



Day 2, Session 2 - Financial Inclusion: The Rwanda Experience

Keynote Address

The Honourable John Rwangombwa, Governor, National Bank of Rwanda:

The Chairman, Board of Directors of The MasterCard Foundation, MasterCard Foundation Board of Directors here present, experts and professionals in financial inclusion gathered here today, distinguished guests, ladies and gentlemen.

Let me start by welcoming you to our country, though I know you have been here for some days, but it's my pleasure to really add my voice to welcome you to our city, Kigali, and hope you are enjoying, and will continue to enjoy, the Rwandan hospitality.

I want also to thank The MasterCard Foundation for choosing Kigali as their venue for this important Symposium on Financial Inclusion. Thank you for putting together such enriching and interactive sessions that have brought together a diverse audience from more than 50 countries to discuss an issue that is pertinent to all of us.

Globally, financial inclusion has increasingly attracted great recognition because of its role it plays in inclusive growth and development. By and large, access to finance for any country's citizens acts as a catalyst to accelerate economic growth, reducing income inequality and reducing poverty. It gives citizens the ability to build financial security and reduce vulnerabilities or financial shocks through savings and insurance, to acquire loans and invest in productive activities, and create wealth and jobs. Indeed, financial inclusion is a prerequisite for inclusive growth and development.

Ever since research by McKinsey Global Institute, 'Digital Finance for All: Powering Inclusive Growth in Emerging Economies' that was released in September 2016, it showed that widespread adoption and use of digital financial services could increase the GDPs of all the emerging market economies by 6%, or at least \$3.7 trillion addition on the GDPs of our countries by the year 2025. This shows how financial inclusion is a \$3.7 trillion opportunity, though businesses have not really seized this opportunity. For instance, in Sub-Saharan Africa, only 34% of the population had bank accounts in 2014 compared to 94% in the developed world. And, globally, two billion individuals

and 200 micro small and medium businesses in emerging economies, today lack access to savings and credit. Even those with access must often pay high interest and fees for a limited range of products. The world can't accept this status quo to continue and it is our responsibility, as who are seated in this hall, to address this issue.

Distinguished participants, ladies and gentleman, for Rwanda's case, the government considers financial inclusion as an enabler for achieving the country's development and poverty reduction objectives as embodied in both our Vision 2020 and the Economic Development and Poverty Reduction Strategy. We have targets to achieve 80% and 100% financial inclusion by the years 2017 and 2020, respectively. Yet, according to the 2008 FinScope Survey, it was revealed that only 21% of Rwanda's bankable population was accessing formal financial service, while 52% was completely financially excluded.

This high level of financial exclusion was mainly linked to four factors: limited access to physical access to financial institutions, financial illiteracy, limited trust in financial institutions, and low-income levels. Based on the outcomes of this survey, the government elaborated and launched a national savings mobilization strategy which had among its main objectives to have at least one SACCO per sector (sector is an administrative unit of our local government) that would ensure that citizens have access to a financial institution in a distance of less than five kilometers. And, by end 2009, with the support of the government, the citizens were able to establish SACCOs within their sectors across all the 416 sectors in our country.

Further, with the urgent need to bridge the financial access gap, in 2012, a five-year financial sector development strategy, FSDP2 was developed with financial inclusion as one of its key pillars. A national financial strategy was also launched in 2012 and laws to support the financial inclusion agenda were further enacted. To assure that the population of the stability of their money, the Central Bank increased its oversight activities over the newly formed SACCOs by deploying 60 new inspectors across the country. That is two in every district, in each district of our country.

Also since 2009, with the support of the Ministry of Environment, new financial products that promote financial inclusion were introduced into the market including mobile financial services by both banks and telecom companies, agent banking, shares and bonds in the capital markets. This also facilitated entrance of new banks, opening new bank branches and outlets. Mutuelle de Santé, a universal health insurance product that covers more than 90% of the population today, is another major milestone in the financial inclusion agenda.

Through the digital financial services the following products are issued, or services are offered to our citizens, there is a transfer of money between individuals that used to take days, today it takes just seconds or minutes. They're paying pensioners online, electronic disbursements, fertilizer subsidies to the citizens. Refugees are receiving food aid through digitized cash disbursements. Utility bills, electricity, water and others are paid electronically. Fuel and other products are now able to be bought electronically. Bank accounts to e-money account transfers

and vice versa. And then, savings and micro loans are able to be extended to the poor part of our population.

The government of Rwanda has also taken further steps to enhance operational efficiency and the quality of service to the citizens and the business through the RwandaOnline platform that exclusively offers government to business and government to citizen services on-line and all the payments are done on-line using mobile money.

Distinguished participants, ladies and gentlemen, to effectively monitor the financial inclusion progress, Rwanda resolved to be carrying out financial inclusion surveys, commonly known as FinScopes, every four years. And, results from these surveys have been very helpful in informing the country's policy orientation. We have, so far, conducted three surveys: that was 2008, 2012 and 2016. Four years after the first FinScope survey of '08, and three years after the creation of the Umurenge SACCO, findings from the 2012 FinScope survey revealed good increase in financial inclusion. From 21% of others that were formally served in 2008, at 42% served in 2012. The percentage of Rwandan adults that were totally financially excluded reduced from 52% to 28% over the same period. The Bank population also increased from 14% to 23%.

The recent FinScope survey of 2016, revealed further achievements that were made between '12 and '16. Access to formal financial services had increased from 42% to 68% by the beginning of this year while overall financial inclusion increased from 72% to 89%. So, if you compare 2008 and 2016, the total excluded reduced from 52% to 11%. These good results in financial inclusion can be linked to achievements happening in mobile financial services and Umurenge SACCO. For example, FinScope 2016 revealed that 33% of adults used Umurenge SACCO from 22% in 2012, while the mobile financial services are used by 48% of our population, which was almost zero at the beginning of this decade. These achievements in financial inclusion can be linked to the social economic developments in our country. Just as an example, between 2006 and 2015, Rwandans living below the poverty line reduced from 56.7% to 39.1%, while income inequality was reduced from 0.52% to 0.44% using the Gini coefficient as a measure of inequality.

Distinguished participants, ladies and gentlemen, despite the positive strides we've seen in our financial inclusion journey, we still have some challenges. One, the gender gap and financial inclusion still remains high and so, as we think of financial inclusion, this remains an issue. Poverty where people still have challenges really dealing consistently with financial institutions and be able to build credit history is also still a problem. Financial illiteracy has done a lot, have achieved a lot but there is still challenges with financial literacy of people understanding the benefits of working with financial institutions. Their obligations and their rights as they work with financial institutions, that remains a challenge. Limited products on the market are designed to address the needs of the poor part of our population, and those available are still being expensive, that remains a challenge. And then, limited interoperability between different financial channels also still remains a challenge.

As a way of addressing the above challenges, the National Bank of Rwanda and the Minister of Finance and Economic Planning, in partnership with Access to Finance Rwanda, is currently

working on a national financial inclusion strategy through which financial inclusion policy actions will be set with tangible assets. And, in this strategy, for the first time, we'll be forecasting more on the quality of financial inclusion and not just the quantity.

Distinguished participants, ladies and gentlemen, as I conclude, allow me to, once again re-emphasize the critical of financial inclusion that plays in first, economic development, poverty reduction and increasing financial stability to different families. However, as we strive to achieve financial inclusion for all, it's important to focus on building consumer confidence through financial education. Digital financial services has enormous potential to include people in the formal financial system but its success depends on understanding and trust of the consumers, and continued investment from our different stakeholders. Encouraging interoperability is a key factor in ensuring greater achievements in this area.

So, I want to end, once again, by thanking you for being with us here today. And wish you continued fruitful deliberations. I thank you.

[Applause]