

FINANCIAL INCLUSION

FINANCIAL INCLUSION is the availability and usage of affordable financial products and services provided by professional institutions to all society segments including vulnerable and low-income population groups, and small businesses.

Financial inclusion is increasingly being recognised by the UN and other development partners as one of the most powerful tools to fight poverty. Access to finance is essential for enabling individuals and families to invest in their lives and shape their future as well as it is essential for businesses to invest, employ people, and grow. Formal financial systems strengthen the financial sector on a national level and enable resource mobilisation at household level.

THE BIFSIR PROGRAMME

THE BIFSIR PROGRAMME (2010-2015) seeks to tear down the barriers for financial inclusion in Rwanda by contributing to capacity building of stakeholders at the macro, meso, micro and client levels, with an overall objective to make sustainable, high quality and diversified financial services accessible to the less advantaged. With a total budget of USD 8,038,364, BIFSIR is implemented with support from Republic of Korea-UNDP MDG Trust Fund, UNDP and UNCDF under the leadership of the Ministry of Finance and Economic Planning (MINECOFIN). Key partners include Ministry of Trade and Industry (MINICOM), National Bank of Rwanda (BNR), Rwanda Cooperative Agency (RCA) and private sector players like the Association of Microfinance Institutions (AMIR), Microfinance institutions (MFIs), SACCOs and individual clients.



FINANCIAL INCLUSION IN RWANDA

FINANCIAL INCLUSION
 **2016**
89%

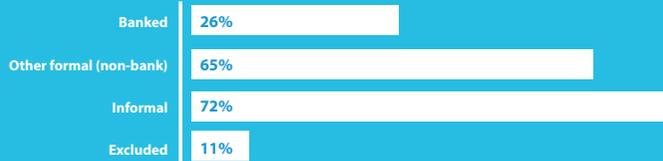
AVERAGE ANNUAL GDP GROWTH
 2010-2014
8%

RWANDA
 2015

 Population: 11,609,666
 GDP: USD 697

FINANCIAL PRODUCTS AND SERVICES

Usage among adult population



26% Are banked
86% Save
72% Borrow
9% Are insured

Sources: data.worldbank.org/country/Rwanda and the FinScope Rwanda Report 2016

PROGRAMME APPROACH:

CATALYTIC CAPITAL

LEVERAGE LOCAL AND EXTERNAL CAPITAL THROUGH INITIAL INVESTMENTS

POLICY ADVICE

CREATE ENABLING POLICY ENVIRONMENTS FOR MICROFINANCE INSTITUTIONS AND LOCAL GOVERNMENTS

TECHNICAL SUPPORT

TRANSFORM CAPABILITIES FOR MORE EFFECTIVE AND EFFICIENT BASIC SERVICE DELIVERY

BIFSIR IS ALIGNED TO:

UNDAP

RWANDA UNITED NATIONS DEVELOPMENT ASSISTANCE PLAN (2013-2018)

EDPRS II

ECONOMIC DEVELOPMENT AND POVERTY REDUCTION STRATEGY

FSDP II

FINANCIAL SECTOR DEVELOPMENT PROGRAMME

NMPIS II

NATIONAL MICROFINANCE POLICY IMPLEMENTATION STRATEGY

SUSTAINABLE DEVELOPMENT GOALS



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The BIFSIR project is made possible through a partnership between the Government of Rwanda, the Government of the Republic of Korea, UNDP and UNCDF.

BUILDING AN INCLUSIVE FINANCIAL SECTOR *in Rwanda*

BIFSIR THEMATIC AREA:
 VILLAGE SAVINGS AND LOAN ASSOCIATIONS





THEMATIC AREA

VSLAs

INTRODUCTION

VSLAs have proven to be very effective in generating growth and building local capacity. A VSLA is a micro-credit model under which 25-30 members meet in a self-managed group once a week to save and borrow money. Members can take out smaller loans to invest in income generating activities or they can use the loans to meet expenses like school fees and medical bills. All members pay 10% interest and have three months to repay the loans, resulting in a steady growing pool of money, which is distributed among the members once a year in a share-out ceremony. The VSLA methodology is designed to reach the poorest of the poor. The members are provided with security against unforeseen emergencies and they have access to means to invest in the future.

A STEP TO TOWARDS USING FORMAL FINANCIAL SERVICES

For many poor people a VSLA is the first encounter with financial services and products. VSLAs form an entry point that allows people to develop from being financially excluded to understanding and properly using formal financial services. BIFSIR has supported a local NGO, PAJER, to establish and train new VSLAs. With the support from BIFSIR:



535

new VSLAs have been formed with a total membership of 14,903 people



70%

of the members are women



90%

loan repayment rate



15.754

people received financial education

FINANCIAL EDUCATION

The low level of financial literacy in Rwanda is not only a barrier to financial inclusion in general but it is also a significant risk to the country's investment market and sustainable economic growth in a long term perspective. Lack of knowledge, skills, and self-efficacy to be fully financially capable continues to be a challenge. Although the availability of formal financial services is significantly increasing, there is a gap between uptake and usage of formal products and services. To increase the awareness of the available financial services in Rwanda and the opportunities they represent, BIFSIR provided grants to the Association of Microfinance Institutions in Rwanda (AMIR) and PAJER to provide financial education focused on goal setting, budgeting, responsible borrowing, and consumer rights.

IMPACT OF BIFSIR'S SUPPORT

"My husband and I own a retail shop. Before we joined the VSLA, we depended on the harvest for having money to spend. At the time, we could only afford to buy small amounts of stock for the shop - not for more than RWF 10,000 (USD 12) - but now I regularly buy for RWF 50,000 (USD 62) and above. Because we can access loans at the VSLA, we have been able to make larger investments and our income has increased considerably. We can cover for our expenses; our children have health insurance and when they are old enough we can send them to school. We have bought a piece of land and we are planning to build a house for our family."

Clematine

VSLA member and shop owner, Gatsibo District

VSLAs have demonstrated that even with very little funds, big results can be achieved.

