

FEED THE FUTURE RWANDA HINGA WUNGUKE ACTIVITY

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NEEDS ASSESSMENT REPORT: THE ASSESSMENT ON NEW 5 SACCOS TO CUSTOMIZE EXISTING FINANCIAL AND DEVELOP NEW FINANCIAL PRODUCTS

Implemented by Cultivating New Frontiers in Agriculture (CNFA)

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EXECUTIVE SUMMARY

This assessment report provides an overview on assessed five SACCOs in regard to express the need and desires for the customization of financial products previously developed and implemented in the neighboring SACCOs.

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 SACCO managers and farmers in their respective sectors.

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.

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.

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 2024 shows a relatively high level of financial inclusion which is at 96% (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.

2. 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 SACCOs were namely TWISUNGANE MAHEMBE SACCO located in Mahembe Sector of in Nyamasheke District, SACCO INDATWA KIBIRIZI located in Kibirizi Sector of Nyamagabe District, SACCO TUGENDANE N'IGIHE MUKURA and SACCO ICYEREKEZO RUSEBEYA located in Mukura and Rusebeya Sectors respectively in Rutsiro District and SACCO KALISIMBI JENDA located in Jenda Sector of Nyabihu District.

It is in the above context that AMIR in partnership with Hinga Wunguke assessed the performance of previously developed financial products for the five SACCOs, and findings indicate a good performance. Based on this performance, AMIR in partnership with

CNFA/Hinga Wunguke again wished to support the scaling of these products to other five SACCOs in the same or neighboring sectors of the same districts.

AMIR undertook an assessment to find out the need and willingness of the five SACCOs to adopt these existing financial products. This assessment is therefore focusing on the needs of the five SACCOs to facilitate customization of the existing financial products. The assessment focused on the following:

3. NEEDS ASSESSMENT OBJECTIVES

The overall purpose of the Needs assessment of SACCOS in AgrValue Chain Financing is to increase AMIR's understanding agriculture sector value chain financing in SACCOs, status (loan portfolio, outreach, challenges); identify financing opportunities and build their capacities to implement value chains approach to facilitate SACCOs finance agriculture value chains. Findings will inform the development of the customization of existing products for the new identified SACCOs. In addition, findings will influence the refinement of existing financial products related to agriculture value chains or developing new products to enable the SACCO to roll out a sustainable agriculture finance service to their existing and prospective customers.

The specific objectives of this assessment are:

- a) Better understanding of the current profile of the assessed SACCOs (TWSUNGANE MAHEMBE SACCO located in Mahembe Sector of in Nyamasheke District, SACCO INDATWA KIBIRIZI located in Kibirizi Sector of Nyamagabe District, SACCO TUGENDANE N'IGIHE MUKURA and SACCO ICYEREKEZO RUSEBEYA located in Mukura and Rusebeya Sectors respectively in Rutsiro District and SACCO KALISIMBI JENDA located in Jenda Sector of Nyabihu District)
- b) Status of outreach, savings portfolio, Hinga Wunguke value chains loans portfolio
- c) Hinga Wunguke value chains loan terms and loans uptake
- d) Agri-business skills/competencies in the institution
- e) Appraisal and monitoring agri-loans status
- f) Challenges in value chain financing.

This assessment was conducted from 15th April to mid-May 2024, upon the request to revise the draft.

The assessment also covered the market (demand side) where about 83 respondents were interviewed, basically to identify their need, experience with the current SACCO offers, challenges and prospects.

4. METHODOLOGICAL APPROACH

Introduction/Overall: The approach devised in our methodology is generally to collect qualitative data from five SACCOs (three respondents from each SACCO)

On the market side, the agro-ecological zone is the same, including land and climate zones, of the same zone in each sector neighboring the one where the SACCOs with existing financial products are located. As a result of this, the demand side of need for the financial products is the same and as such there is no need to assess the market side.

Table I: Set of interview parameters/areas and targets

Targeted interviewee	Key areas
15 respondents from five SACCOs	SACCO capacity
	Staffing
	Loan/credit process
	Product needs
	Market needs
	Credit application process
	Risk assessment requirements
80 respondents, being 16 farmers in each sector	

Therefore, for SACCOs the data collected from the three officials in each of the five SACCOs were in the following areas:

- ✓ 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.

4.1 Assessment objectives and methodology

The overall objective, as spelt out well in the scope of work/terms of reference, of the assessment is to carry out a needs assessment on five identified SACCOs to customize the existing financial products in the neighboring SACCOs.

4.2 Data collection method and data collation

Data collection tool:

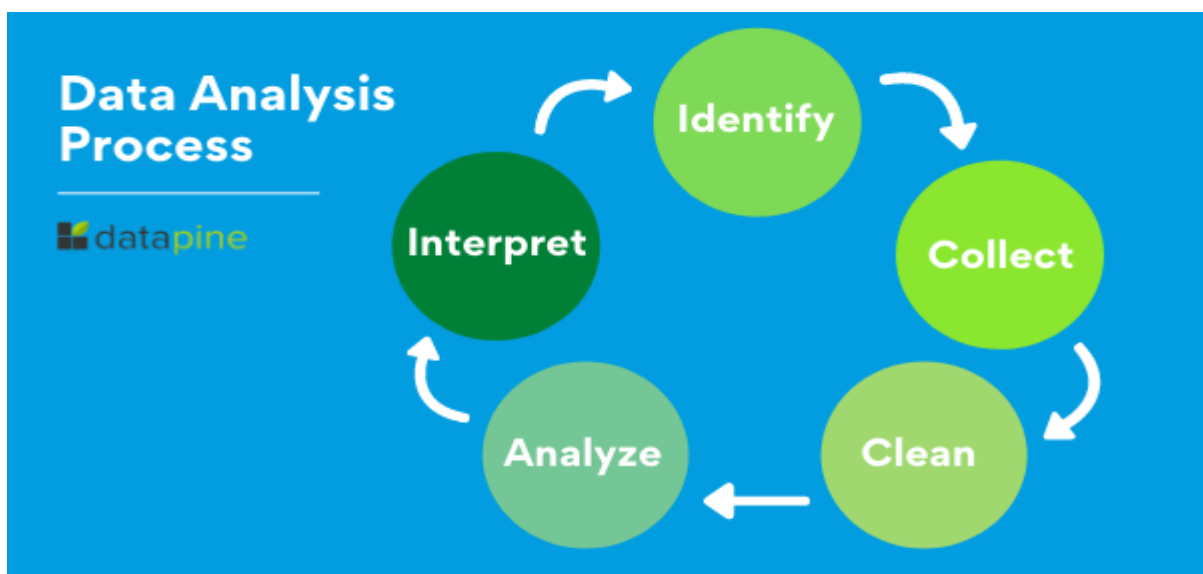
The interview guiding instrument/questionnaire was developed and used to collect data/information from each targeted respondent. A set of parameters were selected for the targeted respondents as indicated in the table above. The questions were more open-ended, to capture more information from the respondents.

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 I: Data analysis process



Source: AMIR Assessment, March-May 2024

Collected data was organized into the designed spreadsheet. From the spreadsheet, data was 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.

4.3 Geographical location of new SACCOs assessed

Table 2: New SACCOs to customize the existing financial products

District	Sector	SACCO	New sector	New SACCO
RUTSIRO	MANIHIRA	SACCO IMBEREHEZA MANIHIRA (SACCOIMA)	Mukura	SACCO Tugendane N'Igihe Mukura
		SACCO Kivumu	Rusebeya	SACCO Icyerekezo Rusebeya
Nyamasheke	Gihombo	Unguka Gihombo SACCO	Mahembe	Twisungane Mahembe SACCO
Nyabihu	Rurembo	SACCO Abisunganye Rurembo	Jenda	SACCO Kalisimbi Jenda
Nyamagabe	Gatare	Jyambere Gatare SACCO	Kibirizi	SACCO Indatwa Kibirizi

Source: AMIR Assessment, March-May 2024

All identified new SACCOs are highlighted in green – as indicated above. All SACCOs are in the same district as those SACCOs that are already implementing financial products. However, all the five new SACCOs are in neighboring sectors. Two SACCOs are in Rutsiro district.

5 MAIN FINDINGS OF THE ASSESSMENT ON FIVE IDENTIFIED SACCOS

The Finscope 2020 Agriculture Finance Thematic Report showed that there has been a consistent increase of Rwandan banked farmers from 21% in 2016 to 26% in 2020. In 2020, 13% of farmers saved in banks while 35% saved in other formal financial institutions such as SACCOs or mobile money operators.

Building on this finding and noticing that the proportion of farmers borrowing from formal financial institutions is progressively doubling, while the uptake of credit products is relatively high among farmers, the need for tailored products becomes vividly relevant.

The purpose-driven financial products, either value chain focused or input credit schemes, warehouse receipts are becoming an interesting initiative for the SACCOs and instrument to encourage productive borrowing among farmers.

With the designed/existing financial products, this assessment intended to find out from the five SACCOs if there is need and capacity to customize them.

The findings indicated below are in tandem with the findings of the Finscope 2020 Agriculture Finance Thematic Report. There is huge need to customize and increase their portfolio base.

5.1 Assessment of findings on the new SACCOs Capacity

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

- a) SACCO Tugendane N'Igihe Mukura in Rutsiro District
- b) SACCO Icyerekezo Rusebeya in Rutsiro District
- c) Twisungane Mahembe SACCO in Nyamasheke District,
- d) SACCO Kalisimbi Jenda in Nyabihu District, and
- e) SACCO Indatwa Kibirizi Nyamagabe District.

Primary data were collected from 15 members from the five SACCOs, (The President, SACCO Manager and the Credit Officer) were interviewed using a designed and guided questionnaire.

The interview focused on the management capacity of the SACCO, and covered areas where we wished to capture their interest to customize, and expand their portfolio based in certain value chains.

Table 3: Common identified challenges and recommended measures across the new identified SACCOs

Limitations	Recommendations to Enable Customization
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Climate change that impacts negatively the creditworthiness of clients and adversely affects asset prices.	<ul style="list-style-type: none"> • Reduced interest rate and increased loan size on agricultural projects • Loan repayment system which is based on agricultural production life cycle • Eliminate the retention of 10% of offered loans that remain at SACCO and yet the farmer pays interest for Reduced loan processing time taken by SACCO which delays the release of loans requested by the farmers. • Encourage the provision of digital Services to allow farmers to use the telephone and get services remotely.
Limited loan products that cover all potential value chains	<ul style="list-style-type: none"> • Increase the maximum amount of loan for a farmer, • Lessen loan application requirements (documentations) and processes to facilitate farmers' access to loans
Limited awareness campaigns on financial products and services	<ul style="list-style-type: none"> •Alleviating collateral requirements for farmers. Increase repayment period and it should be based on the production life cycle (Repay quarterly instead of monthly)
Loan repayment process due to lack of digitized systems.	<ul style="list-style-type: none"> •Upgrade loan repayment systems and revisit the maximum loan amount (1 million Rwandan Francs). •Improve the application processing time to help farmers acquire loans on time to avoid delays in cultivation
Limited knowledge of financial literacy and loan management	<ul style="list-style-type: none"> • Provide additional services to SACCO clients about loan management and financial literacy

Source: AMIR Interviewed respondents, April 2024.

Many SACCOs offer credit to all clients on the same terms and conditions. However, all SACCOs the assessment was carried on have almost all challenges that are similar. They do not have tailored financial product.

5.1.1 Common challenges across all SACCOs

Limited digital capacity: All SACCOs are not fully digitalized, meaning most of the financial transactions are non-digitalized and this shortcoming continues to create a challenge both in reach and the processing of the loans. There is a 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: All five SACCOs indicated that the supply of loans is determined by the cost of funds that the SACCOs must pay to acquire its loanable funds. Yet, the credit demand is increasing, and most of the farmers' demand remains unmet. The assessment indicates that the supply of credit is very limited, reflecting the very low size of savings, and high cost of sourcing from alternative loanable funds, especially from commercial banks, currently around 12-14 %.

This again translates into the very limited loan size currently offered under the current credit offers. 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.

This chronic underinvestment in the agriculture sector continues to undermine smallholder farmers' productivity.

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: All SACCOs under this assessment indicated the limited knowledge and full understanding of financial products with respect to their profit, risk, and costs. The absence of customized loan products for farmers and absence of screening models tend to exclude smallholders, even potential ones.

Limited collateral for farmers: All SACCOs indicated that farmers do not have sufficient loan risk coverage – the required collateral for the loans. Own savings are very low compared to credit demand. There are no tailored guarantee schemes for them to increase the level of credit.

5.1.2 Specific assessment findings from each SACCO

1. SACCO Tugendane N'Igihe Mukura

- Support in identifying, selecting the value chains, with setting up of business rules to lend it.
- Currently the SACCO does not have risk assessment tool to guide the selection, and appraisal of risks in specific value chain financing. Therefore, the need to be supported in developing risk assessment tools is crucial for them to customize the financial products.
- The SACCO indicated the gaps at institutional level, where the staff capacity in several areas especially agriculture sector is limited. This complicates the handling and appraising of the loan applications, adequately.
- Limited capacity of SACCO to assess the root cause of non-performing loans. This is creating vicious fear in every client, especially new ones.
- Primary agricultural production (Crops and Livestock), aggregation and marketing present major potentials for financing.

2. SACCO Icyerekezo Rusebeya

- SACCO Rusebeya is experiencing low savings from farmers. This limits the amount of credit access by 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 clients repay the credit on a monthly basis. This becomes difficult for farmers who only generate liquidity during the harvest. There is a need to be supported in developing a tailored financial product that considers when the farmers have funds.
- SACCO staff will need training in the new financial products to be customized.

3. Twisungane Mahembe SACCO

- SACCO will need support in training of staff on the new financial products to be customized, support to identify and select relevant value chain, for ease of customization.
- Applicant farmers need technical support, especially those applying for big loans, because every collateral requires expertise in valuation leading to a high cost of acquiring a loan.

4. SACCO Kalisimbi Jenda

- 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 of loanable funds.
- The loan application requirements and processes are cumbersome 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.
- Currently, 10% of the loan is retained in the accounts while the client pays its interest. This is an additional requirement to guarantee the secured loans.

5. SACCO Indatwa Kibirizi

- The SACCO clients repay the credit monthly. This is a mismatch to liquidity availability from the harvest sales. 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 cannot be met by available funds, thus limiting the lending to a maximum of one million Rwandan Francs.

5.1.3 Characteristics of the current loan products/loan policy

The assessment was carried out on current products offered by the newly identified SACCOs. Below in table 5, the characteristics of the current products run by each SACCO are highlighted.

Table 4: Characteristics of various financial products from SACCOs

SACCO name	Characteristics of Financial Products to be customized
SACCO KALISIMBI JENDA	Max amount: 5,000,000. Interest rate: 24% annually Tailored to season. Application fee: 1% of loan. Processing time: two weeks.
TWISUNGANE MAHEMBE SACCO	Product Name: KIRA MUHINZI Max loan amount: 5,000,000 Duration: 2 years Interest Rate: 1,5 % Regressive per month Loan application fees: 1% of the total loan Repayment frequency: tailored Season Loan Processing time: 2 weeks
SACCO ICYEREKEZO RUSEBEYA	Max loan: 5,000,000 Tenure: 48 months Interest rate: 1.9% per month
SACCO INDATWA KIBIRIZI	Name of product: Agriculture loans Max amount: 3,000,000 Tenure: Two Years Loan application fee: 2% on total loan. Repayment: Monthly payment Interest rate: twenty-four%

Source: AMIR Assessment, March-May 2024

Findings: TWISUNGANE MAHEMBE SACCO has the most defined financial product. This product carries with it an interest rate of 1.5% monthly paid on only the remaining portion of loan.

However, most of the products across the SACCOs have a limit cap at five million per borrower except SACCO Kibirizi who are at three million.

On the processing time, the assessment findings indicate that across all SACCOs turnaround time of processing and awarding the applied for loan is two weeks' time. This turnaround counts from the time a borrower submits the application till the notification of the loan approval or denial.

All SACCOs indicated the need to review and customize to new financial products considering the new emerging situations and revamp them for profitability and risk assurances.

All SACCOs indicated that lack of capital to invest is a fundamental challenge. The insufficient loanable funds render SACCOs to put a limit on maximum a borrower can secure from the SACCOs. SACCO Kibirizi has the lowest maximum cap at three million.

5.1.4 Opportunities for customization

- Most SACCOs have potential to digitalize their operations- all SACCOs indicated the need for, but they do not have the capacity to know what it would cost to fully 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 all five SACCOs would be in position to identify and assess various financial risks, as well as formulate, implement, and monitor appropriate risk responses. This therefore is a relevant prerequisite for customization.
- All SACCOs are flexibility and willing to customize the existing financial products. By offering the new customized financial products, SACCOs will align with their clients, existing and potential, preferences and cash flows, and they expect to attract more clients and maintain healthy loan portfolios.
- These SACCOs are located in areas with high agriculture growth potentials and the demographic dividends present the accurate participation in the value chains development such as inputs, production and marketing,
- These SACCOs are situated in areas where other agriculture development programs do take place and this shall be an opportunity to commercialize agricultural financing models assisted and supported by other interventions related to value chains.

5.1.5 Lessons learned

- SACCOs are playing a crucial role in availing financing to farmers. But they are limited in cash to deploy.
- 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/farmers 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.
- The existing financial products will need to customize to each SACCO, considering the main value chains financed.

5.1.6 Challenges that need support

Table 5: The SACCOs were asked about the challenges their respective financial products are facing.

SACCO name	Challenges
SACCO KALISIMBI JENDA	Climate change effects, input, and superior quality of seeds
TWISUNGANE MAHEMBE SACCO	Lack of knowledge and skills for farmers to manage the loans, and farming production leading to low productivity
Sacco ICYEREKEZO Rusebeya	Lack of capital to lend more farmers
SACCO INDATWA KIBIRIZI	Excessive cost of capital leading to high interest rate in agriculture loans; Financial illiterate farmers leading to poor management of loans

Source: AMIR Assessment, March-May 2024

Most SACCOs indicated that the challenge of financial illiteracy among farmers is a leading constraint undermining the performance of the financial product. Poor management skills by farmers, not only limits their level of managing loans but also undermines their potential for growth.

5.1.7 Loan Product Policy on farmers

SACCOs were asked if they have loan policy and how specific the policy is to the farmers. The findings indicate that most SACCO's policies do not describe anywhere the needs of farmers and have no deliberate actions to lend to farmers.

Four of the five SACCOs indicated that policies on loans need to be reviewed to guide implementation of customization of financial products. Customizing existing financial products that respond to value chains opportunities rather than general ones in the agriculture sector would be helpful.

5.1.8 Deposit by the end of February 2024

The team wished to understand the current deposits, indicating the ratio of male to female, with a specific need to establish the level and extent of inclusion in their lending from the developed financial products. Deposits/saving is prerequisite to borrow.

Findings indicate that the proportion of women making deposits is significantly good and in some SACCOs is even greater than men. The total deposits include men, women, and others.

Table 6: findings on total deposits to SACCOs

SACCO name	Total Deposits	Total deposits for males	Total deposits for females
SACCO KALISIMBI JENDA	365,738,256	201,194,175	101,320,645
TWISUNGANE MAHEMBE SACCO	191,254,124	37,158,962	12,645,000
SACCO ICYEREKEZO RUSEBEYA	214,330,925	115,415,797	59,662,894
SACCO INDATWA KIBIRIZI	176,337,220	54,907,485	63,935,462

Source: AMIR Assessment, April 2024

5.1.9 Loans offered by end February 2024

The team wished to understand the current lending, establishing the level of inclusion, men to women, and to establish the current loan book by value.

The findings indicate that lending to individual female is very low compared to men. While this indicates that female borrowers, individually, is very low, when it comes to group saving and lending, women almost take more than 90%.

Table 7: current lending trends of the financial products in each SACCO

SACCO name	Total # of agricultural loans of Agr	# of Agric loans to males	# of Agric loans to females	# of Agric loans to entities/groups	Total value of Agric loans	Total value of Agric loan disbursed to males	Total value of Agric loans disbursed to females	Total value of Agric loans disbursed to entities/groups
SACCO KALISIMBI JENDA	189	126	62	1	279,793,070	233,589,618	46,703,452	3,500,000
TWISUNGAN E MAHEMBE SACCO	65	52	13	0	39,245,465	33,550,280	5,695,185	0
Sacco icyerekezo rusebeya	75	58	17	0	57,919,755	43,165,780	14,753,975	0
SACCO INDATWA KIBIRIZI	61	40	21	0	33,161,218	19,061,218	14,100,000	0

Source: AMIR Assessment, March-May 2024.

5.2.0 Need for Improvement

The SACCOs were asked for areas they think should be modified, improved on, or abandoned, and the findings below indicated the responses.

All SACCOs indicated that the lack of capital/loanable funds, in most cases expensive, thus translating into limitation to available funds to deploy despite huge demand.

The respondents indicated the need to review the financial products with the intention to customize and accommodate the emerging changes at macroeconomic level.

Table 8: Findings on areas for improvement

SACCO name	Proposed changes
SACCO KALISIMBI JENDA	<p>Saving the level are still low.</p> <p>SACCO find it difficult meet the ever-increasing demand for loans.</p> <p>Market assessment to determine and select value chain product.</p>
TWISUNGANE MAHEMBE SACCO	<p>Select value chain product to finance.</p> <p>Identify group saving clubs and redesign the product to meet their needs.</p> <p>Customize the repayment schedule in relation to cash flows from produce sells, with a grace period fitting this cycle.</p>
Sacco ICYEREKEZO RUSEBEYA	More marketing of financial products
SACCO INDATWA KIBIRIZI	<p>Revisit the current interest rate to meet the specific agriculture value chain clients.</p> <p>Collaborating to raise collateral for farmers.</p>

Source: AMIR Assessment, March-May 2024.

5.2.1 Specific Financial Products and Services Needed by Farmers

SACCOs were asked about other financial products or services suitably needed for the business needs of farmers in the agricultural sector. The findings from across SACCOs indicate particular interest for irish potatoes.

Table 9: Responses on other financial products or services by each SACCO

SACCO name	Proposed Financial Products
SACCO KALISIMBI JENDA	Savings products
TWISUNGANE MAHEMBE SACCO	Tailored product for Irish potatoes
Sacco ICYEREKEZO RUSEBEYA	Financial Digital Products for potatoes.
SACCO INDATWA KIBIRIZI	New financial product tailored to specific agriculture product.

Source: AMIR Assessment, March-May 2024

5.2.2 Suggested Collateral for Farmers and Agribusinesses

All SACCOs indicate that loan collateral requires 100% cover with hard and tangible collateral like land, and house to be protected from risks of default.

However, the SACCOs indicated that soft collateral like cash, cars, machinery and equipment, livestock, have been used to cover the risks. The soft collateral, however, must be valued, based on the market rate.

Further, the SACCOs indicated a third layer of source of guarantee from associations and cooperatives as acceptable.

6 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 the need for new financial products, current challenges with SACCO offers, and areas for improvement.

The primary data were obtained from 80 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.

6.1 Demographic information of the respondents

At each SACCO, an average of 16 farmers who access financing from SACCOs 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.

Table 10: Demographics of interviewed farmers in each Sector

District	Female	Male	Total
Nyabihu		11	11
Jenda		11	11
Nyamagabe	5	6	11
Kibirizi	5	6	11
Nyamasheke	4	7	11
Mahembe	4	7	11
Rutsiro	13	37	50
Mukura	4	18	22
Rusebeya	9	19	28
Total	22	61	83

Source: AMIR Assessment, March-May 2024

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%.

6.2 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 11: 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, March-May 2024

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

6.3 Key financing areas by the farmer and agribusinesses

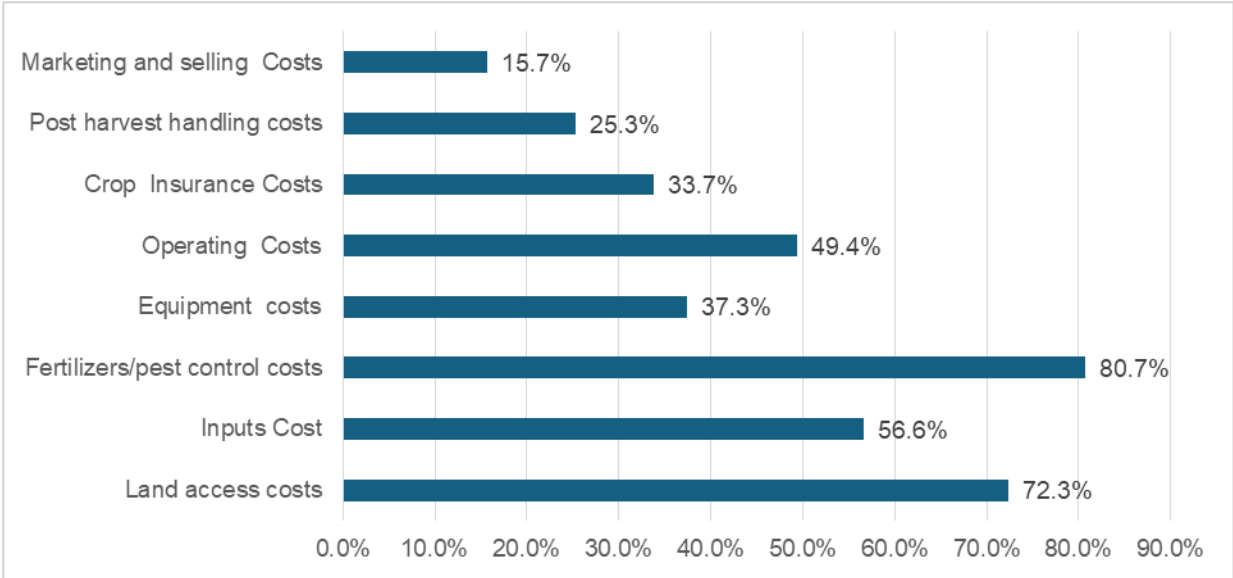
This section wished to identify areas where the farmer spends most of the loan they acquire. Farmers indicated that they often take loans repeatedly for several reasons, including the seasonal nature of farming, most of the farmers practice farming which is a seasonal activity, and

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. Below are findings from selected areas.

Graph 2: Average from across the sectors indicating the areas that take and need financing.

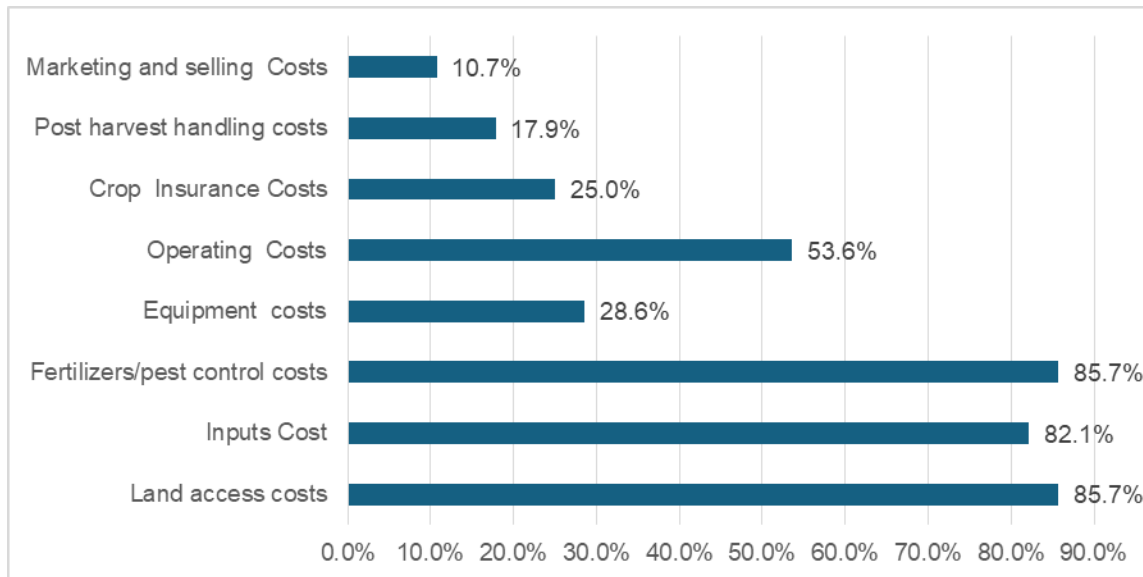


Source: AMIR Assessment, March-May 2024

Generally, the assessment findings indicate that most loans are spent on fertilizers and pest control pesticides. Land access captures the fee on rent, or acquisition of land. Input supply and operating costs are also highlighted. The least spent is on marketing, which is normal with rural farmers. Jenda area spent most on crop insurance.

Below we present these findings from a selection of farmers in their respective sectors where these SACCOs are located.

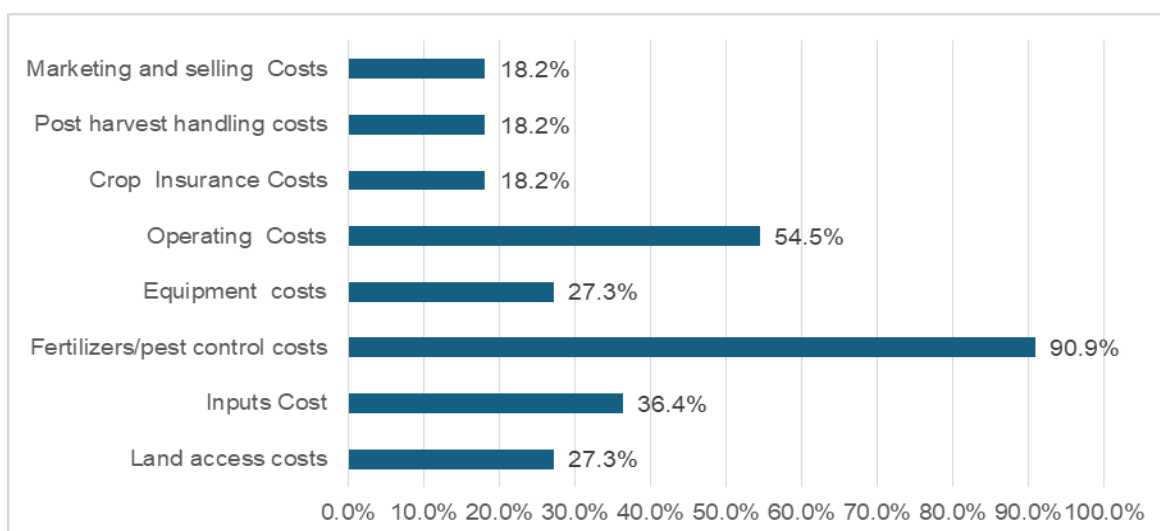
Graph 3: The areas that take/need financing for farmers in Rusebeya Sector



Source: AMIR Assessment, March-May 2024

In Rusebeya Sector, farmers spend almost in amount in three areas, fertilizers/pesticides, other inputs, and land related (payment of land leases, and possibly buying)

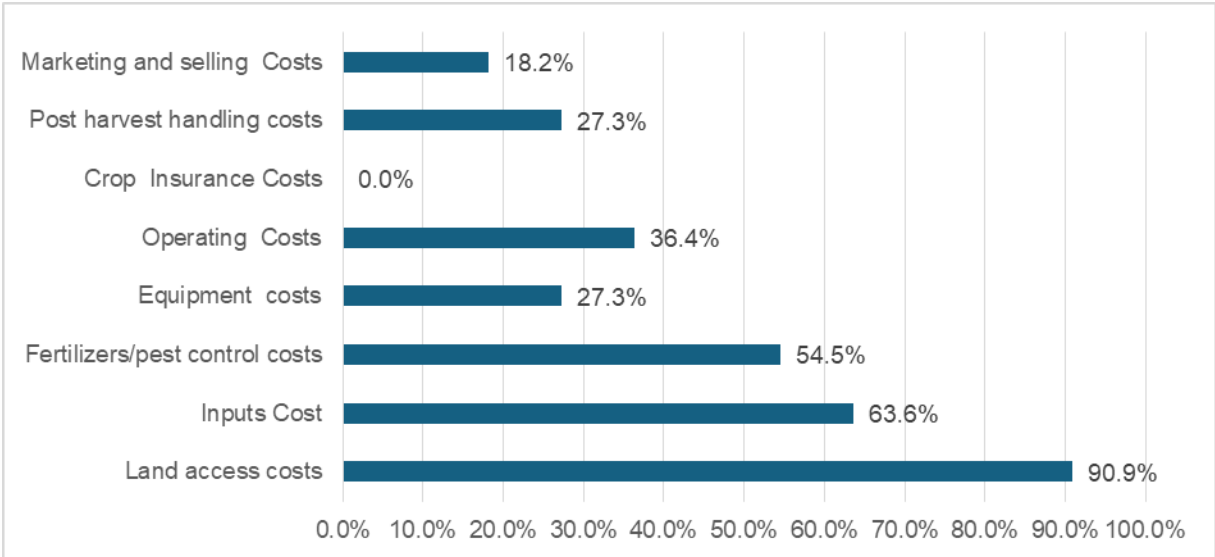
Graph 4: The areas that take/need financing for farmers in Kabirizi sector



Source: AMIR Assessment, March-May 2024

In Kibirizi Secor, farmers spend more on fertilizers, and pesticides. Here we learn that other than farmers, actors like input suppliers and aggregators are key stakeholders in the value chains.

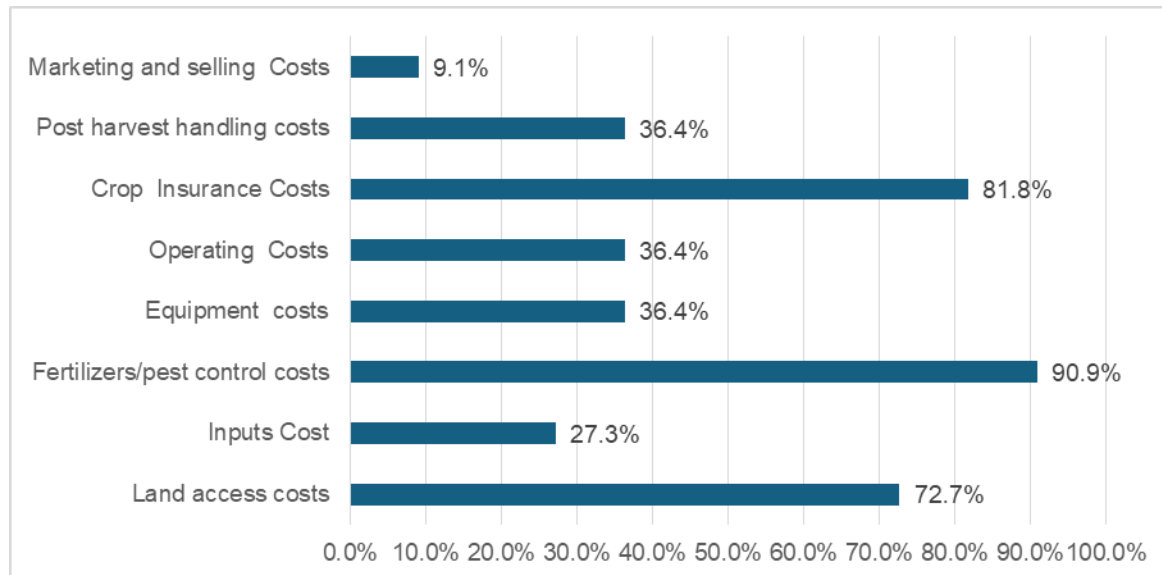
Graph 5: The areas that take/need financing for farmers in Mahembe sector



Source: AMIR Assessment, March-May 2024

The findings from this sector are somehow different from the ones covered earlier. The farmers have been spending money on land access.

Graph 6: The areas that take/need financing for farmers in Jenda sector



Source: AMIR Assessment, March-May 2024

In Jenda, farmers are spending more on fertilizers/pesticides and coverage of insurance under the crop insurance policy.

In conclusion, farmers spending lines are already established, and they mostly spend money on input supplies, fertilizers and land leasing.

6.4 Frequency of harvesting & effects on yield

During this assessment, we wished to collect information on harvest frequency, which is a significant factor for maximizing yields and increasing farmers liquidity flows. The objective of this assessment on frequency was to determine the most possible way of increasing the farmers' yield, and regrowth rate. The frequency is in a year, was given as once, twice, thrice, or more than thrice each year.

Table 12: Average frequency of harvest of farmers in their respective sectors

Sector	Percentage of farmers versus number of times of harvesting			
	More than three	One	Three	Two
Jenda	18%		27%	55%
Kibirizi		9%	9%	82%
Mahembe				100%
Mukura			9%	91%
Rusebeya				100%
Total	2%	1%	7%	89%

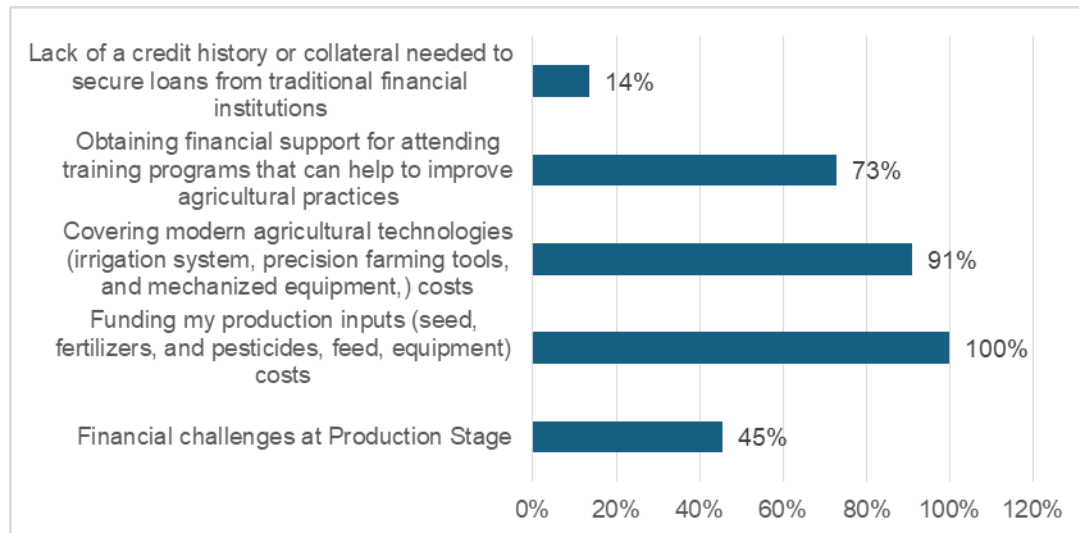
Source: AMIR Assessment, March-May 2024

Most of the farmers harvest twice in a year, which matches the national trend. However, some farmers in Jenda Sector indicated having three frequencies of harvesting in a year.

6.5 Most financial challenges at the production stage

We tried to capture information related to financial challenges farmers meet at the production phase, and below is the average feedback from farmers.

Graph 7: challenges at production level



Source: AMIR Assessment, March-May 2024

The findings indicate the challenge related to input supply – which is very crucial in production. This links well with the limit/cap put on lending, where a maximum is at five million per every cycle/season. Lack of climate resilience tools, equipment, technology systems, and mechanization tools are still a challenge. Indicatively, this is impacting the production hence limiting access to finance.

6.6 Market access to farmers produce

The assessment wished to cover the aspects related to farmers’ produce and asked the farmers about the available markets for their produce. This is premised on the understanding that reliable market access boosts productivity, increases incomes and strengthens food security. It is on this ground that a set of questions were asked about the different market, being local market, contracting with buyers or through cooperatives or other markets. The findings are indicated in the table below.

Table 13: findings on market access

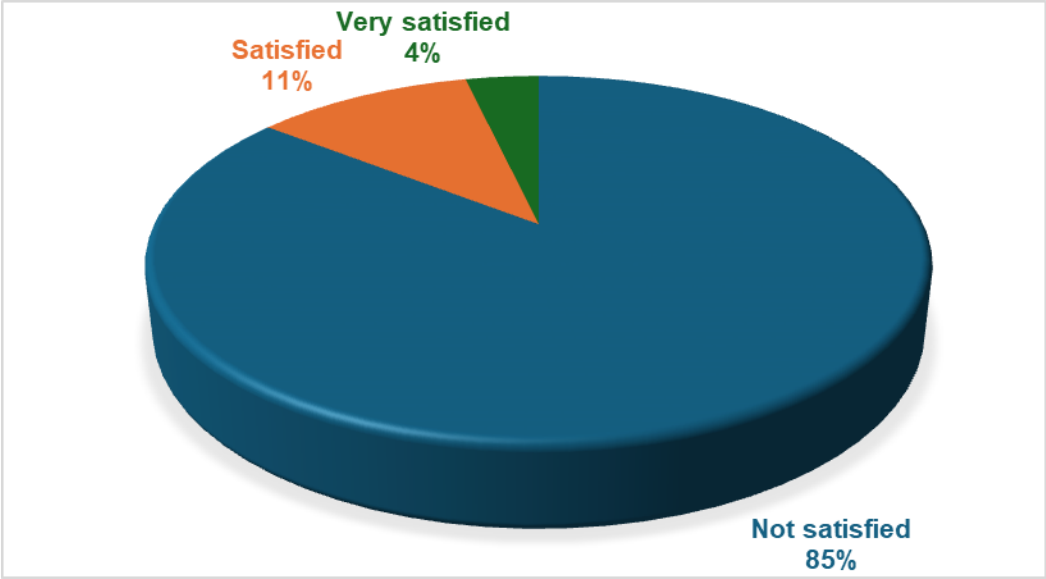
Sector	Ways of selling produce
Jenda	
Local market	55%
Through cooperative	45%
Kibirizi	
Contracting with buyers	9%
Local market	36%
Other	45%
Through cooperative	9%
Mahembe	
Local market	91%
Through cooperative	9%
Mukura	
Local market	86%
Through cooperative	14%
Rusebeya	
Local market	96%
Through cooperative	4%

Source: AMIR Assessment, March-May 2024

Most farmers in Rusebeya, Mukura, and Mahembe sectors sell direct to local markets. Jenda and Kabirizi farmers have a kind of hybrid market, they sell direct to local markets as well as through cooperatives.

However, when the farmers were asked about their satisfaction with offered price, majority are unsatisfied as indicated in the chart below.

Graph 8: Satisfaction with the offered prices on their produce



Source: AMIR Assessment, March-May 2024

The findings on the extent of satisfaction with the prices offered to farmers were astonishingly not satisfied. The underlying factors indicated that prices are determined by the buy, because farmers have no option in areas of post-harvest management. They normally sell off fast to avoid damage. This is since close to all farmers do not have their own post-harvest warehouses.

Table 14: Most post-harvest and processing challenges

Financial needs	Jenda	Kibirizi	Mahembe	Mukura	Rusebeya	Total
Funds to acquire proper storage facilities to prevent spoilage and maintain the quality of my produces	12.0%	7.2%	13.3%	24.1%	33.7%	90.4%
Fund for purchasing processing and food preservation equipment	10.8%	3.6%	9.6%	25.3%	30.1%	79.5%
Financial resources are to acquire the necessary knowledge/value addition techniques such as grading, packaging, and proper storage of produces	9.6%	3.6%	7.2%	20.5%	24.1%	65.1%
Working capital to cover the cost of moving products from farms to markets	4.8%	2.4%	1.2%	9.6%	3.6%	21.7%

Source: AMIR Assessment, March-May 2024

Given the level of dissatisfaction with prices farmers get, especially due to lack of necessary infrastructure that can hedge prices, farmers indicated areas where they need financing for. More than 90% of farmers indicated the need for funds to acquire storage facilities to prevent selling-off quickly to avoid spoilage of their produce.

Table 15: Most faced financial need for commercialization of the farmers' products

Financial needs	Jenda	Kibirizi	Mahembe	Mukura	Rusebeya	Total
Marketing and Branding funds	7%	7%	11%	23%	33%	81%
Financial resources to access market information services (Price information, consumer preferences, supply, and demand trends)	13%	5%	10%	27%	33%	87%
Financial support for product diversification and exploring diversified income streams	10%	5%	1%	17%	12%	45%

Source: AMIR Assessment, March-May 2024

On market information, the farmers indicated, especially from various markets in the country, market is a crucial catalyst for farmers to commercialize. Once markets are known, various offers established, farmers indicated that the need for marketing their produce is the most important factor.

Table 16: Have you ever refused an agriculture loan by Bank/MFI

Sector	No	Yes	Did not apply
Jenda	45.5%	54.5%	
Kibirizi	81.8%	18.2%	
Mahembe	100.0%	0.0%	
Mukura	36.4%	63.6%	
Rusebeya	60.7%	7.1%	32.1%

Source: AMIR Assessment, March-May 2024

The farmers/respondents were asked a question related to refusal of loans. An average number of about 36% indicated they refused the prospective loans from SACCO and MFIs. This was revealing when we dug deep to understand the root cause. Farmers indicated that they refused the loans on account of harvest disappointment. This is an exceptionally difficult stretch for them.

Table 17: Reasons for loan rejection

Reason	Frequency	Percent
Inadequate Business Plan (did not have realistic or complete business plan)	6	7%
Incomplete Documentation (Submitted application was incomplete/ inaccurate)	6	7%
Insufficient Income (could not demonstrate a stable and sufficient income to repay the loan)	17	20%
Lack of Collateral (did not have adequate/sufficient collateral to cover the loan amount)	13	16%
Poor Credit History (delinquent payments, defaults, or other negative credit events)	16	19%
Poor Repayment Capacity (was not possible to repay the loan based on my income streams)	5	6%
Did not ask the reason for rejection	3	4%
Other	17	20%
Total	83	100%

Source: AMIR Assessment, March-May 2024

Table 18: Findings from the farmers on the challenges to be addressed to meet their agriculture financing needs

Sector	Jenda	Kibirizi	Mahembe	Mukura	Rusebeya	Total
Inaccessible physical locations of financial service providers	10%	4%	8%	19%	27%	67%
Lack of tailored products that address specific needs of my agricultural businesses	7%	4%	11%	25%	31%	78%
Stringent eligibility criteria to access agriculture credit	11%	0%	6%	8%	18%	43%
Not have valuable assets to pledge for collateral requirements	5%	4%	2%	14%	13%	39%
Lack of Trust by financial institutions in lending agricultural businesses	6%	5%	6%	16%	12%	45%
High Interest rates offered by financial institutions	5%	4%	1%	10%	10%	29%
Complex application processes for financial service (Lengthy and complicated paperwork in loan application analysis and approval processes)	5%	4%	0%	11%	5%	24%
Seasonal Income Variability that making it difficult to meet regular loan repayment schedules	1%	5%	0%	4%	4%	13%
Limited awareness on the Banks' various financial	4%	0%	0%	2%	2%	8%

products and services for farmers						
Corruption to get loan approved	2%	0%	0%	1%	1%	5%
Lack of insurance coverage for crops	0%	0%	1%	0%	1%	2%

Source: AMIR Assessment, March-May 2024

The key findings from farmers indicate that need for tailored products and physical locations of financial service providers are crucial in increasing access to finance.

7 CONCLUSION

This report reveals the farmers' need and desire for tailored and responsive financial products.

The findings also indicate that there is a need to improve the lending capacity of SACCOs.

SACCOs indicated the performance of their neighbors on basis of having agriculture tailored financial products and how this has generated desires amongst farmers.

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.

8 LESSONS LEARNED

- 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.
- Subsidized interest rates increase the number of applications and the uptake of the loan product.
- De-risking projects through agriculture insurance schemes can increase the risk appetite of microfinance institutions concerning agriculture lending.
- Giving much weight in loan application appraisal is very key in reducing default rates.

9 RECOMMENDATIONS

1. Reach out to the five identified SACCOs to develop a plan for customization,
2. Customization of the existing financial products,
3. Training SACCOs Board and Management and carry out test of those financial products.
4. Provide support to all SACCOs with relevant and comprehensive risk assessment tools before they customize the existing financial products to the new SACCOs.

10 PROPOSED ACTION PLAN FOR FINANCIAL PRODUCTS CUTOMIZATION

Table 19: Proposed plan for customization of financial products within new SACCOs

	Designation	Required action	Time	Timeline	Milestone list
1	ALL 5 SACCOs	First meeting with SACCO Management and Board	1 week	Week 3 August 2024	Introductory meeting Report
2		Training of the SACCO Management on Financial Products	2 weeks	Week 4 of August and week 1 September 2024	Training report
3		Risk assessment and Management tools development and validation	1 week	Week 2 September 2024	Risk assessment and management tools (Documents)
4		Training of the Staff about the Financial Products, Risks assessment and management tools	2 weeks	Week 2&4 September 2024	Training report
5		Testing the financial products	4 weeks	all month of October 2024	Assessment report on access and demand of financial products (10 case per SACCO)
6		Evaluation of tested financial products	1 week	Week 1	Evaluation report

			November 2024	
7	Scaling up the financial products within SACCOs'	8 weeks	Week 2 November to Week 2 January 2025	Expansion plan per SACCO
8	Official meeting to validate the financial products and next steps	1 week	Week 3 January 2025	Final assignment report

Source: Consultant proposed way forward in customization financial products in new SACCOs