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ROLE OF FINANCIAL INCLUSION IN PROMOTING INVESTMENT AND LIVING CONDITIONS IN RWANDA: A CASE STUDY OF THE NATIONAL COUNCIL OF PERSONS WITH DISABILITIES IN KIGALI CITY

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Abstract: **Access to finance especially to the poor is essential for promoting inclusive economic growth and eradicating poverty in the country. Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS-2) recognizes that socioeconomic opportunities and development will be undermined if expanded financial services are not available, especially to the poor and other disadvantaged groups who are deprived of access to these services. Evidently, an inclusive financial system creates employment opportunities, ensures economic and financial stability through reducing vulnerability and contributes to poverty reduction. The main objective of this study was to analyze the role of financial inclusion in promoting investment and living conditions in Rwanda. Specifically, it analyzed the extent of financial inclusion of NCPD' members; determined the factors associated with the financial exclusion of NCPD' members; and assessed the relationship between financial exclusion, investment and living conditions of the NCPD' members. The study findings are useful for the NCPDs' management, scholars and practitioners. It was a cross-sectional study using both qualitative and quantitative research design methods. The questionnaire and interviews were used for data collection from 196 respondents and Focus Group Discussions of 7 household heads. For validity and reliability of research instruments, a pilot study was conducted at the National Union of the Disability Organizations of Rwanda. The content consistency of instruments was assessed by experienced researchers. Statistical Package for Social Sciences (SPSS) software and descriptive statistics were employed for data analysis. The study found that 174(89%) respondents did not have access to financial services, while 22(11%) had access to financial services. To compensate the lack of funds from financial institutions, the NCPD in Rwanda allocated some funds to PWDs' cooperatives to be invested mostly in farming (52.06%), commerce (13.26%) and tailoring (12.72%) while minor amounts were allocated in other micro-projects (21.41%) due to the lack of funds. Despite the allocation of financial assistance, PWDs do not have accessibility to formal financial services in order to improve their living conditions. Barriers to financial services included: communication, hearing, and sight barriers (97.96%); lack of training, skills and capacity (95.92%); lack of previous experience (85.20%); lack of access to various opportunities (65.61%); unemployment and lack of income (98.98%); and inaccessibility to offices (48.98%). In addition, the study found that the NCPD's financial assistance did not contribute sufficiently to job creation (43%), income generation (47%), access to education (45%), access to health facilities (46%), settlement improvement (41%), and nutrition improvement (39%) due to its insufficiency. Only 13(6.63%) respondents created from 1 to 10 jobs; 4(2.04%) created from 10 to 20 jobs; and 3(1.53%) created from 20 and more jobs. The study concluded that NCPD's financial assistance is significant in contributing to the socio-economic development of PWD's cooperatives in Rwanda. It recommended significant efforts to build inclusive financial systems in Rwanda; to provide training to the disabled people for developing their skills to be involved in any economic activities; and to look for enough grants from NGOs and other organisations that seek to improve the wellbeing of persons with disabilities.**

Keywords: **promoting investment, NCPD', employment opportunities, socio-economic development.**

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY:

Over two billion adults around the world who do not have access to formal or semi‑formal financial services, nearly 90% of whom live in Africa, Latin America, Asia and the Middle East (Chaia *et al.,* 2009). In Europe, checking account is taken for granted, but also to other regions of the developing world, where penetration rates are typically between 30 and 50%. In the UK, the exclusion of significant numbers of people from everyday financial services, such as banking, credit, insurance and savings, first became a focus of concern (Collard *et al.*, 2016). In terms of financial access in developed and developing countries, Belgium ranks highest among all the countries considered, followed by Spain and Germany (Rashmi, 2010). In countries such as Cambodia, Central African Republic, and Niger, only 2-4% of all adults have an account at a formal financial institution. Without access to formal financial services, poor families must rely on age-old informal mechanisms: family and friends, rotating savings schemes, the moneylender, money under mattress. However, these informal mechanisms are insufficient and unreliable, and very expensive (Demirgüç-Kunt and Klapper, 2012). Behind these low numbers, however, is some intra-regional variation, with banking penetration surpassing 40% in South Africa but remaining below 20% in most of East Africa. Banking is very expensive in Africa, as reflected by high interest spreads and margins (Beck, 2008). Therefore, African financial systems are among the smallest across the globe, and lack of access to finance is a key constraint on the growth in Sub-Saharan Africa, and thus an important limitation on employment, economic growth and shared prosperity (IFC, 2013). The high costs alone can explain why less than 20% of the population in many African countries has a bank account, where 54% of the population in Cameroon, 81% in Kenya, 40% in Madagascar, 94% in Malawi, 89% in Sierra Leone, and 93% in Uganda cannot afford the fees for checking accounts (Beck *et al.* (2009).

Investing, on the other hand, can help to both create and preserve wealth. By taking an appropriate level of risk, someone may have the opportunity to earn potentially higher long-term returns. It is important to remember that the value of investments, and the income from them, may fall or rise and investors may get back less than they invested (IMF, 2008). According to 2012 Fin-Scope report 68.4% of the Rwandan population save, 39.6% use formal mechanisms, 40.2 use informal mechanisms and 32.6% use their own mechanisms. Fewer adults borrow than save, 58.5% in total and they are much less likely to borrow from a formal institution with only 9.3% doing so. The proportion using informal institutions is much the same for saving and borrowing. In total 41% of adults use a transaction product, 19% formal ones and 28.4 % informal ones. Thirteen percent of adults use remittance services, 7% formal, 2% informal and 4% their own mechanisms. In total 7% of the population have insurance of some sort, which is provided by other formal institutions (NISR, 2012). However, Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS-2) recognizes that socioeconomic opportunities and development will be undermined if expanded financial services are not available, especially to the poor and other disadvantaged groups who are deprived of access to these services. An inclusive financial system can provide a number of benefits to the economy; make available more resources for investment. It can create employment opportunities, ensure economic and financial stability through reducing vulnerability and contributes to poverty reduction (Government of Rwanda, 2012).

1.2 PROBLEM STATEMENT:

Data from the National Institute of Statistics of Rwanda (NISR, 2012), indicate that there are 1.26 million adults financially excluded (8% of the adult population), and only 14% has access to formal banking products. Financially excluded people include also persons with disabilities who need to build their capacity and ensure their participation in the national development (International Monetary Fund, 2011). Despite substantial expansion of bank branches and other financial institutions, a significant share of the country's adult population still remains financially excluded (Kacem and Zouari, 2013). This gap in financial inclusion and financial exclusion motivated this study on access to financial services and socioeconomic development in Rwanda, especially at the National Council of Persons with Disabilities (NCPD).

1.3 SPECIFIC OBJECTIVES:

i. Determine the factors associated with financial exclusion of NCPD' members;

2. RESEARCH DESIGN

This was a cross-sectional study using both quantitative and qualitative methods in order to obtain relevant and accurate information. Indeed, quantitative method involves the use of numerical and statistical measurements. Quantitative method was used to test the relationships between variables using numbers. Qualitative method was used to describe human experiences using in-depth interviews.

2.1 TARGET POPULATION:

The researcher's target population includes all persons with disabilities registered and categorized by the NCPD (8,490 persons). Data from EICV3 show that the proportion of households headed by persons with disabilities has risen from 8% to 10% (6,900 households) and the distribution of these is even across all provinces (NISR, 2012).

3. RESEARCH FINDINGS AND DISCUSSION

Table 1: Respondents' measurements of financial inclusion

Measurements	Frequency (N=196)	Percentage (%)
Awareness and availability of banking services	115	58.67
Possession of a bank account	51	26.02
Access to general banking branches	20	10.20
Usage of banking system (savings, credits, insurance)	10	5.10
Total	**196**	**100.00**

Source: Primary data

Table 1 shows that majority of respondents (58.67%) were aware on bank penetration and availability of banking services. However, only 51(26.02%) respondents had a bank account in SACCOs; 20(10.20%) had access to general banking branches using check books and ATMs; and 10(5.10%) respondents were using the banking system in insurance, savings' mobilization, and credits allocation to run micro-projects at the village level.

Table 2: Funds allocated to Cooperatives of PWDs (2013-2018)

Funded project	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total (Rwf)	Percent (%)
Handicraft	650,000	780,000	835,000	990,500	2,833,000	**6,088,500**	1.83
Farming	34,051,450	36,551,450	39,051,450	43,551,450	22,069,000	**175,274,800**	52.60
Commerce	6,450,300	8,950,200	11,400,000	13,900,000	3,500,000	**44,200,500**	13.26
Knitting	1,560,500	2,500,350	2,560,400	3,000,000	2,146,000	**11,767,250**	3.53
Tailoring	7,750,800	9,851,600	10,500,000	12,000,000	2,300,000	**42,402,400**	12.72
Manufacturing	3,150,600	4,660,800	6,120,000	7,600,000	4,500,000	**26,031,400**	7.81
Hairdressing	1,112,350	1,450,700	1,750,300	2,000,000	2,500,000	**8,813,350**	2.64
Others	3,850,000	4,350,000	4,850,600	5,600,000	-	**18,650,600**	5.60
Total	**58,576,000**	**69,095,100**	**77,067,750**	**88,641,950**	**39,848,000**	**333,228,800**	**100.00**
Percent (%)	18	21	23	27	12	**100**	

Source: NCPD (2018)

Table 2 contains the amounts of funds invested in different projects, that is to say Rwf 333,228,800 for five years. This amount was allocated to Cooperatives of PWDs in 30 Districts of Rwanda during the period 2013-2018. People with disability cooperatives invested allocated the funds in different projects including: handcraft (wood-made objects, soup ladles, mats, baskets, pots); farming (agriculture and livestock); commerce (selling crops, animals, veterinary medicine, beer and other commodities); knitting and tailoring; manufacturing (making bricks, paving stones, wheelchairs, soaps, candles, crop milling), hairdressing salons, beauty salons, and others.

4. CONCLUSIONS

The study established that NCPD's financial assistance is significant in improving the living conditions of PWD's cooperatives in Rwanda. Based on the study findings, many PWDs cooperatives are unable to access the financial services due to physical and informational barriers. PWDs like other poor have entrepreneurial skills necessary to carry out their business, but they are constrained by lack of funds. The NCPD in Rwanda should ensure that PWDs are not left out in accessing financing from financial institutions, especially IMFs and SACCOs and grants from donors.

5. RECOMMENDATIONS

The lack of financial access for the poor should be addressed to a large extent by rapid development in the microcredit sector and speedy expansion of the microfinance institutions. These institutions should provide financial services to a significant number of the poor including the PWDs. The NCPD, GOR, MFIs and other stakeholders can provide training to the disabled people for developing their skills to be involved in any economic activities. With necessary knowledge and skills they can easily start something which will generate income. The NCPD, GOR, MFIs and other stakeholders can also build collaboration with the local organizations working for the disabled people to provide income generating training to PWDs.

The PWDs cooperatives which are not in a position to receive financial assistance from financial institutions and NCPD should look for grants from NGOs and other organisations that seek to improve the wellbeing of persons with disabilities.

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