FINANCIAL INCLUSION AND SOCIAL ECONOMIC DEVELOPMENT OF DISTRICTS IN RWANDA: A CASE STUDY OF MUSANZE DISTRICT

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ABSTRACT

This study analysed the effect of financial inclusion on the social economic development of local government in Rwanda taking Musanze district as the case study covering a period from 2011 - 2013. The main objective of this study was to assess the effect of financial inclusion on the development local governments taking Musanze districts as the case study. The study was guided by the following specific objectives.

A conceptual framework showing the relationship between variables was designed from which the analysis was made. The independent variable was measured by financial inclusion and the dependent variable was measured by social economic development. The model also shows other variables which affect the dependent variable.

A multi-method approach composed of qualitative and quantitative design was used. A population of 2000 member of the household community was selected from two sectors. The sample was determined using Rao software from which 92 respondents were selected. Questionnaire and interview was used to correct primary data whereas on-desk research was used to correct secondary data. Data was processed and summarised into frequency table using the statistical package for social sciences (SPSS) from which analysis was made.

The results from the survey indicated use of financial inclusion as 95.5% indicated that they have accounts with the banks, 45.5% they use mobile money, 51.5% have had access to loan from banks, 48.5% have had access to insurance services. A number of benefits have been derived by the community through financial inclusion. The results indicated that the respondents have managed to make savings, build houses, pay school fees for their children, and bought land.

Based on the results it is indicative that financial inclusion is a key driver in the social economic development of the local government. Based on the findings, the following recommendations

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were developed. The government should put in place a guarantee fund in order to enable even those without security to have access to loans. Financial institutions should advertise other services they offer to the general public so that the community can be able to access those services. For example insurance companies must sensitise the community on other products they have apart from health insurance and banks should sensitise the community on fixed deposit accounts. More still financial institution considers educating the community on how to manage finance.

Key Words: Financial Inclusion, Financial institutions, social economic development

1. INTRODUCTION

Rwanda's long-term development plan, as articulated in Vision 2020, seeks to transform Rwanda into a middle-income country by the year 2020. Developing an efficient, sound and inclusive financial sector is crucial to meeting the economic cluster targets of Vision 2020 and the Seven Year Government Plan (7YPG). Equally importantly, a sound and stable financial sector provides a foundation for the achievement of social and governance related objectives (A. Michel et al 2012).

According to A. Michel et al (2012), a growing and sound financial sector will make direct and indirect contributions to three of the four thematic areas of the second Economic Development and Poverty Reduction Strategy (EDPRS 2), under development for implementation from 2013/14: Economic transformation for rapid economic growth of the financial sector generates direct employment and expansion of the service component of GDP, and indirectly supports growth and transformation in other sectors with financing and transactions services. Rural development, increased financial sector outreach and access to finance improve the quality of life in rural areas and lay the foundation for growth.

Productivity and youth employment adoption of electronic payment and transaction processing will directly improve the productivity of the financial sector as well as indirectly supporting all other sectors of the economy by reducing costs and risks associated with unemployment. The growing financial sector and related capacity building initiatives will expand the employment opportunities for young Rwandans.

According to the Deloitte Report (2011), financial inclusion is therefore necessary to ensure that economic growth performance is inclusive and sustained. Financial inclusion refers to all initiatives that make formal financial services *Available*, *Accessible and Affordable to all segments of the population*. This requires particular attention to specific portions of the population that have been historically excluded from the formal financial sector either because of their income level and volatility, gender, location, type of activity, or level of financial literacy.

Worldwide, 50 percent of adults report having an individual or joint account at a formal financial institution. But while account penetration is nearly universal in high-income economies, with 89 percent of adults reporting that they have an account at a formal financial institution, it is only 41 percent in developing economies. Globally, more than 2.5 billion adults do not have a formal account, most of them in developing economies. The differences in account ownership by individual characteristics are particularly large in developing economies. While 46 percent of men have a formal account, only 37 percent of women do (Deloitte Report 2011).

Indeed, there is a persistent gender gap of 69 percentage points across income groups within developing economies. Among all adults in the developing world, those in the richest quintile (the top 20 percent of the income distribution within an economy) are on average more than twice as likely as those in the poorest to have a formal account.

The study carried out by Agbai (2012) shows that financial inclusion goes beyond improved access to credit to encompass enhanced access to savings and risk mitigation products, a well-functioning financial infrastructure that allows individuals and companies to engage more actively in the economy, while protecting users' rights. Interest in and dedication to promoting financial inclusion has grown dramatically in recent years

Financial Inclusion Action Plan, as well as strategies and targets set by individual governments. To track progress in achieving more inclusive financial systems and gauge their impact, a clear and unified definition of financial inclusion is needed and data collection efforts must be aligned with growth in financial inclusion commitments and programs. Rigorous, well-tailored data is instrumental to identify policy gaps, understand both served and underserved populations, and define priorities for action(Agbai 2012).

Definitions and measurements of financial inclusion have evolved from classifying individuals and enterprises according to a dichotomous division as either included or not, to viewing financial inclusion as multi-dimensional. With the aim of defining a more complete concept of inclusion, the Financial Inclusion Data Working Group of the Alliance for Financial Inclusion.

Analysing individual characteristics provides an opportunity to identify the demographic groups that are particularly excluded from the financial system. For example, those living in rural areas, the poor, women, less educated adults, young and older adults particularly face challenges in financial inclusion. Barriers faced by both households and enterprises tend to decline as per capita GDP rises, and in countries with more competitive, open, market oriented and well regulated financial systems with more developed contractual and informational infrastructures (World Bank, 2008).

The low level of bank penetration makes it impossible for banking services to be available to all the population. Contrasting to this low penetration is the high penetration of mobile phone users which presents mobile phones an ideal platform to increase outreach of financial services to the rural population as their penetration is already large and growing. For a Bank to reach its customers as well as to widen its customer base without investments in physical infrastructure like branches, ATMs, mobile banking presents a good opportunity to undertake branchless banking(Demirguc-Kunt, and Klapper. 2012).

According to Demirguc-Kunt, and Klapper(2012), the key element of the financial inclusion strategy is creating an enabling environment for financial institutions and other competitors to provide a broader range of low-cost financial services to households. This includes savings and deposit products for historically excluded clients, mobile money transfers (MMT), mobile and internet banking, agent banking, micro insurance and micro leasing. Much of the innovation has come from non-traditional players' mobile phone operators or new entrants to the Rwandan banking market rolling out agency banking models, which highlights the importance of an outward looking policy.

The Unmerge SACCOs, together with older SACCOs and MFIs have contributed substantially to increasing financial inclusion, mobilizing savings and contributing to financial development. The first phase of the program for strengthening Umurenge SACCOs focuses on achieving sustainability and financial soundness in the short term under the intensive oversight of the National Bank of Rwanda (BNR). Following extensive dialogue with Umurenge SACCO members, financially sound Umurenge SACCOs are expected to form District SACCOs. Members of sound older SACCOs will also have the opportunity to also become part of District SACCOs (A. Michel et al 2012FinscopeRwanda2012).

Until now little had been known about the global reach of the financial sector the extent of financial inclusion and the degree to which such groups as the poor, women, and youth are excluded from formal financial systems. Systematic indicators of the use of different financial services had been lacking for most economies. The Global Financial Inclusion (Global Findex) database provides such indicators. This report presents the first round of the Global Findex database, a new set of indicators that measure how adults in 148 economies save, borrow, make payments, and manage risk(Finscope Rwanda2012).

Ultimately, the goal of financial sector development and increased financial inclusion in Rwanda is to improve the lives of Rwandans the premise being that access to secure savings facilities and other financial services will better enable the poor to build financial security, manage financial shocks and to invest in business opportunities the cumulative effect being poverty reduction through greater participation in economic activities. However, to achieve this appropriate financial products and services must be made accessible to Rwandan adults. In order to provide such products and services, financial service providers need to have a clear understanding of who the consumer is and how financial products and services fit into their lives (Finscope Rwand2012).

In Africa the use of cash is dominant because of the low level of penetration of the financial institutions system. From statistics, the average level of those who maintain accounts in Banks in Africa is not more than **39%** leaving about **61%** unbanked. The banking sector serves only a minority of the population.

One key component of inclusive development is financial inclusion, an area in which Africa has been lagging behind other continents. Less than one adult out of four in Africa have access to an account at a formal financial institution. Broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families.

The Rwandan Financial Sector Development Programme (FSDP) was launched in 2006 with the vision to "develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reduce poverty"(Deloitte Report 2011).

In an effort of the government of Rwanda to increase the financial coverage, it introduced various policies like Umurenge SACCOs and other financial institutions in order to ensure a wide coverage of financial inclusion. Despite of these efforts made by the government, research shows that the financial institutions coverage is still low in Rwanda. The study made shows that only 33% of adults use financial institutions, 4% use mobile money, 8% raise money through loans, 1.4% raise money from stock exchange market, 3% use debit cards and credit cards, 2% use mortgage loans, and only 5% have personal health. It is within this context that the researcher wants to assess the effect of financial inclusion in the development of districts in Rwanda(Finscope Rwanda 2012, Peer et al 2011).

2. THEORETICAL FRAMEWORK OF ANALYSIS

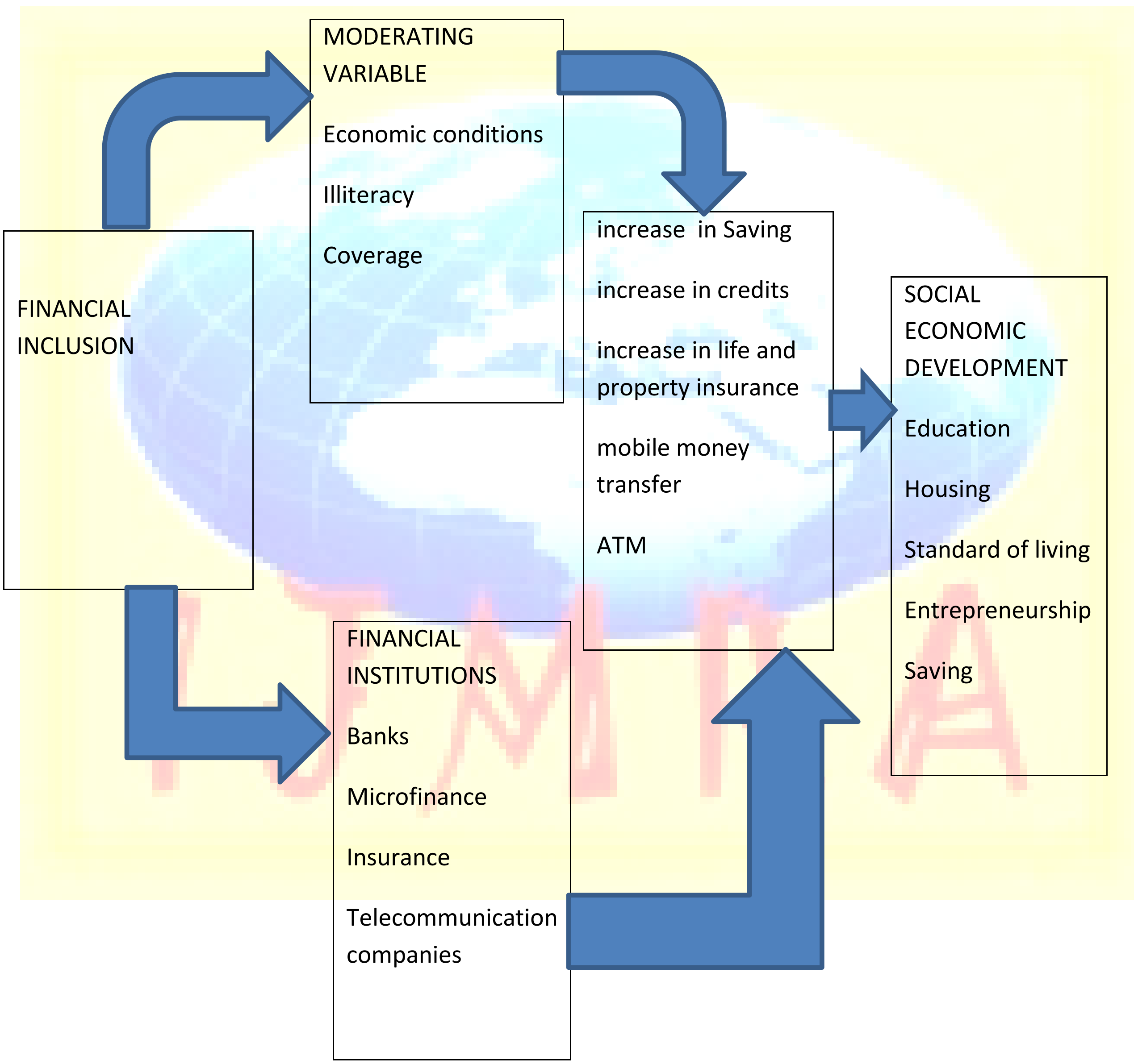
Financial exclusion has been a point of discussion for the planners and policy makers most recently; the emphasis being shifted to 'inclusive growth' incorporating those who have missed the 'bus of social and economic development' and are still abode along more than six decades of independence.

The definitions of financial inclusion or exclusion vary across the geographic regions decided by the concomitant economic development. The 'focus' dimension links the other dimensions of exclusion. This dimension essentially takes care of the potential difficulties faced by some segments of the population, viz, individuals, households or communities in accessing mainstream financial services.

As defined by Sharma (2008), financial inclusion is a process that ensures ease of access, availability and usage of formal financial system for all members of an economy (Sharma, 2008). These definitions emphasize several dimensions of financial inclusion, viz., accessibility, suitability, availability and usage of the financial system. These dimensions together build an inclusive financial system.

Another issue that needs to be taken care of is whether to measure access or usage; because in transaction banking and insurance we can find that people do not use it even if they are having access to it. Access dimension implies mere access to services while usage dimension is a broader term requiring examination of aspects like access, suitability, availability and actual usage.

Figure 1: Conceptual framework



Source: Researchers' Impression 2015

Microfinance and Financial Inclusion

Despite the inability of the formal financial system to provide financial services to the poor, microfinance revolution has helped poor to unfold the "underserved" status, contributing to economic and social empowerment of poor particularly women (Camilo and McCarly2011; Mccard et al 2012). Micro finance represents something more than micro credit. It is a financial service of small quantity provided by financial institutions to the poor.

These financial services may include savings, credit, insurance, leasing, money transfer, equity transaction etc that is any type of financial service provided to customers to meet their normal financial needs, life cycle and economic opportunity and emergency with the only qualification that (i) the transaction value is small (ii) the customers are poor (Stain et al 2012). Micro credit thus becomes distinct from other regular credit where not only the credit amount is small and the clientele is poor, but also the credit is provide with collateral substitute instead of traditional collateral and non-financial services for increasing the productivity of credit.

Financial inclusion and deposit insurance:

It stands to reason that deposit insurance should promote financial inclusion by bolstering confidence in financial institutions and potentially leading to greater savings among the poor. Access to deposit insurance should provide a measure of protection to small savers, provided they are informed about safe places to store their money. Indeed, many deposit insurance systems have as a public policy objective the protection of small depositors in recognition of this benefit of deposit insurance, and those that do frequently carry this objective out through efforts related to financial literacy and public awareness efforts designed to ensure that small depositors are informed about safe methods of storing their money and promoting their use of the mainstream banking system (Claudia 2011, and Siedek 2008).

Access to banking

Holding a bank account is widely recognised as a basic indicator of financial inclusion, and access to banking has been researched extensively in the UK over recent years. A bank account is fundamental to enable full participation in economic and social life: those without bank accounts face higher costs for simple transactions, such as cashing cheques or paying for fuel bills using prepayment meters. Managing household finances is more time-consuming, expensive and insecure without a bank account (Chawla et al 2007).

Access to credit

Chen et al (2010) noted that credit is an essential aspect of financial management for many households, and part of a strategy to cope with income fluctuations. However, 2 million people in the UK (mostly from low-income households) are excluded from the mainstream credit market. Many mainstream credit providers do not provide products suitable for the needs of low income borrowers. For example, the minimum loan amounts offered by mainstream lenders are often too high for low-income borrowers, who need to borrow small sums for short periods (for example, weekly repayments). Onerous application procedures and exclusionary conditions can also be barriers to affordable credit for lower-income consumers. (Chen et al 2010).

Low-income households attach considerable importance to controlling their budgeting, and this flexibility explains the popularity of home credit providers. Many low-income borrowers are aware of the higher cost of home credit, but still prefer it, as it satisfies other important criteria, such as weekly repayment schedules. Low-income households are also more likely to use informal sources of credit (such as family and friends) as a way of managing finances (Charsen et al 2011).

Access to savings

The importance of savings to household financial stability and well-being is expressed by the Treasury Select Committee: An absence of appropriate saving is a key indicator that people are outside the financial mainstream; effective measures to encourage appropriate saving can play an important role in bringing people into the financial mainstream and giving them greater security and independence. (Deloitte report 2011)Saving is especially important for low-income households that are more vulnerable to disruptive events, such as loss of employment. As well as reducing negative consequences, saving has also been associated with positive benefits: possessing savings provides a reassuring sense of security and has been associated with increased individual sense of worth, and belief in personal control and efficacy (Deaton 2008).

Financial literacy and capability

Financial capability covers a range and depth of skills, knowledge and behaviour. The National Foundation for Educational Research defined financial literacy as: ‘the ability to make informed judgments and take effective decisions regarding the use and management of money’ (Collins et al 2009).Financial capability is a broader term than this. It has been defined by the Treasury as: a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market. (Shaibu 2012, Stephen 2012) Greater emphasis has recently been placed on financial capability and literacy in the UK than before, as responsibility for managing personal finances and protecting financial well-being has.

Access to insurance

More than half of households with low or very low incomes have no home contents insurance, which is seen as the most basic form of insurance. This compares with around 20 per cent of average-income households, and 10 per cent of high-income households (Beck and Brown 2011)

Lack of affordability is often given as the main reason for not having home contents insurance, but there is no simple explanation why low-income households do not possess it. Home contents insurance is regarded as important by low-income householders, but inter-linked issues of affordability, a lack of suitable products, and competing domestic spending priorities all influence whether low-income households purchase or maintain home contents insurance.

Approaches to Measuring Financial Inclusion

The literature on financial inclusion lacks a comprehensive measure that can be used to indicate the extent of financial inclusion across countries because of diversity in possible quantifiable indicators and factors inducing inclusion/ exclusion (Alliance for financial inclusion 2012). The degree of financial inclusiveness has been less thought about, though indicators of depth of banking system, capital markets, and insurance sector are widely available. Individual indicators such as number of bank accounts and branches can provide only a partial picture. Macro and micro assessment of financial inclusion indicators provides different angles. While the macro indicators help policy makers in assessment of status and depth of financial inclusion, the micro view throws light into the outreach and constraints associated with financial inclusion

Macro Assessments

Macro indicators of financial inclusion are built up on available financial monitoring indicators such as number of bank accounts, coverage of population by bank branches, per capita credit, deposit etc. Alternatively this does not suffice an indicator explaining access to financial services. Access is not easy to measure, and empirical evidence linking access to development outcomes has been quite limited because of lack of data. Existing evidence on the causal relations between financial development, growth, and poverty is consistent with theory. However, most of the evidence comes either from highly aggregated indicators that use financial depth measures instead of access or from micro studies that use financial or real wealth as proxy for credit constraints (World Bank, 2008).

Micro Assessments

As indicated earlier, the core/headline indicators of financial inclusion can be arrived from individual survey data that would help in eliminating data insufficiency barriers of measurement. While the micro level assessment can provide a detailed picture; the argument of whether to contend with 'individual' or 'household' level of exclusion has to be framed out.

3. RESEARCH METHODOLOGY

Research Design

The study design was based on a multi-method strategy which used both qualitative and quantitative research approaches. A case study and a survey strategy were used in this study. This helped the researcher to have a triangulation of different strategies. According to Bryman and Bell (2003:25), a multi-method strategy occurs when more than one research strategy and data source are used in a study of social phenomena. A multi-method approach can be undertaken within a single research strategy by using multiple sources of data or across research strategies (Bryman and Bell, 2003:25; Marlow and Carter 2006:15). The combination of qualitative and quantitative design strategy has been recommended and used by researchers in situations where one of the approaches is insufficient to reveal all that is r

Study Population

Kasomo (2006) defined the population as aggregate of all cases that conform to some designated set of specification, whereas Mugenda (2008) defined it as the set of all elements in the universe. In this research, the researcher made a survey on the financial institutions and the surrounding community in Musanze district.

This study covered all the financial institutions in Musanze district and the community in Musanze. Only managers of the financial institutions were considered in the study. The target population were only those sectors located in the rural areas.

Sample design

A sample is a sub set of the population being investigated by the researcher, whose characteristics will be generalised to represent the whole population (Kasomo 2006). According to Kothari (2000) a sample design is the technique or the procedures the researcher would adopt in selecting the items from the population. A sample design includes a sample size and sampling procedures.

Sample Size and procedures

A sample size is the number of items to be selected from the universe to constitute a sample (Kothari 2000). In selecting a sample an optimum sample size will be considered. According to Kothari (2000) an optimum sample is the one which fulfils the requirement of efficiency, representativeness, reliability and flexibility. The sample size was determined using a Rao Software calculator as below.

Margin of error can you accept? 5% is a common choice	5 %	The margin of error is the amount of error that you can tolerate. If 90% of respondents answer *yes*, while 10% answer *no*, you may be able to tolerate a larger amount of error than if the respondents are split 50-50 or 45-55. Lower margin of error requires a larger sample size.
What confidence level do you need? Typical choices are 90%, 95%, or 99%	95 %	The confidence level is the amount of uncertainty you can tolerate. Suppose that you have 20 yes-no questions in your survey. With a confidence level of 95%, you would expect that for one of the questions (1 in 20), the percentage of people who answer *yes* would be more than the margin of error away from the true answer. The true answer is the percentage you would get if you exhaustively interviewed everyone. Higher confidence level requires a larger sample size.

What is the population size? If you don't know, use 20000	20000	How many people are there to choose your random sample from? The sample size doesn't change much for populations larger than 20,000.
What is the response distribution? Leave this as 50%	50 %	For each question, what do you expect the results will be? If the sample is skewed highly one way or the other,the population probably is, too. If you don't know, use 50%, which gives the largest sample size. See below under **More information** if this is confusing.
Your recommended sample size is	**92**	This is the minimum recommended size of your survey. If you create a sample of this many people and get responses from everyone, you're more likely to get a correct answer than you would from a large sample where only a small percentage of the sample responds to your surve

Sample selection Procedure

The respondents within the selected population were divided into stratus under which the sample was selected randomly and purposively. Since the study requires people with technical knowledge about the study, the respondents with in each sample will be selected using purposive judgement. Purposive sampling is that technique in which you select a sample basing on your judgement on how that sample will enable you to answer your questions and to meet your objectives (Saunders et al 1999)

Data Collection

This section entails on how data will be collected from respondents. It shows how the qualitative data, quantitative and secondary will be collected quantitative.

Qualitative Data Collection

In order to address the objectives of the study, primary data was collected by holding in-depth interviews using interview guide with financial institutions manager on their coverage. These in-depth interviews involved discussions between the researcher and the respondents on deposits, credits, health insurance and mobile money. This approach was consistent with the work of Kothari (1998) and Saunders *et al*. (1999) who argued that in-depth interviews constitute one of the vital approaches for understanding phenomena that have not been significantly studied.

Quantitative Data Collection

The quantitative was collected using one sets of questionnaire, was given to the community. The questionnaire was designed using a five point likert scale, both closed and open ended questions were used. Open ended questions were seeking the views of respondents on the subject matter. In this study the researcher used both the structured and the unstructured self-administered questionnaires. The researcher decided to use this type questionnaires in the study because of the advantages it has over other instruments as sited by Saunders et al (1999), Kothari (2000), Kasomo (2006) and Mugenda (2008), it is relatively cheap to collect data through the use of questionnaires since it involves only spending money in preparing the questionnaire and mailing it to the respondents. In addition, when the study involves both deductive and inductive approach, questionnaire is best suit in the study. Furthermore when the study involves identifying a relationship between variables, the questionnaires helps to get data that describe a relationship between different variables.

On Desk Research

The last approach that was used in data collection is the documentation of literature search. This was done in order to establish the financial inclusion coverage. Secondary data is the data which may be used by raw data if there has been little if any processing or compiled data that have been received some of selection or summarising (Saunders et al 1999). It can also be defined as the data which have already been collected by someone else and which have been passed through statistical process (Kothari 2000).

The documentation of data helped the researcher to provide a contextual and comparative data. In addition to that it also helped the researcher in comparing that data that was collected with the secondary data (Saunders et al 199). This therefore this makes it inevitable for the researcher to use secondary data in this study.

Qualitative Data Analysis

The data that was collected through interview was edited and imported into SPSS through rich text format. Data was classified and organised into themes using mother and child nodes as indicated by Kakuru (2008). Themes were merged and modified as meaning will be attached to the data being analysed. The coding resulted into concepts that were used to identify the emerging relationships amongst the different variables. The process of coding was repetitive and consistent with the work of kakuru (2008).

Quantitative Data Analysis

The survey data that was generated from the questionnaires was analysed using both exploratory and confirmatory statistical techniques. After receiving the completed questionnaires from the field, a data entry capture template was designed in the Statistical Package for Social Scientists (SPSS) which was used for data entry. After data entry and cleaning up, exploratory statistical data analysis was conducted using frequency distribution tables to summarise and display the respondents' views on the questions under study.

4. Presentation and discussion of results

Response Rate

Ninety two (92) questionnaires were distributed to the respondents. Sixty six (66) questionnaires were returned back as indicated in the table below;

Table: 1. Response rate

Responses	Questionnaire	Number received back	Percentage
Number distributed	92	66	71.7
Note returned		26	28.3
Total		92	100

Source Primary Data October 2015

The results shows that 71.7% of the targeted population returned the questionnaire and 28.3% did not return. Since the majority of the population returned the questionnaire, the data received from the survey can be reliable.

Table 2: Responses on bank account

		Frequency	Percent
Valid	yes	63	95.5
	no	2	3
	Total	65	98.5

Missing	System	1	1.5
Total		66	100.0

Source: Primary Data October 2015

As indicated in table 2, 95.5 % of the respondents report having an account at a formal financial institution a bank, credit union, cooperative, post office, or microfinance institution. For most people, having such an account serve as an entry point into the formal financial sector. A formal account makes it easier to transfer wages, remittances, and government payments. It can also encourage saving and open access to credit. On the other hand 1.5 % reported not having an account which is low.

Table 3.Type of account maintained by Respondents

	Frequency	Percent
Saving	21	31.8
Current	38	57.6
Fixed deposit	5	7.5
Others	2	4.5
Total	66	100.0

Source: Primary data, October 2015

The table 3 above indicates that 38 respondents or 57.6 % of the respondents use current account, 18 respondents or 31.8% of the respondents use saving accounts ,5 respondents or 7.5% of the respondents use fixed deposit while others 2 respondents or 4.5% use others financial services. This implies that people are not too much aware of using saving accounts while others are still using traditional financial services. The results showed that the idea behind is that most of the respondents open current account for their daily transactions, and targeting small loans for the business activities.

Table 4: Distribution of respondents on the type of financial services provided

		Frequency	**Percent**
Valid	Mobile money	30	45.5
	Mutual insurance	8	12.1
	SACCO	1	1.5

	Life insurance SORAS, CORAR,RAMA	7	10.6
	Bank	6	9.1
	Others	12	18.2
	Total	64	97.0
Missing	System	2	3.0
Total		66	100.0

Source: Primary data, October 2015

Table above indicates that 45.5 % of the respondents use mobile money, 18% use formal banking system while about 36.8% use other types of financial services. This is due to the availability of mobile money in rural areas where more than 80% of the Rwandan family has a mobile phone.

A key element of the financial inclusion strategy is creating an enabling environment for financial institutions and other competitors to provide a broader range of low-cost financial services to households. This includes savings and deposit products for historically excluded clients, mobile money transfers (MMT), mobile and internet banking, agent banking, micro insurance and micro leasing. Much of the innovation has come from non-traditional players—mobile phone operators, or new entrants to the Rwandan banking market rolling out agency banking models, which highlights the importance of an outward looking policy

Table 5: Distribution of respondents on access of loans

		Frequency	Percent
Valid	Yes	40	66.7
	No	20	33.3
	Total	60	90.9
Missing	System	6	9.1
Total		66	100.0

Source: Primary data, October 2015

As indicated in table 5, 66.7 % of the respondents agreed that they have access to loans and 33.3 % do not have access to loans while the remaining do not have any idea on the banks ‘loans.

Table 6: Distribution of Respondents on the Type of loan Accessed from Financial Institution

Type	Frequency	Percentage
Business loan	15	23
Salary Loan	12	18
Mortgage loan	1	2
Education loan	6	9
Missing system	32	48
Total	66	100

Source: Primary data, October 2015

In the table 6 above, the respondents were asked the types of loan they have accessed from financial institution. Results from the survey shows that 23% accessed business loan, 18% accessed salary loan, 2% mortgage loan and 9% education loan. Results revealed that business loan and salary loan are the most provided loans by the financial institutions. Results further revealed low access of mortgage loans.

Table 7Distribution of respondents on the impact of loan

		Frequency	Percent
Valid	My business increased	12	18.2
	built house	18	27.3
	paid school fees for the children	14	21.2
	others specify	8	12.1
	Total	52	78.8
Missing	System	14	21.2

		Frequency	Percent
Valid	My business increased	12	18.2
	built house	18	27.3
	paid school fees for the children	14	21.2
	others specify	8	12.1
	Total	52	78.8
Missing	System	14	21.2
Total		66	100.0

Source: Primary Data 2015

In the table 7 above, respondents were asked on whether they benefit from the loans given to them by the financial institutions. Results from the survey shows that 18.2% of the participants indicated that the loans helped them to increase their business, 27.3% indicated that they managed to build houses, 21.2% indicated that they paid school fees for their children and 12.1% indicated other benefits. Results from the survey indicate that financial institutions through the loan advances to customers play a very important role in the social economic development of the community.

Table 8.Challenges faced in accessing financial services

		Frequency	Percent
Valid	They are very far	14	21.2
	long queues	18	27.3
	they cut a lot of money from our monthly savings	9	13.6
	they don't give loans to poor	11	16.7
	we don't have securities in order to get loans	1	1.5
	Total	53	80.3

Missing	System	13	19.7
Total		66	100.0

Source: Survey Data 2015

The results from the table above show the responses from the participants on the challenges they face in accessing financial services. Results show that 21.2% of the participants indicated that financial institutions are far, 27.3% indicated that there are always long queues in the financial institutions, 13.6% indicated that financial institutions cut a lot of money from our monthly savings 16.7% indicated that financial institutions don't give loans to poor people, 1.5% indicated that they don't have securities in order to access loans from banks and 19.7% did not provide answer to the question. As indicated in the table above, results indicated that there are still a number of challenges in accessing and using financial institutions.

Table 9.Distribution of respondents on whether they use mobile money

		Frequency	Percent
Valid	Strongly agree	35	53.1
	Agree	9	13.6
	Disagree	7	10.6
	Strongly disagree	1	1.5
	Total	52	78.8
Missing	System	14	21.2
Total		66	100.0

Source: Primary Data 2015

Mobile money is one financial institution that is growing at fast rate in many countries in the world. In the table above, respondents were asked whether they have access to mobile money. Results from the survey revealed that 53.1% of the participants strongly indicated that they are already connected to the mobile money, 13.6% agreed that they are connected to mobile money, 10.6% of the participants disagreed, strongly disagreed whereas 21.2 did not provide answers to the question. Results therefore revealed that the coverage of mobile money is high as many of the respondents indicated they are connected and they are using mobile money.

Table 10:Distribution of respondents on the benefits of mobile

		Frequency	Percent
Valid	Cost are small	17	25.8
	Can be able to keep and protect my money very well	28	42.4
	Can be access to my money every where	13	19.7
	Can be able to pay other services like water, electricity	3	4.5
	Total	61	92.4
Missing	System	5	7.6
Total		66	100.0

Source: Primary Data 2015

In the table above, participants were asked the benefits they derive from using the mobile money. Results from the survey shows that 25.8% of the respondents indicated the costs related to using mobile money are small, 42.4% indicated that mobile money help them to keep and protect their money very well, 19.7% indicated that mobile money help them to access their money everywhere and 3% indicated that they are able to pay other services like electricity, water and buying airtime whereas 7.6% did not provide answer to the question. The results from the survey revealed that mobile money provides a number of benefits to the community as indicated in the table above. This partly explains a large coverage of mobile money use by the community.

Table 11.Other types of health insurance used by the community apart from Mutual Health Insurance

		Frequency	Percent
Valid	RAMA	24	36.4
	MMI	2	3.0
	SORAS	2	3.0

	RADIANT	1	1.5
	SONARWA	3	4.5
	MEDIPLAN	1	1.5
	Total	33	50.0
Missing	System	33	50.0
Total		66	100.0

Source: Primary Data 2015

In the table above, respondents were asked whether they have other health insurance policies apart from the mutual health insurance. Results from the survey indicated that 36.4% of the participants use RAMA, 3% use MMI, 3% use SORAS, 1.5% use radiant, 4.5% use SONORWA, 1.5% indicated that they use MEDIPLAN and 50% of the respondents did not provide answer to the question. Although the results from the survey indicated use of other health insurance services, the use of these services is still at a low rate as only 50% of the surveyed population are using the services. Therefore insurance inclusion is still at a lower rate.

Discussion of Findings

The results from the survey indicated that 95.5% of the respondents have access to bank accounts as indicated in table 2 in chapter four. Results further revealed that most participants opened current account and saving account as represented by 57.6% and 27.3% respectively as indicated in the table 4.3.3.

More still, on access of loan as part of financial inclusion, results from the survey as indicated in table 3 revealed that 51.5% of the participants have had access to credit. Results further revealed that 56.1% of the respondents were able to pay back the loan as revealed in table 4.3.7. Majority of the respondents as in table 4 used in the loan in different developmental activities. Results indicated that 22.7% of the participants used the loan to finance their business whereas 21.2% built houses in the loan they received. More to that, the results from the survey revealed that the loan received from the financial institutions has had a great impact in their daily lives as evidenced by 27.3% of the participants who managed to build houses, 21.2% paid school fees for their children and 18.2% increased their business.

The results from the survey further revealed that majority of the participants were using mobile money as evidenced by 45.5% of the participants as indicated in table 9. Several benefits are derived by the respondents through the use of mobile money. Results as indicated in table 10 revealed that 27.9% of the participants indicated that the cost of using mobile money is small, 21.2% indicated that they can be able to keep their money very well and another 19.7% of the participants indicated that they can be able to access their money everywhere.

Conclusion

Financial inclusion is a key driver in the social economic development of the community. The community can be able to make saving, get credits, have access to health insurance, and having access to money at any time. Through this the community can be able to improve their businesses, buy land, build houses, paying school fees for their children and having access to health services.

Financial institutions should therefore design policies that ensure enough coverage in order to ensure the social economic development of the community.

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