

Promotion of Women’s Small Businesses by Equity Bank Rwanda Ltd through Fanikisha Loan Products

1. DEVELOPMENT RELEVANCE

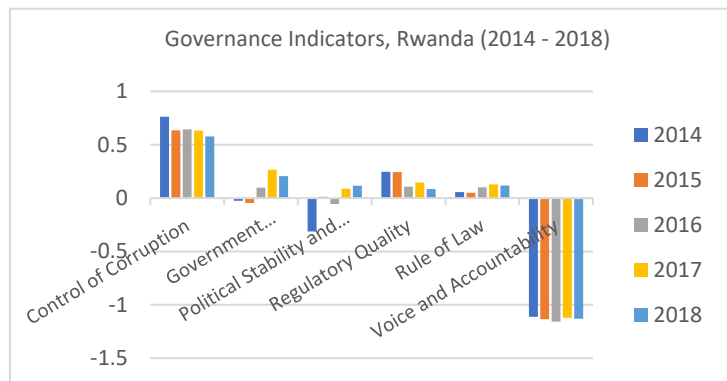
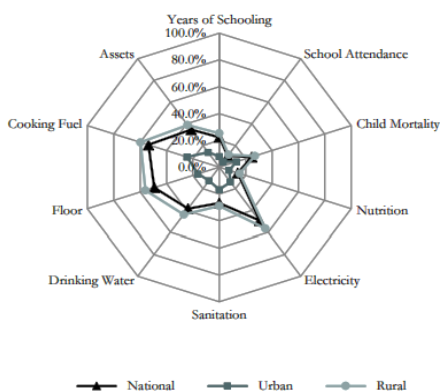
Economic and Poverty Context

Rwanda is a poor rural country characterized by about 80% of its population primarily engaged in subsistence agriculture, with some taking interest in mineral and agro-processing. Tourism, minerals, coffee and tea are Rwanda’s main sources of foreign exchange. The 1994 genocide decimated Rwanda’s fragile economic base, severely impoverishing the population, affecting many women, and temporarily stalling the country’s ability to attract private and external investments. However, Rwanda has made substantial progress in stabilizing and rehabilitating its economy. GDP has rebounded with an average annual growth of 7- 8% since 2003 and inflation has been reduced to single digits. Rwanda is on the right path of development and is supported by political stability, good governance and a growing private sector.

Table 1ⁱ: Population and economic indicators

Population in million (2016)	11,92
GDP growth (2017)	6.1%
Inflation (2017)	8.3%
Trade balance (% of GDP) (year)	-14.5%
Foreign direct investment (net) (% of GDP) (2017)	3.2%
Net ODA received (% of GNI) (2017)	13.7%
Remittances received (% of GDP) (2017)	2.4%
Economic Freedom Indexⁱⁱ (Rank among 186 countries) (2017)	32
Poverty indicators	
GDP per capita (USD) (2017)	748.3
Gini Index (0=equality,100=inequality) (2016)	43.7
International poverty rate (2016;1.90 USD/day)	55.5%
National poverty rate (2016)	38.2%
National rural poverty headcount rate	n/a

Multidimensional Poverty Index, Rwanda 2015



Financial Sector Context

Rwanda’s financial sector comprises 16 banks (ten commercial banks, four microfinance banks, one development bank and one co-operative bank), 491 microfinance institutions (including 478 savings and credit co-operatives or SACCOs), as well as 49 non-bank financial institutions. Thousands of informal saving groups also serve the financial sector. Some of these include merry-go-rounds, village savings and lending associations, rotating savings and credit associations, accumulating savings and credit associations. The Rwandan Financial Sector Development Programme (FSDP), which guides the financial sector reform, was launched in 2006 with the vision of developing a stable and sound financial sector that is sufficiently deep, broad and capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reducing poverty.

Vision 2020 is a government development program in Rwanda that was launched by the current President Paul Kagame in 2000. Its main objective is to transform the country into a knowledge-based middle-income country, thereby reducing poverty, health problems and further uniting the nation democratically. Under Vision 2020 and through the FSDP II, the government of Rwanda aimed to increase the financial inclusion of the population up to 80% by the year 2017. From a recent survey, this aspiration has so far been achieved.

Adult population financially included	89%
Adult population formally served by banks	26%
Adult population using other formal (non-bank)	65%
Adult population using informal mechanisms	72%
Insurance uptake	9%
Financially excluded	11%

Source: Finscope, survey 2016

Partner Financial Institution

Equity Bank was founded in Kenya in October 1984, as the Equity Building Society (EBS). EBS went through various challenges including being declared technically insolvent in 1993 before transforming into a rapidly growing retail and microfinance bank. The bank's vision is to be the champion of the socio-economic prosperity of the people of Africa. Equity Bank has been voted the best bank in retail banking several times, due to its customer dedication and talented management team. The bank has chosen to differentiate itself from the other players in the banking industry by specifically targeting mass banking. Its business model is based on three focal areas:



- Market research and innovation with the objective of moving access further down the income pyramid;
- Customer service as a key differentiator;
- Robust risk management practices.

The Equity Bank business model has been a huge success prompting the development of a regional diversification strategy. The model has already been replicated in Tanzania, Uganda, South Sudan, Rwanda and the Democratic Republic of Congo (DRC). Presently, Tanzania is establishing fully owned subsidiaries. Its long-term ambition is to become a Pan-African Bank championing financial inclusion and entrepreneurship across Sub-Saharan Africa.

Equity Bank Rwanda Limited (EBR) began its operations in October 2011 with seven branches; three in Kigali and the rest in Musanze, Muhanga, Rwamagana and Rubavu districts. The table below shows the portfolio split in terms of borrowers, depositors and the percentage share of women.

Equity Bank Rwanda (data in USD)	2012	2013	2014	2015	2016	2017
Total assets	38.33	71.80	127.87	124.19	152.81	185.3
Gross loan portfolio	20.11	42.82	68.61	82.15	99.49	100.08
Total deposits value	25.17	55.10	95.45	91.59	106.75	135.04
Total staff/of which women	85/30	200/73	250/85	292/100	282/92	305/101
Total branches	9	11	11	11	12	14
Number of active borrowers				6.134	6.191	6.327
Average loan balance per borrower				12.059	13.514	15.470
Share of active female borrowers / thereof using new/improved product				1.649/n/a	1.621/24	1.567/37
Share of rural active borrowers - using new/improved product				n/a	n/a	n/a
Average loan balance per women borrower using new/improved product				n/a	6.583	7.818

2. INTERVENTION APPROACH

The project leveraged on investments made in Tanzania and replicated Fanikisha+ in Rwanda – financial products especially designed for women in Micro, Small and Medium-Enterprises (MSMEs). This process involved adapting the loan products to fit the specific needs of the Rwandan market and engaging Equity Group Foundation (EGF) in adapting and providing financial literacy and entrepreneurship training. Equity Bank's Fanikisha products, locally referred to as *Igire na Equity*, include loans for start-up businesses in groups, group lending, individual loans for small and large SMEs, as well as corporate loans. While Fanikisha/*Igire* refers to the loan products, the plus (+) represents the financial literacy, entrepreneurship training and experience exchange. The other component in the replication of financial products is the peer-to-peer mentoring and coaching of women entrepreneurs to enhance their level of financial knowledge.

Main Activity Areas (goals, targets, resources & time frame) and Outputs

Key milestones	Results
Adjustment of loan products	<ul style="list-style-type: none"> ▪ At the end of 2015, a learning exchange took place between the Equity Bank Tanzania and the team in Rwanda. ▪ Through focus group discussions and individual interviews, internal research was conducted among women clients to establish the gaps and needs for custom-made financial products. ▪ A set of 5 different individual loan products and 2 group loan products were developed based on the identified requirements. ▪ Board approval of the products and integration into the bank's IT system Finacle.
Training on the products	<ul style="list-style-type: none"> ▪ 14 credit officers from 14 branches were trained on <i>Igire na Equity</i> products, policies & procedures.
Entrepreneurship training	<ul style="list-style-type: none"> ▪ The ILO entrepreneurship training material used in Tanzania was adapted and translated to specific needs of the target group in Rwanda. ▪ 25 credit officers and 10 Credit Managers were trained as certified and accredited Entrepreneurship Trainers of Trainers by ILO

	<ul style="list-style-type: none"> A total of 1'574 women, among which 90% are from low-income households, were trained. The training covered "Start and Improve your Business (SIYB)", Marketing, Stock Control and Record Keeping.
Create awareness	<ul style="list-style-type: none"> The total of 1'574 women were mobilized through Entrepreneurship training and financial literacy training and informed about the different products. Mobilization and training of women entrepreneurs in Kigali (Remera & Kicukiro), Muhanga and Musanze districts. Late 2016, the mobilization and training of women entrepreneurs was extended to other areas such as Rusizi, Huye, Rwamagana and Rubavu. Additionally, the products were advertised through EBR website, exhibitions and brochures.
Roll-out i.e. loan disbursements	<ul style="list-style-type: none"> The loan disbursement developed from nine accessed loans in 2016, over 29 in 2017 and 55 in 2018 to 50 disbursements in 2019 with "Iyubake", an individual business loan between RWF 3,5M - 20M, being the most requested product. A training impact assessment survey was carried out at the end of 2016 to provide details of the impact of training provided to over 1'500 women, which showed that business practices had improved.
Linkages between entrepreneurs via clubs	<ul style="list-style-type: none"> Women in Rwanda showed preferences to form small groups (Chama/Ikibina). Therefore, EBR decided to adapt the club to a peer-to-peer mentoring network. The women were organized into small groups and met regularly to talk about issues they face in business. In each of the mentoring meetings there was an on-the-spot talk by a successful women entrepreneur. Six high potential women entrepreneurs provided mentoring and coaching to over 500 developing businesses. A total of 40 groups comprising of 20 women each.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client Level

The implementation of Igire na Equity started in March 2015 and a follow-up visit of the different trained women groups demonstrated that the majority had improved their level of professionalism in running their businesses. The skills gained through the different training sessions, such as stock control and record keeping, enabled women to grow their businesses. Over 90% of the 1'574 trained women declared that they were enlightened on how to run their businesses with the newly acquired entrepreneurial skills. 350 trained women mentioned that they have no immediate need for loans and opted to restructure their businesses before making any applications. This was because of the new knowledge gained by the women during the training and is the main reason for the small number of loan applications received during the implementation period. Some of the women opened savings accounts, as they did not qualify for an Igire na Equity loan at that stage. It is however expected that more of the total 1'574 trained women will continue to apply for loans as they have been empowered to make informed choices on when to borrow. Borrowing based on informed decisions leads to better management of loans and good repayment levels.

The peer-to-peer mentoring network is still in place, most of these groups were formed during the training phase. These groups also met the purpose as saving schemes for these women. In terms of the socio-cultural impact of the Fanikisha+ project, some women entrepreneurs have won full support of their spouses for running their own businesses. Before, many husbands were reluctant to support their wives, especially in acquiring credit using the family collateral and allowing them to spend prolonged hours away from home in the name of managing their businesses. Trained women generally felt enlightened and empowered and paved the way for a behavior change in their families, by including men in saving schemes, showing men in their family the benefit of their businesses and how their spouses can support the business by supporting the loan application and providing collateral.

The training materials developed have proven to cover the needs in entrepreneurial training and have been understood and put into practice by the trained women. Many of the women who did the trainings have active bank accounts, some loans and some have been able to graduate from MSMEs to SMEs – with or without the Igire na Equity products. Overall, the pilot eroded the cultural perception that women cannot do sustainable businesses in Rwanda, as there are several success stories of women who are thriving in their businesses. Two examples:



Mukamurenzi Bernadette runs a hair salon which she has operated for over 20 years in the City Centre. She is a beneficiary of the Fanikisha financial literacy and entrepreneurship training and has greatly benefited. She acquired her first loan of CHF 1'100 and another of CHF 7'700 which she used to buy another existing salon located strategically in the City Centre. She paid back both loans without any difficulty. Later, she obtained a third loan worth CHF 5'500 which she used to refurbish her salon, as well as bringing in more products for skin and hair care. Her salon is now worth CHF 22'000 and she is planning to diversify and expand it. Bernadette declared that she was enlightened on how to run her business with the acquired know-how from the training which inspired her to start using the bank for debt financing.

Clementie Mukashyaka runs a village shop just outside the Rwandan capital Kigali. When she wanted to enlarge it, she applied for a first loan of CHF 1'000. She was able to repay it quickly, also thanks to the training she received from a local Equity Bank agent. Later, Clementine trained herself as an agent.



Today, she employs two transporters in her business who bring her goods out of the city, a security guard and an equity agent. With her latest loan of CHF 3'000, she wants to take over the shop next to hers and expand the business even further. Since her husband has lost his job, the family of eight is completely dependent on the income of Clementie. Business is so good that she can pay the school fees for her six children. Some of them are now even attending high school.



Equity Bank, Ramera Branch

Partner Financial Institution Level

The *Igire na Equity* product was adjusted to make the loans more attractive to the target group in Rwanda. Procedures like the introduction of low interest rates and the utilization of 30% upfront savings as cash collateral were implemented. Additionally, youth (young girls and boys) were eligible for the products as well.

Limited individual financial capacity and non-commitment of individual borrowers led to the conclusion that for some clients, a group loan methodology would be more beneficial. Swisscontact supported EBR with the formulation of such a product, where several women work

with the same business plan, make weekly deposits during the first 3 months and are thereafter entitled to take out a loan. A Training of Trainers (ToT) session was conducted for 14 officers from 14 Equity Bank branches.

Igire na Equity	2016			2017			2018			2019		
	#	RWF	CHF*	#	RWF	CHF*	#	RWF	CHF*	#	RWF	CHF*
Zamuka	0			0			0			0		
Terimbere	0			0			0			0		
Tinyuka	3	4.540.000	4.600	8	14.870.000	15.077	8	21.034.000	21.327	9	15.500.000	15.716
Iyubake	6	42.700.000	43.295	18	143.430.000	145.429	36	361.407.277	366.444	30	283.450.000	287.401
Icyizere	0			3	113.000.000	114.575	10	402.200.000	407.806	8	298.400.000	302.559
Sugira	0			0			1	180.000.000	182.509	3	344.600.000	349.403
TOTAL	9	47.240.000	47.895	29	271.300.000	278.081	55	964.641.277	978.086	50	941.950.000	955.079

*as per 31/12/2019, www.oanda.com

Lending Institution	# of Women	RWF	CHF
Equity Bank	9	47.240.000	47.895
Copedu	7	13.550.000	14.906
Unguka	6	7.700.000	8.470
SACCO	13	6.200.000	6.820
Association	5	1.330.000	1.463
Vision Finance	8	3.180.000	3.498
Duterimbere	6	8.300.000	9.130
Urwego	17	28.740.000	31.617
BK	1	2.000.000	2.200
AB Bank	5	1.120.000	1.232
Bank of Africa	2	5.500.000	5.420
RIM	1	60.000	66
BPR	1	5.000.000	5.500
Total	81	129.920.000	138'217

The sample of 342 interviewed women out of the first 550 women who received entrepreneurship training illustrates that there have been many different ways for the women entrepreneurs to put their learnings into practice. Some opened *Igire na Equity* accounts, others opened normal business accounts with Equity, others opened business accounts with other financial institutions, others started with savings accounts either at EBR or other institutions and some went back to more informal solutions such as savings groups.

As per end of 2016, at least 81 of the trained women had accessed loans at EBR and other lending institutions and an additional 120 women entrepreneurs were awaiting loan approval. As per December 2019, CHF 955'079 was the total *Igire na Equity* product loan amount.

Not listed are trained women who accessed different products such as asset loans, mortgages and working capital from EBR as well as those who "only" opened savings accounts.

Financial Sector Level

The *Igire na Equity* product has created interest among the government and development partners but there was no further uptake so far. It is considered a viable intervention in realizing financial inclusion for women in Rwanda and is in line with the government's vision 2020 though.

An interested organization is New Face New Voices (NFNV); a Pan-African advocacy group initiated by Graça Machel that focuses on expanding the role and influence of women in the financial sector. On several occasions, the Equity Bank team was invited to present the unique product *Igire na Equity*. A public institution whose mission is to effectively monitor gender mainstreaming and advocacy known as "The Gender Monitoring Office", has also been keen on the product development and the uptake in the market. Moreover, other banks in Rwanda have also expressed their desire to develop innovative pro-poor targeting products such as group loans called '*Amatsinda loans*' that mainly target women who are organized in savings and lending groups. There are signs that microfinance institutions will grow in the industry with more products targeting women entrepreneurs.

4. LESSONS LEARNT

There were several lessons learnt during the implementation of *Igire na Equity* in Rwanda:

- The hypothesis that financial barriers were the biggest obstacle for women to setting up their businesses was confirmed again. When capital challenges are not addressed in time, most businesses fail.
- The women felt empowered by peer-to-peer mentoring as they set their own meeting agenda and shared their experiences on business management.
- Entrepreneurship and financial literacy training as well as peer-to-peer mentoring has a crucial impact on women entrepreneurs. Irrespective of the loan size, it is important to keep monitoring the effects when women change their business practices. Especially the peer-to-peer networks serve for a proper follow-up and guidance after trainings, and additionally allow to lower the generic aversity of many women towards debt financing of their businesses. Continuous training is crucial.
- Training/financial education has again proven to be key, not only as a goal itself but as a means to decrease risk for the institution offering financial products, to increase business performance, as well as to motivate the women entrepreneurs and provide guidance. Finally, it also presents an opportunity for the financial service provider to explain and promote its products.
- Lack of access to capital and cultural norms largely contribute to the challenges women face when setting up and developing their businesses. Women in rural Rwanda are unable to own land which makes it difficult for them to obtain collateral when seeking credit from financial institutions. Co-guaranteeing – possible in Tanzania and Kenya – was therefore not an option in the Rwandan context. Additionally, in Rwanda women generally rely on the support of their spouses – this is much less the case in countries like Kenya and Tanzania.
- Also, the Kenyan market allows debentures, unlike Rwanda, wherefore this product could not be replicated in Rwanda.
- During the training, participants realized that there were pre-requisites to be met in their business processes before they could access loans. After the training sessions, most of the women requested for more time to re-organize their businesses before applying for loans. Therefore, the adoption of an effective marketing strategy is key to promote the uptake of any product. Also, sometimes they needed even smaller ticket sizes which were not covered through *Igire na Equity*.
- Related to the previous point, it is crucial to plan a realistic conversion rate from sensitized to trained women to those who opt for a loan to those who finally submit a business plan and the final number who get their business plan approved and financed – also from a time perspective.
- Changes in senior management and general staff turnover can drastically slow down partner performance as priorities and commitments change. Most of ToT in the ILO method have left EBR.

Recommendations and way forward:

- The Fanikisha+ product in Tanzania was adopted more quickly by the market than in Rwanda due to the previously mentioned varying market behaviour, such as political, legal and social structures. It would be favourable to run a pilot in every new market to understand and experience socio-cultural market dynamics that are context specific and not easily foreseeable, and as seen can greatly influence the project. In addition, the pilot should include a group lending methodology from the beginning, but being aware that the legal framework presents some major limits in Rwanda and within EBR regulation itself.

- Though the project is closing with EBR, they envisage further growth in loans and product diversification for women by different banking operators. It is crucial that these institutions investigate specific needs and provide tailor-made products for women.
- It is also recommended to design a future program including a graduation process. The pilot should be structured as a continuous process where some businesses are automatically transferred to a second level with different conditions.
- The preparation, adoption and uptake of Fanikisha+ required more time than initially proposed. We advocate that three years should be an appropriate timeframe for product development, pilot testing, roll out and product review for adjustments in each market – in ideal conditions.

ⁱ The World Bank Group. World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (20th June 2019)

ⁱⁱ Heritage Foundation, Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (20th June 2019)