




NATIONAL BANK OF RWANDA

RWANDA'S FINANCIAL INCLUSION SUCCESS STORY: UMURENGE SACCO PROGRAM IN RWANDA

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Core Values: Integrity, Accountability, Mutual respect and Team work, Efficiency, Effectiveness



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I. INTRODUCTION

- The results of **Finscope Survey- Rwanda 2008** revealed:
 - Use bank products: 22.8%;
 - Use other formal bank products: 19.2%
 - ♦ **Formal inclusion: 21.1%**
 - Use informal products: 29.8%
 - Financially excluded: 28.1%


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II RWANDA's FINANCIAL SECTOR LANDSCAPE

Category	Number				
	2010	2011	2012	2013	2014
Banking:					
➤ Commercial banks	8	9	9	9	10
➤ Specialized banks:	2	5	5	5	6
Microfinance:					
➤ MFIs Ltd	12	11	11	12	13
➤ SACCOs:					
• UMURENGE SACCOs	• 416	• 416	• 416	• 416	• 416
• Other SACCOs	• 74	• 70	• 63	• 63	• 64


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 II. RWANDA's FINANCIAL SECTOR LANDSCAPE, Ctd					
Category	Number				
	2010	2011	2012	2013	2014
Insurance sector:					
➤ Public insurers:					
• Medical insurers	• 2	• 2	• 2	• 2	• 2
➤ Private insurers:					
• Life insurers	• 1	• 1	• 3	• 3	• 4
• Non life insurers	• 6	• 5	• 6	• 8	• 8
➤ Insurance intermediaries					
• Brokers		• 5	• 6	• 9	• 10
• Agents	• 120	• 102	• 152	• 192	• 312
• Loss adjusters		• 4	• 9	• 9	• 11
Pension sector:					
➤ Public pension	1	1	1	1	1
➤ Private pension schemes	40	40	40	42	53

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 ACCESS TO FINANCE												
BANKS	CITY OF KIGALI		NORTHERN PROVINCE		EASTERN PROVINCE		WESTERN PROVINCE		SOUTHERN PROVINCE		TOTAL	
	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13	Dec-14
NUMBER OF BRANCHES	59	65	18	21	26	28	29	28	28	29	160	171
NUMBER OF SUB BRANCHES	46	42	27	28	33	31	40	42	39	39	185	182
NUMBER OF COUNTERS/ OUTLETS	51	54	12	21	25	35	13	20	25	32	126	162
Total branch & sub branch network	156	161	57	70	84	94	82	90	92	100	471	515
NUMBER OF CLIENTS ACCOUNTS (in thousands)	917.0	945.8	347.5	323.4	516.0	393.5	399.6	288.3	524.6	282.0	2,704.7	2,233
BANKS' AGENTS		699		491		388		577		344	1,696	2,499

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 ACCESS TO FINANCE: UMURENGE SACCO CONTRIBUTION TO FINANCIAL INCLUSION, (CTD)										
Number of accounts and borrowers in MFIs (in Thousand)										
	UMURENGE SACCOs			MFIs+Other SACCOs			TOTAL (Microfinance Sector)			%
	2012	2013	2014	2012	2013	2014	2012	2013	2014	
Number of Accounts	1,354	1,661	1,940	635	700	631	1,988	2,361	2,571	100%
Females	532	652	765	252	266	223	784	918	987	38.4%
Males	725	879	1,013	354	382	356	1,079	1,261	1,369	53.2%
Groups/Entities	97	130	162	28	52	52	125	182	215	8.4%
Number of loans	56	65	70	54	82	92	110	147	162	100%
Females	14	18	19	19	26	30	33	43	48	29.6%
Males	39	44	48	32	54	59	72	97	107	66.1%
Groups/Entities	2	4	4	3	2	3	5	6	7	4.3%
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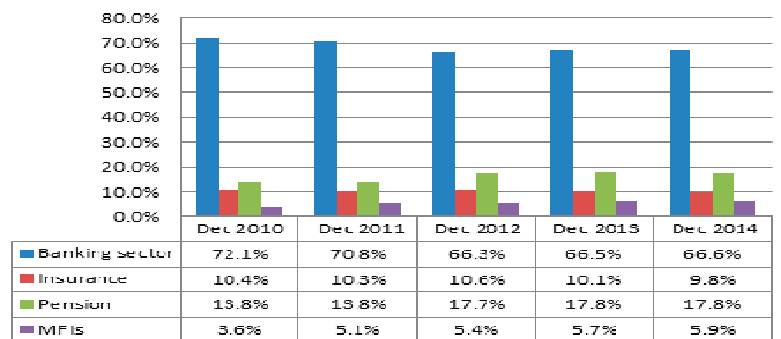
 ACCESS TO FINANCE: PAYMENT SYSTEMS MODERNIZATION (CTD)			
Good developments in mobile financial services +Internet Banking			
PERIOD	NUMBER OF SUBSCRIBERS	NUMBER OF TRANSACTIONS	VALUE IN FRW MILLION
Mobile Payment			
Jan-Dec 12	1,440,541	22,191,674	161,808
Jan-Dec 13	2,538,651	57,147,777	330,378
Jan-Dec 14	6,480,449	104,773,115	691,477
Mobile Banking			
Jan-Dec 12	297,537	1,458,063	3,926
Jan -Dec 13	412,007	2,538,820	17,459
Jan -Dec 14	659,712	4,637,849	41,281
Internet banking			
Jan-Dec 12	3,411	10,036	12,746
Jan -Dec 13	8,869	89,260	117,147
Jan -Dec 14	41,616	312,264	332,959
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II. RWANDA'S FINANCIAL SECTOR LANDSCAPE, Ctd

- Rwanda's financial sector remains dominated by banks, microfinance and non-banking financial institutions (insurance and pension);
- Banking sector leads with a market share of 66.6% in terms of assets.

Structure of the financial Sector: Financial sector's Assets Share



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III. BARRIERS TO FINANCIAL ACCESS IN RWANDA

Even though the majority of Rwanda's population lives in rural areas, banks and other financial institutions are concentrated in urban areas and access to financial services outside towns and cities has been limited.

Main BARRIERS:

- **LOW FINANCIAL LITERACY:** Lack of awareness of financial services and other financial benefits offered by traditional financial institutions;
- **INADEQUATE FINANCIAL PRODUCTS:** Financial institutions don't offer products designed specifically to meet the needs of the poor

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- **INADEQUATE FINANCIAL PRODUCTS:** Financial institutions don't offer products designed specifically to meet the needs of the poor
- **OUTDATED PAYMENT SYSTEMS:** Most people rely on bank books and checks.
- **LACK OF APPROPRIATE DELIVERY MODELS** for financial services that promote financial inclusion.
- **WEAK LINKAGES** between big banks and small SACCOs in rural areas.

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IV. HISTORY OF UMURENGE SACCO PROGRAM

When a **FinScope Survey in 2008** revealed that only **21%** of Rwanda's bankable population was accessing formal financial services and **52%** were completely financially excluded, the Government of Rwanda took action.

- **IN 2008:** The Government of Rwanda adopted a strategy of having at least one SACCO by sector (Administrative unit called UMURENGE in local language; UMURENGE or Sector is under the district);
- **TOTAL NUMBER OF SECTORS:** 416 (thus, 416 SACCOs were launched from 2009);
- In 2008, that is before the launch UMURENGE SACCOs, **225 SECTORS** out **416(51.6%)** were without any financial institution.

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IV. HISTORY OF UMURENGE SACCO PROGRAM: KEY MILESTONES

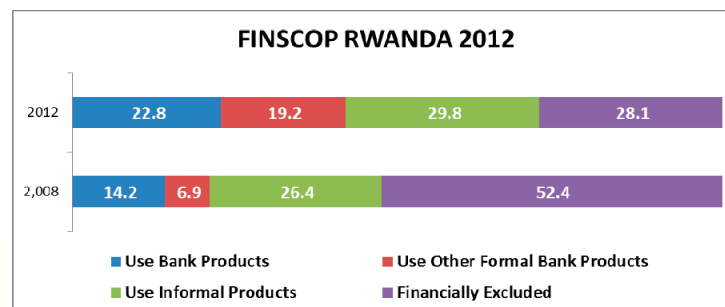
- **MARCH 2009:** UMURENGE SACCO Policy adopted by the cabinet;
- **JUNE 2009:** mayors; executive secretaries of sectors and cells play a key role in organizing awareness campaign for the formation of SACCOs and on the importance of SACCOs for savings and poverty alleviation;
- **AUGUST 2009:** UMURENGE SACCOs elected members of regulatory committees
- **JUNE 2010:** all SACCOs created under UMURENGE SACCO Program are provisionally licensed by the National Bank of Rwanda: under this license they can mobilize share capital and savings(no loans granted at this stage);
- **OCTOBER 2011:** an assessment was conducted by BNR-Ministry of Finance and Rwanda Cooperative Agency to know challenges encountered by the program
- **MAY 2011:** BNR appoints 2 inspectors by districts in 30 districts(60 inspectors)
- **JANUARY 2012:** All SACCOs provided with a license to issue loans. The BNR requires SACCOs to maintain a liquidity ratio of 80%, far above the 30% required by Microfinance regulation.
- **JUNE 2013:** all SACCOs are fully licensed by BNR and allowed to reduce their liquidity ratio from 80% to 60%.
- **DECEMBER 2013:** SACCOs created under UMURENGE SACCO program are authorized to maintain a 30% liquidity ratio.

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V. UMURENGE SACCOS CONTRIBUTION TO FINANCIAL INCLUSION

- Finscope 2008 findings:



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V. UMURENGE SACCO CONTRIBUTION TO FINANCIAL INCLUSION, (CTD)

- **The first FinScope Rwanda 2008:** revealed that 79% of adult Rwandans were not using formal financial institutions and only 21% were formally included.
- **The second FinScope Rwanda 2012:** the percentage of adult Rwandans using at least one service or product from a financial institution had doubled (42%).
- The number of accounts opened in MFIs rose 293% from 2007 to 2013(631,689 to 2,295,589 clients), 72% of which were opened in SACCOs created under UMURENGE SACCOs program;
- From 2012 to 2014: number of accounts opened in MFIs increased by 29.3% (from 1.988 million to 2.571 million). En December 2014, the number of accounts opened in UMURENGE SACCOs was representing 75.5% of accounts opened in MFIs.

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V. UMURENGE SACCO CONTRIBUTION TO FINANCIAL INCLUSION, (CTD)

FINSCOPE 2012 FINDINGS:

- Savings have been the biggest driver of UMURENGE SACCO Membership: 42% members joined SACCOs to save while 9% joined to keep their money;
- UMURENGE SACCO Program: seems to be an effective way to channel more money into formal financial system;
- Public Perception on UMURENGE SACCOs: they provide faster service; better customer care and lower maintenance fees of accounts;
- SACCOs are increasingly used as a funding source for state social programs: Crop Intensification Program (CRI) aims to increase agricultural productivity by providing technical assistance, and facilitates credit from SACCOs for farmers to buy fertilizers/MINAGRI;
- The Ministry of Health reports that SACCOs are used to fund Mutual Health Insurance— a state health insurance program; etc,
- Rwandans are more likely to trust SACCOs than commercial banks, especially in rural areas;

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UMURENGE SACCOs: Performance Indicators

- U-SACCOs represent 45.3% of total sector's asset base;
- U-SACCOs continue to perform well.

Indicator (in FRW unless otherwise indicated)	Dec-13	Jun-14	Sep-14	Dec-14	Dec. 14/Dec.13 (%)
Total Assets	57.4	68.8	72.4	72.3	26.0%
Liquid Assets	26.8	35.0	35.9	34.6	29.1%
Gross loans	21.5	24.2	26.6	27.7	28.8%
NPLs	1.6	1.7	1.8	1.9	18.8%
Net Loans	20.8	23.4	25.6	26.7	28.4%
Total Deposits	36.9	44.4	47.2	45.7	23.6%
Demand Deposits	32.7	39.5	41.8	39.9	21.7%
Total Equity	17.7	20.6	22.2	23.8	34.5%
NPL Ratio (%)	7.3%	7.0%	7.0%	7.1%	-
Liquidity ratio (%)	82.0%	88.6%	85.9%	86.7%	-
Capital Adequacy Ratio (%)	30.9%	30.0%	30.7%	32.9	-

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VI. CHALLENGES & SOLUTIONS

CHALLENGES:

- Weak governance
- Weak internal control system;
- Financial illiteracy for SACCOs members and non members
- Lack of adequate infrastructure
- Scattered, weak and uncoordinated SACCOs which makes hard their supervision

SOLUTIONS:

- Creation of an Rwanda Institute of Cooperatives, Entrepreneurship and Microfinance(RICEM);
- Harmonization of internal policies and procedures; Weak internal control system;
- Adoption of a National Financial Education Strategy; introduction of financial education component school curricula; continuous financial awareness campaign through community works and access to finance forum;
- SACCOs are constructing their own premises; share core banking system: networking all SACCOs;
- Consolidation of SACCOs into a cooperative bank

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CONCLUSION

- UMURENGE SACCO PROGRAM is an impactful financial inclusion policy and a good example of public-private sector partnership for the success of a policy with general interest;
- The National Bank of Rwanda was honored to receive the AFI Policy award in recognition of Rwanda's innovative and impactful financial inclusion policies due the success of UMURENGE SACCO Program.

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