% say they "try to
save regularly"**

Reasons for not saving (n=926)



Source: Q.11.1, Q.11.2

(n=2000)

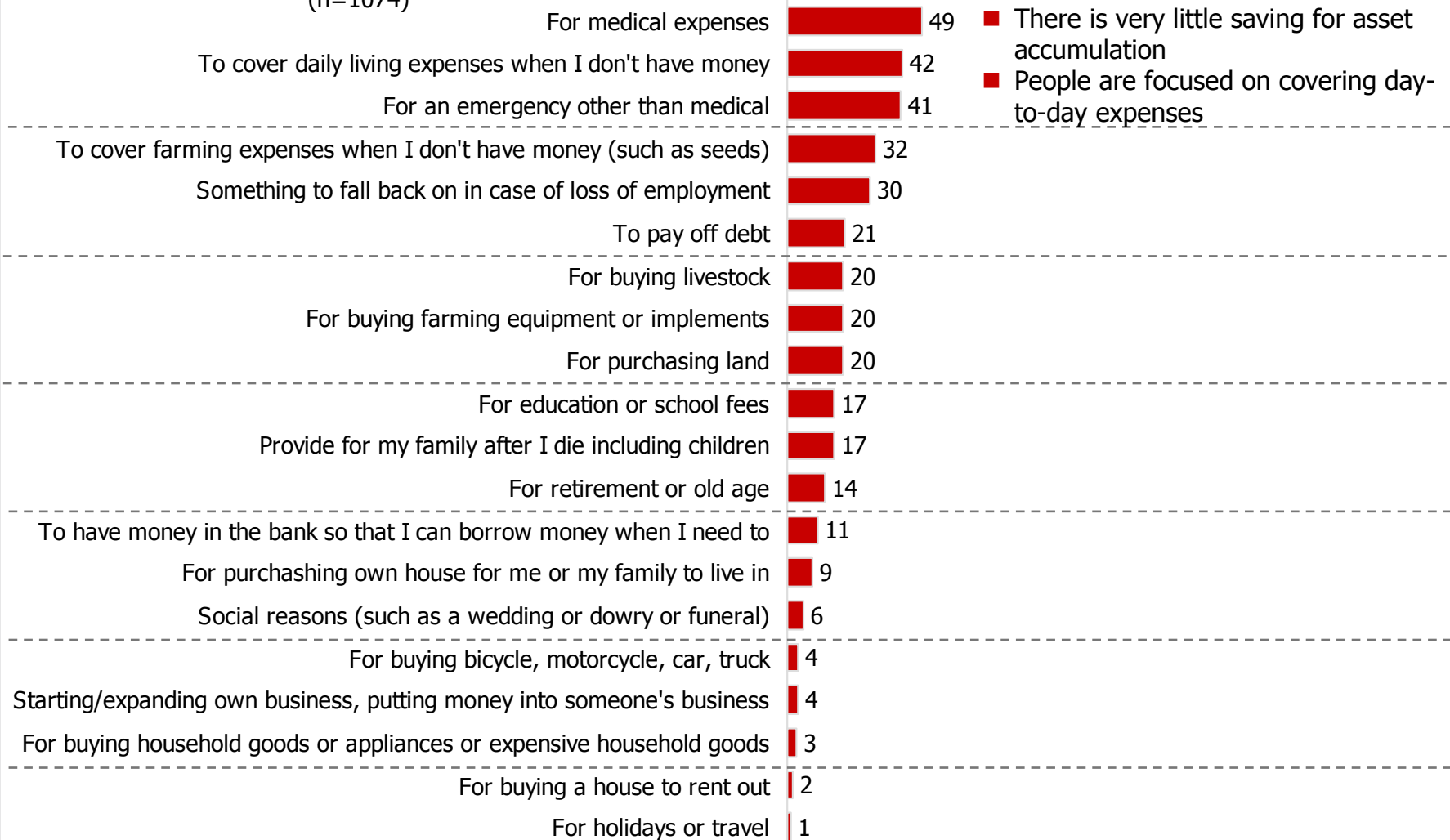
	Have now	Used to have	Never had
Savings			
Keep cash at home or in a secret hiding place	57	13	30
Membership or <i>Tontine/ikimina/umuryango</i>	27	11	62
Savings at a bank	14	6	80
Give to someone else for safe keeping	12	11	77
Savings account at a agricultural co-op	5	7	88
Savings at a MFI	3	3	94
Membership of <i>Caisse d'Entree</i>	1	1	99
Employer savings schemes	1	0	99
Savings at a post office	0	0	100
Capital/stock market	0	0	100
Retirement/pension			
Pension fund	2	0	98

- 3/4 of Rwandan adults report some form of savings
- 47% of banked people, 74% of other formally served and 98% of those classified as informal have a financial product with a social institution
- Social institutions include tontines, ikiminas, umuryangos, agricultural cooperatives, *Caisse d'Entrees* and someone else for safekeeping
- If we focus on a subsegment of social products – products with agricultural cooperatives – we find that 13% of those banked, 59% of those formally served and 23% of the informally served have some form of product with an agricultural cooperative
- 5% of pensions are held with CSR

Tanzania:
7% in urban areas, 1% in rural areas

Source: Q.11.3 , Q.8.1

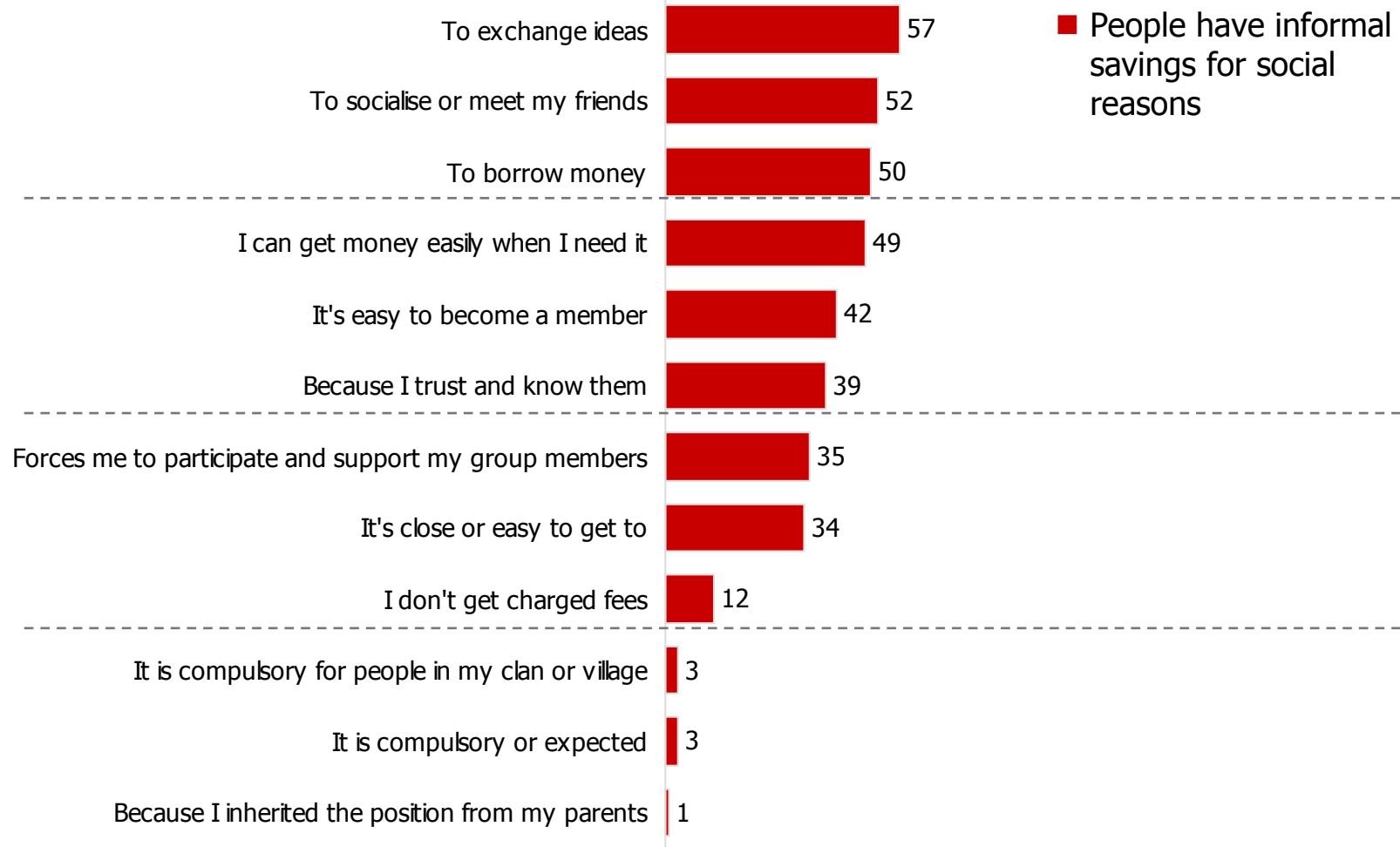
(n=1074)



Source: Q11.6

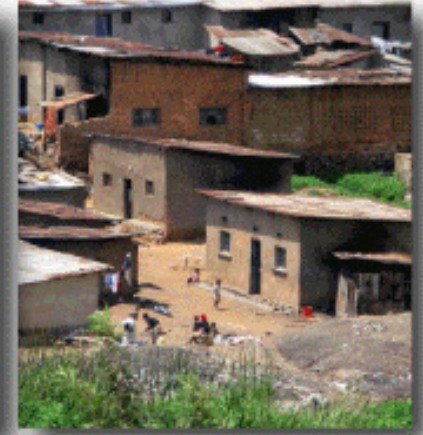
Reasons for membership of a *tontine*, *ikimina*, agricultural co-op or *Caisse d'Entree*

(n=556)



Source: Q11.5

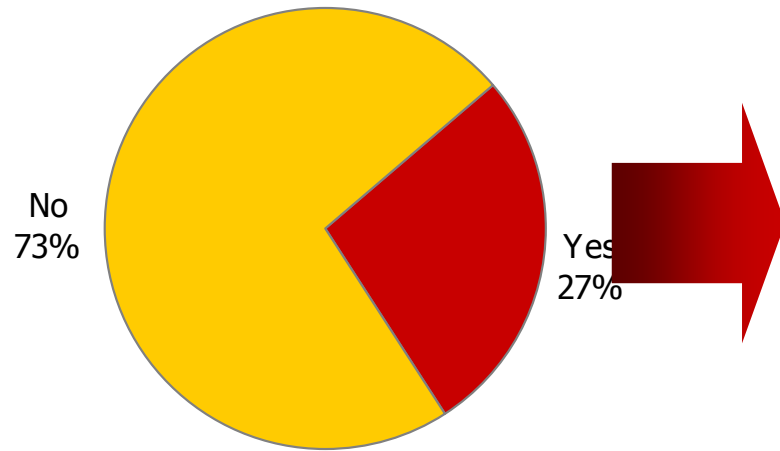
BORROWING



2008

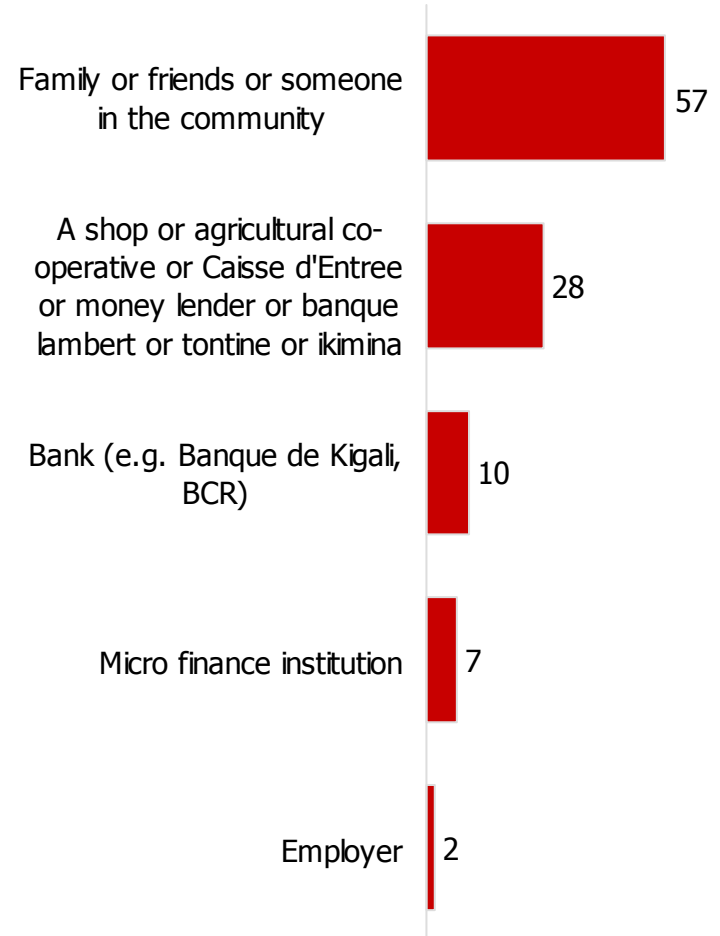
Incidence of borrowing

(n=2000)



Where borrowed from

(n=484)



Source: Q.12.1, Q.12.2

Overall reasons for borrowing

	(n=484)	Length of time to payback (months)
Cover daily living expenses when don't have money	24	3.8 (n=129)
For medical expenses	22	3.2 (n=103)
For buying farming equipment/implements	12	3.9 (n=43)
Cover farming expenses when don't have money	11	4.1 (n=54)
To improve my home	11	13.1 (n=59)
To buy property	9	14.2 (n=38)
To pay off debt	8	2.8 (n=36)
To start or expand own/someone else's business	7	9.2 (n=31)
For education or school fees	6	3.9 (n=38)
To buy other livestock	5	6.7 (n=18)
Unexpected emergency	4	3.1 (n=19)
For social reasons	3	6.3 (n=15)
To buy cattle	1	5.6 (n=8)
For buying household goods/appliances	1	6.2 (n=3)
To get basic services to my house	1	12 (n=2)

■ At 41%, significantly more people without *Mutuelle de Santé* borrow money for medical expenses

Implications for mortgage industry?

Source: Q.12.3, Q12.4, Q12.5

Video clip

- ❑ Strong recommendation for an immediate access-related supply side study to complement the demand side picture from FinScope
 - relatively quick and inexpensive and would enable a comprehensive set of policy recommendations to be tabled
- ❑ Consider inviting financial industry to respond formally to the FinScope findings, focussing on:
 - affordability issues
 - strategies for addressing the agricultural sector
 - market communication
- ❑ Consider facilitating analysis of FinScope data by banks etc – eg on a matched funding basis?
- ❑ Prepare comprehensive set of indicators to enable monitoring
- ❑ Urgently address the payments system issues
 - 75% of banked people pay bills in cash
 - Only 3% have ever heard of the term “ATM”
- ❑ Initiate process towards development of a national consumer financial empowerment strategy, focussing on financial literacy, rights and recourse
 - more people would ask their children for financial advice than a bank
- ❑ Explore reasons for low banked status among formally employed
 - Tax issues? Cost of banking?
 - Coercive measures to force CSR compliance
- ❑ Avoid temptation to over-regulate the informal sector, in view of its contribution to financing the agricultural sector
- ❑ Obtain specialist advice on rural/agricultural finance – using FinScope in the analysis

- ❑ Initial recommendations only!
- ❑ Would eventually need to incorporate supply as well as demand side
- ❑ From FinScope:
 - 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 (eg from Kenya, Tanzania, Zambia, Malawi etc.)

- ❑ Think carefully about the messages you are/are not communicating
 - build on high levels of trust (only 23% trust tontines/ikimina/community groups more than banks) and perceptions of safety
 - address areas of weakness – “don’t understand how they work”, “for rich people”
 - Consumer Charter to address service-related concerns?
- ❑ Commercial strategies:
 - tap into savings culture – low cost products bundling life insurance/medical expense cover?
 - fix the transactional part of the value proposition – ATMs, no queues, bill payments etc.
 - explore opportunities in housing finance – but note preferred repayment periods (13/14 months) – eg products to support low-cost rental
 - explore service-related reasons why 3x as many people borrow from *banque lambert* etc than from a bank
 - seek out the “previously banked” – 8% of the population: low-hanging fruit?
- ❑ Look for, and scale up, linkages with MFIs/co-operatives
 - 1 out of 3 people using these organisations are also banked, but 2 out of 3 are not!
- ❑ Use FinScope data for market segmentations

Follow-on workshops planned for Q1 2009

- ❑ BNR to play a leadership role as owner of the FinScope data
- ❑ Supply side analysis?
- ❑ FinMark Trust will be facilitating in-depth workshops in Q1 2009
 - sub-industry specific (eg banking, insurance, MFI)
 - policy related
- ❑ Intention to establish a financial sector intervention (possibly to be funded by DFID) in support of (i) commercial innovation and (ii) policy support
 - Intervention would also oversee repeat FinScope survey (perhaps in 2/3 years' time)
- ❑ One-on-one analysis of data for commercial users?
- ❑ Need to support development of research capacity to use this data

Thank you! Any questions....?