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FINANCIAL INCLUSION IN RWANDA: AN OVERVIEW

Inclusão financeira em Ruanda: uma visão geral

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Abstract: Financial inclusion is a major policy concern with governments across the world. Rwanda as a country with fast development averaging to 6.9% from 2011 to 2015 has done an improvement in financial inclusion as well. This country with stable growth interested the researchers to know whether this development goes hand in hand with financial inclusion. This paper is an attempt to show the overview of financial inclusion in Rwanda. Secondary data from Rwanda Fin scope survey 2008, 2012 and 2016 were used in this study. Apart from that, this paper uses data from Banque National du Rwanda from 2011 to 2015. Many researches were conducted on financial inclusion in different countries but none of them took Rwanda as a special case. The results show that there is an improvement in financial inclusion in Rwanda as the number of financially excluded dropped from 52% in 2008 to 11% in 2016.The problem is that the number of banked adults did not increase from 2008 to 2016. Banked adults in Rwanda were 14% in 2008, 23% in 2012 and 26% in 2016.This shows that many Rwandan adults are not banked. The government should continue to mobilize citizens to join banks. Mobile payment improved tremendously and this should be strengthened and more regulated as it is serving many Rwandans.
Key words: Financial inclusion; Financial exclusion; Rwanda

Resumo: A inclusão financeira é uma grande preocupação política com governos em todo o mundo. Ruanda como país em desenvolvimento rápido com uma média de 6,9% de 2011 a 2015 também fez uma melhoria na inclusão financeira. Este país com crescimento estável interessou os pesquisadores em saber se esse desenvolvimento vai de mãos dadas com a inclusão financeira. Este artigo é uma tentativa de mostrar a visão geral da inclusão financeira em Ruanda. Os dados secundários do inquérito com foco no Nordeste do FinScope Rwanda 2008, 2012 e 2016 foram utilizados neste estudo. Além disso, este documento utiliza dados do Banque National du Rwanda de 2011 a 2015. Muitas pesquisas foram realizadas sobre inclusão financeira em diferentes países, mas nenhum delas considerou Ruanda como um caso especial. Os resultados mostram que há uma melhoria na inclusão financeira em Ruanda, uma vez que o número de excluídos financeiramente caiu de 52% em 2008 para 11% em 2016. O problema é que o número de adultos nos bancos não aumentou de 2008 para 2016. Participantes bancários No Ruanda **foram 14%** em 2008, 23% em 2012 e 26% em 2016. Isso mostra que muitos adultos em Ruanda aind anão tem conta bancaria. O governo deve continuar a mobilizar os cidadãos para ter conta bamncaria. O pagamento móvel melhorou tremendamente e isso deve ser fortalecido e mais regulamentado, pois presta serviços a muitos Ruandeses.
Palavras-chave: Inclusão Financieira; Exclusão Financieira; Ruanda

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INTRODUCTION

Rwanda has got high economic growth from 2011 to 2015. The economic growth is averaged to 6.9% from 2011 to 2015(BNR, 2016). Financial inclusion which is considered as a key enabler of achieving development and poverty reduction objectives is of paramount importance in both developing countries and developed countries. Many researches have been conducted worldwide to know the financial inclusion in different countries. Likewise, there are many researches about financial inclusion in Africa (Triki & Faye, 2013; Demirgüc-Kant & Klapper,2012) as a continent. This paper is an attempt to show the financial inclusion in Rwanda as a particular country which has come from terrible genocide to fast economic growth.

The Government of Rwanda has set the target of formal financial inclusion at 80% of adult population by 2017 and 90% by 2020(BNR, 2015).

Globally, financial inclusion is a major policy concern with governments across the world. The lack of access of a large percentage of working age adults to the formal financial sector is a genuine global policy concern(Arun & Kamath, 2015).

The world bank defines Financial inclusion as the proportion of individuals and firms that use financial services[1].This is again defined as the process of ensuring access to financial services (savings, insurance, remittance, payments, etc.) and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost(Bhanot, Bapat, & Bera, 2012).According to Sharit, financial inclusion means making financial services accessible to the poor, giving them credit facilities that suit their needs and generate self-employment opportunities for them(Bhowmik & Saha, 2013).Lastly, financial inclusion can be defined as delivery of banking services at an afford- able cost to the vast sections of disadvantaged-aged and low-income groups(Dev, 2006).

Considering the points of views of the above authors, we can briefly say that financial inclusion is the access to financial services. Those who do not have access to financial services are financially excluded.

Financial exclusion is defined as ‘the inability to access necessary financial services in an appropriate form(Carbo Sntiago, Grdener Edward, 2005).This is again defined by Leyshon and Thrift as cited by Koku as “those processes that serve to prevent certain social groups and individuals from gaining access to the financial system”(Koku, 2015).

It is evidenced by many authors that financial inclusion is of paramount importance. Demirgüc-Kant & Klapper said that without inclusive financial systems, poor people must rely on their own limited savings to invest in their education or become entrepreneurs—and small enterprises must rely on their limited earnings to pursue promising growth opportunities. This can contribute to persistent income inequality and slower economic growth(Demirgüc-Kant & Klapper, 2012).Financial inclusion leads to female empowerment(Ashraf, Karlan, & Yin, 2010).

[1] World Bank. (2014). Financial Inclusion (Vol. 133). Retrieved from http://doi.org/10.1016/j.sbspro.2014.04.203

Continuing showing the importance of financial inclusion, Demirgüc-Kant said that access to the formal financial system can increase asset ownership and serve as a catalyst to greater economic empowerment among women(Demirgüç-Kunt, Klapper, & Singer, 2013);Financial inclusion brings many welfare benefits to individuals(Allen, Demirguc-Kunt, Klapper, & Peria, 2016); building financially inclusive societies can lead to reduction of income inequality(Pais, 2011);financial inclusion is important for improving the living conditions of poor farmers, rural non-farm enterprises and other vulnerable groups(Dev, 2006);

Much of literature has shown financial inclusion worldwide. Examples include: Understanding financial inclusion in China(Fungáčová & Weill, 2014);financial inclusion in north-east India(Bhanot et al., 2012); Financial inclusion and social financialisation: Britain in a European context(Stephen Sinclair, 2013);Consulting the community: Advancing financial inclusion in Newcastle upon Tyne, UK(Fuller, Mellor, Dodds, & Affleck, 2006); Financial inclusion of the poor: from microcredit to Islamic micro financial services(Hassan, 2015); Financial inclusion and its determinants: evidence from India(Kumar, 2013); Integrating financial inclusion and saving motives into institutional zakat practices: A case study on Brunei(Md, 2015) to cite little.

In Africa researches on financial inclusion have been conducted for a continent as whole.

For example: Financial inclusion in Africa (Triki & Faye, 2013).Not only Triki&Faye but also Demirgüc-Kant & Klapper wrote on financial inclusion in Africa(Demirgüc-Kant & Klapper, 2012).To the best of researchers knowledge, there is no scientific research conducted about financial inclusion in Rwanda.

According to the Finscope survey in Rwanda conducted in 2008, only 14% of adult Rwandans were formally banked(Finscope Rwanda, 2008).This has led to setting strategies of improving financial inclusion in Rwanda. As said by Triki&Faye, financial inclusion is necessary to ensure that economic growth performance is inclusive and sustained(Triki & Faye, 2013).This paper has the purpose of showing financial inclusion in Rwanda. It is significant for decision makers especially the government of Rwanda, as it highlights the real image of formally banked adults in Rwanda and non-banked, the formally financially inclusive and informally financially inclusive. This will help in making decisions based on real facts. It is in this regard that this paper attempts to show the overview of financial inclusion in Rwanda. To achieve this general objective, the following specific objectives were formulated:

To know he number of formally banked adults in Rwanda from 2011 to 2015; To identify the number of adults in Rwanda with credits at a regulated institution from 2011 to 2015; To identify the number of modern payment users in Rwanda from 2011 to 2015.

This paper is divided into Abstract, introduction and literature review, data and methodology, results and finally conclusion and recommendations.

DATA AND METHODOLOGY

Secondary data from Finscope 2008, 2012 and 2016 were used in this research. Finscope is an independent survey conducted after each four years for the purpose of knowing the financial inclusion in a country. This is approved and published by the National Institute of Statistics in Rwanda and it is on its official website. The same surveys are approved by Banque Nationale du Rwanda. In addition to this, data from Banque Nationale du Rwanda were used in this paper. Monetary policy and financial stability reports were used for the year 2011 to 2015.The five years were chosen because there was a reform supporting access to finance in Rwanda which resulted in starting UMURENGE SACCOs.

RESULTS

As said above, data used in this research are secondary data from Banque Nationale du Rwanda and Finscope reports. Finscope Rwanda was conducted for the first time in 2008. The second was conducted in 2012 and the third was conducted in 2016.Finscope Rwanda 2008 revealed the following: only 14% of adult Rwandans were formally banked. That is only 518,423 people among more than 3.7 million adult people[1].

In addition to this, Finscope 2008 revealed that: More than half of the Rwandan adult population (52%) manage their lives without using any kind of financial product (formal or informal). This is to say that 52% of Rwandans were financially excluded. More than half (54%) of the 47% of Rwandan adults who used financial products, used informal products.

Over the four years, an improvement has been done to have more financially included citizens in Rwanda. This is highlighted by Finscope 2012.

Financial exclusion has dropped by 46% since 2008.

1) In 2008 52% of adults (i.e. individuals 18 years or older) were financially excluded; in 2012 28% (1.3 million adults) are excluded and 72% (3.2 million adults) of Rwandan adults have or usefinancial products or mechanisms.

2) In 2008, 21% of adults were formally served; this proportion increased to 42% in 2012.

The increase in formal inclusion was caused by an uptake of banking products, and of products offered by non-bank formal financial institutions (such as Umurenge SACCOs and insurance companies).

3) The banked population increased from 14% of adults in 2008 to 23% in 2012.

4) The establishment of Umurenge SACCOs has significantly changed the landscape of formal access in Rwanda. This intervention has been successful in providing formal financial services to Rwandans who would otherwise not use formal financial services.

5) 22% of adults benefit from Umurenge SACCO products[1].

As shown by highlights of Finscope 2012, there was an improvement in financial inclusion from 2008 to 2012.

Finscope 2016 shown a tremendous improvement of financial inclusion in Rwanda. Following is the summary of Finscope 2016:

[1]FinScope Rwanda survey 2008

In total, 89% of adults in Rwanda are financially included (including both formal and informal financial products/services, around 5.2 million individuals). About 68% of adults in Rwanda have/use formal financial products/ services (around4 million individuals), including banked and other formal (non-bank) financial products/services. About 26% of adults in Rwanda are banked (around 1.5 million individuals). About 65% of adults in Rwanda have/use other formal (non-bank) financial products/services (around 3.8 million individuals). In total, about 72% of adults in Rwanda use informal mechanisms (around 4.2 million individuals). About 11% of adults in Rwanda (around 0.7 million individuals) do not use any financial products or services (neither formal nor informal) to manage their financial lives, i.e. they are financially excluded. Note that financially excluded citizens are more in villages than in cities(FinScope, 2016).

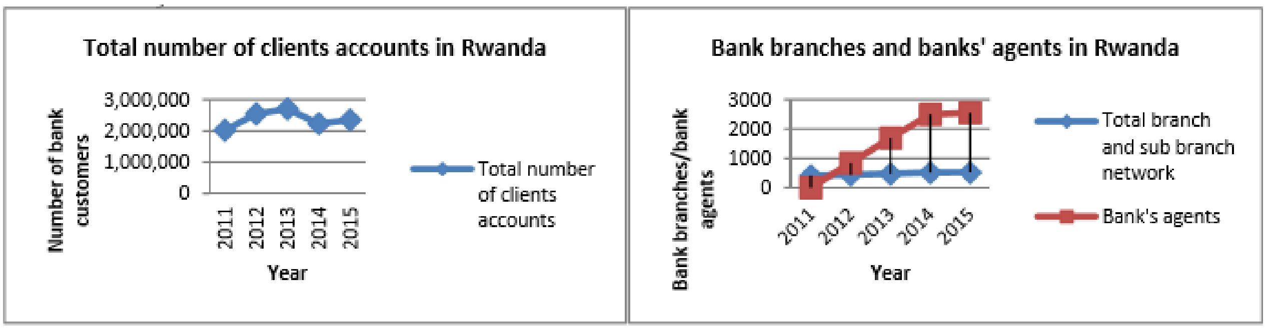
All the above are summarized from Rwanda Fin scope survey 2016.As said by Gwalani, it is important to understand that a person with a reasonable access to all essential financial services is considered 'financially included' and merely one off access to some financial services for the sake of fulfilling the mandate of financial inclusion does not construe inclusion in the true sense(Gwalani & Parkhi, 2014).

Considering this, it is clear that only 26% of Rwandans are having bank accounts. Through bank accounts people can get bank loans, this means that 74% are not even eligible for loan application. Other formal (non-bank institutions) users are 65% and the informal users are 72% of adult population in Rwanda. Concluding that only 11% are financially excluded as said by Finscope report will be misleading. That depends on the definition given to financial inclusion. As many authors link financial inclusion with bank account holding, then only 26% would be considered as financially included.

The numbers that are shown in Finscope surveys are not sufficient to conclude that Rwandans are financially excluded or not. For this reason, data from Banque Nationale du Rwanda from 2011 to 2015 have been used for deep analysis of financial inclusion in Rwanda.

Formally banked adults in Rwanda

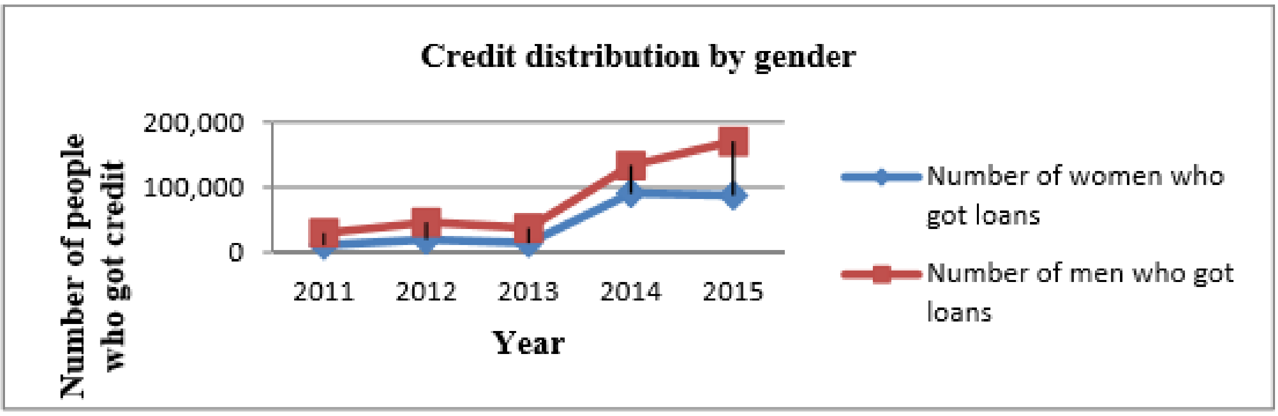
Figure 1 Number of Clients' Accounts, Branches and Sub Branches and Number of Banks' Agent



Source: BNR financial stability report 2011 to 2015

Many authors defined financial inclusion as access of financial services to the poor[1](Bhowmik & Saha, 2013);use of formal accounts(Allen et al., 2016).Based on this we have shown the accounts penetration in Rwanda from 2011 to 2015.As shown in figure 1, the number of Rwandans having bank accounts was 2,026,738,which increased by 26% in 2012 and 6% in 2013.The number of accounts decreased by 17% in 2014 and increased by 5% in 2015.The total number of accounts holders in 2015 is 2,355,008.Branches serving these customers have been increasing over the five years but at a very low lever as shown in figure 1.The number of branches and sub branches was 408 in 2011;438 in 2012; 471 in 2013; 515 in 2014 and 521 in 2015.The agency banking which started in 2012 have increased over the 4 years as shown in figure 1(b).Banks' agents were 844in 2012; 1,696 in 2013 ;2,499 in 2014 1and 2,555 in 2015.These agents continue to support financial inclusion in Rwanda as they reach regions that cannot be easily reached by banks.

Figure 2 Credit Distributions by Gender



Source: BNR financial stability report 2011 to 2015

One of the main indicators of financial inclusion is access to loans. In Rwanda, the number of men who get loans is greater than the number of women. In 2011 the total number of customers who got loans was 40,515. Women who got loans were 10,920 i.e. 27%. The number of women who got loans continued to increase over the years but still are less than the number of men who got loans. These were 27%,30%,28%,40% and 34% from 2011 to 2015 respectively.

Figure 3(a) shows that the number of automatic teller machines kept on increasing from 2011 to 2015.The number of point of sales kept on increasing as well. We cannot say that these machines are enough as they were only 385 in a country of 26,338km2.Looking at figure 3 (b), it is the number of debit cards kept on increasing but still this number is too low in comparison to the total number of bank accounts. In the year 2015, the number of debit cards were 650,924 while the total number of clients accounts was 2,355,008 that means only 28% have debit cards. The number of credit cards is too low and not increasing from2011 to 2015.

[1] Bhowmik S. K. & Saha D. Financial Inclusion of the Marginalised (First edit). New Delhi: Springer 2013. Retrieved from http://link.springer.com/10.1007/978-81-322-1506-6

Figure 3(a)

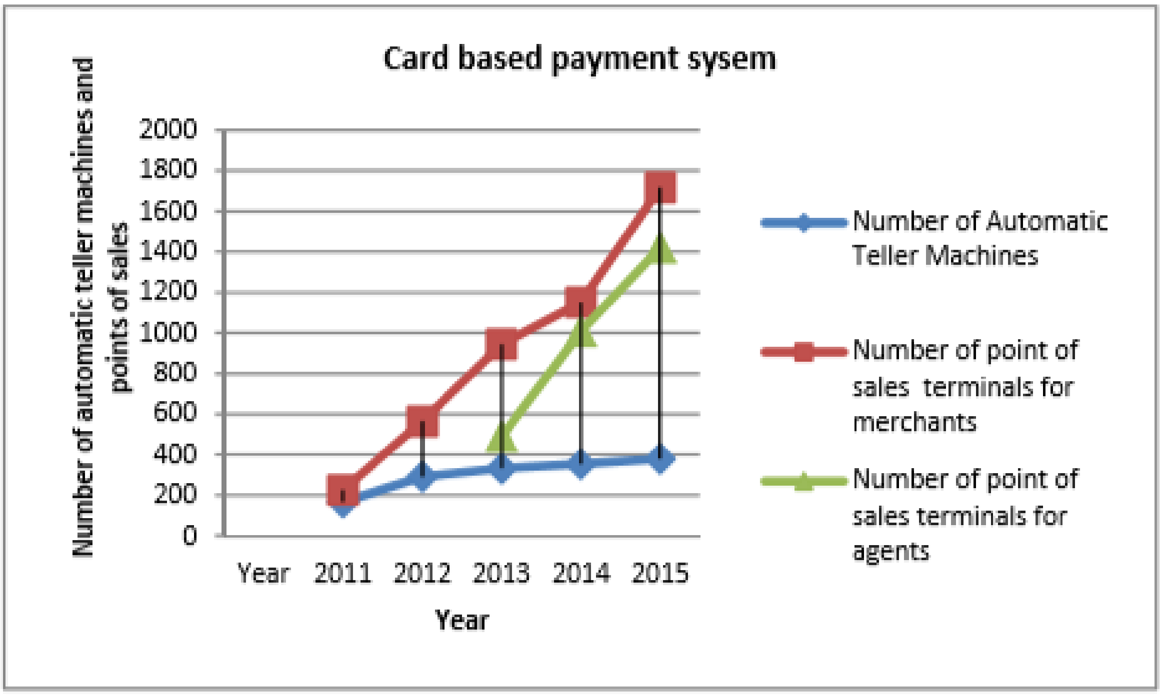


Figure 3 Credit Based Payment

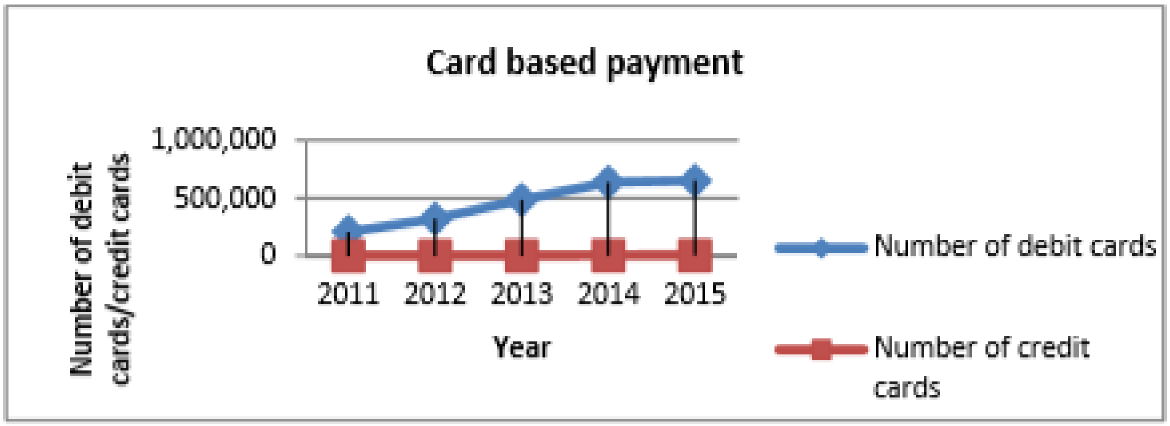


Figure 3(b)
Source: BNR financial stability report 2011 to 2015

Table 1 Mobile Financial Services and Internet Banking Developments

Year	2011	2012	2013	2014	2015
Number of accounts for mobile payments(subscribers)	639,673	1,440,541	2,538,651	6,480,449	7,663,199
Mobile banking users	155,986	297,537	412,007	659,712	828,799
Internet banking users	NA	3,411	8,869	29,840	36,597
Number of Transactions with mobile payment	4,323,490	22,191,674	57,147,777	104,773,115	168,612,455
Number of transactions with Mobile banking	527,300	1,458,063	2,538,820	4,637,849	5,617,368
Number of transactions with Internet banking	1,494	10,036	89,260	312,262	566,152

Source: BNR financial stability report 2011 to 2015

The above table shows the comparison of use of Mobile money, mobile banking, internet banking and respective number of transactions for each. It is clear that the number for mobile payments have increased from 639,673 in 2011 to 7,663,199 in 2015.This shows an improvement in mobile banking. This has contributed at a great extent to showing that financially included Rwandans increased up to 89%.

CONCLUSIONS

The main objective of this paper was to show the overview of financial inclusion in Rwanda. Through reports of the three Fin scope surveys in Rwanda for 2008, 2012 and 2016, we have found that there was an improvement in financial inclusion. In 2008, 52 % of adults Rwandan were financially excluded. The number decreased to 28% in 2012 and 11% in 2016. Looking at these numbers only will lead to say that there is a great improvement in financial inclusion in Rwanda. But considering the fact that banked adults did not increase at the same extent, it is seen that Rwanda still have a long way to go as far as financial inclusion is concerned. Only 14% of adults in Rwanda were banked in 2008, 23% in 2012 and 26% in 2016.This shows that although many people are claimed to be financially inclusive, most of them don’t have access to banks. This is a problem that can lead to slow development. Mobile payment got many users as compared to any other payment method. This should be innovated to help this number of users to have access to more services. The government of Rwanda should continue the good initiative of encouraging people to open bank accounts and save as well as borrow for their development. In addition to this, policies should be set to regulate mobile payment as it serves many Rwandans. Innovative financial products should be developed to reach financially excluded citizens and fully serve the informal financially included.

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BNR. Monetary policy and financial stability report 2016, (February), 1–68; FinScope. Financial Inclusion in Rwanda 2016.; Finscope Rwanda. Financial inclusion in Rwanda 2008.

Finscope Rwanda. Financial inclusion in Rwanda 2008 – 2012.

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