Increasing Meaningful Financial Inclusion in Rwanda:

Community-Based Savings and Credit Co-operative Societies

Tidiane Diop, Fawziyah Ibrahim, Jason M. Lo Hog Tian, Donna Yang, Michael Widener, Jason Spicer

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The Reach Alliance was created in 2015 by the University of Toronto's Munk School of Global Affairs & Public Policy, in partnership with Mastercard's Center for Inclusive Growth. Our global university network now includes: Ashesi University, the University of Cape Town, Tecnológico de Monterrey, Singapore Management University, University College London, University of Melbourne, University of Oxford, and University of Toronto.

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Cover photo: Glimpses of Kigali from Mount Kigali

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Executive Summary

Financial inclusion has been a significant challenge in sub-Saharan Africa, where only 23 per cent of the population hold accounts with formal financial institutions. Women, young people, those less educated, and rural inhabitants are disproportionately excluded. Rwanda has not been immune to this issue, particularly in the aftermath of the 1994 Genocide against the Tutsi ethnic group when one million Rwandans were murdered in 100 days, decimating the economy, and plunging many into extreme poverty.

In response, the Rwandan government launched the Umurenge Saving and Credit Co-operative Societies (SACCOs) program in 2008 to enhance financial inclusion and bridge the gap between financial institutions and the population. The SACCOs program successfully established a co-operative in every sector of the country, which gave more than 90 per cent of Rwandans access to a SACCO within a five-kilometre radius of their homes. These community-led institutions offer various savings and credit products and services tailored to local needs. They promote economic growth and provide support for both personal and business purposes.

SACCOs have emerged as a powerful tool to increase financial inclusion, creating opportunities for these marginalized populations by delivering localized and adapted services. Their success hinges on their inherent adaptability, localization of services, and a strong sense of community ownership. The government's recognition of SACCOs as a pathway to enhancing financial inclusion has significantly supported their expansion.

However, as SACCOs evolve and strive to reach a larger population, they face numerous barriers and challenges. Poverty, particularly in rural regions, remains a formidable obstacle. Over half of Rwanda's population lives below the income poverty line, making it difficult for them to build savings or credit. Lack of financial literacy along with certain cultural norms and gender inequalities further restrict the effectiveness of financial inclusion initiatives.

While the expansion and digitalization of SACCOs have positively impacted financial inclusion in Rwanda, SACCOs' institutional partners still have concerns about the transition from small-scale, independent SACCO models to a co-operative banking system. The challenge lies in maintaining the integrity of community ownership, managing the risk of technology issues, and securing against potential breaches as the co-ops move under a national digital umbrella.

Despite these challenges, SACCOs have made significant strides in fostering a culture of savings, credit management, entrepreneurship, and investment in Rwanda. Their success's influence on the country's financial landscape underscores the importance of considering geographical, cultural, governmental, and global health contexts for effective financial inclusion initiatives.

Context: Rwanda's Unique Socioeconomic Conditions

Financial inclusion is critical to achieving many of the United Nations' Sustainable Development Goals (SDGs), including no poverty (SDG 1), zero hunger (SDG 2), good health and well-being (SDG 3), quality education (SDG 4), gender equality (SDG 5), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), and promoting innovation (SDG 9). However, many around the world are still financially excluded, with 1.7 billion adults remaining unbanked as of 2017, 400 million of whom are in Africa.[1] In Sub-Saharan Africa, only 23 per cent of people have an account at a formal financial institution. Population groups such as women, younger individuals (under 25 years old), those with lower education and income, and residents of rural areas are disproportionately excluded.[2]

Although financial inclusion is a multilayered concept, it can be broadly defined as the use of any formal or informal financial products. Those who are formally served use products from institutions that are regulated by law while those who are informally served use products from institutions or mechanisms without such legal regulation (e.g., moneylenders or savings groups). The formally served population can be further broken down into those who are banked — that is, they use financial products from a bank that is regulated by a central bank — and those who are nonbanked, meaning they use financial products from other regulated nonbank institutions (e.g., mobile money, credit co-operatives, microfinance institutions).

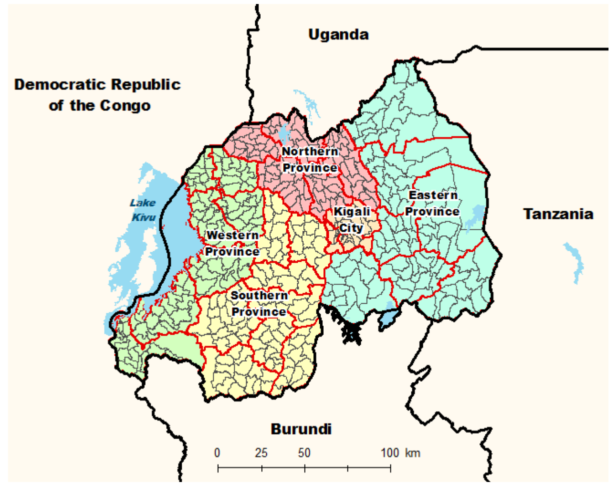


Figure 1. A map showing Rwanda's administrative breakdown of sectors within its five districts

Access, uptake, and usage are dimensions of financial inclusion that are important to consider when aiming to increase financial inclusion and ensure that individuals can use financial services to improve their livelihoods. Access can include having physical access to financial institutions, but also if people are eligible to use a financial product or can afford to do so. However, mere access to a financial institution is not enough to improve people's lives. Meaningful financial inclusion is possible only when a significant number of people adopt and readily use these products or services to manage personal or family finances.

Rwanda's unique socioeconomic conditions provide an instructive case study. Much of the population reside in rural areas (74%), are younger than 31 years old (60%), and generate income through the informal sector (46%) or farming (29%), with only a small proportion being formally employed (10%).[3] The country has historically experienced tenuous, but steady economic growth, primarily driven by coffee and tea exports.

1 Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess, "The Global Findex Database 2017: Measuring Financial Inclusion and Opportunities to Expand Access to and Use of Financial Services," *The World Bank Economic Review* 34, no. S1 (2020): S2–S8.

2 Patrick Opoku Asuming, Lotus Gyamfuah Osei-Agyei, and Jabir Ibrahim Mohammed, "Financial Inclusion in Sub-Saharan Africa: Recent Trends and Determinants," *Journal of African Business* 20, no. 1 (2019): 112–34.

3 "FinScope Rwanda 2020," Financial Inclusion Surveys, National Bank of Rwanda.

However, the genocide in 1994 resulted in the deaths of approximately 1 million people (20% of the country's population) and displaced millions more. It also decimated Rwanda's economy. With a large portion of the country's workforce either killed or forced to flee, Rwanda's GDP plummeted by over 40 per cent in 1994. Since then, the country has been governed by a one-party political system and has focused on creating a stable business environment that would encourage private and foreign investment and reduce the country's reliance on subsistence farming.

Rwanda's reparation efforts were largely successful, and the country's GDP rebounded back to pre-genocide levels over the next few years. Despite the economy showing signs of recovery, Rwandans continued to face immense economic challenges. Extreme poverty levels remained high, and access to financial institutions and products was limited. Traditional financial institutions in Rwanda, including large banks, hold a significant role, particularly as the primary sources of credit. However, these institutions primarily cater to the wealthy and educated, and are predominantly located in major urban areas, like the capital, Kigali.

One strategy that people use to generate resources for themselves and their communities is by establishing co-operatives: "autonomous association[s] of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise."[4] In the late nineteenth century, co-operatives were first established to promote the interests of the working class, bridge the economic gap between industrialized cities and rural communities, and reduce dependency on large institutions. For instance, credit unions, a form of financial co-operative, were first instituted during this period in Germany to enhance financial inclusion and channel funds into communities in need, particularly where formal financial institutions had proven ineffective.

The formally institutionalized model of co-operatives was first brought to Africa in 1955 when a Catholic priest from Ireland took inspiration from his studies in Canada and set up a co-operative in a small village in Ghana that brought the villagers together to address their financial problems. This first co-operative was so effective that the concept quickly spread throughout the continent and now takes the form of savings and credit co-operative societies (SACCOs). SACCOs are autonomous associations of people who unite voluntarily to pool their savings. This pooled money allows members to obtain loans that they can use for their own economic development. The voluntary co-op promotes savings and makes credit available to members of a community who would otherwise lack access to these services. The SACCOs model became popular across Africa for its community-led approach and its ability to efficiently set up financial institutions at a relatively low cost in a region of the world where many rural communities are hard to reach, underdeveloped, and are often financially excluded.

The 2008 FinScope survey, a research tool designed to gather credible financial sector information, revealed that only 21 per cent of Rwandans had regular access to a formal financial institution, with 52 per cent completely financially excluded.[5] These findings prompted the government to act with new financial and economic policies aimed at transforming Rwanda into a middle-income country in the coming decades while reducing economic inequalities for those who are hardest to reach.

4 "Statement on the Cooperative Identity," International Cooperative Agency (ICA), Review of International Cooperation, 1995.

5 "FinScope Rwanda 2008," Access to Finance Rwanda, 2008.

Rwanda's Hardest to Reach

While Rwanda's rate of financial inclusion is increasing over time, certain groups face disproportionate rates of financial exclusion.

Geographical Barriers

Populations living in rural areas face significant barriers when trying to access the classical banking system because they must travel across long distances to reach the closest commercial bank. Even though more than 70 per cent of Rwandans live in rural areas, large banks are disproportionately located mainly in urban centres. This leaves almost 74 per cent of the country's population without immediate access to these financial institutions unless they have the means and the time to travel long distances into urban areas.[6] Across the country, urban areas are also more likely to have the infrastructure to support access to various financial services and products, such as commercial banks, mobile money, and automated teller machines (ATMs). Consequently, over 50 per cent of adults residing in rural areas embraced alternative, traditional methods of safeguarding their money, such as burying their savings in the ground or hiding cash under furniture.

On average, most adults living in urban areas can reach a financial agent or institution with less than 30 minutes of travel. However, this is not the case for those living in rural areas, where it can take hours to reach the closest financial institution. In the absence of accessible banking services providing credit and loans, business owners and families in rural regions often found themselves resorting to borrowing from unregulated parties, such as unregistered money lenders who imposed high interest rates. This created an environment where those living in rural areas had limited access to the financial services needed for day-to-day life and were unable to save money, gain credit, or acquire low-interest loans. Travelling far away to access the closest financial institution not only takes time out of work, but also costs money for transit, and can be dangerous if a person must carry cash while en route to deposit their savings.

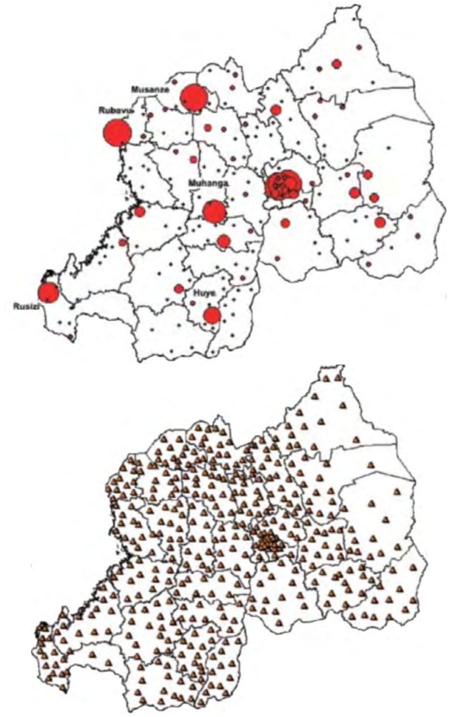


Figure 2. The geographical distribution of bank branches (top) vs. geographical distribution of SACCOs (bottom) in Rwanda (Source: FinScope Rwanda 2012)

Financial Literacy

Aside from geographical barriers, many in Rwanda were also financially excluded because they lack financial literacy. In this context that means gaining access to financial services and being able to responsibly and effectively utilize the financial services that institutions offer. Financial literacy is a crucial element of financial inclusion — access to credit alone does not necessarily improve economic development.

Rwanda's 2012 FinScope Survey revealed that many adults did not have sufficient financial knowledge and skills. Because the majority did

6 "FinScope Rwanda 2020."

not have a budget or enough knowledge to develop a financial plan (even though running out of money was a common issue), this population is considered hard to reach. In 2012 alone, approximately 3.3 million Rwandans, or about 73 per cent of the population, incurred household expenses that exceeded their income.[7] A lack of financial literacy compounded these challenges, leading people to often overlook registered lenders and depend on informal sources for credit. Their limited understanding of financial management also made loan defaults more common and consistent loan repayments less likely.[8] Comprehensive financial education could ensure Rwandans' access to credit and savings but also empower them to responsibly and effectively leverage the financial resources available, improving both their personal and professional lives.

> "The issue isn't access; there is access. It's poverty that [prevents] people from being financially included."

Poverty

Financial inclusion efforts face a considerable challenge given the country's high levels of poverty. Recent data from the United Nations Development Programme reveal that over half of Rwanda's population lives below the income poverty line, and more than 19 per cent are categorized as living in severe poverty.[9] These individuals often lack the necessary resources to accumulate savings or establish the credit needed to secure loans from banks. They are therefore hard to reach because their socioeconomic circumstances prevent them from effectively accessing and utilizing financial services offered by commercial banks or microfinance institutions. This creates a significant barrier to financial inclusion initiatives.

A SACCO in Every Sector

In 2008, the Rwandan government established the Umurenge Saving and Credit Co-operative Societies (SACCOs) program, with the intention to set up a SACCO in every *umurenge* or sector of the country. They were successfully established in every umurenge by 2013, with most Rwandans residing within a five-kilometre radius of a SACCO, which gave more than 90 per cent of the population access to a financial institution near them.

Figure 3. The front of SACCO Icyerekezo Kinyinya, a digitized SACCO in the Kinyinya sector of Kigali

7 Aussi Sayinzoga, Erwin H. Bulte, and Robert Lensink, "Financial Literacy and Financial Behaviour: Experimental Evidence from Rural Rwanda," *The Economic Journal* 126, no. 594 (2016): 1571–99.

8 Musabwasoni Gaudence, Mulyungi Patrick, and Muganamfura Denys, "Effects of Financial Literacy on Loan Repayment Among Small and Medium Entrepreneurs of Microfinance Institutions: Case Study of Inozamihigo Umurenge Sacco in Nyaruguru District," *IOSR Journal of Business and Management* 20, no. 5 (2018): 19–37.

9 "Multidimensional Poverty Index 2022," United Nations Development Programme (UNDP).

Products Offered

Rwanda's SACCOs were specifically established to infuse new life into the country's financial sector, particularly following the impacts of the 1994 genocide. Tasked with bridging the gap between formal financial institutions and the population, SACCOs have been successful in integrating a large portion of the previously financially excluded population into the formal financial system. Any Rwandan citizens above the age of 16 can join an umurenge SACCO by purchasing a share and establishing a cash reserve at the institution. In other words, community members own the SACCOs. In the city of Kigali where banks are plentiful and people tend to be wealthier, the share price at SACCO Icyerekezo Kinyinya is RWF 20,000 (just over CAD 22), with the option to pay in up to four installments. By contrast, the share price on the outskirts of Kigali can be a fourth of that price. This share price is determined by the SACCO management committee based on people's income level in the umurenge.

SACCOs offer multiple savings schemes. The standard savings account offers interest growth, which can range from a modest 1 per cent to 8.5 per cent annually depending on the SACCO's financial position and product range. However, recognizing the diverse financial goals of its members, SACCOs have established tailored schemes such as the "Giriyawe Saving," which allows members to save a certain amount, supplemented by a loan from the SACCO, which is typically used for purchasing homes.

As part of their function, SACCOs encourage and manage savings, and then convert them into loans. The loan portfolios across SACCOs differ and can be extensive, encompassing a range of offerings such as agricultural loans provided both after and before harvest to align with the agricultural cycle. Other loans include mortgage loans, commercial loans designed to boost business activities, transport loans, and emergency loans for unforeseen financial distress. The terms of these loans vary, with durations extending from as short as one month to as long as five years, thus providing necessary flexibility for members.

Given the distinct economic and demographic contexts across different regions, SACCOs' services can vary depending on local needs. For instance, areas near Kigali might have more members interested in starting a business or purchasing homes, hence the availability of schemes like "Giriyawe Saving," while rural SACCOs emphasize agricultural loans. This range demonstrates the adaptability and localization of SACCOs' services. Because the National Bank of Rwanda exerts regulatory oversight by stipulating guidelines and imposing constraints on interest rates, mandatory reserves, requisite liquidity ratios, and other financial restrictions, it ensures that all SACCOs operate within the bounds of legal requirements.

Governance

The democratic governance structure of SACCOs ensures participatory decision making and collective responsibility. The general assembly stands at the apex of the organizational structure. Then the board and a range of committees — from an audit committee to supervisor, loan, tender, and credit committees — form the backbone of SACCOs' operations. Each committee is made up of members of the umurenge and, at the Bank of Rwanda's recommendation, typically includes at least two individuals with a background in accounting to provide financial rigour and diligence to the operations. The credit committee plays a central role in assessing and approving every loan application. Meanwhile, the audit committee periodically scrutinizes the financial records for transparency and accountability, and the supervisor committee provides comprehensive oversight of the co-operative's operations.

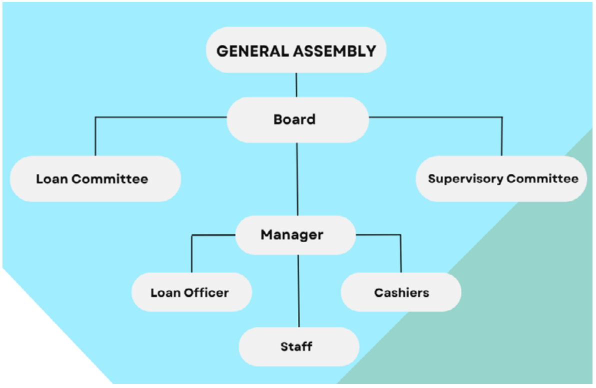


Figure 4. SACCO governance: The organizational structure of SACCOs in Rwanda

In the event of a loan default, SACCOs adopt a phased approach for recovery. Initially, the SACCOs deploy their own funds to cover the deficit. If the default continues, the SACCOs engage with the client personally to understand and rectify the problem. If no resolution is reached, three "owing" letters are issued to the client over a 60-day period, followed by a visit from community leaders to ensure continual engagement and dialogue between members and their community leads.

Operations

SACCOs started with a manual system for recording and managing transactions. Each member was given a booklet containing their personal details and transaction history. While some SACCOs continue to operate this way, those that have digitized have advanced beyond this system. Manual SACCOs maintain a corresponding file for each member, thereby creating a parallel record. A comprehensive ledger contains all the SACCOs' transactions, giving a detailed historical account of their operations. Despite its simplicity, the manual system has its shortcomings. Handwriting errors are a common occurrence and identifying these in the balance sheet proved laborious. The extensive time required for manual recording and reporting is also a significant drawback. To counter these issues, SACCOs have to regularly though

Figure 5. A window at SACCO Urufunguzo Rw'Ubukire Runda, a nondigitized SACCO in a rural community on the outskirts of Kigali

temporarily cease business operations to conduct inventory checks and rectify errors. At the SACCO Urufunguzo Rw'Ubukire Runda, for example, all data were backed up on an Excel sheet to prevent data loss caused by accidents such as fires. However, this solution was merely a stopgap and not a permanent remedy.

Acknowledging the advantages of digital transformation, Umurenge SACCOs embarked on a journey toward digitization. The process, expected to be completed by the fall of 2023, includes computer and network setup, training the staff for the IT system, and digitizing all transactions. The transformation will significantly reduce human errors and enhance operational efficiency. With this digital leap, Umurenge SACCOs can potentially pave the way for a more resilient, transparent, and efficient financial ecosystem, thus fortifying their commitment to their members and the broader community. The creation of a core banking system also created interoperability across co-operatives and provides a pathway toward the development of the co-operative bank, the next step in the evolution of SACCOs.

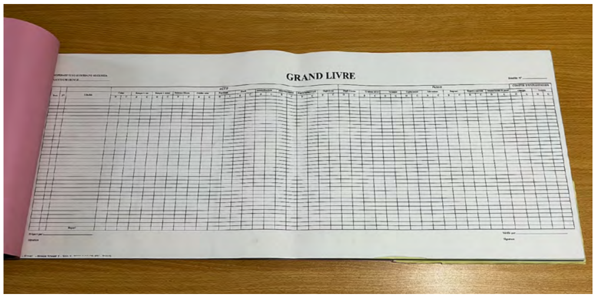


Figure 6. Booklet used by the SACCO Urufunguzo Rw'Ubukire Runda manager to document all financial transactions over approximately six months

Barriers and Impact

Here we delve into the multifaceted impact of SACCOs, highlighting their effect on financial inclusion. We also consider their digitization and broader expansion. These community-driven co-operatives have been instrumental in fostering economic growth and technological advancements in Rwanda.

Financial Inclusion

The Umurenge SACCO program has been hailed as a global success in financial inclusion, with Rwanda reaching a reported 93 per cent financial inclusion in 2020 (i.e., having or using either formal or informal financial products) and the government has now committed to reaching 100 per cent financial inclusion by 2024.[10] Because SACCOs have increased access to financial services community members can now use them to support their families' basic needs, fund their children's education, purchase medicines, and contribute to their savings. SACCOs are also the most well-known financial services in the country with 89 per cent of adults having knowledge of their products, compared to 82 per cent awareness of savings with a bank. Uptake of nonbank formal services has increased from 12 per cent who have or use a product or service from these institutions in 2008 to 33 per cent in 2012 to 65 per cent in 2016 and finally to 75 per cent in 2020, primarily driven by increased use of SACCO products and services.[11] Most SACCOs are now self-sustaining and break even without the support of government subsidies. Their community-led character has been a significant contributor to their longevity, with community members' sense of ownership of their institution serving to build trust within the system and increase the perception of a local and accessible institution.

While Rwanda has made measurable progress toward its goal of developing into a middle-income country, further progress must be made to ensure the population is equitably, sustainably, and meaningfully financially included beyond mere access to a financial institution. While 93 per cent of the population have access to some financial institution, only 77 per cent are using formal financial products or services, with an even lower 36 per cent of the population who are banked or using banking services. While about 56 per cent of people were able to save through SACCOs, less than half of the members can take loans because they lack repayment ability, don't meet collateral requirements, or face high interest. Moreover, while 84 per cent of the urban population can travel to a SACCO in less than 30 minutes, only 23 per cent of the rural population can do the same, despite the majority of the population living in these rural areas.[12]

The proportion of banked individuals increased in urban areas in the past few years, but only marginally increased in rural areas, further highlighting how progress in the financial system may be leaving those rural communities behind.

10 "FinScope Rwanda 2020."

11 Ibid; "FinScope Rwanda 2012," Access to Finance Rwanda.

12 "FinScope Rwanda 2020."

However, data show that SACCOs (which are classified as formal financial institutions, but not banks) are the primary access point into the financial system for those in rural areas, indicating their efficacy at reaching those harder-to-reach communities. While the number who remain completely financially excluded (7%) has decreased over the years, reaching the final people who are the hardest to reach may prove difficult because extreme poverty is still prevalent, and many people still do not have the capital to make use of these financial products or services.

Digitization

The impact of digitization on SACCOs included improved efficiency of service and regulation. Automated banking systems enabled the staff and managers to better document financial transactions and information related to the customers. Managers who we interviewed explained that prior to the installation of the digital banking systems, SACCOs' analog systems required the staff to record every transaction by hand. Each customer had a booklet that they used to record transactions during their visit. A cashier recorded the transaction in the customer's booklet when they made a deposit and then recorded it once more in a book used only by staff to track the deposit. If the customer later made a withdrawal, the cashier would have to manually check the number in the customer's booklet against the SACCO book to ensure that the numbers matched and then record the withdrawal amount on both.

This resulted in a lengthy and error-prone process because mistakes can be easily made when making notes by hand. SACCOs had to adjust the balance manually for every customer, which could take five to ten minutes for the accountant and an additional two minutes for the cashier to sort out every transaction. A SACCO employee we interviewed told us, "our clients are very happy. The manual system had deposit cards and had a long queue. Those transactions took a lot of time. The automated system makes the queue less. It makes the process easier because everything is connected."

Figure 7. Booklet given to SACCO members at SACCO Urufunguzo Rw'Ubukire Runda to record their personal information and transactions

With digital banking systems, both staff and customers were happier because it takes less time for each transaction, and it's easier for staff to accurately record and track all the necessary information. The centralized system facilitates faster transaction and service times at SACCOs, and staff can better monitor transactions when all the data are in one place. As one SACCO manager explained during the interview: "Our system was digitalized four years ago. Before that we were using the manual system. With the new information management system, we can monitor our transactions with the system and send reports. It helps us so much because manually it is hard to know what's happening financially. Every data can now be found in one place." The next step is to introduce mobile transactions that will enable customers to use services from their phones. This could greatly benefit those living in rural areas who have to walk five kilometres to access the nearest SACCO — mobile transaction services can eliminate the barriers associated with geographical access.

Finally, with every transaction becoming digital at SACCOs, it is easier for regulatory bodies such as the National Bank of Rwanda to monitor transactions and prevent fraudulent activities. With manual systems, it was harder for regulatory bodies to obtain reports on SACCO activities, and harder to detect errors in manual reports. This led to fraudulent activities associated with SACCOs, such as embezzlement of member funds by managers. This threatened the existence of SACCOs because it decreased the public's trust in the system. One of the main goals of implementing a digital system is to better regulate SACCO activities by ensuring that data can be more accurately recorded and monitored and reported on a timely basis to the National Bank of Rwanda.

The process is also effectively coupled with education. Organizations such as the Rwanda Cooperative Agency (RCA) are providing literacy courses to ensure that staff can adapt well to the new system. SACCOs' automation will ultimately improve their management and governance and increase people's trust in them. Automation also aims to digitally connect the Umurenge SACCOs with one another and the National Bank to better monitor real-time capital reserves of each SACCO and to redistribute funds from one SACCO to another where needed. Even though automation slowed down during the COVID-19 pandemic, 20 Umurenge SACCOs have already been digitized, and all the Umurenge SACCOs expect to be digitized by the end of 2023.

Despite these positive notes, those living in extreme poverty may not be able to properly utilize digital services. One interviewee mentioned that although there is internet access across the entire country, those with better socioeconomic status have higher purchasing power, and can afford to take better advantage of the digital services than those who cannot afford regular internet services. Even though he mentioned that fees associated with digital transactions are not a significant deterrent for Rwandans to continue to use mobile money services if they have already been doing so, those who cannot afford mobile devices or internet access may continue to have limited access to these services. Detailed plans may be needed to ensure that those who cannot access digital services can still access SACCOs through manual means.

Fostering Financial Literacy and Expansion

The SACCOs are drivers of change in the country's socioeconomic fabric. The culture of co-operatives, nurtured and evolved through SACCOs, has ingrained a national understanding of savings, credit, entrepreneurship, and investment. As a result, SACCOs have successfully fostered financial literacy and encouraged entrepreneurship among rural communities that traditionally lacked access to financial services. Over time, SACCOs have promoted co-operative banking, which balances profit seeking with social and community goals. Members have been educated about the value of savings and how they can leverage their deposits to access credit. This new-found access to credit has spurred entrepreneurial initiatives, creating a cycle of wealth creation and reinvestment in communities.

SACCOs have also demystified the concept of investment for rural people. By introducing micro-investment opportunities and delivering steady returns, they have shown how money can grow and how investment can lead to financial stability. The sense of ownership and participation that members experience has been pivotal in building trust and encouraging more people to partake in these financial services. Consequently, Rwanda's SACCOs are evolving beyond their current model, setting the stage for the creation of a co-operative bank. Proposed to be the next step in the computerization process of SACCOs, the co-operative bank will tackle liquidity management and harmonize operations across all SACCOs. The concept is designed to connect SACCOs with surplus liquidity with those in need, thereby improving the connection between institutions with extra funds and those in need, making the flow of money more efficient at the national level.

The co-operative bank's inception is a result of collective efforts by various entities including the Rwandan government, Rwanda Cooperative Agency (RCA), the Ministry of Finance and Economic Planning, and the SACCOs themselves. While the digital transformation continues with the aim to integrate all 416 SACCOs, it is driven by the overarching vision of a cashless economy. The new bank expects to have more than 3 million clients, making it a significant player in Rwanda's banking sector, both in terms of capital and client base.

SACCOs have played a crucial role in addressing the financial needs of the rural communities that were often overlooked by commercial banks. As a result, they have become a public good, privately owned but operating based on the community's interest. The government's support of SACCOs has been extensive, from subsidizing salaries for key staff to integrating SACCOs into social protection programs. As SACCOs became instrumental in the distribution of financial aid and loans, it became apparent that they needed to be integrated into the national financial system. Therefore, the government made a strategic investment in digital systems because SACCOs' evolution into a digital platform was essential, particularly in the wake of COVID-19 which underscored the importance of mobile money services.

A New Co-operative Bank

The co-operative bank, borne out of the consolidation of SACCOs, aims to be viable and sustainable by amassing a critical number of members. Its governance will be democratic and publicly owned since each SACCO is a member of the co-operative bank, while each SACCO is owned by their community members who have shares. Moreover, it will be led by elected managers from each umurenge and elected board members. The co-operative bank will further enhance the integration of SACCOs, allowing money transfers between any SACCO branch, thus fostering a unified, efficient, and inclusive financial ecosystem in Rwanda.

Transitioning from the small-scale, independent SACCO model to a more comprehensive co-operative bank is a complex process filled with challenges. The central concern lies in whether the co-operative bank will maintain the core principles of community ownership and sector-specific product offerings that have been fundamental to SACCOs' success. Consolidating all SACCOs under a single national digital system presents its own set of risks, making the entire network susceptible to technological glitches or security breaches. Despite these challenges, the co-operative bank's creation has the potential to transform Rwanda's financial landscape. If navigated effectively, it can bring even greater financial inclusivity and drive the nation toward a robust, equitable economy.

Challenges and Progress in Women's Financial Inclusion

The complex transition to a comprehensive co-operative bank is closely tied to the broader goal of enhancing women's economic agency and overall financial inclusion. Access to financial services enables women to take control of their economic lives, invest in their education or any other pursuits, start businesses, and secure their financial future. As the co-operative bank's unified and inclusive financial ecosystem takes shape, it also plays a pivotal role in fostering a conducive environment for women to harness the benefits of the financial system. Current efforts to promote women's financial inclusion in Rwanda have shown positive outcomes, but many women continue to face significant challenges in accessing finance which limits their opportunities for economic advancement.

Many women in Rwanda have experienced consistent improvements in financial inclusion, with formal financial access increasing significantly from 36 to 63 per cent between 2012 and 2016.[13] Despite significant overall advancements in women's financial inclusion, certain areas still require attention. There remains a 13 per cent gender gap in mobile money account ownership, suggesting limited access to mobile money services for women. Several factors contribute to this situation. First, of the 87 per cent of Rwandans with access to a mobile phone, only 84 per cent of women own a mobile device compared to 90 per cent of men. Second, the 2016 FinScope survey highlighted that women were more inclined to save using informal savings groups and preferred borrowing from informal sources like friends and family rather than through commercial banks.[14] These tendencies could be attributed to the trust and comfort that women find in community-based initiatives, emphasizing the importance of such local networks for financial inclusion.

Women in Rwanda encounter various challenges that hinder their inclusion. These obstacles include limited knowledge about available financial products and services, cultural norms, and the traditional requirement of male relatives' consent for loans. Collateral — an asset pledged to a lender as security for a loan — is also a prerequisite that disproportionately burdens women. Given these obstacles, women face difficulties in providing typical forms of collateral such as land, real estate, or vehicles, so their economic participation is restricted.

Women's Empowerment via Government Policies and SACCOs

Despite these challenges, the government has taken significant steps to implement policies that promote gender equality. The constitution of the Republic of Rwanda, revised in 2015, ensures equality between men and women without any form of discrimination, setting the stage for a society where women have the same opportunities as men, including in the realm of financial access and economic participation. Additionally, the government's commitment to supporting SACCOs and fostering an inclusive financial system has allowed women in rural areas to gain access to formal financial services and resources.

According to one interviewee, "SACCOs are valued so much in rural areas and in these areas, women are more involved in business because of government structures that favour women, that is, women's co-operatives," and this plays a critical role in empowering women. These co-operatives provide a supportive network for women entrepreneurs, enabling them to access financial resources, share knowledge, and collectively overcome challenges. As a result, SACCOs have become instrumental in driving financial inclusion, economic growth, and women's empowerment in Rwandan communities.

Collaborative Financial Initiatives

Collaborative efforts between the government, SACCOs, and various organizations have played a vital role in addressing the barriers that women face, particularly women ages 18 to 35. In, 2010, the seven-year Government Programme was initiated to ensure that at least 50 per cent of all Umurenge SACCO, microfinance, and bank loans were allocated to women. This initiative not only promotes women's financial inclusion but also fosters an inclusive financial sector that supports their economic agency, enabling them to make financial decisions that shape the future.

An organization known as New Faces New Voices focuses on bolstering women's economic

13 Rita Kayibanda, "Data Driving Women's Financial Inclusion: Rwanda's Experience," Data2X, September 2019.

14 Ibid.

> "Financial access for women means they know what exists and have the capacity to access it."

advancement. It proactively collaborates with local entities to identify women who own micro, small, and medium enterprises and stand to benefit from financial capacity building and training. To deliver a comprehensive training program that extends beyond the provision of financial resources, New Faces New Voices enlists the expertise of professional trainers from the Business Development Fund (BDF). These efforts revolve around three core pillars: facilitating access to finance, providing capacity-building opportunities, and advocating for women's economic empowerment. The training aims to increase women's understanding of finance and financial access. An interviewee from the organization told us that, "financial access for women means they know what exists and they have the capacity to access it. If they are in business, they need to understand what they need when they approach these financial institutions." Through this training, women acquire essential business planning skills to help them develop viable business proposals. In May 2023, the organization successfully trained over 365 women across the districts of Nyanza, Gisagara, and Huye, equipping them with the skills to attract investments and secure funds.

Seamlessly progressing from the training, women can access funds through the Women's Guarantee Fund (WGF), established by the BDF in 2009. Accessing funds through the WGF becomes a tangible application of their capacity building and training because it requires the submission of viable business proposals to commercial banks or micro-credit institutions. Notably, the WGF also presents a credit guarantee of up to 75 per cent alongside a grant of 15 per cent of the total loan disbursed, enhancing the prospects for women to propel their entrepreneurial endeavours.[15] By providing this guarantee, WGF effectively mitigates risk for financial institutions, encouraging them to extend loans to women-owned businesses without necessitating collateral or consent from male relatives.

As a result of this training and fund, women are equipped with the necessary skills and knowledge to independently access financial resources without the need for male consent, allowing them to control their finances. Alongside their advocacy and capacity-building efforts, they have facilitated women's engagement with SACCOs, ensuring that women can access loans, savings accounts, and other financial services that were previously out of reach. By bringing financial services closer to women's communities, Umurenge SACCOs help overcome geographical barriers, remove collateral as a requirement, and provide a supportive environment that aligns with cultural values.

Lessons Learned

There is an array of factors that have allowed saving and credit co-operative societies (SACCOs) to succeed in Rwanda, each contributing a unique piece to the larger puzzle. Geography and infrastructure, culture and community, and government policy decisions have all intertwined to create an environment conducive to the growth and evolution of

15 "Gender and Access to Finance: Republic of Rwanda," Gender Monitoring Office, Republic of Rwanda, March 2017.

SACCOs. The unexpected impact of COVID-19 further tested and ultimately strengthened these co-operatives. Each of these aspects has fostered their success but they also offer important considerations for similar initiatives elsewhere.

Geography and Infrastructure

Rwanda is one of the geographically smallest countries in Africa — a critical factor that allowed the government to establish a SACCO in each administrative sector. In a country where there are already existing geographic inequities, having the rural areas in relative proximity made it easier to build connections with individual communities and establish the SACCOs throughout the country. Rwanda's established road network, much of which is well paved, was another critical factor that facilitated SACCOs' development throughout the country. Regions' proximity and established road infrastructure made it possible to travel to different sectors to build capacity and to physically move money between SACCOs as needed. Finally, Rwanda has prioritized improving their internet infrastructure and, with the development of a fibre optic telecommunications network across the country, even the most rural areas have access to the internet. This allowed for easy communication with all the SACCOs and facilitated the development of internet and mobile-based financial products.

Establishing a SACCO in each umurenge was crucial to reach all Rwandans and the preexisting infrastructure and geographic factors made it possible to establish such government-run establishments nationally. These unique preconditions may mean that such a program would have to be heavily adapted to be applicable in other country contexts (e.g., in neighbouring Kenya which has the largest number of SACCOs but is geographically vast and rural areas can be physically hard to reach).

Figure 8. Kigali's bustling streets: A dynamic hub of activity

Culture and Community

SACCOs embody a unique approach to financial services and community members actively participate in decision-making processes. This community-centric approach creates a sense of collective ownership and responsibility for the SACCO. The impact of the 1994 genocide also had a profound effect on emphasizing the importance of community-led initiatives for collective support and cohesion. The success of this model showcases the transformative power of community involvement in financial institutions. Perhaps other countries can replicate this success within their own contexts and capitalize on their social capital to drive financial inclusion. They would need to recognize the importance of community-led initiatives, such as tontines, and the *Ubuntu* philosophy, which is deeply ingrained in many cultures throughout Africa.

Ubuntu is a popular African philosophy that emphasizes the interconnectedness and interdependence of individuals within a community. Derived from various Bantu languages, the term *Ubuntu* can be roughly translated as "I am because we are." During our interviews, we had the privilege of witnessing how the profound embodiment of Ubuntu influenced every facet of our interactions. Each interviewee exhibited an unwavering commitment to the cause of financial inclusion, recognizing the inherent connection between their efforts and the collective progress of SACCOs as well as the overall well-being of the community. A tangible sense of interconnectedness prevailed among stakeholders, with each person displaying a deep awareness of one another's roles and activities in advancing financial inclusion within the country. This culture of collaboration and knowledge sharing fostered an environment where individuals readily facilitated us in connecting with other like-minded actors. Each citizen was, and is, actively engaged in the overarching success of financial inclusion initiatives.

Of course, the embodiment of Ubuntu also extends beyond the realm of financial inclusion. Every morning, we witnessed a scene of communal responsibility and civic pride. Streets were meticulously cleaned: individuals diligently picked up any litter that may have accidentally found its way onto the pristine sidewalks. This commitment extends to a monthly community cleanup known as *Umuganda*, roughly translated to "coming together in common purpose to achieve an outcome." This organized event, held on the last Saturday of each month, has earned Rwanda its well-deserved reputation for cleanliness throughout Africa. It is not merely a volunteer initiative — the police actively monitor the streets to prompt individuals who are not participating to engage in the cleanup activities and nonparticipation can result in fines of up to 5,000 Rwandan francs (approximately USD 4.25).

Beyond the scope of financial inclusion, the essence of Ubuntu deeply permeates Rwandan culture and interpersonal dynamics. A notable example lies in tontines, an informal savings mechanism deeply ingrained in many African countries, including Rwanda. These tontine groups, constituting individuals such as friends,

Figure 9. The African Leaders Mural at African Leadership University, Kigali, Rwanda

family members, or community participants — often reaching numbers of 30 or more — operate within a framework of rules dictating monetary contributions and distributions. Each member consistently contributes a fixed amount of money at monthly intervals, leading to the accumulation of a shared pool of funds. This fund is then disbursed to a different member each month until all participants have received their designated payout. Upon completion of the payout cycle, the tontine may either conclude or initiate a fresh cycle, perpetuating this age-old tradition of communal support and financial resilience.

The impact of tontines in facilitating financial inclusion and in the trust and uptake of SACCOs cannot be overstated. They allow individuals to pool their resources, accumulate savings, and access funds when needed for various purposes, such as starting a business, paying for education, or covering emergencies. They also serve as vivid illustrations of Ubuntu, wherein principles of cooperation, trust, support, and collective action serve as pillars for sustainable progress in the realm of financial inclusion. By embracing these principles, tontines have played a pivotal role in nurturing a culture of savings and paving the way for SACCOs to succeed in Rwanda.

Government

The government's role is another context-specific layer to SACCOs' success. President Paul Kagame assumed power in the aftermath of the genocide. He led the country through a radical transformation to rebuild the country and its institutions, prioritizing national unity and economic development. His government implemented several policies aimed at reconciling ethnic divisions, eradicating poverty, and rebuilding destroyed institutions.

A stakeholder working at the Ministry of Economy and Finance explained that the genocide decimated the financial sector. A crucial part of the reconstruction was an ambitious economic plan to transform Rwanda into a middle-income country by promoting entrepreneurship, investment, and inclusive economic growth. SACCOs emerged as part of this agenda to address all three pillars and include people who were previously unbanked.

However, many critics characterize the country's leadership as authoritarian, claiming that Kagame maintains a tight grip on all aspects of development to ensure strict adherence to the national plan. The government oversees everything from political affairs to social and economic development programs, thereby centralizing control and limiting the scope for dissent or deviation from the national vision. While this top-down approach has enabled the efficient execution of development plans and an impressive recovery and development timeline since 1994, critics argue that it suppresses democratic freedoms and dissenting voices. It also potentially limits the scope for grassroots innovation and adaptations to local conditions.

The centralized nature of Rwanda's government enables it to enact nationwide initiatives such

Figure 10. An *Umuganda* hosted by the Rwanda Green Fund and Green City Kigali in Kinyinya Sector, Kigali (Source: Rwanda Green Fund; License:)

as the Umurenge SACCOs program with comprehensive authority and ensure their implementation. This governance structure facilitates resource allocation and subsidizes key staff salaries for an initial three years, providing a strong foundation for program growth. However, when considering replication of the Umurenge SACCOs program in other countries, we think the challenge lies in navigating diverse political landscapes where competing agendas might delay the process or introduce complexities that did not exist in Rwanda's streamlined approach.

COVID-19 and Mobile Money

The COVID-19 pandemic resulted in a significant delay in digitizing SACCOs. Originally, the digitization process of Umurenge SACCOs was planned to be completed by 2021. With the delays caused by the pandemic, the new deadline has been set to the end of 2023, roughly two years longer than anticipated. Even though the automation process of SACCOs experienced a delay, there were also some unexpected positive outcomes from the pandemic. A member of the Rwanda Cooperative Agency (RCA) told us that during the pandemic, there was a significant push for digital financial services in the country. More specifically, there was an increased interest from SACCOs, commercial banks, and other financial institutions in digital financial services in response to the pandemic. The government also began pushing for digital services by working with mobile money service providers to reduce transaction fees. This resulted in a significant increase in the uptake of digital financial services during the pandemic, which remained high even post-pandemic.

Prior to the pandemic, most people preferred to physically visit a bank, but with the changes during COVID-19, people have developed a habit of using mobile money and preferred to continue to use it even after pandemic restrictions were lifted. Another interviewee who worked with the RCA told us how people developed a habit of saving money when they were required to stay at home. As savings from the population increased during pandemic restrictions, it became even more evident that a better system to provide more efficient financial service was needed. These factors collectively resulted in a push for the SACCOs' digitization and made it a top priority of all government and nonprofit stakeholders. So although the pandemic had a negative impact on some aspects of SACCO development and service, it also introduced mobile money usage as an essential part of people's lives and created an environment where many saw benefits to push Rwanda to become a cashless society. COVID-19 was one motivation to help with the movement to digitize SACCOs by revealing how beneficial mobile money can be.

That said, mobile money usage was already common in the country even before SACCO automation, which made the transition less daunting and challenging for people. Although SACCOs have only just begun to digitize in the last few years, the concept of mobile money was not new to most people. When asked whether staff and customers would have a difficult time adapting to the new digital financial system, an interviewee explained that Rwanda has seen digital service in the past in the form of mobile money. Although it was less popular before the pandemic, mobile money services and agents existed everywhere. The country is also in a unique and advantageous situation because it is entirely covered by fibre optics — the internet can be accessed anywhere, even in rural areas. Even though internet usage was less prevalent in rural areas, the existence of mobile money and internet services in these areas introduced the concept of digital financial service to most people long before SACCOs set to become digital. This made the transition process much smoother and less challenging for most of the population. If education and training services are properly provided throughout the process, the introduction of digital banking systems to SACCOs is less likely to pose as much of a challenge as the government initially anticipated.

The SACCOs initiative in Rwanda represents a transformative approach to fostering financial inclusion, leveraging digital technologies, and promoting a culture of savings and investment in the country. Through innovative models and persistent efforts, it has successfully navigated a range of socioeconomic barriers, displaying its immense potential to drive economic empowerment and sustainable development. The journey of Rwanda's SACCOs offers valuable insights and lessons that could guide similar endeavours worldwide, underlining the power of co-operative financial structures in uplifting communities and driving socioeconomic progress.

Research Team

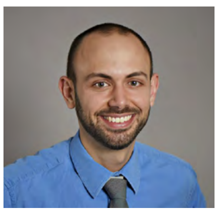
Cheikh Ameth Tidiane Diop has a bachelor of arts (honours) from the University of Toronto, with a specialist in peace, conflict, and justice, and a major in economics. Recognized for his dedication, Tidiane was granted the PwC Canada Scholarship in 2022 and later received the University of Toronto Student Leadership Award in 2023. Hailing from Senegal, he has concentrated his research on maximizing social capital and developing financial inclusion in Africa, reflecting his passion for the continent's progress. Tidiane has gained practical experience working in NGOs, consulting, and finance. He currently contributes his expertise as a financial market's consultant in Toronto.

Fawziyah Ibrahim is an undergraduate student at the University of Toronto Scarborough, pursuing a double major in molecular biology, immunology, and disease and health studies with a focus on population health. Fawziyah's professional achievements include being selected as a 2023 Top 30 Youth Changemaker by Plan International Canada and a 2023 UofMosaic Fellow at the Mosaic Institute. She is passionate about creating meaningful change in underserved Black, African, and POC communities by investigating the factors hindering their access to high-quality healthcare. Currently, as an Emily Stowe Scholar at Women's College Hospital, Fawziyah is actively engaged in co-creating evidence-based toolkits to enhance health access and care for Black men living with prostate cancer.

Jason M. Lo Hog Tian is a PhD candidate at the Institute of Medical Science, University of Toronto and the MAP Centre for Urban Health Solutions, Unity Health Toronto. His dissertation uses mediation and moderation statistical modelling to examine the social, structural, and behavioural mechanisms through which stigma affects health for people living with HIV. He also works on initiatives that bring new HIV self-tests to market in Canada, distributing free HIV self-tests to communities in need, and building the capacity of people living with HIV. He is passionate about science communication, having served as a show host for *Raw Talk Podcast*, a senior editor for *Health Science Inquiry*, and editor-in-chief for *IMS Magazine*.

Jinyuru Yang is a master of science candidate at the Institute of Medical Science, University of Toronto. Her master's thesis examined sleep apnea and general fatigue in patients with myasthenia gravis, a rare autoimmune condition. She completed two years of clinical research experience at the Sunnybrook Health Sciences Centre located in Toronto, where she was supervised by physicians in the Department of Neurology. She also received the Canada Graduate Scholarship in 2022 from the Canadian Institutes of Health Research to support her thesis, which is one of the most prestigious research scholarships at the master's level. Outside of her studies, she is passionate about healthcare management and biotechnology, and continues to contribute her expertise in the field of clinical research at hospitals in Toronto.

Jason S. Spicer is an assistant professor at the Marxe School of Public and International Affairs at Baruch College at the City University of New York, and was previously an assistant professor in the Department of Geography and Planning at the University of Toronto. Dr. Spicer's research focuses on social economy business models, such as co-operatives, which are the subject of his forthcoming book with Oxford University Press. He has advised governments and partnered with community organizations on policy and implementation strategies pertaining to the social economy. He is a co-editor at *Local Economy* and *Studies in Comparative International Development*, and has published in wide-ranging social science outlets, such as the *Stanford Social Innovation Review*, *Socio-Economic Review*, *Economic Development Quarterly*, and *Housing Policy Debate*. He holds a PhD in Political Economy from MIT.



Michael J. Widener is an associate professor and the chair of the Department of Geography and Planning at the University of Toronto, St. George. He also holds the Canada Research Chair in Transportation and Health. Professor Widener's research focuses on the many ways mobility influences diets and other health outcomes in cities around the world. He serves as an associate editor of *Health and Place* (Elsevier), statistical editor of *Public Health Nutrition* (Cambridge), and sits on the editorial board of *Discover Social Science and Health* (Springer).

Reach Alliance

Founded at the University of Toronto in 2015, with support from the Mastercard Center for Inclusive Growth, the Reach Alliance has since scaled to seven other leading universities around the world. As a student-led, faculty-mentored research and leadership initiative, Reach's unique approach uncovers how and why certain programs are successful (or not) in getting to some of the world's hardly reached populations. Research teams, comprised of top students and faculty from across disciplines, spend nine to twelve months investigating each case study. Once the data collection process is complete, teams write case reports that are published and disseminated across the Reach Alliance's diverse network of policymakers, practitioners, academics, and business leaders.

Inspired by the United Nations' call to eliminate global poverty by 2030 as part of a set of Sustainable Development Goals (SDGs), our mission is to pursue the full achievement of the SDGs by equipping and empowering the next generation of global leaders to create knowledge and inspire action on reaching the hardest to reach.

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