



***BANK OF THE REPUBLIC
OF BURUNDI***



BURUNDI NATIONAL FINANCIAL INCLUSION SURVEY

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Desjardins
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LIST OF INITIALS AND ACRONYMS

ABEF:	Association des Banques et Établissements Financiers du Burundi [%Association of Banks and Financial Institutions of Burundi-]
AFI:	Alliance for Financial Inclusion
AGM:	Annual General Meeting
ATM:	Automatic Teller Machine
BANCOBU:	Banque Commerciale du Burundi [%Commercial Bank of Burundi-]
BBCI:	Banque Burundaise pour le Commerce et l'Investissement [%Burundian Bank for Commerce and Investment-]
BCB:	Banque de Crédit de Bujumbura [%Bank of Credit of Bujumbura-]
BFI:	Banks and Financial Institutions
BGF:	Banque de Gestion et de Financement [%Bank of Management and Finance-]
BIF:	Burundian Franc
BNDE:	Banque Nationale pour le Développement Économique [%National Bank for Economic Development-]
BRB:	Bank of the Republic of Burundi
CCI-ODAG:	Caisse Coopérative Indépendante . Organisation pour le Développement de l'Archidiocèse de Gitega [%Independent SACCO . Organization for the Development of the Archdiocese of Gitega-]
CCP:	Compte de Chèque Postal [%Postal Checking Account-]
CECAD:	Coopérative d'Épargne et de Crédit pour l'Autodéveloppement [%Savings and Credit Cooperative for Self-Development-]
CECM:	Coopérative d'Épargne et de Crédit Mutuel [%Mutual Savings and Credit Cooperative-]
COOPEC:	Coopérative d'Épargne et de Crédit [%Savings and Credit Cooperative-]
CORILAC:	Compagnie Rizicole des Grands Lacs [%Greats Lakes Rice-Growing Company-]
COSPEC:	Coopérative Solidarité avec les Paysans pour l'Épargne et le Crédit [%Solidarity with Peasants for Savings and Credit-]
DID:	Développement international Desjardins
DIFO:	Development Interpeople Finance Operations
DK/NA:	Don't Know/No Answer
DRC:	Democratic Republic of Congo
DTB:	Diamond Trust Bank
FENACOBUR:	Fédération Nationale des COOPEC du Burundi [%National SACCOs Federation of Burundi-]
FI:	Financial Institution
FIDWG:	Financial Inclusion Data Working Group
FPHU:	Fonds de Promotion de l'Habitat Urbain [%Urban Habitat Promotion Fund-]
FSCJ:	Fonds de Solidarité des Cadres Judiciaires [%Judicial Executives Solidarity Fund-]
FSTE:	Fonds de Solidarité des Travailleurs de l'Enseignement [%Literacy Workers Solidarity Fund-]
FSTS:	Fonds de Solidarité des Travailleurs de la Santé [%Health Workers Solidarity Fund-]
G:	Billion
GDP:	Gross Domestic Product
GTZ:	German Technical Cooperation
HFB:	Hope Fund Burundi
IBB:	Interbank Burundi
IGA:	Income-Generating Activity
IMF:	International Monetary Fund
ISTEEBU:	Institut de Statistiques et d'Études Économiques du Burundi [%Institute of Statistics and Economic Studies of Burundi-]
M:	Million
MFI:	Microfinance Institution
MIS:	Management Information System
ODI:	Other Depository Institutions
PAR:	Portfolio at Risk
RECECA:	Réseau Communautaire d'Épargne et de Crédit pour l'Autodéveloppement [%Community Savings and Credit Network for Self-Development-]
RIM:	Réseau des Institutions de Microfinance au Burundi [%Network of Microfinance Institutions of Burundi-]
RNP:	National Postal Service
SME:	Small and Medium-Sized Enterprises
SOLECS-COOPERS:	Solidarité d'Épargne et de Crédit [%Savings and Credit Solidarity-]
SOLIDEK:	Solidarité des Enseignants de Kirundo [%Educators Solidarity of Kirundo -]
SPSS:	Statistical Package for Social Sciences
TD:	Term Deposit
UCODE:	Union pour la Coopération et le Développement [%Union for Cooperation and Development-]
US\$:	American Dollar
WISE:	Women's Initiative for Self-Empowerment
ZD:	Zone de dénombrement [%Enumeration Zone-]

EXECUTIVE SUMMARY

The Bank of the Republic of Burundi (BRB) has obtained funding from German International Cooperation (GIZ) and the Alliance for Financial Inclusion (AFI) to conduct the first national survey on financial inclusion in Burundi. The overall objective of the survey is to establish a benchmark situation that will enable the political decision-makers and practitioners of the financial sector to take adequate measures to expand access to formal financial services, to increase the use by the population of formal financial services and increase the quality of the formal financial services offer.

Financial inclusion is defined as follows:

Permanent access by the adult population to a set of financial products and services (i) offered by formal and sustainable financial institutions, governed by adequate regulations, (ii) that are diversified, affordable and adapted to the needs of the population, and (iii) used by the latter for the purpose of contributing to the improvement of the conditions of their socioeconomic life.

The survey was conducted between the months of March and May 2012 and contained three different components, namely:

- “ a demand side survey of a representative sample of 3220 individuals aged 18 years and above from the 129 country's communes;
- “ fifteen focus group discussions with potential users of formal financial services from each of the country's provinces;
- “ a supply side survey of the 33 financial institutions licensed by the BRB.

The survey made it possible to measure the four dimensions of financial inclusion in the country, viz., the supply of financial services, access to financial services, actual use of the formal financial services and quality of the formal financial services provided.

Supply of formal financial services

An analysis of formal financial services offered in Burundi reveals the following key elements:

- “ The supply is relatively diversified with thirty-three (33) active financial institutions. The sector shows a certain level of dynamism with the entry of new operators.
- “ Formal financial services are offered through 492 access points which is a relatively high number, but there is a strong concentration of this supply in Bujumbura City. Several provinces are still underserved.
- “ The rural areas account for 66% of the access points of the financial institutions, while the proportion of the population living in rural areas is 90%.
- “ The institutions with the greatest number of access points are by decreasing order: RNP (98 points), FENACOBU (96), TURAME (68), IBB (36) and UCODE (31). These five account together for two-thirds of all of the access points and 76.7% of the access points outside the city of Bujumbura.
- “ The products offered are quite similar between the banks and the MFIs.
- “ The banks's service offer primarily targets the clientele of the formal sector of the economy. The MFIs have begun to target the same clientele as the banks, but they have recently developed products capable of interesting the clientele of the informal sector.
- “ The effect of the minimum amounts required to open an account and the account maintenance fees, particularly in the banks, is to restrict access by the more impoverished segments of the population. The terms for access to an account are more affordable in the MFIs.
- “ There exists a strong competition in the interest rates offered on savings by the financial institutions that seek to attract the deposits of the clientele.
- “ Credit wise, the banks grant much higher amounts and longer terms than MFIs.

- " The effect of the guarantees demanded by both banks and MFIs is to limit access to credit for a great majority of the non-salaried population.
- " Interest rates and fees charged on loans by banks are comparable from one to another and generally lower than those charged by the MFIs. The interest rates charged by the MFIs vary greatly and are often calculated on a linear basis, which hides the actual rate paid by the client.
- " The supply of payment cards is limited to the banks and is still underdeveloped.
- " International money transfer services are available through banks and specialized agencies. The National Postal Authority (RNP) recently introduced a domestic money transfer service in partnership with a mobile phone service provider.
- " Most of the new products planned by financial institutions only replicate the products already offered on the market. Some MFIs plan to develop mobile teller windows and international money transfer services, which cannot be done without prior authorization from the BRB.
- " Analysis of the services offered in the Burundian financial sector shows that the banks and MFIs should undertake a significant change in order to increase the scope of their services. This change primarily concerns the following aspects: bringing services nearer the rural areas; smoothing the conditions of eligibility for savings and loans; greater transparency in the actual cost of services; development of products that meet better the needs of the majority of the population active in the informal sector of the economy.

Access to formal financial services and products

An analysis of the access to formal financial services and products in Burundi reveals the following key elements:

- " The survey revealed serious gaps in the financial literacy of Burundi's population. Only 10% of the respondents say they are well informed about the various services offered on the market.
- " Most financial institutions are poorly known by the public. That is particularly true of the MFIs.
- " The number of access points per 100,000 adults is higher in Burundi than in the other countries of the sub-region.
- " Compared to the population, the access points are relatively more numerous in Bujumbura City and the provinces of Makamba, Gitega and Ngozi, and relatively fewer in the provinces of Bujumbura, Bubanza, Karusi and Kirundo.
- " The vast majority of the communes have at least one formal financial point of service. However, 29 communes are only served by one point of service, while six communes have none.
- " The ATMs are very few and concentrated in Bujumbura City.
- " Apart from Bujumbura City, the distance from the access points and the non-availability of motorized means of transportation are important factors that slow down the access to financial services.
- " 12.5% of the adult population have an account in a financial institution, which means that approximately 480,000 persons take part today in the formal financial system; on the other hand, approximately 3.3 million persons are excluded from it.
- " The ratio of account holders is five times higher in urban areas than in rural areas; this ratio does not exceed 5% in the provinces of Ruyigi, Karusi and Rutana.
- " The ratio of account holders varies enormously depending on socioeconomic category. Twice as many men hold an account as women. Half as many of those aged 18-29 years hold an account as those aged 30 years and older. This ratio reaches 89.5% among salaried government employees, 52.1% among salaried private-sector employees, 30.1% among merchants and 5.3% among farmers.
- " Women account for only 28.3% of the clientele of the MFIs. This situation lags behind that observed in most other countries where women are mainly represented in the microfinance sector.
- " The main obstacles to opening an account are lack of cash income, inability to save and difficulty in meeting the minimum amount required.
- " Only 2.9% of the respondents have obtained a loan in a financial institution during the past 12 months.
- " The main obstacles to accessing credit are related to monetary poverty and lack of information.
- " Ultimately, financial institutions must make more efforts to render their services more accessible to women, the young and workers in the informal sector, especially in rural areas.

Usage of financial services

An analysis of the use of formal financial services in Burundi reveals the following key elements:

- " The majority of the Burundian population claims to save regularly, although those savings are kept to a large extent out of the financial institutions.
- " The number of depositors/customers and the number of borrowers per 1000 adults in Burundi is the lowest in the sub-region for banks and the highest for the MFIs. These ratios lead one to believe that the Burundian banking sector is particularly ~~exclusive~~ and that the MFI sector is much more inclusive.†
- " Use of formal financial services is very shallow:
 - 12.5% use a savings account;
 - 2.9% have a loan;
 - the vast majority of the depositors hold only one account and the vast majority of the borrowers have only one loan;
 - 4.7% use at least two products;
 - 85.7% don't use any product.
- " The use of formal financial services is not very sustainable:
 - only 41% of those with an account in a financial institution have had it for more than five years;
 - account holders most often make cash deposits and withdrawals. Transactions such as requesting a bank statement, paying bills, cashing a check and ordering a payment are rarely used.
- " The average amount of savings per customer is 20 times higher in banks than in MFIs and the average loan amount is nine times higher. This shows that these two categories of institutions operate in different markets.
- " The deposit volume is strongly concentrated in Bujumbura City where the headquarters offices of financial institutions are located. This may restrict loan-granting in the rest of the country.
- " The loan portfolio is concentrated in Bujumbura City. The provinces of Gitega and Ngozi also attract a sizeable share of the loans. In other provinces, the volume of the loans is still very weak.
- " 13.2% of the respondents to the survey did money transfers within or outside the country during the past 12 months, but only half of the money transfers are carried out through the formal financial system.
- " 14% of the respondents have saved in the informal systems during the past 12 months, which represents approximately 540,000 persons. The number of loans obtained through these systems may be 3 to 4 times higher than the number of loans granted by the financial institutions.
- " The participants identified monetary poverty as the main obstacle to the use of the services offered by the financial institutions.
- " In short, Burundian population uses informal financial systems more than the services offered by formal financial institutions, whether to save, borrow or make money transfers. The recourse to the informal systems result from many factors including the greater accessibility of these systems, lack of financial literacy and knowledge about the financial institutions, the distance from the access points of the institutions and the obstacles· real or perceived· to access their services, as well as other socio-cultural factors. The challenge for financial institutions thus consists of informing and convincing the population about the advantages related to modern formal financial services compared to informal or traditional systems.

Quality of financial services

An analysis of the quality of formal financial services in Burundi reveals the following key elements:

- " Within the population, there is a misperception of the mission of certain institutions in relations to what it should be.
- " Concerning the savings services offered by the financial institutions, the rate of satisfaction is high for the security of the premises, location of the agencies, account-opening procedures, business hours and minimum deposit required. The rate of satisfaction is lower regarding the account maintenance fees and the low interest paid on savings.

- “ More than 80% of the respondents say they have less confidence in the informal systems than in the financial institutions when it comes to savings.
- “ As for loan services, the satisfaction rate is high for the loan processing, the amortization schedule, the administrative procedures, the types of products offered, loan terms, the length of time it takes for approval and the amounts offered. The rate of satisfaction is lower with respect to the required guarantees, borrower follow-up and counseling, closing fees and fees payable, late payment penalties and measures taken in the event of non-repayment.
- “ As for the quality of the loan portfolio, the PAR > 30 days is estimated overall at 13% for the MFIs, which is clearly above the acceptable standard of 5%. This situation must receive special attention from the concerned MFIs.
- “ With regard to the loans granted by usurers, participants in the focus group discussions consider the access to be very fast and easy but that this type of loan only aggravates the people's poverty situation.
- “ As for the money transfer services offered by Western Union, MoneyGram and the RNP, participants said they were unacquainted with those services and expressed the wish to become better informed about them.
- “ It appears that the quality of the services offered by the financial institutions is not called into question. The majority of the participants in the survey say that they prefer the services of the banks and the MFIs in relation to other alternatives, but actually few of them use them. This paradox can be explained by the weakness of monetary income among a large part of the population, which limits the actual ability to participate in the financial system. Ultimately, it is the country's economic revival, which will be the main driver behind a wider access to financial services.

Key financial inclusion indicators in Burundi

The survey made it possible to measure the key indicators developed by the AFI, the International Monetary Fund (IMF) and Financial Inclusion Data Working Group (FIDWG).

Table 1 – Key Financial Inclusion Indicators in Burundi

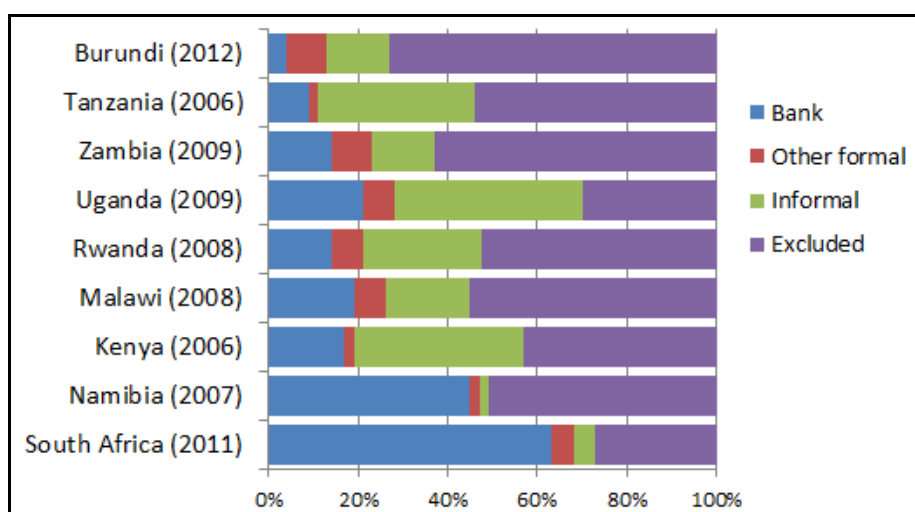
Indicator	Value
Number of licensed financial institutions	33
Number of access points	492
% of access points in urban areas	34.6%
Number of access points per 1000 km ²	17.7
Number of access points per 100,000 adults	12.9
Number of ATMs	27
% of ATMs in urban areas	96.3%
Number of ATMs per 100,000 adults	0.7
% of communes with at least one point of service	95.4%
% of the adult population living in communes (communes) with at least one access point	97.0%
% of the adult population living within 8 km from the nearest access point	49.4%
% of the adult population with at least one deposit account in a licensed financial institution	12.5%
Number of accounts/client	831,454
Number of accounts/clients per 1000 adults	218
Total deposits amount of individuals (million BIF)	554,500
% of the adult population with at least one loan account in a licensed financial institution	2.9%
Number of loans outstanding	163,389
Number of loans outstanding per 1000 adults	43
Total loans outstanding (million BIF)	329,590

Using the financial inclusion scale developed through various FinScope surveys that are a reference in the field; the adult population may be classified into four distinct groups:

- ~ The first group consists of those who have a bank account in Burundi, this group accounts for 3.7% of the adult population.
- ~ The second group consists of those who have an account at another non-bank formal financial institution; in Burundi, this group accounts for 8.8% of the adult population.
- ~ The third group consists of those who do not have an account in the formal financial sector but who are members of an informal financial system (not legally recognized) such as savings and credit associations in Burundi, this group accounts for 14.2% of the adult population.
- ~ Finally, the fourth group is composed of those who are entirely excluded from the financial system in Burundi; this group encompasses 73.3% of the adult population.

Graph 1 below shows the position of Burundi on the scale of financial inclusion compared to other countries in the sub-region.

Graph 1 – Profile of Financial Inclusion: International Comparison



Sources: DID for Burundi; FinMark Trust for the other countries.

Recommendations

Recommendations addressed to the Government are:

- i. Implement the National Strategy and Financial Sector Development Action Plan and adopt the National Microfinance Policy and Strategy.
- ii. Implement an accelerated and affordable recording program of land and constructed buildings in the communal land registry.
- iii. Develop a financial literacy program that can be included in the secondary school curriculum.
- iv. Avoid direct intervention in the financial sector, particularly by setting up subsidized lending programs.
- v. Pursue its poverty-reduction programs and its investments in the literacy sector.

Recommendations to banks and financial institutions:

- i. Make efforts to reach a broader customer base by adopting one or another of the following downscaling strategies:
 - “ Create a department wholly devoted to microfinance activities.
 - “ Establish a desk window within the bank devoted to the clientele of the micro, small and medium-sized enterprises.
 - “ Deploy a network of banking agents in rural areas of the country.
 - “ Establish a system of financial transactions by cell phone in partnership with telecommunication companies.
 - “ Provide credit lines to MFIs to enable them increase their loan volumes.

Recommendations addressed to the FENACOBU and its affiliated SACCOs:

- i. Plan over a maximum of five years to reopen all SACCOs closed during the crisis in order to establish a comprehensive coverage of the entire country.
- ii. Ensure that Annual General Meetings are held in all SACCOs with a high participation of members.
- iii. Continue the process of computerizing the network by creating remote computerized processing centers for the smallest SACCOs that do not have access to electricity on a regular basis.
- iv. Develop new loan products tailored to the needs and abilities of the non-salaried workers in the informal sector of the economy.
- v. Increase the conversion rate of savings in the network from its current level of 35% to 80% over a period of five years.
- vi. Organize open houses accompanied by new membership campaigns in order to make the SACCOs and their services better known in their communities.

Recommendations to MFIs:

- i. Favour a vertical rather than horizontal development approach in order to make the existing access points profitable before contemplating their expansion.
- ii. Adopt lending methodologies that will reduce the size of the actual guarantees in the loan-granting process, for example, by offering small loan amounts to rural clients in order to enable them to buy inputs, initiate income generating activities or undertake small commercial activities.
- iii. Test new proximity approaches that will make it possible to serve clients in remote or isolated areas, in particular, the market operators (artisans, shopkeepers, small businesses, small processing operations) and the farmers.
- iv. Ensure that the interest rates on the loans remain reasonable, especially when the calculation method is linear.

Recommendations to the two professional associations (ABEF and RIM):

- i. Establish or strengthen, as appropriate, their communication activities targeting the general public.
- ii. Educate their members about the concepts of financial inclusion as put forward by the AFI and about the principles of client protection, which were developed in particular by the SMART Campaign.

Recommendations to BRB:

- i. Update the legal and regulatory framework to facilitate innovation in the formal financial services offered by licensed institutions, in particular, the development of new delivery models such as banking agents and mobile banking to expand the access to formal financial services for the rural populations.
- ii. Update the regulatory framework applicable to MFIs.
- iii. Strengthen the supervision of the MFIs by making at least two on-site visits and one external audit a year in each institution.
- iv. Take into account the current distribution of access points nationwide when evaluating and approving requests by MFIs to open new access points.
- v. Issue clear guidelines authorizing MFIs to have a certain percentage of their loan portfolio that is not covered by collateral.
- vi. Encourage commercial banks to invest a percentage of their loan portfolio in the agricultural sector and in the microenterprises and SME sector, either directly or indirectly through the refinancing of MFIs.
- vii. Conduct a feasibility study of a deposit insurance system that would be self-financed by contributions from licensed financial institutions on the basis of a percentage of their volume of deposits.
- viii. Put in place a mandatory reporting questionnaire for the licensed institutions concerning the key indicators for the deployment of their services that will make it possible to measure their progress on an annual basis.

1.0 INTRODUCTION

1.1 Survey Background and Objectives

Burundi, through the Bank of the Republic of Burundi (BRB), has been a member of the Alliance for Financial Inclusion (AFI) since May 2009. The AFI is a global network of policymakers in developing countries founded in September 2008 by German Technical Cooperation (GTZ) with funding from the Bill & Melinda Gates Foundation. AFI's mission is to provide policymakers with tools and resources necessary to enable the poor economically active populations to have greater access to formal financial services and thereby take advantage of their huge economic potential.

It is in this context that the BRB has requested funding from the AFI to conduct the first national survey on financial inclusion in Burundi. Following a request for tenders, the BRB commissioned, in January 2012, the firm *Développement international Desjardins (DID)* to conduct this survey.

The overall objective of the survey is to establish a benchmark situation that will enable the policymakers and practitioners of the financial sector to take adequate measures that will make it possible to expand access to formal financial services, to increase the use by the population of formal financial services and to improve the quality of formal financial services. The specific objectives of the survey have been defined as follows:

- i) Evaluate the supply of formal financial services;
- ii) Measure the degree of access to formal financial services (deposit, credit, payment and money transfer);
- iii) Measure the degree of satisfaction of the population with respect to the quality of the products and financial channels offered;
- iv) Comprehend the reasons behind using or not using financial services;
- v) Understand the real needs expressed by the poor in order to serve them better;
- vi) Assess the level of people's financial literacy;
- vii) Come up with recommendations regarding the implementation of innovative policies and the amendment of the regulatory framework;
- viii) Put in place a system for collecting statistical data that will allow periodically updating of the survey's results;
- ix) Be capable, in the future, of monitoring and evaluating the impact of policies derived from the survey. .

It is expected that the results of the survey will provide clues for the development of policies that would promote financial inclusion in Burundi in areas such as regulation, acquisition of financial literacy, consumer protection, promotion of savings, promotion of rural finance and promotion of financing small and medium-sized enterprises (SMEs).

1.2 Definition and Measurement of Financial Inclusion

For the purposes of the survey, financial inclusion has been defined as follows:

Permanent access by the adult population to a set of financial products and services (i) offered by formal and sustainable financial institutions, governed by adequate regulations, (ii) that are diversified, affordable and adapted to the needs of the population, and (iii) used by the latter for the purpose of contributing to the improvement of the conditions of their socioeconomic life.

In this definition:

- ~ the word **%adult+** refers to an individual aged 18 years and older;
- ~ the expression **%financial products and services+** means savings, credit, payment and money transfer products;
- ~ the expression **%formal and sustainable financial institutions+** refers to i) commercial banks, financial institutions and microfinance institutions regulated and supervised by the BRB and ii) the National Postal Authority regulated and supervised by the Ministry of Commerce, Industry, Posts and Tourism.

In this survey, the level of financial inclusion is measured according to the following three dimensions recommended by the AFI

- ~ Access;
- ~ Usage;
- ~ Quality;

Access

Access refers to the **%ability** of the adult population to use financial products and services offered by formal financial institutions.+Access is measured as follows:

- ~ by geographic scope indicators defined by the International Monetary Fund (IMF) in the *Access to Finance* surveys;
- ~ by these same indicators calculated at the provincial and communal level when the data are available;
- ~ by the indicators found in the framework of the AFI¹ *Financial Inclusion Data Working Group* (FIDWG);
- ~ by the following indicator defined specifically for the purpose of the survey in Burundi: **%residing within 8 km of an access point to a formal financial institution offering the possibility of making deposits, withdrawals and payments+;**
- ~ by the travel time required to get to the nearest financial institution.

The above-mentioned indicators refer to physical access to formal financial services institutions. The measurement of access also considers the terms of the offer (for example: barriers to entry, non-transparent information) and the quality of the services and products as perceived by the population.

Usage

The concept of usage as defined by the AFI refers to the **%depth** and sustainability in the use of financial products and services.+ **%Depth+** involves the use of a variety of financial products and services. Thus, the more an individual uses financial products and services, the **%deeper+** the use is considered to be. **%Sustainability+** involves the use over time of financial products and services. In this way, the greater the frequency of use is, the more the use is considered **%sustainable.+**The IMF measures use in another way, i.e., based on the number of depositors¹ and the number of borrowers.

Quality

The AFI defines quality as **%the adequacy** between the supply of formal financial services and products and the needs of individuals.+ Although quality can be measured quantitatively (for example, **%not at all satisfied+** to **%very satisfied+** by means of questions asked during interviews), focus group discussions are the best way to measure quality and identify the reasons why users are more or less satisfied.

¹ Or the number of bank accounts where the information is not available.

1.3 Structure of the Report

This report presents the key findings of the survey. The paper is structured as follows:

- ~ the methodology used (Section 2.0);
- ~ findings on the supply of formal financial services ² (Section 3.0);
- ~ findings on the access to formal financial services (Section 4.0);
- ~ findings on the usage of formal financial services (Section 5.0);
- ~ findings on the quality of formal financial services (Section 6.0);
- ~ the key findings of the survey and the resulting recommendations (Section 7.0).

2.0 METHODOLOGY

This section summarizes the key methodological aspects of the survey and presents the analysis and evaluation framework used to measure access to and the use and quality of formal financial services in Burundi.³

2.1 Survey Components and Implementation Period

The national financial inclusion survey project in Burundi has three distinct components, namely:

- ~ a demand side survey of the population aged 18 and over, which was conducted over a period of eight weeks beginning March 19 and ending May 10, 2012;
- ~ focus groups with potential users of financial services, which were held in 15 provinces between March 31 and May 11, 2012;
- ~ a supply side survey of all financial institutions operating in Burundi, which was conducted between March 12 and May 31, 2012.

The findings presented in this report are based on these three sources of information.

2.2 Demand Side Survey Methodology

The demand side survey was conducted using a questionnaire containing 50 closed multiple-choice questions. The questionnaire was structured to address successively the following topics: general knowledge and use of financial services, physical access to financial services, savings and credit behavior, money transfers and informal financial systems. In addition, the questionnaire included the socio-demographic information of the respondents. The questionnaire was administered in *Kirundi* unless the respondent wanted to do the interview in French. The interview was estimated to take an average of 40 minutes.

Three survey teams, each consisting of a team leader and five interviewers⁴, were trained in interview techniques and the proper use of the questionnaire for a period of one week. A pre-test of the questionnaire involving about 100 respondents was conducted in the province of Bujumbura City⁵. The pre-test questionnaires were not included in the final sample survey.

The objective of the survey was to complete 3,000 interviews with respondents aged 18 years and over, randomly selected through the whole country.

² In this report, for reasons of convenience, the term %financial services+is used instead of %financial products and services.+

³ For a more detailed presentation of the methodology used, see the report %Lot 1 . Survey Protocol,+Bank of the Republic of Burundi and Développement international Desjardins, March 2012.

⁴ The survey teams consisted of five women, two of whom were team leaders, and 13 men. Most of them were experienced, having already participated in similar survey work in Burundi in particular on behalf of the ISTEEBU.

⁵ In this report, Bujumbura City stands for the province %Mairie de Bujumbura+.

The survey was based on Burundi's latest population census of 2008. The sample was stratified as follows:

- ~ each of the country's 17 provinces and 129 communes were included in the sample;
- ~ in each commune, an enumeration area (hill) was selected randomly;
- ~ in each enumeration area, 25 households were selected randomly;
- ~ in each household, one respondent was selected randomly.

Under this survey plan, a target sample of 3,225 households was selected.

Table 2 – Distribution of the Survey Sample Compared to the Population by Province

Province	% of total population	Number of communes	Targeted sample*	Questionnaires completed and validated	% of total questionnaires
Bubanza	4.2%	5	125	125	3.9%
Bujumbura City	6.2%	13	325	323	10.0 %
Bujumbura	6.9%	11	275	275	8.5%
Bururi	7.1%	9	225	225	7.0%
Cankuzo	2.8%	5	125	125	3.9%
Cibitoke	5.7%	6	150	150	4.7%
Gitega	9.0%	11	275	275	8.5%
Karusi	5.4%	7	175	175	5.4%
Kayanza	7.3%	9	225	224	7.0%
Kirundo	7.8%	7	175	175	5.4%
Makamba	5.4%	6	150	150	4.7%
Muramvya	3.6%	5	125	125	3.9%
Muyinga	7.9%	7	175	174	5.4%
Mwaro	3.4%	6	150	149	4.7%
Ngozi	8.2%	9	225	225	7.0%
Rutana	4.1%	6	150	150	4.7%
Ruyigi	5.0%	7	175	175	5.4%
TOTAL	100.0%	129	3,225	3,220	100.0%

* 25 respondents per commune.

The number of questionnaires completed and validated by the interviewers ended up being 3,220, i.e., a success rate of 99.8% compared to the target sample, which had been selected at the outset. This result also exceeded the original target of 3,000 respondents.

The geographical distribution of the respondents is representative of the population by province without a significant difference. However, it should be noted that the survey plan was intended to give a greater representation to the province of Bujumbura City, which has the highest concentration of formal financial institutions. In addition, the selection of the enumeration areas included the urban centers of Gitega, Ngozi and Rumonge, where several bank agencies and MFIs are located. It was considered that this approach would make it possible to collect as much information as possible about the quality of the formal financial services currently available.

Table 3 provides more information on the socioeconomic profile of the surveyed respondents. Thus:

- ~ 52% of the respondents are women⁶ (they account for 50.5% of the population aged 18 and older in the 2008 census);⁷
- ~ 88% of the respondents live in rural areas,⁸ against 12% in urban areas (the proportion of the population living in rural areas during the last census was 90%);
- ~ 49% of the respondents are heads of household;
- ~ 50% of the respondents did not go beyond the third year of primary school (the 2008 census measures the population's literacy rate at 40%);
- ~ 80% of the respondents state they have an average income of less than 50,000 BIF a month, which constitutes an indicator of the level of poverty of the Burundian population;
- ~ 76% of the respondents are mainly engaged in agriculture and livestock; 6% are salaried employees with the government or private sector, 6% are engaged full-time in trade and 19% do part-time trade;
- ~ a significant proportion of the respondents are engaged in farming and livestock activities as their main or secondary economic activity: food crops (89%), fruit crops (64%), small livestock (62%), cash crops (39%), vegetable crops (37%) and cattle (21%).

In general, the surveyed population reflects the socioeconomic profile of the entire population of Burundi. Accordingly, the survey findings can be considered representative of the degree of financial inclusion of the entire population in 2012.

The questionnaires completed by the interviewers were subjected to successive verifications and validations by the team leaders, the national coordinator of the survey, an agent from ISTEEBU, responsible of data-entry and DID's IT expert. Members of the project's Steering Committee also made several field visits to ensure that the work flowed smoothly and was valid.

The survey data were inputted by experienced agents hired by ISTEEBU by using the %SURVEY GIZMO+ tool, which is available on the Internet. Once the inputting has been completed, the database was transferred into files in Excel and SPSS format for analysis. These two files were sent to BRB, together with all of the completed and validated questionnaires.

⁶ A major reason that could explain the slightly higher proportion of women among the respondents is the non-availability of men, who had left to work far from their usual place of residence, when the interviewers visited their households.

⁷ Republic of Burundi, Ministry of Interior, Central Census Bureau, General Census of the Population and Housing of Burundi 2008. Summary of the Final Findings, Bujumbura, April 2011.

⁸ Rural areas include all of the enumeration areas with the exception of those of Bujumbura City and the urban centers of Gitega, Ngozi and Rumonge.

Table 3 E Socioeconomic Profile of Respondents

Gender	
Men	47.9%
Women	52.1%

Residence	
Urban	12.4%
Rural	87.6%

Age	
18-29 years	37.3%
30-39 years	24.1%
40-49 years	16.9%
50-59 years	14.7%
60 years and older	6.9%

Marital status	
Married	61.2%
Single	17.2%
Significant other	11.4%
Widower/widow	8.1%
Divorced	2.1%

Level of literacy	
Never attended	39.6%
Primary (1 st -3 rd)	10.7%
Primary (4 th -6 th)	32.7%
College (7 th -10 th)	7.7%
High School (11 th -14 th)	6.6%
University	2.8%

Religious denomination	
Catholic	65.7%
Protestant	27.7%
Muslim	2.8%
Adventist	1.0%
Others	0.7%
None/DK/NA	2.1%

Average monthly income (BIF)	
None	3.4%
Under 25,000	58.3%
25,000-49,999	19.1%
50,000-99,999	9.9%
100,000-199,999	5.6%
200,000-499,999	2.6%
500,000-1 million	0.8%
Over 1 million	0.1%
DK/NA	0.2%

Main occupation	
Govt. employee	3.5%
Employee . other	2.7%
Trade	6.4%
Farming/livestock	75.6%
Daily workers	1.2%
Student	6.3%
Retired	1.0%
None/unemployed	1.5%
Other/DK/NA	1.8%

DK/NA: Don't Know/No Answer

2.3 Focus Group Methodology

Two national experts led 15 focus group discussions to complement the information collected in the survey. These focus group discussions were conducted in each of the 17 provinces of the country. However, in order to facilitate the movement of the experts and participants, the provinces of Cankuzo and Ruyigi were combined as well as the provinces of Karusi and Gitega.

One focus group discussion guide was developed in *Kirundi* covering the more qualitative aspects of the survey, concerning (a) user satisfaction relative to the quality of formal financial services available on the market and (b) the reasons for using or not using these services. The guide was structured to address successively the case of banks, MFIs, postal services, money transfer systems and informal savings and credit systems. The discussion guide was first tested in Bujumbura City before being used in the other provinces. The duration of the focus group

discussion was scheduled for three hours in order to retain the attention and the interest of the participants.

The objective was to gather 20 people in each focus group, for a total of 300 participants (i.e., 10% of the survey sample). The survey respondents living within the centers of the different provinces were invited to participate in the focus group discussions in order to enable those living close to formal financial institutions to give informed opinions about the accessibility and quality of the formal financial services available in their province.

In the end, the participation rate reached 98.7%, which made it possible to reach a total of 368 persons, i.e., 11.4% of the respondents in the survey.

Discussions with participants were recorded in summary grids by the reporter at the end of each session; these grids were sent to the BRB. A final compilation of the information made it possible to draw out the key findings and information relevant to this report.

Table 4 – Participation in Focus Groups

Provinces	Number of persons invited	Number of participants
Bubanza	25	25
Bujumbura City	25	22
Bujumbura	25	25
Bururi	25	23
Cibitoke	25	25
Gitega/Karusi	24	24
Kayanza	25	25
Kirundo	25	25
Makamba	25	25
Muramvya	25	25
Muyinga	25	25
Mwaro	25	25
Ngozi	25	25
Rutana	25	25
Ruyigi/Cankuzo	24	24
TOTAL	373	368

2.4 Supply Side Survey Methodology

The supply side survey consisted in taking a complete inventory of the financial services offered by the formal financial institutions in Burundi, as well as their scope and actual use by the population. An on-site inventory conducted in May 2011 revealed that little information was available on the subject, whether at BRB, the Association of Banks and Financial Institutions (ABEF) or the Network of Microfinance Institutions in Burundi (RIM).

A data-collection questionnaire was developed by emphasizing the data related to individual customers (individuals, groups and associations) without taking into account the corporate clientele of the institutions. The questionnaire focused on the following items:

- ~ location of access points;
- ~ number of clients by gender and by province;
- ~ number of deposit accounts and outstanding deposit amount by type and by province;
- ~ number of loans and outstanding loan amount by sector and by province;
- ~ quality of the loan portfolio;
- ~ number of payment cards issued;
- ~ number of fund-transfer transactions;
- ~ standardized forms of the terms and conditions of the savings and credit products currently offered;
- ~ ongoing development of new products or access points.

A pre-test of the questionnaire was conducted with two commercial banks, which made it possible to confirm the ability of the institutions to respond to it.

All 33 financial institutions licensed by the BRB and currently operating in Burundi were reached by the survey, i.e.:

- ~ 8 commercial banks;
- ~ 2 financial institutions;
- ~ 22 microfinance institutions;
- ~ the National Postal Authority.

All of the institutions completed and returned the questionnaire to the consultant, but long after the scheduled deadlines.⁹ In addition, the quality of the data was affected by the following problems: information not available, lack of response, incomplete answers and inconsistency of some answers. Commercial banks were instructed to provide the required data for their individual customers only, excluding corporate and institutional accounts.

The statistical data collected were copied into an Excel file for analysis of the results while the records on the products and services offered were consolidated into a Word file. Both files were sent to the BRB.

2.5 Framework for Analysis and Evaluation of the Survey Findings

The framework for analysis and evaluation of data collected in the three components of the survey is shown in Table 5. This table shows the various indicators of financial inclusion which were calculated with regards to the supply, access, usage and quality of the formal financial services (with a mention when it comes to an indicator of the IMF or FIDWG). These indicators are presented in the following sections of the report.

⁹ The deadline for the submission of questionnaires to DID had been set for April 15, 2012, but the last questionnaires were sent on May 30, 2012.

Table 5 Framework for Analysis and Evaluation of the Survey

No.	INDICATORS
1.0	Supply-Related
1.1	Number of active FIs: BFIs, MFIs, Total (IMF)
1.2	Number of access points of the BFIs and MFIs at the national and provincial levels (IMF)
1.3	Number of access points by type of institution at the national and provincial levels (IMF)
1.4	Number and percentage of access points in urban areas (IMF)
1.5	Number of ATMs at the national and provincial levels (IMF)
1.6	Number and percentage of ATMs in urban areas (IMF)
1.7	Number of years of operation of the BFIs and MFIs
1.8	Projected new access points by the BFIs and MFIs by province
1.9	Inventory of the savings products offered by FIs
1.10	Inventory of the credit products offered by FIs
1.11	Number of FIs offering payment cards
1.12	Number of FIs offering national and international money transfer services
1.13	Number of FIs offering foreign exchange services
1.14	Number of FIs offering online services
1.15	Projected new products and services by the BFIs and MFIs
2.0	Access-Related
2.1	Degree of general knowledge of the FIs by socioeconomic status
2.2	Degree of knowledge of the basic financial service concepts by socioeconomic status
2.3	Number of access points of the BFIs and MFIs per 10,000 adults at the national, provincial and communal levels (IMF/FIDWG)
2.4	Number of access points of the BFIs and MFIs per 100,000 adults . international comparison (IMF)
2.5	Number of access points of the BFIs and the MFIs per 1000 km ² at the national and provincial levels (IMF)
2.6	Number of access points of the BFIs and MFIs per 1000 km ² . international comparison (IMF)
2.7	Number of ATMs per 10,000 adults at the national level and international comparison (IMF)
2.8	Number of ATMs per 1000 km ² at the national level and international comparison (IMF)
2.9	Percentage of administrative entities (communes) with at least one formal access point (FIDWG)
2.10	Percentage of the adult population living in communes with at least one formal access point (FIDWG)
2.11	Percentage of the adult population living within 8 km of the nearest formal access point at the national and provincial levels by type of institution and by socioeconomic status
2.12	Transportation means available to get to the nearest formal access point by socioeconomic status
2.13	Travel time required to get to the nearest formal access point
2.14	Percentage of the adult population with at least one account in a FI at the national and provincial levels by type of institution and by socioeconomic status (FIDWG)
2.15	Percentage of the adult population who are using a third party's account by socioeconomic status
2.16	Obstacles to opening an account in a FI
2.17	Proportion of women in the clientele of the BFIs and the MFIs
2.18	Degree of concentration of the clientele in BFIs and MFIs
2.19	Percentage of the adult population who have applied for a loan in a FI during the past 12 months
2.20	Obstacles to obtaining a loan in a FI
2.21	Percentage of the adult population who have obtained at least one loan from a FI in the past 12 months at the national and provincial levels and by socioeconomic status (FIDWG)
2.22	Percentage of the adult population who have a bank card
2.23	Number of bank cards issued
2.24	Number of FIs offering domestic and international money transfer services
2.25	Percentage of the adult population who have a national ID card

No.	INDICATORS
2.26	Percentage of the adult population who own a mobile telephone by socioeconomic status
2.27	Percentage of the adult population with an E-mail address by socioeconomic status
3.0	Usage-Related
3.1	Frequency of use of payment means by socioeconomic status
3.2	Percentage of the adult population who regularly save by socioeconomic status
3.3	Favorite places to keep savings
3.4	Reasons for opening an account in a FI
3.5	Number of accounts held in the FIs by type of institution
3.6	Duration of use of an account in a FI
3.7	Types of accounts held in the FIs
3.8	Number of clients who have their salary directly deposited in a FI
3.9	Frequency of use of the accounts held in the FIs
3.10	Number of depositors/clients of the BFIs and the MFIs (IMF)
3.11	Number of depositors/clients of the BFIs and MFIs per 1000 adults at the domestic level and international comparison (IMF/FIDWG)
3.12	Annual growth in the number of depositors/clients in the BFIs and MFIs
3.13	Total and average outstanding deposit amounts of individuals in the BFIs and the MFIs (IMF)
3.14	Total outstanding deposits in the FIs by province
3.15	Annual growth in total and average outstanding deposits of individuals in the BFIs and the MFIs
3.16	Favorite places for borrowing money
3.17	Number of loans obtained in the FIs by type of institution
3.18	Use of loans by the adult population
3.19	Number of outstanding loans in the BFIs and the MFIs (IMF)
3.20	Total and average outstanding loan amounts of individuals in the BFIs and the MFIs (IMF)
3.21	Outstanding loan amounts of the FIs by province
3.22	Annual growth in the number of loans and in total outstanding loan amounts to individuals in the BFIs and MFIs
3.23	Use of loans to individuals by economic sector
3.24	Savings conversion rate in the BFIs and MFIs
3.25	Number of loans in the BFIs and MFIs per 1000 Adults at the domestic level and international comparison (IMF/FIDWG)
3.26	Percentage of the adult population who have done a domestic or international money transfer in the past 12 months by means used and by socioeconomic status
3.27	Percentage of the adult population who have saved in an informal system in the past 12 months at the national and provincial levels and by socioeconomic status
3.28	Percentage of the adult population who have received a loan from an informal source in the past 12 months
3.29	Combined depth indicator in the use of financial services
4.0	Quality-Related
4.1	General perceptions of the FIs
4.2	Degree of satisfaction with the savings products offered by the FIs
4.3	Degree of satisfaction with the credit terms offered by the FIs
4.4	Portfolio at Risk (PAR) > 30 days of the BFIs and MFIs
4.5	Loan loss provision ratios of the BFIs and MFIs
4.6	Degree of satisfaction with the financial services offered by the National Postal Authority (RNP)
4.7	Degree of satisfaction with the services offered by the FIs for money transfers
4.8	Degree of satisfaction with the terms offered by the informal systems for savings
4.9	Degree of satisfaction with the terms offered by the informal systems for credit
4.10	Obstacles to the use of the financial services offered by the FIs

Sections 3.0 to 6.0 below present the key results of the survey. The results have been grouped according to the topics related to the offer, access, use and quality of formal financial services. For each of these topics, several criteria or indicators will be used to measure the degree of financial inclusion, according to the analytical and evaluation framework set forth above.

3.0 SUPPLY OF FORMAL FINANCIAL SERVICES

As of December 31, 2011, formal financial services in Burundi are offered by 33 financial institutions duly authorized by the BRB among which eight commercial banks¹⁰, two non-bank financial institutions¹¹, 22 microfinance institutions (MFIs)¹² and the National Postal Authority (RNP).

To these formal financial institutions, there should be added the informal financial systems such as the savings and credit associations (ROSCAs), tontines, *ikirimba* and usurers. This last category will be dealt with in subsequent sections of the report; this section focuses only on the supply of formal financial services.

For purposes of the presentation, henceforth in the report, commercial banks and other non-bank financial institutions have been grouped under a single category designated by the abbreviation %BFI+. The purpose of this grouping is to respect the confidentiality of individual data received from the financial institutions. For the same reason, the National Postal Authority (RNP) has been placed in the MFI category, even if the RNP is not a microfinance institution.

Unless otherwise indicated, the data presented in this section refer to the situation observed as of December 31, 2011.

3.1 Number and Location of Access Points

Burundi's formal financial institutions operate in 492 access points through the country including 138 that belong to BFIs and 354 to MFIs.

It should be noted that there is a high concentration of access points in the province of Bujumbura City, which includes 115 access points, including 27 head offices. With 7.3% of the adult population, this province accounts for 23.4% of the access points. Other provinces with a strong presence of financial institutions are Gitega (60 access points), Makamba (44), Ngozi (40) and Bururi (29). The more poorly served provinces in this regard are Cankuzo (10), Bubanza (11), Mwaro (14), Rutana (15), Muramvya (16), Ruyigi (16) and Bujumbura (16).

Urban areas¹³ account for 170 of the 492 access points, i.e., 34.6% of the total, while they represent 12.7% of the country's adult population.¹⁴

There are currently 27 automated teller machines (ATMs) in operation through the country, 22 of which are located in Bujumbura City, two in Ngozi and one each in Gitega, Rumonge and Kayanza. The percentage of ATMs located in urban areas is, therefore, 96.3%.

¹⁰ These are BANCOSU, BCCI, BCB, BGF, ECOBANK, FINBANK, INTERBANK BURUNDI and DIAMOND TRUST BANK BURUNDI.

¹¹ These are BNDE and FPHU.

¹² These are CCI-ODAG, CECAD, CECM, CORILAC, COSPEC, DIFO, DUKUZE IBIBONDO, FENACOSU, FSCJ, FSTE, FSTS, HOPE FUND BURUNDI, ISHAKA MF, KAZOZA VISION FINANCE PROGRAM, MUTEC, RECECA-INKINGI, SOLECS COOPERS, SOLIDEK, TURAME COMMUNITY FINANCE, TWITEZIMBERE, UCODE and WISE.

¹³ Urban areas consist of 13 communes of Bujumbura City and communes of the urban centers of Gitega, Ngozi and Rumonge.

¹⁴ For comparison, 145 of the 422 points of service in Rwanda are located in urban areas, i.e., 34.3% of the total.

Table 6 Access Points of Financial Institutions by Province

Province	Head Office	Branches/Agencies	Total
Bubanza	.	11	11
Bujumbura City	27	88	115
Bujumbura	.	16	16
Bururi	1	28	29
Cankuzo	.	10	10
Cibitoke	1	20	21
Gitega	2	58	60
Karusi	.	14	14
Kayanza	.	25	25
Kirundo	1	20	21
Makamba	.	44	44
Muramvya	.	16	16
Muyinga	.	25	25
Mwaro	.	14	14
Ngozi	1	39	40
Rutana	.	15	15
Ruyigi	.	16	16
TOTAL	33	459	492
BFI	10	128	138
MFI	23	331	354

The institutions with the greatest number of access points are by decreasing order: RNP (98 points), FENACOBU (96), TURAME (68), IBB (36) and UCODE (31). These five institutions account for two-thirds of all of the access points and 76.7% of the access points outside Bujumbura City.

Table 7 Access Points by Province and by Principal Financial Institution

Province	IBB	TURAME	RNP	UCODE	FENACOBU	Other FIs	Total
Bubanza	1	.	5	.	3	2	11
Bujumbura City	17	13	7	.	3	75	115
Bujumbura	2	1	9	.	1	3	16
Bururi	1	1	8	.	7	12	29
Cankuzo	1	.	5	.	4	.	10
Cibitoke	1	2	6	.	2	10	21
Gitega	2	19	8	.	11	20	60
Karusi	1	.	5	1	5	2	14
Kayanza	1	1	3	6	8	6	25
Kirundo	1	.	5	5	7	3	21
Makamba	4	19	5	.	6	10	44
Muramvya	3	4	5	.	5	2	16
Muyinga	1	1	4	7	7	5	25
Mwaro	3	.	6	.	6	2	14
Ngozi	2	5	6	12	9	6	40
Rutana	3	.	6	.	6	3	15
Ruyigi	1	2	5	.	6	2	16
TOTAL	36	68	98	31	96	163	492

An encouraging factor in the offer is a significant increase in the number of operators in recent years. Indeed, a new bank and 13 new MFIs have arrived on the market in the past five years.

The adoption by the Government of Burundi on July 20, 2006, of the decree regulating microfinance activities in Burundi has fostered the entry of new investors secured by the existence of a clear and strict legal framework to engage in the profession.

Table 8 – Starting Date of the Operation of Financial Institutions

Starting Date	BFI	MFI
Before 1990	4	4
1990-1999	3	3
2000-2005	2	3
2006-2011	1	13

According to the information collected in the survey questionnaire, several institutions intend to open new access points during the next three years. The deployment plans cover all the provinces, with the exception of Bujumbura, and are more contemplated by the MFIs than by the BFIs. Moreover, the fact that the province of Bujumbura City is no longer the priority target of financial institutions in terms of future expansion indicates an interesting development for the sector.

Table 9 – Planned Opening of New Access Points

Province	BFI	MFI	Total
Bubanza	1	1	2
Bujumbura City	1	5	6
Bujumbura	.	.	.
Bururi	1	5	6
Cankuzo	.	1	1
Cibitoke	2	2	4
Gitega	2	3	5
Karusi	1	.	1
Kayanza	.	3	3
Kirundo	.	3	3
Makamba	2	1	3
Muramvya	.	1	1
Muyinga	1	1	2
Mwaro	.	1	1
Ngozi	2	4	6
Rutana	2	.	2
Ruyigi	1	1	2
TOTAL	16	32	48

3.2 Supply of Savings Products

The survey of financial institutions has allowed establish a comprehensive inventory of the different savings products offered on the market. It has revealed the following facts:

- “ most of the institutions offer three main products, namely, demand deposit account (also called current account), savings account and term deposit account (TDA)¹⁵;
- “ a very limited number of institutions offer more specific products such as school savings, housing plan savings and supplementary pension savings;
- “ a certain number of MFIs use the pledged savings (also called guaranteed savings, compulsory savings or frozen savings) to secure a portion of the amount of the loans granted to their clients, including solidarity groups.

In general, the banks require much higher minimum deposit amounts than the MFIs. For example, it is possible to open a current account at an MFI with an opening deposit of 5000 BIF, while the minimum deposit in a bank is usually 50,000 BIF. Similarly, account maintenance fees are around 3000 BIF monthly in the banks and 200 to 800 BIF monthly in the MFIs.

The rates offered by banks and MFIs on deposit accounts are very similar and increase with the term and amount of commitments, ranging from 0% on demand deposits, to an average of 3% to 5% per annum on savings accounts and 4% to 7% on term deposits.

Table 10 – Savings Products Offered by Financial Institutions

Product	Number of institutions	Minimum amount (BIF)	Annual interest rate	Account maintenance fees (BIF)
Demand deposits/ Current account	17	50,000-100,000 (banks) 5,000-15,000 (MFI)	0% (16) 3% (1) 6% (1)	3000/month (banks) 200-800/months (MFI)
Savings account	20	50,000-500,000 (banks) 0-100,000 (MFIs)	3-8%	None
Term Deposit (TD)	19	200,000-1,000,000 (banks) 7,000-100,000 (MFIs)	3-10.5%	None
School savings	5	50,000-100,000	3-9%	None
Homeownership savings	1	50,000	8%	None
Supplementary pension	2	15,000	7-8%	None
Pledged savings	8	10% to 20% of the loan amount	0-6%	None

¹⁵ The term of the TD accounts is usually negotiated with each client. The minimum term of the deposit is one month.

3.3 Supply of Loan Products

The survey of the financial institutions also helped to identify the different loan products on the market. The following emerges:

- ~ The commercial banks essentially offer four loan products to their clientele, namely, personal loans, housing/real estate loans, equipment loans and cash loans to merchants and entrepreneurs¹⁶.
- ~ Both financial institutions, for their part, offer specialized loans: real estate loans in the case of FPHU, employee credit and agricultural credit in the case of BNDE.
- ~ MFIs offer the same products as the banks, focusing on lending to salaried employees and merchants, agricultural credit and overdraft facilities. Some MFIs have also developed specific products to meet the needs of their clientele, such as joint loans, express loans, warranty loans, school loans and healthcare loans.
- ~ The amounts granted by the banks are much higher than those granted by the MFIs. In general, banks grant individual loans starting at 500,000 BIF and going up to 50 million BIF.
- ~ For their part, MFIs begin with amounts as low as 10,000 BIF (especially for members of the groups and associations) and going up to 5 million BIF. However, some MFIs are willing to grant much higher loan amounts, resulting in a strong concentration of resources and risks on a few clients.
- ~ The BFIs agree to grant five-year terms and may even go up to 10 or 20 years for real estate loans, while MFIs should be limited to terms of up to a maximum of three years due to lack of long-term resources in their financing structure.

Table 11 Credit Products Offered by Financial Institutions

Product	Number of institutions	Minimum-maximum amount (BIF)	Term	Interest rates and commission
Banks and Financial Institutions				
Overdraft / Line of credit	1	.	1 month	Commission of 0.75% to 2% Annual interest rate of 16% to 19% degressive Overdraft line 10% a month
Credit line	1	.	1 to 3 years	
Personal loan	4	200,000 . 10,000,000	1 to 3 years	
Cash loan	5	500,000 . 5,000,000	1 to 24 months	
Equipment loan	4	Min. 1,000,000	2 to 7 years	
Housing loan	5	5,000,000 . 50,000,000	4 to 20 years	
Collective loan	1	.	.	
Agricultural/livestock loan	1	~ 5,000,000	5 to 10 years	
Microproject loan	1	m5,000,000	1 to 5 years	
Artisan loan	1	.	.	
Services loan	1	.	3 to 5 years	
Merchant loan	1	Max. 250,000,000	1 to 5 years	

¹⁶ Only two banks reported offering an overdraft line and a credit line. However, it may be that these two products are much more prevalent and that some banks simply did not consider them as loan products during the survey.

Product	Number of institutions	Minimum-maximum amount (BIF)	Term	Interest rates and commission
Microfinance Institutions				
Overdraft / Line of credit	10	10,000 . 10,000,000	1 to 12 months	Commission of 0% to 8% Annual interest rate of 6% (1 mention) 8% (1) 9% (1) 10% (3) 12% (2) 15% (6) 15.5% (1) 16% (5) 17% (1) 18% (4) 20% (1) 21% (1) 24% (3) 25% (1) 30% (2) 36% (5) 48% (1) linear or degressive Overdraft line 4% a month (1) 5% a month (4) 6% a month (1) 10% a month (1)
Credit line	1	10,000,000 per tranche	12 months	
Salary advance	3	Max. 50% of monthly salary	1 month	
Personnel/employee loan	7	50,000 . 35,000,000	Max. 3 years	
Ordinary loan	4	50,000 . 8,000,000	1 to 48 months	
Emergency/express loan	2	Max. 500,000	3 to 12 months	
Automatic loan	2	.	1 to 12 months	
Merchant loan	12	100,000 . 15,000,000	1 to 36 months	
Agricultural/livestock loan	12	100,000 . 10,000,000	Max. 24 months	
Warrant loan	3	50,000 . 8,000,000	1 to 6 months	
Collective/joint loan	11	50,000 . 10,000,000	1 to 12 months	
Artisan loan	2	Max. 5,000,000	.	
Equipment loan	7	500,000 . 10,000,000	1 to 36 months	
Processing loan	1	Max. 5,000,000	.	
Homeownership/housing loan	3	Max. 10,000,000	12 to 36 months	
School loan	3	50,000 . 400,000	1 to 6 months	
Healthcare loan	2	50,000 . 5,000,000	Max. 4 years	

- ~ The interest rates charged by the BIFs lie in a narrow range of 16% to 19% per annum calculated on the declining balance.
- ~ Regarding the MFIs, there is a great disparity in interest rates, which range from 6% to 48% per annum, with frequencies greater for rates of 10%, 15%, 16%, 18%, 24% and 36%. In addition, the rates are often calculated using the straight-line method (flat rate).
- ~ The fees charged by the BIFs are generally lower than those asked by the MFIs.
- ~ Finally, MFIs often require the same guarantees as the banks for granting loans, for example, direct deposit of the salary, a guarantor from the formal sector, a mortgage, the assignment of a plot of land, etc.

3.4 Supply of Payment Means

The supply side survey reveals that three banks have issued a total of 20,100 payment cards, including 8,500 ATM cards, 11,250 debit cards (cash cards) and 350 credit cards. It is possible that other banks have issued such cards and failed to mention it in the questionnaire. Four banks reported having done 4,000 foreign currency exchange transactions for 600 clients in 2011.

3.5 Supply of Money Transfer Services

Four banks reported offering money transfer services, two in partnership with Western Union, one with MoneyGram and one with Money Contact. Regarding the MFIs, only the RNP provides money transfer services domestically with its new EcoKash product in partnership with the mobile telephony provider ECONET.

3.6 New Financial Products Development

Approximately half of the surveyed financial institutions, i.e., 3 BFIs and 14 MFIs, plan to develop new financial products in 2012. However, most of the new products being planned would only replicate the products already offered on the market. Two notable exceptions are the mobile banking services and international remittance systems, which some MFIs are involved in.

Four banks have already started to offer online services, including sending monthly statements by *e-mail*, *Internet banking*, *e-Alert* and ARRIEL. The MFIs have yet to offer this type of services.

Table 12 – Development of New Products Planned for 2012

Type	BFI	MFI
Savings products	Demand deposit (1) Homeownership savings (1) Other (1)	Current account (2) Term deposit (2) School savings (2) Guarantee savings (2) Overdraft (1) Collective savings (1) Pension savings (1) Equipment savings (1) Free savings (1) Supplementary pension (1)
Credit products	Group credit (1) Salary advance (1) Auto loan (1)	School loan (5) Warranty loan (2) Overdraft line of credit (3) Credit line (1) Payday advance (1) Personal loan (1) Short-term loan (2) Joint loan (2) Healthcare loan (1) Weekly loan (1) Express loan (1) Solar panel loan (1) Home improvement loan (1)
Other products	Debit card (1) E-banking (1) Wealth management (1) Financial planning (1)	Salary direct deposit (1) Mobile teller windows (2) International remittances (2)

3.7 Conclusions with Respect to the Supply of Financial Services

An analysis of the formal financial services offered in Burundi reveals the following key elements:

- “ The offer is relatively diversified with thirty-three (33) active institutions. The sector shows a certain level of dynamism with the entry of new operators.
- “ The offer is distributed among 492 access points, which is a relatively high number, but there is a strong concentration of this offering in Bujumbura City. Several provinces are still poorly served.
- “ Rural areas account for 66% of the access points of the financial institutions, while the proportion of the population living in rural areas is 90%.
- “ The institutions with the greatest number of access points are by decreasing order: RNP (98 points), FENACOBU (96), TURAME (68), IBB (36) and UCODE (31). These five, together, account for two-thirds of all of the access points and 76.7% of the access points outside Bujumbura City.
- “ The products offered are quite similar between the banks and the MFIs.
- “ The banks' services offer primarily targets the clientele of the formal sector of the economy. The MFIs have begun to target the same clientele as the banks, but they have recently developed products which are targeting the clientele of the informal sector.
- “ The effect of the minimum amounts required to open an account and the account maintenance fees, particularly in the banks, is to restrict access by the more impoverished segments of the population. The terms for access to an account are more affordable in the MFIs.
- “ There is a strong competition in the interest rates offered on savings by the financial institutions that seek to attract the deposits of the clientele.
- “ Credit wise, the banks grant much higher amounts and longer terms than the MFIs.
- “ The effect of the guaranties demanded by both the banks and the MFIs is to limit access to credit for a great majority of the non-salaried population.
- “ The interest rates and the fees charged on loans by the banks are comparable from one to another and generally higher than those charged by the MFIs. The interest rates charged by the MFIs vary greatly and are often calculated on a linear basis, which hides the actual rate paid by the client.
- “ The payment card offer is limited to the banks and is still underdeveloped.
- “ International remittance services are available through the banks and specialized agencies. The National Postal Authority (RNP) recently introduced a domestic money transfer service in partnership with a mobile phone provider.
- “ Most of the new products being planned by the financial institutions only replicate the products already offered on the market. Some MFIs plan to develop mobile banking and international remittance services, which cannot be done without prior authorization from the BRB.
- “ The analysis of the services offer in the Burundian financial sector shows that the banks and MFIs should effect a significant change of direction in order to expand the scope of their services. This change of direction concerns primarily the following aspects: bringing financial services nearer to the rural areas; relaxation of the conditions of eligibility for savings and credit; greater transparency in the actual cost of the services; the development of products better adapted to the needs of the majority of the population that operate in the informal sector of the economy.

4.0 ACCESS TO FORMAL FINANCIAL SERVICES

This section addresses the issue of access to formal financial services from the following angles:

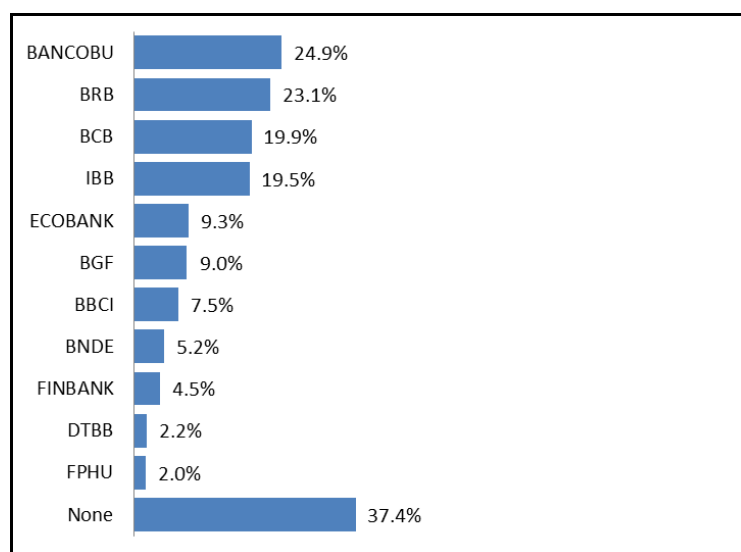
- “ Knowledge of financial services;
- “ Physical access to financial institutions;
- “ Access to an account;
- “ Access to credit;
- “ Access to other financial instruments.

4.1 Knowledge of Financial Services

Access to formal financial services for the Burundian population begins with a good knowledge of the institutions capable of offering these services to them. The survey of more than 3200 adults reveals that 63% of respondents were able to name a bank operating in the country, while 85% know of at least one MFI.

BANCOBU, BRB, BCB and IBB are the most well-known banks, even if they are only recognized by 20-25% of respondents. The other banks and financial institutions are recognized by at least 10% of the respondents.

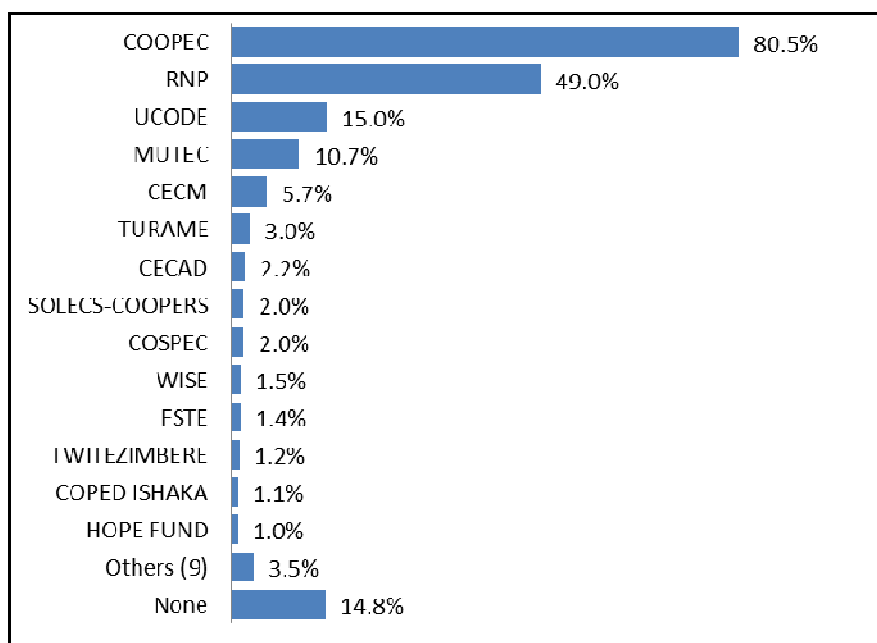
Graph 2 – Knowledge of Banks (n = 3220)



During the focus group discussions, the same banks were most frequently mentioned by the participants; BGF, BBCI and ECOBANK also received some mentions. It is in the provinces of Kirundo, Muyinga, Ruyigi and Cankuzo where the banks are less well known.

The SACCOs are known by 80% of survey respondents, while the National Postal Authority is known by 49% of them. Among the other MFIs, UCODE has the most well-known structure (15% of the respondents), while MUTEK and CECM were mentioned by 10.7% and 5.7% of the persons surveyed, respectively. The other microfinance structures were mentioned by less than 5% of respondents.

Graph 3 Knowledge of MFIs (n = 3220)



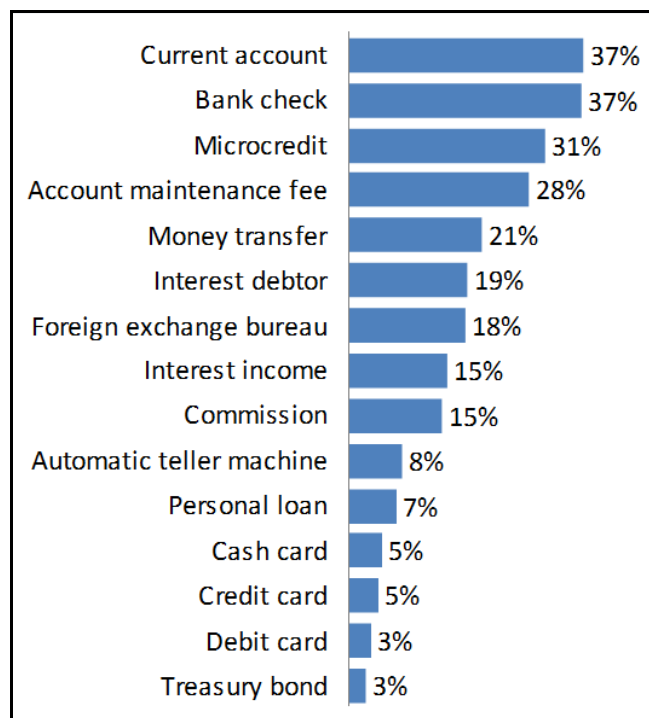
The focus groups confirmed that the MFIs are generally little known through the country. In general, less than 10% of participants were able to cite MFI outside of the SACCOs, MUTEK, UCODE and TURAME. On the other hand, about half of the participants said they were acquainted with the financial services of the Post.

The socio-demographic analysis of the survey answers shows on one hand that knowledge of the financial institutions is more common among men than women and more in urban areas than in rural areas. This knowledge increases significantly with the level of literacy and income of respondents. On the other hand, the degree of knowledge does not vary by age.

Table 13 Knowledge of FIs by Gender and Place of Residence

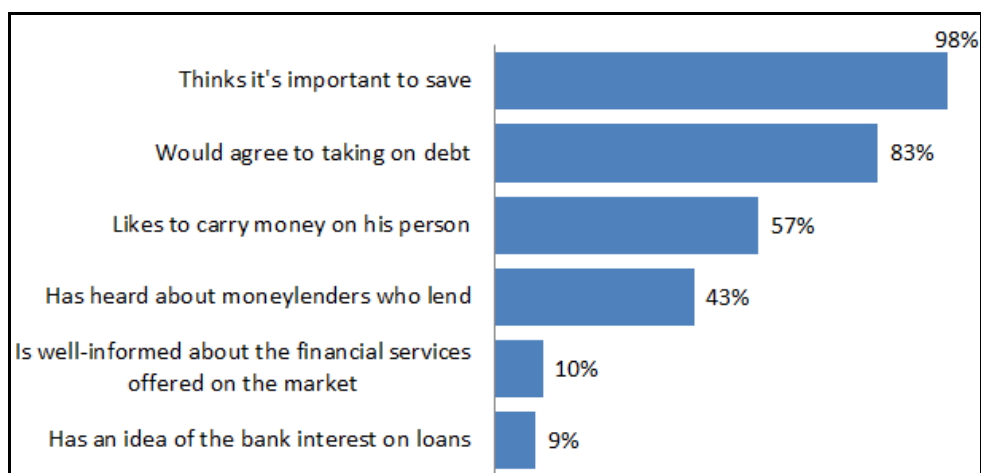
Proportion of Respondents Unaware of Any Institution in the Following Categories		
Respondents	BFI	MFI
Men	24%	8%
Women	50%	21%
Urban areas	7%	8%
Rural areas	42%	16%

Access to formal financial services also assumes a certain degree of familiarity with the basic concepts used in the financial sector. In this regard, the survey highlights the current gaps in the financial literacy of the Burundian population. Thus, only 37% of the interviewees know the meaning of current account and bank check, while their degree of understanding of other commonly used terms such as microcredit, money transfer, foreign exchange bureau, ATM, personal loan or credit card is very low.

Graph 4 – Knowledge of Financial Terms (n = 3220)

The socio-demographic analysis of the answers shows that knowledge of the financial terms is more widespread among men than women and much more in urban areas than in rural areas. This knowledge increases significantly with the level of literacy and income of respondents. On the other hand, the degree of knowledge does not vary by age.

Regarding knowledge of financial services, only 10% of respondents say they are well informed about the various services offered on the market, which is worrying. Barely 9% have an idea of the interest rates charged on bank loans; on the other hand, 43% have heard about usurers who grant loans at extremely high rates. An encouraging fact for the future of formal financial services in the country is that 98% of respondents believe it is important to save and 83% would be willing to go into debt.

Graph 5 – Knowledge of Financial Services (n = 3220)

4.2 Physical Access to Financial Institutions

An analysis of the offer shows that the Burundian population, nationwide, has access to 492 points of formal financial services. However, this access is unevenly distributed across the country. Table 14 shows the distribution of the access points in relation to the surface area of each province. There is a strong concentration of access points in Bujumbura City. In other provinces, the ratio of the number of access points per 1000 km² is the highest in Gitega, Ngozi, Muramvya, Makamba and Kayanza; the ratio is the lowest in Cankuzo, Ruyigi, Rutana, Karusi and Bubanza.

Table 14 – Access Points per 1000 km² by Province

Province	Access points	Surface area in km ²	Access points per 1000 km ²
Bubanza	11	1089	10.1
Bujumbura City	115	87	1321.8
Bujumbura	16	1232	13.0
Bururi	29	2465	11.8
Cankuzo	10	1965	5.1
Cibitoke	21	1636	12.8
Gitega	60	1979	30.3
Karusi	14	1457	9.6
Kayanza	25	1233	20.3
Kirundo	21	1703	12.3
Makamba	44	1960	22.4
Muramvya	16	696	23.0
Muyinga	25	1836	13.6
Mwaro	14	840	16.7
Ngozi	40	1474	27.1
Rutana	15	1959	7.7
Ruyigi	16	2339	6.8
TOTAL	492	27,816¹⁷	17.7

Table 15 shows the distribution and the density of the access points per 10,000 adults by province and by commune. This allows computing the following indicators of FIDWG: 95.4% of the communes have at least one point of access to formal financial services; these communes represent 97.0% of the total population and 97.0% of the population aged 18 and over.

At the provincial level, a high concentration of access points again appears in Bujumbura City. In the other provinces, the ratio of the number of access points per 10,000 adults is higher in Makamba, Gitega and Ngozi, and lowest in Bujumbura, Bubanza, Karusi and Kirundo.

The largest number of access points is found in the communes of Rohero (70 points), Gitega (32), Nyanza-Lac (16), Buyenzi (14), Ngozi (12), Makamba (12), Kayanza (12), Rumonge (11), Muyinga (10) and Rugombo (10). Twenty-nine communes are only served by one point of service, while six communes don't have any¹⁸.

¹⁷ The distribution of the national surface area by province does not include the spaces occupied by bodies of water.

¹⁸ These are the following communes: Mubimbi and Nyabiraba (province of Bujumbura), Ryansoro (province of Gitega), Shombo (province of Karusi), Butezi (province of Ruyigi) and Buterere (Bujumbura City).

Table 15 Access Points per 10,000 Adults by Province and Commune

Commune	Population aged ≥18 Years	Number of access points			Number per 10,000 inhabitants aged ≥18 Years
		Head Office	Branches	TOTAL	
Bubanza	39,977		4	4	1.00
Gihanga	28,665		2	2	0.70
Mpanda	26,889		3	3	1.12
Musigati	37,948		1	1	0.26
Rugazi	30,051		1	1	0.33
Total Ì Bubanza	163,530	0	11	11	0.67
Bugarama	13,713		1	1	0.73
Isare	37,083		1	1	0.27
Kabezi	23,261		1	1	0.43
Kanyosha	37,449		1	1	0.27
Mubimbi	19,858			0	0.00
Mugongo-Manga	14,847		1	1	0.67
Muhuta	28,493		1	1	0.35
Mukike	11,592		1	1	0.86
Mutambu	19,697		1	1	0.51
Mutimbuzi	32,888		8	8	2.43
Nyabiraba	25,179			0	0.00
Total Ì Bujumbura	264,060	0	16	16	0.61
Burambi	26,647		1	1	0.38
Bururi	40,432		4	4	0.99
Buyengero	26,626		1	1	0.38
Matana	20,199		3	3	1.49
Mugamba	28,721		3	3	1.04
Rumonge	68,021	1	10	11	1.62
Rutovu	20,983		2	2	0.95
Songa	24,728		2	2	0.81
Vyanda	14,160		2	2	1.41
Total Ì Bururi	270,517	1	28	29	1.07
Cankuzo	22,906		3	3	1.31
Cendajuru	14,794		2	2	1.35
Gisagara	26,385		2	2	0.76
Kigamba	19,126		1	1	0.52
Mishiha	22,078		2	2	0.91
Total Ì Cankuzo	105,289	0	10	10	0.95
Buganda	32,103		2	2	0.62
Bukinanyana	32,579		2	2	0.61
Mabayi	29,245		2	2	0.68
Mugina	39,591		3	3	0.76
Murwi	37,336		2	2	0.54
Rugombo	36,937	1	9	10	2.71
Total Ì Cibitoke	207,791	1	20	21	1.01

Commune	Population aged ≥18 Years	Number of access points			Number per 10,000 inhabitants aged ≥18 Years
		Head Office	Branches	TOTAL	
Bugendana	55,522		3	3	0.54
Bukirasazi	15,866		4	4	2.52
Buraza	23,095		3	3	1.30
Giheta	36,613		3	3	0.82
Gishubi	27,548		5	5	1.82
Gitega	78,591	2	30	32	4.07
Itaba	25,797		2	2	0.78
Makebuko	29,959		3	3	1.00
Mutaho	32,210		4	4	1.24
Nyarusange	20,122		1	1	0.50
Ryansoro	17,151			0	0.00
Total Ì Gitega	362,474	2	58	60	1.66
Bugenyuzi	36,729		2	2	0.54
Buhiga	32,263		5	5	1.55
Gihogazi	30,502		1	1	0.33
Gitaramuka	36,156		2	2	0.55
Mutumba	18,133		1	1	0.55
Nyabikere	22,600		3	3	1.33
Shombo	21,790			0	0.00
Total Ì Karusi	198,173	0	14	14	0.71
Butaganzwa	24,914		2	2	0.80
Gahombo	18,458		1	1	0.54
Gatara	29,591		2	2	0.68
Kabarore	27,449		1	1	0.36
Kayanza	44,923		11	11	2.45
Matongo	33,902		3	3	0.88
Muhanga	30,880		2	2	0.65
Muruta	27,365		2	2	0.73
Rango	39,981		1	1	0.25
Total Ì Kayanza	277,463	0	25	25	0.90
Bugabira	39,815		2	2	0.50
Busoni	64,682		3	3	0.46
Bwambarangwe	30,669		3	3	0.98
Gitobe	27,446		2	2	0.73
Kirundo	43,600	1	6	7	1.61
Ntega	46,744		1	1	0.21
Vumbi	37,309		3	3	0.80
Total Ì Kirundo	290,265	1	20	21	0.72
Kayogoro	38,223		7	7	1.83
Kibago	20,088		1	1	0.50
Mabanda	21,388		6	6	2.81
Makamba	43,875		12	12	2.74
Nyanza-Lac	49,939		16	16	3.20
Vugizo	20,583		2	2	0.97
Total Ì Makamba	194,096	0	44	44	2.27

Commune	Population aged ≥18 Years	Number of access points			Number per 10,000 inhabitants aged ≥18 Years
		Head Office	Branches	TOTAL	
Bukeye	32,004		2	2	0.62
Kiganda	23,931		4	4	1.67
Mbuye	26,769		2	2	0.75
Muramvya	39,465		3	3	0.76
Rutegama	19,180		5	5	2.61
Total Muramvya	141,349	0	16	16	1.13
Buhinyuza	25,124		1	1	0.40
Butihinda	44,999		3	3	0.67
Gashoho	31,935		4	4	1.25
Gasorwe	36,653		2	2	0.55
Giteranyi	65,669		4	4	0.61
Muyinga	64,491		10	10	1.55
Mwakiro	20,162		1	1	0.50
Total Muyinga	289,033	0	25	25	0.86
Bisoro	15,865		2	2	1.26
Gisozi	14,594		2	2	1.37
Kayokwe	25,092		4	4	1.59
Ndava	28,555		1	1	0.35
Nyabihanga	30,366		2	2	0.66
Rusaka	21,754		3	3	1.38
Total Mwaro	136,226	0	14	14	1.03
Busiga	29,976		7	7	2.34
Gashikanwa	26,492		2	2	0.75
Kiremba	42,699		8	8	1.87
Marangara	32,592		2	2	0.61
Mwumba	28,668		3	3	1.05
Ngozi	58,677	1	11	12	2.05
Nyamurenza	26,730		2	2	0.75
Ruhororo	28,621		1	1	0.35
Tangara	34,732		3	3	0.86
Total Ngozi	309,187	1	39	40	1.29
Bukemba	15,714		4	4	2.55
Giharo	39,846		2	2	0.50
Gitanga	19,582		2	2	1.02
Mpinga	24,323		2	2	0.82
Musongati	25,114		2	2	0.80
Rutana	25,817		3	3	1.16
Total Rutana	150,396	0	15	15	1.00

Commune	Population aged ≥18 Years	Number of access points			Number per 10,000 inhabitants aged ≥18 Years
		Head Office	Branches	TOTAL	
Butaganzwa	29,131		3	3	1.03
Butezi	17,936			0	0.00
Bweru	17,208		1	1	0.58
Gisuru	43,386		2	2	0.46
Kinyinya	23,077		2	2	0.87
Nyabitsinda	22,360		2	2	0.89
Ruyigi	27,060		6	6	2.22
Total Ì Ruyigi	180,158	0	16	16	0.89
Buterere	13,424			0	0.00
Buyenzi	26,623		14	14	5.26
Bwiza	23,256		4	4	1.72
Cibitoke	27,191		1	1	0.37
Gihosha	22,766		5	5	2.20
Kamenge	26,361		4	4	1.52
Kanyosha	29,202		1	1	0.34
Kinama	24,598		3	3	1.22
Kinindo	13,775		5	5	3.63
Musaga	26,061		3	3	1.15
Ngagara	20,013	1	3	4	2.00
Nyakabiga	13,267		1	1	0.75
Rohero	12,576	26	44	70	55.66
Total Ì Bujumbura Mairie	279,113	27	88	115	4.12
GRAND TOTAL	3,819,120	33	459	492	1.29

Two commonly indicators used to measure physical access to formal financial services are the number of bank access points per 100,000 adults and per 1,000 km² nationwide. Table 16 shows the values of the two indicators for Burundi and five countries in the sub-region. With regard to the adult population, the situation in Burundi is almost the same to that of Rwanda, Tanzania and the Democratic Republic of Congo, while running behind that of Kenya and South Africa. With regard to surface area, Burundi is ahead of all of the countries except Rwanda.

The ratio of ATMs per 100,000 adults in Burundi is comparable to that observed in Rwanda but remains significantly lower than in other countries in the sub-region. The ratio per 1000 km² is higher than those of the DRC and Tanzania, but lower than that of Rwanda.

Table 16 Ì Bank Access Points: International Comparison

Country	Bank access points per 100,000 adults	Bank access points per 1000 km ²	ATMs per 100,000 adults	ATMs per 1000 km ²
Rwanda	2.26	5.15	0.84	1.91
Tanzania	1.86	0.49	3.39	0.90
Kenya	4.53	1.77	7.46	2.91
DRC	2.42	0.15	1.26	0.08
South Africa	8.10	2.25	52.4	14.55
Burundi	3.61	4.96	0.71	0.97

Sources: 2012 survey data for Burundi; World Bank for the other countries (2009).

When including the number of access points of the other (non-bank) depository institutions¹⁹, the ratio of access points per 100,000 adults in Burundi in 2011 compares favorably with those in Rwanda, Kenya and Tanzania in 2009.

Table 17 Access Points Including Other Depository Institutions: International Comparison

Country	ODI access points per 100,000 adults	Bank + ODI access points per 100,000 adults	ODI access points per 1000 km ²	Bank + ODI access points per 1000 km ²
Rwanda	9.40	11.66	21.40	26.55
Tanzania	2.10	3.96	0.56	1.05
Kenya	5.05	9.58	1.97	3.74
DRC	N/A	N/A	N/A	N/A
South Africa	16.84	24.94	4.67	6.92
Burundi	9.27	12.88	12.73	17.69

Sources: 2012 survey data for Burundi; World Bank for the other countries (2009).

N/A: Data not available.

Another important criterion used to measure physical access to formal financial services is the proximity of the access points of financial institutions. For the purposes of this survey, the BRB has defined this indicator as follows: %residing within 8 km of an access point to a formal financial institution that offers the possibility of making deposits, withdrawals and payments.+

The results of the survey for this important indicator are the following:

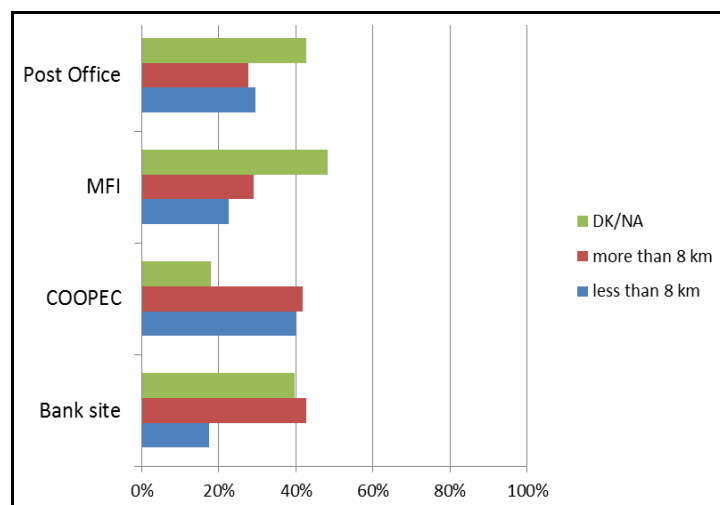
- ~ 17% of respondents live within 8 km of a bank access point, 43% live more than 8 km away and 40% don't know or didn't give an answer (DK/NA).
- ~ 40% of the respondents live within 8 km of a SACCO access point, 42% live more than 8 km away and 18% DK/NA.
- ~ 23% of the respondents live within 8 km of an MFI access point, 29% live more than 8 km away and 48% DK/NA.
- ~ 30% of the respondents live within 8 km of a post office, 28% live more than 8 km away and 42% DK/NA.

Overall, 49.4% of the respondents report having at least one access point to a formal financial institution within 8 km of their home.

The very high percentage of non-responses (DK/NA) to this question is very disappointing from the point of view of the research and may mean two things: either the respondents do not know the exact location of the financial institutions in their region, or they know the location but are unable to measure the distance from their home to an access point of a formal financial institution; the first assumption is probably more likely. In all cases, only affirmative responses should be taken into account for the calculation of the indicator of physical access because it is not possible to assume that those who did not respond are less than 8 km from a point of formal financial services.

¹⁹ It should be noted that the Burundi data for the ODIs include the third-category MFIs that do not take in savings.

Graph 6 – Distance from the Nearest Access Point (n = 3220)



On one hand, the socio-demographic analysis of the responses does not show any significant difference in the indicator of physical access between men and women. On the other hand, the proportion of those who live within 8 km from an access point is on the average 4 times higher in urban than in rural areas.

The indicator of physical access varies greatly from one province to another. This result is directly related to the unequal distribution of the access points of financial institutions through the country, as described in the section on the offer. Thus, in Bujumbura City, the proportion of respondents living within 8 km from an access point to formal financial services is 94%. At the other extreme, this proportion does not exceed 11% in the province of Ruyigi. The other provinces where physical access to banks and MFIs is limited are: Cankuzo (30%), Rutana (32%), Ngozi (37%), Makamba (37%), Karusi (41%), Muyinga (41%), Kirundo (42%), Bujumbura (42%), Cibitoke (44%) and Bubanza (45%).

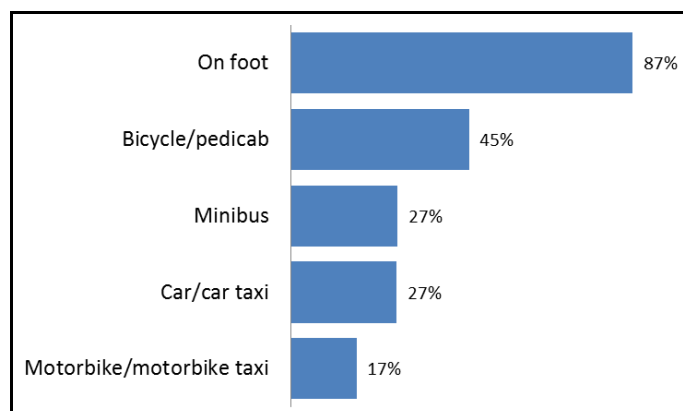
Table 18 – Proximity of Access Points by Province

Province	% of Respondents Living Within 8 km of an Access Point				
	Bank	SACCO	MFI	RNP	All FIs
Bubanza	2%	37%	13%	34%	45%
Bujumbura City	90%	75%	81%	85%	94%
Bujumbura	0%	15%	3%	32%	42%
Bururi	37%	59%	15%	51%	63%
Cankuzo	1%	29%	7%	18%	30%
Cibitoke	17%	25%	33%	29%	44%
Gitega	11%	48%	22%	29%	56%
Karusi	0%	39%	5%	10%	41%
Kayanza	11%	42%	35%	18%	50%
Kirundo	9%	38%	25%	17%	42%
Makamba	26%	36%	14%	31%	37%
Muramvya	24%	59%	6%	41%	59%
Muyinga	1%	29%	29%	1%	41%
Mwaro	9%	60%	5%	42%	72%
Ngozi	1%	32%	28%	4%	37%
Rutana	0%	32%	4%	11%	32%
Ruyigi	1%	7%	0%	7%	11%
TOTAL	17%	40%	23%	30%	49%

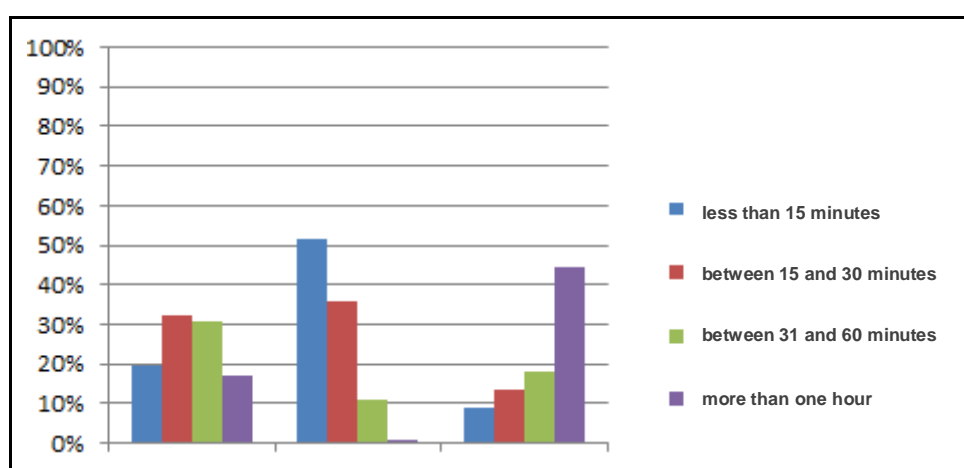
Another measure of physical access to financial institutions is the availability of a means of transportation to get there. According to the survey data, 87% of respondents are able to get there on foot, 45% by bicycle, 27% by minibus or car and 17% by motorbike. In total, 34% of respondents have access to at least one motorized means of transportation to get to a financial institution. This proportion is 39% among men and 29% among women; it reaches 81% for urban residents and 27% for rural residents. The availability of motorized transportation increases significantly with the level of literacy and income of the respondents.

It is interesting to compare the time required to get to a financial institution with respect to other important service institutions. Thus, 22% of the respondents in the survey say they need 30 minutes or less to get to the financial institution closest to their home, while this proportion reaches 88% for the nearest primary school and 53% for the hospital or nearest health center. 44% of the respondents feel they need more than 60 minutes to get to a financial institution, which is certainly a major obstacle to access to financial services.

Graph 7 – Means of Transportation Available to Get to the Nearest FI (n = 2817)



Graph 8 – Travel Time Needed to Get to the Nearest FI (n = 3220)

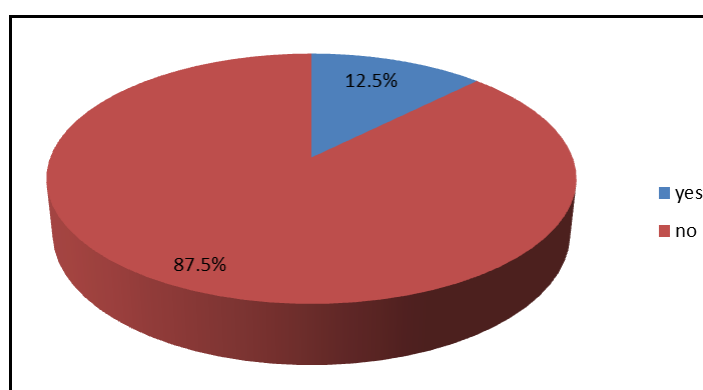


4.3 Access to an Account

A key measure of financial inclusion all over the world is the percentage of the adult population with an account in a formal financial institution. According to the survey data, this percentage attained 12.5% in 2012 in Burundi, which means that approximately 480,000 persons now participate in the formal financial system; conversely, around 3.3 million persons are excluded.

According to the survey, 3.7% of the respondents have an account in a bank, 3.7% have an account in an MFI, 4.1% have an account in a SACCO and 2.3% have an account in the RNP. The cumulative total exceeds 12.5% because some people have an account in more than one financial institution.

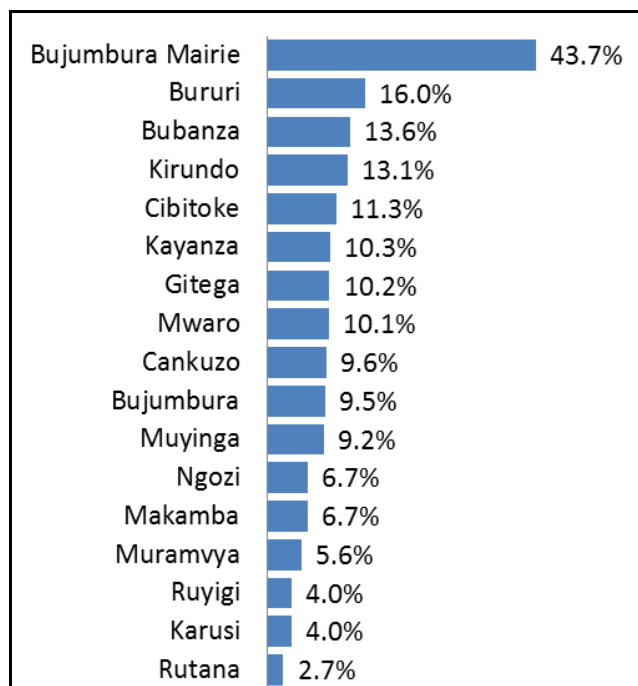
Graph 9 Æ Percentage of Adult Population with an Account in a Financial Institution (n = 3220)



The ratio of account holders varies considerably from one province to another. Thus, this ratio reached 43.7% in Bujumbura City, while decreasing to 16% in the province of Bururi, which ranks second in this chapter. In the provinces of Bubanza, Kirundo, Cibitoke, Kayanza, Gitega and Mwaro, between 10% and 14% of the adult population have an account in a financial institution. In other provinces, this ratio is below 10% and even below 5% in the provinces of Ruyigi, Karusi and Rutana, which are the least favored in this respect.

The analysis reveals significant differences regarding ownership of an account according to various socio-demographic variables:

- “ Men are twice as many as women to have an account in a financial institution.
- “ Residents of urban areas are five times more likely to have an account than rural residents, with all proportions kept.
- “ Half as many of those aged 18-29 years hold an account as those aged 30 years and older, with all proportions retained.
- “ The ratio of account holders increases rapidly with the level of literacy and income level. For example, this ratio reaches 78.7% among those who have attended college and 89% among those with incomes greater than 500,000 BIF.
- “ Formal sector employees participate to a large extent in the financial system, as opposed to informal sector workers who are largely excluded. Thus, the ratio of account holders reaches 89.5% among government employees, 52.1% among private-sector employees, 30.1% among merchants and 5.3% among farmers.

Graph 10 – Percentage of Respondents with an Account in a Financial Institution by Province

Only 5.5% of respondents without a personal account state that they use the account of a third party to carry out financial transactions; in half of the cases, it is the account of a family member. Men and women are equally likely to engage in this practice. These people are not considered as participants in the financial system.

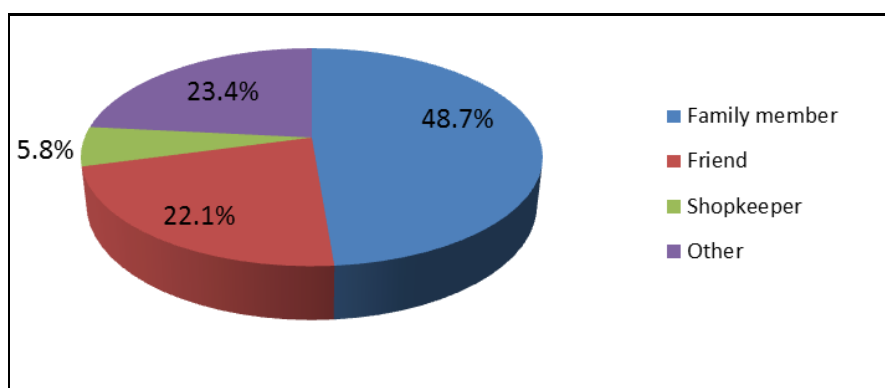
Graph 11 – Use of Third Party's Account (n = 154)

Table 19 Percentage of Respondents with an Account in a Financial Institution by Socioeconomic Status (n = 3220)

Gender		Residence	
Men	17.6%	Urban	41.0%
Women	7.9%	Rural	8.5%

Age		Marital status	
18-29 years	7.1%	Married	14.8%
30-39 years	19.3%	Single	11.7%
40-49 years	13.6%	Significant other	8.2%
50-59 years	13.9%	Widower/widow	4.2%
60 years and older	12.7%	Divorced	8.8%

Level of literacy		Religious denomination	
Never attended	3.4%	Catholic	12.2
Primary (1 st -3 rd)	4.9%	Protestant	11.1%
Primary (4 th -6 th)	10.9%	Muslim	28.9%
Secondary (7 th -10 th)	17.8%	Adventist	24.2%
College (11 th -14 th)	53.8%	Others	29.4%
University	78.7%	None	7.2%

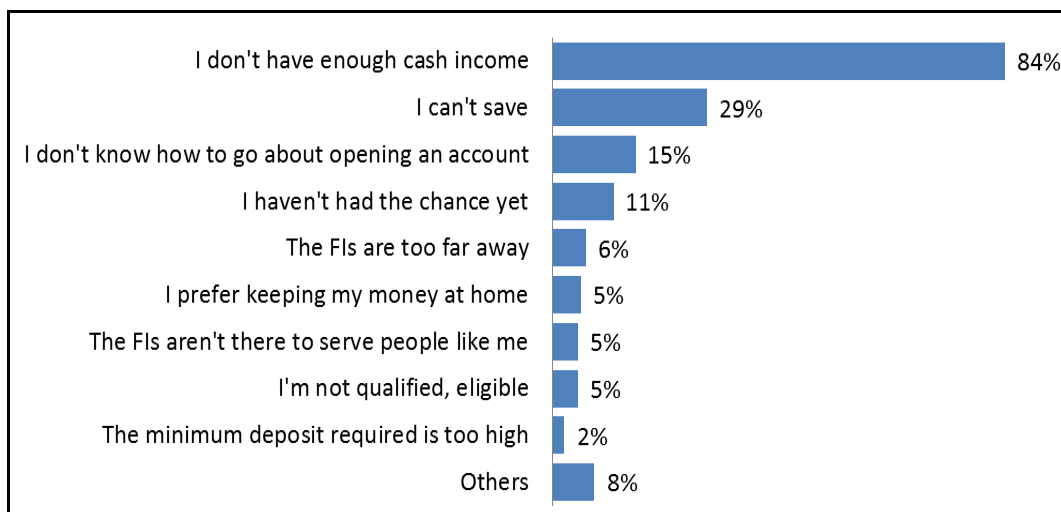
Average monthly income (BIF)		Main occupation	
None	0.0%	Government employee	89.5%
Under 25,000	2.3%	Private-sector employee	52.1%
25,000-49,999	12.5%	Trade	30.1%
50,000-99,999	28.9%	Farming/livestock	5.3%
100,000-199,999	57.8%	Day laborer/ workman	0.0%
200,000-499,999	68.2%	Student	16.4%
500,000 and over	89.3%	Retiree	36.4%
		None/unemployed	25.5%

ALL RESPONDENTS			12.5%
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The main reasons given by survey respondents for not having an account in a financial institution are lack of cash income (84% of respondents) and inability to save (29% of respondents). These results are corroborated by the information gathered in the focus groups stating that poverty is the main factor restraining participation in the financial system.

It is interesting to note that the conditions proposed by financial institutions for opening an account do not seem to represent major obstacles for the majority of the respondents. Thus, only 15% say they do not know how to go about opening an account; 10% feel they are not accepted or eligible; 6% say that the financial institutions are too far away and 2% state that minimum deposit required is too high. Only 5% said they prefer to keep their money at home.

However, these results have been qualified by the expressions of the participants in the focus groups, which drew attention to the difficulty of raising the amount required to open an account. The minimum deposit required by banks to open an account is between 50,000 and 500,000 BIF, which is probably an obstacle for the majority of the population, given that 80% of survey respondents reported earning less than 50,000 BIF per month. In this regard, the minimum deposit of 5,000 to 10,000 BIF required by most of the MFIs is considered more affordable.

Graph 12 – Obstacles to Opening an Account in a Financial Institution (n = 2816)

The focus groups also highlighted the following obstacles to the opening of an account in a financial institution:

- ~ Farmers believe that banks are intended for government officials.
- ~ Monetary incomes are too low and used immediately to cover basic needs.
- ~ Some prefer to save by investing in plots of land or other assets.
- ~ People are not aware of the conditions required and have to be guided in the procedures to follow.
- ~ It is difficult to meet the minimum amount required in a single installment.
- ~ The cost of purchasing the passbook should be defrayed.
- ~ The financial resources have to exist to continue funding the account and preventing it from being closed.
- ~ The account maintenance and transaction fees very quickly absorb the amount saved.

The participation of women in the financial sector should be taken into account in any analysis of financial inclusion, since access to formal financial services enables them to contribute more to economic activity and to improve income and living conditions of the households. It was also noted that the ratio of account holders among women is 7.9%, i.e., half that of men.

The data obtained from the financial institutions confirm this established fact. What is surprising, however, is the fact that women are relatively fewer in the MFIs than in the BFIs. Indeed, women constitute 29.3% of the BFI clientele and only 28.3% of the MFI clientele in 2011. This situation lags behind that observed in most of the other countries where women have a majority representation in the microfinance sector. Burundian women are still the majority in the clientele of the groups and associations, accounting for 57.5% of the total. Finally, the fact that the proportion of women has decreased in 2011 compared to the previous year, in both the BFIs and the MFIs, is of concern.

Table 20 – Proportion of Women in the Clientele of Financial Institutions

Category	2010	2011
BFI	31.3%	29.3%
MFI	28.4%	28.3%
TOTAL	29.1%	28.5%

Physical access to formal financial services may be compromised when there is development of a great concentration in the financial sector, which has the effect of limiting the choice and the diversity of the services offered to the population. In addition, the concentration of the services may increase clientele discrimination by institutions because it is more profitable to serve a client with a lower risk profile and who has a steady income than a small saver.

In this regard, it is important to analyze separately the banking sector and the microfinance sector because these two types of institutions attract very different clients and constitute in practice two separate markets, as discussed later in this report. The analysis of the survey data of the offer shows that the Burundian banking sector is relatively more concentrated than that of microfinance. In the latter sector, the risks of bankruptcy or the closing of some MFIs that fail to attain the minimal volume of activity to ensure their viability should instead be of greater concern.

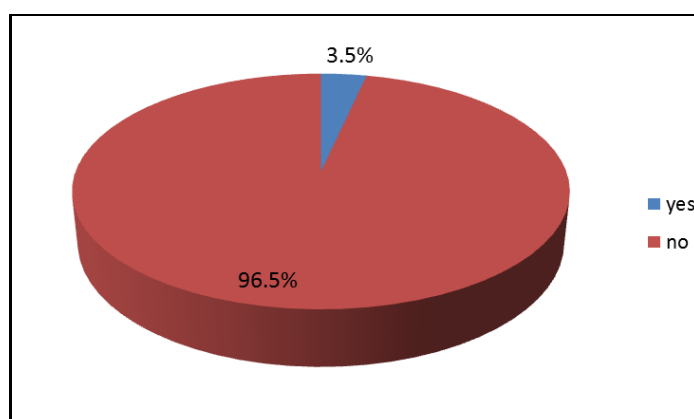
Table 21 – Degree of Concentration of the Clientele of the FIs

Ranked by Decreasing Size of the Clientele	Number of Clients			
	BFI		MFI	
	Total %	Cumulative %	Total %	Cumulative %
Three largest institutions	70.9%	70.9%	65.8%	65.8%
Next three	23.7%	94.6%	15.8%	81.6%
Next four	5.4%	100.0%	8.6%	90.2%

4.4 Access to Credit

In terms of financial inclusion, access to credit is just as important as access to an account or savings. According to the survey, only 3.5% of respondents applied for a loan or an overdraft in a formal financial institution over the past 12 months.

Graph 13 – Percentage of Respondents Who Applied for a Loan or an Overdraft Facility in the Past 12 Months (n = 3220)



Factors related to the respondents' difficult economic situation and lack of financial literacy appear among the main reasons cited for not applying for a loan:

- ~ not knowing where to go or what to do (34% of the respondents);
- ~ inability to pay (34%);
- ~ perception that credit is for rich (24%) or feel not eligible in financial institutions (19%);
- ~ fear of becoming indebted (18%);
- ~ no need for a loan (10%).

Other obstacles to accessing credit include:

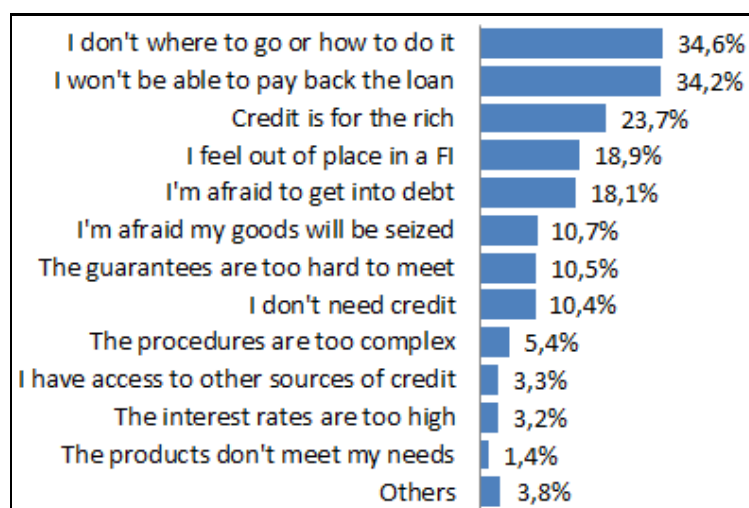
- ~ collateral requirements (11%);
- ~ fear of having one's property seized (11%);
- ~ too complex procedures (5%);
- ~ too high interest rates (3%);
- ~ unsuitable products (1%).

The focus groups drew attention to the following items that may prevent access to credit from financial institutions:

- ~ prior opening of an account;
- ~ lack of information about loan terms and procedures to be followed;
- ~ preference by financial institutions to lend to salaried employees and merchants;
- ~ interest rates too high (3%);
- ~ the difficult-to-meet guarantees required by both the banks and the MFIs: pledged savings, direct deposit of salary, guarantor, mortgage, real estate, membership in an association, etc.

The participants complain in particular about the requirement for the non-salaried to obtain a guarantee from a third-party diploma holder, which can only be obtained by paying a fee and so may be very costly.

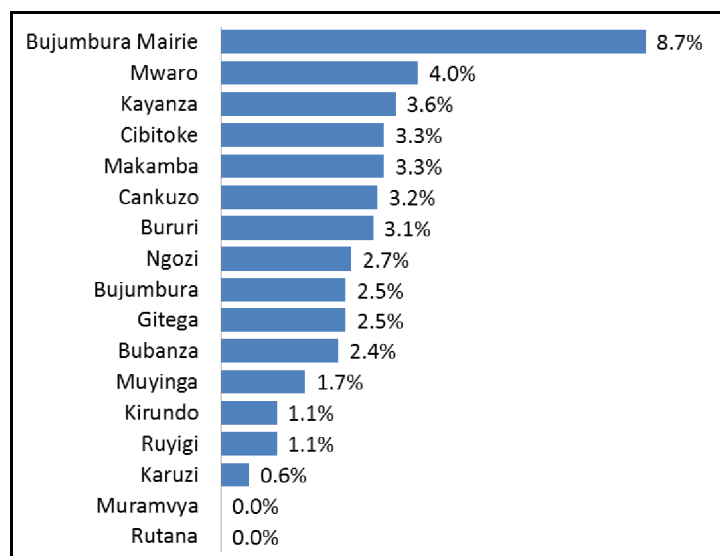
Graph 14 – Reasons Hindering Application for a Loan (n = 3108)



Only 2.9% of the respondents have obtained or held a loan in a financial institution in the past 12 months. This proportion was 4.2% among men and 1.8% among women, 8.8% among urban residents and 2.2% among rural residents, 1.3% among those aged 8-29 years and 3.5% among those aged 30 and over, 35.5% among government employees, 12.7% among private-sector employees, 5.5% among merchants and finally 1.1% among small farmers.

The proportion of borrowers varies considerably from one province to another. Thus, this proportion reaches 8.7% in Bujumbura City but does not exceed 4% in the other provinces. No survey respondent has obtained a loan in Muramvya and Rutana.

Graph 15 – Percentage of Respondents who Obtained a Loan at a Financial Institution In The Past 12 Months by Province



4.5 Access to Other Financial Instruments

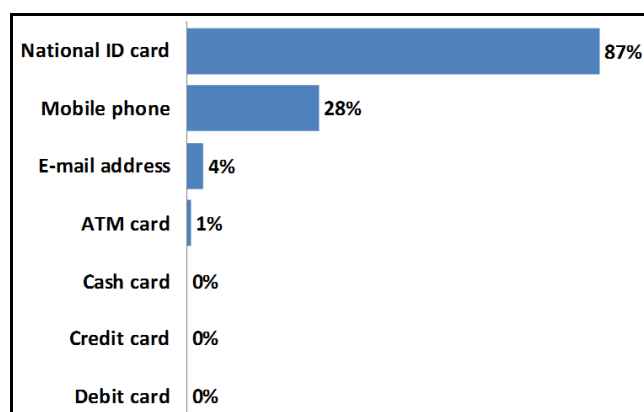
The survey reveals that 87% of the respondents have a national identity card, a document necessary to open an account in a financial institution.

The survey also shows that the rate of mobile-telephone penetration remains quite low at 28%. The rate is 37% among men and 20% among women, as well as 78% in urban areas and 21% in rural areas. This might hinder the development of formal financial services by cell phones as it has been observed in other countries in the sub region. In Kenya, for example, more than 90% of the adult population have a mobile phone²⁰.

Only 4.3% of the men and 2.8% of the women interviewed, all living in urban areas, report having an e-mail address. This situation does not facilitate the rapid expansion of online financial services.

Access to bank cards is extremely limited and concerns less than 1% of respondents, mostly men, urban residents, educated and salaried employees.

Graph 16 – Access to Other Financial Instruments (n = 3220)



²⁰ Information based on a market study conducted by DID in the microfinance sector in Kenya.

4.6 Conclusions with Respect to the Access to Financial Services

An analysis of the access to formal financial services in Burundi reveals the following key elements:

- “ The survey uncovered serious gaps in the financial literacy of the Burundian population. Only 10% of the respondents say they are well informed about the various services offered on the market.
- “ Most financial institutions are poorly known by the public. That is particularly true of the MFIs.
- “ The number of access points per 100,000 adults is higher in Burundi than in the other countries of the sub-region.
- “ Compared to the population, the access points are relatively more numerous in the provinces of Bujumbura City, Makamba, Gitega and Ngozi, and relatively fewer in the provinces of Bujumbura, Bubanza, Karusi and Kirundo.
- “ The vast majority of the communes have at least one access point to the formal financial services. However, 29 communes are only served by one access point, while six communes don't have any.
- “ ATMs are very few and concentrated in Bujumbura City.
- “ Apart from Bujumbura City, the distance from the access points and the non-availability of motorized transportation are important factors that hinder access to financial services.
- “ 12.5% of the adult population have an account in a financial institution, which means that approximately 480,000 persons take part today in the formal financial system; on the other hand, approximately 3.3 million persons are excluded from it.
- “ The ratio of account holders is five times higher in urban zones than in rural zones; this ratio does not exceed 5% in the provinces of Ruyigi, Karusi and Rutana.
- “ The ratio of account holders varies enormously, depending on socioeconomic category. Twice as many men as women hold an account. Half as many of those aged 18-29 years hold an account as those aged 30 years and older. This ratio reaches 89.5% among government employees, 52.1% among private-sector employees, 30.1% among merchants and 5.3% among farmers.
- “ Women only account for 28.3% of the clientele of the MFIs. This situation lags behind that observed in the most of the other countries where women have a majority presence in the microfinance sector.
- “ The main obstacles to opening an account are the lack of cash income, inability to save and difficulty in meeting the minimum amount required.
- “ Only 2.9% of the respondents obtained a loan in a financial institution during the past 12 months.
- “ The main obstacles to accessing credit are related to monetary poverty and lack of information.
- “ Ultimately, financial institutions have to make more efforts to render their services more accessible to women, the young and workers in the informal sector, especially in rural areas.

5.0 USAGE OF FORMAL FINANCIAL SERVICES

This section addresses the issue of the use of formal financial services by examining successively the following products and services:

- " Means of payment;
- " Savings;
- " Loans;
- " Money transfers;
- " Informal financial systems.

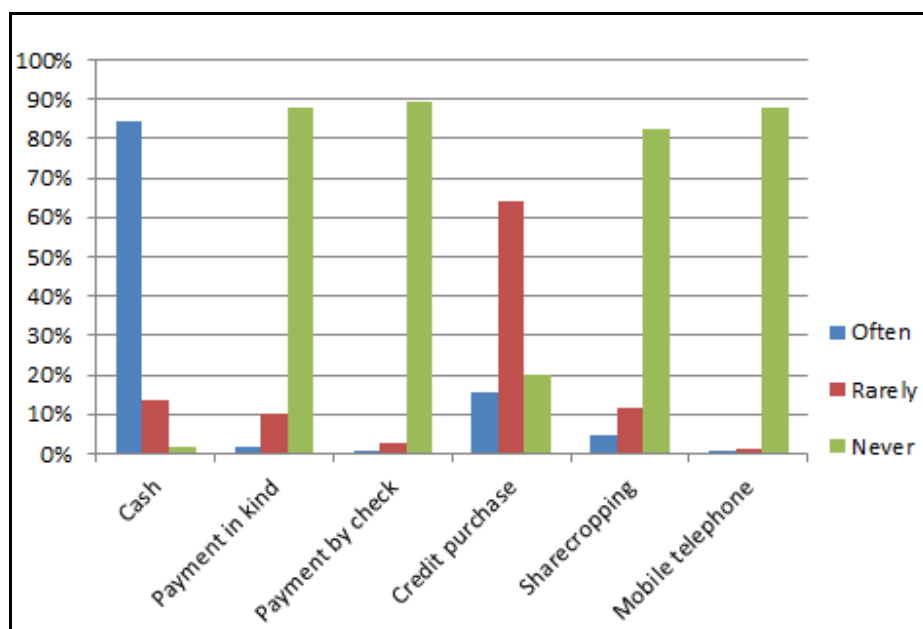
The concept of usage as defined by the AFI refers to the **%Depth+** and the **%Sustainability+** of the use of financial products and services. **%Depth+** involves the use of a variety of financial products and services. So it is that the more an individual uses financial products and services, the **%Deeper+** the **%Use+** is considered to be. **%Sustainability+** involves the long-term use of financial products and services. Thus, the more significant the frequency of use is and the longer the duration of use is, the more use is considered **%Sustainable+**.

5.1 Use of Means of Payment

The vast majority of the survey respondents prefer payment in cash: 84% say they often use this method of payment compared to 15% for buying on credit, 5% for buying on a sharecropping contract,²¹ 2% for payment in kind (barter) and 1% for payment by check. In addition, 64% of respondents reported making purchases on credit on an occasional basis. Less than 1% of respondents do transactions by mobile phone.

Buying habits hardly vary according to the socioeconomic status of the respondents.

Graph 17 – Frequency of Use of Payment Means (n = 3220)



²¹ Sharecropping is a lease of land from a third party in exchange for part of the harvest.

In the focus group discussions, the vast majority of participants reported using the cash payment for their food purchases, clothing, children's tuition fees, health care, seeds, farm equipment, etc. Generally, the sellers only accept payment in cash.

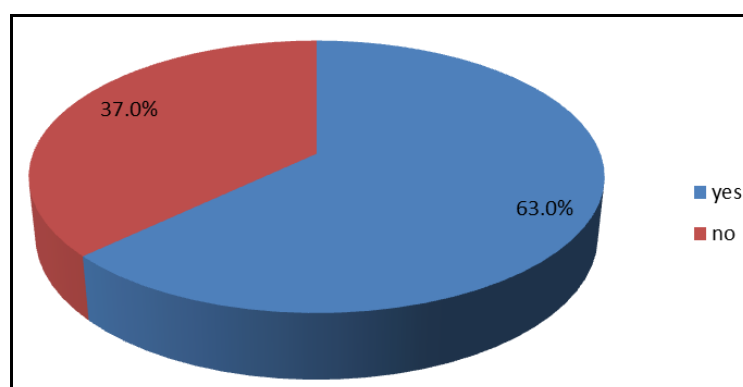
However, the following cases were identified in the answers provided by the participants:

- ~ Merchants are more inclined to grant loans to salaried employees because farmers don't have reliable income to guarantee repayment.
- ~ Some say that sometimes they are able to make everyday purchases on credit for short periods (a few weeks).
- ~ For tuition fees, time may be granted, but payment must be made before the end of the quarter. It should be noted that most of the participants have children who receive free schooling. Payment at the bank is required by some universities.
- ~ For health care, credit may be granted by leaving one's ID card or by a guarantee from an authority well known by the hospital or health center.
- ~ Some owners prefer to have the rent paid by check. It should be noted that there are very few tenants among the participants.
- ~ Payment by check is sometimes accepted when it comes to a large amount (for purchase of land, for example).
- ~ In the case of the purchase of goods for a business, it is possible to buy on credit when the buyer is well known by the seller.
- ~ The seeds may be sold on credit for crops with short cycles grown for marketing (vegetables, rice, potatoes).
- ~ Fertilizers are expensive and not available on credit.
- ~ Barter is frequently used for the exchange of foodstuffs, seeds and even land between neighbors on the hills.
- ~ Land can be leased on credit until harvest time.
- ~ Some farm workers are paid in kind (provisions) or in exchange for the free rent of land equivalent to the cost of labor supplied.

5.2 Usage of Savings

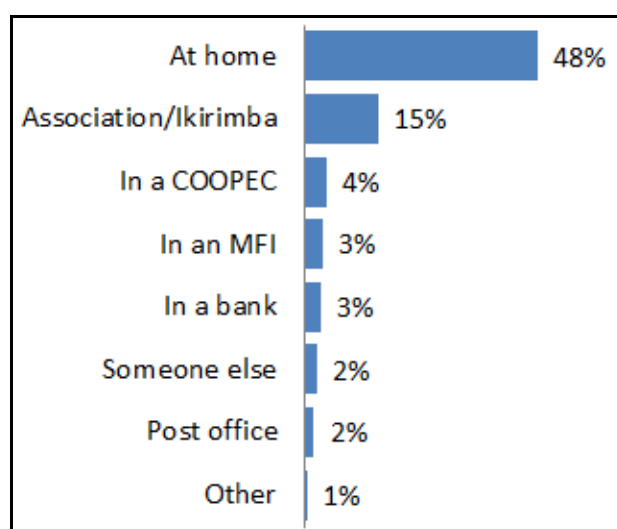
According to the survey data, 63% of the respondents reported saving on a regular basis. This proportion is 68% among men and 58% among women, as well as 67% in urban areas and 62% in rural areas. The proportion of savers does not vary significantly by age and level of literacy but tends to increase with the income level of the survey respondents.

Graph 18 – Percentage of Respondents Saving on a Regular Basis (n = 3220)



Therefore, a majority of the Burundian population saves regularly, but this saving is, to a large degree, done outside the financial institutions. Indeed, nearly half of respondents claim to keep their savings at home and 15% save in an association or an *ikirimba*. Only 12% invest their savings in the formal financial system (a bank, a SACCO, an MFI or Post Office). This result corresponds to the proportion of respondents who reported having an account at a financial institution.

Graph 19 – Location of Savings (n = 2028)



The responses obtained in the focus groups about the best place to keep savings reveal some differences with regards to the findings of the survey. It should be recalled here that the participants came from the capitals of the various provinces and that this might influence their judgment on this question compared to the survey respondents from all of the communes.

Approximately 35% of participants in the focus groups said they preferred to keep their savings in the bank for the following reasons:

- ~ Greater safety, bankruptcies are very rare.
- ~ Especially for large amounts due to the high minimum balance.
- ~ Withdrawals can be made at any time and wherever the bank has an agency.
- ~ Deposits will earn interest.
- ~ Few power outages or computer breakdowns.
- ~ Possibility of obtaining a sizable loan.
- ~ They offer debit and ATM cards.
- ~ MFIs are exposed to bankruptcy.

About 40% prefer to invest their savings in an MFI for the following reasons:

- ~ Especially for small amounts because MFIs accept small deposits.
- ~ MFIs (SACCO, Post Office) are near their homes.
- ~ The minimum amount to open an account is low.
- ~ Transaction and account maintenance fees are low.
- ~ Withdrawals are easy.
- ~ Banks reject small-loan applicants.
- ~ The borrower can get a loan equal to a multiple of his/her savings.
- ~ A loan can be obtained quickly.

Approximately 25% prefer to invest their savings in assets for the following reason:

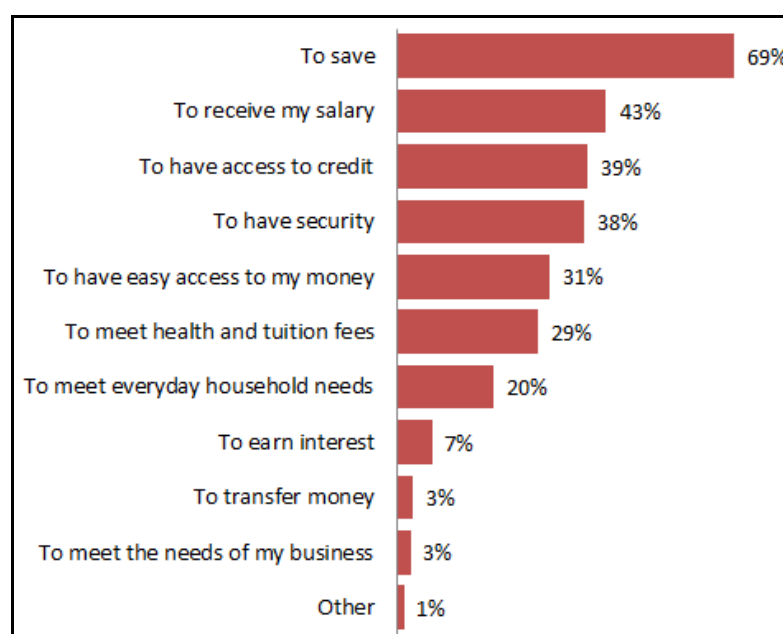
- ~ Depending on the circumstances, investments in assets (land, livestock, inputs, goods, etc.) may be more profitable than investments in banks or MFIs.

Less than 1% prefer to keep their savings at home for the following reasons:

- ~ The bank agencies and MFIs are too far away.
- ~ It allows having liquidity at all times.
- ~ Lack of information.

The main reasons cited by survey respondents for opening an account in a financial institution include the desire to save, the ability to receive one's salary, the desire to access credit, security of the premises and the possibility of having easy access to their money. However, reasons such as the possibility of earning interest, making money transfers and covering the needs of one's business come way down the list and are cited by only 3 to 7% of the respondents.

Graph 20 – Reasons for Opening an Account in a Financial Institution (n = 404)



Among the survey respondents who have an account at a financial institution, the vast majority, i.e., 93.7% have only one account. On the average, the number of accounts is 1.18 per holder.

Table 22 – Number of Accounts Held in a Financial Institution (n = 404)

Institution	Number of Accounts					% of Respondents
	1	2	3	More than 3	Total	
Bank	103	11	3	1	118	3.7%
MFI	111	9	0	0	120	3.7%
SACCO/COOPEC	129	3	0	0	132	4.1%
Post Office	74	1	0	0	75	2.3%
TOTAL	417	24	3	1	445²²	13.8%

²² The total number of responses exceeds the number of respondents because some respondents have an account in more than one institution.

About sustainability in the use, 41% of those with an account in a financial institution have had it for more than five years and 49% for more than one year; only 10% opened an account there in the past year.

Another indicator of the sustainability of formal financial services relates to the frequency of use of the available products by the users. In this regard, account holders most often report doing the following two transactions: depositing and withdrawing money (38% and 58% of respondents). Transactions such as asking for a statement, paying bills, cashing a check and getting a payment order are only done on a regular basis by less than 5% of the respondents.

Graph 21 – Frequency of Use of Accounts (n = 404)

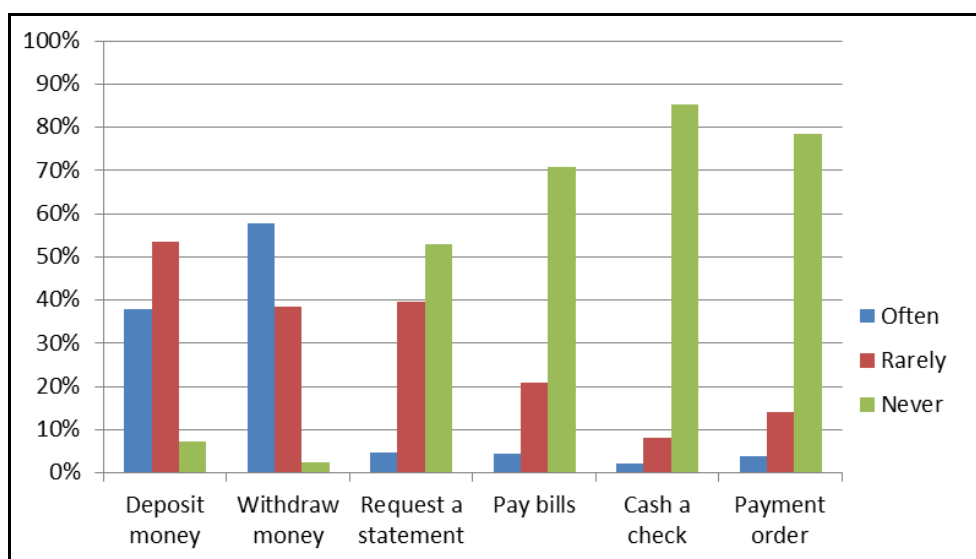
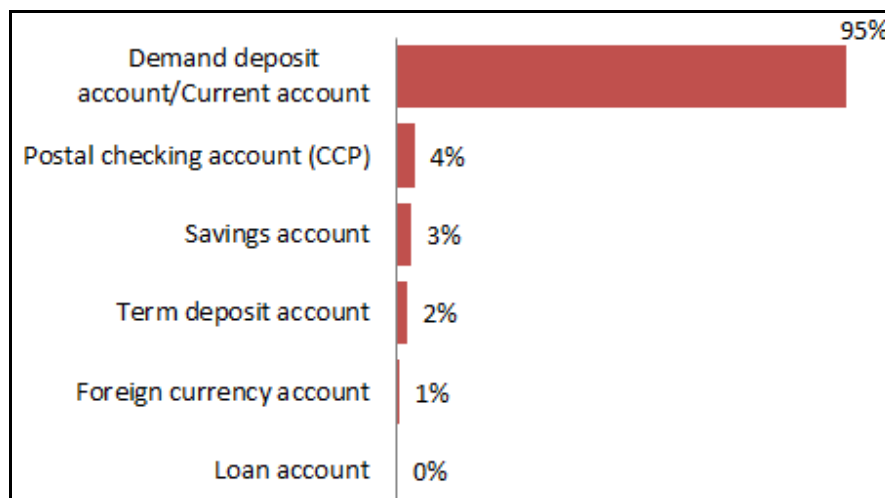


Table 23 shows that there is some correlation between the duration and the frequency of use of financial services.

Table 23 – Duration and Frequency of Use of an Account (n = 404)

% of respondents often doing the following transactions among those having held an account for:			
Transaction	Less than 1 year	1 to 5 years	More than 5 years
Deposit money	32%	42%	35%
Withdraw money	30%	60%	63%
Request a statement	0%	5%	6%
Pay bills	0%	4%	6%
Cash a check	0%	3%	2%
Payment order	0%	5%	4%

Regarding the diversity of the savings instruments used, the survey data indicate that 95% of clients of financial institutions have a deposit account (current account), while the enrollment rate for the other products savings is much lower, i.e., 4% for the postal checking account (CCP), 3% for the savings account, 2% for term deposits (TDs) and 1% for a foreign currency account.

Graph 22 Types of Accounts Held in Financial Institutions According to the Survey (n = 404)

The survey data are corroborated by those provided by the financial institutions²³. There are significant differences in the types of accounts used between the banks and the MFIs. In particular, MFIs make greater use of the compulsory or blocked savings account to secure a loan and are not allowed to open accounts in foreign currency. The National Postal Authority (RNP) claims to have 153,000 postal checking accounts.

Table 24 Types of Accounts Reported by Financial Institutions

Account type	% of all accounts	
	Banks	MFI
Demand deposit account/current account	75.9%	39.3%
Savings account	8.3%	7.7%
Mandatory/blocked savings account	0.0%	9.3%
Term deposit account	1.3%	1.9%
Foreign currency account	14.5%	.
Postal checking account	.	41.8%
TOTAL	100.0%	100.0%

Only three (3) banks provided information on the number of clients whose salary was directly deposited, for a total of 10,350 customers; ten (10) MFIs provided this information for a total of 33,600 clients.

The supply side survey indicates that, as of December 31, 2011, the banks and financial institutions (BFIs) reported having 183,386 depositors,²⁴ while the MFIs (including the National Postal Authority) reported 648,068, for a total of 831,454 individuals with an account in a formal financial institution. Thus, the microfinance sector today attracts 78% of the clientele of the formal financial sector in Burundi.

The number of depositors reported by the financial institutions is much higher than the estimate of 480,000 individuals involved in the financial sector as a result of the survey. The main reason is that

²³ One bank and four MFIs did not provide information on the breakdown of their deposit accounts by account type.

²⁴ In the banks, sometimes significant differences observed between the number of accounts and the number of clients. In such cases, the lowest figure was used. In the MFIs, the number of accounts is generally equal to the number of clients.

financial institutions have several inactive accounts which, for various reasons, have not been officially closed. For example, between 20% and 40% of the accounts in the MFIs may be inactive²⁵. In addition, some individuals may hold multiple accounts in a single institution or in several institutions, as mentioned above.

It is not possible to break down the clientele of the financial institutions by province because the management information system (MIS) of several institutions does not allow them to provide this information. In addition, there are practical difficulties in classifying clients who are able to open an account in Bujumbura City, while residing in another province.

The annual growth in the number of clients in the financial sector is a very significant indicator of the growth of financial inclusion in the country. According to the data provided by the financial institutions,²⁶ the number of customers grew by 25% between 2011 and 2010, with the growth rate reaching 27.1% for the BFIs and 24.1% for the MFIs. This is a remarkable performance, which bodes well for the future.

Burundi registers a ratio of 48 bank depositors per 1000 adults, which puts it well below other countries in the sub-region with the exception of the Democratic Republic of the Congo (DRC). However, the ratio of depositors/clients per 1000 adults in other depository institutions (ODI) in Burundi is the highest of the five countries selected for purposes of comparison. For the financial institutions as a whole, the ratio per 1000 adults in Burundi is 218 compared to 165 in Tanzania and 351 in Rwanda.

Table 25 – Number of Depositors per Capita: International Comparison

Country	Number of bank depositors/clients per 1000 adults	Number of ODI depositors/clients per 1000 adults	Number of depositors/clients of the banks and ODI per 1000 adults
Rwanda	224	127	351
DRC	21	N/A	N/A
Tanzania	135	30	165
Kenya	379	49	428
South Africa	839	39	878
Burundi	48	170	218

Sources: 2012 survey data for Burundi; the World Bank for the other countries (2009).

N/A: Data not available.

Another indicator of the degree of use of the savings services by the population is the total volume of deposits in the country's financial institutions. The supply side survey data show a total volume of deposits of individuals in the financial sector of 554.5 billion BIF as of December 31, 2011. With only 22% of the savers, banks attract 85% of all deposits. This is due to the fact that bank clients save on the average an amount 20 times higher than those of the MFIs. It is clear that the market of financial products and services is segmented according to a wealthy bank clientele and a microfinance clientele less well-off, with the third segment consisting of 87.5% of the disadvantaged Burundian adults without access to an account.

²⁵ This estimate is based on various studies conducted by DID with the MFIs in Burundi over the past several years.

²⁶ The data used for this calculation exclude one bank and one MFI that were unable to provide information on the number of depositors for 2010.

Table 26 – Deposits Outstanding in the Financial Institutions as of December 31, 2011

Category	Number of savers	Deposits outstanding (million BIF)	Average amount outstanding per saver (BIF)
BFI	183,386	471,107	2,569,000
MFI	648,068	83,393	129,000
TOTAL	831,454	554,500	667,000

The IMF uses the ratio of deposits in financial institutions relative to GDP as an indicator of financial inclusion. However, it is not possible to calculate this ratio for Burundi since the survey with the financial institutions was only concerned with the deposits of individuals, to the exclusion of corporate and institutional deposits.

Table 27 shows the distribution of the deposits outstanding by province.²⁷ The volume of deposits is highly concentrated in Bujumbura City because of the importance of the economic activity and the access points of the financial institutions in this province. It also emerges that a large part of the savings is repatriated to the head offices located in Bujumbura City.

Table 27 – Deposits Outstanding by Province as of December 31, 2011

Province	Deposits outstanding (million BIF)
Bubanza	2634
Bujumbura City	374,538
Bujumbura	1,496
Bururi	8,633
Cankuzo	3,232
Cibitoke	4,247
Gitega	25,010
Karusi	1,771
Kayanza	7,783
Kirundo	7,000
Makamba	8,346
Muramvya	3,100
Muyinga	11,404
Mwaro	4,414
Ngozi	17,495
Rutana	4,509
Ruyigi	4,581
TOTAL	490,095

The outstanding volume of deposits in financial institutions increased by 24% in 2011 compared to 2010, which represents a significant increase²⁸. Growth was 19.3% in the banks and 40.9% in the MFIs.

²⁷ The total of Table 27 is less than that of Table 26 because four MFIs were unable to provide information on the breakdown of their outstanding deposits by province.

²⁸ The calculation of the growth rate of the deposits excludes two banks, which did not provide this information for 2010.

5.3 Use of Credit

The participants in the focus groups indicated where they would prefer to borrow. Thus, approximately 15% of participants in the focus groups said they wanted to borrow from a bank for the following reasons:

- ~ there is always money available, provided you have an account.
- ~ the product range is broad.
- ~ you can get large amounts.
- ~ you are assured of confidentiality.
- ~ it's safe.
- ~ the loan can be repaid by payroll deduction.

About 20% prefer to borrow from an MFI for the following reasons:

- ~ the minimum amount to open an account is low.
- ~ the distances are short.
- ~ MFIs are available for the poor people.
- ~ they provide small loans quickly, provided you have an account.
- ~ the interest rate is low.

Approximately 40% prefer to borrow from a friend, a neighbor or a relative for the following reasons:

- ~ when you don't have an account at a financial institution.
- ~ for small amounts, it is without formality.
- ~ they don't require collateral, you can pledge your property such as a car or land.
- ~ they don't ask for interest.
- ~ it's faster, especially for emergency loans as in cases of illness.
- ~ in the event of repayment difficulties, the term can be extended.

Approximately 25% prefer to borrow from a merchant or usurer for the following reasons:

- ~ when you don't have an account at a financial institution.
- ~ to pay off very urgent and unavoidable commitments; it's very fast even though the cost is high (10% to 30% a month).
- ~ it's nearby.
- ~ you can get a loan against crops for seedlings.

As indicated to the preceding section, only 2.9% of the survey respondents benefited from a loan from a financial institution during the past 12 months. This represents approximately 110,000 persons who have obtained a loan. These loans are mainly concentrated in the MFIs, as shown in Table 27.

Few respondents received more than one loan in a single or in several institutions; the average number of loans obtained per individual is 1.24.

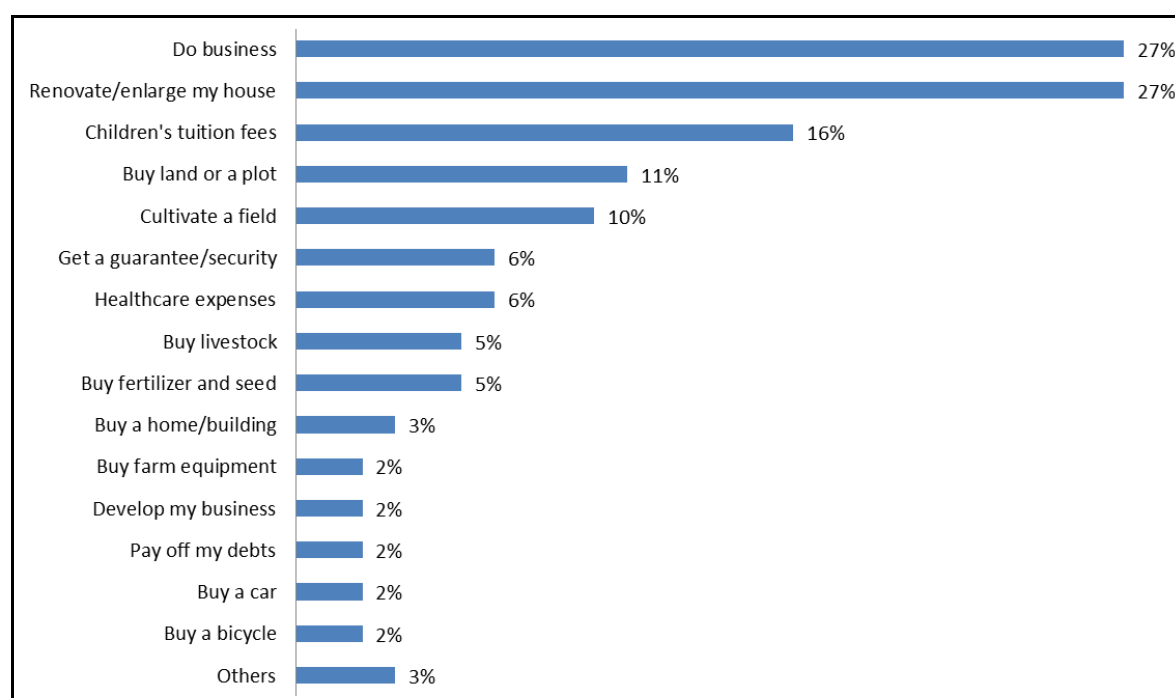
Table 28 – Number of Accounts Held in a Financial Institution (n = 94)

Institution	1	2	3 or more	Total
Bank	20	2	1	23
FI	10	0	0	10
MFI	35	6	0	41
SACCO/COOPEC	17	1	0	18
Post Office	4	2	2	8
TOTAL	86	11	3	100²⁹

²⁹ The total number of answers exceeds the number of respondents because some respondents have obtained a loan in more than one institution.

Survey respondents who obtained a loan from a financial institution have used it for the following purposes: to renovate their house, buy land, a house or a building (41%), doing business or developing their business (29%); engaging in agricultural or livestock activities (22%), paying their children's tuition fees or health care expenses (22%) and buying a car or a bicycle (4%). It emerges from this that the housing loans and production loans are the two most important uses.

Graph 23 – Use of Credit (n = 94)



Another indicator of the degree of use of loan services by the population is the total loans outstanding held by the country's financial institutions. The supply side survey data show a total volume of loans to individuals in the financial sector of 329.6 billion BIF as of December 31, 2011.

The number of loans outstanding is 117,812 in the MFIs and 45,577 in the BFIs. On the basis of the data provided by the financial institutions, it is, therefore, possible to calculate that 4.3% of Burundian adults have a loan account in a formal institution.

The number of loans reported by financial institutions is 50% higher than the estimate of 110,000 individuals (i.e., 2.9% of the adult population) who reported in the survey having obtained a loan in the past 12 months. Among the possible reasons for this discrepancy, it should be mentioned that the loan portfolios of the institutions hold loans that were granted over a year ago and also include non-performing loans that have not been written off. In addition, some individuals may hold several loans from the same institution or several institutions. Moreover, nearly 40% of the loans held by the institutions are overdraft facilities and it is possible that this type of loan has been under-reported in the survey. Finally, some survey respondents may have deliberately failed to declare a loan for reasons of their own.

With only 28% of the loans granted, the banks and financial institutions account for 78% of the total amount outstanding. This is due to the fact that the average loan amount granted by the BFI is nine times higher than that of the MFIs. The average amount outstanding of MFI loans is approximately US\$ 500, which corresponds to the average in the sub-region's other countries. This figure also shows that the MFIs serve a more disadvantaged clientele.

Table 29 – Outstanding Loans Granted to Individuals by Financial Institutions as of December 31, 2011

Category	Number of loans	Loans outstanding (million BIF)	Average loan outstanding per borrower (BIF)
BFI	45,577	256,131	5,620,000
MFI	117,812	73,459	624,000
TOTAL	163,389	329,590	2,017,000

The number of outstanding loans in financial institutions increased by 10.8% in 2011 compared to 2010, while loans outstanding, for their part, increased by 31.1% during the same period. Although these data do not cover all the institutions, loan volume seems to have grown more quickly than the volume of deposits (the latter increased by 24% in 2011). In addition, the average loan amount seems to have increased by a factor of about 20%.

Table 30 – Annual Growth of Loans to Individuals in Financial Institutions (2010-2011)

Category	Growth in the number of loans	Growth in loan volume outstanding
BFI	6.8% ³⁰	31.0% ³¹
MFI	12.4% ³²	31.6% ³³
TOTAL	10.8%	31.1%

Table 31 shows the classification of loans outstanding by sector.³⁴ Overdraft facilities and lines of credit represent the two most important products of the BFIs. For the MFIs, housing and real estate lending is the most important product. Commercial credit to companies accounts for approximately 14% of the total volume outstanding for both categories of institutions and agricultural credit around 5%.

Table 31 – Use of Loans to Individuals by Economic Sector as of December 31, 2011

Classification	BFI	MFI	Total
Overdraft facilities/lines of credit	43.4%	21.9%	38.6%
Personal/consumer loans	16.0%	8.2%	14.2%
Housing/real estate loans	17.5%	44.0%	23.5%
Agricultural loans	4.1%	5.8%	4.5%
Commercial/business loans	13.8%	14.3%	13.9%
Other	5.2%	5.8%	5.3%
TOTAL	100.0%	100.0%	100.0%

³⁰ Excludes three banks that were unable to provide this information.

³¹ Excludes four banks that were unable to provide this information.

³² Excludes two MFIs that were unable to provide this information.

³³ Excludes one MFI that was unable to provide this information.

³⁴ The data exclude three banks and one MFI that were unable to provide this information.

Table 32 shows the distribution of loan volume outstanding by province. This table should be interpreted cautiously since the data concern only 22 institutions, which account for 65% of the total outstanding.³⁵ The loan portfolio is strongly slanted toward Bujumbura City because of the concentration of economic activity and the access points of the financial institutions in this province. Similarly, the provinces of Gitega and Ngozi attract a sizeable share of the loans. In other provinces, the loan volume is still very weak.

Table 32 Ě Outstanding Loans to Individuals by Province as of December 31, 2011

Province	Loans outstanding (million BIF)
Bubanza	978
Bujumbura City	157,563
Bujumbura	799
Bururi	4,792
Cankuzo	572
Cibitoke	2,341
Gitega	11,520
Karusi	619
Kayanza	6,261
Kirundo	3,712
Makamba	3,288
Muramvya	797
Muyinga	3,794
Mwaro	311
Ngozi	11,986
Rutana	1,620
Ruyigi	1,973
TOTAL	212,924

The conversion rate of savings into loans³⁶ is an indicator of the effectiveness of the institutions in providing financial intermediation between those who want to save and those who want to borrow. It is therefore important for institutions to master this indicator to ensure access to credit for the greatest number, given the available financial resources. In the microfinance sector, many consider a conversion rate of 80% to be optimal from the point of view of efficiency and profitability of the institutions, while respecting the criteria of liquidity and prudence in the management of the resources mobilized.³⁷ In the banking sector, particularly in Africa, the conversion rate is usually lower, due to the lack of opportunities offered to finance large viable projects in the local economy.

According to the survey data, the savings conversion rate in the Burundian financial sector is currently 88% for MFIs and 54% for the BFIs. This situation can be considered satisfactory in the aggregate, even if it hides significant disparities between institutions.

In terms of international comparison, Burundi posted a ratio of 12 bank loans outstanding per 1000 adults, which puts it well below the other countries in the sub-region with the exception of the Democratic Republic of the Congo (DRC). However, the ratio of loans per 1000 adults in other depository institutions (ODI) in Burundi is the highest of the five countries selected for purposes of comparison. For the financial institutions as a whole, the ratio per 1000 adults is 43 in Burundi compared to 36 in Tanzania and 47 in Rwanda.

³⁵ Six BFIs and five MFIs were unable to provide this information.

³⁶ The conversion rate of savings is calculated as follows: (loans outstanding/deposits outstanding) x 100.

³⁷ In principle, the calculation of the conversion rate should not reflect the resources that are available to MFIs from donors.

Table 33 – Number of Loans per Capita: International Comparison

Country	Number of bank loans per 1000 adults	Number of ODI loans per 1000 adults	Number of bank and ODI loans per 1000 adults
Rwanda	30	17	47
DRC	3	N/A	N/A
Tanzania	31	5	36
Kenya	75	6	81
South Africa	422	1	423
Burundi	12	31	43

Sources: DID for Burundi (2011); World Bank for the other countries (2009).

N/A: Data not available.

The IMF uses the ratio of the outstanding volume of loans in the financial institutions relative to GDP as an indicator of financial inclusion. However, it is not possible to calculate this ratio for Burundi, since the survey with the financial institutions was only concerned with the loans granted to individuals, to the exclusion of corporate and institutional credits.

5.4 Use of Money Transfer Services

The survey data indicate that 13.2% of the respondents have made money transfers within and outside the country over the past 12 months; this percentage includes both those who received and sent money. Extrapolated to the entire adult population of Burundi, this percentage represents about 500,000 users of these services in the country.

Only half of the money transfers were made through the formal financial system. A more detailed analysis shows that men are twice as likely as women to use the formal transfer systems but women use informal systems (other means) as often as men. Respondents in urban areas are twice as likely as those in rural areas to use the formal money transfer services.

Table 34 – Percentage of Respondents Who Have Transferred Funds³⁸ over the Past 12 Months (n = 3220)

Means Used	Several Times	Once	Total
Bank	1.3%	1.1%	2.4%
Post	0.5%	0.7%	1.2%
Western Union	0.9%	0.8%	1.7%
MoneyGram	0.3%	0.2%	0.5%
Other means	5.2%	2.2%	7.4%
TOTAL	8.2%	5.0%	13.2%

The data provided by financial institutions on their money transfer operations are not complete. Four banks state they handled 57,000 international remittances in 2011. RNP said it had done 43,900 transactions with its EcoKash/ECONET product during the same year. Western Union and MoneyGram companies were not part of the survey.

In the focus groups, barely 5% of participants reported using formal money transfer services; several admitted they were unacquainted with these services. The participants reported they

³⁸ Within or outside the country.

preferred to use the following methods to do a transfer: remitting directly funds to someone else in person (60% of the participants), transferring telephone units to a dealer who would deliver the money in cash to the recipients (13%), doing a bank transfer (11%) and, finally, entrusting funds to a travel agency (5%).

5.5 Combined Use of Financial Services

The degree of depth in the use of formal financial services can be measured by making a cross-sectional analysis of the rates of use of the different products by individuals. Based on the survey data, only 3.9% of the individuals use at least two products and 0.8% use three products. The same analysis reveals that 85.7% do not use any product.

Table 35 Ë Depth in the Use of Financial Services

Degree of Use	Proportion of Respondents
Have only one account	7.9%
Have only one loan	0.3%
Use only money transfer services	1.4%
Have only one account and one loan	1.8%
Have only one account and use the money transfer services	2.0%
Have only one loan and use the money transfer services	0.1%
Have only one account, one loan and use the money transfer services	0.8%
Don't use any product	85.7%
TOTAL	100.0%

5.6 Use of Informal Financial Systems

In Burundi, there are various informal financial systems (associations and *ikirimba*) that organize the collection of savings and provide loans to members in turn on the basis of their weekly contributions. These systems generally involve a few dozen members and contributions vary from 300 to 1000 BIF per week. Loans are granted for small amounts (typically 10,000 to 20,000 BIF) for short periods (typically three months) and at interest rates higher than those charged by financial institutions (between 5 and 10% a month). Associations of farmers and merchants play the same role. These systems are not supervised or controlled by BRB, so they have a higher risk for their users.

The survey indicates that 14% of the respondents saved regularly in such systems during the past 12 months, 12% of whom are in a group or association and 2% in an *ikirimba*. This rate of participation means that around 540,000 people may be saving in the informal financial sector in Burundi.

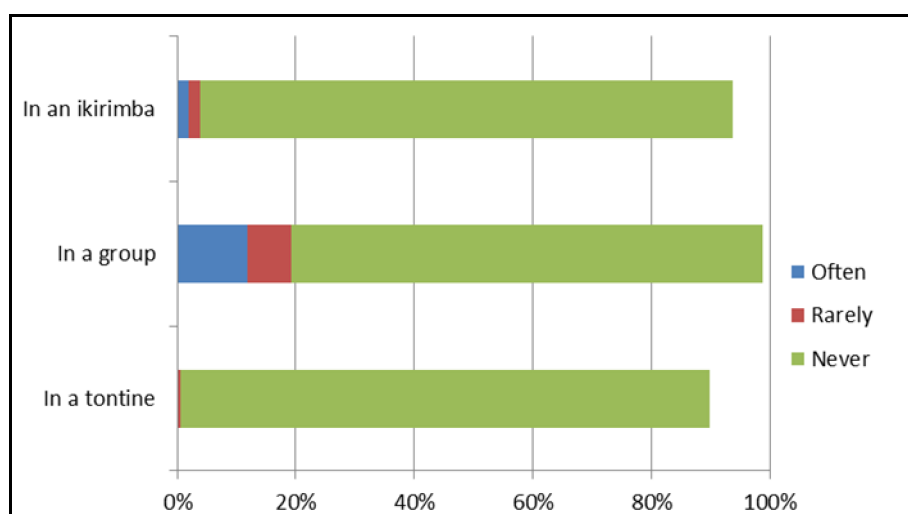
These systems are scattered in all of the provinces of the country, including provinces such as Cibitoke, Makamba, Muramvya and Bururi where there are a relatively large number of access points of the formal financial institutions. The province of Ruyigi registers the lowest rate of participation in informal systems in the country (5.7%). The rate of participation is also low in Bujumbura City (8.4%) where the formal financial services offer is highly developed.

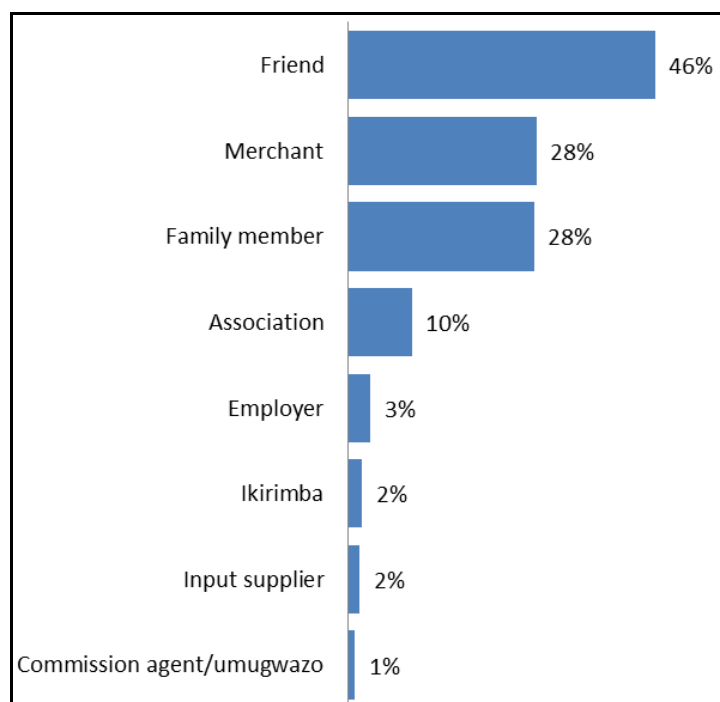
Participation in these systems has no significant variation in relation to gender, age, place of residence, level of literacy and economic status of the respondents.

More than 80% of the participants in the informal savings systems have also obtained a loan in the past 12 months. During the same period, a relatively large number of respondents report having obtained a loan from a friend (46%), a family member (28%), a merchant (28%), their employer (3%) or supplier (2%). Only 1% of the respondents say they have obtained a loan from a commission agent.

In the focus groups, two-thirds of the participants said they knew about these systems and one-third reported they were members of such associations, with a membership rate exceeding 50% among the participants from the provinces of Kirundo, Kayanza, Mwaro, Ruyigi and Cankuzo.

**Graph 24 – Savings in Informal Financial Systems in the Past 12 Months
(n = 3220)**



Graph 25 – Percentage of Respondents Who Have Received a Loan from an Informal Source in the Past 12 Months (n = 3220)**Table 36 – Rate of Participation in Informal Savings Systems by Province**

Province	Rate of Participation
Bubanza	12.0%
Bujumbura City	8.4%
Bujumbura	14.5%
Bururi	16.9%
Cankuzo	10.4%
Cibitoke	23.3%
Gitega	12.7%
Karusi	10.9%
Kayanza	12.5%
Kirundo	19.4%
Makamba	20.7%
Muramvya	16.0%
Muyinga	17.2%
Mwaro	20.1%
Ngozi	13.8%
Rutana	12.0%
Ruyigi	5.7%
TOTAL	14.1%

5.7 Conclusions With Respect to the Usage of Financial Services

An analysis of the use of formal financial services in Burundi reveals the following key elements:

- “ A majority of the Burundian population claims to save regularly, but these savings are kept to a large degree outside the financial institutions.
- “ The number of depositors/clients and the number of borrowers per 1000 adults in Burundi is the lowest in the sub-region for banks and the highest for the MFIs. These ratios lead one to believe that the Burundian banking sector is particularly %exclusive+and that the MFI sector is much more %inclusive.+
- “ Use of formal financial services is not quite deep:
 - 12.5% use a savings account;
 - 2.9% have a loan;
 - the vast majority of the depositors have only one account and the vast majority of the borrowers have only one loan;
 - 4.7% use at least two products;
 - 85.7% don't use any product.
- “ The use of formal financial services is not very sustainable:
 - only 41% of those with an account in a financial institution have been there for more than five years;
 - the account holders most often make cash deposits and withdrawals. Transactions such as requesting a statement, paying bills, cashing a check and ordering a payment are used very little.
- “ The average amount of savings per customer is 20 times higher in banks than in MFIs and the average loan amount is nine times higher. Hence, one notes that these two categories of institutions operate in different markets.
- “ The deposit volume is strongly concentrated in Bujumbura City where the head offices of the institutions are located. This may hinder the granting of the loans in the interior of the country.
- “ The loan portfolio is also concentrated in Bujumbura City. The provinces of Gitega and Ngozi also attract a sizeable share of the loans. In other provinces, the loan volume is still very weak.
- “ 13.2% of the survey respondents transferred money within or outside the country during the last 12 months, but only half of the money transfers were done through the formal financial system.
- “ 14% of the respondents saved in the informal systems during the past 12 months, which represents approximately 540,000 persons. The number of loans obtained through these systems may be 3 to 4 times higher than the number of loans granted by the financial institutions.
- “ In short, the Burundian population uses the informal financial systems more than the services offered by financial institutions, whether to save, borrow or make funds transfers. The recourse to the informal systems may be due to many factors including the greatest accessibility of these systems, the lack of financial literacy and knowledge about financial institutions, the distance from the access points of the institutions and the obstacles -real or perceived -to access their services, as well as other socio-cultural factors. The challenge of financial institutions thus consists of informing and convincing the population about the advantages related to the modern formal financial services compared to the informal or traditional systems.

6.0 QUALITY OF FORMAL FINANCIAL SERVICES

6.1 Key Quality Indicators

The quality of the formal financial services is an important aspect of financial inclusion since the population must not only have access to the services of the financial institutions and use them, but they must also be satisfied with the services actually received.

It is inevitably more difficult to measure the quality of the services compared with the dimensions of the access or degree of use. For the purposes of this survey, the survey questionnaire included several closed questions on the relative degree of satisfaction of the respondents with respect to savings products, loan terms and money transfer services offered by the formal financial institutions, as well as the relative degree of confidence in the informal financial systems. In addition, the focus group discussions were oriented to indicate more qualitative aspects related to the supply and demand of financial services.

On the general perception of the financial institutions:

- ~ banks are known to be interested only in salaried employees and large trading companies (57% of the survey respondents). On the other hand, they are perceived as more reliable than the informal systems or their home to protect savings (93% of respondents);
- ~ 49% of respondents believe that savings and credit cooperatives are institutions owned by their members and run by their members;
- ~ 43% of the respondents believe that MFIs are small banks that serve the most vulnerable.

Therefore, there is a misperception of the respondents on the mission of certain institutions compared to what it should be.

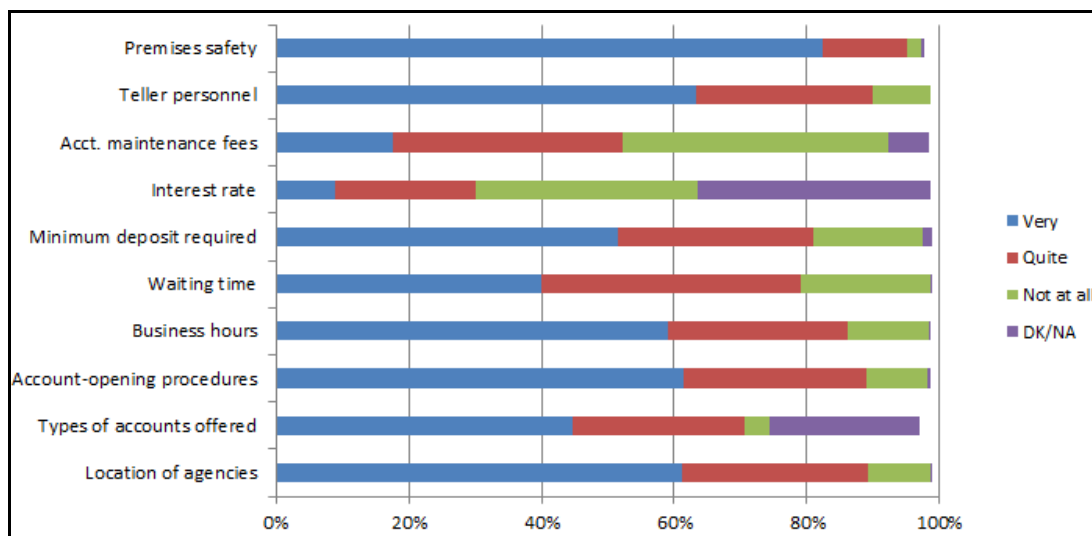
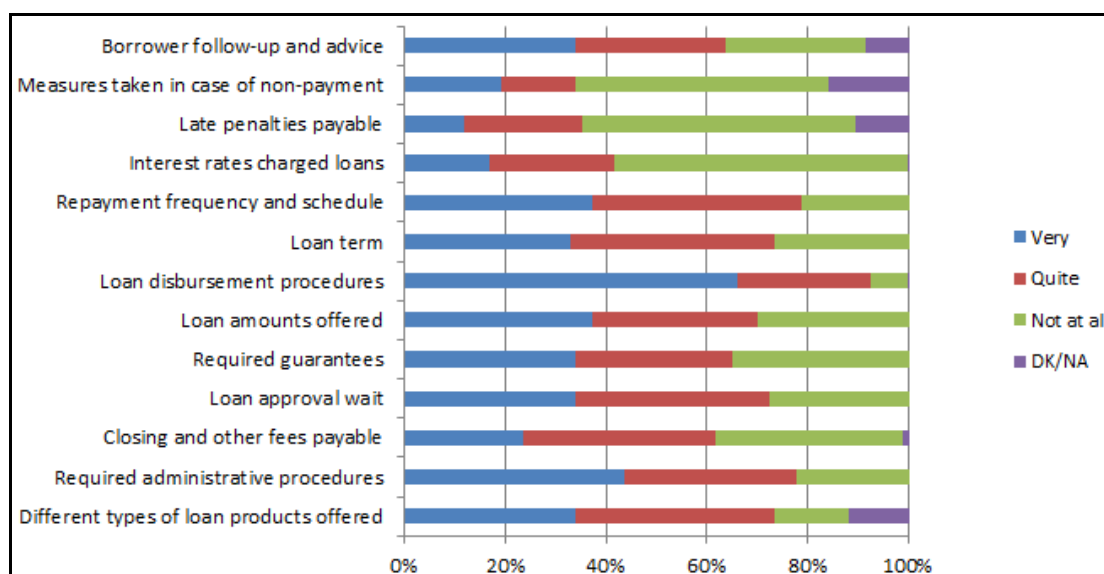
Regarding user satisfaction with the savings services offered by the financial institutions:

- ~ the rate of satisfaction³⁹ is the highest for security of the premises (95% of the respondents), location of the agencies (89%), account-opening procedures (88%), business hours (86%) and minimum deposit required (80%);
- ~ the rate of satisfaction is weaker in comparison with the account maintenance expenses (53% of the respondents) and the rate of interest paid on savings (30%).

Regarding user satisfaction with the loan services offered by the financial institutions:

- ~ the rate of satisfaction is the highest for the loan-releasing procedures (87% of the respondents), the repayment schedule (74%), the administrative procedures to be met (73%), the types of products offered (69%), loan terms (69%), the length of time it takes for approval (68%) and the amounts offered (66%).
- ~ the rate of satisfaction is weaker with respect to the required guarantees (61% of the respondents), follow-up and borrower counseling (60%), closing fees and commissions payable (58%), interest rates (39%), late penalties (33%) and measures taken in the event of non-repayment (32%).

³⁹ Respondents who say they are ~~very~~+and ~~quite~~+satisfied are included in the rate of satisfaction.

Graph 26 – Satisfaction with the Savings Services Offered by Financial Institutions (n = 404)**Graph 27 – Satisfaction with the Credit Services Offered by Financial Institutions (n = 94)**

Considering the perspective of the financial institutions, an important indicator of the quality of the loan services is the percentage of the portfolio at risk (PAR) and the provisioning rate for doubtful debts. Most of the institutions provided information on these two indicators in the survey questionnaire; however, prudence is called for in the interpretation of these figures in the absence of any external control of the information. In addition, several institutions reported a 90 days PAR rate higher than the 30 days PAR rate, which is not possible.

Bearing in mind these caveats, the BFIs report a 30 days PAR ranging from 0% to 6% with an average of 2.8% and a loan-loss rate of provision ranging from 0.1% to 4.4% with an average of 2%.⁴⁰ For their part, the MFIs report a 30 days PAR ranging from 0% to 50% with an average of

⁴⁰ Six institutions provided this information.

13% for individual loans and an average of 7% for group loans. The declared provision is 4% on the average, i.e., twice as high as the BFIs.⁴¹

With respect to the satisfaction with the formal financial services offered by the Post, here are the observations of the participants in the focus groups in descending order of importance:

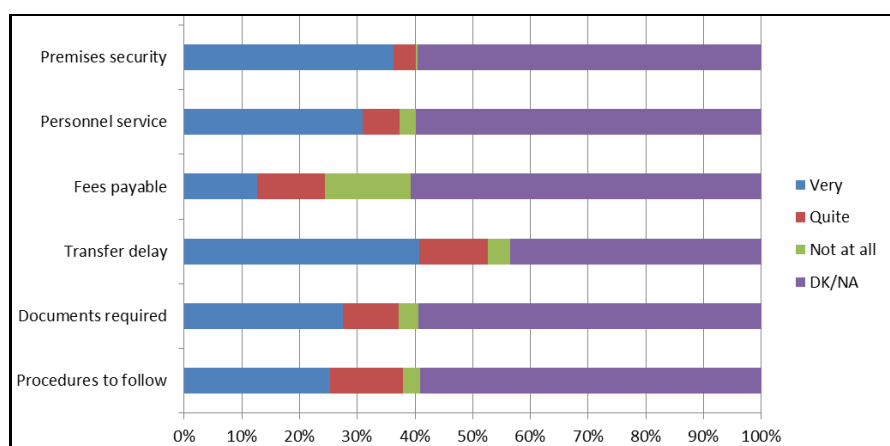
- “ the Post has to raise the population’s awareness of its services because they are too little known.
- “ the Post needs to improve its service to the clientele: the reception area is too small and poorly equipped; service is slow with insufficient order.
- “ the Post should diversify its loan products.
- “ the Post should reduce its interest rate and account maintenance and transaction fees.
- “ the money-transfer and salary-payment services are fast.
- “ the Post should change its way of doing things and improve its management.
- “ the Post is at the service of the officials.
- “ the Post should develop its network of agencies.

As for satisfaction with the money transfer services offered by Western Union, MoneyGram and the National Postal Authority (RNP), almost all of the participants in the focus groups said they were unacquainted with these services and expressed the wish to become better informed about them. They also found that these services seem very practical but that the monetary poverty prevents them from using them. Some participants expressed the following opinions:

- “ Western Union is an exceptional way of transferring money, it is so fast. However, the transaction fees are very high, which limits the transferring of small amounts inside the country.
- “ the same goes for EcoKash, which is an easy, fast and sure way of transferring money, but with very high commissions.
- “ transfers received from abroad should be paid in the sender’s currency.

For their part, the survey respondents who use the money transfer services for the most part appreciate the transfer periods, the security of the premises, the service of the personnel and procedures to be followed. They are less appreciative of the fees to be paid (38% dissatisfied).

Graph 28 – Satisfaction with Money Transfer Services (n = 203)



More than 80% of the survey respondents say they have less confidence in the informal systems (associations, *ikirimba*) than in the financial institutions when it comes to savings. Although this

⁴¹ Seventeen institutions provided this information.

proportion is reassuring, it should be noted that 4.2% of the latter have as much confidence in the informal sector and only 1.9% have more confidence in it.

As for the participants in the focus groups, they expressed the following key opinions on the informal savings systems:

- “ this is an easy way to avoid using up all of one's income.
- “ loans are fast, granted at a proper time and without a guarantee.
- “ loans are granted interest-free or at a very low rate.
- “ in cases of an emergency, members yield their rank.
- “ the necessary capital is more easily mobilized to achieve one's project, when this money could not be obtained otherwise.
- “ the weak financial capacity of the group means that loans cannot be granted to several members at the same time satisfactorily.
- “ these systems make it possible to establish new social relationships.
- “ the associations grant non-repayable financial aid if social problems arise (such as a death).
- “ savings are not secured and are exposed to the risk of theft of the funds because the contributions are kept by a member of the association (the treasurer).
- “ the group is exposed to cheating by members who do not pay their dues or leave the group once they have received a loan, jeopardizing the continuation of the group's activities and preventing others from getting a loan.
- “ the courts refuse to hear cases of conflicts arising from this type of association without a legal status.

With regard to the loans granted by usurers (commission agents and merchants):

- “ there is no other choice because the banks and MFIs don't trust us.
- “ getting a loan is very fast and can meet urgent needs.
- “ it isn't necessary to open an account; no prior savings are required.
- “ interest rates on loans are very high (10 to 30% per month).
- “ the guarantees requested are more accessible than in a bank or a MFI (a car, a fridge, furniture, land, plantation, etc.).
- “ the loan makes it possible to take care of an emergency in a consistent and profitable project.
- “ this type of loan is used for the purchase of provisions during a lean period, for the purchase of agricultural inputs, in case of illness or accident, in case of a delay in the payment of wages, in case of a threat of imprisonment for non-payment of a debt, to pay the tuition fees of children, etc.
- “ those who use this system are generally the military and educators.
- “ transactions are not secured in the absence of regulations.
- “ often at maturity, one is unable to pay back and forced to liquidate an asset at a low price to avoid prison.
- “ the borrower loses when he is forced to sell his standing crop because, at that time, he does not yet know the final performance and the market price.
- “ when the creditor comes to collect the pledged family assets, the household collapses.
- “ many cases like this end up in court.
- “ ultimately, these loans are tied to poverty, but they only aggravate the borrower's situation.

Finally, the participants in the focus groups mention the following key reasons that prevent them from using the formal financial services offered by the banks, MFIs and the National Post:

- ~ monetary poverty, i.e., low incomes in rural areas;
- ~ lack of information about available financial services;
- ~ long distance from the financial institutions;
- ~ excessively high amount required to open an account;
- ~ high fees for account maintenance;
- ~ guarantees - difficult to obtain - required by the banks and the MFIs;
- ~ requirement to be endorsed by a salaried employee in order to get a loan;
- ~ assets that could be used for a mortgage are not recorded or recognized;
- ~ loans granted by the banks and the MFIs are not adapted to the needs of farmers;
- ~ lack of small loans to finance income-generating activities (IGAs) in rural areas;
- ~ fear of contracting a loan and getting into debt.

6.2 Conclusions with Respect to the Quality of Financial Services

An analysis of the quality of formal financial services in Burundi reveals the following key elements:

- ~ there exists within the population a misperception of the mission of certain institutions compared to what it should be.
- ~ concerning the savings services offered by the financial institutions, the rate of satisfaction is high for the safety of the premises, location of the agencies, account-opening procedures, business hours and minimum deposit required. The rate of satisfaction is weaker in comparison with the account maintenance fees and the interest paid on savings.
- ~ more than 80% of the respondents to the survey say they have less confidence in the informal systems than in the financial institutions when it comes to savings.
- ~ as for the loan services, the satisfaction rate is high for the loan-releasing procedures, the amortization schedule, the administrative procedures to be met, the types of products offered, loan terms, the time it takes for approval and the amounts offered. The rate of satisfaction is weaker with respect to the required guarantees, the follow-up and the borrower counseling, the closing fees and fees payable, the late penalties and the measurements taken in the event of non-repayment.
- ~ as for the quality of the loan portfolio, a 30 days PAR is estimated in the aggregate at 13% for the MFIs, which is clearly above the acceptable standard of 5%. This situation should receive special attention from the MFIs in question.
- ~ with regard to the loans granted by usurers, the participants in the focus groups consider the access to be very fast and easy but that this type of loan only aggravates the people's poverty situation.
- ~ as for the money transfer services offered by Western Union, MoneyGram and the RNP, the participants said they were unacquainted with these services and expressed the wish to become better informed about them.
- ~ the participants identified monetary poverty as being the principal obstacle to the use of the services offered by the financial institutions.
- ~ it appears that the quality of the services offered by the financial institutions is not called into question. The majority of the participants in the survey report that they prefer the services of the banks and the MFIs compared to other options, but actually few of them use them. This paradox can be explained by the weakness of monetary income among a large part of the population, which limits their actual ability to participate in the financial system. Ultimately, it is the country's economic resurgence which will be the main driver behind a wider access to financial services.

7.0 KEY FINDINGS AND RECOMMENDATIONS

7.1 Global Measurement of Financial Inclusion in Burundi

Based on the survey findings, it is now possible to profile financial inclusion in Burundi in 2012. The key indicators developed by the AFI, the IMF and the FIDWG are shown in the table below.

Table 37 – Key Financial Inclusion Indicators in Burundi

Indicator	Reference	Value
Number of licensed financial institutions	IMF	33
Number of access points	IMF	492
% of access points in urban areas	IMF	34.6%
Number of access points per 1000 km ²	IMF	17.7
Number of access points per 100,000 adults	IMF/FIDWG	12.9
Number of ATMs	IMF	27
% of ATMs in urban areas	IMF	96.3%
Number of ATMs per 100,000 adults	IMF	0.7
% of communes with at least one access point	FIDWG	95.4%
% of the adult population living in communes with at least one formal access point	FIDWG	97.0%
% of the adult population living within 8 km of a formal access point	BRB	49.4%
% of the adult population with at least one deposit account in a licensed financial institution	FIDWG	12.5%
Number of accounts/client	IMF	831,454
Number of accounts/customers per 1000 adults	IMF/FIDWG	218
Total amount outstanding of the deposits of individuals (millions of BIF)	IMF	554,500
% of the adult population with at least one loan account in a licensed financial institution	FIDWG	2.9%
Number of loans outstanding	IMF	163,389
Number of loans outstanding per 1000 adults	IMF/FIDWG	43
Total amount outstanding of loans to individuals (millions of BIF)	IMF	329,590

Source: 2012 survey data

Table 38 compares the situation in Burundi to that of two neighboring countries that have achieved comparable levels of development - Rwanda and Tanzania - for several key indicators of financial inclusion. This reveals that:

- ~ with regard to the density of the access points in relation to the population, Burundi is placed before the two neighboring countries;
- ~ with regard to the ATMs, their deployment is comparable to that observed in Rwanda, but significantly lower than that of Tanzania;
- ~ the number of depositors/clients per 1000 adults in Burundi is much lower in banks and much higher in MFIs, compared to the two neighboring countries;
- ~ the number of borrowers in relation to the population is comparable among all three countries.

All things being equal, these comparisons reveal that Burundian banks in particular have to strive to include a larger portion of the population in their clientele.

Table 38 – Selected Financial Inclusion Indicators for Burundi, Rwanda and Tanzania

Indicator	Burundi	Rwanda	Tanzania
Bank access points per 100,000 adults	3.6	2.3	1.9
ODI access points per 100,000 adults	9.3	9.4	2.1
Number of ATMs per 100,000 adults	0.7	0.8	3.4
Number of bank depositors/clients per 1000 adults	48	224	135
Number of ODI depositors/clients per 1000 adults	170	127	30
Number of bank and ODI borrowers per 1000 adults	43	47	36

Sources: 2012 survey data for Burundi; World Bank for the other countries (2009).

Another frequently used measure is the scale of financial inclusion⁴² developed through the various FinScope surveys conducted by the firm FinMark Trust in East and Southern Africa over the past several years.⁴³ This scale classifies the adult population⁴⁴ into four different groups as follows:

- ~ the first group consists of those who have an account in a bank. In Burundi, this group represents 3.7% of the adult population. This places Burundi far behind countries such as Tanzania, Rwanda, Kenya and Uganda.
- ~ the second group consists of those who have an account in another non-bank formal financial institution. In Burundi, this group represents 8.8% of the adult population. This places Burundi at the forefront in the sub-region, since this proportion varies between 2% and 9%, depending on the country.
- ~ the third group consists of those who don't have an account in the formal financial sector but who are members of an informal financial system (not legally recognized), such as savings and credit associations. This segment is important because it is the group most likely to be integrated into the formal financial sector in the coming years. In Burundi, this group represents 14.2% of the adult population. This places Burundi behind Rwanda, Tanzania, Uganda and Kenya.
- ~ finally, the fourth group is composed of those who are entirely excluded from the financial system. In Burundi, this group accounts for 73.3% of the adult population. This places Burundi last, compared to all the countries of the sub-region. By comparison, the exclusion rate reaches 27% in South Africa, 30% in Uganda, 52% in Rwanda, 54% in Tanzania, 55% in Malawi and 63% in Zambia.

⁴² *Financial Access Strand.*

⁴³ In this international comparison, it should be noted that the data from the other countries go back several years and that their rate of financial inclusion may have changed.

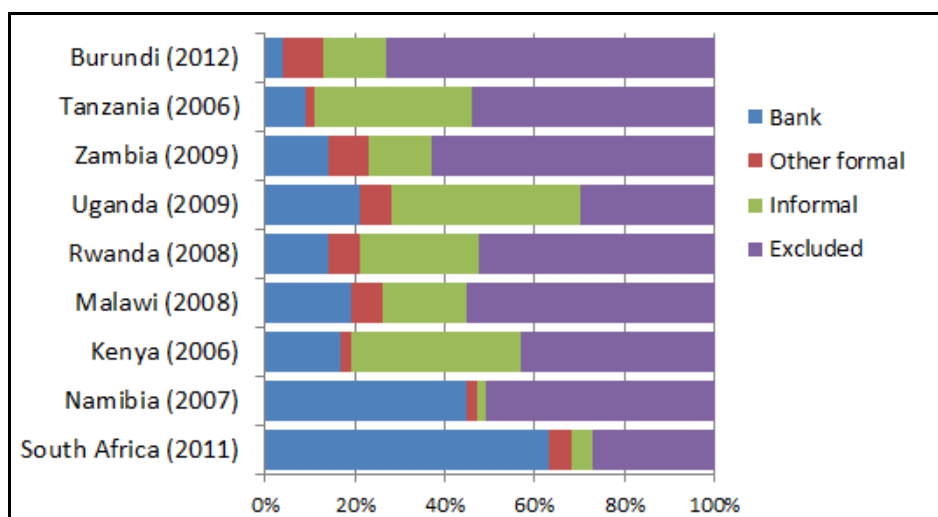
⁴⁴ The definition of the adult population may vary from one country to another. In Burundi, it is the population aged 18 and over.

Table 39 Ë Scale of Financial Inclusion: International Comparison

Country	% of the Adult Population with an Account in:			% Excluded (No Account)
	A Bank	Another Formal FI	An Informal System	
Burundi	4%	9%	14%	73%
Rwanda	14%	7%	26%	52%
Tanzania	9%	2%	35%	54%
Uganda	21%	7%	42%	30%
Malawi	19%	7%	19%	55%
Zambia	14%	9%	14%	63%
Kenya	17%	2%	38%	43%
Namibia	45%	2%	2%	51%
South Africa	63%	5%	5%	27%

Sources: 2012 survey data for Burundi; FinMark Trust for the other countries.

Graph 29 Ë Profile of Financial Inclusion: International Comparison



Sources: 2012 survey data for Burundi; FinMark Trust for the other countries.

7.2 Global Measurement of Financial Inclusion by Province

Table 40 contains three key indicators relating to access and use of formal financial services by province. These indicators are:

- ~ the number of access points per 10,000 adults (IMF and FIDWG indicator);
- ~ the % of the adult population living less than 8 km from a access point (BRB indicator);
- ~ the % of the adult population with at least one loan account in a financial institution (FIDWG indicator).

For each indicator, an index was assigned to each province based on the following calculation:

$$(\text{Value of the province indicator} / \text{national indicator value}) * 100$$

The arithmetic average of the indices for each of the three indicators makes it possible to find an global financial inclusion indicator for each province.

This indicator shows the following:

- ~ the province of Bujumbura City is largely ahead of all the other provinces in terms of financial inclusion. The indicators in this province show a satisfactory level of financial inclusion with, in particular, 94% of the adult population living less than 8 km from a access point and 43.7% have at least one account in a financial institution;
- ~ four (4) other provinces are above the national average for these three indicators, i.e., Bururi, Gitega, Mwaro and Makamba. However, the rate of financial inclusion in these provinces is not satisfactory;
- ~ four (4) provinces are about 15% below the national average, i.e., Cibitoke, Kayanza, Muramvya and Bubanza;
- ~ five (5) provinces are 25% to 30% below the national average, i.e., Ngozi, Muyinga, Kirundo, Cankuzo and Bujumbura;
- ~ three (3) provinces are 40% to 60% below the national average, i.e., Karusi, Rutana and Ruyigi.

So the BRB has an important role to play in encouraging the financial institutions to further develop their offer of services in the most underserved provinces.

Table 40 Ë Combined Financial Inclusion Indicator by Province

Province	Access points per 10,000 adults	Index	% of adults living within 8 km from an access point	Index	Ratio of account holders	Index	COMBINED INDICATOR (see note)
Bujumbura City	4.12	319	94%	192	43.7%	350	287
Bubanza	0.67	52	45%	92	13.6%	109	84
Bujumbura	0.61	47	42%	86	9.5%	76	70
Bururi	1.07	83	63%	129	16.0%	128	113
Cankuzo	0.95	74	30%	61	9.6%	77	71
Cibitoke	1.01	78	44%	90	11.3%	90	86
Gitega	1.66	129	56%	114	10.2%	82	108
Karusi	0.71	55	41%	84	4.0%	32	57
Kayanza	0.90	70	50%	102	10.3%	82	85
Kirundo	0.72	56	42%	86	10.3%	82	75
Makamba	2.27	176	37%	76	6.7%	54	102
Muramvya	1.13	88	59%	120	5.6%	45	84
Muyinga	0.86	67	41%	84	9.2%	74	75
Mwaro	1.03	80	72%	147	10.1%	81	103
Ngozi	1.29	100	37%	76	6.7%	54	76
Rutana	1.00	78	32%	65	2.7%	22	55
Ruyigi	0.89	69	11%	22	4.0%	32	41
TOTAL Ë Burundi	1.29	100	49%	100	12.5%	100	100

Note: The combined indicator is obtained by obtaining the simple arithmetic average of all three indices.

7.3 Summary of the Key Findings of the Survey

The first national survey on financial inclusion in Burundi leads to the following key findings:

Supply Related Findings

1. The supply of formal financial services in Burundi is relatively diversified with 33 financial institutions providing services to the population composed of 8 banks, 2 financial institutions, 22 MFIs and the National Postal Authority.
2. With 492 access points, the geographic coverage of financial institutions appears relatively adequate. However, the distribution of the access points is very uneven in the territory and a number of provinces and communes are still underserved. In general, the population in rural areas especially has access to the SACCOs and the post offices of the National Postal Authority (RNP).
3. The MFIs began by offering the same products as the banks but are increasingly looking to innovate and develop products better tailored to the specific needs of the low-income clientele.
4. There is a great disparity in interest rates charged on the loans in the microfinance sector. These rates may vary from 6 to 48% per annum. In addition, the rates are often calculated using the straight-line method, which hides the actual rate charged to the clientele.
5. The RNP recently launched itself into an expansion of its financial services, including the introduction of a mobile phone money transfer service that has already recorded some success.

Access Related Findings

6. Approximately 50% of the adult population live more than 8 km from the nearest financial institution and 44% need more than 60 minutes to get there. The distance to travel to reach a access point is, therefore, a major obstacle to accessing financial services.
7. Only 12.5% of the adult population have an account in a financial institution. 3.7% of the adults have an account in a bank, 3.7% in an MFI, 4.1% in a SACCO and 2.3% in the National Postal Authority (RNP). About 3.3 million adults don't have an account.
8. The proportion of the excluded is higher among women, youth, rural populations, people with low incomes, farmers and other workers in the informal sector.
9. The clientele of the financial institutions are mainly composed of officials and other salaried employees in the formal sector and, less markedly, merchants. Their level of literacy and income is above the average.
10. The ratio of account holders is the lowest in the provinces of Ruyigi, Karusi and Rutana where it does not exceed 5% of the adult population.
11. Women constitute only 28% of MFIs clients, which is different from the situation experienced in most other countries.
12. The proportion of adults who report saving on a regular basis reaches 63%, but most prefer to keep their savings or invest their savings outside the financial system.
13. Access to formal financial services is limited primarily by the monetary poverty pervading a large part of the population, by unawareness of the formal financial services available, lack of financial literacy and distance from the access points in rural areas. Access to banks is also constrained by the requirements of a minimum deposit and regular account deposits, which exceed the financial capacity of most people. MFIs are much less demanding in this regard, but the general public is unaware of most of them.
14. The phenomenon of kiting by clients observed in many African countries still appears not to have affected Burundi. Few persons report doing business with several financial institutions, whether for savings or credit.

Usage Related Findings

15. Barely 3% of the adult population may have benefited from a loan in the past 12 months. The key obstacles to accessing credit are the difficulty in opening an account, the mismatch between the products offered by the financial institutions and the needs of the population (including informal-sector workers) and the difficulty of putting together the collateral required by both banks and MFIs.
16. Aside from the overdraft facilities, housing or real estate loans represent the largest share of the loan volume granted by financial institutions. Production credit is also in high demand, whether for farming activities, trade or IGAs.
17. A very large share of the deposits is kept in the head offices of the financial institutions in Bujumbura City, which may restrain lending activities in the region.
18. The outstanding volume of the institutions' loans is 85% concentrated in the provinces of Bujumbura City, Gitega and Ngozi.
19. The average outstanding amount of deposits is 20 times higher in the banks than in the MFIs, while the average amount of loans outstanding is nine times higher in banks. So it is observed that these two categories of institutions operate in separate markets.
20. The banks and MFIs have experienced very strong growth in their business in 2011 compared to 2010, for both deposit mobilization and loan-granting. It remains to be seen if 2011 is a real turning point for the sector or a single exceptional year.
21. Approximately 500,000 people make money transfers at least once a year, but less than half of them do so through the formal financial sector.
22. Barely 1% of the population have a credit card, debit card or ATM card. The number of automated teller machines (ATMs) is very limited and concentrated in Bujumbura City.
23. Exclusion from the formal financial sector has the effect of promoting the development of alternative unregulated systems and savings and credit associations (*ikirimba*). Approximately 14% of the adults report saving regularly in these associations and 80% say they received a loan there in the past 12 months. This represents approximately 440,000 loans granted through these associations, compared to 110,000 by the financial institutions during the same period.
24. Others turn to usurers to obtain emergency loans. However, the interest rates charged are extremely high and may lead to the depreciation or loss of the collateral in addition to enmeshing the borrowers in a vicious circle of poverty.

Quality Related Findings

25. There exists among the population a misperception of the mission of certain institutions compared to what it should be.
26. The rate of satisfaction in relation to the savings services offered by the financial institutions is generally high: 75% of participants in the focus groups report preferring to save in a financial institution rather than investing their savings in assets or keeping them at home.
27. The rate of satisfaction compared to the credit services offered by the financial institutions is the weaker due to collateral requirements, application fees and commissions, interest rates, late payment penalties and measures taken in case of non-repayment. Only 35% of the participants in the focus groups say they prefer to borrow from a bank or an MFI rather than from informal sources.

7.4 Recommendations

This section provides recommendations regarding directions and measures to be taken by the sector's stakeholders to promote financial inclusion in Burundi.

The definition of financial inclusion adopted by the BRB is as follows:

Permanent access by the adult population to a set of financial products and services (i) offered by formal and sustainable financial institutions, governed by adequate regulations, (ii) that are diversified, affordable and adapted to the needs of the population, and (iii) used by the latter for the purpose of contributing to the improvement of the conditions of their socioeconomic life.

For the purposes of discussion, the recommendations have been grouped around the following topics:

- ~ Role of government;
- ~ Role of banks and financial institutions;
- ~ Role of SACCOs and FENACOBUR;
- ~ Role of other MFIs;
- ~ Role of sectorial associations;
- ~ Role of the BRB.

Indeed, the challenges are numerous, varied and complementary, so it is important for all of the stakeholders to put their shoulder to the grindstone and make the contributions expected from them in the promotion and development of an inclusive financial sector. This presentation format also has the merit of placing the responsibilities on specific stakeholders, which will facilitate monitoring and evaluation of the progress achieved by the BRB and the Government of Burundi.

Role of Government

As in all other spheres of public life, the government is responsible for ensuring the wellbeing of the people of Burundi by implementing the actions, programs and setting up infrastructures needed to ensure better access to financial services. Everyone knows that the existence of an open and dynamic financial sector is a condition *sine qua non* for the development of the national economy's potential. Access to credit, in particular, can meet the aspirations of the people for the improvement of their employment (including self-employment) and living conditions.

Recommendations addressed to the Government are:

- i. Implement the National Strategy and Action Plan for Developing the Financial Sector and adopt the National Microfinance Policy and Strategy document, which was drafted at the initiative of the Ministry of Finance and Economic Development Planning in January 2012.
- ii. Implement an accelerated and affordable program for recording land and constructed buildings in the communal land registry. For a number of years, many governments have seen the importance of providing a legal property title to the most disadvantaged to enable them to use such a document to secure a loan. By facilitating access to credit for the greatest number, securitization programs have a direct impact on the development of local entrepreneurship and reducing poverty.
- iii. Develop a financial literacy program that can be inserted into the secondary literacy curriculum in order to raise awareness among youth aged 12 to 16 years based on the basic principles concerning the value of money, the functioning of the financial sector, knowledge of financial institutions, knowledge of the concepts and terms used in the financial sector, the development of an economic project, proper use of credit, consumer rights and protection, etc. This mission also involves the BRB.
- iv. Avoid as much as possible directly intervening in the financial sector through the creation of publicly owned financial institutions, by the direct or indirect control of the governance and the management of financial institutions, by the establishment of subsidized credit programs or by the assessment of taxes and other fees specific to the operators. Exceptionally, the Burundian government might want to intervene in the sector to correct structural problems in the provision of formal financial services or to prevent bankruptcy situations threatening the stability of the sector.

In a more general way, it is clear that the low rate of financial inclusion is the result of monetary poverty and the low school enrollment rates prevailing in the country. In this regard, the government is urged to continue its poverty reduction programs and its investment in the literacy sector. Ultimately, it is the country's economic and social resurgence that will be the main driver behind a broader access to financial services.

Role of Banks and Financial Institutions

The bank account penetration rate of Burundi's population is very low compared to other countries in the sub-region. Clearly, Burundian banks have not been concerned with financial inclusion so far and have been content to target the market of salaried government and private-sector employees, as well as, to a lesser extent, merchants (in addition to corporate and institutional accounts, which constitute the bulk of their activities). At the same time, no regulatory action requires banks to open their doors and adapt their conditions to a more disadvantaged clientele. In fact, they see no value in serving this clientele because it is more expensive to serve them and the return is much lower; the cost-benefit ratio is not at all favorable.

The recommendations to the BFIs, therefore, concern the following options:

- i. Put forth efforts to reach a broader clientele without thereby abandoning the objectives of profitability by adopting one or other of the following downscaling strategies:
 - “ creation of a subsidiary unit wholly devoted to microfinance clients. This strategy might make sense inasmuch as the bank has excess liquidity that can yield more by being invested in a microcredit portfolio (provided it is well managed). In addition, it allows the bank to improve its image among the population and to fulfill its mission of corporate responsibility.
 - “ establishment of teller window devoted to the clientele of the micro, small and medium-sized enterprises within the bank. In most countries, including Burundi, this clientele is generally poorly served because their credit needs are above the MFIs and below the banks (typically between 5 and 50 million BIF). Experts refer to this situation as the “gap in the middle.” The cost-benefit ratio for this clientele is more advantageous than for the microfinance segment. This strategy would be particularly suited to the BNDE, given its fundamental mission.
 - “ deployment of a network of bank agents in the country's rural areas. In recent years, this strategy has been successfully implemented in countries such as Kenya and India, with large rural populations that were excluded from the financial sector due to their remoteness from major centers. The bank's agent may be a merchant in the village who is selected based on strict criteria to act as a representative of the bank in his community. The merchant has a miniaturized window (*mini ATM*), which enables him to do basic deposit, withdrawal and loan disbursement and repayment transactions in exchange for a commission. Clients can be identified safely using a smart card. This business model allows banks to effectively reach a new clientele at an extremely low cost without having to invest in buildings and staff.
 - “ establishment of a system of financial transactions by cell phones in partnership with telecommunication companies. The best known example of this system is M-PESA, which today reaches millions of people in Kenya and Tanzania. The cell phone allows users to do basic financial transactions without having to travel by sending or receiving telephone units, which is of particular interest to merchants and farmers. In addition, users can accumulate savings in their phone, which in a way becomes an electronic wallet. The system is simply secured by an access code. The bank can thus reach a broad customer base that would otherwise be unreachable without having to invest in new infrastructures. The bank has to pay a commission to the telephone operator but saves money with regard to teller windows staff.
 - “ provision of credit lines to MFIs to enable them to increase their loan volumes. This is an indirect way for a bank to expand its market and diversify its loan portfolio while avoiding having to deal with a microfinance clientele on a daily basis.

Role of SACCOs and FENACOBU

With offices located in nearly 100 communes, the network of SACCOs is now the leading local financial institution in Burundi. The network officially has 223,000 members, making it by far the main point of access to formal financial services in the country. It is clear that this network and its apex structure FENACOBU can play a major role in improving financial inclusion in Burundi. Unfortunately, the SACCOs are too often associated with salaried employees. The loan products offered are not tailored to the profile of the Burundian population, leaving a large segment of the population without formalized financial services; accordingly, they do not always meet the needs of the majority of the population who rely on agriculture, livestock, small businesses and other IGAs. The membership remains low in several agencies and the governance approach is top-down rather than bottom-up, which should characterize a cooperative network. The management information system is not efficient; all of these deficiencies must be corrected quickly in order to generate renewed interest and greater membership in the network.

Recommendations to the network executives, therefore, relate to the following actions:

- i. plan over a maximum of five years to reopen all of the SACCOs closed during the crisis in order to establish a comprehensive coverage of the entire country. This effort should be done in close consultation with the local authorities and affected populations.
- ii. ensure that the Annual General Meetings will be held in all of the SACCOs with a high participation by members. Arrangements must also be during the AGMs so that the activity report and the financial report are duly presented to the members by the Chairman of the Board of Directors and the members of the various bodies are elected with application of the principle of rotating the elected leaders. It should be noted that the BRB has an oversight role to play in relation to the effective implementation of this action.
- iii. continue the process of computerizing the network by creating remote computerized processing centers for the smallest agencies or that do not have access to electricity on a regular basis.
- iv. develop new credit products tailored to the needs and abilities of workers in the informal sector of the economy, develop appropriate instrumentation and capacity building and train managers and loan officers for the effective marketing of these products.
- v. raise the savings conversion rate in the network from its current level of 35% up to 80% over a period of five years with annual disbursement targets to get there.
- vi. organize open houses accompanied by new membership campaigns in order to make the SACCOs and their services better known in their communities.

Role of the Other MFIs

In general, the microfinance sector has experienced strong growth of its outreach and seems to be on the right track to contribute significantly to the objectives of financial inclusion in the access, use and quality of financial services. Much progress has been made since the early 2000s when only the CECM and the TWITEZIMBERE NGO were seriously interested in this activity. Today, the sector reaches approximately 500,000 people⁴⁵ in all of the country's provinces and several MFIs have achieved a high level of activity. Nevertheless, we note that the MFIs often offer the same products, apply the same methods and target the same salaried clientele as the banks. This is especially true of the guarantees required for the granting of loans, which is not normal in view of the much smaller amounts that are granted. In addition, these requirements have a dampening effect on access to credit for the vast majority of people who cannot meet them. In short, we can say that the sector has already shifted to second gear but it now has to aim for the higher level that will enable it to reach the largest number of persons.

⁴⁵ This figure includes SACCOs but excludes the National Postal Authority (RNP).

The recommendations to the operators in the microfinance sector contemplate the following aspects:

- i. favor a vertical rather than horizontal development approach in order to render the network of current access points profitable before thinking about expanding it. Programs to subsidize the construction of agencies-albeit with good intentions-may have resulted, in some cases, in an economically unjustified spreading of the service offering, so it is necessary to pause to better assess the sustainability of these expansions over the medium term.⁴⁶
- ii. adopt credit methodologies that reduce the importance of collateral in the loan-granting process. These methodologies exist and have been successfully tested in several countries where conditions are similar to those of Burundi. For example, it is possible to offer small unsecured loan amounts to rural customers to enable them to purchase inputs, start up IGAs or undertake small commercial activities. This type of credit is particularly useful for women who, according to the survey data, are largely excluded from the existing clientele of the MFIs. The traditional guarantees can be replaced by a pledge of compulsory savings, with an assessment of the financial capacity of the client and by the promise of a new loan if the first loan has been satisfactorily repaid. Because the amounts are small and the number of borrowers may be very high, systemic risk is low.
- iii. test the new local approaches (*Mobile Banking*) that allow loan officers to use technologies such as handheld computers (*Palm Pilot, iPad, etc.*) to serve clients in remote or isolated areas without having to leave their place of work (*door-step service*). These approaches are particularly suited to reaching the clientele who consist of market operators (artisans, merchants, light industries, small-scale processing) and farmers.
- iv. ensure that the interest rates charged on loans remain reasonable, especially when the calculation method is linear. Experience has shown that effective rates of the order of 18% to 24% per annum are adequate to ensure the sustainability of the microfinance structures. Higher rates only compensate for organizational ineffectiveness, mismanagement and high provisions related to the poor quality of the portfolio.

Role of Trade Associations

The ABEF and RIM are two trade associations representing banks/financial institutions and MFIs, respectively. These associations are tasked with ensuring the ongoing training of staff and officers of their member institutions, advocating a favorable environment and incentives for the development of the activities of their members and informing the public about the activities of their members.

In this context, the recommendations to the two associations will focus on the following points:

- i. establish or strengthen, as appropriate, their communication activities targeting the general public, for example, by producing or participating in television or radio programs that raise awareness of the institutions that provide financial services, explain the procedures to be followed to become a member or client, describe the products offered and argue the benefits of having a savings account, as well as the possible uses of credit. There is currently a significant lack of information on formal financial services and it is the primary responsibility of RIM and ABEF to remedy this situation in consultation with their members.
- ii. educate their members about the concepts of financial inclusion as put forward by the AFI and about the principles of client protection, which were developed in particular by the SMART Campaign. Ensure that these concepts are taken into account and the enforcement of these principles by incorporating them in their respective codes of ethics and conduct.

⁴⁶ Horizontal development consists of increasing the number of points of service while vertical development consists of increasing the number of clients per point of service.

Role of the BRB

The role of the Central Bank is to promote a safe, stable, orderly, transparent, effective and non-inflationary financial sector in order to promote the supply of sustainable and diversified formal financial services to the entire population and the economic operators by protecting their savings. The BRB plays this role through its activities of defining and enforcing the legal and regulatory framework of the financial sector, granting licenses, authorizing the opening of access points, monitoring the financial performance of the licensed institutions, on-site and off-site inspections of licensed financial institutions.

In terms of financial inclusion, the Central Bank is interested in financial literacy, promoting savings, consumer protection, promoting rural finance and the financing of SMEs.

It is important to notice that the BRB cannot take the duties of the financial institutions in the innovation, development, organization and marketing of financial services. Rather, it ensures a balanced and an equitable deployment of these services throughout the country and prevents abuse of the clients.

The recommendations to the BRB, therefore, concern the following points:

- i. ensure adaptation of the legal and regulatory framework in order to facilitate innovation in the formal financial services offered by the licensed institutions. The development of new distribution models, such as correspondent banks and transactions by cell phone,⁴⁷ may provide access to formal financial services for rural populations by significantly reducing the institutions' investment and operating costs and by taking the services to potential users. It will be necessary to point out that the cellular telephony operators, without fail, have to attach a licensed financial institution to their financial transaction services.
- ii. show caution in adapting the regulatory framework applicable to MFIs. A draft amendment of the decree regulating microfinance activities is currently under review by the concerned administrative and political authorities. On the one hand, it is necessary to tighten the criteria for entry into the sector, in particular, by increasing the minimum capital required for a stock company and by increasing the minimum number of members required for a cooperative. On the other hand, only the MFIs with a high level of activity (more than 20,000 clients) and superior performance over several years should be authorized on a case-by-case basis to engage in new activities (investments, money transfers insurance, etc.).
- iii. intensify the supervision of the MFIs by making at least two inspection visits and one external audit a year in each institution. This requires adequate staffing of the MFI Supervision and Monitoring Service, efforts to train inspectors and the implementation of instrumentation consistent with best practices in the field. The current situation of many MFIs, including industry leaders, is worrisome -whether regarding governance, financial management, MIS, risk concentration, portfolio delinquency or operating deficit. It is, therefore, imperative for the BRB to quickly take the necessary steps to identify and prevent further slippage in this sector. In the past, MFI bankruptcies and closures dealt a heavy blow to financial inclusion efforts by undermining public confidence in the financial sector.
- iv. take into account the current distribution of access points through the territory in the process of evaluating and approving new access points. As the survey has demonstrated, there is a strong concentration of the agencies in some provinces while others are underserved. Even within the same province, there may be a concentration of access points in the provincial capital while the other communes are totally ignored.
- v. issue clear prudential rules and guidelines authorizing the MFIs to have a certain percentage of their loan portfolio that is not secured by collateral.

⁴⁷ This service has been authorized for money transfers (such as the product EcoKash marketed by the RNP in partnership with the mobile operator ECONET).

- vi. urge commercial banks to invest a percentage of their loan portfolio in the agricultural sector and in the microenterprise and SME sector, either directly or indirectly through the refinancing of MFIs. This interventionist measure may be justified by the fact that these two market segments are currently underserved. In addition, it may prove economically effective in the event the banks are in a situation of excess liquidity and the MFIs lack financial resources to meet their members' loan demand.
- vii. conduct a feasibility study of a deposit insurance system that would be self-financed by contributions from licensed financial institutions on the basis of a percentage of their volume of deposits. This type of system exists and works well in other countries, it may be an important tool to encourage greater participation by the public in the financial sector from the time savings are protected from the risks of bankruptcy of the participating institutions.
- viii. put in place a mandatory reporting questionnaire for the licensed institutions concerning the key indicators for the deployment of their services that will make it possible to measure their progress on an annual basis. The questionnaire should be distributed immediately to allow institutions to adjust their management information system to the survey's needs for statistical information. A questionnaire format is provided in Appendix A of the report. This format meets the minimum requirements in this area, taking into account the difficulties encountered with the questionnaire, which has already been used for purposes of this survey. Regarding the survey of the general population, repeating it every five years is recommended because this type of survey requires mobilizing significant human and financial resources. In addition, basing on the results of the FinScope surveys conducted regularly in some countries in the sub-region, a country's financial inclusion state does not evolve quickly.

8.0 CONCLUSION

The first national survey on financial inclusion in Burundi has helped to highlight the difficulties of access to financial institutions in several provinces and communes of the country, as well as the low participation rate of the population in the formal financial system.

While the supply of formal financial services is relatively diversified and the number of access points relatively high, it is still certain that only one adult out of eight has an account in a formal financial institution and that only 3% of adult population have access to credit.

In terms of financial inclusion, it is possible to distinguish two groups: i) on the one hand, the salaried workers in the formal sector—mostly men living in urban areas—educated, well-paid, who represent the privileged clientele of both banks and MFIs, ii) on the other hand, the workers in the informal sector, largely the majority in the active population, living in rural areas, with little literacy and low income bordering the poverty line, most of whom are excluded from the formal financial system and have a very poor knowledge of the formal financial services currently offered.

So there are several factors that may explain the low rate of financial inclusion that today characterizes Burundi. Among them, exogenous factors such as monetary poverty and low level of literacy, especially in rural areas, are at the forefront. Therefore, there is hope that economic and social improvements of the population living conditions would increase the activity of the financial sector.

However, there are also endogenous obstacles, in particular, distance from the access points, the high minimum deposit amounts required to open an account and guarantees required for granting credit. Furthermore, the loan products offered by the banks and MFIs do not meet the needs of farmers, merchants and other operators in the informal sector.

It is from the survey findings that the Government of Burundi, the BRB, the formal financial institutions and other stakeholders will together be able to identify the areas of intervention that will make it possible to increase access, usage and quality of formal financial services for the greatest number of the poor but economically active Burundian population.

Annex A

Format of the Financial Inclusion Survey Questionnaire

FORMAT OF THE FINANCIAL INCLUSION SURVEY QUESTIONNAIRE

TO BE FILLED OUT EVERY YEAR BY THE FINANCIAL INSTITUTIONS

SECTION I – CONTACT INFORMATION

1. *Name of institution:* _____
2. *Contact person:* _____
3. *Function/title:* _____
4. *Telephone nos.:* _____
5. *E-mail address:* _____

SECTION II – LOCATION OF THE ACCESS POINTS

6. *Specify the exact location (city) of your access points by province:*

Province	Head Office	Branches/ Agencies	Teller Windows	Automated Teller Machines (ATMs)
Bujumbura City				
Bujumbura				
Bubanza				
Cibitoke				
Kayanza				
Muramvya				
Mwaro				
Gitega				
Ngozi				
Kirundo				
Muyinga				
Cankuzo				
Karusi				
Ruyigi				
Rutana				
Makamba				
Bururi				
TOTAL				

IMPORTANT NOTE: All of the following questions relate only to individual customers including members of associations but excluding corporate accounts (companies, corporations and other institutions).

SECTION III – SCOPE OF THE SERVICES

7. Indicate the number of active clients in each of the following categories as of December 31, 201X:

Category	Men	Women	Total
Individual clients			
Members of associations			
TOTAL			

8. Indicate the geographical distribution of the clients by province as of December 31, 201X:

Province	Individual Clients	Members of Associations
Bujumbura City		
Bujumbura		
Bubanza		
Cibitoke		
Kayanza		
Muramvya		
Mwaro		
Gitega		
Ngozi		
Kirundo		
Muyinga		
Cankuzo		
Karusi		
Ruyigi		
Rutana		
Makamba		
Bururi		
TOTAL		

SECTION IV – OUTSTANDING AMOUNT OF DEPOSITS

9. *Indicate the total amount outstanding of deposits of individual clients and members of associations as of December 31, 201X:*

Category	Amount Outstanding of Deposits (BIF)
Individuals	
Members of associations	
TOTAL	

10. *Indicate the geographical distribution of total amount outstanding of deposits by province as of December 31, 201X:*

Province	Amount Outstanding of Deposits (BIF)
Bujumbura City	
Bujumbura	
Bubanza	
Cibitoke	
Kayanza	
Muramvya	
Mwaro	
Gitega	
Ngozi	
Kirundo	
Muyinga	
Cankuzo	
Karusi	
Ruyigi	
Rutana	
Makamba	
Bururi	
TOTAL	

SECTION V – AMOUNT OF LOANS OUTSTANDING

11. Indicate the total amount of loans outstanding to individuals and associations as of December 31, 201X:

Category	Number of Loans Outstanding	Amount Outstanding of Loans (BIF)
Individuals		
Associations		
TOTAL		

12. Indicate the geographical distribution of total amount outstanding of loans by province as of December 31, 201X:

Province	Amount Outstanding of Loans (BIF)
Bujumbura City	
Bujumbura	
Bubanza	
Cibitoke	
Kayanza	
Muramvya	
Mwaro	
Gitega	
Ngozi	
Kirundo	
Muyinga	
Cankuzo	
Karusi	
Ruyigi	
Rutana	
Makamba	
Bururi	
TOTAL	

13. Indicate the distribution of the amount outstanding of loans to individuals and associations by sector as of December 31, 201X:

Sector	Number of Loans Outstanding	Amount Outstanding of Loans (BIF)
Overdraft line/line of credit		
Personal/consumer loan		
Housing/real estate loan		
Agricultural credit		
Commercial/business credit		
Others and unclassified		
TOTAL		

14. Indicate the portfolio at risk (PAR) > 30 days and 90 days in each of the following categories as of December 31, 201X:

Category	PAR > 30 as of 12/31/2011	PAR > 90 as of 12/31/2011
Loans to individuals	%	%
Loans to associations	%	%

SECTION VI – OTHER SERVICES

15. Indicate how many cards you have issued in each of the following categories:

Category	Number of New Cards Issued in 201X	Total Number of Cards Issued as of 12/31/201X
Automatic teller machine card		
Debit/cash card		
Visa and MasterCard		
Other bank card		

16. Indicate the number of transactions carried out on behalf of your clients for each of the following services in 201X:

Category	Number of Transactions
Western Union	
MoneyGram	
EcoCash	
Money Contact	
Other (specify):	



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