

FINANCIAL INSTITUTIONS AND AGRICULTURAL DEVELOPMENT IN RWANDA. A CASE STUDY OF RWANDA DEVELOPMENT BANK

BY: BONIFACE KABAHIZI

11/A/MAPPM/051/W/PG

ABSTRACT

The study was about financial institutions and agricultural development in Rwanda a case study of Rwanda development Bank. The objectives of this research were; to assess the extent to which credit contribute to agricultural development in Rwanda, to examine other factors that influence Agricultural development, and to identify challenges faced by RDB in financing agricultural development. On the methodology used, the study used both quantitative and qualitative approaches. Questionnaires and direct interviews were used to collect the relevant data. The study used the sample size of 92 respondents out of 2000 general populations. From the research findings, it has been realized that the majority of the RDB employees are mature enough because RDB employees have got the experience and relative academic documents basically master and above. The research also revealed that RDB's clients' main activities include farming and livestock. On the basis of customers' perception about RDB lending policy, it has been realized from the study that clients prefer RDB because of its attractive lending policy, it has been realized from the study that clients prefer RDB because of its attractive lending policy including reasonable interest rate and repayment patterns. The reasons behind this are the interest rate for agricultural sector and exportation loans is lower compared to other sectors financed by RDB. In the Conclusion, Financial institutions are one of important tools to facilitate agricultural development as well as country's economy. Finding showed that RDB directed financial resources in all sectors of the economy that are necessary to improve the country's overall growth domestic product (GDP). Recommendation and Policy Implications, Since the key objective of the researcher was to study the impact of credit to agricultural development in Rwanda, the following are recommendations put forward by the researcher: On the basis of data analysis, it was realized agriculture was the main source of growth and yet, it received 20% of total lending from RDB this is encouraging but not satisfactory as more than 90% of Rwandan population's lives depend upon agricultural products. Therefore, financial institutions (RDB) should endeavor to increase this percentage so that the agricultural sector production can improve its targets. The financial institutions should bring services closer to the rural people by opening up new branches in rural areas. This will help to sensitize rural farmers about the availability of the loan schemes in those financial institutions and even project supervision can be cost effective since they are nearer their clients.