

# FinScope Rwanda 2012 Consumer Survey Stakeholder Workshop

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# About FinScope

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- **Developed by FinMark Trust**
  - Not-for-profit organisation
  - “Making financial markets work for the poor”
  - FinScope developed as research tool to provide information
    - Consumer survey in 16 countries in Africa
    - SMME survey in 6 countries in Africa
- **Implemented in Rwanda 2008**
  - Demand side component
    - Representative survey of individuals 18 years or older
    - How do they generate money?
    - How do they manage their money?

# 2012 Survey Implementation

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- **Implementing agency AFR**
  - Funding provided
  - Oversee and accountable for survey implementation and delivery
- **Technical Assistance: Yakini Development Consulting**
- **Fieldwork – CESS**
- **Analysis – IPAR/Yakini**

- **Key role player**

- Understanding of sample requirements
- Understanding of the country context
- Comparability with census data and relevant surveys
- Drawing of the survey sample ensuring necessary representativeness
- Quality control – research house data collection
- Weighting the survey data to state population
- Validating the survey findings against census

- **Representativeness at national, urban-rural, provincial and district levels**
  - Increased sample size from 2000 in 2008 to 6150 in 2012
  - Included a supply side component to look at aspects of ACCESS
- **Three- stage sampling approach**
  - Geographically representative - representative sample of enumeration areas; 615 EAs sampled
  - HH representative - within sampled enumeration areas – systematic sample of households – 10 HH per sampled EA
  - Individually representative - within each sampled household – random sampling of one individual 16 years or older

# FinScope Objectives



- **To determine levels of access to financial services**
- **To describe the landscape of access**
- **To identify the drivers of, and barriers to financial access**
- **To assess trends/change over time**
- **To assess the impact of interventions over time**
- **To assess the gap between demand for- and supply of financial services**

# Financial Inclusion Target

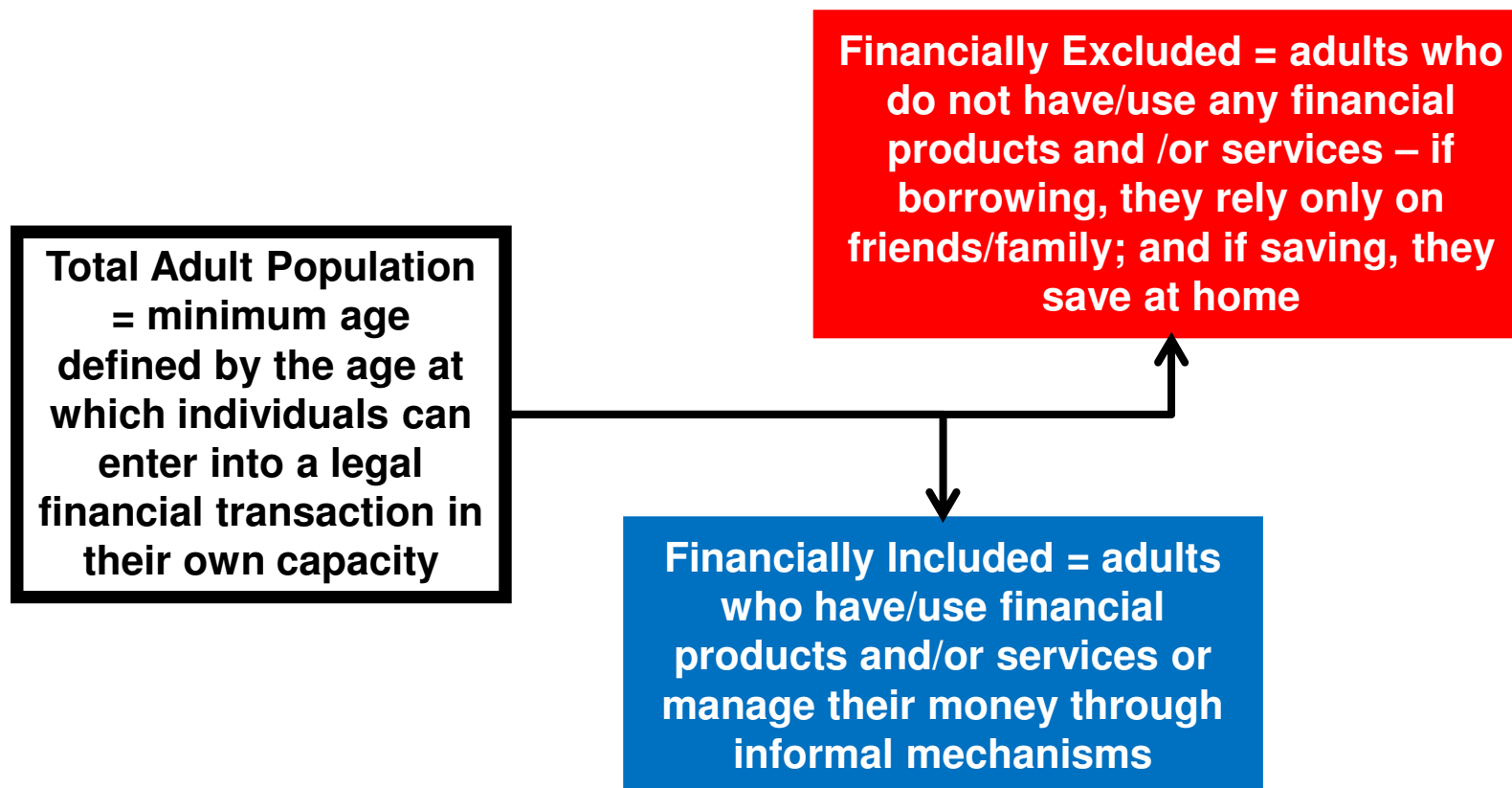
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## GoR Target:

- **Decrease exclusion**
- **80% financial inclusion by 2017, 90% by 2020**
  - Is this realistic?
  - How have we progressed since 2008?
  - What barriers are the excluded still facing?
  - Where/what are the market opportunities?

# What does financial inclusion mean?





# Enablers of Increased Inclusion

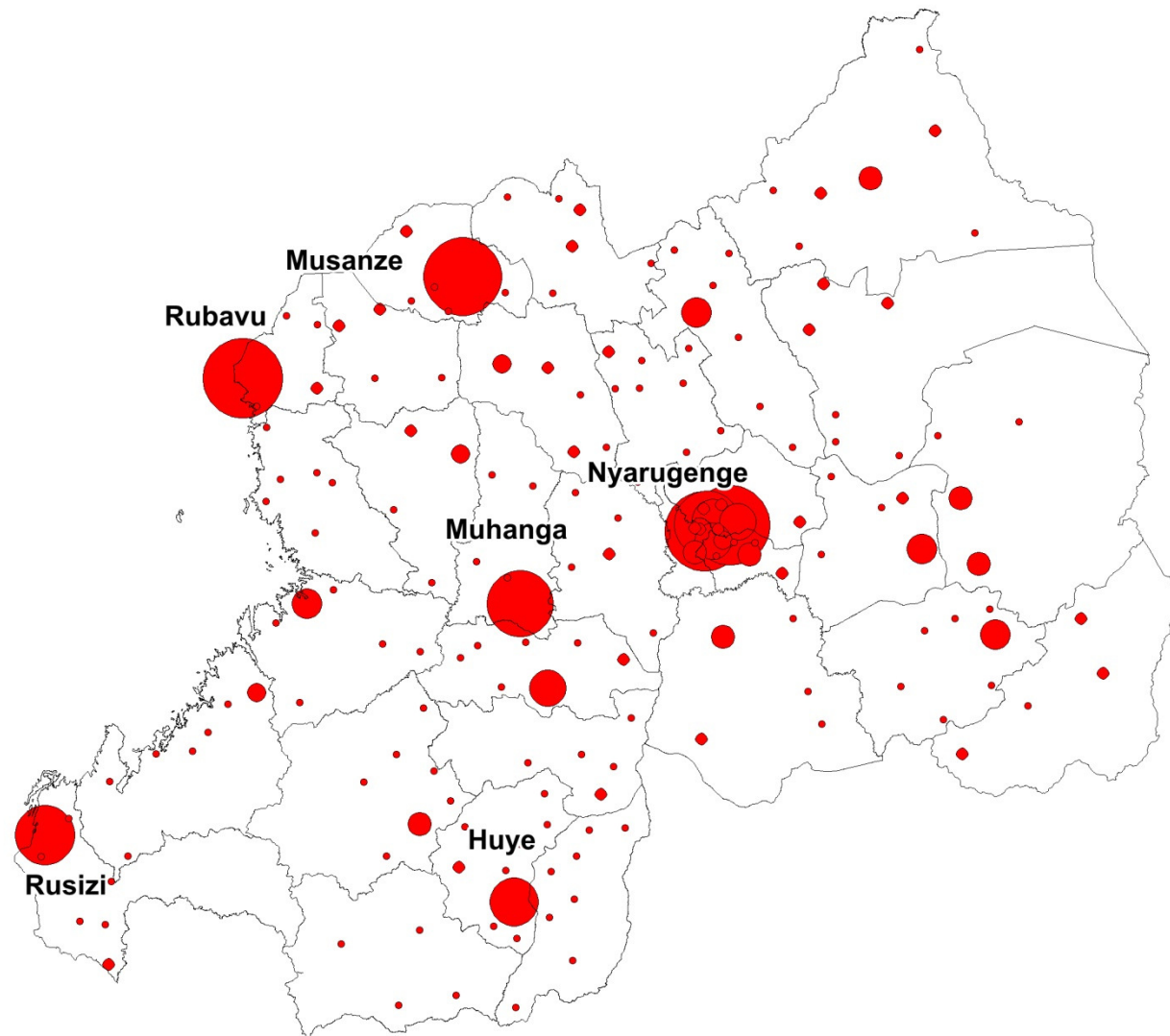
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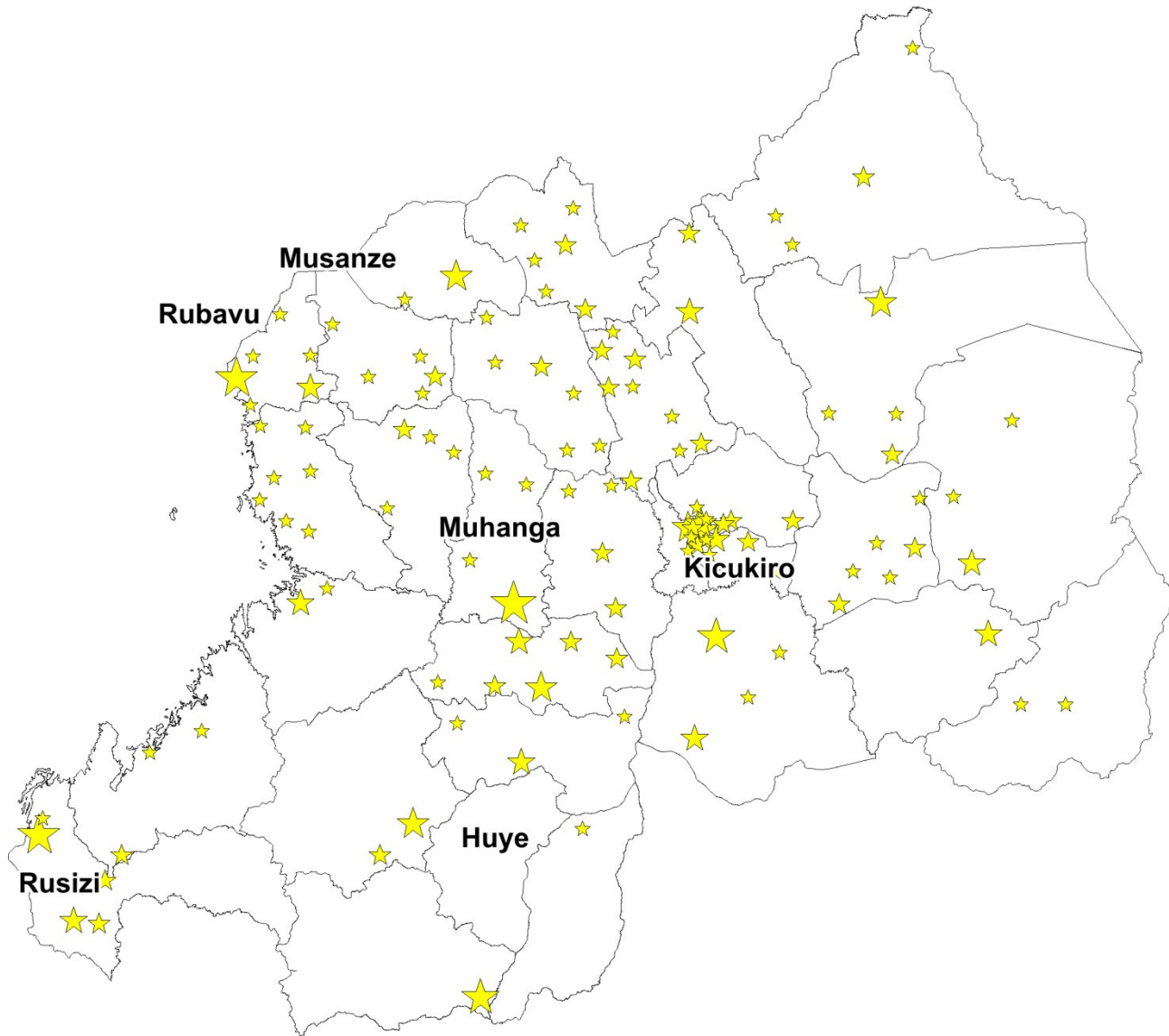
- **Increased access**
  - Proximity
  - Eligibility / KYC requirements
- **Increased uptake**
  - Appropriate products
  - Appropriate infrastructure/technology/channels
  - Informed and financially capable consumers
- **Increased usage**
  - Quality of service  
(meet needs / fair / dignity)

## Proximity to Access Points

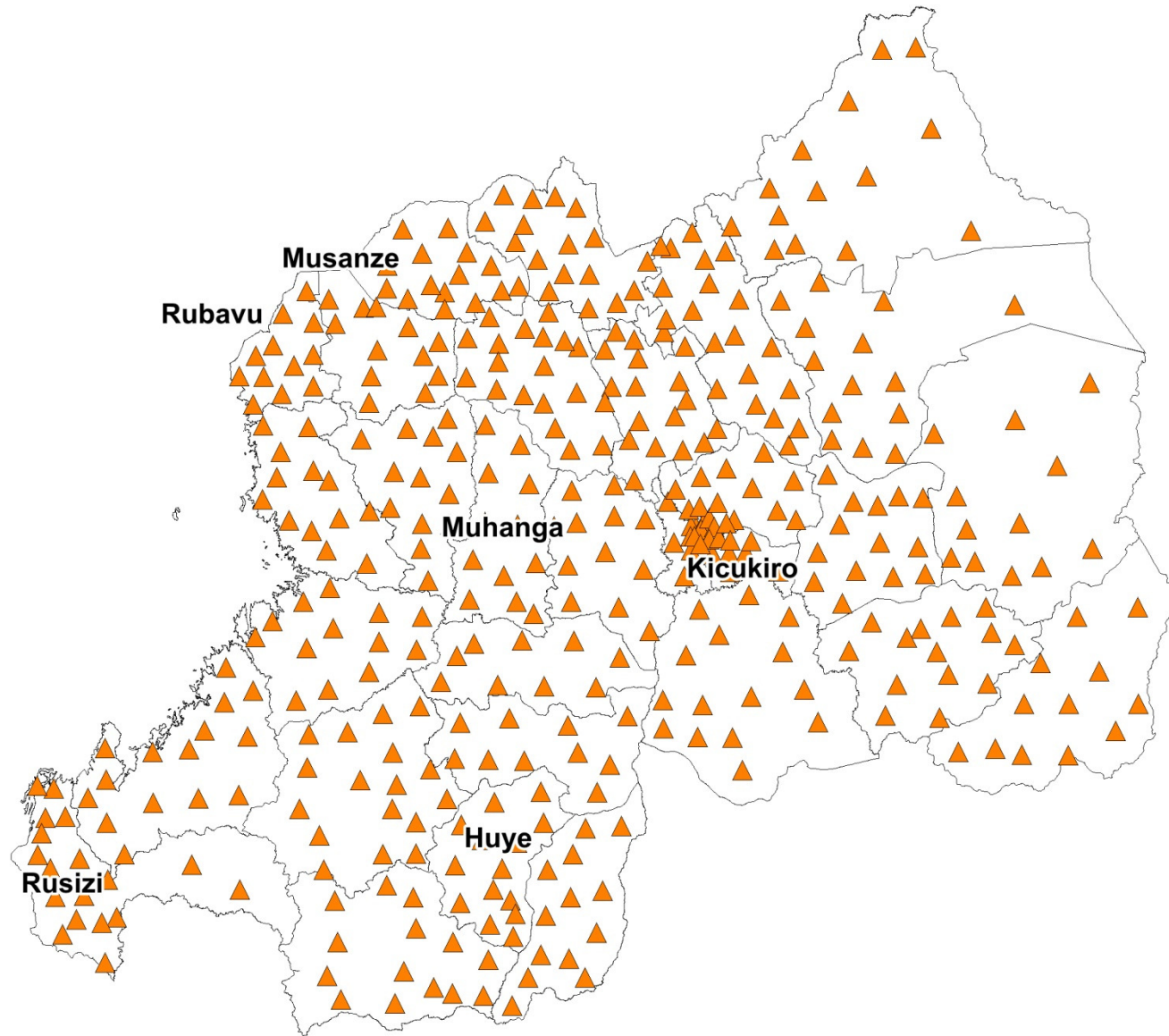
**Physical Access**



88% of adults within 8km of bank branch/ATM; 60% within 5km



68% of adults within 8km of MFI; 44% within 5km



91% of adults within 5km of Umurenge SACCO; 56% within 3km

## Eligibility

- **Proof of identity**
- **Passport photos**

**Meeting product/service requirements**



## **Uptake of Financial Services/Products**

**Physical Access**

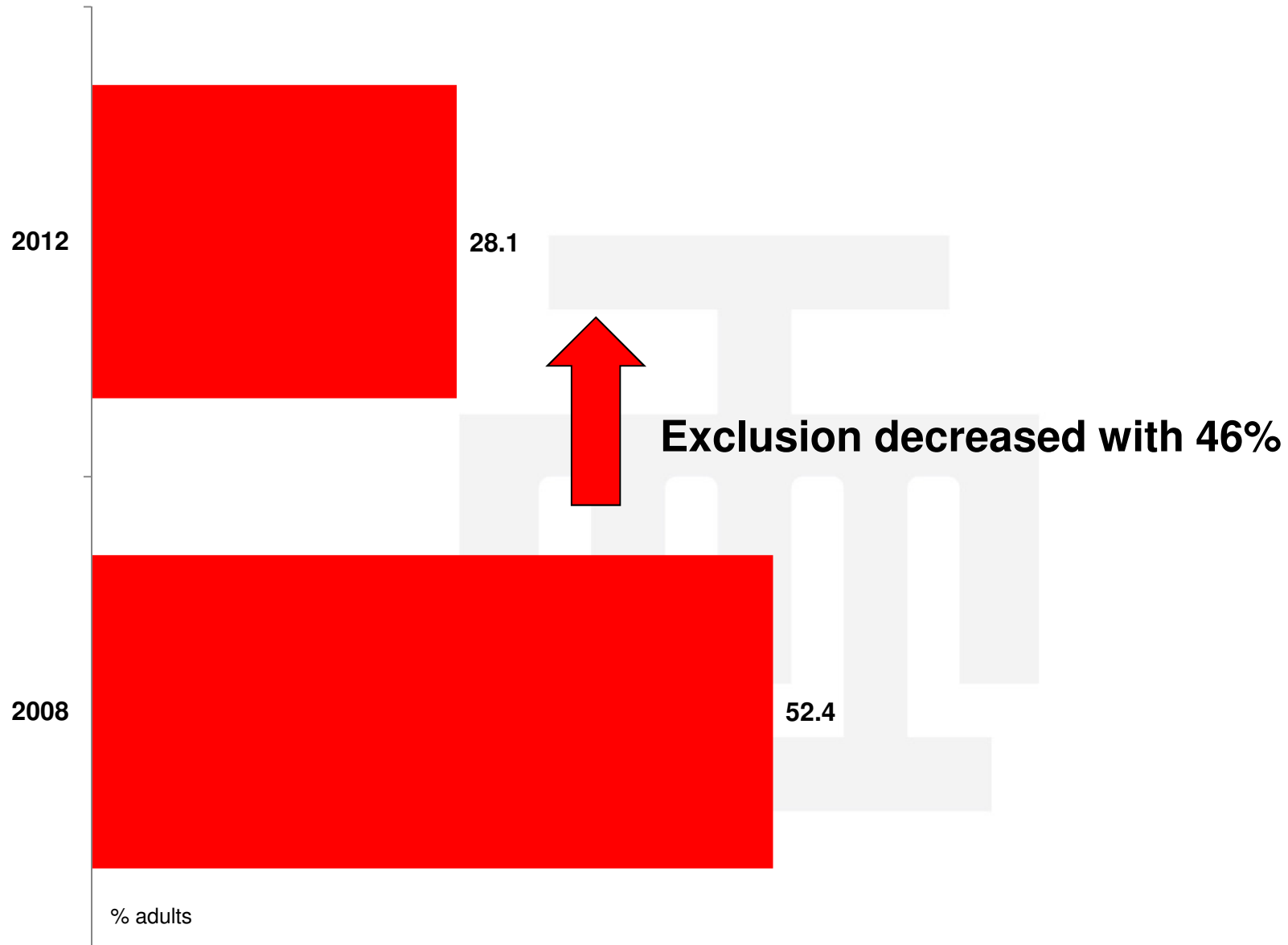


**Objective: Decrease the proportion of  
Rwandans financially excluded**

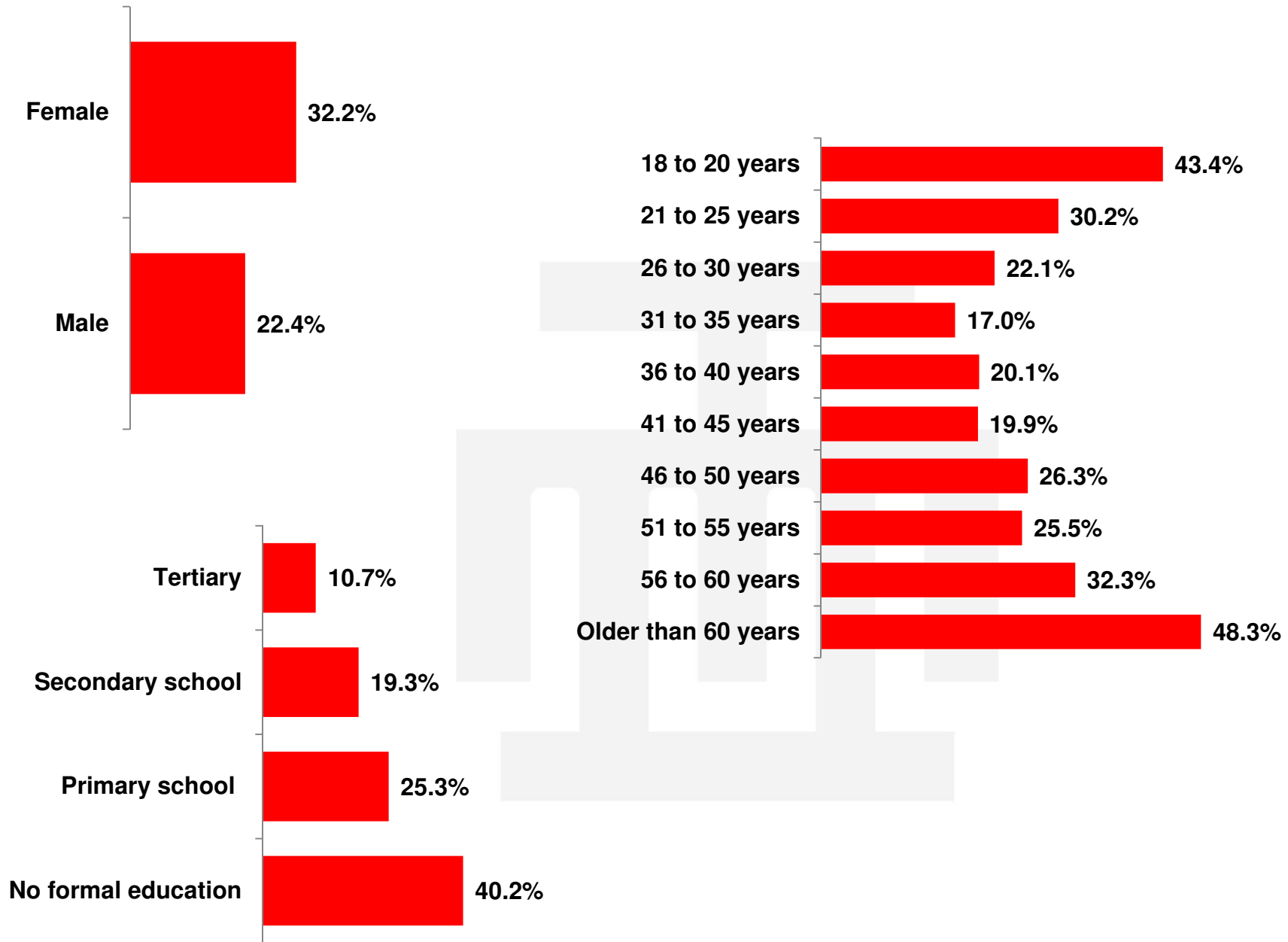
**Did exclusion decrease?**

**Comparing FS 2008 and FS 2012**

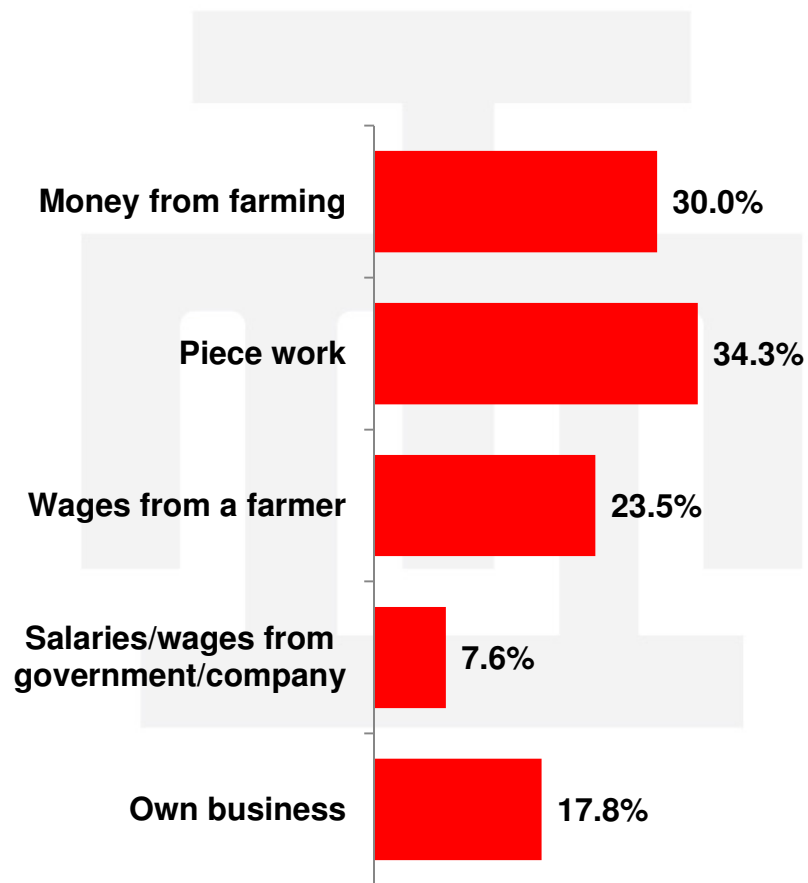
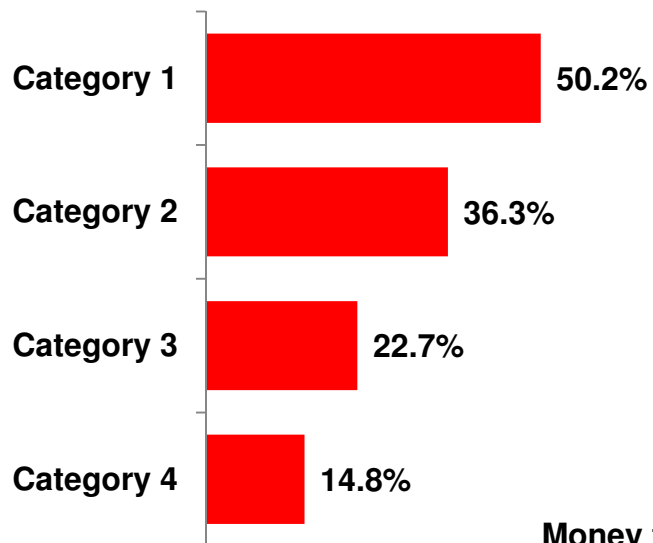




1.3m Rwandan adults excluded compared to 2.3m in 2008



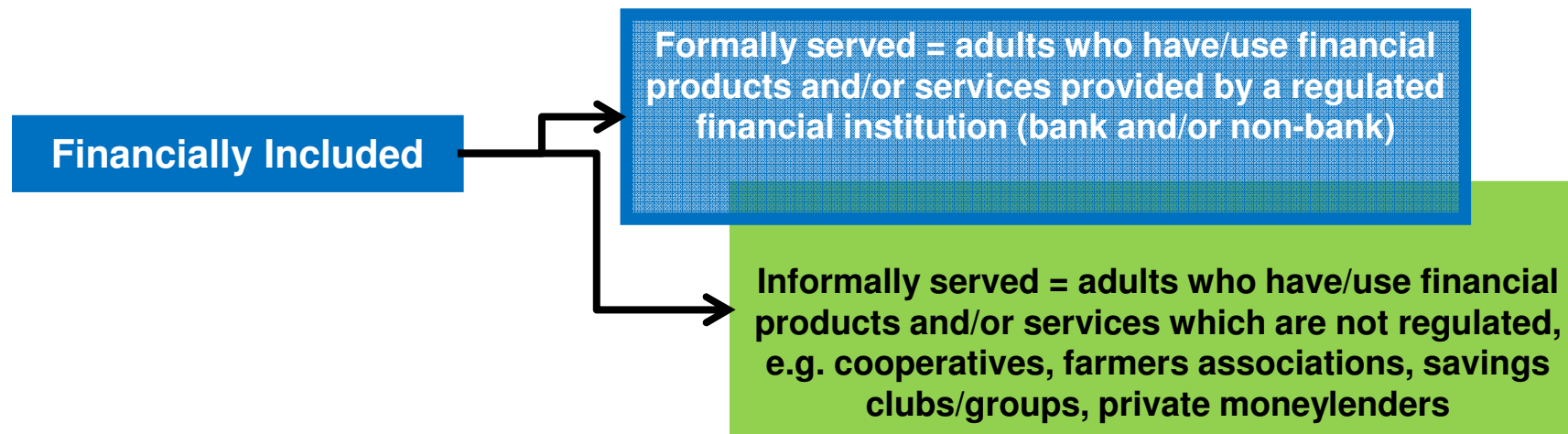
Females, young adults, elderly and those with lower levels of education most likely to be excluded

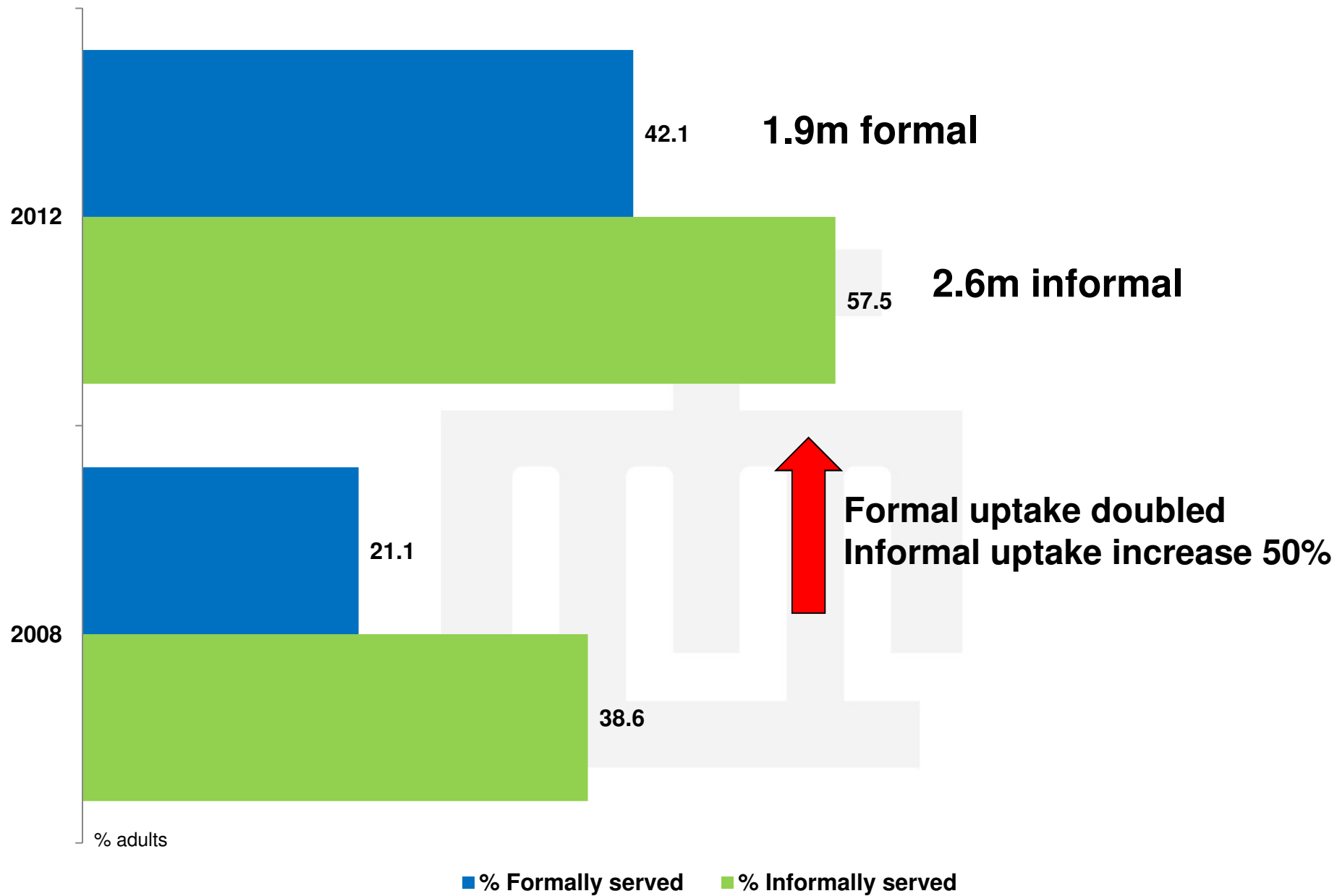


Individuals from Ubudehe categories 1 & 2 and those generating an income through farming and piece work most likely to be excluded

**Exclusion has decreased, more people are using financial products and services to manage their money.**

**What are they using?  
What has changed since 2008?**

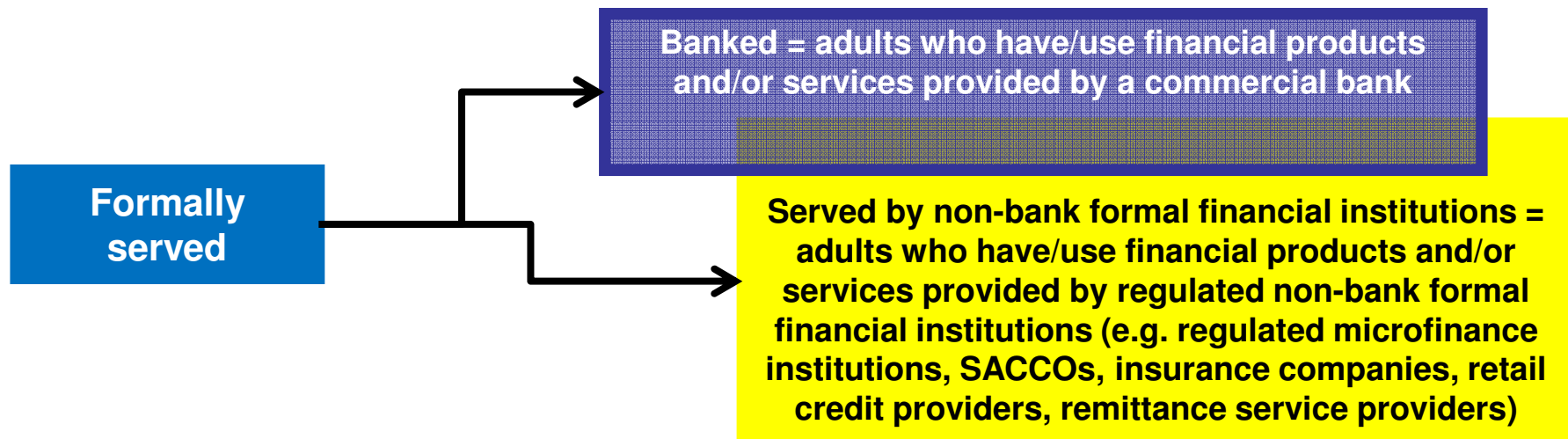


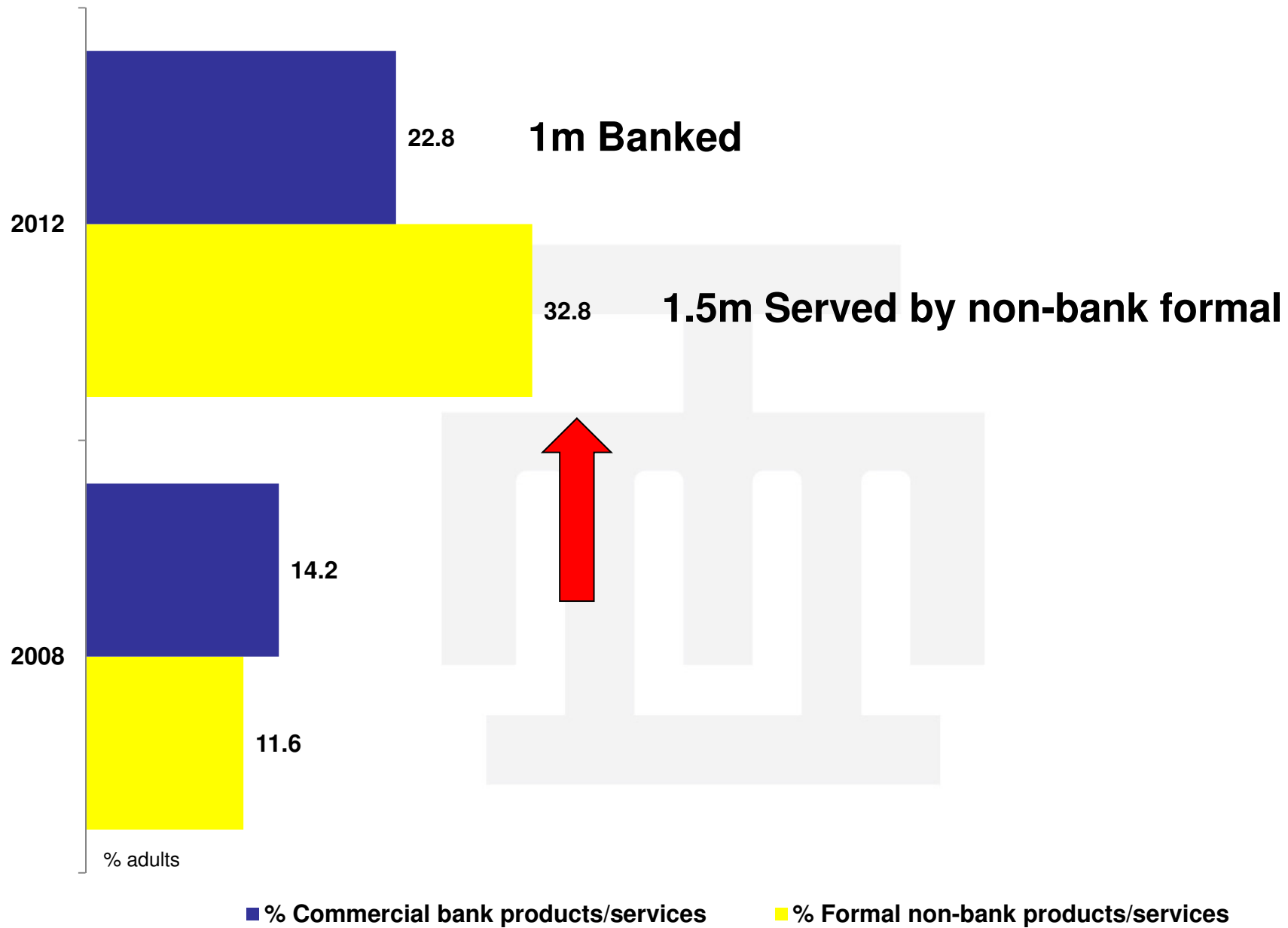


Both formal and informal uptake increased

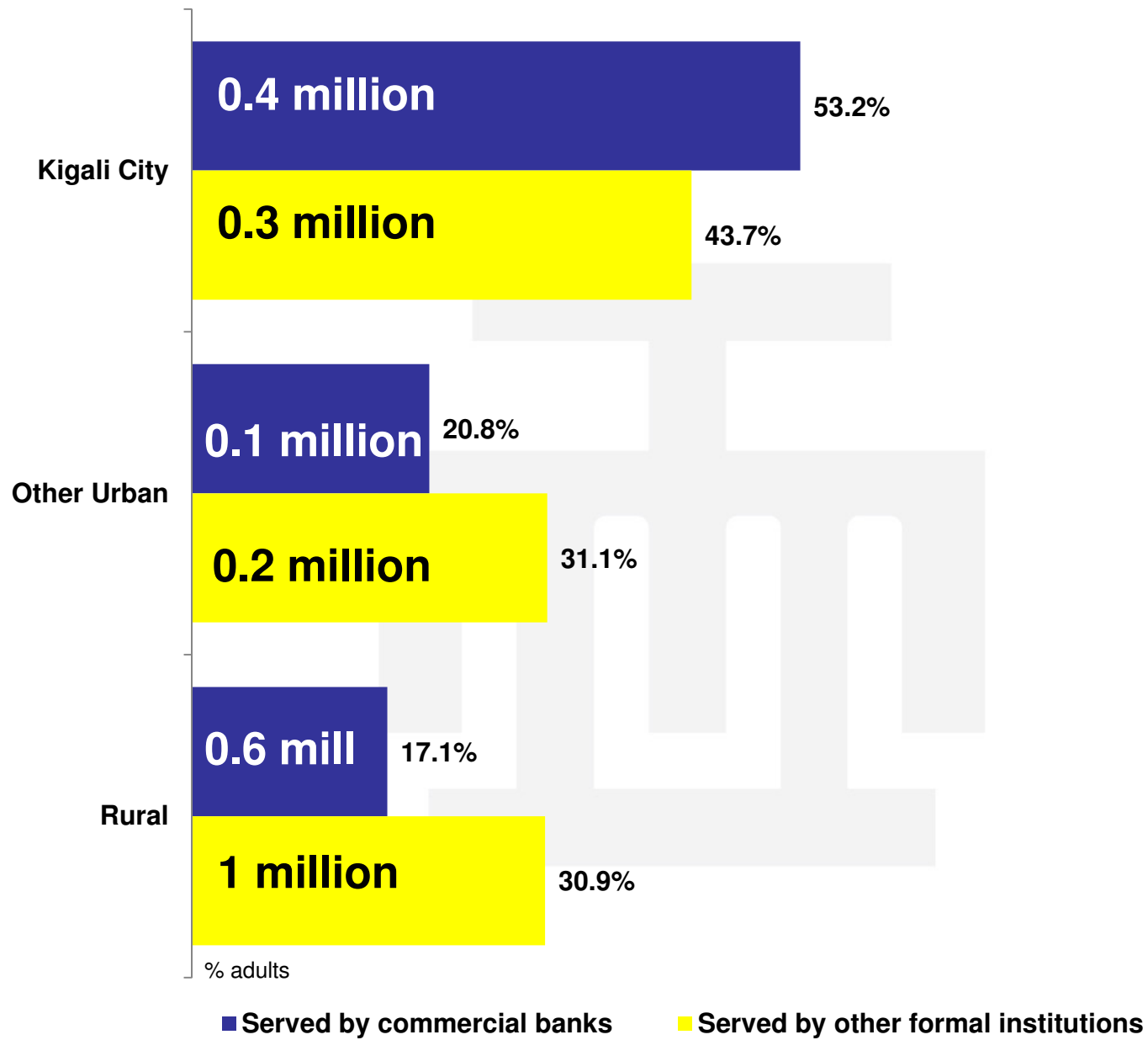
**More people are using FORMAL financial products and services to manage their money.**

**What are they using?  
What has changed since 2008?**





Uptake of both commercial bank & non-bank products/services uptake increased



2012 urban-rural situation



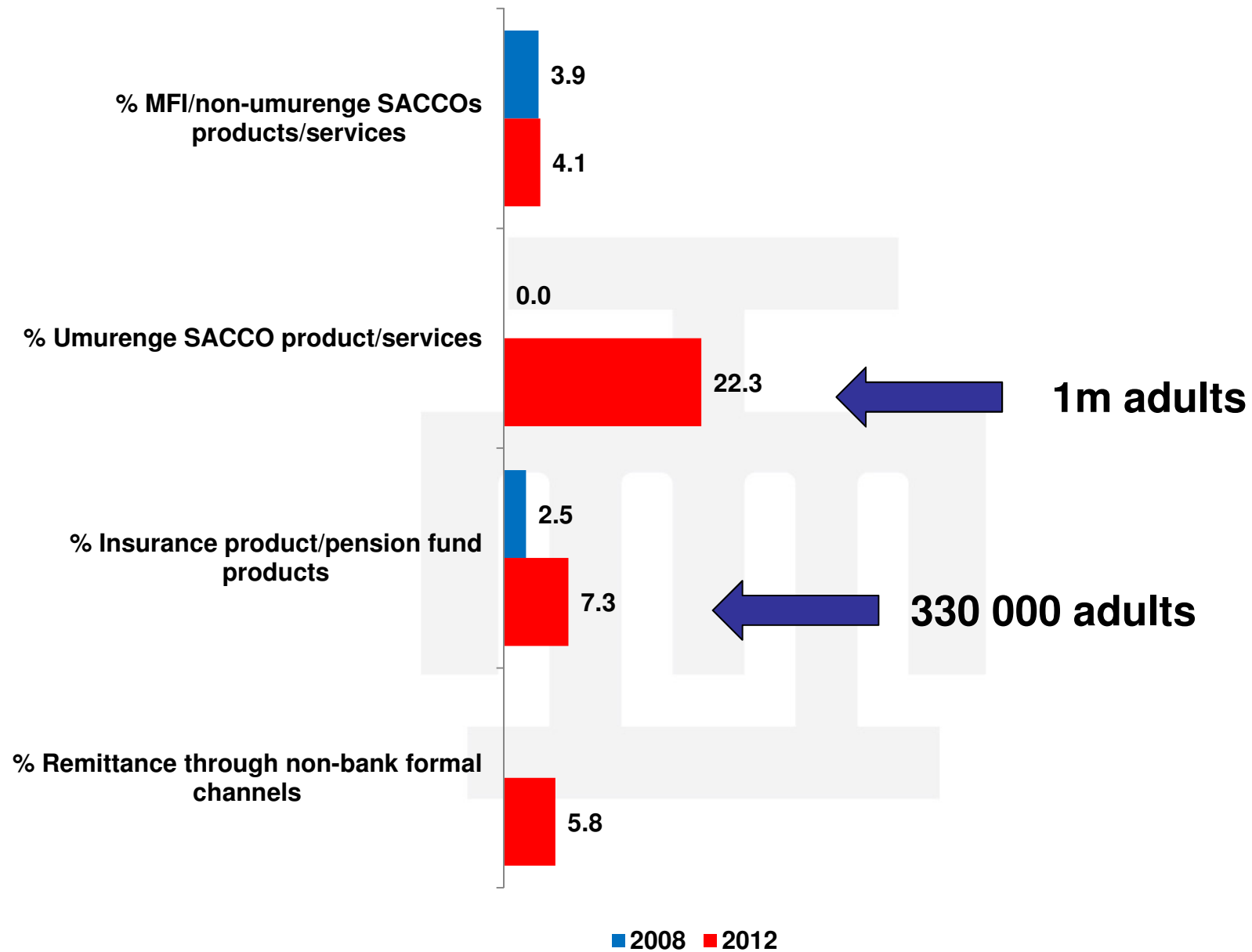


## **Understanding the increase in bank and non-bank formal products and services**

**Comparing FS 2008 and FS 2012**

Banks: 2008/2009		Banks: 2012	
Access Bank	259 branches and outlets	Access Bank	467 branches and outlets; 229 ATMs
Banque Commerciale du Rwanda		Banque Commerciale du Rwanda	
Banque de Kigali		Banque de Kigali	
Banque Populaire		Banque Populaire	
Cogebanque		Cogebanque	
Ecobank		Ecobank	
Finabank		Finabank	
Zigama Credit and Saving Society		Zigama Credit and Saving Society	
		Kenya Commercial Bank	
<b>Kenya Commercial Bank</b>		Urwego Opportunity Bank	
<b>Urwego Opportunity Bank</b>	Equity Bank		
	Agaseke Bank		
	Unguka Bank		

Growth in the commercial bank sector



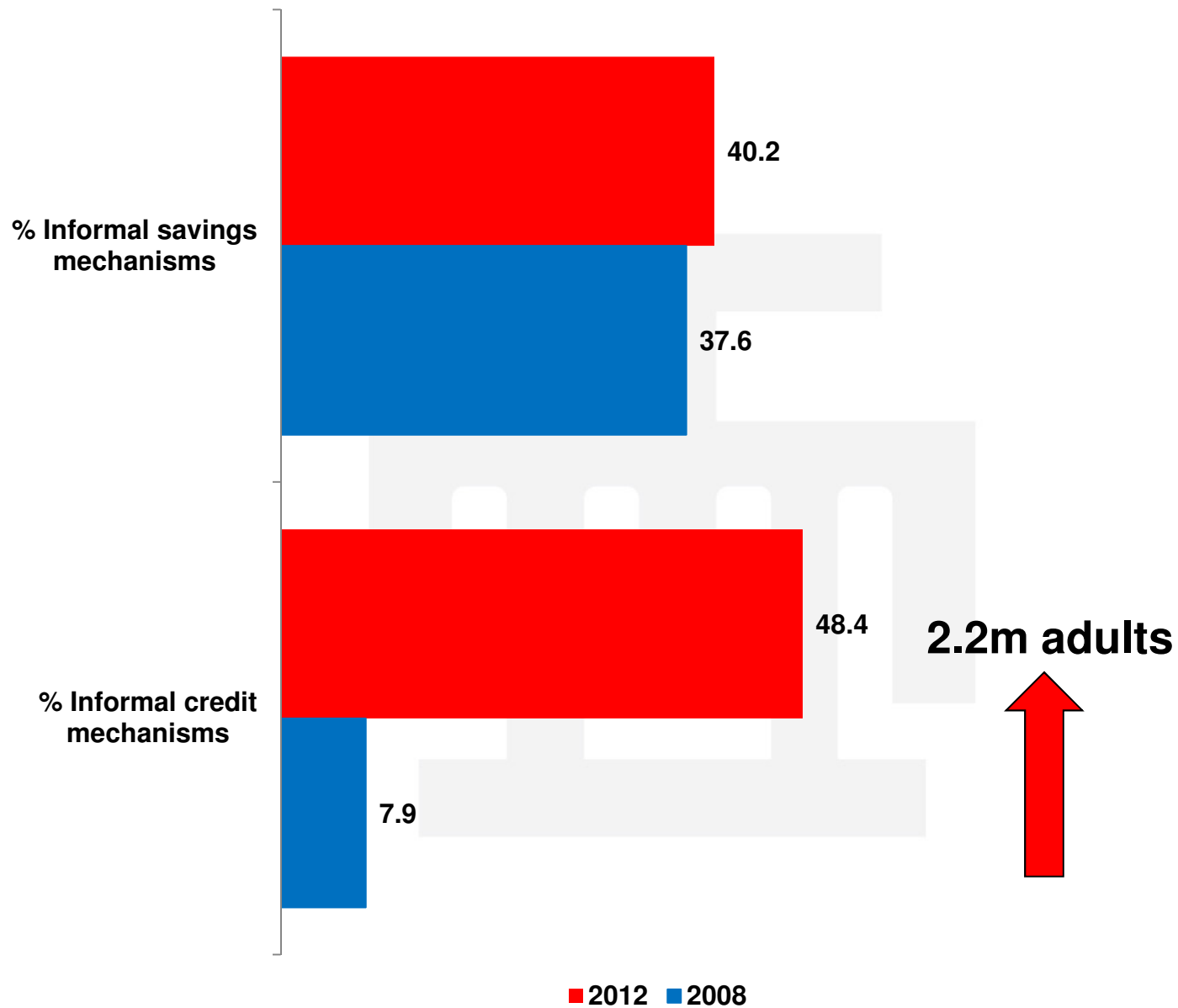
Most significant increase in uptake caused by SACCOs, but insurance/pension increased significantly too



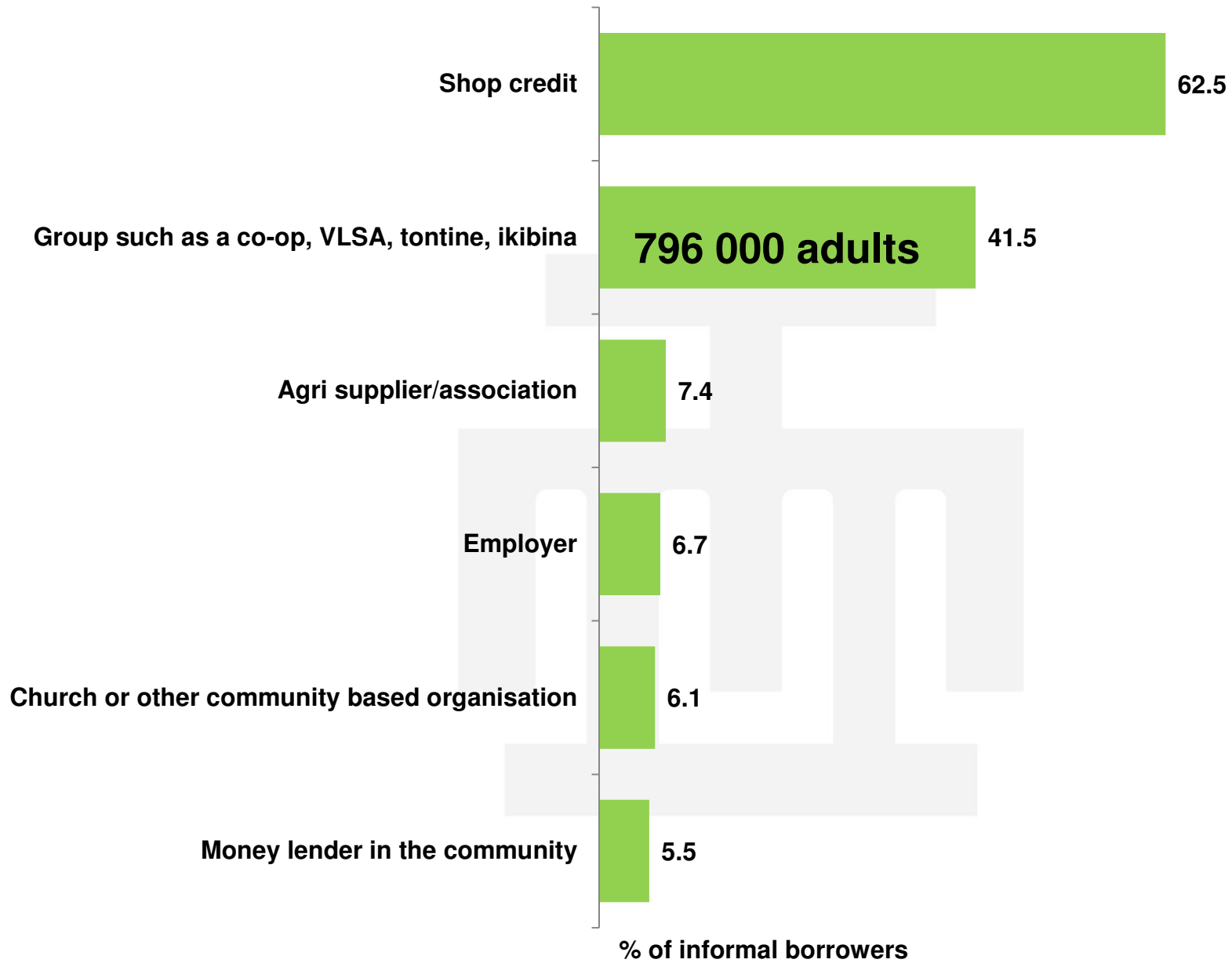
**More people are using informal mechanisms to manage their money**

**What are they using?  
What has changed since 2008?**

**Comparing FS 2008 and FS 2012**



Increased informal uptake is driven by a highly significant increase in reported informal credit uptake

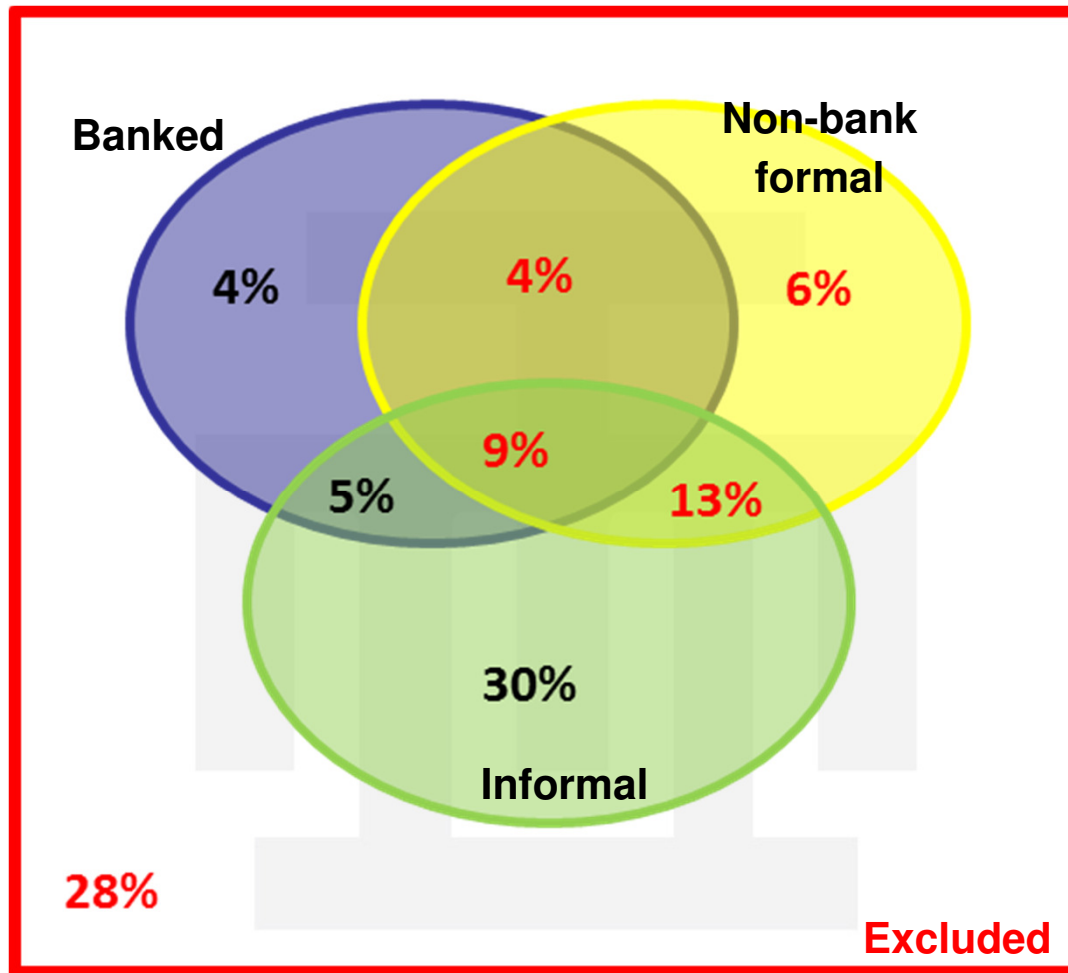


Groups – main source for **LENDING MONEY**



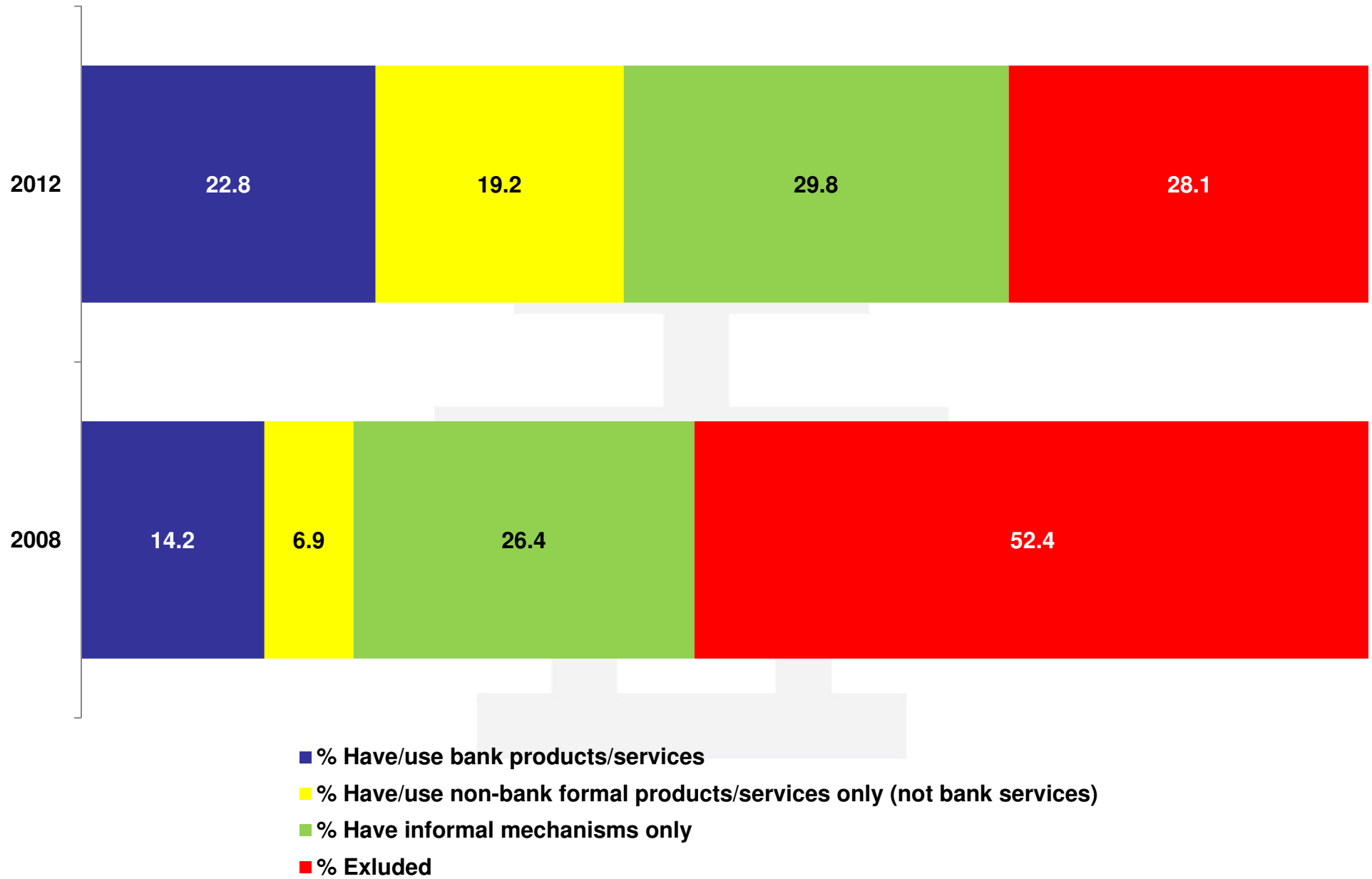
## **FinScope Financial Access Strand**

**Comparing FS 2008 and FS 2012**

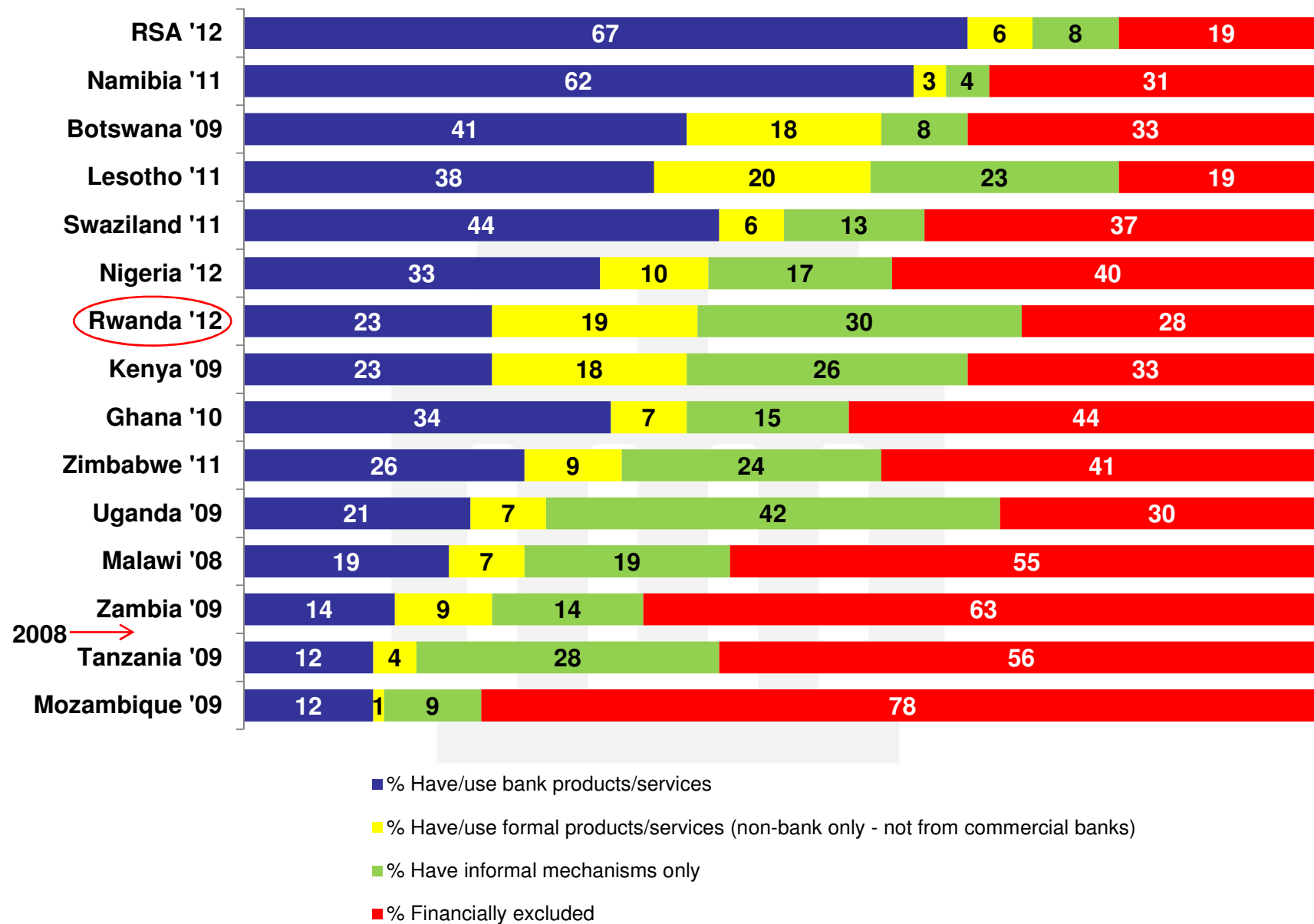


Overlaps in financial products/services usage

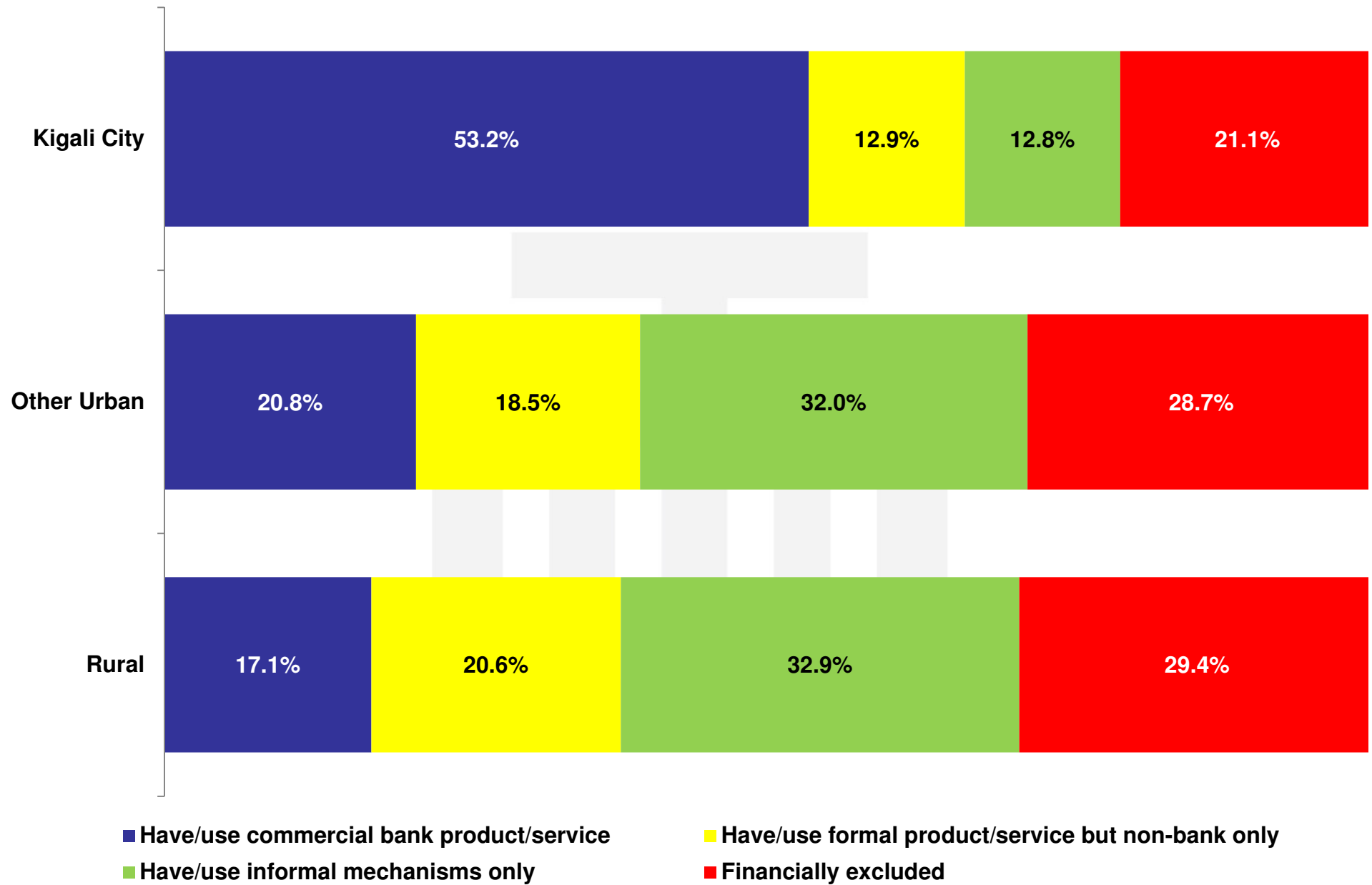




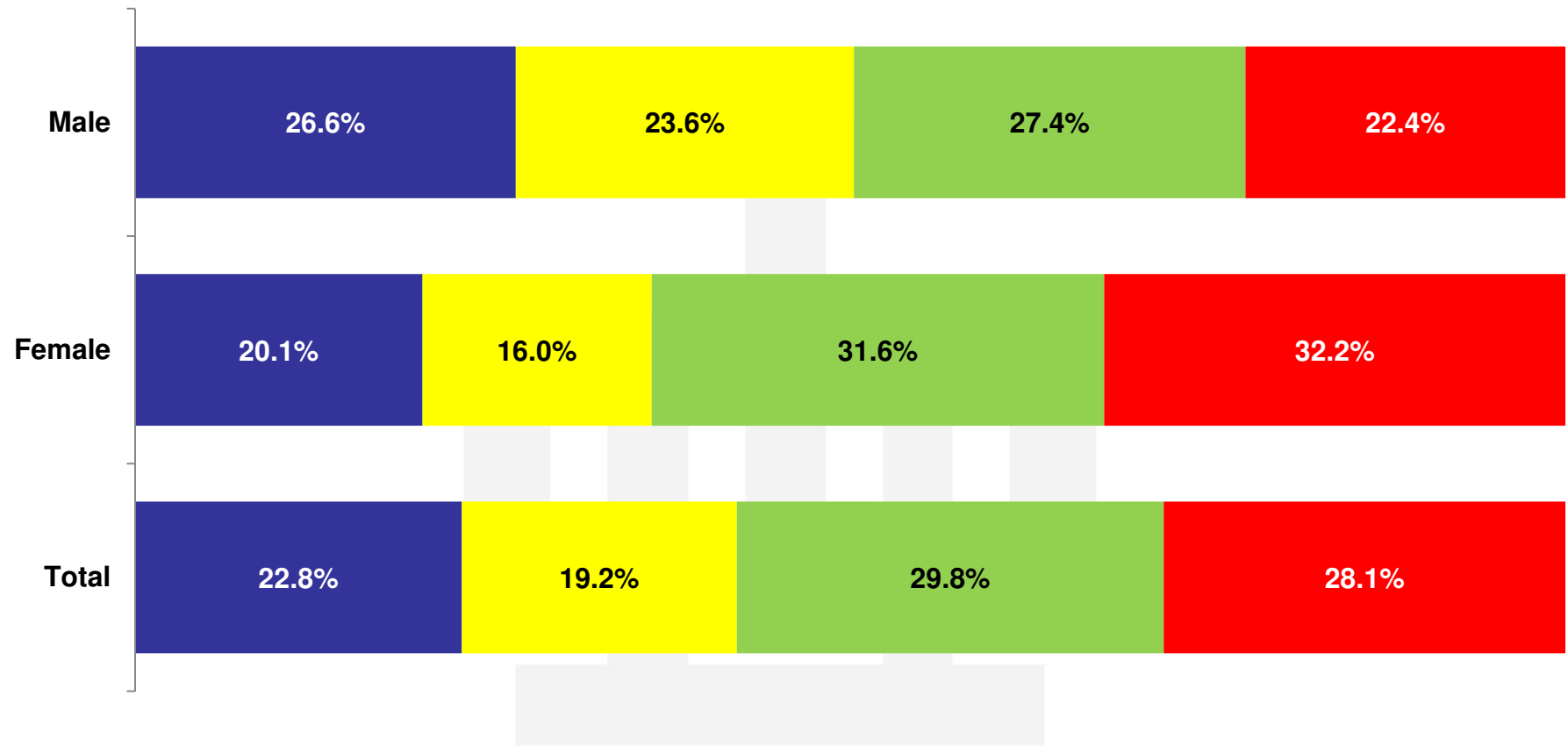
Financial Access Strand (“Uptake strand”)



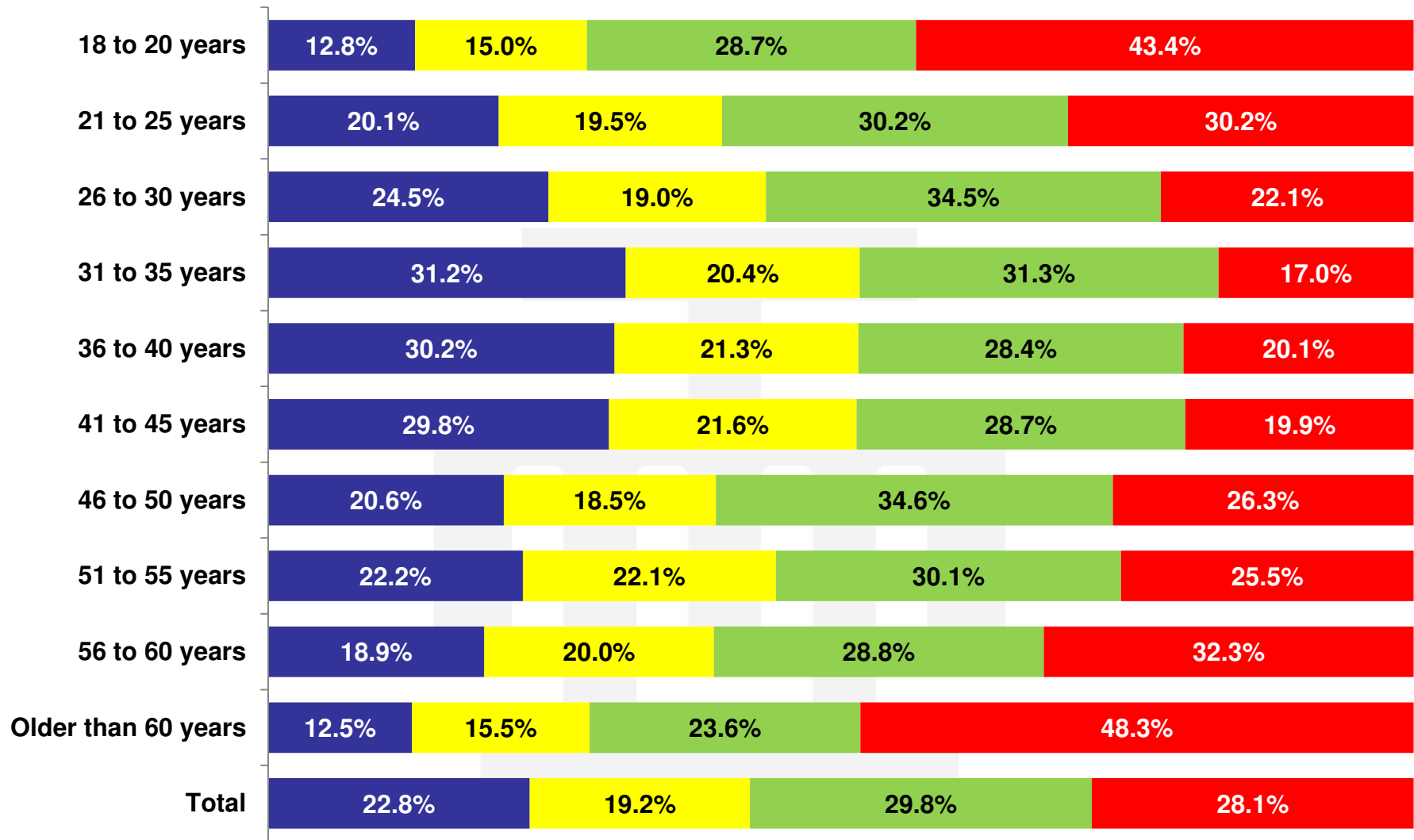
72% Inclusion; 42% formal inclusion – Significant progress since 2008



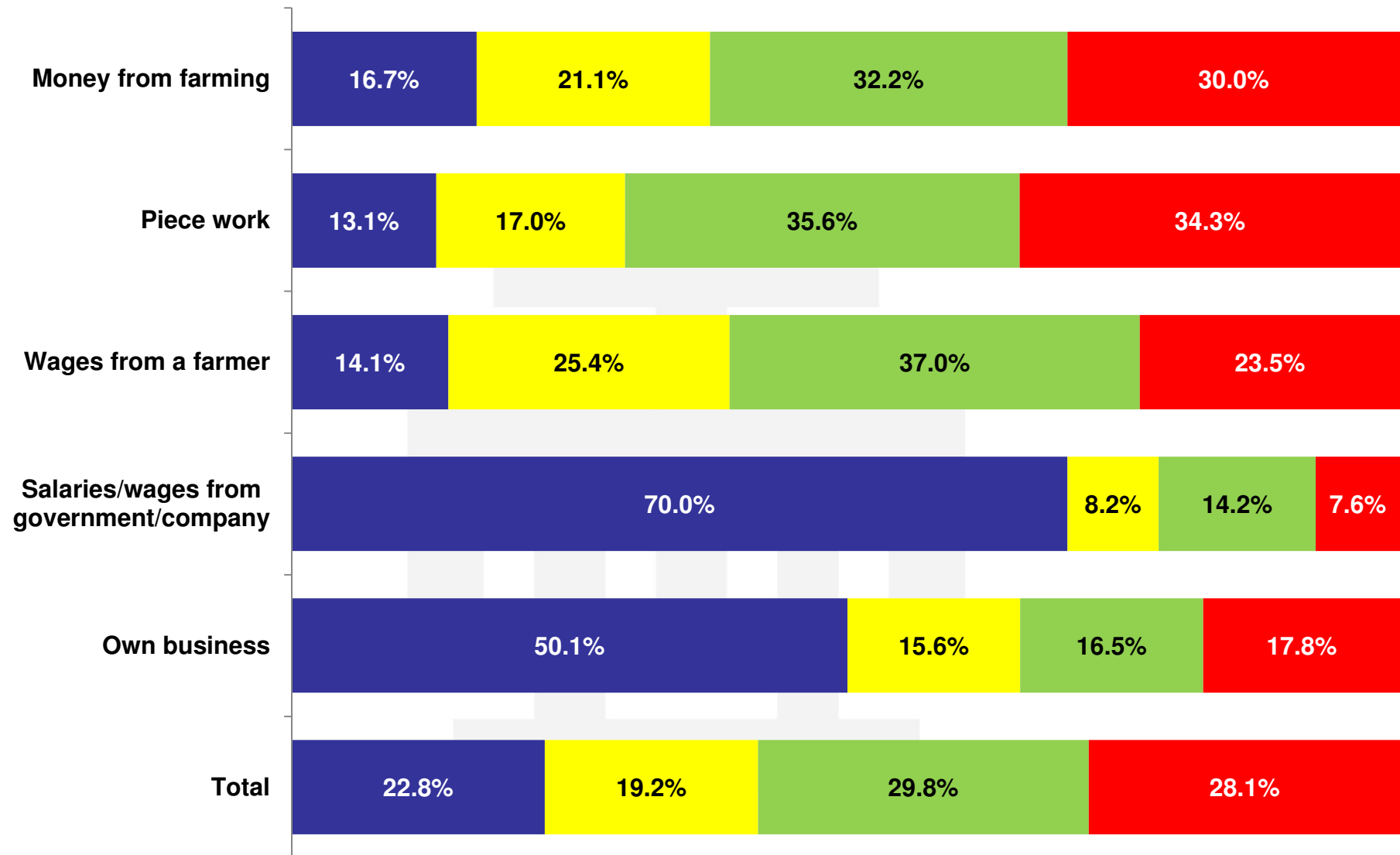
2012 uptake strand – urban/rural



2012 uptake strand – gender



2012 uptake strand – age group comparison

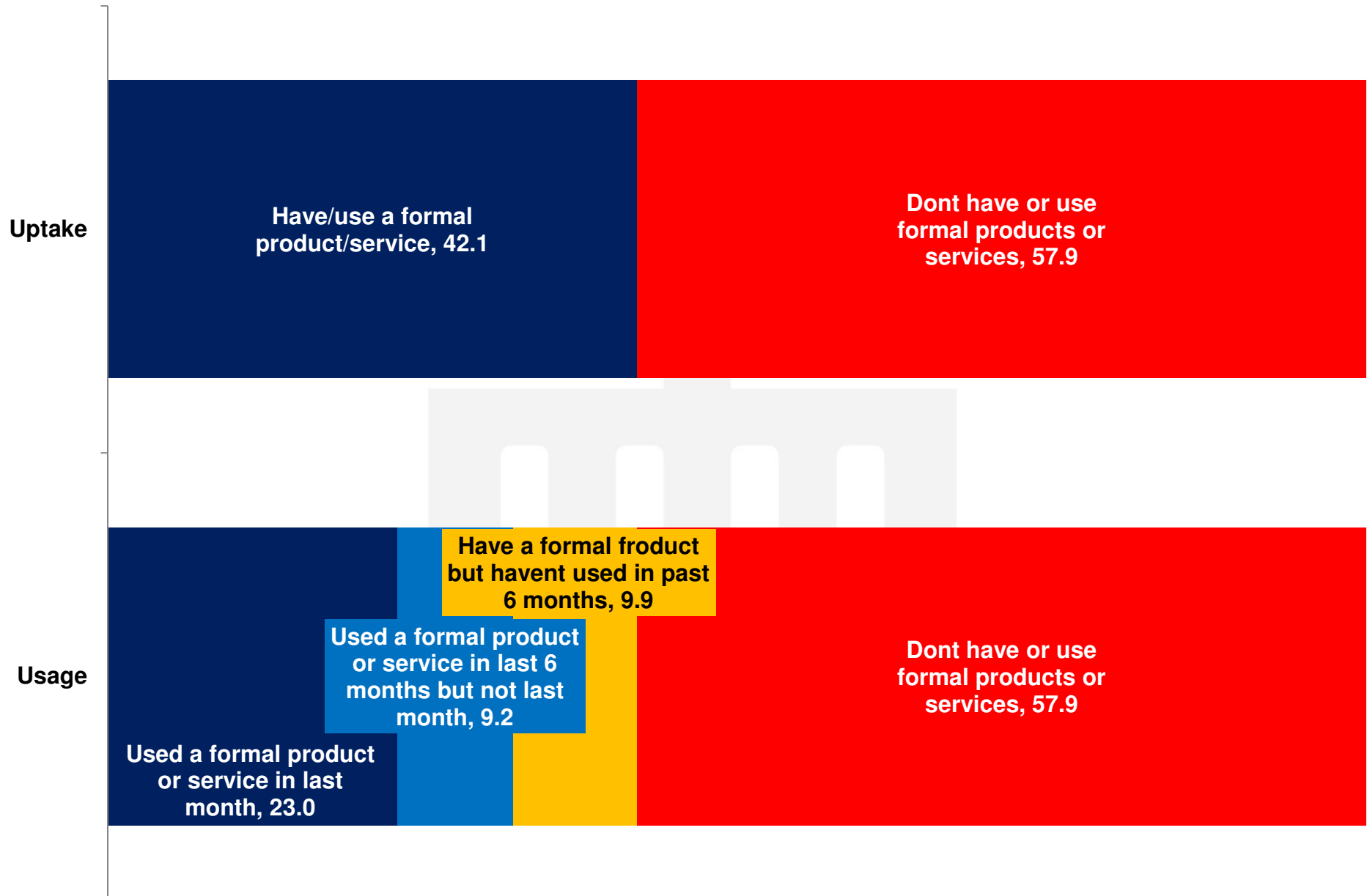


2012 uptake strand – urban/rural



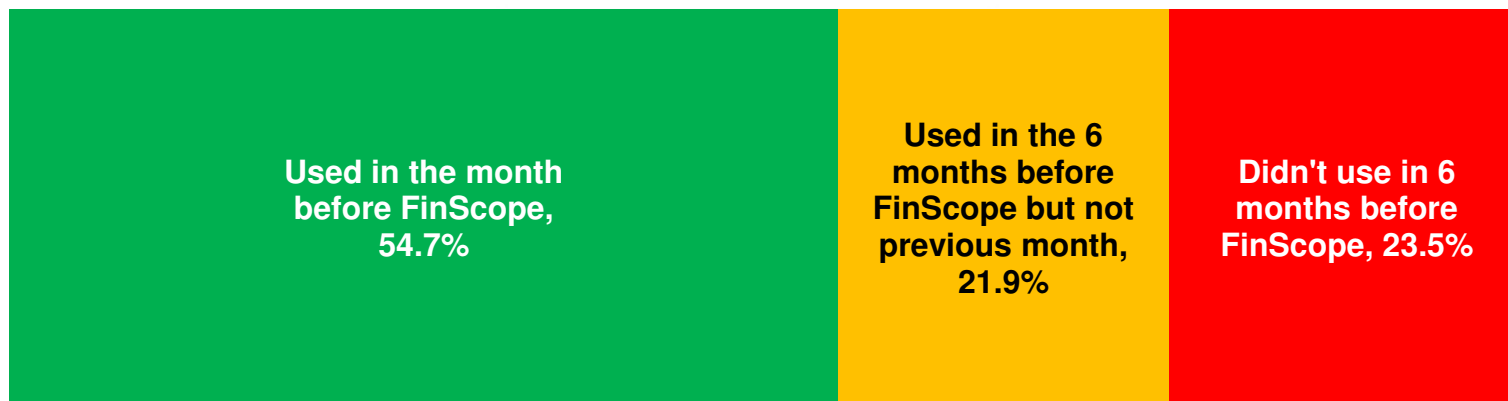
**There has been a significant increase in uptake of financial products especially bank and Umurenge SACCO products but are these products actually actively being USED?**

**Comparing FS 2008 and FS 2012**



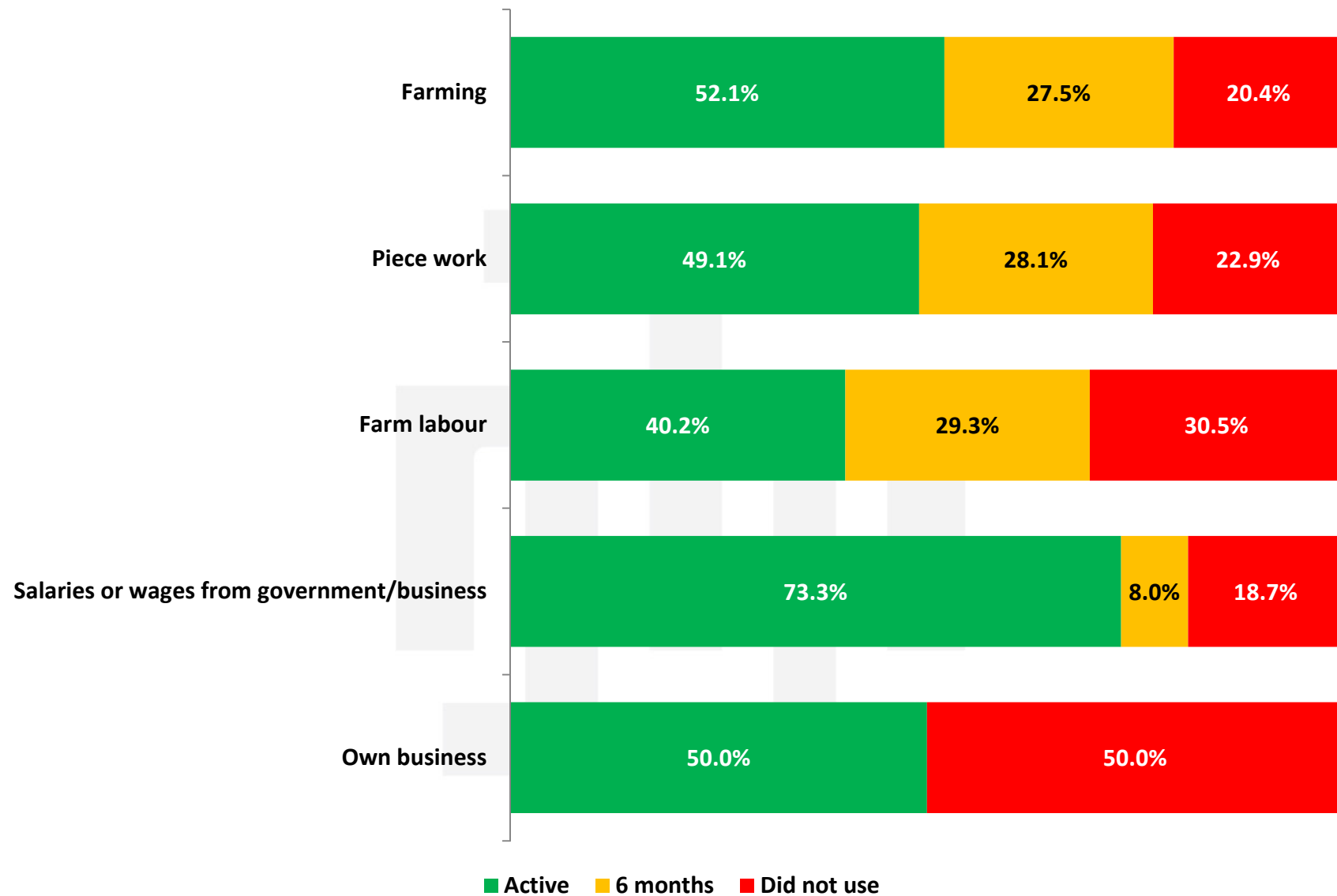
Formal product **uptake** vs. **usage** - 23% of adults have used a formal service or product in the last month (55% of the formally served – 433 000 adults)





**% of adults who had a formal product**

**55% of the formally served – 433 000 adults – actively used their products/services**

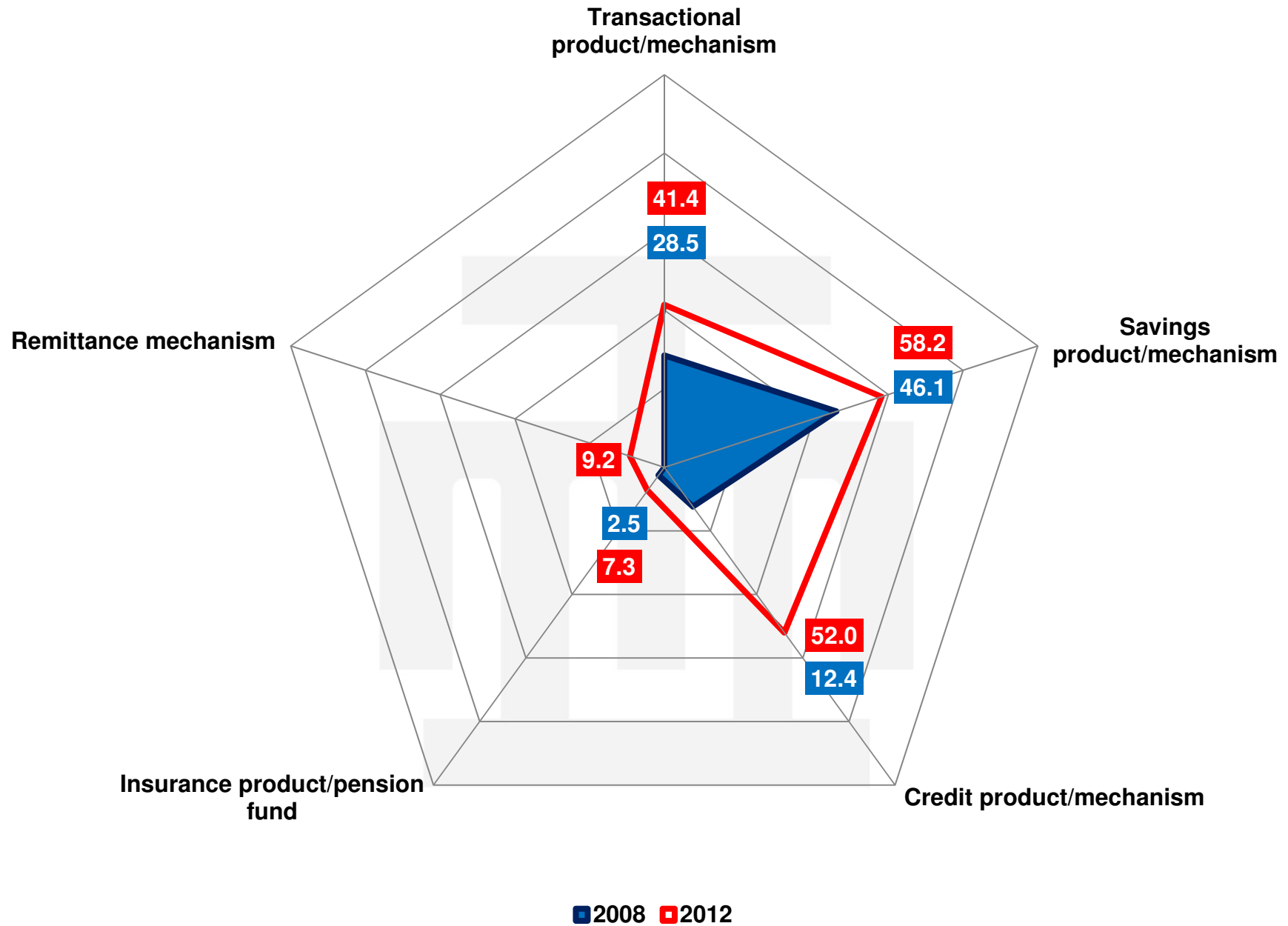


1 in 2 farmers and adults who generate an income through piece work **ACTIVELY** use their formal products

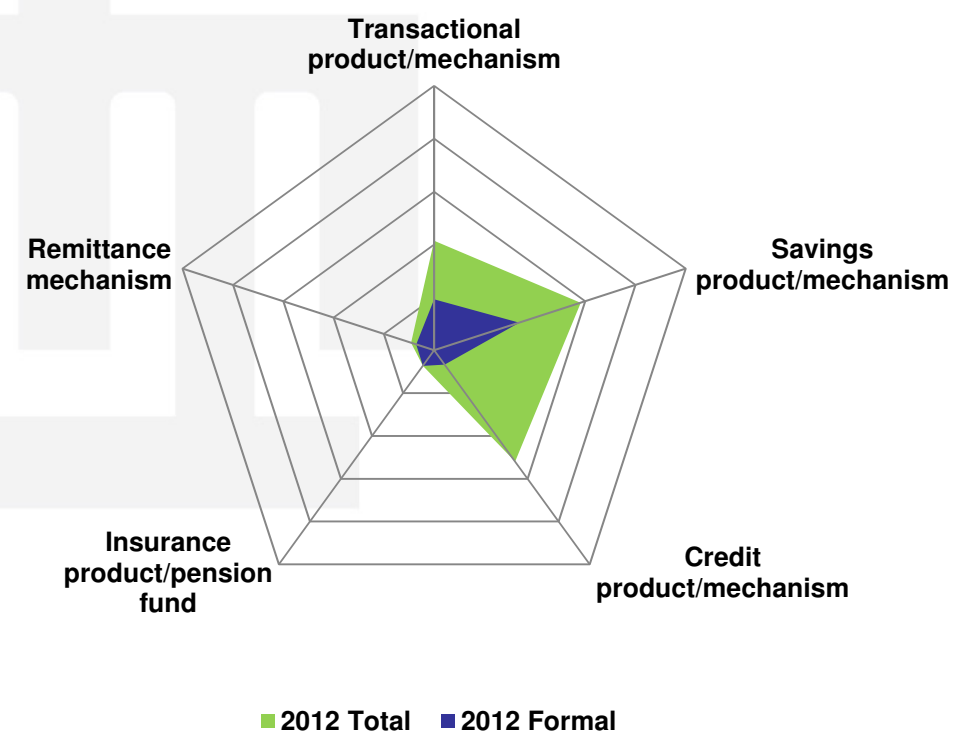
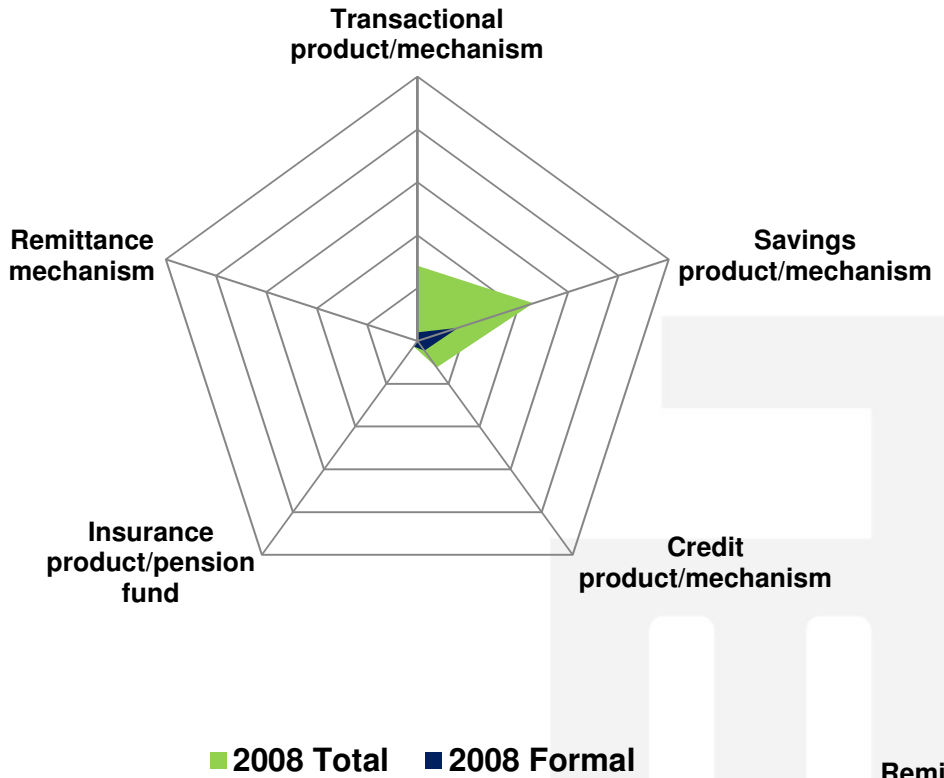


**What kind of products/services do the financially included use?**

**Comparing FS 2008 and FS 2012**



Most significant increase in uptake of credit products



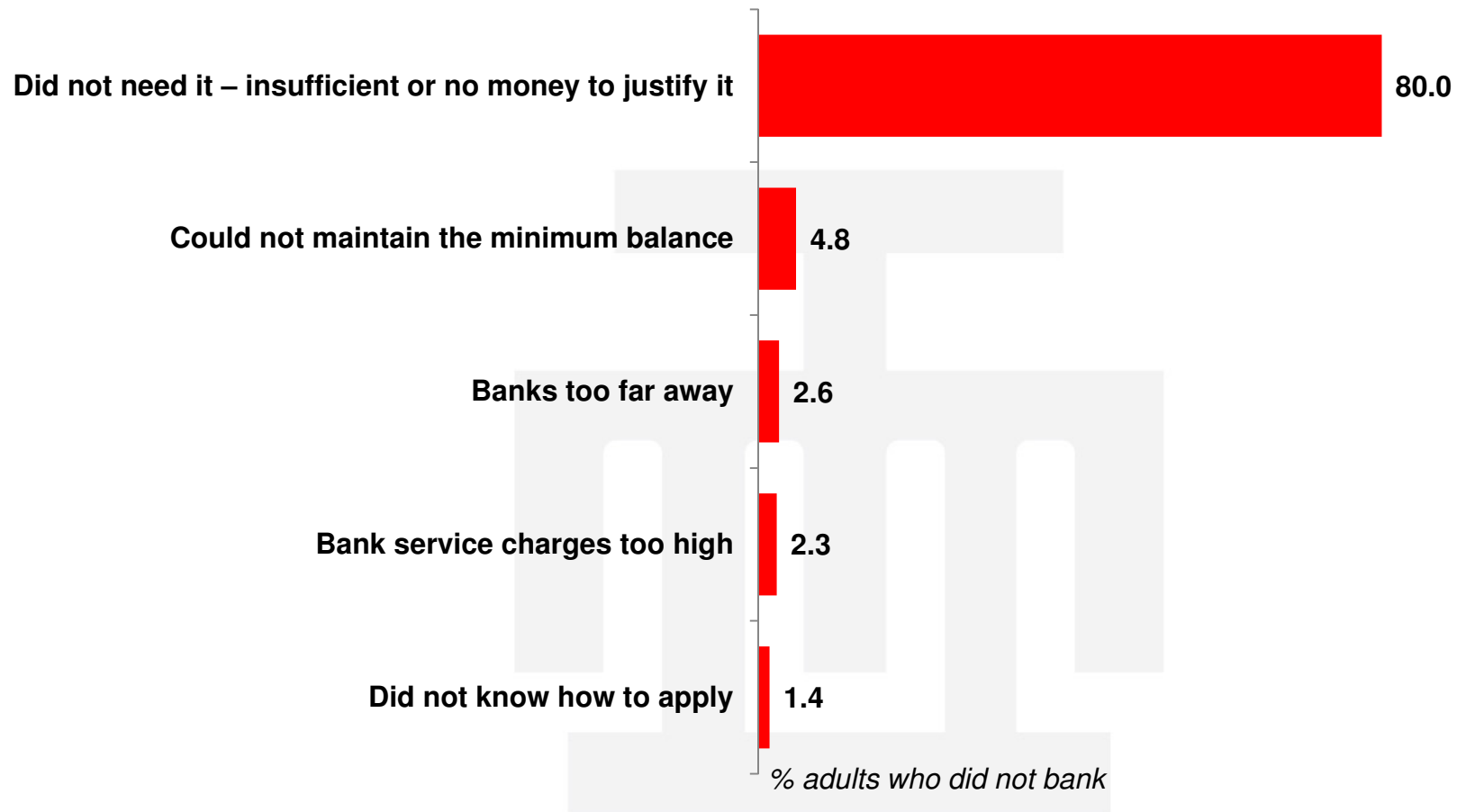
Significant increase in formal uptake overall



**Commercial Bank Product Uptake (23%)**

	% adults	
	Total adult population	Banked population
<b>Urban-rural distribution</b>		
Kigali City	15	34
Other urban	11	10
Rural	74	55
<b>Gender distribution</b>		
Males	42	49
Females	58	51
<b>Age distribution</b>		
18 to 30 years	31	29
31 to 45 years	34	45
46 to 55 years	14	14
Older than 55 years	20	13
<b>Highest level of education achieved</b>		
No formal education	27	12
Primary school levels	56	49
Secondary school levels	14	31
Post secondary school	3	8
<b>Main income generating activities</b>		
Money from farming	38	28
Farm work	14	9
Salary/wages from Government or a business/company	8	25
Piece work	16	9
Own business	3	6
<b>Socio-economic status</b>		
Adults from households in Ubudehe categories 1 & 2	30	12
Adults from households from Ubudehe categories 3 & 4	59	75
Significantly under-represented in banked population		
Significantly over-represented in banked population		

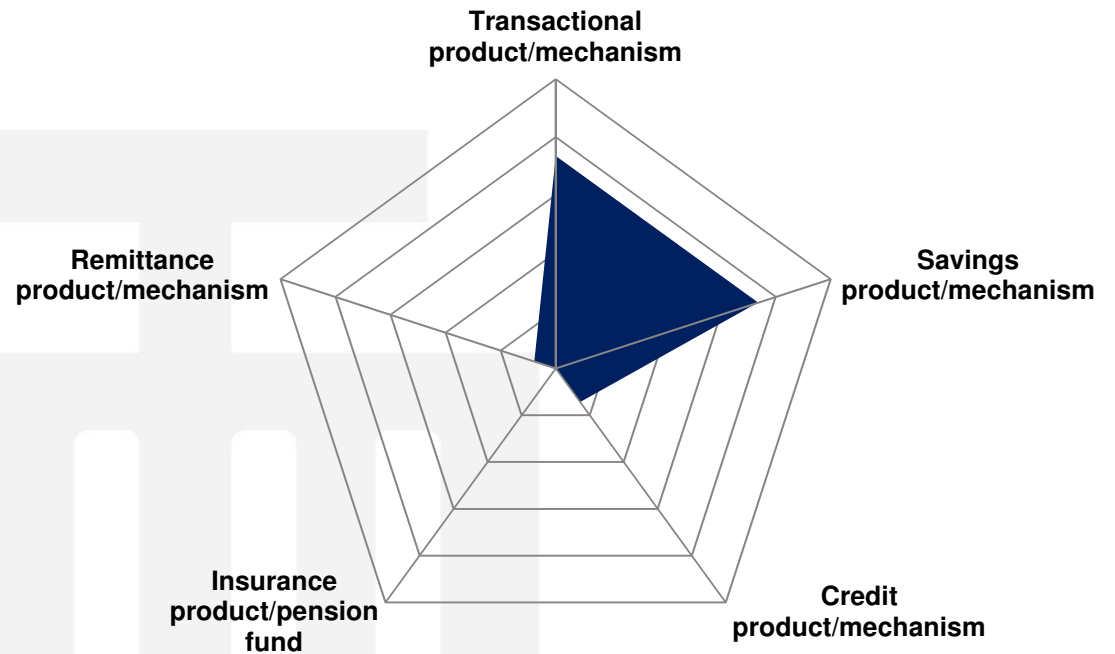
Profile of banked adults – Skewed towards Kigali City; males, adults with higher education levels, salaried workers



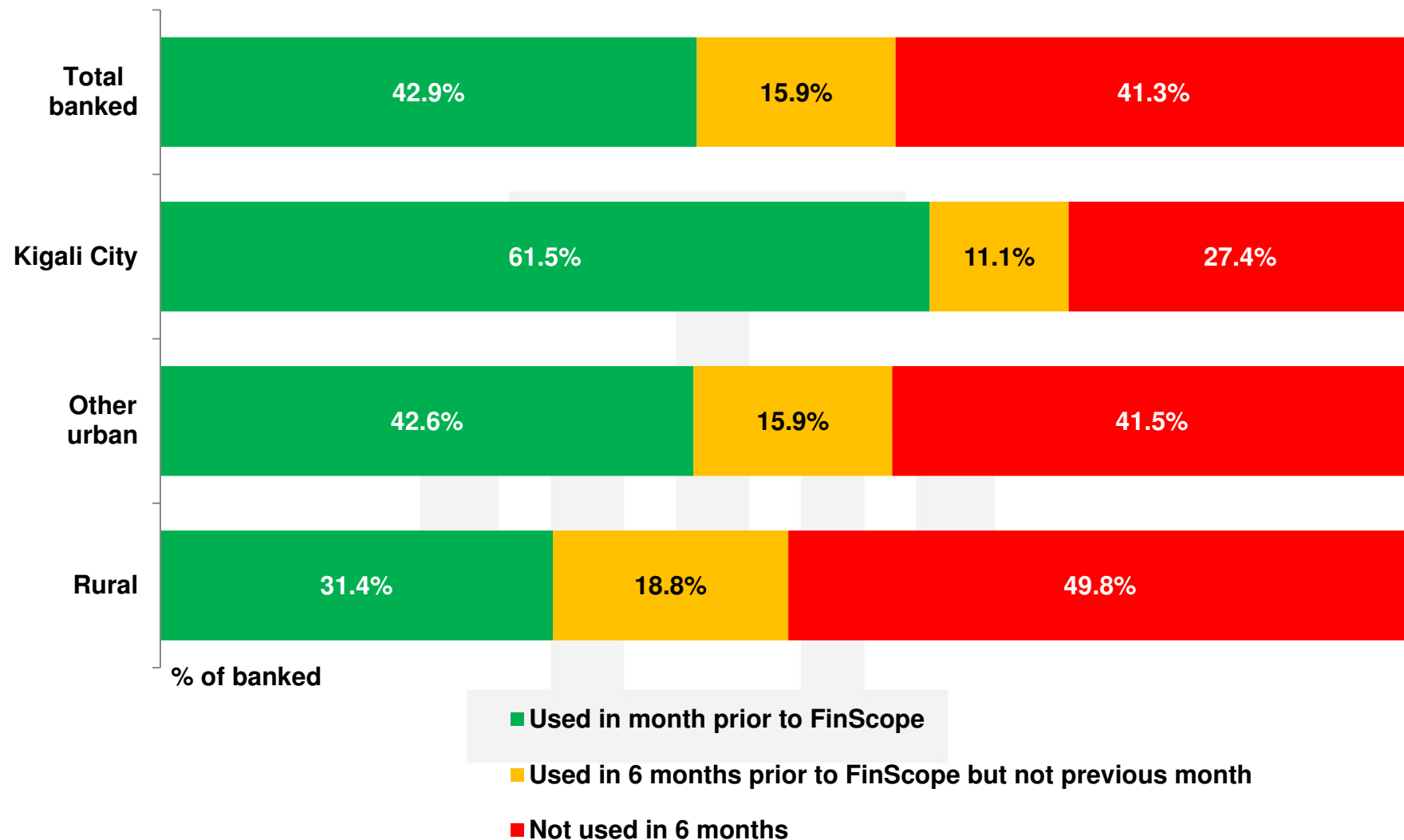
Barriers to banking mainly related to income



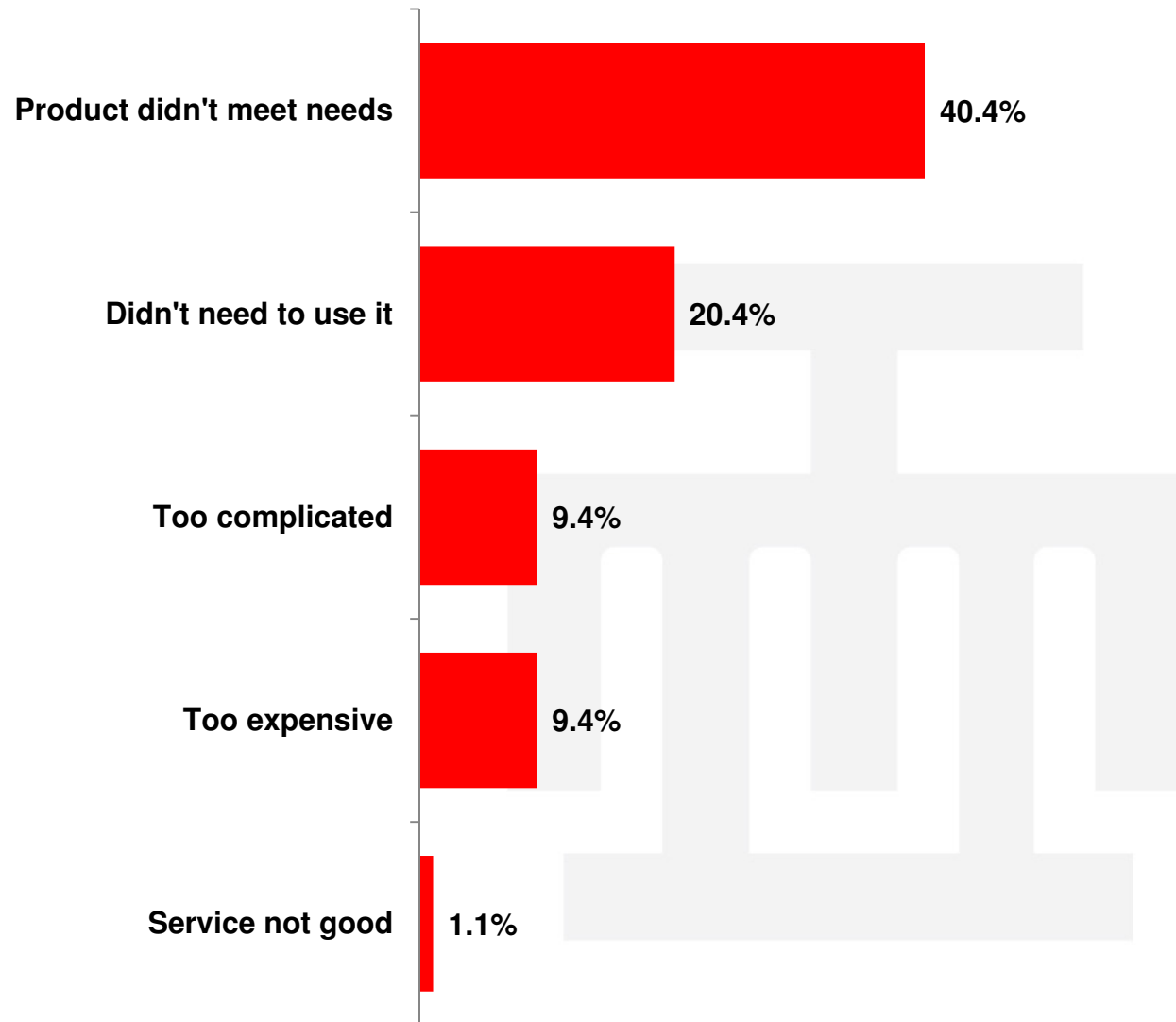
Bank product	% of banked adults that have bank product
Savings account	68.2
Loan account	10.2
Debit card	9.4
Current or cheque account	55.8
Overdraft facilities	2.0
Credit card	0.2
Foreign bank account	0.1



Most likely to have a savings/transactional account



43% of banked adults actively use their products/services



*% of banked population that did not use their bank products in 6 months*

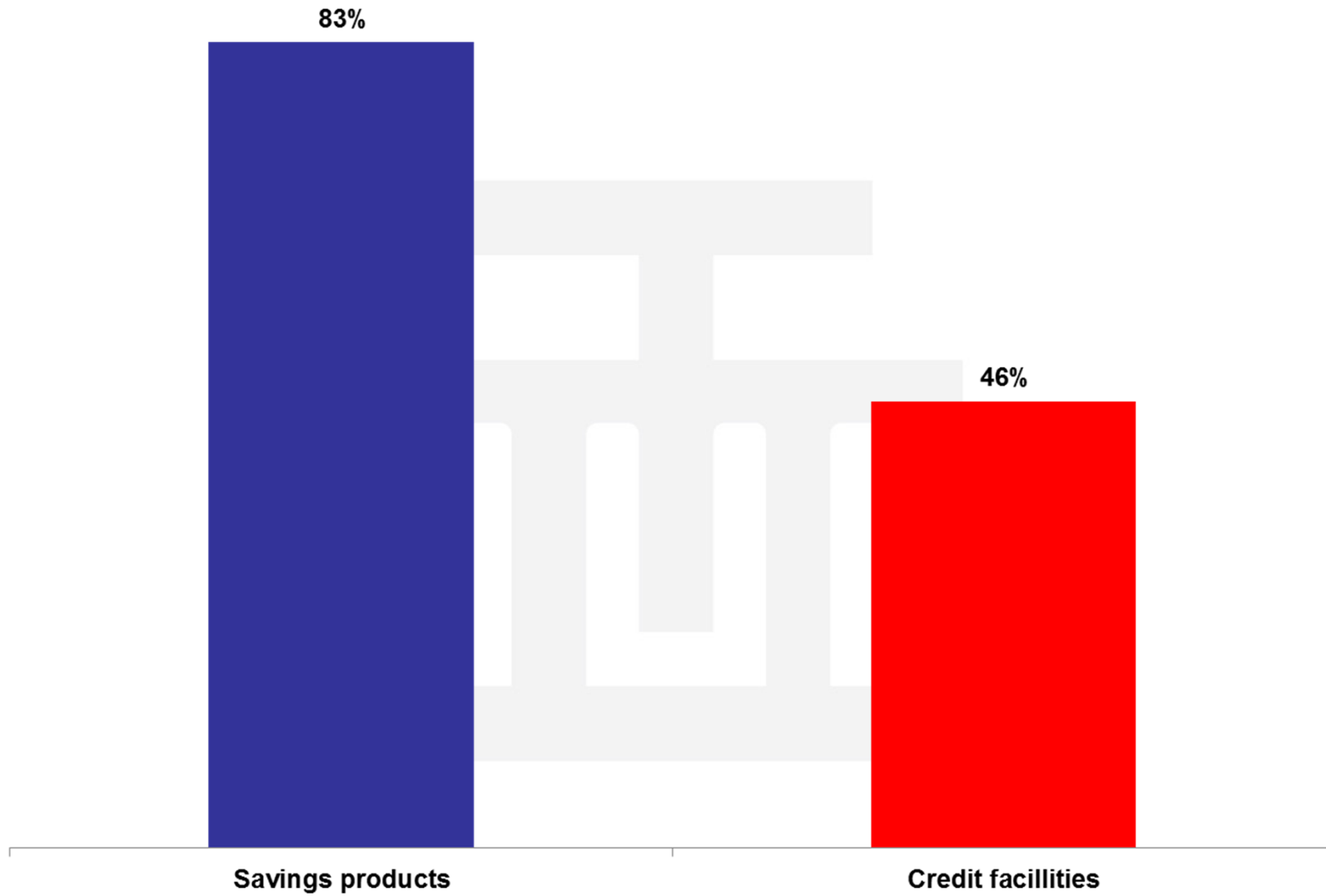
**41% of banked adults did not use their product; barrier to usage mainly linked to unsuitability of product/service**



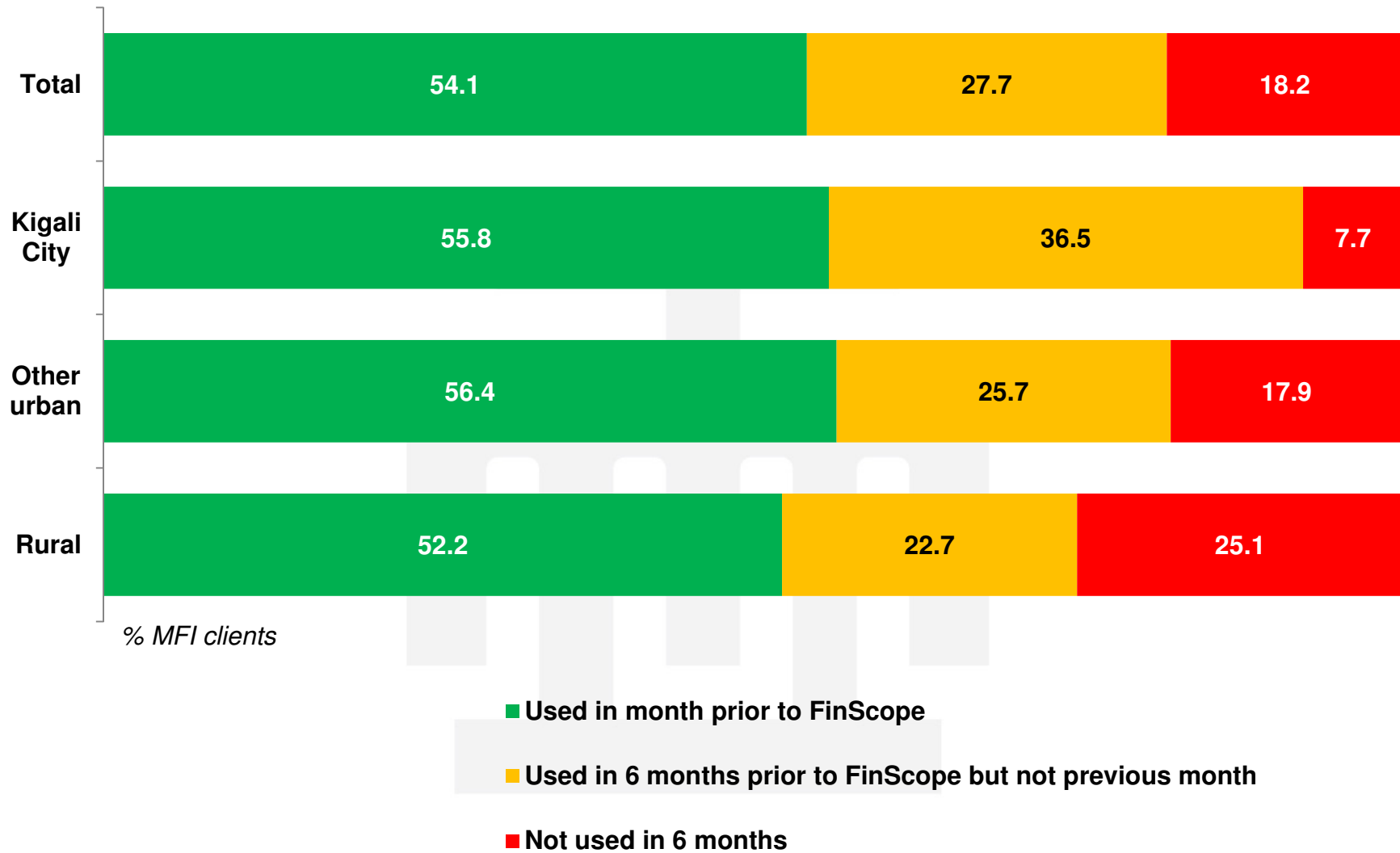
# **Microfinance Institution Product Uptake**

	% adults	
	Total adult population	MFI population
<b>Urban-rural distribution</b>		
Kigali City	15	28
Other urban	11	17
Rural	74	55
<b>Gender distribution</b>		
Males	42	56
Females	58	44
<b>Age distribution</b>		
18 to 30 years	31	27
31 to 45 years	34	44
46 to 55 years	14	16
Older than 55 years	20	13
<b>Highest level of education achieved</b>		
No formal education	27	9
Primary school levels	56	49
Secondary school levels	14	36
Post secondary school	3	6
<b>Main income generating activities</b>		
Money from farming	38	29
Farm work	14	10
Salary/wages from Government or a business/company	8	26
Piece work	16	7
Own business	3	7
<b>Socio-economic status</b>		
Adults from households in Ubudehe categories 1 & 2	30	10
Adults from households in Ubudehe categories 3 & 4	59	75
Significantly under-represented in MFI population		
Significantly over-represented in MFI population		

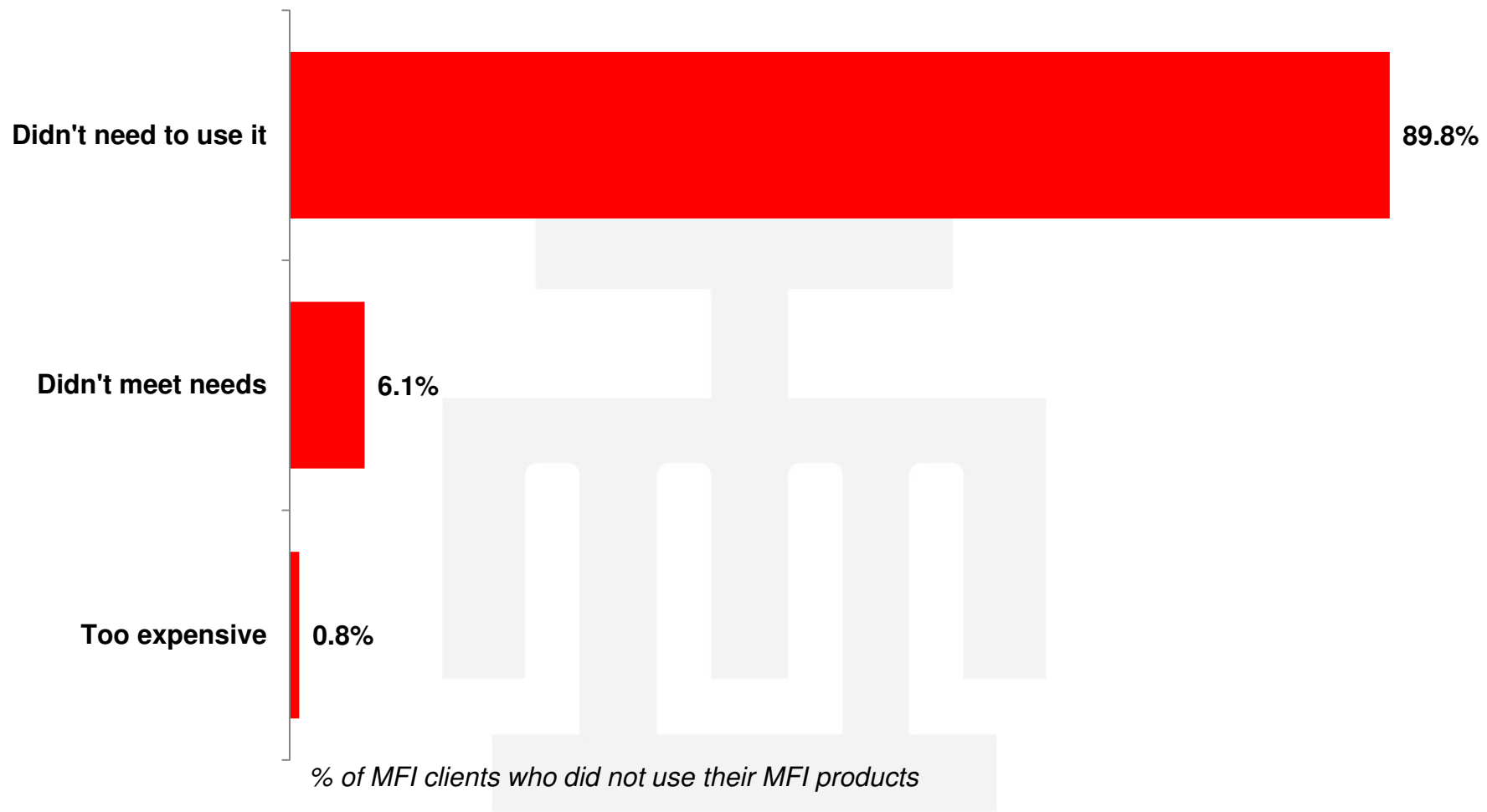
Profile of MFI clients – Skewed towards Kigali City/urban; males, adults with higher education levels, salaried workers



Type of services/products held – skewed towards savings



54% of MFI clients actively use their products



Only 18% of MFI clients did not use their product – Main reason: Need



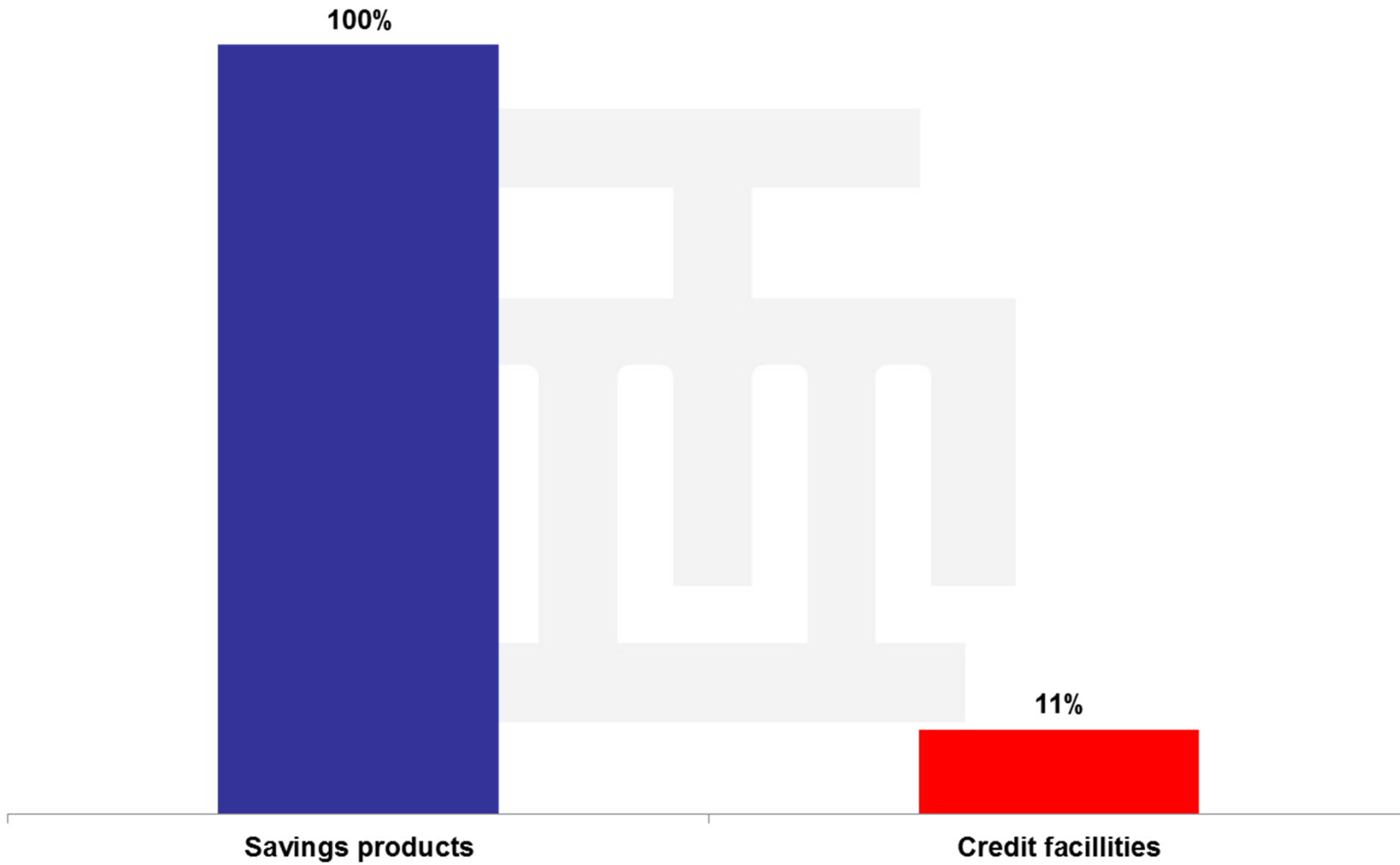


## **Umurenge SACCO Uptake (22%)**

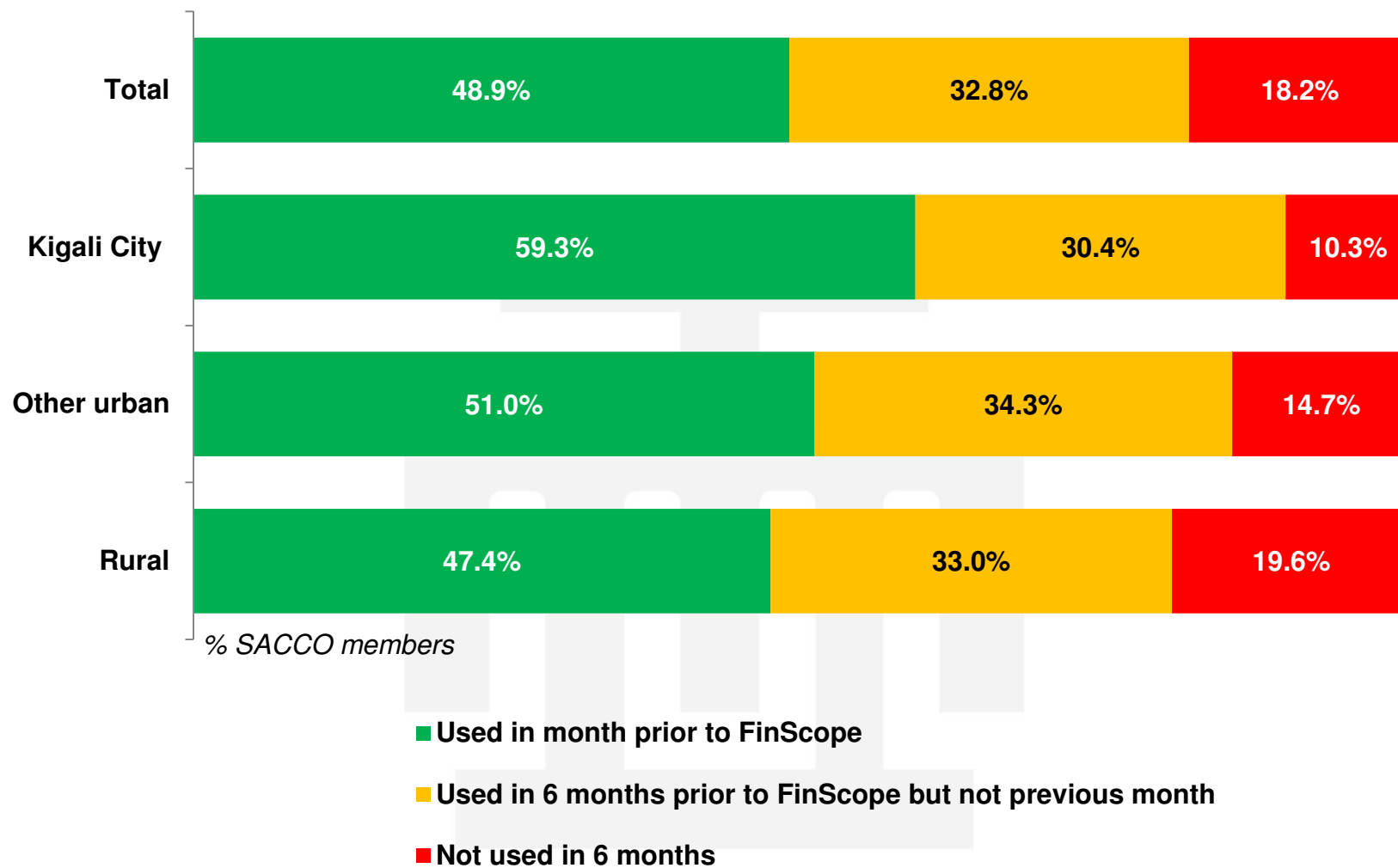
- Most (42%) Umurenge SACCO members joined the SACCO in order to save
- An additional 9% to keep their money safe
- 14% to be able to access credit
- 26% of members joined because they felt they were obliged to.

	% adults	
	Total adult population	SACCO population
<b>Urban-rural distribution</b>		
Kigali City	15	10
Other urban	11	10
Rural	74	80
<b>Gender distribution</b>		
Males	42	55
Females	58	45
<b>Age distribution</b>		
18 to 30 years	31	26
31 to 45 years	34	45
46 to 55 years	14	14
Older than 55 years	20	13
<b>Highest level of education achieved</b>		
No formal education	27	19
Primary school levels	56	61
Secondary school levels	14	18
Post secondary school	3	3
<b>Main income generating activities</b>		
Money from farming	38	40
Farm work	14	17
Salary/wages from Government or a business/company	8	10
Piece work	16	13
Own business	3	2
<b>Socio-economic status</b>		
Adults from households in Ubudehe categories 1 & 2	30	24
Adults from households in Ubudehe categories 3 & 4	59	70
Significantly under-represented amongst SACCO members		
Significantly over-represented amongst SACCO members		

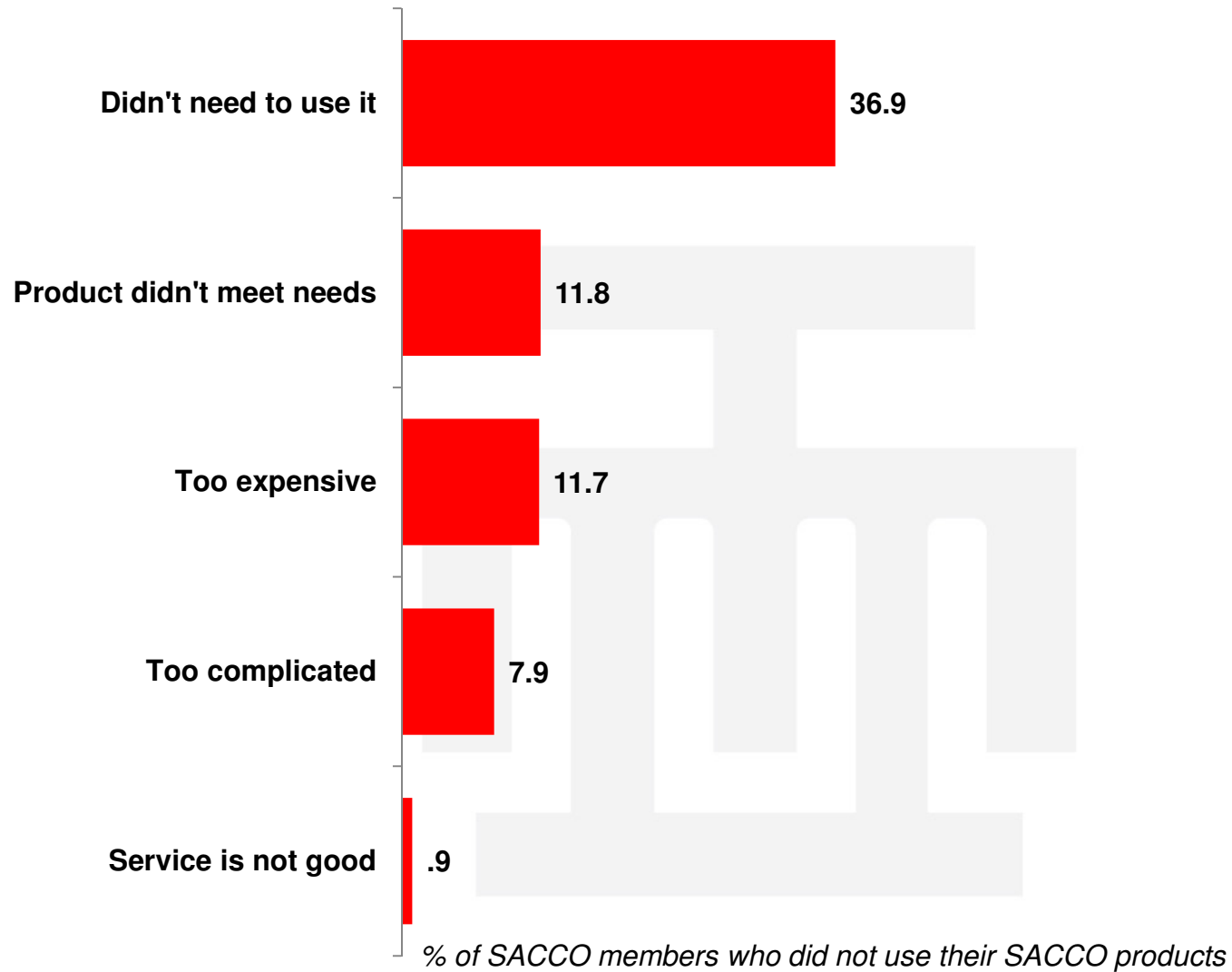
Uptake skewed towards rural; adults with lower levels of education



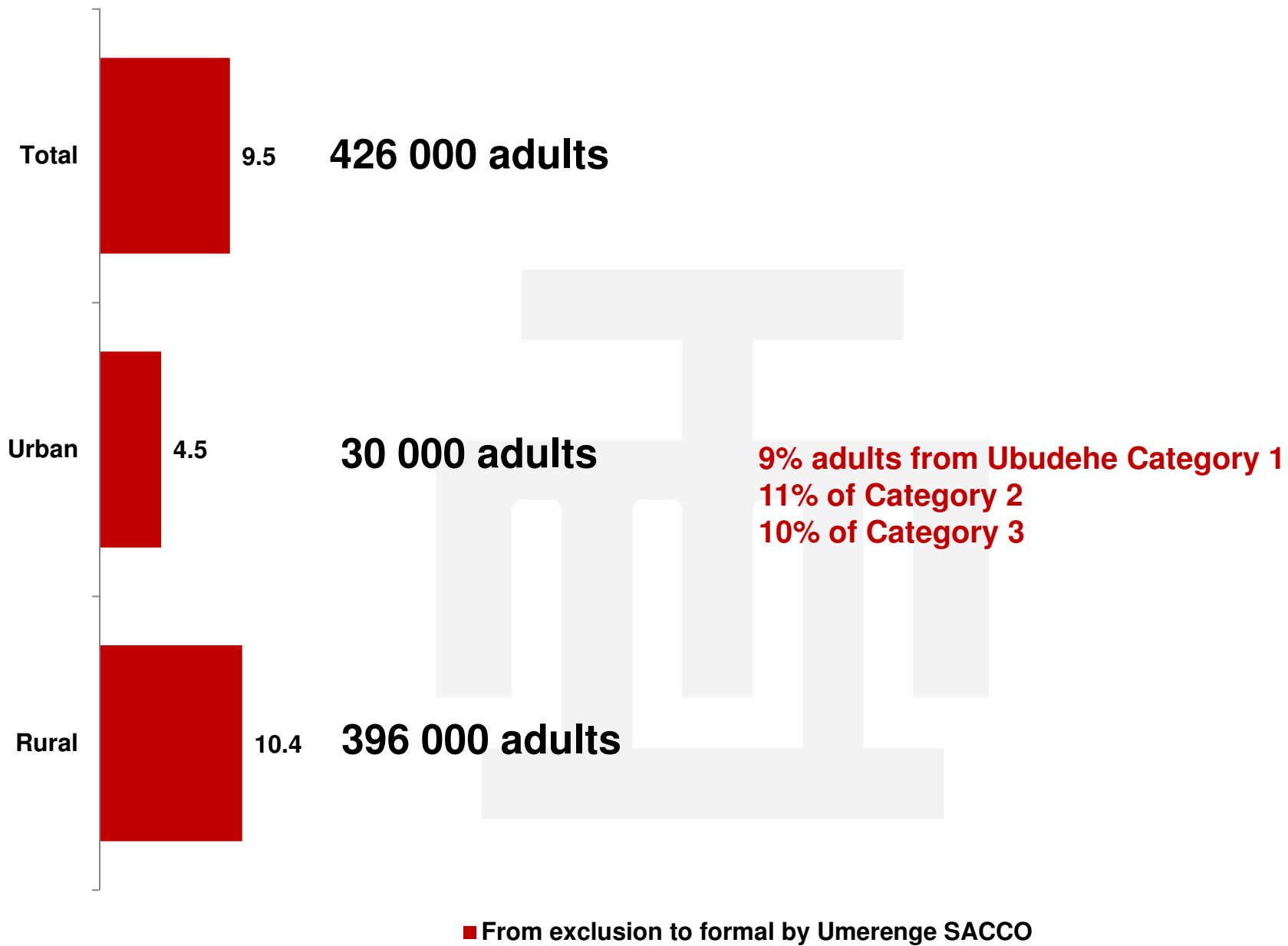
Type of products held – skewed towards savings



49% of members actively used their products; 47% in rural areas



Only 18% of Umurenge SACCO clients did not use their product – Main reason: Need



Incremental effect of SACCOs on inclusion

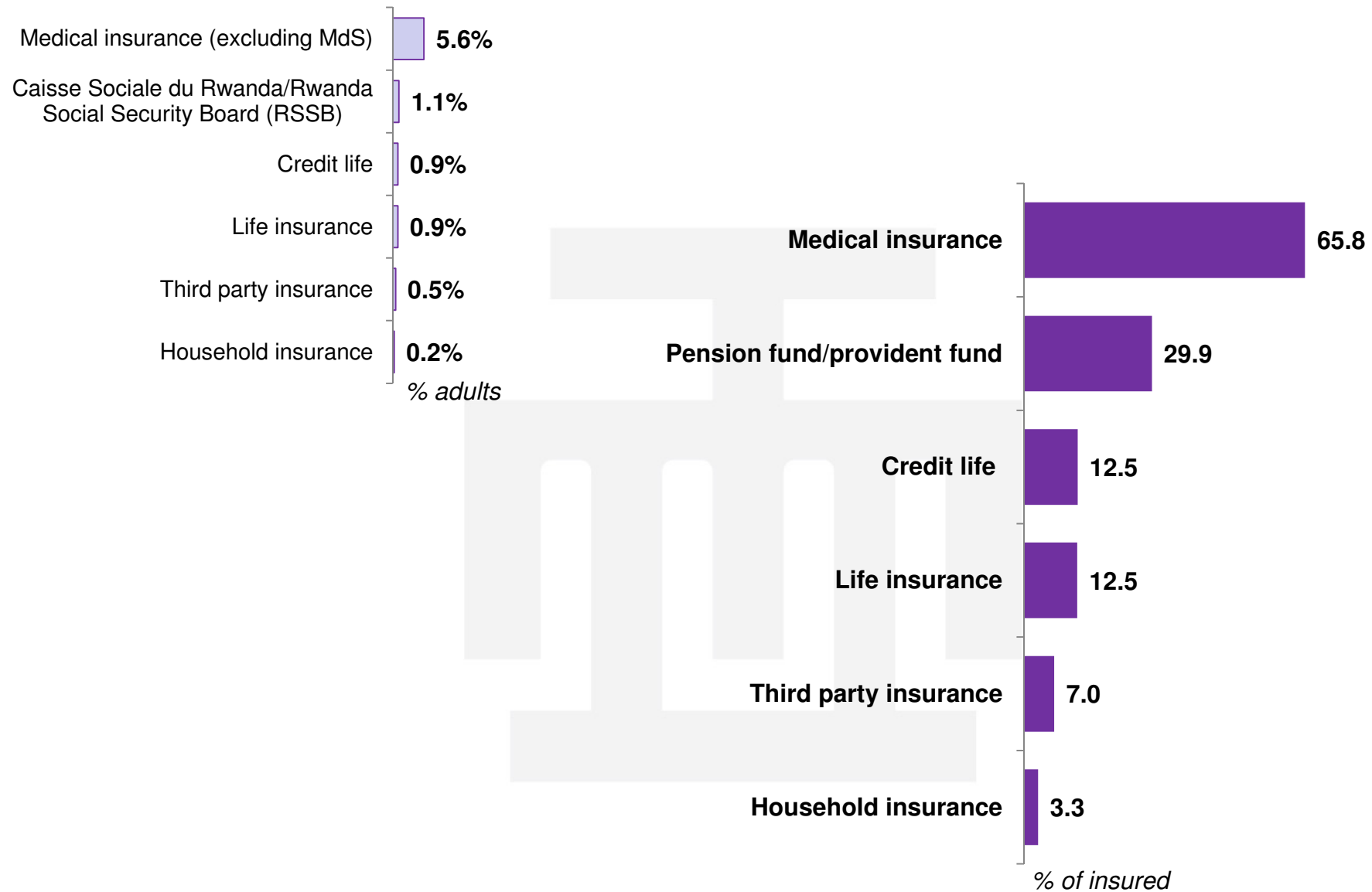


## **Insurance & Pension Product Uptake**

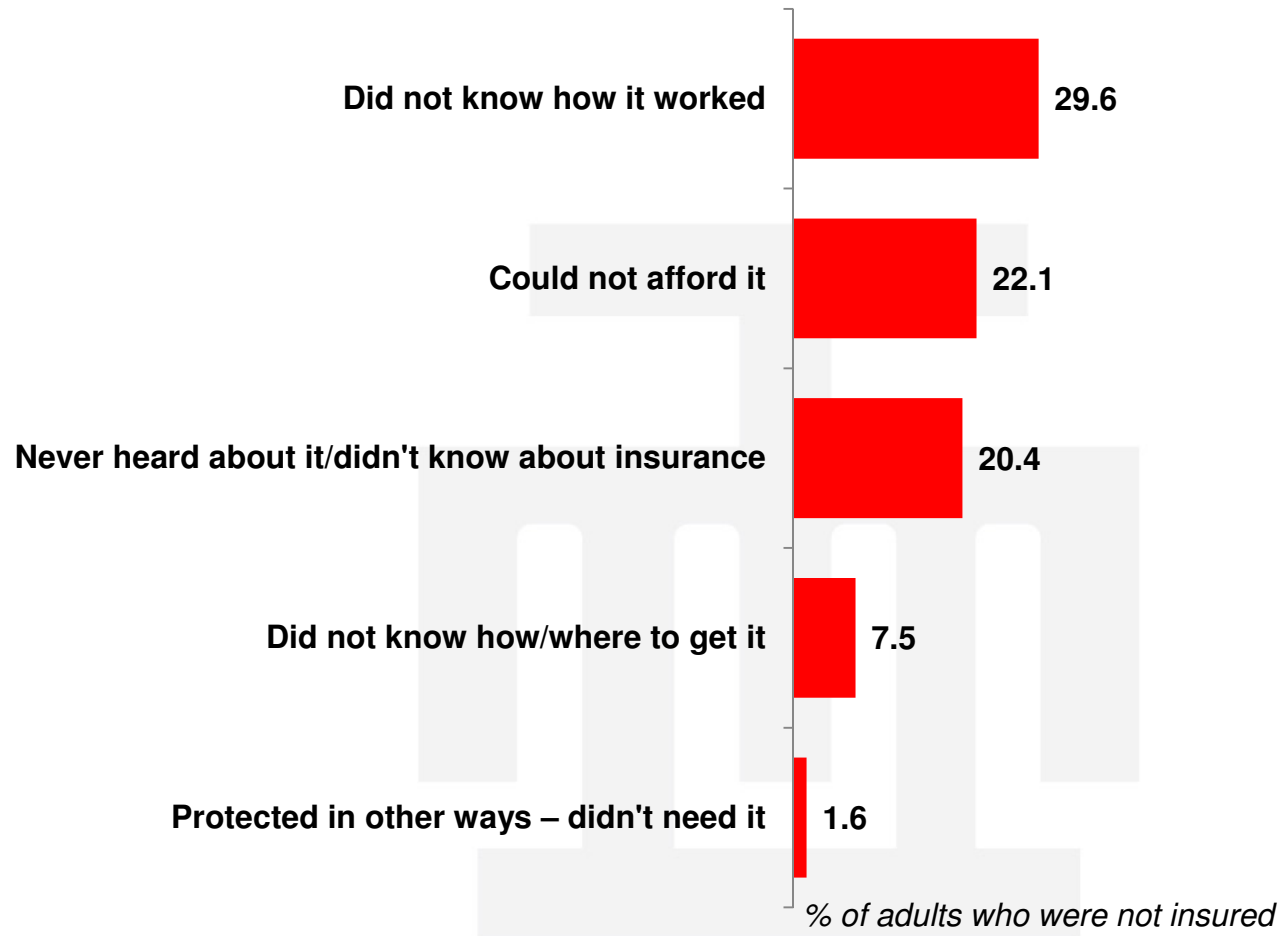
	% adults	
	Total adult population	Insured adults
<b>Gender distribution</b>		
Males	42	48
Females	58	52
<b>Age distribution</b>		
18 to 30 years	31	27
31 to 45 years	34	48
46 to 55 years	14	12
Older than 55 years	20	13
<b>Highest level of education achieved</b>		
No formal education	27	10
Primary school levels	56	35
Secondary school levels	14	40
Post secondary school	3	15
<b>Income generating activities</b>		
Money from farming	47	11
Farm work	15	6
Salary/wages from Government or a business/company	8	28
Piece work	33	3
Own business	9	0
<b>Socio-economic status</b>		
Adults from households in Ubudehe categories 1	5	1
Adults from households in Ubudehe categories 2	26	13
Adults from households in Ubudehe categories 3	50	38
Adults from households in Ubudehe categories 4	8	25
Significantly higher than total population		
Significantly lower than total population		

## Profile of the insured





Insurance uptake driven by long-term orientation;  
 71% of adults covered by Mutuelle de Sante; 5.6% other medical



Most significant barrier to insurance product uptake is lack of understanding/knowledge

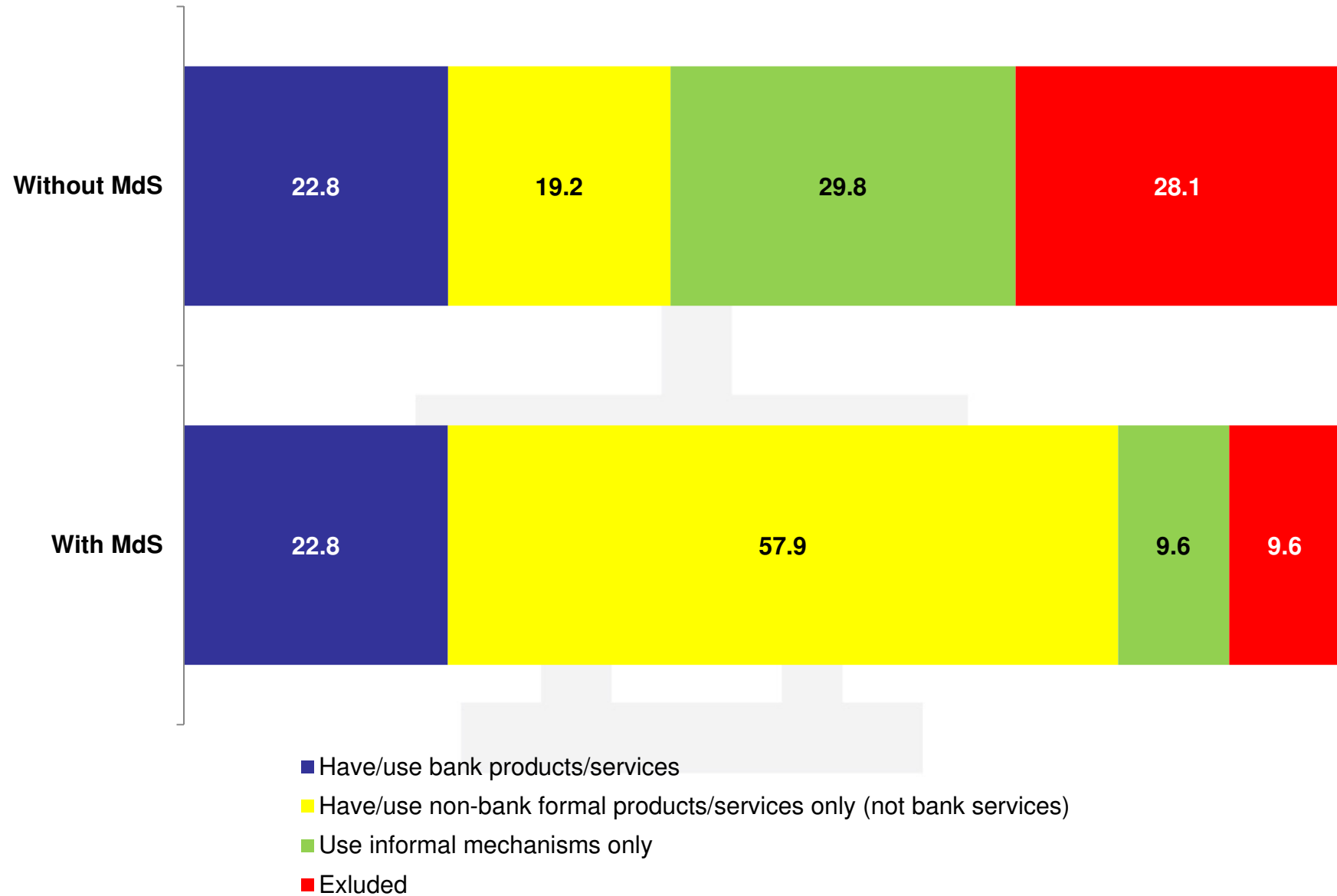
**Micro-insurance** is the protection of low-income people against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. The target population typically consists of persons ignored by mainstream commercial insurance schemes, as well as persons who have not previously had access to appropriate insurance products.

### **Mutuelle de Sante:**

- Increase in the proportion of the population accessing health care
- Decrease in mortality and certain disease prevalence rates

### **Question:**

- *Should social insurance schemes be regarded as financial inclusion?*



74% of Rwandan adults with insurance; 90% of adults *financially included*; only 10% of adults *financially excluded*; 81% of adults *formally served*



## **Informal Mechanism Uptake**

	% adults		
	Total adult population	Total informally served population	Population relying on informal mechanisms ONLY
<b>Urban-rural distribution</b>			
Kigali City	15	12	6
Other urban	11	12	12
Rural	74	76	81
<b>Gender distribution</b>			
Males	42	45	39
Females	58	55	61
<b>Age distribution</b>			
18 to 30 years	31	31	34
31 to 45 years	34	39	34
46 to 55 years	14	15	16
Older than 55 years	20	15	17
<b>Highest level of education achieved</b>			
No formal education	27	24	32
Primary school levels	56	60	60
Secondary school levels	14	14	7
Post secondary school	3	3	1
<b>Main income generating activities</b>			
Money from farming	45	43	47
Farm work	20	21	24
Salary/wages from Government or a business/company	12	13	6
Piece work	10	11	14
<b>Socio-economic status</b>			
Adults from households in Ubudehe categories 1 & 2	30	27	35
Adults from households in Ubudehe categories 3 & 4	59	64	56
Significantly under-represented in informally served population			
Significantly over-represented in informally served population			

Profile of the informally served – Informal sector reliance skewed towards adults in rural areas, those with lower levels of education & those from lower Ubudehe categories

	<b>% of all adults who use informal mechanisms</b>	<b>% of adults who relied on informal mechanisms ONLY and used NO formal products/services</b>
Informal savings mechanisms	69.8	68.1
Informal credit mechanisms	84.2	86
Informal remittance mechanisms	4.0	2.3

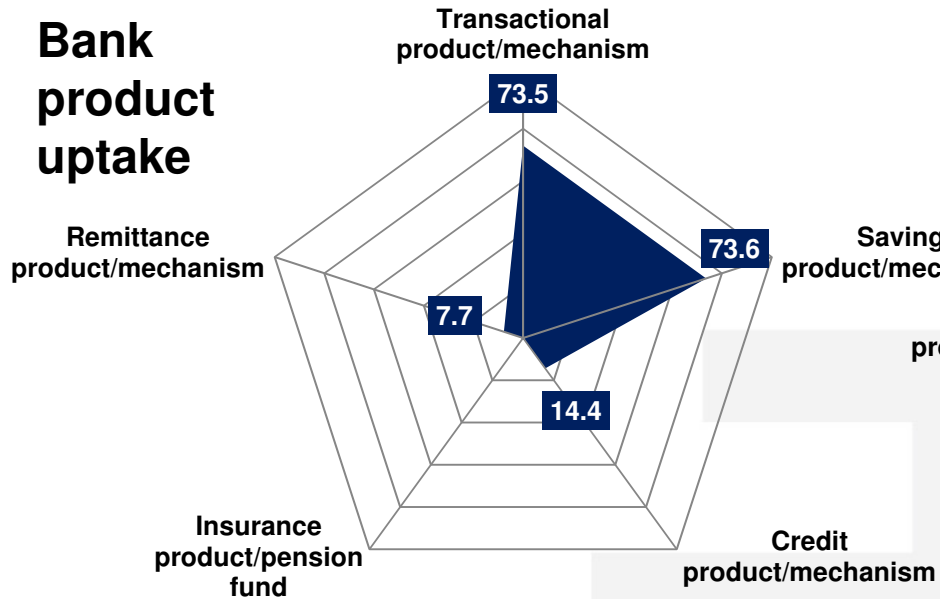
Types of informal mechanisms used



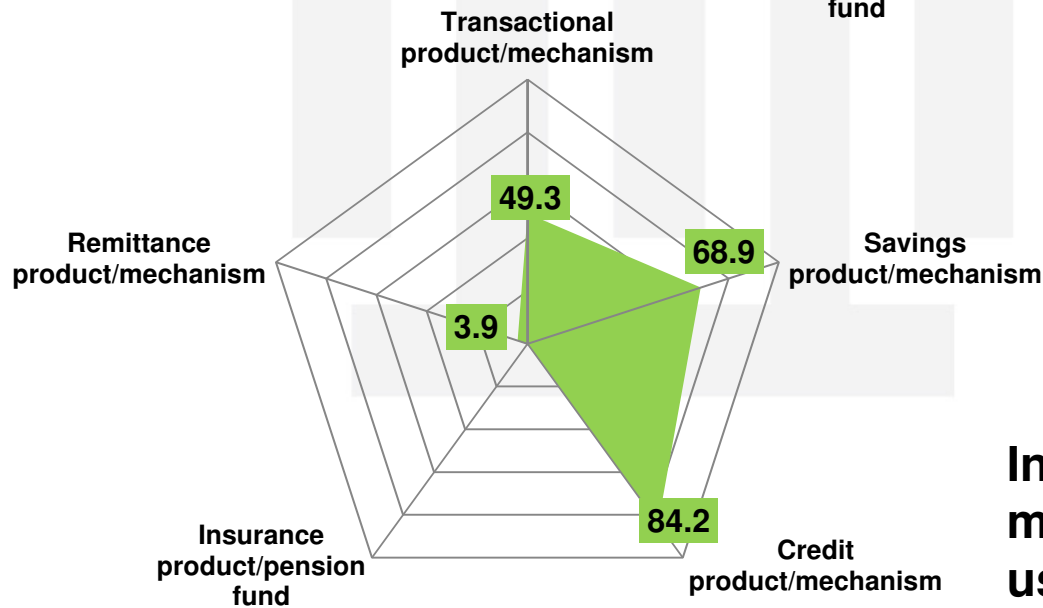
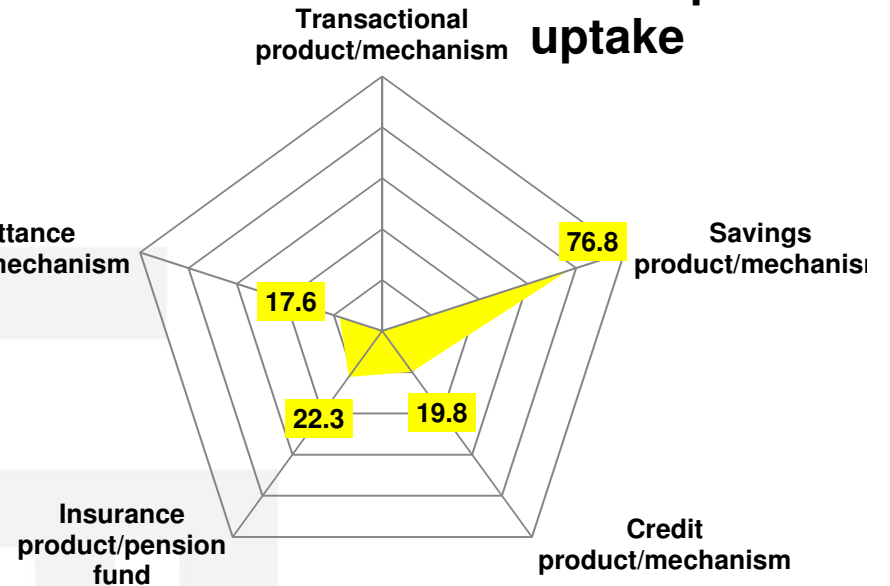
## Comparing Sectors



# Bank product uptake



# Non-Bank formal product uptake



# Informal mechanism usage

Most non-bank FI clients save; most informal users borrow

## **Money Management Practices**

- Transacting & remitting
- Saving
- Borrowing
- Risk mitigation



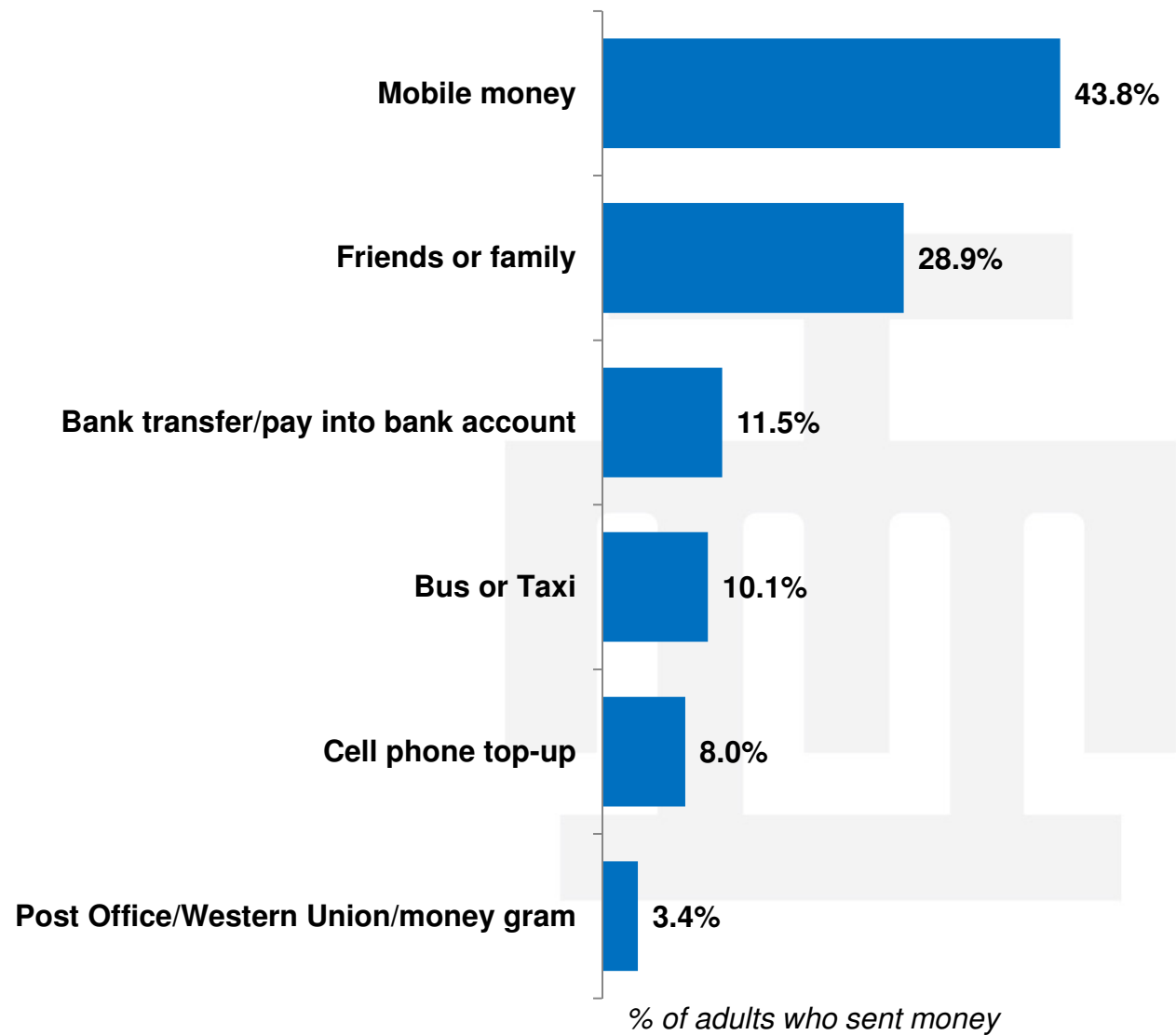
## **Transacting and Remitting**

- Food, clothes and even larger appliances paid for in cash

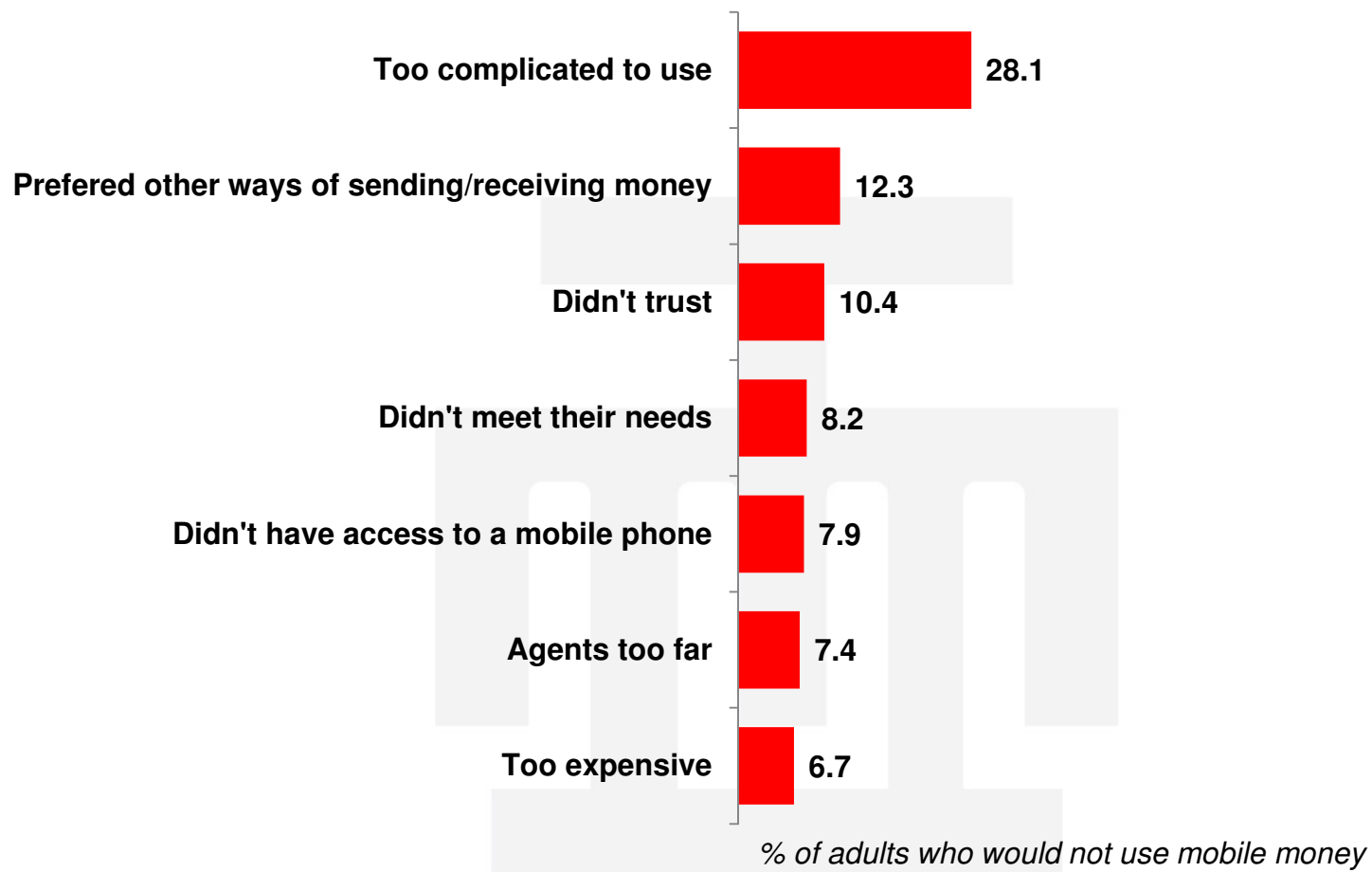
**Farmers:**

- 26% of adults who needed farming inputs did not buy these as they kept seed from their own harvest for the next season
- 25% sold produce or livestock to get money for inputs
- 12% used money from other sources of income
- 6% used savings they put aside specifically for this purpose

- 14% (0.6 million) of Rwandan adults sent/received money during the six month period prior to FinScope 2012
- 53% of those who sent/received money (7% of adults) used formal remittance services such as mobile money, Western Union, bank transfers
- 17% of those who sent/received money (2% of adults) used informal mechanisms



5% uptake of mobile money – but the most used remittance mechanism

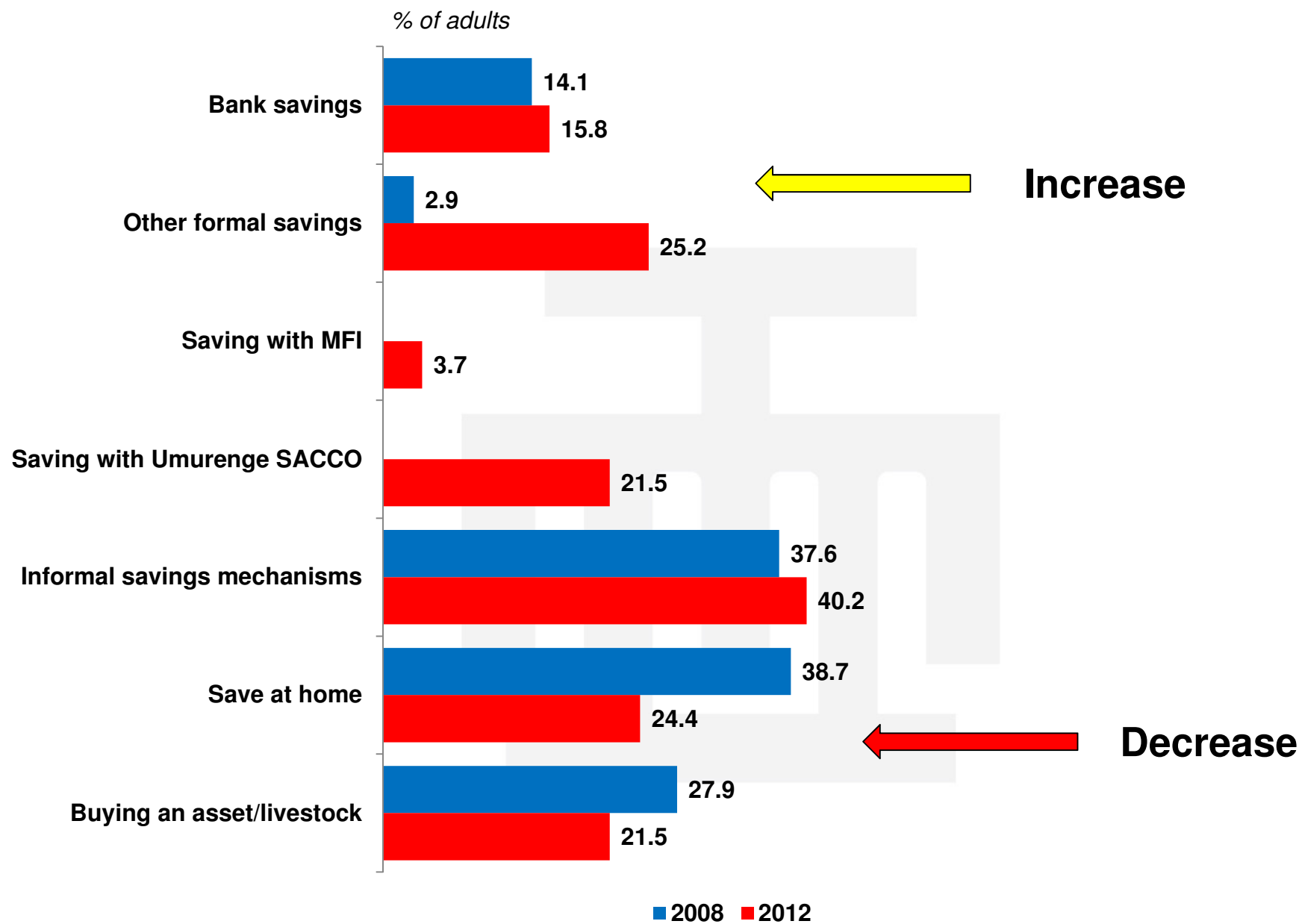


Only 5% of adults have used mobile money; most significant barrier to usage – lack of understanding

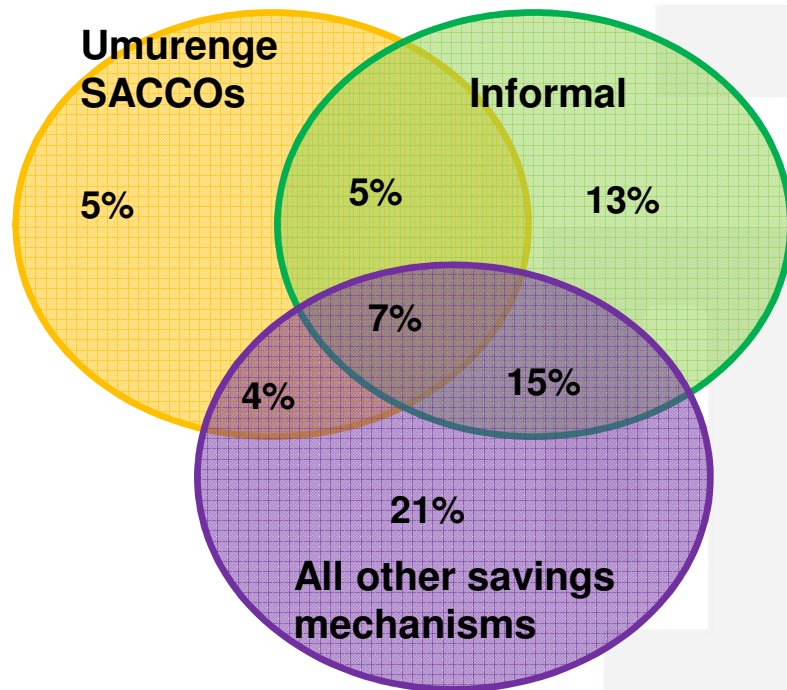


**Saving & Borrowing**  
**driven by short term needs**





Nature of need requires quick access but uptake of SACCO savings products leads to reduced usage of home-based savings mechanisms



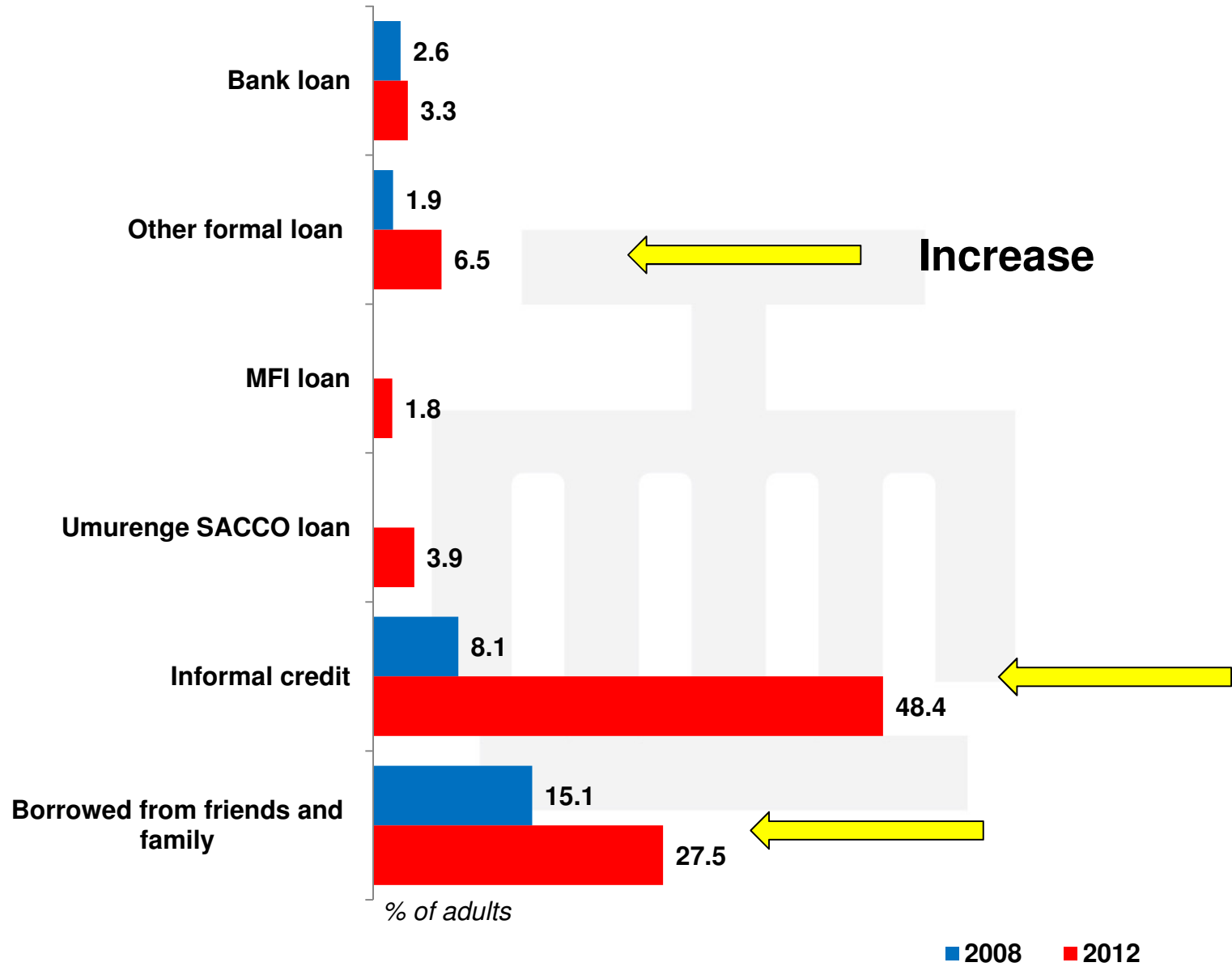
*“Every account has a purpose: Tontine to buy daily need; SACCOs to pay school fees; and BPR (Banque Populaire) for starting an enterprise “ (FGD Kigali, informal settlement)*

*“I am a bicyclist and on good days when I make 3,000RFW I spend half, put a quarter in the savings and loan account and a quarter in my Umurenge SACCO account.” (FGD , rural area.).*

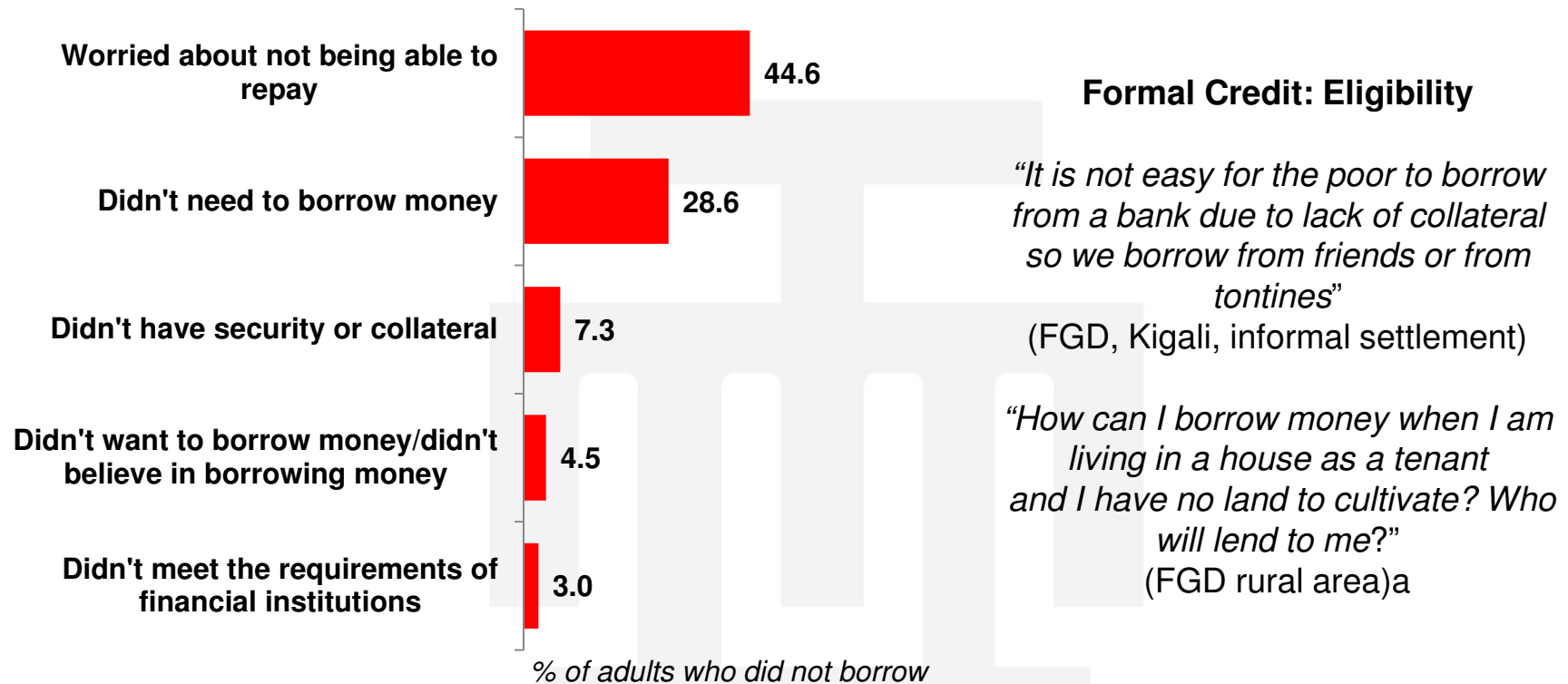
*“We pay money into the tontine and when we have accumulated enough we put it in our SACCO accounts. Tontines and other banks are complementary” (FGD Kigali, informal settlement)*

*“I do not save at home but I keep money at home to cope with day to day needs” (FGD Kigali, informal settlement)*

**Savings mechanism overlaps – multiple mechanisms for multiple needs**



Nature of need requires quick access to money and influences type of source used



Most significant barrier to borrowing uptake – perception of ability to repay further increases the likelihood of utilisation of informal sources



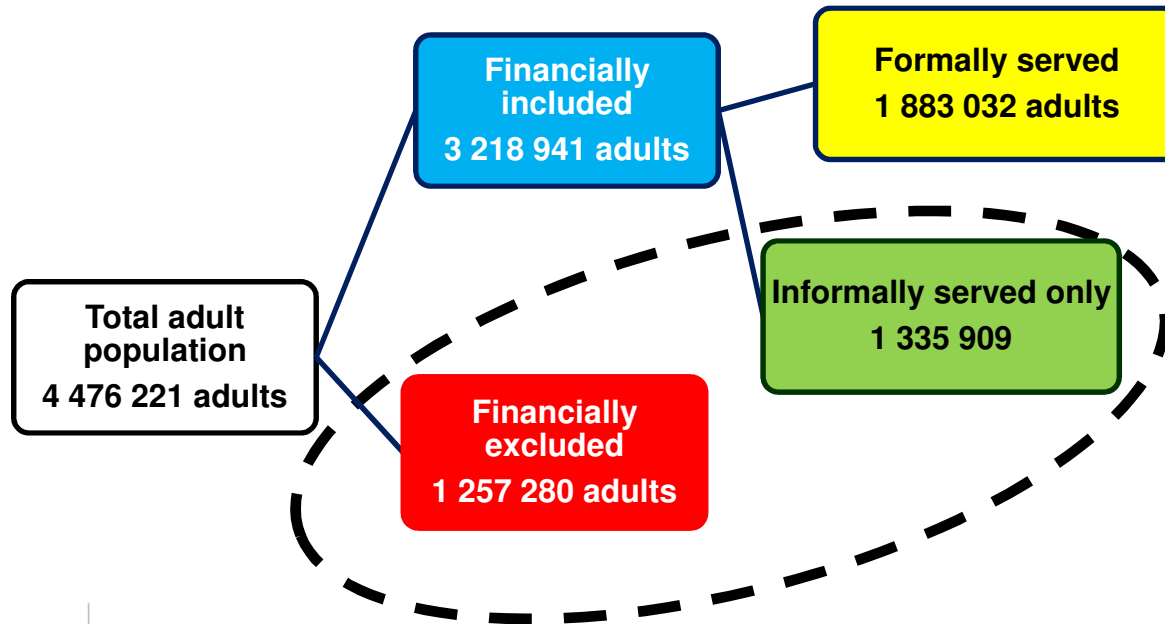
## **Risk Mitigation**

- ***‘Running out of money to meet household expenses’*** most prevalent financial risk (73%)
- Risk mitigation the main driver of saving and borrowing behaviour
  - Nature of income sources limits savings potential
  - 67% had to borrow when faced with a risk event
- 37% of adults belonged to savings groups
  - 45% of group members joined a savings group because it provided them with “*someone to turn to*” when in financial need

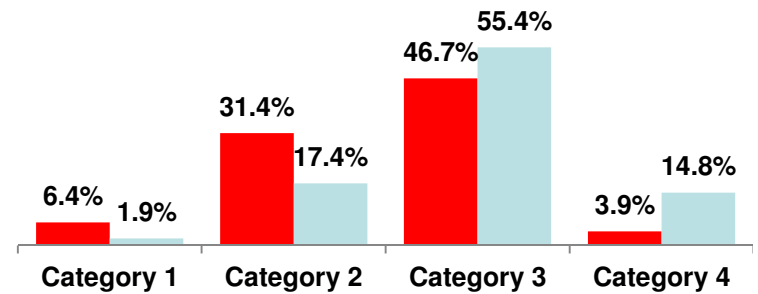
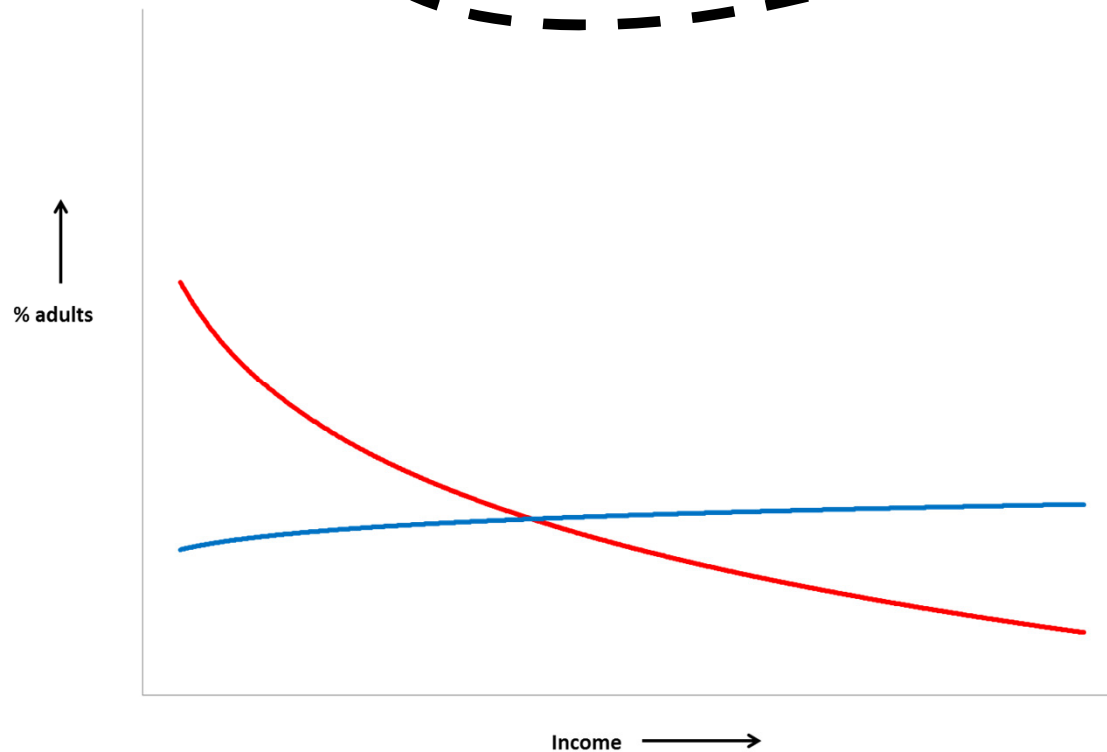
Risk mitigation not likely to include insurance product uptake



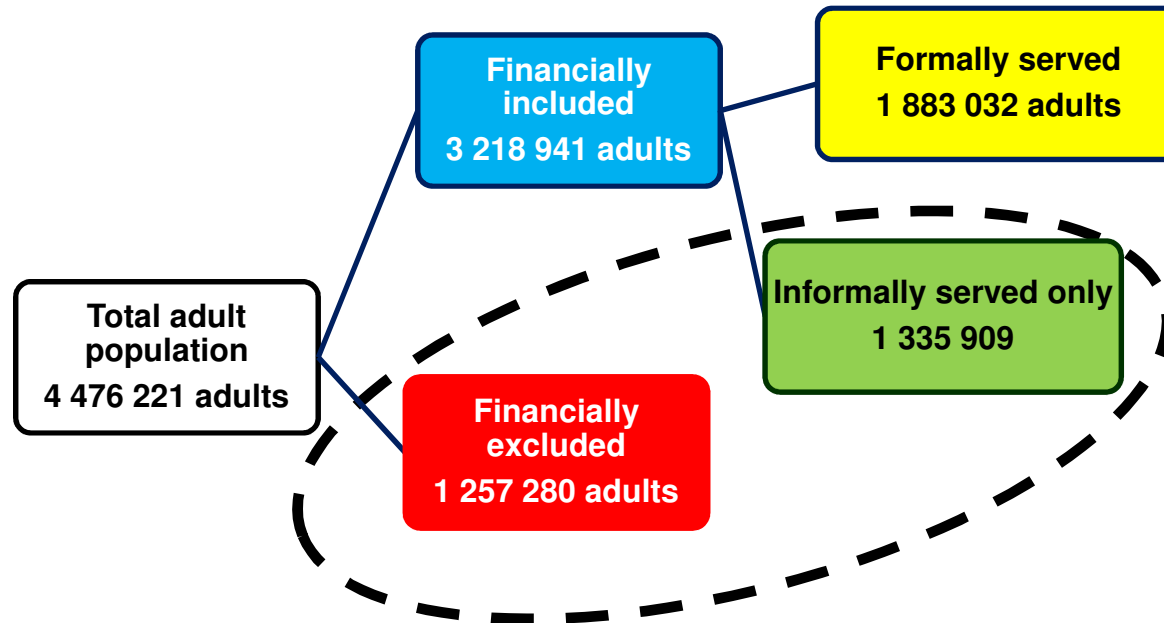
## **Opportunities for Increased Formal Inclusion**



■ Not formally served  
 ■ Formally served

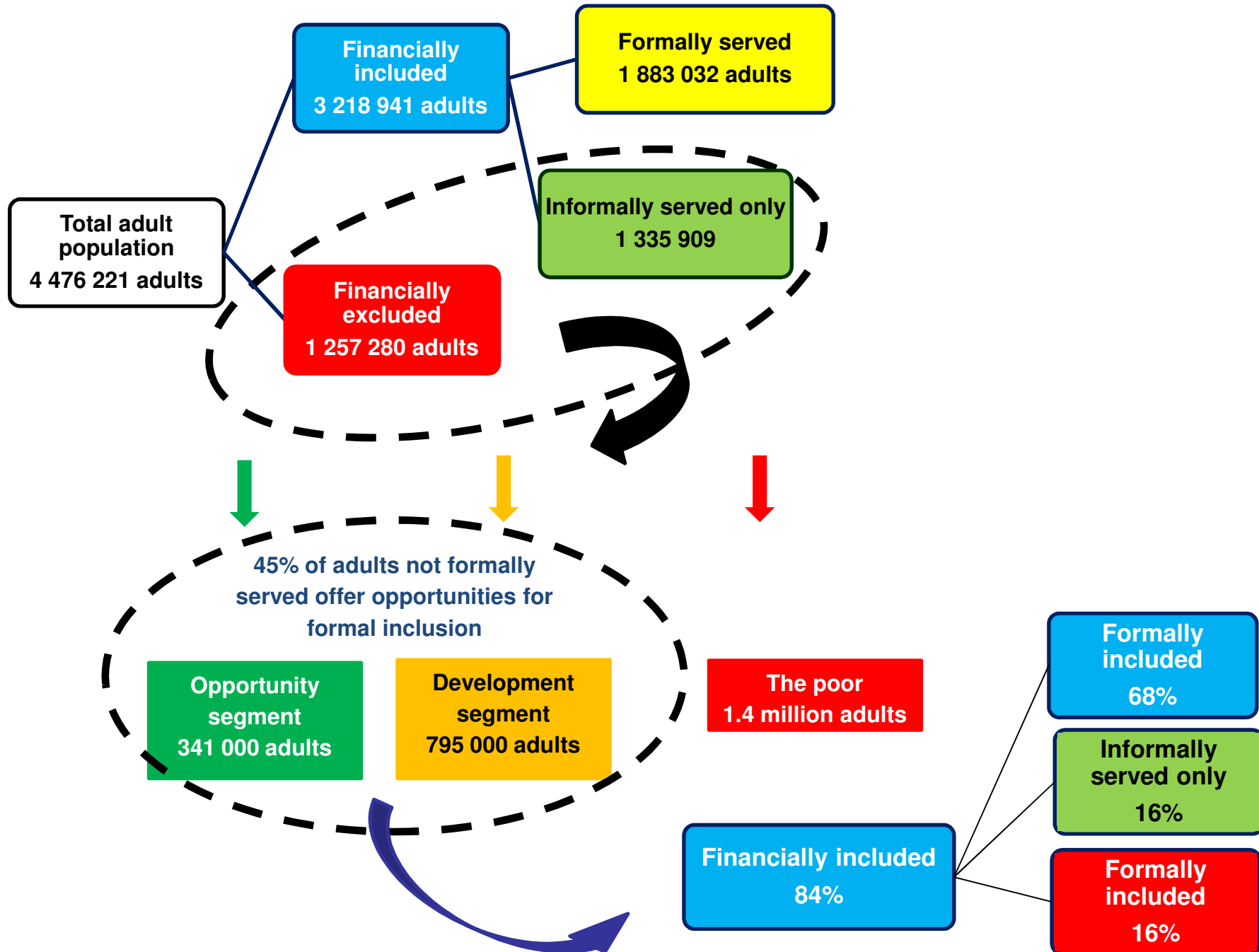






### Potential candidates for formal

- Have achieved at least primary school levels of education
- From a household with a household head who had at least completed primary school education.
- Save
- High level of trust in formal financial institutions in terms of savings
- Perception that formal financial institutions cater “*for the people*”
- From a household with higher socio-economic status (at least category 3 in terms of the Ubudehe categorisation)
- From communities where the time taken to reach financial institutions is similar to time taken to reach sector offices and schools



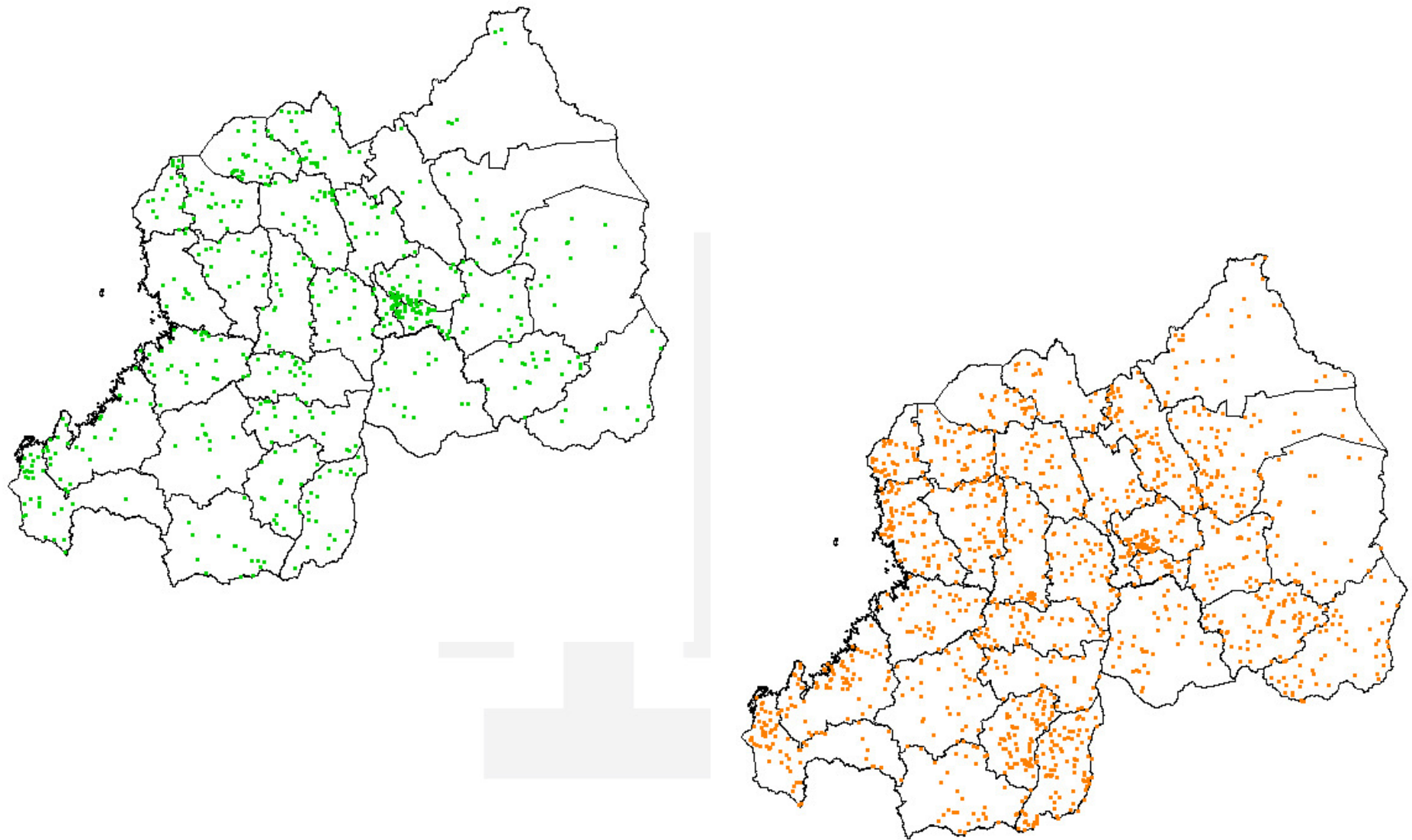
The opportunity segment	The development segment	The poor
<p><b>341 000 adults with most of the characteristics associated with formal inclusion</b></p>	<ul style="list-style-type: none"> <li>• 795 000 adults with some of the characteristics associated with formal inclusion</li> <li>• Might offer opportunities for Umurenge SACCOs</li> </ul>	<p>1.4 million adults lacking all the characteristics associated with formal inclusion – don't seem likely to offer new opportunities for formal financial inclusion in the short or medium term</p>
<p><b>Saving in groups, at home and through buying assets</b></p>	<p>Saving in groups or kept at home</p>	<ul style="list-style-type: none"> <li>• Almost 50% from households in the two lowest categories of the Ubudehe socio-economic classification system</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Lack trust in SACCOs</b></li> <li>• <b>High level of trust in banks.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Lack trust in banks</li> <li>• High level of trust in SACCOs</li> <li>• Proximity to SACCOs better than proximity to banks</li> <li>• Education levels of individuals lower than 'ideal'</li> <li>• Education levels of household heads lower than 'ideal'</li> </ul>	<ul style="list-style-type: none"> <li>• 65% had often run out of cash and had to make a plan for their daily needs in the 6 month period before FinScope 2012</li> <li>• 54% have never had any formal education</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Most earn an income through farming, farm work and piece work</b></li> <li>• <b>Also include business owners and individuals who earn a salary/wage from a business.</b></li> </ul>	<p>Most earn an income through farming, farm work and piece work</p>	

Potential touch points

- 71% have access to mobile phones
- 48% own mobile phones

Potential touch points

- 48% have access to mobile phones
- 38% own mobile phones



Distribution of potential new markets

- The issue of **ACCESS** has been addressed – the market is flooded with formal financial institutions
  - To harness this strength the challenge lies in different types of institutions defining their target markets rather than all institutions competing for the same market and once again skewing inclusion
- Significant progress has been made in terms of **UPTAKE**
  - To increase uptake there is a need to help the excluded understand the **value of financial inclusion – financial education**
- The biggest challenge is in ensuring **SUSTAINABILITY of institutions** and **USAGE of products**.
  - Sustainability of institutions depend on effective management - administration, governance, accountability - and having the facilities and equipment needed to be effective
  - Ensuring product usage requires defining the target market, understanding the target market and providing a suite of products specifically designed to meet their needs and putting in place consumer protection measures

Thank you

