FEED THE FUTURE RWANDA HINGA WUNGUKE ACTIVITY

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REVIEW EXISTING 5 FINANCIAL PRODUCTS IN 5 SACCOS WITH A GOAL OF UNDERSTANDING UPTAKE AND CHALLENGES

ASSESSMENT REPORT

Implemented by Cultivating New Frontiers in Agriculture (CNFA)

Submitted to:
Mr. Daniel GIES
Chief of Party
Hinga Wunguke Activity

Submitted by:
Association of Microfinance Institutions in Rwanda (AMIR)

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EXECUTIVE SUMMARY

This assessment report provides an overview on assessed performance of ***the existing financial products, institutional lending capacity of SACCOs, and market responsiveness*** vis-à-vis clients' satisfaction against rendered financial services. A guiding questionnaire as evaluation tool was developed and customized to the SACCOs management/staff, farmers and other agribusiness operators in the areas.

Participants in this assessment were the beneficiaries of the financial products that were developed in the past by Hinga Weze Activity such as SACCO Kivumu & SACCO Manihira in Rutsiro district, SACCO Gihombo in Nyamasheke district, SACCO Gatare in Nyamagabe district, and SACCO Abisunganye Rurembo in Nyabihu district where the SACCO, farmers and other agribusiness operators took part.

The specific objectives of the assessment were to measure the performance of the developed financial products, review internal lending capacity of the target SACCOs, gather evidence of the performance of financial products from the market beneficiaries and finally list challenges and key lessons learned.

The methodological approach was generally qualitative data collected from SACCOs (staff and Board members), financial products services beneficiaries such as farmers and agribusinesses, cooperatives and traders.

In contract, the quantified findings highlighted that the supply of credit is very limited, and this reflects the high cost of loanable funds, currently around 12-14 %, which translated into the very limited loan size offered under the existing financial products. This is associated by the loan limit where almost all SACCOs do not go beyond five million and the interest charged across the SACCOs remains well beyond 20% (average of 1.5%/month) per annum. This is associated with the SACCOs lack of appropriate strategies to mobilize investments.

Despite great achievements in the agriculture sector and its contribution to food security, the sector is still facing challenges that need continuous fixing.

Although 80% of SACCOs' representatives indicated that they were satisfied with the developed financial products, they also indicated a further need to review the existing financial

products to consider emerging issues at macroeconomic level and calibrate the profitability model.

Key recommendations included strengthening risk assessment and management so that credit risk management always promotes best practices and continuously reduces the non-performing loans (NPL) ratios.

Respondents also proposed enhancing digital solutions through investing in digital banking solutions to improve operational efficiency and member convenience. They stated another crucial element, capacity building through provision of training and capacity-building programs for SACCO staff and management. This is paired to the promoting financial literacy among clients through financial literacy programs to educate members on savings, loans, and financial management. Finally, respondents proposed expansion of products range through offering a wider range of financial products tailored to the needs of diverse member segments.

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I INTRODUCTION

Agriculture is a major contributor to economic development in Rwanda, with smallholder farmers playing a critical role, but their productivity and growth are impeded by lack of access to agricultural loans. The accessibility and affordability of loans is critical for sustainable agricultural development. The development of financial products tailored to the agriculture value chain is crucial in access to loans, especially for farmers. The FinScope Report 2020 shows a relatively high level of financial inclusion which is at 93% (about 7 million adults), including both formal and informal financial products/services.

According to EICV5, over the last 2 decades, agriculture has played a prominent role in both economic growth and poverty reduction. About 70% of the population currently earns their livelihoods in the sector and contributes about a third of GDP. The sector has important implications for food security, nutrition, and exports, and has backward and forward linkages to both industry and services sectors. However, farmers need to have access to finance that will enable them to buy or lease new equipment, improved seeds, fertilizers, and other inputs.

Moreover, the farmers encountered different challenges such as securing land and covering associated costs; Funding production inputs; Covering modern agricultural technologies costs; Bad credit history to access loans; lack of required collateral to secure loans; funding to acquire proper storage facilities to prevent spoilage and maintain the quality of my produces; fund for purchasing processing and food preservation equipment, and financial resources to acquire the necessary knowledge/value addition techniques.

II BACKGROUND

In response to the above-mentioned challenges, CNFA was implementing the USAID-funded Feed the Future Rwanda Hinga Weze Activity which implemented activities aimed at increasing smallholder farmers' access to credit and financial services. Hinga Weze collaborated with AMIR to strengthen SACCO's offering and lending capabilities to the agricultural sector through staff training and developing financial products that will address the needs of the small farmers targeted by Hinga Weze.

Therefore, AMIR in partnership with Hinga Weze supported the SACCOs through technical assistance, including product development, staff training and coaching, and financial products/business model development, among other services to create incentives and increase appetite for SACCOs. Hinga Weze awarded grants to 5 saving and credit cooperatives (SACCOs) as an incentive to increase their agricultural lending capacity, their agricultural loan portfolio, and the number of smallholder farmers accessing finance. The five SACOOs were namely SACCO Kivumu & SACCO Manihira in Rutsiro district, SACCO Gihombo in Nyamasheke district, SACCO Gatare in Nyamagabe district, and SACCO Abisunganye Rurembo in Nyabihu district.

It is in the above context that AMIR in partnership with Hinga Wunguke assessed the previously developed financial products for the five SACCOs mentioned above, to understand the product performance, SACCOs lending capabilities, and the products uptake as well as the lessons learned. This assessment was conducted from 13th March to mid-May 2024, upon the request to revise the draft.

III ASSESSMENT OBJECTIVES AND METHODOLOGY

The overall objective, as spelt out well in the scope of work/terms of reference, of the assessment is to examine the performance of the previously financial products developed under Hinga Weze, to determine their potential for scaling up to other neighboring SACCOs or expanding to other segments as well as understanding their impact on SACCOs' agri-lending business.

Before divulging into specific objectives, it is better to highlight the scope of work/terms of reference that guided this assessment.

Generally, the assessment followed the set of items from the SOW/ToR. The expectation of the assessment is to find out the performance, recognize the achievements and draw lessons learned, and identify the challenges.

Furthermore, the assessment is specific on each product, SACCO, and the given market responses and expectations.

3.1 Specific objectives

The following are the specific objectives of this assessment:

- Assess the performance of the developed financial products.
- Review internal lending capacity of five SACCOs.
- Gather evidence of performance of financial products from the market beneficiaries
- Challenges and lessons learned.

3.2 Methodological approach

Overall: The approach devised in our methodology is generally to collect qualitative data from SACCOs (managers, credit officers, and SACCO Presidents); and from the market, being the beneficiary farmers, cooperatives, agribusinesses (demand side). The qualitative data collected during the assessment confirmed increased loan skills in loan management, the number of clients, reduced Non-Performing Loans due to appropriateness and affordability of the financial product, which in turn increased the loaning volumes; therefore, increased number of loans has increased (both volume and portfolio) and therefore the number of clients served by assessed SACCOs.

SACCOs:

The targeted interviewees were SACCO managers, staff responsible for credit, and SACCO President. Therefore, for SACCOs, the data collected from the three officials in each of the five SACCOs. The data collected focused on the following:

- Staff capacity
- Loan portfolio
- Credit processes
- Product challenges and potentials
- Lessons learned and areas for improvement.

The interview guiding questionnaire/instrument was developed and guided the collection of opinion and data.

The Financial Products

In each SACCO, the assessment focused on their respective financial products, specifically on product characteristics, performance and profitability, evolution of loan portfolios, utilization of associated guarantee scheme, identification of challenges and areas for improvement.

The assessment focused on each financial product across all five SACCOs. The instrument was developed to guide the discussions and collections of opinions and data.

Product Beneficiaries/Market (demand side)

The assessment was also carried on the market (demand side) to gather the feedback of users (borrowers) and understand their appreciation, expectations, and challenges. The feedback from the market will inform the recommendations for scaling up the type of financial products to other SACCOs. Since the market is big, we were very deliberate in selecting a sizeable sample.

For each SACCO, we covered15 respondents to understand the operational benefits of farmers and their value chains.

3.3 Data collection method and data collection

3.3.1 Data collection tools

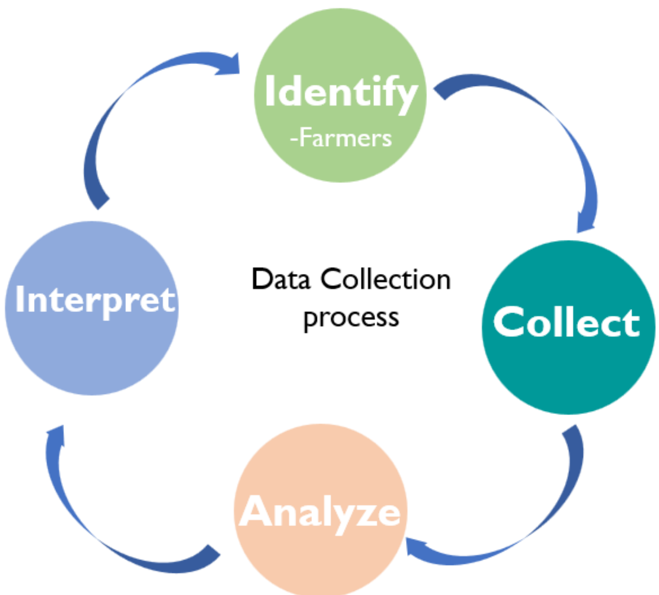
The interview guiding instrument/questionnaire was developed and used to collect data/information from each targeted respondent. A set of parameters were selected for each interview targets as mentioned in the table above. The questions were more open-ended, to capture more information from the respondents.

Questions are sequenced to avoid unbiased feedback. Some questions were repeated, to cross-check and validate the first answers.

The plan, as indicated in graph below, guided the whole process, from identifying and defining the target respondents, interview method that enable data collection, information collected gathered in the database/excel sheet in a format that helped interpretation and analysis.

The data gathering techniques were more aimed at gathering qualitative data, and the insights and opinions generated has helped to inform the understanding of the performance of the financial products at respective SACCOs.

Graph 1: Assessment methodology



Source: AMIR, assessment methodology, April 2024

3.3.2 Data collection

Collected data were organized into the designed spreadsheet. From the spreadsheet, data were cleaned to ensure accuracy and reliability of the analysis.

Upon the tabulation of the findings, analysis was generated, where the generated answers were recorded, then interpretation of the answers for all the set of questions.

3.4 Geographical location of SACCOs assessed

As indicated earlier the assessment was conducted on five SACCOs as indicated in the table below.

Table 1: Five SACCOs in four Districts, four Sectors

District	**Sector**	**SACCO**
RUTSIRO	MANIHIRA	SACCO IMBEREHEZA MANIHIRA (SACCOIMA)
		SACCO Kivumu
Nyamasheke	Gihombo	Unguka Gihombo SACCO
Nyabihu	Rurembo	SACCO Abisunganye Rurembo
Nyamagabe	Gatare	Jyambere SACCO Gatare

Source: Assessment participants, April 2024

IV MAIN FINDINGS OF THE ASSESSMENT

SACCO's provision and recovery of credit is a hurdle task. The lender will always face challenges of choosing the right borrower, financing the right business, and recovering what has been loaned at a profit. With the designed/existing financial products, this assessment intended to find out their performance, challenges experienced and lessons to learn with a purpose of improving and scaling them to other SACCOs.

The assessment focused on three sections, listed below.

- The assessment of SACCOs' capacities (internal capacity – human and systems) that facilitates or undermine the implementation of these already existing financial products.
- The assessment findings on the performance of each financial product previously developed and implemented by the five SACCOs.
- The assessment results from the market – targeting beneficiaries of the existing financial products previously developed under the Hinga Weze support.

4.1 Assessment Findings on the SACCOs Capacity

The assessment was carried out on the following SACOOs, and the findings are more general, and where they indicate a standalone issue, only specific to a particular SACCO, are indicated.

1. SACCO Kivumu in Rutsiro District
2. SACCO Manihira SACCO in Rutsiro District
3. SACCO Gihombo in Nyamasheke District,
4. SACCO Gatare in Nyamagabe District, and
5. SACCO Abisunganye Rurembo in Nyabihu District.

Primary data were collected from fifteen members from the five SACCOs, being the president, two managers, including the SACCO manager and in charge of credit, were interviewed using a designed and guided questionnaire.

The interview focused on the performance of the existing financial product, loan/credit process, the management capacity of the SACCO to implement the product, and other factors that might have facilitated or undermined the implementation. The interviews also covered areas where we wished to hear their expectations, lessons, and areas to improve.

Table 2: **Common identified challenges across the SACCOs**

No	SACCO	Financial Product	Specific Characteristics	Profitability	Challenges	Recommendations to Enable Customization
1	SACCO Imbereheza Manihira (SACCOIMA)/ Rutsiro	Agricultural loan products	Max Loan Duration: 1 season; Max: 2,000,000 Frw; Min loan amount: 100,000 frw; Interest rate: 1.5% per month; Loan application fee: 1% of the loan amount; Security deposited 10% of the loan approved; Collateral:	NPL decreased from 21% in 2020 to 4% in 2023. Profits are primarily generated from agricultural related loans.	• Climate change – this is a fundamental threat to sustainable investment and development. Climate change impacts negatively the creditworthiness of clients and adversely affects asset prices. • Price fluctuations - price shocks increase SACCO credit	• Reduction of interest rate, increase of loan capacity to the farmer because most of the time SACCO provides a small amount compared to what was requested by a farmer as the SACCO shows to have no capacity to offer loans to all applications. • Loan repayment based on production life cycle • 10% of offered loans remain at SACCO and yet the farmer pays interest for it is a big problem for farmers

					risk Limited land size for farmers – acts as a constraint on productivity and profitability for most farmers.	who request loans in SACCO; • SACCO should reduce the loan processing time for the farmers to access the loan without delays. • Provide Digital Services to allow farmers to use the telephone and get services remotely.
2	SACCO Unguke Gihombo/ Nyamasheke	Agricultural loan products (maize, beans, and horticulture)	Max Loan Duration: 1 season; Max: 3,000,000 Frw; Min loan amount: 100,000 frw; Interest rate: 1.5% per month; Loan application fee: 1% of the loan amount; Security deposited 10% of the loan approved; Collateral: i. The assets acquired by the loan	NPL decreased from 7% in 2020 to 2.1% in 2023. Profits are primarily generated from agricultural	Limited loan products that cover all potential value chains	• Increase the maximum amount of loan for a farmer as some of the respondents claim that it is not sufficient as they would wish more compared to that maximum amount. • Lessen loan application requirements and

			ii. Joint guarantee for associations / cooperatives/groups. iii. Guarantee funds provided by development partners and BDF. iv. Guarantor from the third party accepted by SACCO; Repayment frequency: Seasonally according to the nature of the crop involved in the loan application.	related loans.		processes to facilitate farmers' access to loans without delays. • Once the loan is approved, its 10% is retained in the accounts while the client pays its interest. Farmers claim to either remove interest for the 10% or don't retain it. • Reduce the interest rate for the loan because it is high.
3	SACCO Abisunganye (COECR Rurembo)/ Nyabihu	Agricultural loan products (maize, beans, sweet potato, Irish potato, fruits and	Max Loan Duration: 1 season; Max: 2,000,000 Frw; Min loan amount: 100,000 frw; Interest rate: 1.5% per month; Loan application fee: 1% of the loan amount; Security deposited	NPL decreased from 5% in 2020 to 4% in 2023. Profit are	Limited awareness campaigns on financial products and services	• Alleviating collateral requirements for farmers. It's common for a SACCO to require a farmer to put up "collateral" to secure a loan. This gives the SACCO

		vegetables.)	10% of the loan approved; Collateral: i. The assets acquired by the loan ii. Joint loan amount; Security deposited 10% of the loan approved; Collateral: guarantee for associations / cooperatives/groups. iii. Guarantee funds provided by development partners and BDF. iv. Guarantor from the third party accepted by SACCO; Repayment frequency: Seasonally according to the nature of the crop involved in the loan application	primarily generated from agricultural related loans..		financial security if the farmer defaults on the loan. • Increase repayment period and it should be based on the production life cycle (Repay quarterly instead of monthly) • Reduce the interest rate for agriculture value chains.
4	SACCO Jyambere Gatare/ Nyamagabe	Agricultural loan products (Irish potato)	Max Loan Duration: 1 season; Max: 3,000,000 Frw; Min loan amount: 100,000 frw; Interest	NPL decreased from 11% in	Loan repayment process due to lack of digitized	• Increase the loan repayment period and revisit the maximum loan

			rate: 1.5% per month; Loan application fee: 1% of the loan amount; Security deposited 10% of the loan approved; Collateral: i. The assets acquired by the loan ii. Joint guarantee for associations / cooperatives/groups. iii. Guarantee funds provided by development partners and BDF. iv. Guarantor from the third party accepted by SACCO; Repayment frequency: Seasonally according to the nature of the crop involved in the loan application	2020 to 1% in 2023. Profits are primarily generated from agricultural related loans.	systems.	amount (1 million Rwandan Francs). • Reduce the interest rate because it is a burden for farmers to pay high interest rates. • Improve the application processing time to help farmers acquire loans on time to avoid delays in cultivation.

5	SACCO Tuzigamirabacu Kivumu/Rutsiro	Agricultural loan products	Max Loan Duration: 1 season; Max: 3,000,000 Frw; Min loan amount: 100,000 frw; Interest rate: 1.5% per month; Loan application fee: 1% of the loan amount; Security deposited 10% of the loan approved; Collateral: i. The assets acquired by the loan ii. Joint guarantee for associations / cooperatives/groups. iii. Guarantee funds provided by development partners and BDF. iv. Guarantor from the third party accepted by SACCO.	Increase in number of agri-loan demand and farmers joining SACCO.	• Limited knowledge of financial literacy among members. • Limited skills in loan management among members. Limited awareness campaigns.	• Expertise is costly, especially for farmers who apply for a big loan because every collateral requires expertise separately leading to a high cost of acquiring a loan. • Increase the repayment period and it should be based on the production life cycle (Repay quarterly instead of monthly). • Reduce the interest rate for agriculture value chains.

Source: AMIR, Assessment data, April 2024

Many SACCOs have a combination of different clients, including women solidarity groups, individual borrowers for small business purposes and farmers.

Tiered cross-guarantee is common, where loans by SACCOs to individuals are guaranteed by the group. These guarantees are often used for agricultural purposes, where an individual loan to a farmer is partially secured by the farmers' association's guarantee to purchase the farmer's produce.

4.1.1 Common challenges across all SACCOs

Limited digital capacity: All SACCOs are not digitalized, meaning the financial transaction uses remain non-digitalized and this shortcoming continues to create a challenge both in reach and the processing of loans. There is need for appropriate technology to reach an increasingly diverse set of customers. The most common outcome reported by all SACCOs and farmers alike, is the delay in the processing of the loans.

Insufficient capital: Most SACCOs indicated that supply of loans is determined by the cost of funds that the SACCOs must pay to acquire its loanable funds. The assessment indicates that the supply of credit is very limited, and this reflects the high cost of loanable funds, currently around 12-14 %. This again translates into the very limited loan size currently offered under the existing financial products.

The loan size offered by almost all SACCOs does not go beyond five million and the interest charged across the SACCOs is well beyond 20% (average of 1.5%/month) per annum. All SACCOs lack appropriate strategies to mobilize investments.

Limited understanding of the value chains: All the SACCOs interviewed indicated that their key staffs lack capacity to understand the borrower's business, appraise the borrower, monitor, and recover the loan in time. The most indicated areas of need are credit appraisal, and credit risk assessment of products in the agriculture sector.

Limited capacity to assess risks in the value chains: All SACCOs indicated that the capacity to assess the risks in the given value chains is limited. The capacity to ascertain the costs of each activity within the value chain that renders realization of proceeds, matching the revenue against the costs and ascertaining the profit (loss) at each transaction point is absurdly very limited. All interviewed SACCOs indicated that they rely on trust. The farmers' trust status in the community is the major criteria. The SACCOs do not have risk assessment tools to help them ably appraise loan applications from the farmers in the agriculture sector value chains.

Product challenges: Most of the developed and existing financial products have been successful. But since they were developed, and rolled out, several changes at macroeconomic level have taken place, and as such they need to be reviewed. For instance, the SACCOs under this assessment indicated limited knowledge and full understanding of financial products with respect to their profit, risk, and costs. The products need to be reviewed in respect to profitability, risk, and appropriate costing.

Limited collateral for farmers: All SACCOs indicated that farmers do not have sufficient loan risk coverage – the required collateral for the loans. SACCOs like Manihira and UNGUKA Gihombo retain 10% on the applied loan. This in a way limits the lending to farmers.

4.1.2 Specific assessment findings from each SACCO

1. **Manihira SACCO**

- Loan repayment on this financial product is monthly. However, the repayment plan doesn't match with the timing of the flow (harvesting/selling) of liquidity of farmers.
- The SACCO indicated the gaps at institutional level, where the staff capacity in several areas to handle and appraise loan applications is lacking. Apparently, this makes the loan appraisals difficult.
- Limited capacity of SACCO to assess the root cause of non-performing loans. This is creating vicious fear in every client, especially new ones.

2. **Rurembo SACCO**

- The SACCO is hindered to extend financing to farmers due to lack of required collateral for farmers. Very few farmers who have succeeded in accessing loans are due to increased savings and putting up "collateral" to secure a loan.
- The SACCO considers a monthly repayment, going against the production life cycle only when the farmers sell their produce. (Solution repay quarterly instead of monthly)

- SACCO Rurembo indicates that high interest rates for the agriculture sector are a disincentive to production.

3. **Kivumu SACCO**

- Expertise is costly, especially for farmers who apply for a big loan because corresponding collateral requires expertise in valuation leading to a high cost of acquiring a loan.

4. **Gihombo SACCO**

- There is a maximum level beyond which the amount of loan cannot be advanced. This means most farmers who deservedly need financing are not served. This is due to lack loanable funds.
- The loan application requirements and processes are cumbersomely long, due to the limits of the existing system, which is not clearly automated. Automating the system and digital services are very expensive engagement for SACCO. Absence of the system therefore is responsible for the delay in processing the farmers' loans application.
- Once the loan is approved, its 10% is retained in the accounts while the client pays its interest. Farmers claim to either remove interest for the 10% or don't retain it.

5. **Gatare SACCO**

- The loan repayment period is too short for farmers to payback. Most farmers wait for about six months to sell their produce (from planting to harvest)
- There is huge demand that ca not be met by available funds, thus limiting the lending to a maximum of one million Rwandan Francs.

4.1.3 Potential areas for improvement

- Most SACCOs have potential to digitalize their operations- all SACCOs indicated the need for, but they do not have the capacity to know what would cost to digitalize their operations.
- Lack of financial risk assessment tools – this is a potential area once supported that can bring change very fast. If a set of tools are available, then SACCOs would be in position

to identify and assess various financial risks, as well as formulate, implement, and monitor appropriate risk responses.

- Reviewing the existing financial product would be a prudent undertaking for SACCOs to improve, and possibly scale up.

4.1.4 Lessons learned

- SACCOs are playing a crucial role in availing financing to farmers. But they are limited in cash to deploy.
- The inclusive decision-making process on the operation of SACCOs guarantees sustainability of SACCOs.
- SACCOs provide more affordable credit than banks, even if their loans appear to be most expensive, especially at the community-level. Beyond providing affordable credit, SACCOs are more accessible to lower-income households than they can access other financial institutions.
- SACCOs are not sufficiently aware of the risks and consequently instead of strategizing to mitigate those risks they work to simply avoid the risks.

4.2 The assessment findings on existing financial products

The assessment was carried out on the existing financial products offered by five SACCOs. The findings are related to general performance of existing financial products, and specifically to evolution of loan portfolios, utilization of guarantee scheme, identification of challenges met with SACCOs and farmers, potential areas for improvement on existing financial products.

The findings below were solicited through several guiding questions asked at each SACCO.
The presentation of the findings is based on the set of questions asked.

4.2.1 Need for review of the existing financial products

The table below indicates suggested review needed in a particular area, from each SACCO.

Table 3: SACCOs indicating need for improvement and specific areas.

SACCO	Review needed
SACCO IMBEREHEZA MANIHIRA (SACCOIMA)	1. Review the profitability of the financial product. (Product uptake, performing and non-performing loan ratios) 2. Identify and link to providers of credit guarantee to farmers. 3. What is needed to invest in designing and implementing the marketing strategy of the products.
Unguka Gihombo SACCO	1. Product pricing – the high cost of the loan, interest rate and covering costs such as inflation rate, operation expenses, cost of capital and margin to increase product affordability to the client's side. 2. Upgrading the product to include other value chains such as cassava.
COECR SACCO Abisunganye Rurembo	Incorporate the training program: 1. How to analyze the suitability of the client on that product application appraisal (5 Cs). 2. Loan follow-up mechanism to reduce default rate, late payment and loan rescheduling.
Jyambere SACCO Gatare	SACCO recommends a review of the payment modalities such as the payment of service should be done before the delivery of the services for instance loan application fee is 1% of the loan amount requested.
Sacco Tuzigamire Abacu Kivumu	Incorporate the training program: 1. How to analyze the suitability of the client on that product application appraisal (5 Cs). 2. Loan follow-up mechanism to reduce default rate, late payment and loan rescheduling.

Source: AMIR, Assessment data, April 2024

While the findings above are specific to each SACCO's need, the areas that are common to all SACCOs range on market assessment to select and prioritize agriculture value chains; and possibly revamp the existing financial product or develop new ones.

In a nutshell, review of existing financial product, and possibly design of new ones will need to assess the market, to determine the level of risk.

4.3 The assessment of market – product beneficiaries

The market assessment was an interesting part of collecting feedback from borrowers of SACCOs. Under this assessment they brought in different dimensions on the developed financial products. as it validated the findings from the SACCOs.

The purpose was to check the needs and requirements of the farmer and agribusinesses in the proximity of SACCO locations, with a goal of finding out appreciation of the product, challenges, and areas for improvement.

The primary data were obtained from 83 respondents, generally, and specifically an average of 16 respondents in each sector. In addition, the assessment benefited from the field observations, providing another view of the market status, and providing a context to the already collected data/opinions.

4.3.1 Demographic information of the respondents

At each SACCO, an average of 16 farmers who took loans were interviewed. Among the respondents, 29% of them are aged between 30 and 40 years old, 36% of them are aged between 40 and 50 years old, and 35% of them are aged above 50 years old. Out of the total interviewed, 22 were women while 61 men.

Among 55 respondents, 3.6% of them are in the avocado value chain, 20% grow beans, 3.6% grow carrots, 29.1% of them grow Irish potatoes, 21.8% of them grow maize, 3.6% grow peas, 3.6% of them grow Soja, and 14.5% of them grow tomatoes. It was observed that at Manihira a high number of respondents who took loans are in the Irish potato value chain.

In general, the highest percentage (29.1%) of value chain financed is the Irish potatoes, followed by the maize value chain (21.8%) and the tomato value chain 14.5%.

4.3.2 Agricultural value chain products that were financed

The table below illustrates the agriculture products mostly financed by all five SACCOs.

Table 4: value chain products financed under the developed financial products

Sector	Avocado	Beans	carrot	Irish potatoes	Maize	Peas	Soja	Tomatoes	Total
Gatare	1	1	1	3	3	1	1		11
Gihombo		5	1		4			1	11
Kivumu		2			4		1	4	11
Manihira				11					11
Rurembo	1	3		2	1	1		3	11
Total	**2**	**11**	**2**	**16**	**12**	**2**	**2**	**8**	**55**
Percent	3.6%	20.0%	3.6%	29.1%	21.8%	3.6%	3.6%	14.5%	100.0%

Source: AMIR, Assessment data, April 2024

The highest percentage (29.1%) of value chain financed is the Irish potatoes, followed by the maize value chain (21.8%) and the tomato value chain 14.5%. This comes from almost all sectors, even though Manihira leads on irish potatoes, Gatare, Gihombo and Kivumu lead in maize. Again, Gihombo and Kivumu finance more beans than any other SACCO.

4.3.3 Farmers about their future products

The questions asked wished to indicate the potential product profiles, and the findings are indicated in the table below.

Table 5: Percentage of potential value chains/crops in each Sector

Sector	% of potential value chains/crops									
	avocado	carrot	green beans	irish potatoes	Iron beans	maize	mango	other	peas	tomato	Total
Jenda		27.3%		63.6%						9.1%	100.0%
Kibirizi	9.1%			18.2%	18.2%	36.4%				18.2%	100.0%
Mahembe	9.1%	9.1%		18.2%		9.1%	9.1%	27.3%	9.1%	9.1%	100.0%
Mukura				50.0%		13.6%			18.2%	18.2%	100.0%
Rusebeya			3.6%	46.4%		32.1%		7.1%	10.7%		100.0%
Total	2.4%	4.8%	1.2%	42.2%	2.4%	20.5%	1.2%	6.0%	9.6%	9.6%	100.0%

Source: AMIR, Assessment data, April 2024

Respondents indicated that Irish potatoes come first as a potential value chain. This is an indication of the product is becoming a commercially viable product. Maize comes second, tomatoes and peas follow in that order.

4.3.4 Farmers Access to loans (Average loan)

The farmers were asked about the access to loans, and the responses indicate that facilitating them to acquire loans comes as priority. The access to them meant their ability to obtain financial services, including credit, insurance, and other risk management abilities. The loan acquisition help farmers to secure the seeds, fertilizers, equipment, and land they need to operate a successful farm.

SACCOs play an important role in financing farmers in rural areas. At Rurembo sector, the average agriculture loan amount acquired by a farmer is nine hundred eighteen thousand one hundred eighty-two Rwandan francs (918,182 RwF).

At Manihira sector, the average agriculture loan received by a farmer is one million nine hundred twenty-two thousand seven hundred twenty-seven thousand Rwandan francs (1,922,727 RwF).

At Kivumu sector, the average agriculture loan received by a farmer under the developed product is one million eight hundred thirty-six thousand three hundred six-four Rwandan francs (1,836,364 Frw).

At Gihombo sector, the average agricultural loan acquired by a farmer is nine hundred thirty-six thousand three hundred sixty-four Rwandan Francs (936,364 RwF).

At Gatare sector, the average agricultural loan acquired is one million ninety thousand Rwandan Francs (1,090,000 RwF).

Table 6: Average agricultural loan acquired by farmers at each sector under the developed products

Sector	How much loan received (RwF)
Rurembo	918,182
Manihira	1,922,727
Kivumu	1,836,364
Gihombo	936,364
Gatare	1,090,000

Source: AMIR, Assessment data, April 2024

4.3.5 The comparative average seasonal income- before and after loan acquisition

The farmers revealed that the acquired loan helped them to purchase all it requires during the cultivation period. This reduced the persistent financial distress for their farming businesses experienced before these developed financial products.
This new experience impacted their incomes as the farmers could now produce more and beyond what they consume. This section shows the impact of the acquired loans at each sector.

The table below provides the income trends before and after acquisition of loans from the developed financial product.

Table 7: Comparative seasonal average income before and after the acquisition of loans

Location	Seasonal income before loan acquisition (RwF)	Seasonal income after loan acquisition (RwF)	Change observed
Gatare	261,818	728,182	64%

Gihombo	128,667	252,222	49%
Kivumu	111,000	251,818	56%
Manihira	418182	1,018,182	59%
Rurembo	112,182	285,455	61%
Grand Average	211,192	516,792	59%

Source: AMIR, Assessment data, April 2024

For instance, in the Gatare sector, the average seasonal income (RwF) before and after acquiring the loan is 261,818 and 728,182 respectively, making the farmer richer by 64%.

At Gihombo sector, the farmers' average income grew by 49%, at Kivumu sector, the average income grew by 56%, at Manihira sector, the average income of the farmers grew by 59%, and at Rurembo sector the average income grew by 61%.

In general, in all sectors, the average income of the farmers increased by 59%. This increase demonstrates that farmers have tested the fruits of producing for markets as they can grow their business and become more commercial farmers.

4.3.6 Satisfaction levels of the farmers on the developed financial/loan product

During this assessment, we wished to establish the extent of satisfaction of farmers on the developed financial product.

The findings indicated in the table below highlight a significant level of satisfaction. The parameter measured is satisfaction, and this farmer satisfaction measurement focused on areas that are critical to the success of farming business. This considered different dimensions of farmer satisfaction, such as affection and responses to the financial product and services that accompany the acquisition.

Table 8: Level of farmers' satisfaction with financial/loan products

Location	Level of satisfaction with the loan product (accession, affordability and sustainability)	
	Very satisfied	Satisfied
Gatare	36%	64%
Gihombo	18%	82%
Kivumu	9%	91%
Manihira	36%	64%
Rurembo	18%	82%

Overall average	24%	76%

Source: AMIR, Assessment data, April 2024

These responses combined with the findings on the change of incomes due to acquisition of loans, indicate the relevancy of the developed financial product in responding to farmer's business needs. Therefore, the farmers appreciate the agriculture loan product despite some challenges and need for modifications to improve the product are valid.

4.3.7 Key financing areas by the farmer and agribusinesses

This section wished to identify areas where the farmer spends most of the loan they acquire. Farmers indicated that they often take loans repeatedly for several reasons, including the seasonal nature of farming, most of the farmers practice farming which is a seasonal activity, and farmers often require funds at specific times of the year for various activities like sowing, purchasing seeds, fertilizers, equipment. Farmers indicated that they need to take loans to cover costs associated with farming, such as seeds, fertilizers, pesticides, machinery, and labor.

However, it was indicated that farmers' income from farming is not constant throughout the year; farmers may need to borrow money to meet their financial needs during different phases of the agricultural cycle.

Another finding is that agriculture is highly dependent on weather conditions, and natural disasters like droughts, floods, or pests significantly impact crop yields, yet most farmers are not insured, and these effects has caused huge impact on production and failure to pay back the loans.

5. CONCLUSION

This report reveals the performance of the developed financial products among five SACCOs and their contribution to institutional development.

The findings indicate the need for improving the lending capability of SACCOs, is as crucial as developing a tailored financial product.

Despite great achievements in the agriculture sector and its contribution to food security, the sector is still facing challenges that need continuous fixing.

The development of financial products linked to the agriculture value chains is quite crucial as the findings underscore the increase in financial inclusion and productivity of the farmers as well as their well-being.

Representatives of SACCOs, about 80% indicated that they are satisfied with the financial products developed while 20% of them showed that they are very satisfied with the products. But they also indicated a further need to review the existing financial products to consider emerging issues at macroeconomic level and calibrate the profitability model.

Even though SACCOs have acquired different skills that contributed to better performance, they indicated more need in skills especially in understanding the value chains that generate good risk appetite.

The needed modifications of these products are mainly related to product pricing, marketing, and capacity building on both sides of supply and demand.

6. LESSONS LEARNED

This assessment highlighted key best practices in the SACCOs services improvement to clients, agribusinesses operators and the community in general.

1) Navigate a challenging economic environment with varying borrower profiles, often including smallholder farmers and micro-entrepreneurs.
2) Enhance the capacity of SACCO staff in credit risk management, loan monitoring, and collection practices through continuous training.
3) Engage with local communities to build trust and improve the financial literacy of members, encouraging responsible borrowing and repayment behaviors.
4) Regular follow-up with the clients is very important and serves to reducing the non-performing loans rates.
5) Providing information to clients before taking a loan reduces acquiring unnecessary loans in terms of amounts and deciding whether to take a loan or to postpone. In addition, it helps reduce loan deviation among clients.
6) Subsidized interest rates increase the number of applications and the uptake of the loan product.
7) De-risking projects through agriculture insurance schemes can increase the risk appetite of microfinance institutions concerning agriculture lending.

8) Giving much weight in loan application appraisal is key in reducing default rates.

7. RECOMMENDATIONS

Key recommendations include the following:

1. Strengthening risk assessment and management so that credit risk management best practices to can be put in place to reduce Non-Performing Loans (NPL) ratios.
2. Enhancing digital solutions through investing in digital banking solutions to improve operational efficiency and member convenience.
3. Reinforcement of capacity building through provision of training and capacity-building programs for SACCO staff and management.
4. Promoting financial literacy among clients through financial literacy programs to educate members on savings, loans, and financial management.
5. Expansion of products range through offering a wider range of financial products tailored to the needs of diverse member segments.