A FINANCIAL NEEDS ASSESSMENT FOR YOUTH IN THE AGRICULTURE, TOURISM, AND HOSPITALITY SECTORS IN RWANDA.

SUBMITTED TO

Association of Microfinance Institutions

in Rwanda (AMIR)

Rwanda MSMEs Financing Program (Kataza program).

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Kigali, October 2024

EXECUTIVE SUMMARY

The assessment was conducted to analyze the financial needs of youth-owned MSMEs in the agriculture, tourism, and hospitality sectors in Rwanda, with a focus on female-led enterprises. The methodology employed both quantitative and qualitative data collection methods. Primary data was gathered through surveys and interviews, while secondary data was reviewed from project documents, policy papers, and reports. The assessment used stratified random sampling to select participants, including youth, women, and refugees. Surveys were administered using electronic tools, ensuring accuracy and efficiency. Additionally, key informant interviews were conducted with stakeholders such as SACCOs, MFIs, and district officers involved in agriculture and business development

The assessment findings highlight key areas where financial services can be tailored to meet the needs of youth-owned MSMEs, particularly in simplifying loan processes, reducing interest rates, and offering financial literacy programs.

1 Business Activity Profile

- **Main Sector of Business**: The majority (65.8%) of respondents were involved in agriculture value chains, while 34.2% operated in the tourism and hospitality sector. This indicates a higher representation of youth-owned MSMEs in agriculture, likely driven by Rwanda's agricultural landscape and the country's reliance on farming activities for economic sustenance. The majority of businesses were micro-enterprises with less than 10 employees

- **Specialized Crops**: Of the youth operating in agriculture, maize (15.6%) and tomatoes (16.5%) were the most frequently grown crops, followed by beans and Irish potatoes. This highlights a strong engagement in staple crops, essential for food security and commercial trade. Additionally, Maize is widely grown in districts like Gatsibo (75%), Nyagatare (81.8%), and Ngoma (66.7%), while Irish potatoes are particularly prominent in Nyabihu (95.8%) and Rubavu (70.6%). Tomatoes are significant in Huye (71.4%), Rubavu (70.6%), and Kirehe (50%).

- **Business Ownership**: 86.4% of businesses were individually owned enterprises, with only a small percentage operating as cooperatives (3.6%) or limited companies (1.2%), indicating that youth-owned MSMEs predominantly operate at a micro level, requiring additional support to scale up.

2. Financial Needs and Preferences

- **Current Financial Needs**: Working capital financing was the most significant need (49.0%) among youth-led MSMEs, with both male and female respondents expressing a strong desire for financing to sustain day-to-day operations. Equipment financing (16%) and expansion financing (15.8%) were also key needs, showing a demand for investment in business growth. Nearly half of the respondents (48.8%) required loans under 1 million RWF, indicating a high prevalence of micro-scale financial requirements. About 43.3% needed between 1 to 5 million RWF.

- **Convenient Interest Rates**: A significant portion (80.6%) of youth-led MSMEs preferred loan interest rates below 5% per annum, showing that high interest rates are a barrier to accessing finance for young entrepreneurs. Key Informant Interviews (KIIs) further reinforced this, recommending that interest rates for youth-owned MSMEs be subsidized to achieve a single-digit rate, making financing more accessible.

3. Barriers to Financial Access

- **Main Barriers to Financial Services**: The top barriers to accessing financial services included "No Bank Account" (27.8%), "Limited Literacy and Numeracy Skills" (25.7%), and "Complex Service Application Processes" (23.7%). These challenges underscore the need for financial education and simplified financial products to enhance accessibility for youth MSMEs.
- **Alternative Financial Services Used**: Many respondents utilized group savings and loans (57.4%) or mobile money saving accounts (34.4%), indicating that informal financial systems are playing a significant role in meeting the financial needs of youth-led MSMEs, due to the barriers they face in accessing formal institutions.

4. Loan Product Preferences: The Youth Owned MSMEs' preferences reflect the need for more accessible, tailored financial products designed to accommodate the financial realities of youth-owned MSMEs. Most respondents (61%) desired lower interest rate loans, followed by loans with flexible payments (39%) and longer repayment periods (34%).

5. Perception of Financial Institutions

- **Confidence in Loan Repayment**: The survey shows that the majority of youth entrepreneurs were confident in their ability to repay loans if granted, with 43.5% being "Very Confident" and 49.5% "Confident." This confidence suggests that youth-led MSMEs are ready for financial support but require more accessible lending mechanisms.
- **Challenges Faced by Women and Refugees**: When assessing barriers related to gender and displacement, 99.8% of the respondents reported not facing gender-based discrimination, although there is still a gap in targeted financial services for women and refugee youth.

Based on the Analysis of the interview data collected from participating financial institutions and district officers, several critical insights emerged regarding the financial needs of youth-owned MSMEs in the agriculture, tourism, and hospitality sectors:

- Most financial institutions offer basic financial products such as savings, deposit accounts, and agricultural loans. However, specialized financial products tailored to youth, refugees, women, and disabled persons are rare, with many institutions citing a lack of collateral and perceived instability in youth businesses as key barriers to offering these services. MFIs like Umutanguha Finance are among the few that provide targeted products, such as "Youth Loans" and "Twigire Refugee Loans," offering flexible terms to specific groups, but such initiatives remain limited across most institutions.

- ❖ The financial capacity of these institutions to serve youth MSMEs is constrained by inadequate working capital and reliance on high-cost external funding, which limits their ability to offer affordable loans to high-risk groups like youth. Many financial institutions expressed a need for partnerships with stakeholders to establish special funds aimed at supporting these groups through low-interest loans, alternative collateral mechanisms, and enhanced financial literacy programs. Challenges such as high interest rates, low financial literacy, and the seasonal nature of agriculture and tourism further exacerbate the difficulties youth face in accessing financial services. Proposed solutions include the use of microinsurance, collective marketing strategies, and collaboration with stakeholders to reduce financial risk.
- ❖ Furthermore, several SACCOs and MFIs also highlighted risks such as climate change, market instability, and fluctuating seasonal revenue, particularly in agriculture and hospitality. These risks affect the financial stability of youth-owned MSMEs and reduce their capacity to repay loans on time. Some institutions have begun to implement de-risking strategies like micro-insurance to protect against climate-related losses. However, there is still a need for more targeted support, such as the development of flexible funds, partnerships for financial literacy programs, and better integration of collateral-free loans or guarantees from institutions like BDF. These strategies could help bridge the financial gaps, enabling youth to access the capital they need to grow their businesses in these sectors.

The assessment recommends that the Kataza Program address key financial barriers faced by youth- and women-owned MSMEs in agriculture, hospitality, and tourism by tailoring financial products to their unique needs. This includes promoting:

- ❖ The offering of flexible financing options like seasonal loans for agriculture and tourism, introducing **subsidized interest rates**, collateral substitutes such as future crop harvests or group guarantees, and providing low-interest, long-term loans, especially for women-owned businesses.
- ❖ Digital and mobile-based financial solutions should be promoted to increase access in rural areas, and a gender-sensitive financial inclusion program should be developed to address the unique challenges faced by women entrepreneurs.
- ❖ The expanding financial literacy programs is crucial to improve MSMEs' ability to navigate financial processes and ensure sustainability.

To mitigate the risks associated with seasonal industries like agriculture and tourism, the assessment advocates for the adoption of flexible loan repayment schedules, tailored to the cash flow cycles of these sectors. Financial products that allow for repayments during peak seasons and reduced payments in off-seasons can alleviate liquidity issues faced by youth-owned businesses. Additionally, enhancing market linkages and value chain integration can improve the financial viability of youth enterprises, making them more attractive to financial institutions.

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LIST OF ACRONYMS

AMI: Africa Management Institute

AMIR: Association of Microfinance Institutions of Rwanda

AFR: Access to Finance Rwanda

BRD: Development Bank of Rwanda

MSMEs: Micro, Small & Medium Enterprises

MINECOFIN: Ministry of Finance and Economic Planning

PFIs: Participating Financial Institutions

RHA: The Rwanda Hospitality Association (RHA)

RWF: Rwanda Francs

RWAMREC: Rwanda Men's Resource Centre

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I. INTRODUCTION AND BACKGROUND OF THE ASSIGNMENT

The Association of Microfinance Institutions in Rwanda (AMIR) was established in 2007 to represent and support microfinance institutions across Rwanda. With 450 members, including Microfinance Limited Companies, and SACCOs, AMIR focuses on promoting transparent management, innovative financial services, and sustainable development. One of its key interventions is facilitating financial institutions to develop products that are tailored to the needs of the different segments of the population (women, youth, people with disabilities, saving groups, and cooperatives), and conducting financial literacy and education to Agricultural Micro and Small Enterprises (MSEs) and Cooperatives.

In line with the above, AMIR is implementing the Kataza Program which is a Rwanda MSMEs Financing Program to address existing financing needs of the youth-owned MSME in agriculture, Tourism, and Hospitality Sectors; through enhancing the capabilities of 28 Participating Financial Institutions (PFIs); mainly the Microfinance Institutions (MFIs)/ Savings and Credit Cooperatives (SACCOs), Commercial banks, and fintech companies to serve Youth owned MSMEs in the 15 districts of (i)**East**: Nyagatare, Gatsibo, Kirehe, and Ngoma; (ii)**North:** Gakenke, Burera, and Musanze; (iii)**West:** Nyabihu, Rubavu, Nyamasheke, and Rusizi; and (iv)**South:** Nyaruguru, Huye, Nyanza, and Nyamagabe.

On the side of the Youth owned MSMEs (**Demand Side**), the program's target is to provide funding to 18,500 MSMEs through MFIs and SACCOs, with 70% of these businesses being owned by young women, and ensuring that 100% of the funded MSMEs are youth and women-owned enterprises. The focus is to ensure that collateral coverage requirements for youth and female-led MSMEs are being lifted, empowering young women to navigate the social norms that have historically hindered their financial inclusion while removing significant barriers to accessing finance.

On the supply side of financial services, the program aims to strengthen the capabilities of financial institutions and create a more inclusive financial environment for youth-led MSMEs, particularly those owned by young women. The program's focus includes ensuring that Participating Financial Institutions (PFIs) have access to cheaper liquidity, making loans more affordable for youth and women-owned MSMEs. This affordability is achieved through reduced interest rates and subsidies on guarantee commissions. By strengthening the financial ecosystem, de-risking loans through portfolio guarantees and tailored microinsurance, the program ensures that youth and women-led MSMEs receive the necessary support, new lending products are developed to meet their specific needs while institutional capacity gaps are addressed, and program management and awareness are enhanced.

However, for the smooth implementation of such interventions, a Financial Needs Assessment was conducted to gather updated and sector-specific information about the existing financing needs of the youth-owned MSME in agriculture, Tourism, and Hospitality Sectors, and existing financial services within Participating Financial Institutions including Microfinance, SACCOs and commercial banks to meet the identified financial needs; as well as existing best practices in terms of policies and provision of tailor-made financial services across Africa; while highlighting the existing gaps in meeting those needs.

II. OBJECTIVES OF THE ASSESSMENT

2.1. Main Objective: The assessment, commissioned by the Association of Microfinance Institutions in Rwanda (AMIR), aims to glean insights from Youth, Participating Financial Institutions, and key stakeholders about the financial needs of youth-owned MSMEs and examine the extent to which the financial services meet these needs.

2.2. Specific Objectives: This assessment specifically aimed at (i) providing information about the financing market system in Rwanda for agriculture, tourism, and hospitality, (ii) Analyzing the current status of financing, including policies and products, (iii) Identifying gaps in financing needs for each sector, (iv) Documenting best practices about facilitating access to finance for the target youth owned MSMEs in tin Africa, (v) recommending from the identified practices those fit the context of Rwanda to cover the identified gaps.

2.3 The Scope of the Assignment: The scope of work for this assignment encompasses a comprehensive review and analysis aimed at understanding and enhancing the financial ecosystem in Rwanda's agriculture, tourism, and hospitality sectors, with a specific focus on the agriculture, tourism, and hospitality value chains. Specifically, the assessment focused on the following tasks:

- ✓ Review available project documents to understand the target group, gender sensitivity, access to finance, market linkages, and productivity concepts.
- ✓ Collect primary data to assess the financial needs of youth-owned MSMEs engaged in agriculture, tourism, and hospitality in 15 selected Districts,
- ✓ Evaluate the Participating Financial Institutions (PFIs)' supply of financing to MSMEs in with a focus on agriculture, tourism, and hospitality.
- ✓ Identify possible opportunities and entry points for the Kataza program to effectively expand agriculture, tourism, and hospitality financing access to youth specifically female youth;
- ✓ Map existing interventions by the government, NGOs, and development agencies supporting financial services in agriculture, tourism, and hospitality.
- ✓ Analyse existing financial instruments and propose mechanisms to stimulate private lending to agriculture, agriculture, tourism, and hospitality focusing on female youth.
- ✓ Collaborate with Kataza Program consortium members, MFIs' product teams, and other stakeholders to identify the priority financial needs of MSMEs as well as to understand sector ecosystems and challenges.
- ✓ Identify opportunities for the Kataza program to expand financing access for youth, especially young women, and advise on suitable agriculture financing models for the targeted group.

III.ASSESSMENT APPROACH AND METHODOLOGY

The assessment used a three-step approach to gather evidence and synthesize insights for providing actionable recommendations to the Kataza Financing Program's Consortium members and participating Financial Institutions to relevantly serve the financial needs of Youth owned MSMEs in the agricultural, Tourism, and Hospitality Sectors The assessment was conducted with a focus on identifying existing financial products, assessing gaps in financing, and understanding the financial needs of both businesses and Financial Institutions (Banks, MFIs, and SACCOs) in the agriculture, hospitality, and tourism value chains. The assessment followed a systematic approach as outlined below:

3.1. ASSESSMENT OF THE FINANCIAL NEEDS FOR YOUTH OWNED MSMES

This approach involved assessing the prevailing financial needs and access to financing challenges within the agriculture, tourism, and hospitality value chains specifically for Youth-owned MSMEs within these sectors. We also identified the key drivers of demand and the specific unmet needs of these value chains, focusing on areas where financial interventions could have the most significant impact., We additionally assessed the current capacities of actors within these value chains in terms of preparing bankable business plans, accessing finance, and managing their financial operations to identify the knowledge and skills gaps that need to be addressed to improve financial planning and access to finance.

3.2. ASSESSMENT OF PARTICIPATING FINANCIAL INSTITUTIONS (PFIS)'S CAPABILITIES

The assessment involved identification and documenting the financing options currently available through Participating Commercial Banks, MFIs, and SACCOs specifically tailored to the Youth Owned MSMEs in agriculture, hospitality, and tourism sectors. We additionally assessed the challenges and risks PFIs encounter in financing MSMEs within the agriculture, hospitality, and tourism sectors to identify areas requiring de-risking interventions to encourage investment in these sectors.

We further identified the PFIs (-MFIs, and SACCOs, and Commercial Banks) interest and willingness to finance projects within the targeted value chains as well as their capacity to develop and offer sector-specific financial products.

3.3. INTEGRATION ASSESSMENT

This assessment involved:

- **Functionality Assessment:** This involved Assessing the functioning of businesses within the agriculture, hospitality, and tourism value chains, focusing on their capacity to plan and manage financial operations, including sales forecasts and financial management.
- **Infrastructure and Equipment Needs:** We assessed the accessibility and affordability of required equipment, machinery, and other business infrastructure required for the growth and sustainability of businesses within these value chains.

- **Regulatory Environment Awareness:** This concerned the assessment of the awareness and understanding of the regulatory environment, about financial planning and access to finance, by businesses within the targeted Economic Sectors

3.4 GAP ANALYSIS AND DOCUMENTATION OF GOOD PRACTICES

This phase typically consisted of:

- Evaluation of the capacity of PFIs in financing projects within the targeted value chains, including the identification of specific gaps in financial services and products that need to be addressed to enhance the financial support provided to these sectors; by comparing the demand and supply sides and identifying specific areas where the current financial offerings are insufficient.

- Identification of the sector-specific and tailored financial products and services that need to be developed to meet the specific needs of the Youth-owned MSMEs in agriculture, hospitality, and tourism enterprises.

- Identifying suitable loan products for businesses within the target sectors and recommend de-risking interventions to increase PFIs' appetite for financing these businesses. This includes exploring the need for credit guarantees, insurance, or other financial instruments to mitigate risks.

- Documenting the best practices from other African countries, that can be adapted to fit the Rwandan context and cover identified gaps.

3.5. DATA COLLECTION METHODS

4.5.1 EXTENSIVE REVIEW OF PROJECT AND CONTEXTUAL DOCUMENTS

To begin, a comprehensive review of all relevant project documents was conducted. This included an examination of past reports, policy documents, and existing literature to gain a thorough understanding of the program's target groups, gender sensitivity issues, access to finance, market linkages, and productivity concepts. By reviewing the relevant reports and policy documents, we mapped existing government and development agency interventions that support and enhance financial services in the agriculture, tourism, and hospitality sectors. The desk review also helped to identify and document the good practices that the Microfinance institutions in Rwanda can adapt to cover identified gaps in meeting the financial needs of the Youth owned MSMEs in Agriculture, Tourism, and Hospitality Sectors.

3.5.2. PRIMARY DATA COLLECTION

Primary data was collected through a combination of qualitative and quantitative methods. Surveys and interviews with key stakeholders were conducted. Special attention was given to capturing the perspectives of female youth engaged in the agriculture value chain, tourism, and hospitality sectors. This data collection was designed to understand the current financing landscape, identify gaps, and document best practices.

i. Sample size determination

Considering that the Kataza program is targeting is 18,500 MSMEs through MFIs and SACCOs, with 70% of these businesses being owned by young women, this number is considered to be the defined target population for this assessment and the sample size for this population was determined using the following formula of Krejcie & Morgan[1]:

$$n = \frac{N \times (Z)^2 \times p(1-p)}{(N-1)\times(e)^2 + (Z)^2 \times (1-p)},$$

where, the sample size for the survey is $\frac{18{,}500x(1.96)^2 \times 0.5(0.5)}{(18{,}500-1)\times 90.5)^2 + (1.96)\times(0.5)} = 377$

n=required sample size, N= Total population size, Z= Z-Score corresponding to the desired confidence level (here it is 1.96 for a 95% confidence level), p=Estimated proportion of the population with our attribute of interest (which was 0.5 in case there is no prior estimate available), e= margin of error or desired level of precision (in our case is 0.05). However, the calculated sample size was adjusted to the probable dropout proportion. The adjusted sample size N_1 was obtained as N_1 = n/(1-d) which implies that to calculate the adjusted sample size, the total expected sample size is divided by one minus the proportion expected to drop out (0.10 in this case). Thus, N_1= (377) / (1-0.1) =418 respondents.

By considering that 70% of beneficiaries was women-owned MSMEs (refer to the project proposal; the sample was allocated by district and by gender as follows:

$nk = n\frac{Nk}{N} = nWk$, where Nk is the population size of the stratum k, and is the size of the sample from the stratum k; while N is the population size.

Thus:

- The female sample is 418(12950/18500) = 293 female respondents
- The male sample is 418(550/18500) =128 male respondents

Furthermore, the obtained sample was allocated proportionally to various categories of the target economic sectors or value chains. According to the beneficiaries profiling that has been done so far, it was identified that the agriculture value chain represents 63% (i.e251 beneficiaries out of 400 profiled beneficiaries) while the beneficiaries in the Hospitality and Tourism sector represent 37% of the total profiled beneficiaries.

Therefore, the total number of respondents from the agriculture value chains is $418 \times \frac{251}{400} = 262$ respondents. Then, the total number of respondents from Hospitality and Tourism is $418 \times \frac{149}{400} = 156$ respondents.

[1] Sample Size Table (research-advisors.com)

To ensure that Youth with disability and refugeed Youth are included in the assessment, a proportional sample of 5% of the total sample was considered i.e 418*5%=21 samples were to be surveyed, while for refugeed youth a sample of 3 of the total sample; equivalent to 14 respondents were considered[2] and they were reached through snowballing sampling.

ii. Sampling techniques:

The selection of respondents employed a combination of stratified random sampling and snowball sampling techniques. Systematic random sampling was used to select participants from the existing beneficiary database. However, since the sample size exceeds the number of individuals listed in the database, the remaining respondents were identified through snowball sampling. This approach involves asking selected participants to refer other youth and women-owned MSMEs operating in the same sectors.

Distribution of structured questionnaires to a representative sample of businesses and individuals within the target sectors. The survey was administered using an electronic data collection tool called "Kobo Collect" to ensure accuracy and efficiency. Trained enumerators fluent in Kinyarwanda will conduct the surveys to ensure cultural relevance and clarity.

iii Key Informant Interviews (KIIs)

Interviews with stakeholders including financial institutions, policymakers, industry experts, and representatives from the agriculture, tourism, and hospitality sectors. The key informants for this assessment include but are not limited to:

- The selected 23 SACCOs and 5 MFIs from 15 Districts of the program intervention (i.e one SACCO per district) as well as financial service providers to forcibly displaced youth such as Umutanguha Finance Lt.
- Government institutions: MINECOFIN, RAB, MINAGRI, 8Selected District Officers[3] in charge of agriculture and officer in charge of Business development employment
- Three members of the Kataza Program's implementations Consortium namely the African Management Institute (AMI), MVEND Ltd, and Rwanda Men Resource Center (RWAMRE.
- Other Organizations: The Rwanda Hospitality Association

3.6. QUALITY CONTROL AND ETHICAL CONSIDERATIONS

Conducting such a sensitive study requires a set of measures to ensure quality data and information.

A team of five enumerators was engaged for five days to collect data through the use of Android smartphones. Each enumerator used a smartphone to directly enter data. Further clarification was made on data collection techniques, such as different ways to ask questions

[2] The recent national statistics indicate that around 1% of the total resident population residing in the community and six refugee camps in the country: RPHC2022_Refugees Thematic_report.pdf

[3] For time constraints reasons, only two officers from two selected Districts per province were interviewed. The district will randomly be chosen

and concise communication with respondents. For this purpose, cumulatively, the following activities and measures enforced the quality and integrity of the data collection process:

- Holding daily debriefings of every day's work to examine the progress
- Throughout all Key Informant Interviews, we considered having an interviewer assisted by a note taker in order not to lose any piece of information provided by the respondents and minimize misinterpretation by data collectors.
- The use of pretested research instruments and recruitment of committed and professional enumerators was taken care of.
- our search for information must not contradict with any ethical principles including the obligation to avoid hurting or embarrassing respondents as well as respecting their privacy.

3.7.DATA CLEANING, ANALYSIS AND REPORTING

Quantitative data collected using KOBO Collect was directly exported into Microsoft Excel for cleaning and into SPSS for statistical analysis. The analysis was preceded by a data management and cleaning process to detect the missing and duplicated cases, a compilation of data dictionary which consists of variable and value labels, and the backup of data on a removable disk.

3.7.1 QUANTITATIVE & QUALITATIVE ANALYSIS

Quantitative analysis was performed by using statistical software (SPSS) where statistical analysis was conducted to quantify the financing gaps and needs. We considered an acceptable missing value of below 10%.
Through the use of Affinity mapping[4], qualitative data from documentation of good practices and KIIs was analysed thematically to identify common challenges and best practices.

3.7.2 ANALYSIS OF EXISTING FINANCIAL INSTRUMENTS

An in-depth analysis of the existing financial instruments that facilitate access to agricultural financial services was undertaken. This involved evaluating the current products and services offered by financial institutions, including loans, insurance, and working capital. The analysis focused on identifying mechanisms that can stimulate private lending to agriculture value chains, particularly for female youth.

3.7 .3 IDENTIFICATION OF OPPORTUNITIES AND ENTRY POINTS

Opportunities and entry points for expanding access to finance in the agriculture, tourism, and hospitality sectors were identified. This involved assessing the current policy environment,

3.8. ENCOUNTERED CHALLENGES AND MITIGATION STRATEGIES

One of the main challenges faced during the assessment was the limited availability of stakeholders for interviews, which often made scheduling difficult. Additionally, data collection in remote areas posed logistical constraints, complicating access to respondents and reliable

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[4] https://www.userinterviews.com/blog/affinity-mapping-ux-research-data-synthesis

information. A further obstacle was the impossibility for some banks to share financial data, mainly because it was taking them time to recall such data during the interview.

To mitigate these challenges, several strategies were employed. Interviews were scheduled well in advance, and telephone calls were arranged where physical meetings were not feasible. To address accessibility issues in remote areas, motorbikes were used, and respondents were asked to meet in easily accessible locations. For banks that couldn't immediately provide financial data, follow-up requests were made to allow them to share the information at a later time, when possible.

IV. PRESENTATION OF THE ASSESSMENT FINDINGS

4.1 CONTEXTUAL ANALYSIS OF FINANCIAL NEEDS FOR YOUTH-OWNED MSMES IN AFRICA

Micro, small, and medium enterprises (MSMEs) have generally been cited as one of the strongest drivers of economic development, job creation, and innovation. Particularly, Youth-owned Micro, Small, and Medium Enterprises (MSMEs) play a critical role in driving economic growth and job creation in Africa, where over 60% of the population is under the age of 25. These enterprises are particularly crucial in addressing the continent's high youth unemployment rates, often exceeding 30%.

Unfortunately, the difficulties associated with accessing finance remain the biggest constraints stifling Youth-owned MSMEs' growth in Africa and hampers the growth and sustainability of their businesses (Bruhn et al., 2017). Besides, traditional banking institutions often impose high interest rates and require substantial collateral, which many youth-owned MSMEs are unable to provide. Also, MFIs have limited reach; leaving a large proportion of youth-owned MSMEs underserved. This is exacerbated by a lack of financial literacy and business management skills among many young entrepreneurs, which can make it difficult to navigate complex financial markets or present viable business cases to investors.

Moreover, financial institutions typically perceive youth-owned MSMEs as high-risk investments due to limited collateral, lack of financial literacy, and the informal nature of many youth-led enterprises. Some are even unwilling to extend credit to young entrepreneurs because of their perceived lack of experience and risk aversion.

According to the International Finance Corporation (IFC), the financing gap for MSMEs in sub-Saharan Africa is estimated at over $330 billion annually, with youth entrepreneurs particularly disadvantaged due to limited collateral, high perceived risks by lenders, and limited financial literacy. As a result, young entrepreneurs are often excluded from formal financial systems, limiting their ability to scale operations and contribute meaningfully to economic development.

In response to the above issue, several African countries have implemented policies and programs aimed at improving financial access for youth-owned MSMEs. For example, Kenya's Youth Enterprise Development Fund and Nigeria's Youth Entrepreneurship Support (YES) Program offer targeted financial products and training opportunities for young entrepreneurs. However, while these initiatives have had positive impacts, they face sustainability issues, often being reliant on donor funding or government subsidies.

However, to create a lasting impact, there is a growing call for more public-private partnerships that can leverage both public resources and financial institutions' sector expertise in financial inclusion. Innovative financial models, such as mobile-based lending platforms and digital financial services, have also shown promise in reaching young entrepreneurs in remote areas, enabling them to access credit without the need for traditional banking infrastructure

4.1.1. Youth-owned MSMEs in agriculture, tourism, and hospitality sectors

Youth-owned MSMEs, particularly in agriculture, tourism, and hospitality sectors, face significant financial challenges, primarily due to limited access to affordable credit. Youth, especially women, struggle to obtain working capital and long-term loans due to the high risk associated with their businesses and their lack of formal credit history. This limits their ability to invest in assets, technology, and marketing, which are essential for competing in global markets. Additionally, women in these sectors are often concentrated in informal roles, which further reduces their access to formal financing channels.[5]

Moreover, the need for working capital is especially critical in agriculture, where seasonal cash flows require flexible financial solutions. MSMEs in tourism and hospitality often require long-term financing to invest in infrastructure and technology. Without adequate financial support, these businesses struggle to sustain growth, limiting their capacity to create employment and stimulate economic activity.[6]
The OECD Tourism Paper 2017 reveals that, due to the seasonal nature of tourism, Youth-owned MSMEs need access to capital to sustain operations during off-peak seasons while the traditional financing products do not always align with the specific cash flow patterns in tourism, leading to liquidity issues[7]

Tourism SMEs, including those run by youth, benefit from innovative financial products tailored to the sector's unique needs such as guarantee schemes which play a significant role in providing flexible financing options; including seasonal payment schedules, where businesses repay loans during peak seasons, thus easing cash flow pressures during off-peak periods. Products like seasonal loans or asset-based financing (such as leasing) allow Tourism MSMEs to address their short-term operational needs. These financial instruments cater specifically to the capital cycles of the tourism sector, providing MSMEs with capital during high seasons and interest-only payments during off-season[8].

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[5] https://www.giz.de/en/downloads/giz2024-en-guide-access-to-finance-for-women-in-agri-food-2024.pdf

[6] https://blendedfinancefordevelopment.com/

[7] https://www.oecd.org/en/publications/financing-approaches-for-tourism-smes-and-entrepreneurs_8d06572a-en.html

[8] Idem

4.1.2 Financial Needs of Women-Youth-owned MSMEs

The Alliance for Financial Inclusion report reveals that the estimated potential demand for MSME finance globally is about USD 8.9 trillion, whereas the supply is only USD 3.7 trillion. Women-led MSMEs constitute approximately 32% of the total financing gap[9]

Women-led MSMEs (WSMEs) face significant challenges due to both demand- and supply-side barriers:

- ✓ Demand-side issues include limited financial literacy, risk awareness, lack of collateral (especially property ownership), and social norms that often limit their business experience and economic participation
- ✓ Supply-side barriers include biases from financial service providers, where credit officers may discriminate against women, and the lack of tailored financial products and services designed for women-owned businesses. These barriers restrict access to loans and other forms of credit[10].

Furthermore, women prioritize household needs over business expansion. This creates a situation where they reinvest most of their earnings into their families rather than scaling their businesses. They also face societal norms that discourage risk-taking, further limiting their ability to apply for loans or take on larger financial risks. This gender dynamic means that many female entrepreneurs in agriculture, tourism, and hospitality are locked out of more formal and scalable financial products[11]

Women entrepreneurs in the agri-food sector face specific financial challenges that hinder their ability to expand and scale their businesses. These challenges include lack of access to formal financial services, high collateral requirements, and inadequate financial literacy. Women often do not have access to land, which is a crucial asset for securing loans, making it difficult to meet the collateral requirements set by financial institutions. In many cases, women are also engaged in lower-value agricultural activities like food crops, which generate smaller revenues, further limiting their capacity to access significant capital. This creates a cycle of underfunding that limits growth and innovation[12]

The IDRC's report, on the demand-side review of Financial Inclusion for Women in entrepreneurship and smallholder agriculture, indicated that:

- Firstly, women require financial tools that accommodate their generally lower and more unstable incomes. This necessitates products that are accessible, simple to understand, and tailored to their lower levels of financial literacy. Women also need access to

[9] https://www.afi-global.org/wp-content/uploads/2022/08/Policy-Catalogue-Women-led-MSME-Access-to-Financing-24082022.pdf

[10] https://www.weforum.org/agenda/2024/09/blended-finance-drive-climate-solutions/

[11] https://www.giz.de/en/downloads/giz2024-en-guide-access-to-finance-for-women-in-agri-food-2024.pdf

[12] Idem

credit and savings products that allow them to stabilize household consumption and mitigate risks. Since women are more likely to prioritize household needs, financial products should be designed to support their desire to balance investments in business with maintaining family well-being[13]

- Secondly, women entrepreneurs and smallholder farmers face barriers related to asset ownership and information access. Women have less secure land tenure, limited control over farm decisions, and less access to labor, inputs, and markets compared to men. These constraints significantly affect their productivity. Financial solutions, therefore, need to address the broader ecosystem, providing not just credit but also access to inputs, insurance, and savings products. Additionally, women require support services, such as training and market access, to ensure that financial inclusion translates into real productivity gains[14]
- Lastly, technological innovations, particularly mobile-based financial services, offer a promising avenue to meet women's financial needs. Mobile banking can reduce the cost and physical barriers of accessing financial services for women in rural areas. However, these innovations must go beyond mere access to credit and offer a full range of products tailored to women's business and personal financial needs. Women need comprehensive services that support their informal social networks, protect their small incomes, and allow them to engage in financial activities close to home[15]

Moreover, youth-led businesses, particularly those owned by young women, have unique needs for capital to invest in productivity-boosting assets, such as modern agricultural equipment, digital tools, and better infrastructure for tourism and hospitality ventures. However, financial institutions do not typically offer products tailored to these sectors, which often require patient capital or flexible repayment structures that align with the irregular cash flows of agricultural and tourism-related businesses[16]

4.1.3 Bridging gap in financial needs of youth-owned MSMEs: Selected Good Practices

i. Kenya: Seed Grant with Lakehub

Lakehub, an innovation hub in Western Kenya, collaborates with GIZ to provide seed grants and entrepreneurial training for youth and women entrepreneurs. This initiative targets 100 young entrepreneurs, focusing on fundraising, business model development, and capital management skills. Selected participants receive a grant of €2,400, accompanied by comprehensive training on capital management, crowdfunding strategies, and technical

[13] https://idl-bnc-idrc.dspacedirect.org/server/api/core/bitstreams/efba2992-4824-4a61-8caf-02ba1934a778/content

[14] Idem

[15] Idem

[16]https://www.thegef.org/sites/default/files/publications/GEF_Guide_Understanding_Accessing_Blended_Finance_2020.pdf

support. The programme also emphasizes matching in-kind contributions, fostering business growth in local communities.

Lakehub's approach empowers youth and women in agribusiness by enhancing their capacity to manage fundraising campaigns and business operations. Participants engage in extensive mentorship and training that helps them transition from ideation to scaling their businesses.

ii. Mozambique: Grant Scheme Embedded in an Integrated Development Partnership with the Private Sector (iDPP) with AGRINOVA

AGRINOVA's grant scheme integrates youth entrepreneurship with private sector supply chains, offering startup capital and business planning support for young farmers in rural Mozambique. This scheme focuses on building value-added agribusinesses to meet the needs of private companies while enhancing youth productivity and income. Young farmers are selected based on business proposals that address specific private sector challenges, such as improving the quality and consistency of agricultural products.

Through this partnership, AGRINOVA ensures that rural youth have access to both financial support and technical training, empowering them to meet market demands and scale their businesses. This integrated approach, combining business mentorship with financial backing, is a replicable model for creating sustainable rural enterprises, fostering formalized business practices, and encouraging youth participation in agribusiness value chains.

iii.Burkina Faso: In-kind Support Scheme with Empow'Her

The in-kind support scheme with Empow'Her focuses on empowering female entrepreneurs in Burkina Faso by providing them with essential equipment and materials to launch or scale their businesses. This initiative targets 35 women with high-potential business ideas or existing enterprises, offering ongoing coaching and mentorship in addition to the equipment provided. The scheme is designed to tackle systemic barriers that female entrepreneurs face, such as limited access to financial resources and technical support.

The program combines in-kind support with business training, ensuring that beneficiaries develop the necessary skills to maximize the use of the provided resources. Regular monitoring and coaching sessions further enhance the women's entrepreneurial capabilities, increasing their chances of securing additional funding in the future. This model demonstrates the value of combining material and educational support in fostering sustainable female entrepreneurship, especially in rural areas.

4.2. GENERAL CONTEXT OF FINANCIAL NEEDS FOR YOUTH-OWNED MSMES IN RWANDA

Youth-owned micro, small, and medium enterprises (MSMEs) in Rwanda play a critical role in the country's economic development, particularly in addressing unemployment and fostering innovation. However, despite their potential, youth-owned MSMEs face significant financial barriers, including limited access to affordable credit, stringent collateral requirements, and inadequate financial literacy. The Access to Finance Rwanda (AFR)' 2020 FinScope report indicates, that the youth's role in the MSME sector is declining which suggests that the youth's ability to fight unemployment is dwindling. The same report shows that one of the major challenges confronting youth entrepreneurs in Rwanda is the absence of financial products tailored to the needs of their enterprises. The report also indicates that banking Institutions often perceive youth-led businesses as high-risk due to a lack of credit history, insufficient collateral, and the uncertainty of startup success[17].

The 2024 FinScope survey highlights that young adults aged 18-30 are more likely to engage with financial services, yet around 8% remain excluded from the formal financial sector. It is important to also note that only 20% of youth aged between 18 and 30 are using formal products or services provided by banks or MFIs and 73% are relying on Other Formal (non-bank) such as mobile money financial services[18].

Among people with disabilities in Rwanda, formal financial inclusion is also substantial, with approximately 93% using either formal or informal financial services to meet their needs. Mobile money plays a crucial role, with 66% of people with disabilities accessing financial services through it, while Umurenge SACCOs cover an additional 34%. Despite these gains, a small fraction of people with disabilities (7%) remain excluded from financial services altogether, indicating a need for more tailored financial products to bridge this gap.[19]

Refugees in Rwanda show higher levels of financial inclusion than typically seen in other regions, aided by supportive policies and interventions. The FinScope report reveals that 37% of refugees have access to bank accounts, while another 62% rely on non-bank financial services such as mobile money and Umurenge SACCOs[20].

Furthermore, the FinScope's Youth thematic report of 2020 revealed that while 53% of youth aged 16-24 and 69% of those aged 25-30 have financial reserves (savings), 49% of youth aged 16-24 face financial shocks, with this rate increasing to 62% among those aged 25-30. Besides, 28% of youth aged 16-24 and 32% of those aged 25-30 experience credit stress[21].

In response to the above mentioned challenges and gaps, the Government of Rwanda has introduced several programs aimed at improving financial inclusion and fostering entrepreneurship among youth. Initiatives such as the Business Development Fund (BDF), the YouthConnekt program, and the Rwanda Youth Employment and Productive Inclusion (YEPI) initiative offer financial support and capacity-building services to young entrepreneurs. These programs focus on providing credit guarantees, business development services, and entrepreneurial training to enhance youth access to financing.

[17] https://afr.rw/downloads/msme-owners-and-financial-inclusion-in-rwanda-finscope-rwanda-2020-thematic-report/

[18] https://www.statistics.gov.rw/publication/2150

[19] Ibid

[20] Ibid

[21] https://afr.rw/wp-content/uploads/2021/08/FinScope-Rwanda-2020-Youth-report_final.pdf,page50-51

For instance, The National Youth Council Strategic Plan (2021-2025) presents several key interventions that align with your ongoing Financial Needs Assessment for youth-owned MSMEs in agriculture, tourism, and hospitality in Rwanda. The plan highlights strategic areas to promote youth economic empowerment through improved access to finance, skills development, and entrepreneurship. One key intervention is enhancing financial literacy for young men and women, ensuring their inclusion in financial institutions' programs and fostering youth-friendly access to finance. By promoting saving cultures, financial literacy programs, and partnerships with financial institutions, the plan seeks to enable young entrepreneurs, especially those facing economic stress, to thrive in competitive markets, including agriculture and tourism[22]

Furthermore, the Strategy Results Chain emphasizes the importance of monitoring financed youth projects, supporting small business growth, and facilitating market access to youth-led enterprises in priority sectors like agriculture, tourism, and hospitality. Through advocacy for recovery and resilience programs, the strategic plan aims to provide financial recovery options such as low-interest loans and grants, especially for youth entrepreneurs in high-potential growth areas. These interventions directly contribute to creating a conducive environment for youth-owned MSMEs, enhancing their capacity to withstand economic shocks, and tapping into national opportunities driven by Rwanda's National Strategy for Transformation[23]

Furthermore, while financial inclusion initiatives have made progress, a structural gap remains in bridging the digital divide and ensuring equitable access to financial services. Fintech solutions, such as mobile banking and digital credit platforms, are emerging as potential solutions to expand access to financial services. These technologies could reduce transaction costs, ease credit access, and enhance financial literacy for youth entrepreneurs. However, rural youth often face difficulties in accessing these services due to inadequate infrastructure and digital literacy, highlighting the need for targeted interventions that combine financial products with digital skills training[24].

4.2 .1 Financial Needs for Youth-owned MSMEs in Agriculture

In Rwanda's agriculture sector, youth-owned MSMEs are vital for improving productivity and advancing value chains. However, the capital-intensive nature of agriculture demands considerable financial investment that many youth-led businesses can hardly access. Many youth entrepreneurs lack sufficient collateral to secure loans and face risks related to weather conditions and market prices, which make traditional financial institutions hesitant to lend. The mismatch between the financing products offered by banks and the needs of agricultural MSMEs exacerbates the problem, as most youth-led agribusinesses require flexible loan structures that consider seasonal variations in income. The Rwanda Agriculture Sector Finance

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[22]https://miniyouth.prod.risa.rw/index.php?eID=dumpFile&t=f&f=74196&token=7e920aa7637a77b42ce0bd204c4885ff36cf5793 ,page16-17

[23] Ibid

[24] https://www.rfilc.org/library/agricultural-finance-and-the-youth-prospects-for-financial-inclusion-in-uganda/

Assessment Report 2023 highlights the importance of specialized financial products, such as value-chain financing and agricultural insurance, that can help bridge the financial gaps for these enterprises[25].

Additionally, the National Strategy for Transformation 2 (NST2), a five-year government program running from 2024 to 2029, underscores the urgency of boosting agricultural productivity by more than 50%. This initiative aims for Rwanda to achieve self-sufficiency in priority food crops, including maize, Irish potatoes, beans, and bananas, rice, Cassava, while also generating surplus for the market[26].To meet this objective, participating financial institutions (PFIs) are called upon to increase lending to Youth-owned MSMEs in the agricultural sector. Simultaneously, the Kataza Program should play a pivotal role in de-risking the funds that PFIs disburse to these MSMEs, ensuring financial security and fostering growth in agricultural productivity.

4.2.2 Financial Needs for Youth-owned MSMEs in Tourism

Rwanda's tourism sector is one of the fastest-growing industries, driven by the country's efforts to promote itself as a premier destination for eco-tourism and conferences. Youth-owned MSMEs in tourism are key players in this sector, running businesses such as tour operations, accommodation services, and event management. However, these businesses often face challenges in accessing growth capital to scale their operations or improve service quality. According to the **Rwanda Tourism Finance Access Report 2023**, many youth-owned MSMEs in this sector experience high operational costs and irregular cash flows, which financial institutions perceive as high-risk. Limited access to affordable loans restricts their ability to invest in necessary infrastructure, marketing, or skill development. This has led to a financial gap that prevents these businesses from capitalizing on Rwanda's tourism potential[27].

4.2.3 Financial Needs for Youth-owned MSMEs in Hospitality

The hospitality sector, closely linked to tourism, also presents financial challenges for youth-owned MSMEs. Entrepreneurs in this field often require financing for infrastructure development, such as hotels, restaurants, and event venues, as well as for operational costs like staffing and inventory. However, high interest rates and stringent collateral requirements from traditional banks pose barriers to accessing these funds. The Hospitality Industry Finance Study 2022 emphasizes the importance of tailored financial instruments, such as concessional loans and government-backed guarantees, to support young entrepreneurs in this sector.

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[25] Rwanda Agriculture Sector Finance Assessment Report 2023, Ministry of Agriculture and Animal Resources (MINAGRI) 2022 Annual Report, FINSCOPE 2024 report

[26] https://www.primature.gov.rw/news-detail/prime-minister-presented-to-parliament-governments-five-yea`r-program-nst2

[27] Rwanda Tourism Finance Access Report 2023, Rwanda Development Board (RDB) 2023 Tourism Sector Performance Report, FINSCOPE 2024 report.

Additionally, the report notes that access to working capital is particularly difficult for youth-owned businesses, which limits their ability to sustain operations during low-demand seasons[28].

4.3. IDENTIFIED FINANCIAL NEEDS OF YOUTH-OWNED MSMES IN TARGET DISTRICTS

4.3.1. Gender and Age of the Respondents

Table 1 below reveals that 65% of respondents are female and 35% are male, with the highest concentration of respondents (34%) in the age group of 27-32 years. The 22-27 age group is also significant (32.8%), with more females than males in this category. This indicates strong participation of young women in MSMEs within the surveyed sectors.

Table 1: Gender and Age of the respondents

Age of respondent	Gender of respondents				Total	%
	Male	%	Female	%		
18-22	15	10	26	10	41	9.8
]22-27]	35	24	102	38	137	32.8
]27-32]	69	47	73	27	142	34.0
]32-35]	29	20	69	26	98	23.4
Total	148	35	270	65	418	100.0

4.3.2 Marital status

The data on the marital status of the surveyed youth-owned MSME respondents reveals that a majority, 56%, live with their spouses or partners. This suggests that a significant portion of the youth entrepreneurs in the agriculture, tourism, and hospitality sectors may have household responsibilities, potentially impacting their financial management and business operations. Only a small fraction, 1%, are divorced, while 0.5% are widowed. These figures imply that separation and loss of a spouse are not common situations among these business owners.

[28] Hospitality Industry Finance Study 2022, Rwanda Hospitality and Tourism Association (RHTA) 2023 Sector Report, FINSCOPE 2024 report.

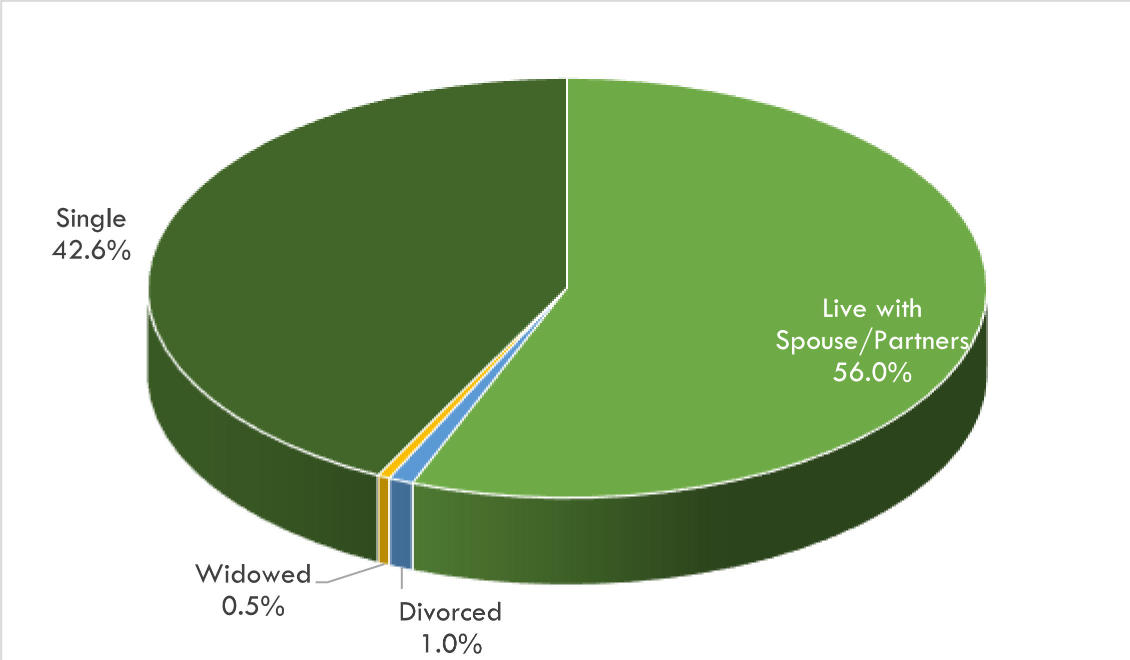

Figure 1: Marital Statuses of Respondents

Meanwhile, 42.6% of respondents identified as single, showing that a large group of youth entrepreneurs are not married or cohabitating with a partner. This considerable proportion of single business owners could indicate different financial needs or challenges, as they might have fewer family obligations and could potentially focus more on growing their businesses. The cumulative percentages also reinforce the distribution, with 57.4% either married or having lost a spouse, and the remaining 42.6% being single.

4.3.3 Geographical distribution of youth-owned MSMEs surveyed

The geographical distribution of youth-owned MSMEs surveyed reveals notable regional variations. In the Western Province, the highest number of respondents was recorded, comprising 27.8% of the total sample, with female-owned MSMEs slightly outnumbering male-owned ones at 28.5% and 26.4%, respectively. The Southern Province closely follows, representing 27.3% of the respondents, where again female participation (26.3%) was higher compared to males (29.1%). The Eastern Province accounts for 25.4% of the total sample, with a greater representation of females (26.7%) than males (23%). The Northern Province had the lowest share of the respondents at 19.6%, with males making up 21.6% and females 18.5%.

Table 2:Geographical Information

Province/district	Female	%	Male	%	Total	%
East	**72**	**26.7**	**34**	**23.0**	**106**	**25.4**
Gatsibo	13	4.8	13	8.8	26	6.2
Kirehe	20	7.4	6	4.1	26	6.2
Ngoma	19	7.0	8	5.4	27	6.5
Nyagatare	20	7.4	7	4.7	27	6.5
North	**50**	**18.5**	**32**	**21.6**	**82**	**19.6**
Burera	19	7.0	8	5.4	27	6.5
Gakenke	12	4.4	16	10.8	28	6.7

Musanze	19	7.0	8	5.4	27	6.5
South	**71**	**26.3**	**43**	**29.1**	**114**	**27.3**
Huye	17	6.3	12	8.1	29	6.9
Nyamagabe	14	5.2	12	8.1	26	6.2
Nyanza	16	5.9	9	6.1	25	6.0
Nyaruguru	24	8.9	10	6.8	34	8.1
West	**77**	**28.5**	**39**	**26.4**	**116**	**27.8**
Nyabihu	20	7.4	9	6.1	29	6.9
Nyamasheke	28	10.4	4	2.7	32	7.7
Rubavu	16	5.9	11	7.4	27	6.5
Rusizi	13	4.8	15	10.1	28	6.7
Total	**270**	**100.0**	**148**	**100.0**	**418**	**100.0**

At the district level, Nyaruguru (South) and Nyamasheke (West) showed strong female representation, with 8.9% and 10.4%, respectively, standing out. In contrast, districts like Gakenke (North) and Rusizi (West) had higher male participation, with Gakenke recording 10.8% male respondents and Rusizi 10.1%. This distribution indicates a strong presence of female-owned MSMEs across provinces, particularly in the West and South, while male participation is notably higher in specific districts such as Gakenke and Rusizi.

4.3.4 Highest Education Level of the Business Representative

As can be observed in Table 3 below, the survey results on the highest education level of youth-owned MSMEs' representatives in the agriculture, tourism, and hospitality sectors show that the majority of respondents have completed upper secondary school, with 31.3% overall, comprising 35.8% male and 28.9% female respondents. A notable proportion of respondents also reported completing lower secondary school, with a total of 24.2%, again skewed toward females (26.7%) compared to males (19.6%). This suggests that the majority of youth entrepreneurs operating in these sectors possess a secondary education, which may influence their capacity to engage with formal business practices and financial services.

Table 3:Highest Education Level of the business representative

Education level	**Gender of respondents**		**Total**
	Male	Female	
No formal education		.7%	.5%
Some primary school	8.1%	12.6%	11.0%
Completed Primary school	19.6%	24.1%	22.5%
Vocational training	3.4%	.4%	1.4%
Lower Secondary	19.6%	26.7%	24.2%
Upper Secondary	35.8%	28.9%	31.3%
University/Technical College	13.5%	6.7%	9.1%
Total	**100.0%**	**100.0%**	**100.0%**

In contrast, a smaller percentage of respondents pursued higher education, with only 9.1% having attended university or technical college, and males (13.5%) outnumbering females (6.7%). Furthermore, 22.5% completed primary school, while a minority had vocational training (1.4%) or no formal education (0.6%). These figures highlight a gap in higher education among the surveyed youth-owned MSMEs, with a higher representation of males in both university-level education and vocational training. Understanding the educational profile of these business representatives is critical for tailoring financial and capacity-building programs to their needs.

4.3.5 Distribution of youth-owned MSMEs across Targeted Economic Sectors and Districts

The survey findings indicate that youth-owned MSMEs are predominantly engaged in agriculture value chains across most districts, with 65.8% of businesses operating in this sector. This suggests that agriculture remains a dominant sector for youth entrepreneurship, potentially due to its accessibility, relevance to rural economies, and the reliance of many communities in Rwanda on agricultural production as a livelihood. It highlights the need for targeted financial support and services to enhance productivity, value addition, and market access within this sector.

In contrast, 34.2% of the surveyed MSMEs operate in the tourism and hospitality sector. Although this is a smaller proportion, the figure still demonstrates a substantial level of interest among youth in this growing industry. The tourism and hospitality sector presents a relatively lower percentage of youth-owned businesses.

Additionally, Districts such as Ngoma (100%), Nyabihu (93.1%), Nyamasheke (87.5%), and Nyaruguru (85.3%) have a strong concentration of businesses in agriculture.

Table 4: Distribution of youth-owned MSMEs across Target sectors

District		Main sector of business		Total
		Agriculture value chains	Tourism and Hospitality	
	Burera	81.5%	18.5%	100.0%
	Gakenke	25.0%	75.0%	100.0%
	Gatsibo	30.8%	69.2%	100.0%
	Huye	72.4%	27.6%	100.0%
	Kirehe	69.2%	30.8%	100.0%
	Musanze	33.3%	66.7%	100.0%
	Ngoma	100.0%		100.0%
	Nyabihu	93.1%	6.9%	100.0%
	Nyagatare	40.7%	59.3%	100.0%
	Nyamagabe	80.8%	19.2%	100.0%
	Nyamasheke	87.5%	12.5%	100.0%
	Nyanza	72.0%	28.0%	100.0%
	Nyaruguru	85.3%	14.7%	100.0%
	Rubavu	63.0%	37.0%	100.0%
	Rusizi	42.9%	57.1%	100.0%
Total		65.8%	34.2%	100.0%

However, in some districts, particularly Gakenke (75%), Gatsibo (69.2%), Musanze (66.7%), and Nyagatare (59.3%), the tourism and hospitality sector also plays a significant role, showing regional variability in sectoral engagement. While agriculture remains the primary business sector overall, tourism and hospitality are more prominent in select districts, reflecting local economic dynamics and opportunities.

The KIIs findings revealed that several factors contribute to the low participation of youth and women in Rwanda's tourism and hospitality sectors:

- **High Startup and Operational Costs**: Youth entrepreneurs often face significant barriers in accessing the capital required to start businesses in tourism and hospitality due to high costs for infrastructure, marketing, and equipment. Traditional financial institutions are hesitant to lend to young MSMEs in these sectors due to perceived high risks and seasonal cash flows.
- **Lack of Collateral and Financial Products**: Many financial institutions demand substantial collateral, which youth and women often lack. Women, in particular, face systemic barriers, including limited asset ownership, which further constrains their access to finance.
- **Informal Participation and Limited Formalization**: Women often engage in tourism and hospitality informally, reducing their access to formal financial services or business development support. Informal roles such as street vendors, food servers, or small-scale artisans limit their business growth potential.
- **Social Norms and Gender Biases**: Social and cultural expectations often restrict women's involvement in sectors like tourism, which may require travel or public interaction.

Furthermore, the breakdown of the agriculture value chains that youth are engaged in across different districts, where the Kataza program is implemented, reveals a diverse range of crop engagement among youth-owned MSMEs across the districts, with certain crops being more dominant in specific areas. As can be observed in table below, Maize is widely grown in districts like Gatsibo (75%), Nyagatare (81.8%), and Ngoma (66.7%), while Irish potatoes are particularly prominent in Nyabihu (95.8%) and Rubavu (70.6%). Tomatoes are significant in Huye (71.4%),Rubavu (70.6%), and Kirehe (50%). Beans and other vegetables, though less common, are still present, particularly in districts like Nyanza and Musanze.

Table 5: Priority crops engaged in across different Target Districts

District	Priority income-earning Crops							
	Maize	Irish potatoes	Tomatoes	Beans	Tree tomatoes	Onion	Banana	Other VC
Burera		83.3%			5.6%	5.6%		5.6%
Gakenke	42.9%		42.9%					14.3%
Gatsibo	75.0%	12.5%						12.5%
Huye	9.5%		71.4%	4.8%			4.8%	9.5%
Kirehe	27.8%		50.0%				11.1%	11.1%
Musanze		37.5%			12.5%	12.5%		37.5%
Ngoma	66.7%		8.3%	8.3%		4.2%		12.5%
Nyabihu			95.8%	4.2%				
Nyagatare	81.8%			9.1%				9.1%
Nyamagabe	15.0%			15.0%	5.0%			65.0%
Nyamasheke					4.8%			95.2%
Nyanza	41.2%	5.9%	5.9%	11.8%		5.9%		29.4%
Nyaruguru	41.4%	6.9%		51.7%				
Rubavu			70.6%			11.8%		17.6%
Rusizi	22.2%		44.4%				11.1%	22.2%
Total	**25.8%**	**8.7%**	**27.4%**	**9.9%**	**1.6%**	**2.4%**	**1.6%**	**22.6%**[29]

4.3.6 Distribution of Surveyed MSMEs across Value Chains Nodes

The distribution of youth-owned MSMEs across different value chain nodes highlights that market-oriented agricultural production dominates the surveyed group, accounting for 60.3% (252 MSMEs). This shows a strong presence of youth in direct agricultural production activities, a crucial segment for Rwanda's agriculture-driven economy. Meanwhile, agricultural input suppliers (1.4%) and produce traders (1.9%) form a small percentage, showing that fewer MSMEs are involved in upstream or downstream agriculture value chain activities, such as input provision or produce trading.

In the tourism and hospitality sectors, food and beverage services represent the largest group at 16.3% (68 MSMEs), followed by accommodation providers at 2.2% (9 MSMEs) and man-made attraction sites at 2.9% (12 MSMEs). Other nodes, such as tour operators, travel agencies, and events and entertainment, show very low engagement, each under 2%. This pattern suggests that most youth-led businesses are focused on operational services, while the higher-value nodes like tour operations and destination marketing are scarcely occupied, revealing potential gaps or barriers that may need addressing to diversify youth participation across these sectors.

[29] Other crops include Rice (4.8%), Eggplants (4%), Carrots and green peppers (1.98%) tree tomatoes at 1.59%, etc.

Table 6: Distribution of Surveyed MSMEs across Value chain Nodes

Value node	Frequency	Percent
Agricultural Inputs suppliers	6	1.4
Market-oriented Agricultural Production	252	60.3
Produce Trading	8	1.9
Inbound and Outbound Tour Operators	2	.5
Travel Agencies	2	.5
Destination Marketing Organizations (DMOs)	1	.2
Transportation Services	5	1.2
Accommodation Providers	9	2.2
Food & Beverage services	68	16.3
Man-made attraction sites	12	2.9
Tour Guides and Local Experiences	1	.2
Events and Entertainment	8	1.9
Retail & Souvenirs Shops	5	1.2
Other	39	9.3
Total	418	100.0

4.3.6.1Value chain nodes versus Gender of respondents

Table 7 below reveals notable gender disparities across different value chain nodes in agriculture, tourism, and hospitality. Women are predominant in key agricultural and tourism-related nodes such as agricultural inputs supply (66.7%), market-oriented agricultural production (71.4%), produce trading (87.5%), and man-made attraction sites (66.7%), while also having full representation in destination marketing organizations (DMOs), tour guides, and local experiences (100%). Men dominate in specific areas like transportation services (100%), travel agencies (100%), and accommodation provision (55.6%). Several nodes, such as inbound/outbound tour operators and events/entertainment, reflect an equal gender distribution (50% male, 50% female), suggesting some balance in these sectors.

Table 7: Value chain nodes versus Gender of respondents

Value chain nodes	Gender of respondents		Total
	Male	Female	
Agricultural Inputs suppliers	33.3%	66.7%	100.0%
Market-oriented Agricultural Production	28.6%	71.4%	100.0%
Produce Trading	12.5%	87.5%	100.0%
Inbound and Outbound Tour Operators	50.0%	50.0%	100.0%
Travel Agencies	100.0%		100.0%
Destination Marketing Organizations (DMOs)		100.0%	100.0%
Transportation Services	100.0%		100.0%
Accommodation Providers	55.6%	44.4%	100.0%
Food & Beverage services	41.2%	58.8%	100.0%
Man-made attraction sites	33.3%	66.7%	100.0%
Tour Guides and Local Experiences		100.0%	100.0%

Events and Entertainment	50.0%	50.0%	100.0%
Retail & Souvenirs Shops	40.0%	60.0%	100.0%
Total	35.4%	64.6%	100.0%

Overall, the findings highlight a gendered division of roles, with women more concentrated in agricultural production and trade, as well as certain tourism and hospitality services, while men dominate in transport, accommodation, and travel services.

4.3.6.2 Priority Crop Primarily Engaged in

Furthermore, the crop specialization data in Table 6 highlights the diversity of agricultural production among youth-owned MSMEs engaged in market-oriented agricultural production. Tomatoes were the most popular crop, with 27.4% of MSMEs specializing in it, followed by maize at 25.8%. Together, these two crops account for over half of the surveyed enterprises, suggesting a focus on high-demand food crops that are relatively easy to market and have established supply chains. Crops like Irish potatoes (8.7%), beans (9.9%), Rice (4.8%), and Eggplants (4%) also represented notable shares of the sample, indicating their importance to these enterprises. However, some crops, such as onion (2.4%), and banana (2.4%), were less commonly specialized in, possibly due to limited market opportunities, climatic or geographic conditions, or higher production challenges.

Table 8: Crop Specialization for MSMEs involved Market-oriented Agricultural Production

Crop Specialized in	Frequency	Percent
Maize	65	25.8
Irish potatoes	22	8.7
Tomatoes	69	27.4
Beans	25	9.9
Rice	12	4.8
Eggplants	10	4
Green beans	6	2.4
Onion	6	2.4
Banana	6	2.4
Other crops	31	12.3%
Total	252	100.0

Other crops (12.3%) include Carrots and green peppers that are, each, accounting for 1.98% of respondents, followed by tree tomatoes at 1.59%. Cabbage, pineapple, tea, and garlic are grown by about 1% of the surveyed MSMEs. Meanwhile, crops like sorghum, avocado, coffee, sugar cane, and chili are cultivated by less than 1% of respondents.

Table 9: Crop specialized in versus Gender of respondents

Specialized Crops	Male	Female	Total
Maize	27.7%	72.3%	100.0%
Irish potatoes	22.7%	77.3%	100.0%
Tomatoes	36.2%	63.8%	100.0%
Beans	32.0%	68.0%	100.0%
Tree tomatoes	25.0%	75.0%	100.0%
Onion	33.3%	66.7%	100.0%
Banana	25.0%	75.0%	100.0%
Total	28.6%	71.4%	100.0%

4.3.7 Business Ownership Type among Surveyed Youth-owned MSMEs

The data from the survey reveals that the majority of youth-owned MSMEs in the agriculture, tourism, and hospitality sectors are individual enterprises, with 361 out of 418 respondents (86.4%) identifying their business as such. This suggests a strong preference among young entrepreneurs for operating independently rather than in more formalized or group-based structures. The next significant category is Village Savings and Loan Associations (VSLAs), accounting for 8.6% of the surveyed businesses, which reflects the role of community-based financial structures in supporting youth businesses, especially in rural areas.

Table 10: Business Ownership Type

Business Ownership Type	Frequency	Percent
Individual Enterprise	361	86.4
Cooperative	15	3.6
Limited Company	5	1.2
VSLA	36	8.6
Other	1	.2
Total	418	100.0

Other forms of business ownership, such as cooperatives and limited companies, represent a smaller share of the surveyed enterprises, at 3.6% and 1.2% respectively. These findings highlight a possible gap in access to formalized business structures or financing options that might enable the transition from individual enterprises to more established business models, such as limited companies or cooperatives.

4.3.8 Annual or seasonal personnel employed

Based on the findings presented in Table 11 regarding the average size of annual or seasonal personnel employed by surveyed youth-owned MSMEs in the agriculture, hospitality, and tourism sectors, a significant majority of these enterprises operate with a small workforce. Specifically, 71.5% of the respondents indicated that they employ fewer than 10 seasonal personnel, highlighting the prevalence of micro-level operations within this demographic. This suggests that youth-owned MSMEs predominantly engage in smaller-scale activities, which may reflect the limited resources and capital available to these enterprises. The concentration of personnel in this category could also indicate a strategic focus on agility and cost management, essential for sustaining operations in competitive sectors like agriculture and hospitality.

Table 11: Average Size of Annual or Seasonal Personnel

Average Size of seasonal personnel	Frequency	Percent
Less than 10	299	71.5
From 10 to 30	54	12.9
From 31 to 50	38	9.1
Above 50	27	6.5
Total	418	100.0

Conversely, only a small fraction of the surveyed MSMEs reported employing larger teams, with just 12.9% employing between 10 to 30 personnel, and only 9.1% employing between 31 to 50. The data further reveals that a mere 6.5% of the MSMEs have a workforce exceeding 50 individuals. This distribution underscores the challenges that youth-owned MSMEs face in scaling their operations and suggests that many remain within a limited growth trajectory. The findings indicate that while these businesses play a crucial role in local economies, their potential for job creation and contribution to overall economic development may be constrained by their size and capacity to expand.

4.3.9 Annual Turnover of Youth-Owned MSMEs in the Target Economic Sectors

The survey results reveal significant insights into the estimated annual turnover of youth-owned MSMEs within the Kataza Program's targeted economic sectors of agriculture, tourism, and hospitality. A striking 71.8% of the surveyed MSMEs reported an annual turnover below 1,000,000 Rwandan francs, indicating that a substantial majority operate at a relatively low financial scale. Among these, male respondents represent 30%, while female respondents account for 77%. This suggests that many youth-owned MSMEs may be struggling with financial growth, potentially due to various barriers such as limited access to capital, inadequate market linkages, or lack of technical support.

Table 12:Estimated Annual Turnover of surveyed Youth Owned MSMEs

Annual Turnover	Gender of respondents				Total	Percent
	Male	Percent	Female	Percent		
Below 1,000,000 Frw	91	30	209	77	300	71.8
1000,000 - 5000,000 Frw	47	32	55	20	102	24.4
5000,000 -10,000,000 Frw	3	2	3	1	6	1.4
Above 10,000,000 Frw	7	5	3	1	10	2.4
Total	**148**	**100**	**270**	**100**	**418**	**10**

In contrast, only 24.4% of the surveyed MSMEs fall within the 1,000,000 to 5,000,000 Rwandan francs turnover bracket, highlighting a notable drop in the number of businesses as turnover increases. The figures further reveal that very few MSMEs (3%) reported annual turnovers between 5,000,000 and 10,000,000 Rwandan francs, and only 2.4% exceeded 10,000,000 Rwandan francs. This distribution indicates a concentration of businesses at the lower end of the turnover spectrum, which may reflect broader challenges faced by youth entrepreneurs in scaling their operations. The findings underscore the need for targeted interventions to enhance the financial viability and growth potential of youth-owned MSMEs in these sectors.

4.3.10 CURRENTLY ACCESS OR USE FORMAL FINANCIAL SERVICES

The table presents data on whether youth-owned MSMEs in the agriculture, tourism, and hospitality sectors currently use or access formal financial services, disaggregated by gender. Out of the 418 MSMEs surveyed, 56% (233 MSMEs) reported using formal financial services, while 44% (185 MSMEs) did not. When comparing gender, a notable difference emerges: 61% of female-owned MSMEs (141 out of 270) reported using formal financial services, whereas 39% of male-owned MSMEs (92 out of 148) accessed such services.

Table 13:Businesses' current use or access formal financial services

Gender	Currently use or access formal financial services				Total
	Yes	%	No	%	
Male	92	39	56	30	148
Female	141	61	129	70	270
Total	233	56	185	44	418

However, a significant proportion of both genders still lack access, particularly males, with 70% (129 out of 270) of females and 30% (56 out of 148) of males not using any formal financial services. This indicates a critical need for targeted interventions to improve access to finance to ensure broader financial inclusion in these sectors.

Furthermore, For MSMEs that do not use formal financial services, the most reported obstacle was the lack of a bank account, cited by 27.8% of respondents and affecting 36.2% of cases (see table 14 below).
Other major barriers include limited literacy and numeracy skills (25.7%), the complexity of service application processes (23.7%), and limited access to information about financial services (21.6%). These findings suggest that foundational barriers, such as financial literacy and information access, play a critical role in preventing many youth-owned MSMEs from accessing formal financial services.

Table 14:Main barriers to accessing formal financial services

Main barriers to accessing finance	Responses		Percent of Cases
	N	Percent	
No Bank account	67	27.8%	36.2%
Limited literacy and numeracy skills	62	25.7%	33.5%
Complex service application process	57	23.7%	30.8%
Limited access to information about financial services	52	21.6%	28.1%
Lack of tailored financial products for youth-led businesses	1	.4%	.5%
Lack of trust in financial institutions	2	.8%	1.1%
Total	241	100.0%	

Notably, female respondents face more pronounced barriers compared to males, particularly in access to information and the complexity of financial service processes. For instance, 43 female respondents reported limited access to information about financial services, compared to only 9 male respondents (see Table 15).

Table 15:Main barriers versus to gender of the respondents

Main barriers	Gender of respondents	
	Male	Female
No Bank account	19	48
Limited literacy and numeracy skills	23	39
Complex service application process	19	38
Limited access to information about financial services	9	43
Lack of tailored financial products for our businesses	0	1
Lack of trust in financial institutions	1	1

The data in above table 15 indicates that female youth-owned MSMEs face multiple barriers to formal financial services, including literacy challenges and lack of access to information, contributing to financial exclusion.

Table 16:Barriers to Access and Gender Disparities

Current financial services used	Gender of respondents	
	Male	Female
Home savings	35	69
Group savings and loans	121	245
Family/Friend Support	19	50
Mobile money saving account	90	152
Mobile money loans services (MoKash)	26	21
Government grant/Loan	1	2
Other	4	4

It was further found that, among those accessing formal financial services, checking accounts (41.9%) and savings accounts (37%) were the most commonly used services, indicating that these youth-owned MSMEs prioritize cash management and savings. However, fewer businesses access loan services, with only 19.2% using them, and other services like insurance and leasing remain underutilized (Table 15). The low uptake of loan services could point to barriers to access to credit or a preference for less risky financial products.

Table 17: Type of accessed formal financial services

Type of financial services	Gender of respondents		Total	%
	Male	Female		
Loan Services	39	62	101	19.2
Savings Account	75	120	195	37.0
Checking Account	87	134	221	41.9
Insurance	1	1	2	0.4
Leasing and Hire purchases	0	1	1	0.2
Other	1	6	7	1.3

4.3.11 Application and Access to Loan Services

The survey data reveals that a significant proportion of youth-owned MSMEs in the agriculture, tourism, and hospitality sectors in Rwanda did not apply for any loan products in the past 24 months. Specifically, 41% of male respondents and 57% of female respondents applied for loans. However, a large majority expressed either a need for loans but did not apply (51% of males, 50% of females) or had no need for a loan (22% of males, 29% of females). This suggests that access to financial services, despite being critical for business growth, is either hindered by barriers or not deemed necessary by a notable portion of these MSMEs.

Table 18:Have you applied for any Loan Products in the past 24 months?

Gender	Applied for any Loan Products in the past 24 months			Total
	Yes	No but was needed	No but it wasn’t needed	
Male	41	75	32	148
Female	57	135	78	270
Total	98	210	110	418

Furthermore, Table 19 indicates that, among those who applied for loans, long-term loans were the most preferred, with 59.1% of the total sample applying for loans of more than one year. Short-term loans, making up 32.7%, were the next most common, and only a small fraction (8.2%) applied for credit lines. This indicates that youth-owned MSMEs in these sectors are more inclined towards long-term financial commitments, likely for more sustainable investments rather than short-term liquidity needs.

Table 19: If yes, what terms of Loan products did you apply for?

Terms of Loan products apply for	Frequency	Percent
Long term loans (> 1 year)	58	59.1
Short-term loans (1year and less)	32	32.7
Credit lines	8	8.2
Total	98	100

When looking at the types of loans applied for, statistics in Table 17 reveal that the vast majority (93.9%) sought loans repayable with applicable interest rates, while only 6.1% applied for loans with subsidized interest rates. This reflects that youth-owned MSMEs are primarily accessing traditional loan products with market-rate interest, suggesting either limited availability or awareness of more affordable or subsidized financial products.

Table 20: Type of loan applied for by surveyed Youth Owned MSMEs

Type of loan applied for	Frequency	Percent
Loan repayable with all applicable interest	92	93.9
Loan with subsidized interest	6	6.1
Total	98	100

Regarding loan purpose, business expansion was the dominant reason for seeking financial assistance, with 13.9% of the respondents identifying this as their goal. Start-up capital and working capital were also notable purposes, though at much lower rates, 5.0% and 3.3%, respectively. This highlights the focus on growth and expansion among youth-owned MSMEs, rather than early-stage or operational financial needs.

Table 21: Purpose of the loan/financial assistance?

Purpose of the loan/financial assistance	Frequency	Percent
Start-up capital	21	21.4
Equipment purchase	4	4.1
Business expansion	58	59.2
Working capital	14	14.3
Other	1	1
Total	98	100

The success rate in obtaining loans applied for was notably high, with 96% of applicants securing the financial products they applied for. Of these, 39.2% of males and 56.3% of females successfully obtained loans, indicating that gender did not significantly impact loan success, though females had a slightly higher success rate.

Table 22:Were you successful in obtaining the Loan product?

Gender of respondents		Obtain loan		Total
		Yes	No	
Gender of respondents	Male	39.6	2,2	41.8
	Female	56.3	1.9	58.2
Total		96	4	100

4.3.12 Perceived challenges hindering access to financial institution loan services

In the survey on perceived challenges hindering access to financial institution loan services, a significant portion of both male and female respondents cited collateral requirements as a major obstacle. Specifically, 91 male (21.8%) and 157 female (37.6%) MSMEs owners identified this as a challenge, making it the most commonly reported barrier. High interest rates were also prevalent, reported by 66 males (15.8%) and 125 females (29.9%), indicating that both genders find loan costs prohibitive.

Table 23:Perceived challenges hindering access to financial institution loan services

Challenges on access to loan	**Gender of respondents**	
	Male	**Female**
High interest rates	66	125
Collateral requirements	91	157
Complex application processes	27	45
Long processing time	26	47
Corruption	3	5
Lack of information on available loan services	16	32
Lack of tailored financial products	8	11
Perceived risk of small businesses	8	21
Long Distance to the Financial Service Providers	2	3
Absence of online loan-related services	0	1
Limited accessibility or affordability of online Loan-related services	0	1
Limited knowledge of digital device uses	1	1
Other	12	15

In addition, challenges related to the complexity of the application process, such as documentation Requirements, Unclear or Complicated Application Forms, and Stringent Collateral Requirements, were mentioned by 27 males (6.5%) and 45 females (10.8%). Long processing times (Lengthy Approval Process) emerged as another hindrance for MSMEs, with

26 males (6.2%) and 47 females (11.2%) perceiving it as a barrier. Corruption was reported by 3 males (0.7%) and 5 females (1.2%), indicating that it is a relatively minor issue. However, the lack of information on available loan services affected 16 males (3.8%) and 32 females (7.7%), highlighting an information gap. Other issues, such as the lack of tailored financial products and the perceived risk of small businesses, were also raised, but these factors were not as widely cited.

4.3.13 Youth MSMEs strategies mostly used to overcome the perceived challenges

When it comes to strategies used to overcome these challenges, the most popular option was seeking government or donor-backed loan guarantee schemes, as reported by 37.6% of respondents. This highlights the crucial role such schemes play in easing access to finance for youth-owned MSMEs. Another prominent strategy was negotiating loans through VSLAs or cooperatives, which 28.9% of the respondents employed. This finding underscores the importance of collective approaches in accessing credit, especially for youth-led enterprises that may not have individual collateral.

Table 24: Strategies mostly used to overcome the perceived challenges

Strategies mostly used to overcome these challenges	Frequency	Percent
Seek for Family/Friends support	23	5.5
Join VSLA/Cooperative	30	7.2
Negotiate Loan through VSLA / Cooperatives	121	28.9
Seek for Government or donor-backed loan guarantee schemes	157	37.6
Leverage online crowdfunding platforms	1	.2
Leverage of the use of mobile money loan services	2	.5
Other	84	20.1
Total	418	100.0

Additionally, some respondents (20.1%) utilized other strategies to overcome these challenges, reflecting diverse solutions based on personal or local circumstances. Interestingly, a small proportion (7.2%) joined VSLAs or cooperatives to improve their financial standing, while 5.5% sought support from family and friends. The use of digital and online platforms was extremely limited, with only 0.2% leveraging crowdfunding and 0.5% using mobile money loan services, indicating that these digital financial solutions have not yet gained significant traction among the youth-owned MSMEs surveyed.

4.3.14 Benefiting the Financial Support Program among Youth-Owned MSMEs

The survey findings reveal that a large majority of youth-owned MSMEs in the agriculture, tourism, and hospitality sectors have not benefited from financial support programs aimed at youth or women-owned businesses. Specifically, only 9.6% of respondents indicated they had benefited from such financial support, while a striking 90.4% reported they had not received any financial assistance. When disaggregated by gender, 10.1% of male respondents acknowledged receiving financial support, compared to 9.3% of female respondents. This indicates a slight gender disparity, with males marginally more likely to have benefited from financial support than females.

Table 25: Having benefited from any financial support for youth/women-owned MSMEs

Gender of respondents		Benefited from any financial support for youth or women-owned MSMEs		Total
		Yes	No	
	Male	10.1%	89.9%	100.0%
	Female	9.3%	90.7%	100.0%
Total		9.6%	90.4%	100.0%

Among those who had benefited from financial support, the distribution of providers reveals significant reliance on alternative sources rather than conventional financial institutions or programs. Notably, 91.6% of respondents who received support indicated they obtained it from "Other" sources, a broad category that likely includes informal networks, personal savings, or community-based schemes. This high reliance on non-traditional forms of support suggests that formal financial systems may not be effectively reaching youth or women-led MSMEs.

Table 26:Who provided the financial support?

Institutions that provided support		Responses	
		N	Percent
	Government agency	19	4.5%
	Non-Governmental Organization (NGO)	11	2.6%
	Financial institution	5	1.2%
	Other	383	91.6%
Total		418	100%

Further disaggregation of the data on support providers shows that government agencies played a modest role in providing financial support, accounting for 4.5% of the cases where respondents reported receiving assistance. NGOs were responsible for 2.6% of the financial support, indicating their relatively small but important role in providing targeted assistance to youth-owned MSMEs. Financial institutions, on the other hand, had an even smaller contribution, with only 1.2% of cases involving formal banking or microfinance institutions as providers of financial support.

4.3.15 Financial Needs and Preferences

The findings on the primary financial needs of youth-owned MSMEs show significant gender-based differences (Table 27). For instance, a substantial portion of both male (36.5%) and female (55.9%) respondents indicated that their primary need is working capital financing.

This suggests that women-owned businesses have a more pronounced demand for liquidity to sustain operations, with a larger proportion of females requiring working capital than males. In total, 49.0% of all respondents identify working capital as their key financial need, highlighting it as the dominant area for financing.

Conversely, the need for start-up capital financing is almost equally distributed across genders, with 12.8% of male and 13.3% of female respondents listing it as their primary requirement. Despite this relative parity, start-up capital financing is not the most urgent need overall, accounting for only 13.2% of the total surveyed MSMEs. This indicates that most businesses are in more advanced stages and are likely seeking other forms of support beyond initial funding.

The third most commonly cited financial need is equipment financing, which represents 16.0% of the total respondents, with a higher percentage among males (17.6%) than females (15.2%). This suggests that a notable proportion of MSMEs, particularly male-led ones, require investment in tools and machinery to enhance their operational capacity, which is critical for productivity growth.

Table 27: Primary financial needs to support business growth.

Primary financial needs		Gender of respondents		Total
		Male	Female	
Start-up Capital financing	Count	19	36	55
	%	12.8%	13.3%	13.2%
Equipment Financing	Count	26	41	67
	%	17.6%	15.2%	16.0%
Working capital financing	Count	54	151	205
	%	36.5%	55.9%	49.0%
Inventory purchase	Count	13	11	24
	%	8.8%	4.1%	5.7%
Expansion financing	Count	36	30	66
	%	24.3%	11.1%	15.8%
Export financing	Count	0	1	1
	%	0.0%	0.4%	0.2%
Total	Count	148	270	418
	%	100.0%	100.0%	100.0%

When examining expansion financing needs, there is a clear gender disparity. Male respondents express a significantly higher demand (24.3%) compared to females (11.1%). Overall, expansion financing is required by 15.8% of the surveyed MSMEs, reflecting ambitions for growth but highlighting a potential gap in female entrepreneurs' access to funds for scaling their businesses.

Regarding the loan amounts required (Table 28), the majority of respondents (48.8%) need financing of less than 1 million RWF, with a stark difference between genders—32.4% of male respondents versus 57.8% of females. This shows that female-owned businesses tend to seek smaller loans compared to their male counterparts. However, the next most common need is for loans between 1 million and less than 5 million RWF, which is favored by 55.4% of males and 36.7% of females.

Table 28:Estimated amount of financing (loan) needed

Approximate amount of financing (loan) needed		Gender of respondents		Total
		Male	Female	
Less than 1 million RWF	Count	48	156	204
	%	32.4%	57.8%	48.8%
1 million but less than 5 million RWF	Count	82	99	181
	%	55.4%	36.7%	43.3%
5 million but less 10 million RWF	Count	6	12	18
	%	4.1%	4.4%	4.3%
10 million RWF and above	Count	12	3	15
	%	8.1%	1.1%	3.6%
Total	Count	148	270	418
	%	100.0%	100.0%	100.0%

This disparity in loan sizes may indicate that male-owned MSMEs have larger operations or ambitions for expansion than female-owned businesses. Only a small percentage of MSMEs (3.6%) seek loans above 10 million RWF, suggesting that large-scale financing is not a priority for the majority of respondents.

Furthermore, **Figure 2** below reveals that the majority (32.5%) of those Youth-owned MSMESs who expressed working capital as their priority financial need require less than 1 million RWF while 14.1% of them need between 1 million and 5 million RWF. This suggests that these businesses are facing liquidity challenges and require small to medium-sized loans to sustain day-to-day operations. Equipment financing is mostly seeking loans under 1 million RWF (8.1%) or between 1 million and 5 million RWF (7.2%), indicating a moderate demand for capital to invest in machinery or tools essential for business expansion.

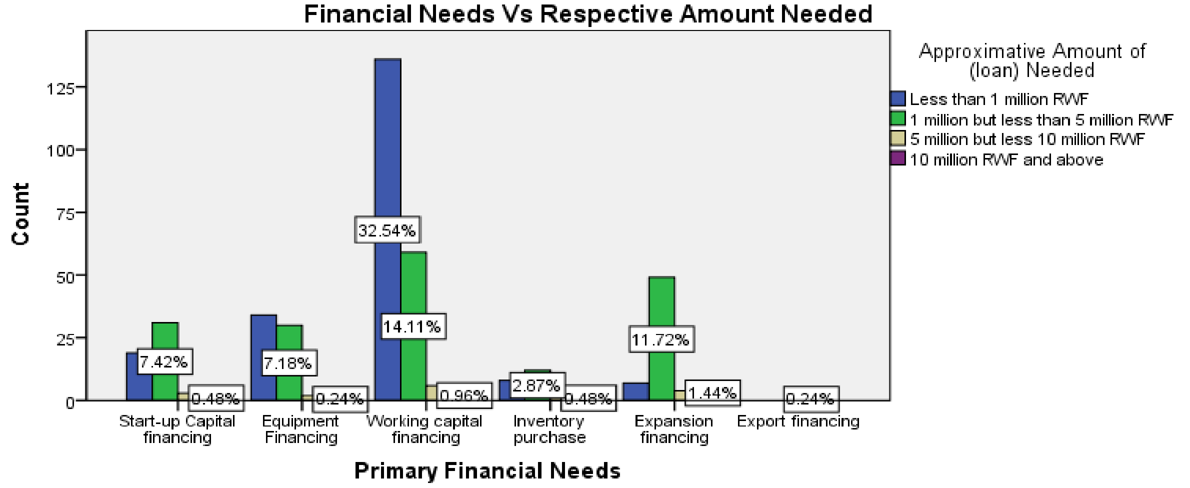

Figure 2: Loan Amount Requirements per Financial Needs

On the other hand, the data reveals that start-up capital financing, expansion financing, and inventory purchases are also important, but their demand is lower compared to working capital. Start-up capital financing comprises 13.2% of the total needs, primarily for loans less than 5 million RWF. Expansion financing accounts for 15.8%, with a significant portion requiring loans between 1 million and 5 million RWF (11.7%), highlighting a growing interest in scaling operations. Inventory purchases, at 5.7%, and export financing, at a mere 0.2%, demonstrate a relatively lower need for financing in these areas.

Yet, it was found that in the agriculture sector, working capital financing is the most prominent need, with 70.2% of businesses requiring funds in this area. The majority of these needs (47.6%) fall within the category of less than 1 million RWF, indicating that many agriculture MSMEs are operating at a small scale. Equipment financing in this sector constitutes 10.2%, with a higher proportion (6.5%) needing loans under 1 million RWF. Expansion financing represents only 1.8% of total needs, suggesting limited growth ambitions or capital for scaling. (**see the annexed table 42**).

In contrast, the tourism and hospitality sectors show a significant need for expansion financing, which accounts for 42.7% of total financial needs. A majority (32.9%) of these expansion loans fall within the 1 million to 5 million RWF range, reflecting a stronger drive for business growth compared to the agriculture sector. Equipment financing is also a major need (27.3%), with a notable share (11.2%) in the under 1 million RWF category;(**see the annexed table 45).**

4.3.16. Preferred Loan Product Features

The survey results on the types of loan products or services that would better meet the needs of youth-led MSMEs indicate a strong preference for lower-interest-rate loans (Table 29). Of the respondents, 38.9% of males and 61.1% of females expressed a need for lower interest rates, showing that youth-led MSMEs, particularly female-owned ones, prioritize affordability in their borrowing options. Lowering interest rates is seen as a critical feature to make financing more accessible for these MSMEs, as both male and female respondents overwhelmingly chose this option.

A notable percentage of youth-owned MSMEs, particularly female respondents, prefer loans with longer repayment periods. Specifically, 61.2% of females and 38.8% of males selected this feature, showing that extended repayment terms would alleviate the pressure on young entrepreneurs to make frequent and large repayments. This is crucial, especially for businesses with slower cash flow or seasonal income, such as those in agriculture, which often need more time to repay loans without defaulting.

Interestingly, there is also significant interest in loans with flexible payment options, particularly among female respondents. Of the total, 72.5% of females and 27.5% of males chose this option, indicating that women entrepreneurs might face more variable income streams, requiring them to adjust loan payments based on their financial circumstances. Flexibility in loan repayment schedules could thus be key to ensuring these MSMEs stay solvent and can manage their debts effectively

Table 29:Features of loan products or services to better meet the needs

Loan product features	**Gender of respondents**	
	Male	**Female**
Lower interest rate loans	103	153
Longer repayment periods	71	112
Shortened loan processing period	19	20
Access to grants	19	21
Loans with flexible payments	44	116
Fintech loan	1	2
Flexible collateral requirements	18	34
Simplified loan application processes	18	23
Non- Physical Collateral Loans	4	14
Other	1	2

When asked about their perceived convenient interest rates (Table 30), an overwhelming majority (80.6%) of respondents indicated a preference for rates below 5% per annum. This clearly shows that the current interest rates offered by financial institutions may be too high for youth-led MSMEs, limiting their access to affordable credit. Key Informant Interviews (KIIs) with District officials and some consortium members of the Kataza Program further reinforced this, recommending that interest rates for youth-owned MSMEs be subsidized to achieve a single-digit rate, making financing more accessible. Only a small fraction of respondents (15.6%) felt that rates between 5% and 10% would be manageable, while less than 1% would consider rates exceeding 10%, underscoring the need for significantly lower interest rates.

Table 30: Perceived as a convenient interest rate Among surveyed Youth Owned MSMEs

Convenient interest rate	Frequency	Percent
Rate below 5% per annum	337	80.6
Rates ranging from 5% to 10% per annum	65	15.6
Rates above 10% but not exceeding 15% per annum	3	.7
Rates from above 15% but not exceeding 20%	2	.5
Other	11	2.6
Total	418	100.0

It is also observed from the above table 30 that MSMEs are generally not inclined to consider higher interest rates, with less than 1% favoring rates above 10%, and an even smaller group of 0.5% considering rates between 15% and 20%. The preference for rates below 5% suggests that financial institutions looking to serve youth-owned MSMEs must rethink their interest rate policies to better align with the affordability needs of these businesses, as higher rates might deter them from seeking loans altogether

4.3.17. The stage of the business process experiences the most significant financing gap

The survey results reveal that the most significant financing gap for youth-led MSMEs is overwhelmingly at the input supply stage, with 91.6% of respondents, indicating that this stage of the business process faces the greatest financial challenges. This suggests that the majority of youth-owned MSMEs struggle to secure adequate funding for inputs such as seeds, raw materials, and other initial resources required to begin their production processes. The data indicates that this is a critical bottleneck, with nearly all respondents identifying it as the primary financial gap in their operations.

Table 31:Stage of business process experiences financing gap

Stage of business	Frequency	Percent
Inputs supply or Production or stage	380	91.6
Processing Stage	8	1.9
Storage	4	1.0
Distribution &Marketing	23	5.5
Total	415	100

In contrast, only a small proportion of youth-led MSMEs experience significant financing gaps at other stages of their business processes. For instance, just 1.9% of respondents indicated that they face the most difficulty during the processing stage, while 1.0% reported challenges at the storage stage. Furthermore, 5.5% of MSMEs identified the distribution and marketing stage as the most significant area of financial need, suggesting that a minority also struggles with securing funds for activities related to getting their products to market. Overall, the data highlights a clear trend that financing issues are concentrated at the very beginning of the business cycle.

4.3.18 Preferred ways of receiving the loan

The survey results show that the majority of youth-owned MSMEs, 64.8%, prefer receiving approved loans in person at a bank or microfinance institution (MFI). This indicates a strong inclination towards traditional, face-to-face interactions with financial institutions, possibly due to the need for personal engagement, trust-building, or limited digital literacy and access to digital infrastructure. The preference for in-person banking suggests that physical branches remain a vital part of the financial ecosystem for these MSMEs, particularly when dealing with loans or significant financial decisions.

Table 32:Preferred ways of receiving loan

		Frequency	Percent
	In-person at a bank/MFI	271	64.8
	Online platforms	9	2.2
	Mobile banking	137	32.8
	Other	1	.2
	Total	418	100.0

On the other hand, 32.8% of MSMEs prefer mobile banking, reflecting a notable shift towards digital financial services due to the convenience and accessibility of mobile platforms.

Furthermore, Participating Financial Institutions (PFIs) indicated during Key Informant Interviews (KIIs) that they are focusing on introducing or strengthening digital financial services, particularly savings and loan products. Initiatives include digital platforms for loan applications and disbursements via mobile phones. Additionally, MINECOFIN is advancing the digitalization of SACCO operations to streamline services such as savings, withdrawals, and transfers. These efforts are expected to benefit both youth and financial institutions, as young people are generally more adept at using digital technologies, which could drive further adoption and utilization of financial services.

4.3.19 CONFIDENCE IN THE ABILITY TO REPAY A LOAN

The survey results reveal that a significant majority of youth-led MSMEs in the agriculture, tourism, and hospitality sectors demonstrate high confidence in their ability to repay a loan if granted. Specifically, 43.5% of respondents indicated they are "Very Confident" in their repayment capacity, while an even larger portion, 49.5%, expressed that they are "Confident." This suggests that a combined 93% of youth-led MSMEs feel positively about their ability to manage and repay loans, reflecting a generally optimistic financial outlook and likely a strong sense of business viability among these enterprises.

Table 33:Youth-owned MSMEs' confidence in their ability to repay a loan

		Frequency	Percent
	Very Confident	182	43.5
	Confident	207	49.5
	Neutral	27	6.5
	Not Confident	2	.5
	Total	418	100.0

On the other hand, only a small fraction of the surveyed youth-owned MSMEs displayed uncertainty or doubt about their ability to repay loans. Just 6.5% of respondents reported feeling "Neutral," and an even smaller percentage (0.5%) indicated they are "Not Confident." These figures highlight that only 7% of the total sample expressed any hesitation, implying that potential lenders or financial institutions could expect high repayment confidence and willingness from the Kataza Program 's target beneficiaries.

4.3.20 Respondents 'views on appropriate common Loan collateral requirements

The data reveals that **land or real estate** is considered the most common and appropriate collateral requirement by youth-led MSMEs, with **36.4%** of respondents indicating this preference. This suggests that for over a third of these MSMEs, land or real estate holds the highest value and is seen as a reliable asset that can secure loan approvals. This high preference may reflect the formal nature of land as a recognized asset in financial institutions and the emphasis placed on immovable property as collateral in Rwanda's lending landscape.

Table 34: Respondents' views on the most appropriate collateral requirement to obtain a loan

collateral requirement	Frequency	Percent
Land or real estate	152	36.4
Equipment or machinery	33	7.9
Group guarantees	115	27.5
Inventory	54	12.9
Other	64	15.3
Total	418	100.0

The second most common collateral requirement, reported by **27.5%** of the respondents, is **group guarantees**, indicating that many MSMEs perceive collective responsibility as a viable means to access loans. This method likely appeals to businesses without sufficient physical assets but who can rely on solidarity and social networks. Additionally, **12.9%** of respondents consider **inventory** as an appropriate form of collateral, while **equipment or machinery** is selected by **7.9%**. Finally, **15.3%** of respondents chose "other" options, suggesting a variety of alternative assets or innovative financial instruments they might consider suitable for collateral.

4.3.21 Financial Literacy and Support Services

The data in table 32 below shows that 35.4% of all surveyed youth-owned MSMEs had received some form of financial literacy training or business development support, while 64.6% had not. Gender-disaggregated data reveals that female MSME owners were more likely to have not received such training or support, with 66.5% of them falling into this category compared to 33.5% of males. Among those who had received training or support, females made up 58.3%, indicating a higher participation rate than males, who accounted for 41.7%.

Table 35:Received financial literacy training or business development support

			Financial literacy training or business development support		Total
			Yes	No	
	Male	Count	40	108	148
		%	41.7%	33.5%	35.4%
	Female	Count	56	214	270
		%	58.3%	66.5%	64.6%
Total		Count	96	322	418
		%	100.0%	100.0%	100%

Regarding the sources of training or support, government agencies were the primary providers, accounting for 41.7% of all cases, followed by banks, microfinance institutions (MFIs), and SACCOs at 31.3%. NGOs contributed 9.4% of the support, while insurance companies played a minimal role, providing support to only 1.0%. Additionally, 16.7% of the youth-led MSMEs received training or business support from other sources. This highlights the prominent role of government and financial institutions in capacity-building initiatives for MSMEs.

Table 36: Providers of Financial training or Business Development support

		Frequency	Valid Percent
	Bank/MFIs/SACCOs	30	31.3
	Insurance companies	1	1.0
	Government agency	40	41.7
	Non-Governmental Organization (NGO)	9	9.4
	Other	16	16.7
	Total	96	100.0

Furthermore, the survey results reveal a near-unanimous consensus among youth-owned MSMEs regarding the benefits of financial literacy training in managing their business finances. An overwhelming 98.8% of respondents agreed that such training would help them improve their financial management skills, with only 1.2% believing it would not. This indicates a clear recognition of the importance of financial literacy among youth-led enterprises, reflecting the widespread demand for foundational financial skills to navigate business operations effectively.

Table 37: Financial literacy training to better manage your business finances

Financial literacy training		Frequency	Percent
	Yes	413	98.8
	No	5	1.2
	Total	418	100.0

When asked about specific areas where they would like additional training or support, 67.5% of respondents indicated a desire for regular information on available sector-specific loan products and services. This was the most requested area, highlighting the importance of staying informed about financial opportunities tailored to their business sectors. Following closely, 63.2% of respondents expressed interest in financial planning and management training, underscoring their need for robust skills in budgeting, cash flow management, and long-term financial strategies.

Table 38: Specific areas for additional training/capacity building support?

Needed training	Responses		Percent of Cases
	N	Percent	
Financial planning and management	264	28.1%	63.2%
Coaching and mentorship and Business Planning	89	9.5%	21.3%
Access to finance and loan application processes	224	23.8%	53.6%
Regular information on available Sector specific loan products and services	282	30.0%	67.5%
Other	82	8.7%	19.6%
Total	941	100.0%	225.1%

Access to finance and loan application processes was another significant area of interest, with 53.6% of respondents seeking guidance on how to secure funding. This suggests that many MSMEs struggle with navigating loan procedures and accessing capital. Additionally, 21.3% of respondents expressed the need for coaching and mentorship on investment appraisal and business planning, indicating a demand for deeper support in developing business strategies. Lastly, 19.6% requested other forms of support, showing that some businesses may have unique needs beyond the specified categories.

4.3.22 Facing challenges related to gender norms, disability, displacement/refugee status

The survey results on challenges related to gender norms, disability, and refugee status in accessing finance show that very few youth-owned MSMEs face such challenges. Only 0.7% of male respondents indicated experiencing gender-based discrimination, while no female respondents reported such challenges. In total, this represents just 0.2% of the overall sample of 418 youth-led MSMEs. This infers that the vast majority (99.8%) of the target Youth's MSMEs did not face significant barriers related to gender norms, disability, or refugee status when trying to access finance. Specifically, 99.3% of male respondents and 100% of female respondents reported no challenges in this regard.

Table 39: Facing challenges related to gender norms, disability, displacement/refugees

			Gender of respondents		Total
			Male	Female	
Challenges related to gender norms, disability, displacement/refugee status in accessing finance	Gender-based discrimination	Count	1	0	1
		%	0.7%	0.0%	0.2%
	No	Count	147	270	417
		%	99.3%	100.0%	99.8%
Total		Count	148	270	418
		% s	100%	100%	100%

When asked about the extent to which financial institutions understand and cater to the needs of vulnerable groups such as youth with disabilities, refugees, or women, a majority of respondents expressed concerns (see table 37 below). A significant 52.4% of MSMEs rated the financial institutions' understanding and support as "Low," while an additional 25.4% felt it was "Very Low." Together, this indicates that 77.8% of youth-led MSMEs perceive financial institutions as being largely unresponsive to the specific needs of these marginalized groups, reflecting a notable gap in tailored financial services.

On the positive side, 18.9% of the respondents rated financial institutions' understanding and support as "High," with a smaller portion (3.3%) considering it "Very High." Although these percentages are relatively low compared to the negative responses, they suggest that some financial institutions are making efforts to cater to vulnerable groups. However, the overwhelming majority of respondents feel that more needs to be done to address the unique financial challenges faced by youth with disabilities, refugees, and women.

Table 40:Felt that financial institutions understand and cater to the needs of youth with disabilities, Refugees or women

		Frequency	Percent
	Very low	106	25.4
	Low	219	52.4
	High	79	18.9
	Very High	14	3.3
	Total	418	100.0

4.3.23 Overall satisfaction with the financial services currently available to youth-led MSMEs

The survey results indicate that a significant portion of youth-led MSMEs in agriculture, tourism, and hospitality sectors express dissatisfaction with the financial services provided by financial institutions. Specifically, 39.0% of respondents are dissatisfied with the services, while an additional 20.3% are very dissatisfied. This suggests that nearly 60% of the surveyed MSMEs are not content with the current financial services, highlighting a potential gap in the ability of financial institutions to meet the needs of these businesses.

Table 41: Overall satisfaction with the financial services

Satisfaction		Frequency	Percent
	Very Satisfied	28	6.7
	Satisfied	61	14.6
	Neutral	81	19.4
	Dissatisfied	163	39.0
	Very Dissatisfied	85	20.3
	Total	418	100

In contrast, only a small portion of youth-led MSMEs expressed high levels of satisfaction with the financial services. A combined 6.7% reported being very satisfied, and 14.6% said they were satisfied, totaling just over 21% of the respondents. This relatively low percentage of satisfied customers may suggest that only a minority of MSMEs find the existing financial offerings adequate or beneficial for their business needs.

Interestingly, 19.4% of the surveyed MSMEs remain neutral regarding their satisfaction with the financial services. This neutral stance could reflect businesses that either have limited interaction with financial institutions or have had experiences that are neither particularly positive nor negative. This group represents an important segment that could potentially be swayed if financial services were more tailored to the unique needs of youth-led MSMEs in these sectors.

4.4 ANALYSIS OF SUPPLY SIDE'S CAPACITY IN TARGET DISTRICTS AND ECONOMIC SECTORS

Based on the key informant interviews (KIIs), the financial institutions shared several insights regarding the financial needs and challenges faced by youth-owned MSMEs in the agriculture, tourism, and hospitality sectors. This analysis reveals that while general financing options exist, targeted support and specialized products for youth-owned MSMEs are limited, and there are substantial gaps in addressing their financial needs.

4.4.1. EXISTING FINANCIAL PRODUCTS AND SERVICES

Across the surveyed MFIs and SACCOs, most of them offer basic financial products such as savings, deposit accounts, and agricultural loans, particularly for maize and other crops like Irish potatoes and beans, maize, vegetables, and cassava. However, most institutions do not have specialized products tailored for youth, women, refugees, or persons with disabilities; with many institutions citing a lack of collateral and perceived instability in youth businesses as key barriers to offering these services. Exceptions like UMUTANGUHA Finance offer specialized loans for youth, Refugees, and women, such as the "Youth Loan", Twigire Refugee Loans," and "Terimbere (Women Loan)" products, featuring interest rates of 1.6% per month, offering flexible terms to those specific groups.

Moreover, many SACCOs reported little or no engagement with the tourism and hospitality sectors due to low demand or lack of perceived opportunities by their clients. For example, Busasamana and Kamembe SACCOs noted no requests from tourism or hospitality clients, while others like Kinigi and Umutanguha Finance did offer limited services to those sectors, mainly for transportation, bar, and restaurant operations.

4.4.2. CHALLENGES AND GAPS

Most SACCOs emphasized that youth often lack collateral and face difficulty accessing loans, limiting their participation in financial services. Other mentioned challenges included high interest rates and limited financial literacy. These challenges are compounded by sector-specific risks, such as climate change impacting agricultural yields and the seasonality of tourism.

> "***The high interest rates remain a burden, as repayment can be difficult for MSMEs facing cash flow challenges due to seasonal income in agriculture and tourism. Furthermore, limited financial literacy is a barrier. Many of the youth-owned MSMEs lack the necessary skills to manage their businesses effectively, and without collateral, it becomes challenging to secure loans from our SACCO.***" explained the manager of Kibeho SACCO.

The majority of Participating Financial Institutions suggest that creating a special fund, offering financial literacy training, and establishing flexible terms could help address these gaps.

> ***"We need special funds and shared risk strategies for youth and women-owned MSMEs to cover gaps caused by the lack of collateral and capital. Moreover, collaborating with stakeholders to create flexible funds and provide financial literacy training will significantly increase youth-owned MSMEs' access to financial products."*** — INKUNGA Finance

4.4.3 PROVISION OF LOANS TO YOUTH-OWNED MSMES ACROSS DIFFERENT FINANCIAL INSTITUTIONS

Furthermore, the Key Informant interviews (KIIs) with sampled Participating Financial institutions, especially Saving and credit cooperatives and as well as non-cooperatives' Microfinance Institutions, reveal significant disproportions in the provision of loans to youth-owned MSMEs across different financial institutions in Rwanda's agriculture, tourism, and hospitality sectors. In some SACCOs, like BUSASAMANA and KAMEMEMBE SACCO, there were no loans provided to youth-owned MSMEs in any of the sectors. This highlights a potential gap in financial outreach and accessibility for young entrepreneurs in these regions, especially for MSMEs seeking capital in agriculture value chains and the tourism and hospitality industries.

"Our SACCO struggles to finance youth and women-led MSMEs in the agriculture sector due to limited working capital and high-interest costs associated with external funding. We are in dire need of affordable capital to better serve these special groups. Our capacity is limited by the ceiling of our loan sizes, which does not exceed 5,000,000 RWF. This constraint is tied to low deposit levels, making it difficult to meet the needs of all our members. Therefore, without sufficient resources, our ability to provide specialized financial products for youth, women, and people with disabilities remains constrained. Our institution is struggling to allocate available working capital equitably". *Explained one of the managers of interviewed SACCOs*

However, some Microfinance Institutions, such as KIBEHO SACCO and Karambi SACCO, demonstrate strong financial support for youth in the agriculture value chain, with loans disbursed reaching up to RWF 127 million. KIBEHO SACCO shows active involvement in financing women-owned MSMEs, disbursing significant amounts across youth and women-led businesses. Kibeho SACCO disbursed 120 million RWF, while Karambi SACCO disbursed around 19 million RWF to youth-owned MSMEs in agriculture. SERUKA SACCO has the highest

loan disbursement for both youth and women-owned MSMEs, particularly in the agriculture sector, with loans exceeding RWF 376 million for youth and over RWF 822 million for women-owned enterprises. Nevertheless, most of their focus was on agriculture value chain financing, with the tourism and hospitality sectors receiving less attention.
Participating Financial Institutions such as Busasamana, Kamembe SACCO, and Inkunga Finance, report no loan disbursements to youth-owned MSMEs in the past 12 months, highlighting gaps in financial access for these groups in some areas.

A closer look at vulnerable groups, such as youth with disabilities or refugee youth, shows an overall lack of financial support. Very few institutions provided loans to these groups, with only Kibeho SACCO disbursing 6.5 million RWF to youth with disabilities.
"***We do not currently offer distinct financial products for specific groups like youth or refugees. Our focus has been on improving existing services due to limited working capital and the high costs associated with borrowing. Again, without sufficient resources, our ability to provide specialized financial products for youth, women, and people with disabilities remains constrained. Our institution is struggling to allocate available working capital equitably***". Explained the Manager of TARE SACCO.

The focus on agriculture financing aligns with Rwanda's national priority to develop agricultural value chains, yet the lack of significant tourism and hospitality financing suggests a need for diversification of financial products.
Overall, the data highlights a clear need for expanding access to financial services, especially in underrepresented sectors like tourism and hospitality, and for more inclusive financial products that target vulnerable youth populations.

Below is table 39 populated with thematic responses from some Interviewed Participating financial institutions (PFIs).

Table 42: Thematic responses from some Interviewed Participating financial institutions (PFIs)

Themes	Findings/Response Summary

Financial Products for Agriculture, Tourism, and Hospitality:	- Not currently developing new financial products due to limited working capital but recognize the need for specific products tailored to the unique challenges of youth, women, and disabled persons in these sectors
	- Agricultural financial products are more common, while limited products exist for tourism and hospitality due to the perceived lack of opportunities by clients
	- Most PFIs offer loans for agricultural production, including crops like maize, cassava, tea, and Irish potatoes. Additionally, some PFIs provide loans for trading and processing agricultural products.
	- For instance: BUSASAMANA SACCO Offers loan products for agriculture (maize, cassava, etc.), no tourism-related services, and a few hospitality loans (bars/restaurants) due to lack of demand.
	- Few PFIs provide loans for hospitality-related investments (e.g., bars and restaurants) but reported minimal requests for tourism services.
	  o KIBEHO SACCO Offers credit for agriculture (tea, Irish potatoes, wheat), tourism (transport), and hospitality (bars, restaurants).
	  o SERUKA SACCO Provides savings and credit for agriculture, but no loans specific to tourism or hospitality.
	  o UMUTANGUHA Finance Offers savings, current accounts, and credit services in agriculture (various crops) and some in tourism and hospitality (lodging, coffee shops, etc.).
	- Some PFIs mention seasonality affecting the ability to repay loans.

Specialized Financing for Youth, Women, and Refugees:	- Majority PFIs noted a lack of specialized financing options due to insufficient capital. - However, UMUTANGUHA Finance offers specialized products, including the "Youth Loan" and "TWIGIRE Refugee Loan," tailored for youth, women, and refugees. - Youth and women face additional barriers due to lack of collateral, and inadequate business management skills. - INKUNGA Finance highlights the need for special capital and low-interest loans for these groups.

Challenges Faced in Financing Youth MSMEs in Targeted Economic Sectors	- Common challenges include lack of collateral, inadequate financial literacy among MSMEs, long loan processing times, and the seasonal nature of agriculture and tourism, which affects loan repayment schedules. There is also difficulty in following up with youth who often lack business stability. - PFIs emphasize the financial risks including climate change and lack of market access, affecting loan repayments, suggesting the use of microinsurance as a de-risking strategy. - The majority of PFIs emphasized the importance of developing sector-specific products with flexible interest rates and repayment terms that align with agricultural and tourism cycles - Responses highlighted the importance of public-private partnerships, tax incentives, and government programs (e.g., "Nkunganire") to support these sectors. Tax incentives, seed subsidies, and public-private partnerships.
Capacity to Finance Projects in Agriculture, Tourism, Hospitality	Lacks sufficient capacity due to inadequate capital; youth are a large population but underrepresented in financial services.
	- Many SACCOs reported that inadequate capital and high borrowing costs limit their ability to offer low-interest loans. Full capacity to finance youth-owned MSMEs, but agricultural loans may create cash flow challenges for the institution due to seasonal repayments. - PFIs express confidence in their capacity to finance youth-led MSMEs in agriculture, provided that they meet traditional lending criteria. However, some reported insufficient capital to adequately support youth-owned businesses

Furthermore, in Table 40 below, an overview of some of the identified loan and savings products available across various Participating Financial Institutions (PFIs) for youth, women, and refugee-owned MSMEs is provided. These institutions offer a variety of tailored financial services specifically designed to meet the needs of MSMEs. The loan products range from agricultural loans, refugee-focused loans, women-centric loans, and more, targeting the financial empowerment of underserved communities such as the youth, women, and refugees. Below is a detailed table listing the different financial products offered by select institutions:

Table 43:Loan and savings Services to youth-owned MSMEs across different financial institutions

PFI Name	Youth/Women/Target Sectors-Based Products	Product's Features (Description)	Possible adaptation and Collaboration with Kataza Financing Program.
UMUTANGUHA FINANCE COMPANY PLC	Agricultural Loan	• Offered to farmers, including agricultural associations, cooperatives, and individuals. • Interest rate: 22.8%. • Collateral required	Kataza Program could partner with UMUTANGUHA to reduce interest rates to 9% for youth-led MSMEs and facilitate the use of alternative collateral, such as group guarantees or future crop harvests as collateral. or crop-based repayment options to reduce the barriers posed by traditional collateral requirements. The program could also provide financial literacy training to reduce application complexity and make these loans more accessible to youth-owned MSMEs.
	Seasonal Loan Facility	• Tailored for farmers to finance seasonal activities, including the purchase of seeds and agricultural equipment. • Interest rate: 22.8%.	**Kataza Program** could subsidize the interest rate and introduce microinsurance for crop failure, reducing the risk for both the PFI and MSMEs. Tailored training on managing seasonal cash flows could be included to support MSMEs using this product. Additionally, Kataza could support to adapt of this product by incorporating seasonal repayment structures aligned with agricultural cash flows, ensuring MSMEs have flexibility in repayment periods based on harvest cycles.

	TWIGIRE - Refugees Loan	• Designed for refugees investing in agricultural commercialization, land acquisition, or equipment. • Loans up to RWF 200,000 provided in collaboration with MINEMA. • Collateral required.	Kataza program can work with Umutanguha and MINEMA to expand access to this loan to youth refugees in hospitality and tourism sectors, by negotiating lower interest rates and promoting guarantee schemes for non-collateralized loans. The program could also enhance loan accessibility for refugees by offering technical assistance for business development and subsidizing guarantee fees through its de-risking mechanisms. Additionally, Kataza could collaborate on expanding refugee-focused financial literacy programs and introducing flexible loan terms.
	TERIMBERE (Women Loan)	• Focused on helping women farmers, traders, and entrepreneurs start and grow their businesses. • Interest rate: 18%. • Collateral required.	Kataza can subsidize the interest rate further (down to 9%) and offer collateral-free loans or use group guarantees through partnerships with BDF. Additionally, the program could offer gender-focused business coaching and financial literacy workshops to enhance the effectiveness of this product for women MSMEs.
DUTERIMBERE-IMF PLC	Intego Saving	• Progressive savings product with withdrawal allowed twice a month. • 6% interest top-up. • Savings for land purchase, fertilizers, and working capital. • No charge for internal transfers.	Kataza could leverage this product by linking it to loan applications. MSMEs could be incentivized to save towards collateral-free loans through additional savings-matching schemes supported by the program, and the savings product could serve as a pathway to more affordable credit.
	Seruka (Youth Loan)	• Loan for youth aged 18-30 engaged in agriculture or livestock. • Interest rate: 20%. • Collateral required, with BDF's guarantee of 75%.	**Kataza** could support by subsidizing interest rates further, down to 9%, and encouraging the use of non-financial collateral alternatives. Additionally, the program could implement training sessions on financial management and business growth.

	Women Loan (Terimbere Mugore)	• Loan product for women entrepreneurs with physical collateral. • Maximum loan: RWF 30 million at 12% annual interest.	**Kataza program** can leverage this product to target women MSMEs in tourism and hospitality by incorporating mentorship and business development services alongside the loan, promoting a more holistic support structure for women entrepreneurs.
	Partial Credit Guarantee (Former TEKANA)	• Loan product for clients without sufficient collateral to cover the loan, supported by BDF's 75% guarantee. • Interest rate: 12%. • Collateral accepted in cash or material.	**Kataza** can enhance this product by providing direct loan subsidies or buying down interest rates to single digits. The program could also expand guarantees for MSMEs that lack conventional collateral.
	Intego Loan	• Loan supplementing savings for clients who have achieved at least 50% of their savings goal. • Maximum loan: RWF 10 million.	**Kataza** could support by subsidizing interest rates further, down to 9%, and encouraging the use of non-financial collateral alternatives. Additionally, the program could implement training sessions on financial management and business growth.
RIM	CREDITS AGRI ELEVAGE PECHE PERSONNES PHYSIQUES CONSTANT	• Target clients: Individuals/companies. • Interest rates: 16-18% per year. • Mandatory savings not required. • File fees and credit commission applicable.	Kataza program could negotiate with RIM to reduce interest rates for youth MSMEs in agriculture and introduce flexible loan terms that align with harvest cycles. Additionally, the program can provide financial literacy to help businesses manage credit and savings efficiently
KARAMBI VISION SACCO(Nyamasheke) & MASHYUZA SACCO (Rusizi)	TINYUKA WIGIRE MUNYARWANDAKAZI	• Target women aged 18 to 45, whether they are part of a group or saving individually • Participants are encouraged to save a minimum of 2,000 Rwf per month, with a premium interest rate awarded for those	**Kataza Program** could enhance this product by offering group guarantees and expanding loan sizes for MSMEs, ensuring that women's savings contributions act as a form of collateral. The program could also leverage this product by providing financial literacy on savings and loans to

		who accumulate at least 30,000 Rwf over six months • For group savings, loans can range from 100,000 to 1,000,000 Rwf, with eligibility requiring consistent savings over a three-month period. • For individual borrowers, loan amounts range from 20,000 to 200,000 Rwf, requiring regular savings for a minimum of four months. • A declining Interest rate of 18%% is applied • Loan Period: up to 5 years with a monthly or quarterly	women entrepreneurs. Additionally, it could subsidize interest rates for SACCO members and promote group savings as an alternative to traditional collateral.
SAGER GANZA MICROFINANCE PLC	**Agricultural Production and Livestock Loan**	• Primarily caters to rural populations • Loan amounts can vary depending on the borrower's creditworthiness, project size, and collateral provided • Interest rates ranging from 18% to 24% per annum for agricultural loans • Flexible repayment terms, ranging from 6 months to 3 years, depending on the crop or livestock production cycle.	Kataza could collaborate by reducing interest rates to around 9%, mitigating the risk through microinsurance for crop or livestock failures. Additionally, the program could introduce tailored financing solutions that consider the seasonal nature of agriculture, with more flexible repayment terms aligned to the production cycle.
KIBEHO SACCO		• No specific products, but disbursed RWF 376 million to youth-owned MSMEs in agriculture over the past 24 months. • Significant focus on women MSMEs, disbursing RWF 120 million in agriculture loans.	Kataza can support KIBEHO SACCO by developing specific youth- and women-focused products, providing technical assistance to improve outreach, and enhancing the loan product portfolio with lower interest rates and longer repayment periods. Additionally, Kataza could introduce financial literacy programs to improve loan

			repayment and business scaling among youth-owned MSMEs.

4.5 STAKEHOLDERS' PERSPECTIVES ON THE FINANCIAL NEEDS OF YOUTH-OWNED MSMES

The key informant interviews (KIIs) conducted with district officers in the Kataza Program's target Districts, the Ministry of Finance, the Rwanda Hospitality Association, as well as the Program's consortium members, reveal a consistent narrative about the regulatory environment supporting youth-owned MSMEs in the agriculture, tourism, and hospitality sectors. Across all respondents, it is evident that Rwanda's regulatory framework is seen as conducive, with tax incentives and policies promoting financial inclusion and collaboration with financial institutions. No major regulatory hindrances were reported, demonstrating a unified understanding that current policies facilitate access to finance across these sectors, however, institutions such as the Ministry of Finance (MINECOFIN) emphasized the role of varied agriculture insurance products and guarantee funds as mechanisms to raise the PFIs' risk-appetite in lending-owned MSMEs in the Agriculture Sector, highlighting a strong policy framework designed to ease access to finance.

Government initiatives were seen as central to addressing the financial needs of youth-owned MSMEs. The interviews underscored efforts to engage vulnerable groups—youth, women, and persons with disabilities—by raising awareness of opportunities and encouraging their participation in financial systems. Programs like the Nkunganire subsidies for agricultural inputs and equipment were cited as key tools in promoting the modernization of agriculture. Similarly, Various programs, such as those under the Business Development Fund (BDF) and the Visit Rwanda campaign, were highlighted for their roles in promoting investment, and opportunities to be leveraged by Kataza Financing Program

Nevertheless, several recommendations emerged on how to enhance financial access and literacy for youth-owned MSMEs. Interviewees emphasized the need to develop specific credit guarantee schemes and risk-sharing mechanisms to reduce loan default risks, especially for those lacking collateral, and subsidize interest rates to become one-digit interest rates. Financial literacy was a recurring theme, with respondents advocating for targeted education programs to empower MSMEs in managing loans effectively. Mentorship in entrepreneurship and financial management coaching for youth-owned MSMEs in the target economic Sectors was identified as a priority and a critical component to empower youth and ensure they appropriately manage the risks that are connected to their businesses

Another frequent suggestion was the simplification of loan application and savings services processes by increasing access to savings and loan services via mobile phones or Agencies as well as improving the timely availability of loans.

The Rwanda Hospitality Association and MVend also highlighted the seasonality feature of tourism and hospitality businesses which require loans to be timely disbursed without any delay as, most of the time, the delayed loan becomes no longer relevant nor serves the needs.

4.6 MEETING THE IDENTIFIED FINANCIAL NEEDS IN THE TARGET ECONOMIC SECTORS

Addressing these issues requires tailored financial solutions that align with the specific needs of these MSMEs. The table below outlines the key financial challenges faced by the target youth-owned MSMEs, and the main causes of these challenges, while presenting specific financial requirements and recommendations to address these needs.

Table 44:Key Identified Financial Challenges for the Targeted Youth Owned MSMEs and Recommended Solutions

Key Faced Financial Challenges	Main Causes of the Challenges	Impact/Effects on the Youth owned MSMEs in Agriculture, tourism, and Hospitality	Financial requirements to meet the expressed financial needs
High interest rates	High lending costs from financial institutions	• Profit Margin can't pay the required Loan interest rate and remain with the balance to youth's livelihood • Reluctancy to apply for Loans Limited access to finance, • Slowing business growth>>>> Quit Business to look for salaried employment	• Subsidized interest rates for youth-owned MSMEs to achieve one digit-interest rate • **Blended Finance which involves** Combining grants or concessional loans with traditional credit to reduce the cost of capital for youth-owned MSMEs in Agriculture, Tourism, and Hospitality
Lack of adequate collateral among youth-owned MSMEs	Collateral requirements are high and youth do often not have assets for collateral	Businesses cannot secure loans or working capital for their business start-ups or expansion	• Promote group lending and savings models to facilitate collective credit access, particularly for women-led MSMEs. • Introduction of alternative collateral measures that allow offering non-physical Collateral Loans
Complex loan application processes and Bureaucratic processes within financial institutions	• Limited access to financial literacy training programs • Youth's impatient to forgo the satisfaction of their personal needs today for the sustainability of their business	Discourages youth from applying for loans, reducing access to finance	• Simplification of loan application processes • Kataza Program is recommended to support PFIs to introduce digital platforms that provide small, short-term loans to MSMEs via mobile phones by

			reducing the need for physical bank branches. This will mainly involve leveraging on expanding the use of MVEND's Gwiza especially for creating credit histories and offering micro-credit or savings products within Participating Financial Institutions
Difficulty in meeting loan repayment schedules	• Young people are often reluctant to sacrifice meeting their immediate personal needs for the long-term sustainability of their businesses • Limited financial management skills	• Default in loan repayment resulting in limited trust by MFIs in youth-owned businesses	• Implementation of targeted financial literacy programs. This will involve ✓ Providing training on business development, and digital financial tools to help MSMEs manage loans more effectively. ✓ Incorporating mentorship programs, like those from AMI and RWAMREC, that provide both financial literacy and gender-transformative approaches to support youth entrepreneurs, especially women. ✓ Use of psychometric tests, or alternative data like mobile payment history to assess youth entrepreneurs' financial behavior before guaranteeing loans to their Businesses.
	• Seasonal income fluctuations and Inconsistent cash flow in the agriculture and tourism sectors' Youth Owned MSMEs	Constrained liquidity within PFIs and inability to extend loans to other clients.	• PFIs to develop loan products which allow flexible loan repayment and aligned with cash flow in the agriculture

	• Financial institutions did not have products for youth-owned in the target sectors		and tourism sector and as indicated in table. • **Tranched Financing:** This strategy involves implementing milestone-based financing for youth-owned MSMEs, where loans are released progressively as young entrepreneurs meet specific business growth targets such as training completion or business growth. This approach reduces the risk of default • The Kataza Program is recommended to bridge the extended gap between cash outflows and inflows, which can constrain PFIs' liquidity, preventing them from waiting for youth borrowers to repay before extending loans to other clients. This will involve PFIs' Liquidity financing and provide credit guarantees to banks to encourage lending to higher-risk youth and women-owned Projects to encourage financial institutions to lend to youth-owned MSMEs

V. CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

The desk review findings revealed that Youth-owned MSMEs investing in agriculture, tourism, and hospitality, especially women-led businesses, face significant financial challenges that hinder their growth and sustainability. One of the primary obstacles is the inability to meet collateral requirements due to a lack of fixed assets, such as land or housing, which disproportionately affects women entrepreneurs. High interest rates and rigid repayment conditions make it difficult for youth, who often lack starting capital, to access finance.

Moreover, the low levels of financial literacy and business education among youth, particularly women, affect their ability to develop solid business plans and navigate the complexities of the financial landscape. Additionally, the lack of financial services digital platforms, networks, and connections, especially for women, limits access to business opportunities, information, and mentorship, further marginalizing them from high-value markets. On the supply side, financial institutions often lack the data, expertise, and understanding of youth-specific needs, particularly for rural youth, resulting in products that are not adequately tailored to the realities of these young entrepreneurs.

Furthermore, the survey and KIIs findings reveals several key insights:

- Most respondents are involved in the agriculture sector, with individual enterprises being the most common business type.
- Youth-owned MSMEs face significant barriers to financial access, such as lack of a bank account (27.8%), followed by limited literacy skills (25.7%) and the complexity of service applications (23.7%). These findings suggest that financial literacy programs and simplified service processes could significantly improve access to finance for youth-owned MSMEs.
- Working capital financing is the most significant financial need for youth MSMEs (49%), particularly for women (55.9%), Equipment and expansion financing are also important, although more for male respondents than females. This suggests a stronger focus on growth and scaling among male-owned MSMEs.
- Lower interest rates and longer repayment periods are the most sought-after loan features., and there is a high demand for financial literacy and business development support.
- Most PFIs provide basic saving and deposit services, and loans primarily focused on agriculture (maize, vegetables, potatoes, etc). Tourism and hospitality sectors are largely underrepresented due to low demand from clients in these sectors. Some SACCOs support bars, restaurants, and event planning. The majority of SACCOs do not offer specialized financial products for youth, refugees, disabled persons, or women-owned MSMEs.

- Most of the interviewed PFIs expressed limited capacity to serve all youth-owned MSMEs, due to insufficient working capital and the high risks associated with lending to youth, women, and vulnerable groups. The majority of PFIs also highlighted the absence of flexible collateral requirements and the lack of capital specifically allocated for youth and women-owned MSMEs creating a primary gap between the supply and demand of loan services/products.

- Issues with interest rates being too high for many youth-owned MSMEs, limited collateral, and poor financial literacy are key barriers highlighted by interviewed PFIs and they suggested working with stakeholders to create flexible, low-interest funds, improving financial education, and providing easier ways for youth to secure collateral

- climate change affecting agriculture, seasonal fluctuations in tourism, lack of market access and market instability, and nomadic behavior of youth as reasons for not offering specialized services are Common risks that make PFIs reluctant to loan MSMEs in Kataza Program's targeted economic Sectors. Youth, especially women and refugees, are seen as high-risk clients due to these factors.

- Microinsurance is a popular de-risking strategy envisaged by PFIs, though its effectiveness is limited by the uptake among clients. Also Promoting collective marketing and cooperative models is seen as an alternative des-risking strategy

5.2 RECOMMENDATIONS

Based on the findings from the assessment report, the following are recommendations, aiming to address key barriers in accessing finance, improving the capacity of MSMEs to grow and thrive in their respective sectors, for the Kataza Program to support its target beneficiaries, particularly youth- and women-owned MSMEs in the agriculture, hospitality, and tourism sectors:

(i) Tailor Financial Products to the surveyed MSMEs' Unique Needs

- **Flexible Financing Options:** Liaise with Participating Financial Institutions to develop loan products that consider seasonal income patterns, particularly for agriculture and tourism MSMEs. For agriculture, offer seasonal loans with flexible repayment schedules, as agricultural businesses often experience seasonal cash flows. Similarly, for the tourism and hospitality sectors, introduce products like asset-based financing and guarantee schemes that allow repayments to align with peak business periods

- **Introduce Collateral Substitutes**: Many youth- and women-owned MSMEs struggle with traditional collateral requirements. Kataza could work with microfinance institutions to accept alternative forms of collateral, such as future crop harvests, contracts with buyers, or group guarantees. This will increase access to finance for MSMEs that lack land or other traditional assets.

- **Low-Interest, Long-Term Loans:** Introduce lower interest rates and long-term loan options, which were identified as critical needs, especially among women-owned MSMEs. **Interest rates below 5%** are preferred by 80.6% of respondents

- **Working Capital Financing:** Prioritize the provision of **working capital** as it was identified as the top financial need by 49% of MSMEs, particularly for women entrepreneurs who face more liquidity challenges.

- Work with fintech companies MVend Ltd[30] to explore digital financial products that offer collateral-free loans to MSMEs, leveraging alternative credit scoring mechanisms

(ii) Promote Digital and Mobile-Based Financial Solutions: MSMEs, especially in rural areas, face challenges accessing traditional banking services. Digital finance and mobile banking platforms can provide MSMEs with access to loans, savings, and other financial services without needing physical bank branches. Leveraging mobile money platforms will also reduce administrative costs and improve transparency in loan disbursement and repayment

(iii)Promote a hedged financing facility for women and people with disabilities (PWDs): Access to credit is a challenge for many users, but women and PWD-owned MSMEs face additional structural barriers including the need to balance household and business investments, and there is currently a lack of gender-sensitive service provision and inclusive product designs for women and PWDs. Therefore, Kataza should work with Participating Financial Institutions to design innovative financing models, that are necessary to foster greater financial and digital inclusion for these groups, such as lower interest rates, longer repayment periods, risk guarantees, and hedged financing. Financial institutions often employ mass-market approaches, and they should be supported to consider tailoring their services to meet the specific needs of these side-lined groups.

(iv)Expand Financial Literacy Programs: To enhance the ability of MSMEs to navigate the financial landscape, Kataza should partner with financial institutions to offer financial literacy training programs and these programs should cover financial planning, loan application processes, and management strategies to improve loan repayment rates and business sustainability- Utilize AMI' expertise to provide financial literacy and business management training to youth entrepreneurs. This will help them better manage their finances, optimize their cash flow, and reduce the negative impact of high-interest loans. This will have to be integrated with RWAMREC's gender-transformative initiatives to ensure female-led MSMEs have access to these opportunities.

(v)Focused Recommendations to Enhance Involvement in Tourism and Hospitality

To increase youth and women's participation in tourism and hospitality, the Kataza program could implement the following strategies:

- **Tailored Financial Products**: Develop low-collateral, flexible financial products such as **seasonal loans** for tourism businesses, where repayment schedules align with peak

[30] MVend is a Rwandan FinTech company building digital financial solutions with a focus on payments and banking the unbanked and underbanked.

and off-peak tourism cycles. Offer **guaranteed loans** or subsidized interest rates specifically for young women entrepreneurs.

- **Capacity Building and Financial Literacy**: The program should prioritize **financial literacy training**, focusing on helping youth and women navigate the complexities of managing seasonal income and preparing business plans that can attract funding. These trainings can also cover topics such as customer service, digital marketing, and tourism-specific skills.
- **Support for Formalization and Business Development**: Provide business development services to help youth and women formalize their operations. This includes support with **business registration**, **access to market information**, and assistance with digital platforms like online booking or marketing services for accommodation providers.
- **Microinsurance and Risk Mitigation**: Tourism and hospitality MSMEs are particularly vulnerable to market fluctuations and climate-related risks. By promoting **microinsurance** products and de-risking strategies, the Kataza program can help reduce the financial vulnerability of youth-owned businesses.
- **Access to Infrastructure and Equipment**: Partner with development organizations or microfinance institutions to provide **in-kind support** in the form of equipment, such as digital tools for marketing, or facilities like food trucks or eco-lodge infrastructure.
- **Food & Beverage Services**: This value chain represents a significant portion of youth-owned MSMEs, accounting for 16.3% of surveyed businesses. It offers relatively low entry barriers, making it accessible for young entrepreneurs, especially women. The Kataza program can support youth in starting restaurants, catering services, or mobile food businesses.
- **Accommodation Providers**: Although only 2.2% of MSMEs are involved in this value chain, there is potential to support youth in offering innovative lodging solutions such as eco-lodges, and guest houses; capitalizing on Rwanda's eco-tourism growth.
- **Retail and Souvenir Shops**: MSMEs that sell local crafts, art, and other souvenirs can capitalize on tourist traffic while creating employment for artisans and sellers, particularly women.

Summary of recommended Services and loan Products' features to be considered by the PFIs

To meet the identified needs of owned MSMEs in agriculture, tourism, and hospitality, PFIs should be supported to provide the following tailored financial services and products; under the Kataza Program framework.

Table41: Recommended Financial Services and Products

Financial Services and Products	Features	Target or fitting Category of Youth Owned MSMEs
Seasonal Agricultural Loans	• Loans structured to match the agricultural cycle of each crop, offering flexible repayment schedules that coincide with harvesting periods. • This product should mainly consider loan amounts to cover the costs of inputs seeds, fertilizers, Pesticides, Equipment, labor, and insurance for each target crop while expecting the loan repayment after selling produce. • Repayment is timed by aligning it with the expected cash inflows from harvest sales.	Agriculture Sector
Post-Harvest Loans	• Tailored to help farmers store their products and sell them when market prices are higher. • In this case, Youth could use their produce as collateral and PFIs could provide loans based on the value of the stored crops. • The repayment should occur after the produce is sold at better prices	Agriculture Sector
Youth-Owned MSMEs' Working Capital Loans	• **Small Loan Sizes**: loan sizes that are flexible enough to support immediate working capital needs without overburdening the business. Typically ranging from Rwf 100,000 to Rwf 1,000,000 (as revealed by the survey); accessible without significant collateral • Collateral-Free or Light-Collateral **such as future crop harvests, livestock, or contracts with buyers** • **Group Lending Models**: Group-based lending where members of a group guarantee each other's loans. • **Flexible Financing Criteria:** adopt flexible credit scoring, utilizing references from community leaders, psychometric tests, or alternative data like mobile payment history to assess youth entrepreneurs' financial behavior.	Agriculture Sector

	• **Small Loan Sizes:** loan sizes that are flexible enough to support immediate working capital needs without overburdening the business. Typically ranging from Rwf 1000 000 to Rwf 5,000,000 (as revealed by the survey); accessible without significant collateral • **Revenue-based repayment:** This type of loan will allow businesses in the tourism sector to repay based on a percentage of their monthly revenues, which accommodates fluctuating cash flows due to seasonality in tourism and Hospitality demands • Secured by using their assets (vehicles, property, or equipment) as collateral. • **Flexible Financing Criteria:** adopt flexible credit scoring, utilizing references from community leaders, psychometric tests, or alternative data like mobile payment history to assess youth entrepreneurs' financial behavior	Tourism and Hospitality Sectors
Weather Index Insurance (Agriculture):	• In partnership with insurance companies, Kataza Progragram can support the development and provision of weather index insurance linked to loan products for farmers. • This insurance should compensate farmers if specific weather conditions, like drought or floods, cause crop failure.	Agriculture
Business Interruption Insurance:	This product should be designed in a way that it can: • Compensate for lost income during the period the business is unable to operate. • cover fixed expenses that continue even when the business is not operating, such as rent, utilities, payroll, taxes, and loan repayments • Covers losses that result when a business is forced to close due to a government mandate or restriction	Hospitality and Tourism
Equipment Financing Loan	• **Flexible Repayment Terms:** Offers longer repayment periods, or **grace periods** to accommodate fluctuations in their revenue streams or installments linked to business cash flows. • A one-digit interest rate of 5% or less; making it loans more affordable • **Lease-to-Own options enabling** MSMEs to lease machinery, or equipment with an option to purchase after a set period- the asset being leased serves as collateral, which reduces the need for traditional security.	Both Agriculture, Tourism and Hospitality Sectors

Tourism and Hospitality-Youth MSMEs Development Loans	• These loans will be long-term. • Targeting innovative, youth-owned tourism or hospitality businesses, including those seeking to expand or scale up projects such as restaurants, lodges, coffee shops, or cultural centers. • A one-digit interest rate of 5% or less; making loans more affordable for in targeted economic Sectors. • Loans will feature a grace period of at least one year • Repayment schedules aligned to the business's expected cash flows. • Repayment terms will only include operating costs and a profit margin for the PFIs.	Tourism and Hospitality Sectors
Digital Financial Services (DFS): Mobile-Based Loans and Mobile Savings and Payments	• Digital platforms that provide small, short-term loans to MSMEs via mobile phones by reducing the need for physical bank branches. Expand the use of digital finance platforms like MVEND's Gwiza for youth MSMEs, especially for creating credit histories and offering micro-leasing or savings products linked to specific industries like agriculture • DFS that can help MSMEs manage savings, transactions, and payments digitally and **Lower Transaction Costs** compared to traditional banks	Both Agriculture, Tourism and Hospitality Sectors
Financial Literacy	Beyond credit, youth-led MSMEs also need capacity building in financial management to effectively use loans and improve their financial health. This will involve: • Incorporate mentorship programs, like those from AMI and RWAMREC, that provide both financial literacy and gender-transformative approaches to support youth entrepreneurs, especially women. • Providing training on business development, and digital financial tools to help MSMEs manage loans more effectively. • Technical assistance to help MSMEs improve operations, and market access, making them more creditworthy.	Both Agriculture, Tourism and Hospitality Sectors

VI.ANNEXES

6.1 SURVEY QUESTIONNAIRE: FINANCIAL NEEDS ASSESSMENT FOR YOUTH-LED MSMES

Survey Question _
Financial Needs Ass

English
_Kinyarwanda_Ques

6.2 KIIS INTERVIEW GUIDE

Key Informants
Interviews Guides.p

6.3 DATASETS

Financial Needds
Assessment_MSMES_

Financial Needs
Assessment_Dataset

Key Informants
Interviewed_List.doc

Table 45 Financia
Needs_Amount Per

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