

# **4th Annual Research conference**

**IPAR-RWANDA**

## **Assessment of the determinants of women's access to finance in Rwanda**

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# Introduction

- Access to Finance was viewed as critical and pillar for sustainable economic growth and social development for any human society. Also it was proved that lack of access to finance hinders individuals and the firm's growth and productivity (Inessa & Martinez 2012); IMF(2010); Beck et Al (2011); Dinh et al. 2010) (Beck et al. 2009, Bigsten & Söderbom 2006);
- 65.6% of women are still financially underserved WB 2012 in Rwanda;
- Lack of access to finance for Women is a sign low level of women's economic empowerment.

# Problem

- Rwandan's vision is creation of stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development need of the economy and reduce poverty Rusagara (2008, p.1:3);
- Large percentage of the Rwandan population, particularly women who live either in rural or urban areas haven't access to finance or they are financially excluded.

# Cont....

- Uneven participation was proved by 29% of men against 14% of women who own saving accounts. Contrary; more than 51% of total population are women
- In a study conducted by Rusagara, Finscope, World Bank among others, they didn't put much attention on the problems that cause financial access inequality in Rwanda
- It is important than Rwandan financial sector has to bring fair and efficient financial inclusion among women who live in different areas of Rwanda.

# Research questions

- What are the factors that govern the access to finance to women in Rwanda?
- Which strategies best fit toward the decrease of the financial exclusion in Rwanda and engage a big number of female access finance in Rwanda?

# Research Objectives

- The primary objective of the study was to find out “the factors which determine women’s access to finance in the route of accomplishing the long term vision of financial sector development in Rwanda”
- The secondary objectives were:
  - Find out the of the major root causes of disparities that contribute to women’s financial exclusion in Rwanda;
  - Identify key strategies to reduce women’s financial exclusion in Rwandan society.

# Summary of reviewed literature

- A set of publications in the field of access to finance and women economic empowerment were documented.
- They range from reviewed scholarly papers, government reports, conference papers, books and journal articles. The reviewed authors defined the access to finance, contribution of access to finance on growth and development , access to finance and SMEs development, Access to finance on supply side.
- Authors mainly referenced in this research include but not limited to:



# Cont...

- Kunt et al 2008: Measuring financial inclusion; Access to Finance of Rwanda Finscope-Rwanda-2008; Geeta K, Ira L. and Yogita M. (2010) Access to Finance in Output-Based Aid
- IFC (2011); Strengthening Access to Finance for Women-Owned SMEs; Inessa L. and Pería (2012) How Bank Competition Affects Firms' Access to Finance; Beck, T (2009) Financial Access 2009: Trends, Analysis and Policy Conclusions; Michael Robert (2012) Rwanda: Financial Sector Development Program II,

# Lit. cont...

- It is important to mention that reduction in financial exclusion was only concentrated to the informal financial mechanisms which increased remarkably over the last five years (2008-2012)
- Except money financial inclusion with increased, other form of financial inclusion like banking and insurance remain small and do not reach to the important percentages of the population.
- Also the research were simply focusing on supply side (banking, non banking financial sector strengthening and development) and they were importantly lacking the other side of demand side (bank and non banking financial institutions users)

# Lit...

Low access to finance by women can hinder achievement of MDG1, Eradicate extreme poverty and hunger, target 1.b q target which was to achieve full and productive employment and decent work for all, including women and young people.

The recent census data 2012, indicates that women unemployment is double to that of women in urban areas 11.1 % vs 5.1% and 4.0% vs 2.8% nationwide (NISR, 2012).

In this regard Access to finance is an important driver for growth and economic development (Hausmann 2010)

Also, there is a need to mainstream women in broader enterprise support, and business loans access through gender sensitive policies and programs financing initiatives (OECD 2011 November )

Women access to finance will boost the entrepreneurship which further increases job creation and inclusive growth.

Women's access to finance can significantly reduce income inequality, if a number of women accessing finance invest in income generating and job creating businesses

# Data

- Two sets of quantitative data were mainly used in order to come up with reliable findings. EICV III micro data were merged into single data base containing key variables of interest under this study, the data were reduced and solely consider those who were  $\geq$  to 16 years old
- To complement the information the data base of World bank micro data on Global-Index survey 2012 were also used in the analysis
- In addition, the world bank Rwanda economic performance indicators were used.

# Methods

- After identifying the patterns embedded in the available data
- multi-level outcome modeling of ordinary/nominal data methods seemed most appropriate and expected to provide robust results (Hedeker 2007).
- Provided that, the existing data to be used in the analysis comprise both nominal and ordinal data logistic regression model was considered more appropriate

# Method. Cont....

The simplified form of the model used is

$$\log \left( \frac{p(x)}{1-p(x)} \right) = \beta_0 + \beta_1 x_1 + \dots + \beta_j x_j$$

$\log(p(x)/(1-p(x)))$  is called the logit.

$\hat{\beta}_0 + \hat{\beta}_1 x_1 + \dots + \hat{\beta}_j x_j$  is, the corresponding estimate  $\hat{p}(x)$  will be between 0 and 1

The  $\beta_0$  and  $\beta_1..$  Are the coefficients

# Methods cont...

Model specified:

**Dependent variable:** if a household accessed finance > dual outcome 1=yes or 2= No

- **Predictors:** *Education level ; Poverty status; Age group; Marital status; Rural or urban residence settings; Occupation; Gender:*

- Model

$$\ln \left( \frac{P(\text{People tried to get credit})}{1 - P(\text{women tried to get credit})} \right) = \lambda_0 + \lambda_1 \text{Ed}_i + \lambda_2 \text{PovStat}_i + \lambda_3 \text{Ag} + \lambda_4 \text{ReSt}_i + \lambda_5 \text{MarStatus}_i + \lambda_6 \text{Occp}_i + \lambda_7 \text{Gend}_i + \varepsilon$$

# Key Findings

Indicator of access to finance in Rwanda as reported by World bank, 2012:

- 74% of female are not formally banked while male are 63.7%;
- 88.3% of female were not informally/ formally served against 86.4% of male who are not informally/formally served;
- 83.6% of women didn't use the check as means of payment;
- Only 8% of women reported having bank credit against 8.8% of men reported the same.



# Key Findings...

- 55% male populations reported having tried to obtain credit are while the female are 44.3%.
- 52.5% of all female lend from the informal mechanism
- 22.2% female borrow from the relatives (family members)
- 15.1% of female borrow from tontine
- 6.4% of female borrow from cooperative;
- 33.6% of female borrow in order to buy households materials or equipments

# Key findings ...

- A big percentage of female (69.6%) outstrip that of male (55.2%) in acquiring small amount of loan which is less than Rwf. 10,000
- 4.1% female vs. 9.9% male acquired a loan which is greater to Rwf 150,000 (amount which is relatively important to start a small and self owned business
- Statistical test significantly confirmed a strong difference on acquiring loan between female and male. The  $\chi^2$  test of dependence is 433.062 d.f 6 and P-Value  $0.000 < 0.05$  Sign. level.

# Key findings ...

- 74% of women with 25 to 45 years accessed finance,
- 15.9% of women with less than 24 years reported to have access to finance
- 7.8% of 65 years old and above indicated that they had access to finance
- Early ages and old ages contributes negatively to access to finance
- 31.1% of women in urban vs. 34.9% in rural areas reported having access to finance . The statistical tests failed to establish significant difference between urban and rural residents on access to finance in Rwanda.

# Key findings.....

- The non-poor people are better positioned in access finance (57.5%) than poor people (21.4%). The statistical test of the difference between poverty categories was significant at 0.05 significance levels, and ordinal positive moderate correlation of 0.020 was observed.
- There is an increase of *2% of chance when an individual move from extremely poor category to poor category and so on*

# Key findings...

- Education level was identified as an important determinant of the access to finance among both female and male,
- 18.7% PSC holders, 44.3% of secondary upper level, 37.0% of A2 diploma holders accessed finance. it was not possible to measure access to finance to tertiary level. Due to lack of data,
- 43.3% of women working in agricultural paid activities, 38.5% of women working in their own farms, 39.9% performing nonfarm activities but not paid regularly, and 37.7% of women working on full time paid works reported having accessed finance. the statistical test failed to establish differences in employment categories.

# Key findings

- 36.1% married monogamously, 16.5% are single, 8.2% are separated, 27.4% are widowers, 9.1% are living together with their partners without official marriage, 0.2% are divorced reported to have access to finance.
- The likelihood of access to finance reduces when a women is single, divorced, or is living together with her partners without and formal marriage. And chance of access to finance sharply increases when a women is married legally with her husbands.

# Recommendation

- Both women and men need extended and continued education about the importance of accessing finance particularly to business oriented financial support rather than consumption finance
- Further financial literacy is needed in order to transform tontine into the Savings and cooperatives at grassroots levels which can work hand in hands with UMURENGE SACCO and other microfinance institutions

# Recom...

- GoR and other stakeholder have to intensify their effort in order to reduce drastically the percentage of people living under poverty line, because, this will ultimately have a direct and positive effect on access to finance in Rwanda;
- Women should be educated, sensitized and facilitated on the start-up small enterprises which are not based on agriculture (off farm);
- Establish innovative strategies of reinforcing women cooperative or tontine in so that they can have bank accounts.



# Recom...

- GoR has to keep securing Microfinance and Umurenge SACCOs across the country in order to avoid the potential default which may rise due to lack of coordination or other mismanagement behavior;
- To set differentiated lending rates, whereby consumption loan should be discouraged and promoted business oriented loans.



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