



COVID-19 Response Survey Results

from MFIs and SACCOs in Rwanda
- April 2020

Survey conducted by AFR in
partnership with AMIR

Total responses

From the microfinance (MF) sector in Rwanda



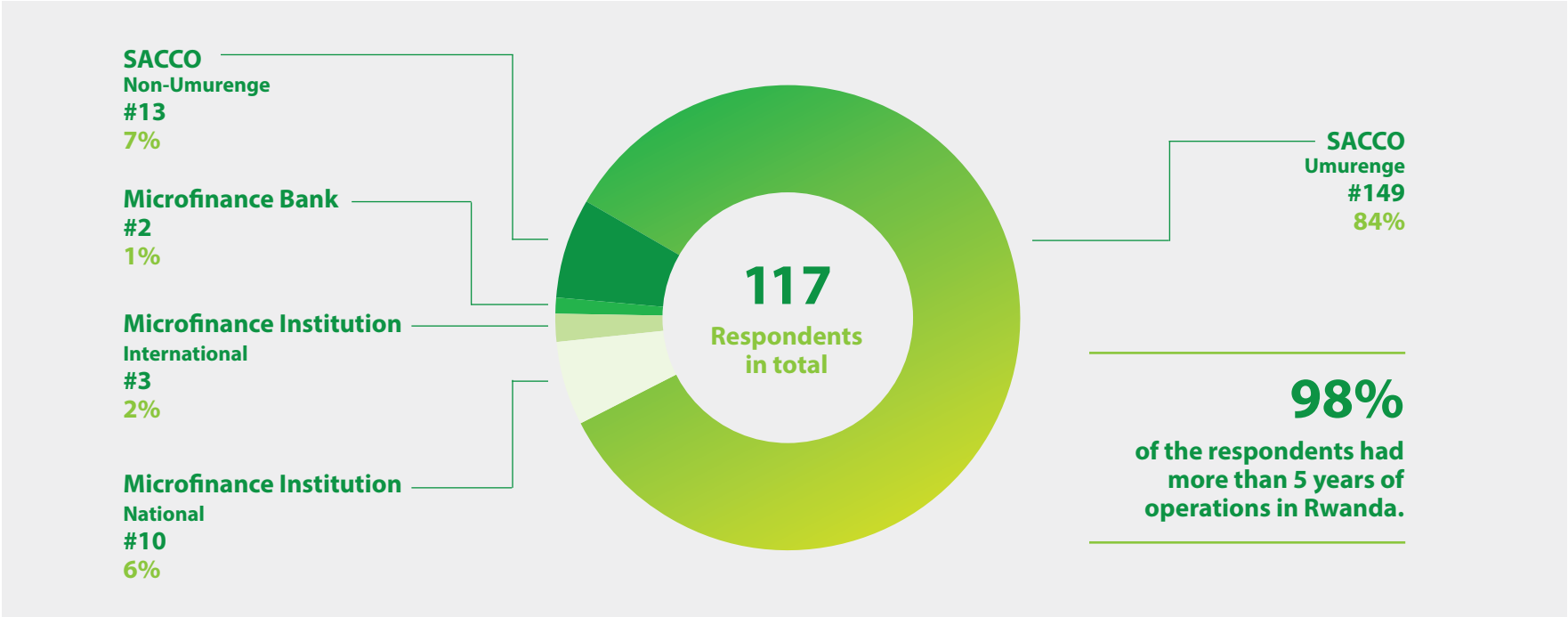
Survey Issued:
Friday, April 17, 2020

Closed on:
Thursday April 30, 2020

Total responses:

177

Type of microfinance institutions (MFIs) who responded



The Rwanda Microfinance Sector consists of:

 **3**
Microfinance banks

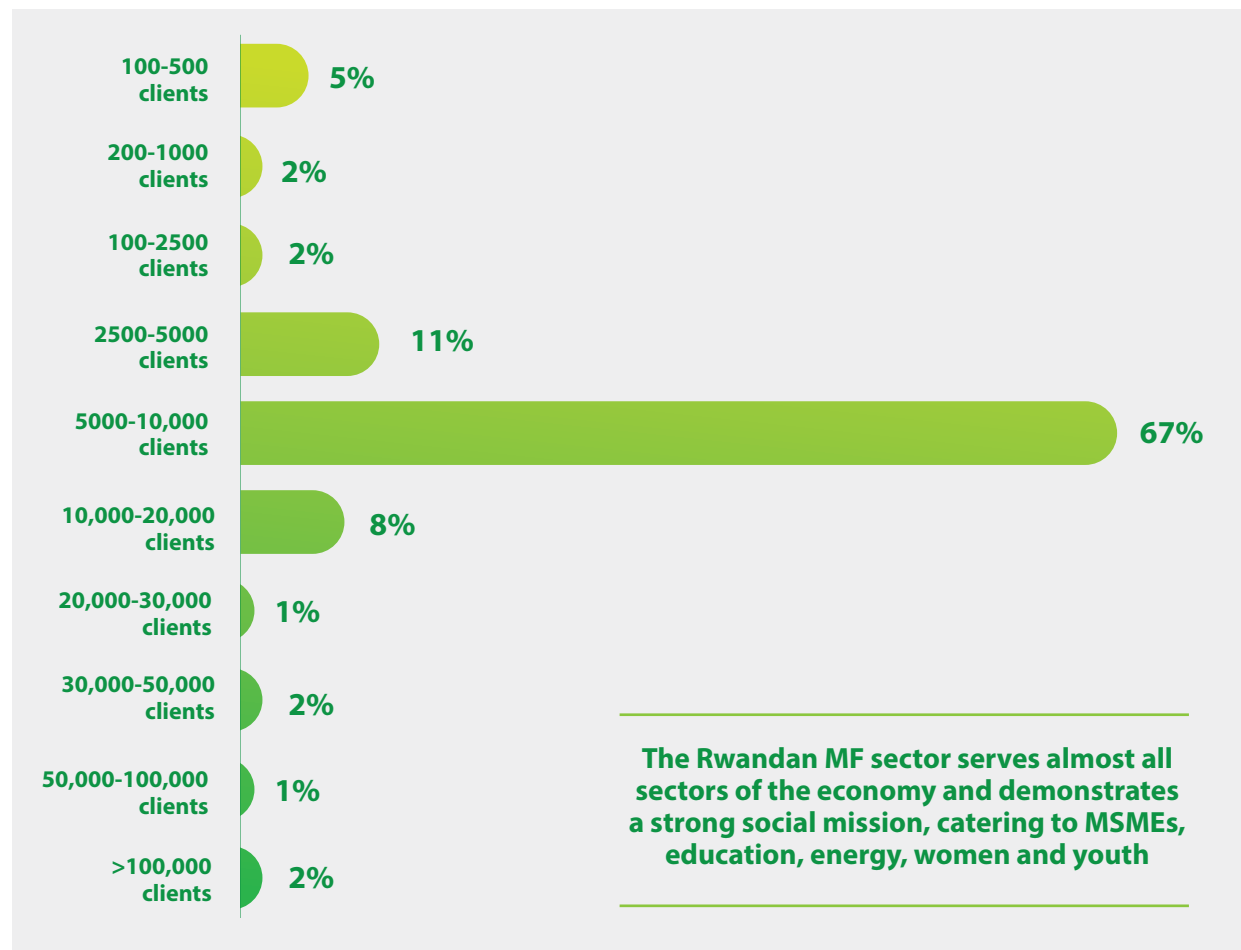
 **19**
Microfinance Ltd Liability companies

 **22**
Non-Umurenge SACCOs

 **416**
Umurenge SACCOs

Number of clients served

- borrowers and savers



A majority of the Institutions served

7,500

clients on average



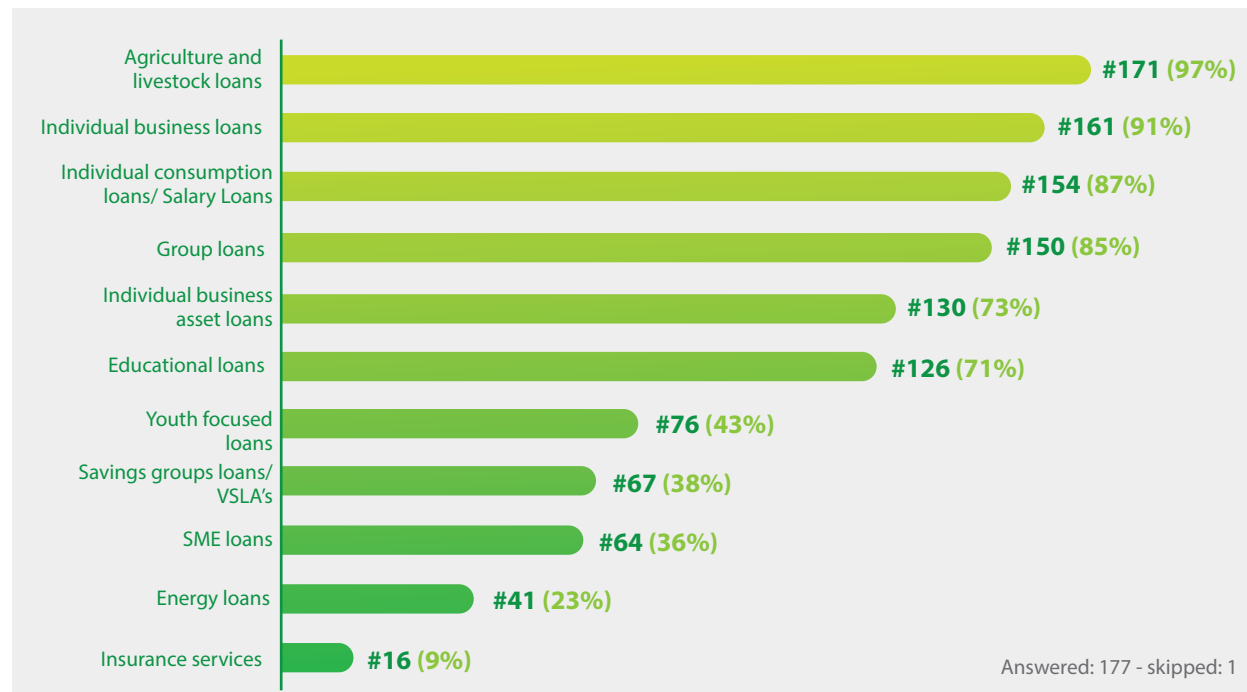
making it
approximately

1.3

MILLION CLIENTS

collectively served by the
respondents

Loan products offered by the Rwandan MF sector as of April 2020



The agriculture sector and the MSMEs sector were served by more than:



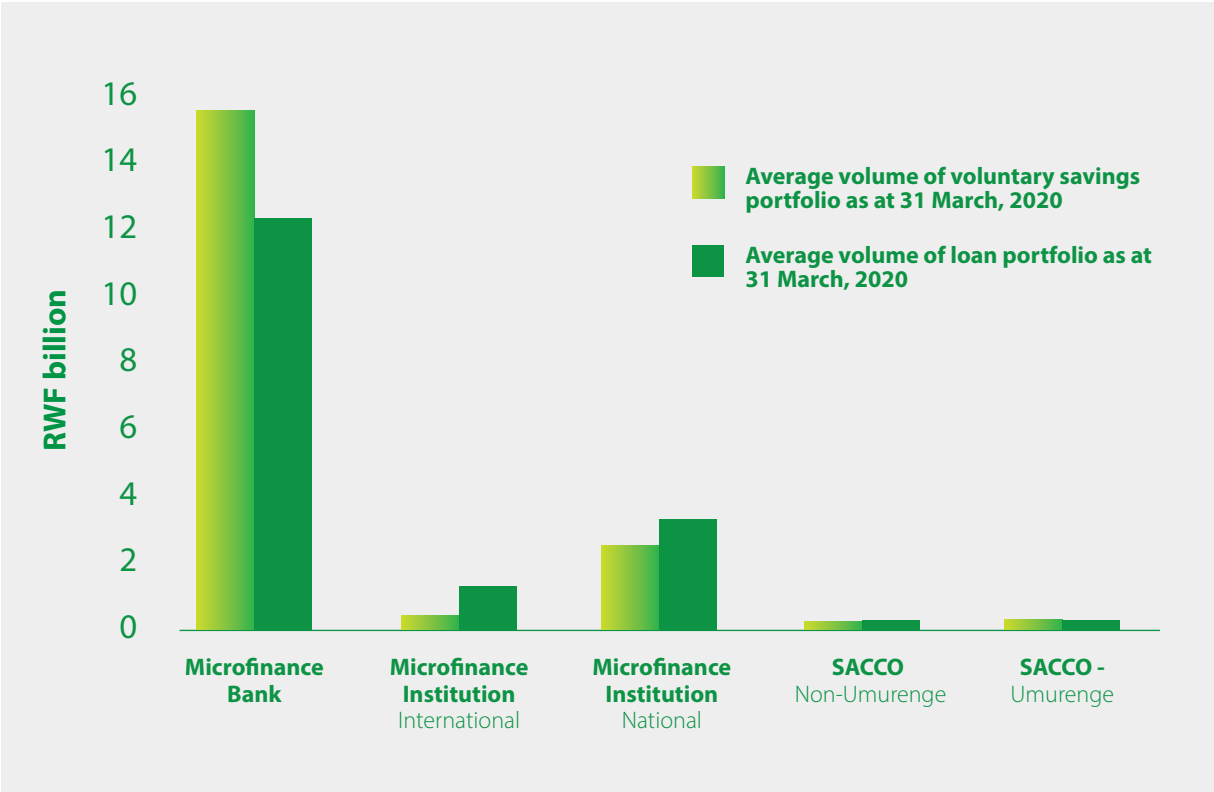
of the MFIs
- followed by the informal sector served through savings groups and group loan products

Based on the GoR classification of essential services that were allowed to continue operating during the COVID-19 lock-down, only loans to agriculture related activities are likely to have performed during the lock-down period. Other types of loans offered by MFIs are likely to have been negatively affected by this.

Savings vs loans composition



The assessment of average saving portfolio as of 31st March 2020 shows that it varies from about RWF130 million for Umurenge SACCOs to RWF15.5 billion for MF banks. Similarly, the loan portfolio varies from an average of RWF126 million for Umurenge SACCOs to RWF 12.2 billion for MF banks as illustrated in the figure below:



The graph shows that the Microfinance Limited liability companies do not depend on savings to fund their loan portfolio, and thus are exposed to serious liquidity risks

MFIs

with a digital/mobile banking platform



Yes
#16*
9%



No
#161
91%

*60% of MFIs and 100% of MF banks

Answered: 177 - skipped: 1



The Covid-19 lock-down has reiterated the need for digitising MFIs, especially Umurenge and non-Umurenge SACCOs and ensure they effectively offer digital banking services to their clients.

Mobile banking platform linked to a mobile network operator (MNO)

via push and pull functionalities of the 16 institutions



Yes
#14
8%



No
#163
92%

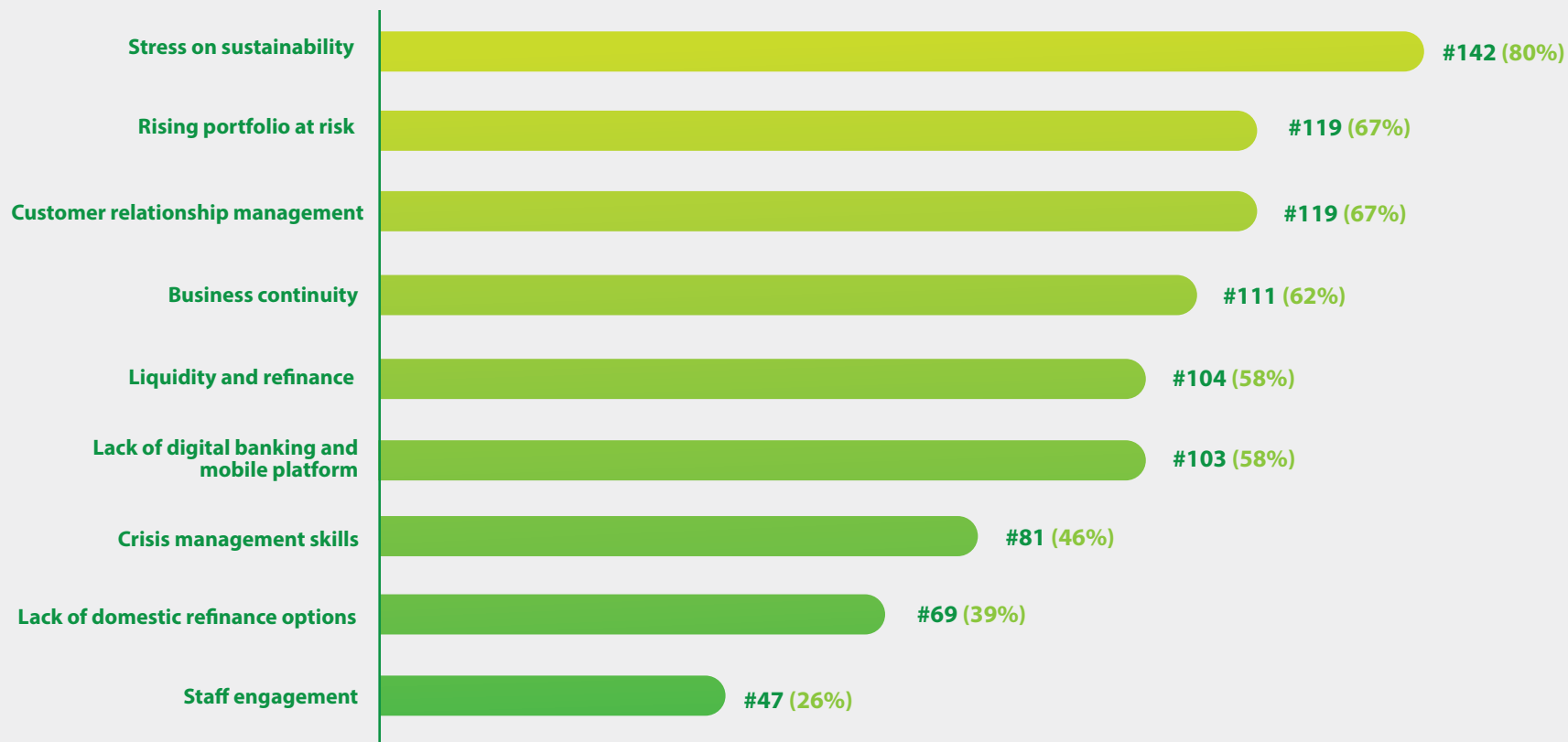
Answered: 177 - skipped: 1



The study shows
among the 9% who had
digital platform, only 14
institutions were linked
to MNOs.

Mobile money proved
to be a lifeline to many
during the COVID-19
lockdown

Biggest challenges of the sector during the Covid-19 situation



Answered: 178 - skipped: 0

Challenges faced by MFIs during the Covid-19 situation



COVID-19 has already seriously inflicted MFIs in Rwanda with more than half of the surveyed institutions reporting the following major challenges:



Stress on sustainability and profitability



Rising PAR



Customer relationship management



Business continuity



Liquidity/refinance,
need 100% with Ltd companies
and MFI Banks

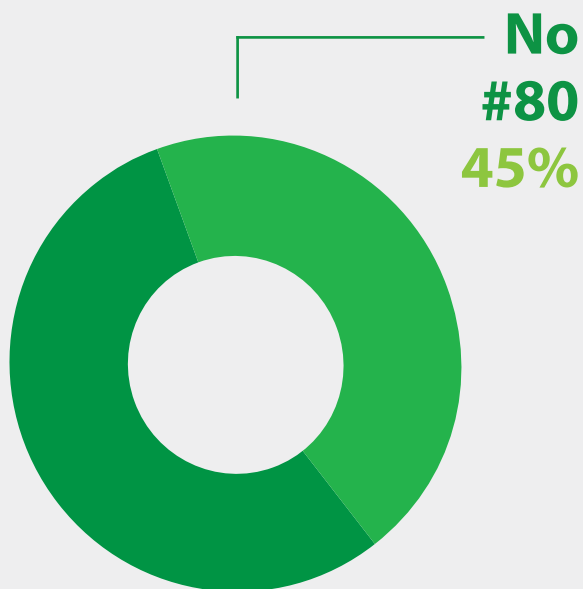


**Lack of digital and mobile
banking platform**

Other challenges facing MFIs include:

- **Crisis management capacity**
 - **Lack of domestic refinancing instruments**
 - **Staff engagement**
-

Need of a refinancing facility of the MF sector



Yes
#98
55%

Answered: 178 - skipped: 0

**The 55% of MFIs that expressed
the need for refinancing
facilities include:**



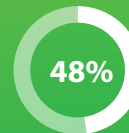
MF banks



**National and international MF
limited institutions**

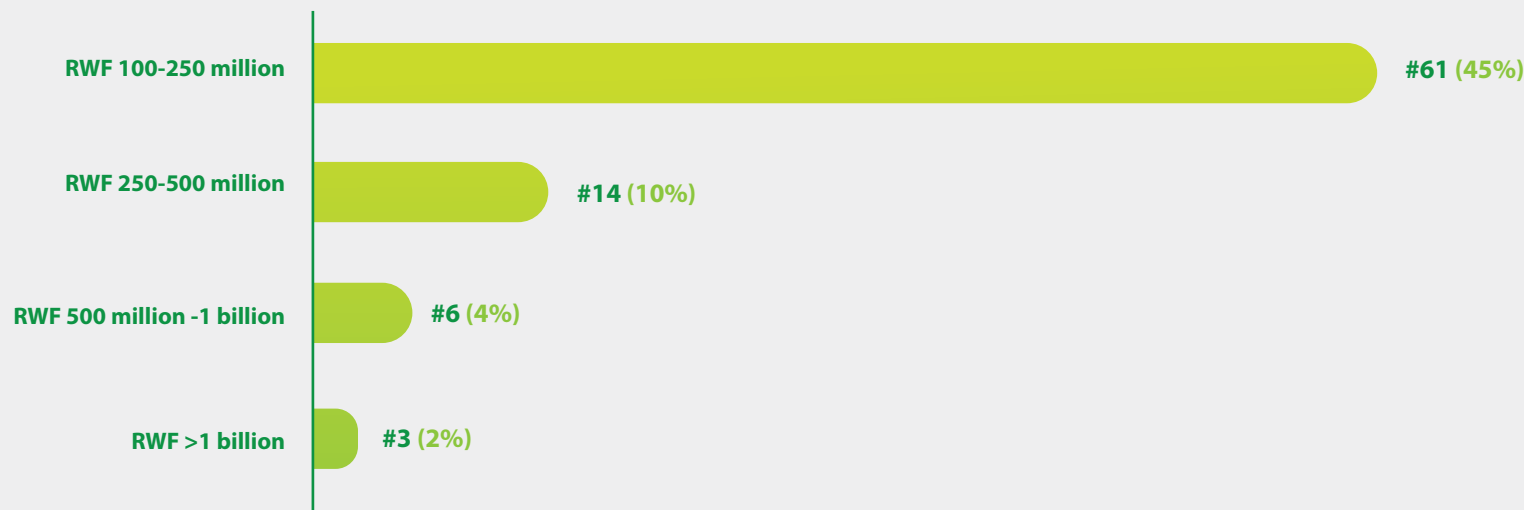


Non-Umurenge SACCOs



Umurenge SACCOs

Size of the refinance facility, estimated by the MF sector, to counter the COVID-19 situation from now till Dec 2020



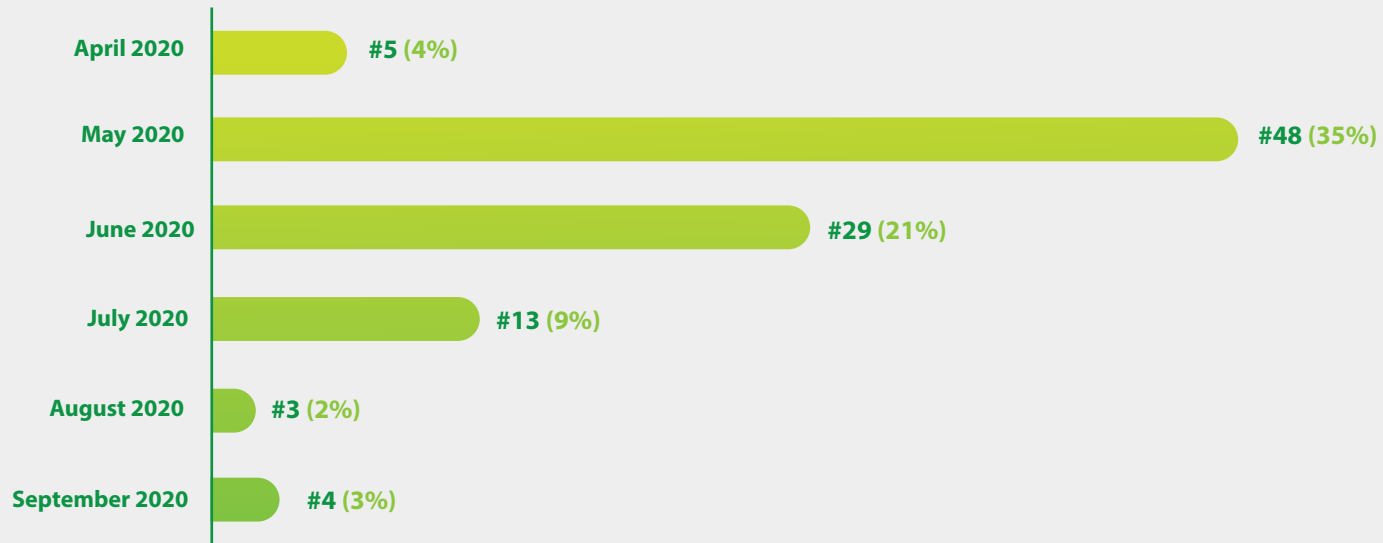
Answered: 136 - skipped: 42

All microfinance banks expressed a need for **refinancing of more than RWF 1 billion**, followed by international MFIs, who needed a refinancing ranging between **RWF 250-500 million**.

A majority of non-Umurenge and Umurenge **SACCOs** (80% and 83.6% respectively) expressed a need for a refinancing facility between **RWF 100-250 million**.

The **total** size of collective demand is approximately **RWF 22 billion** (USD ~21 million) need in the next 3-6 months.

Timings of emergency refinance facility needed by MFIs, if made available



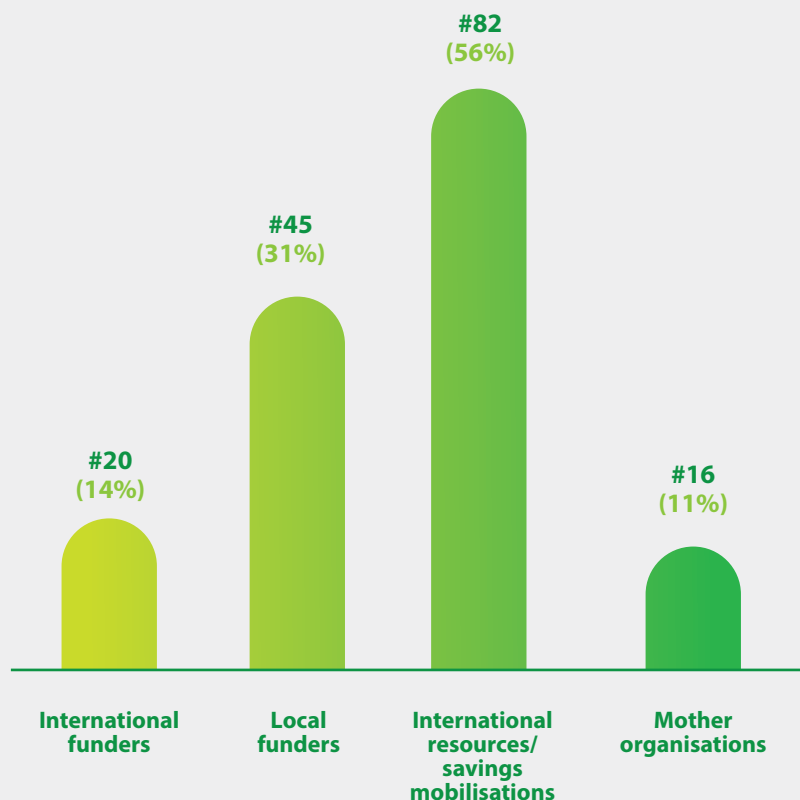
Answered: 137 - skipped: 41



75%

Nearly 75% of the MFIs wanted emergency refinance before July 2020 for a term of three years, with three-six months moratorium

Current sources of refinance for the MF sector



Answered: 146 - skipped: 32

1

The findings indicates that internal resources or saving mobilisation is the main source of refinancing for majority of the respondents.

2

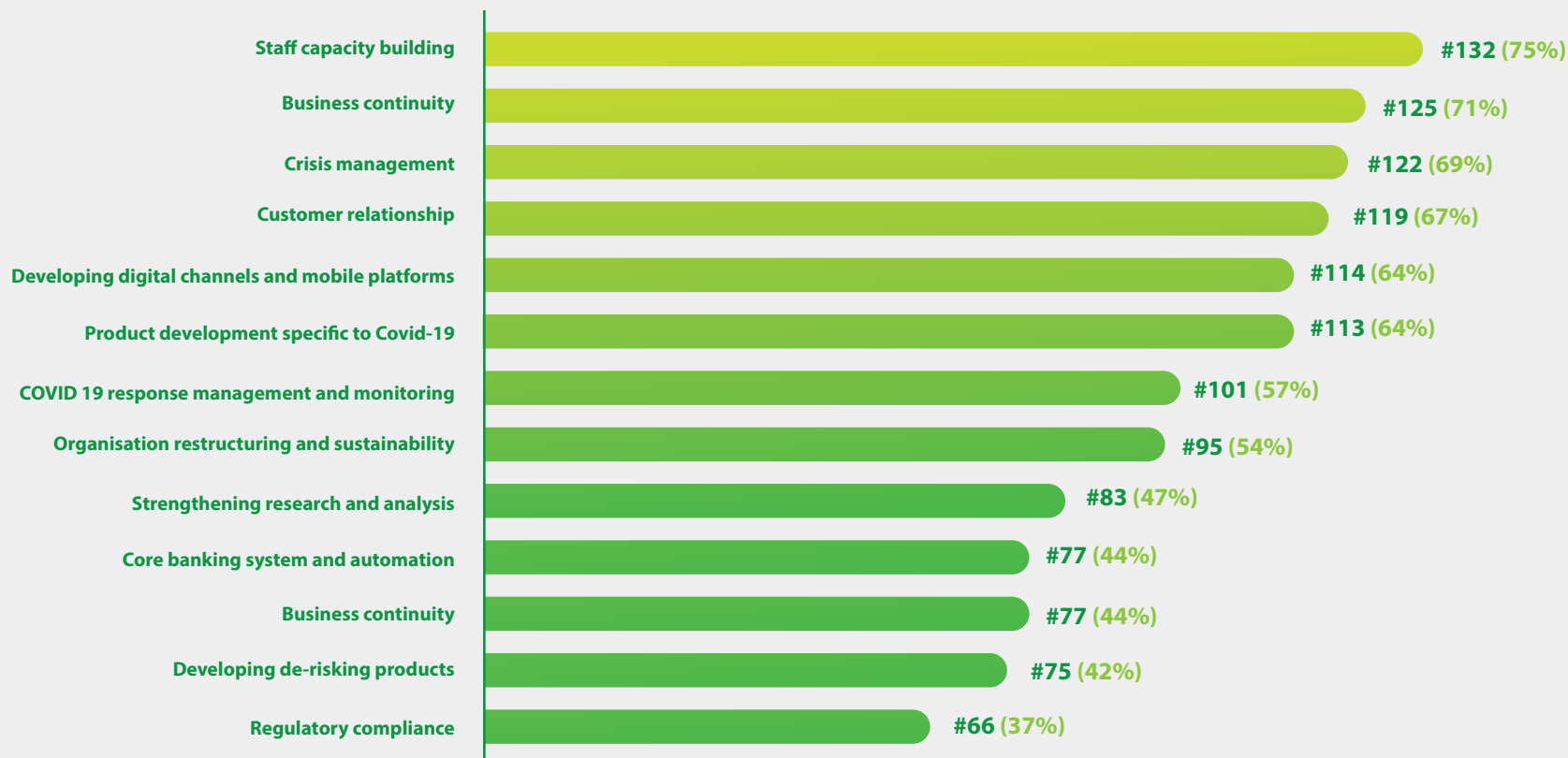
Heavy savings withdrawals and non-repayment of loans will have adverse effect on cash inflow and liquidity of the MF Sector.

3

Establish a refinancing facility that is flexible (in terms of repayment period) and affordable (subsidised interest rate) for MFIs in order to support the affected clients/SMEs.

Technical (TA) needs expressed by MFIs

in terms of COVID-19 effects on the MF Sector



Answered: 177 - skipped: 1

Top 3 TA needs

due to COVID 19 effects on the MF sector



75%

Staff capacity building

Online training
platform for field staff



71%

Business continuity

Planning and
assistance



69%

Crisis management training

Risk management

Business Impact by COVID 19

MF Sector



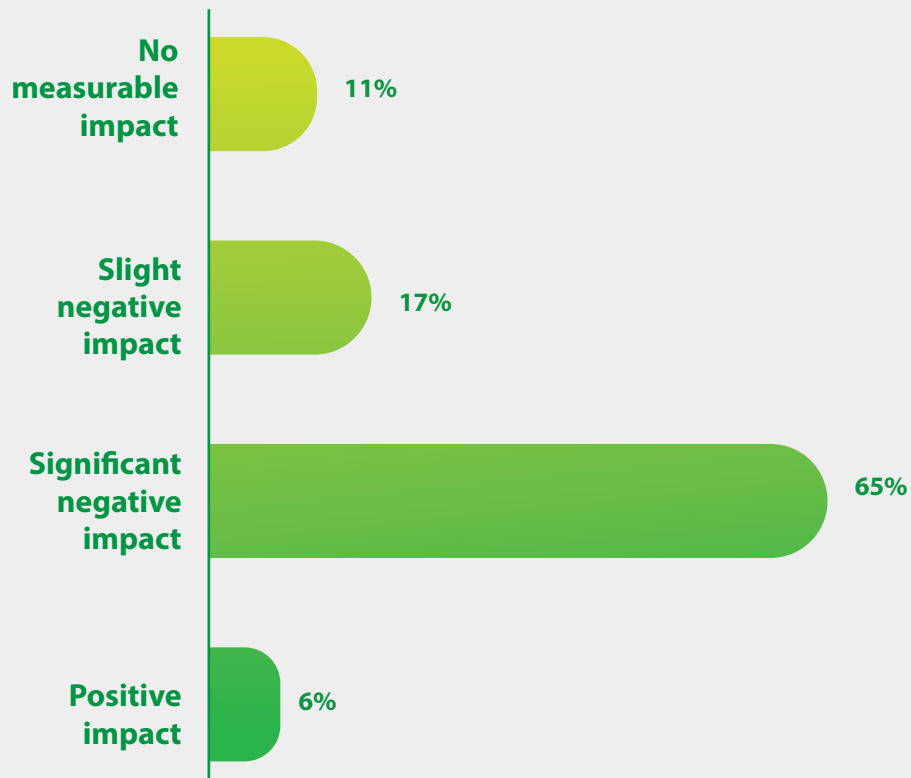
MFIs have faced diverse effects of COVID-19, and their magnitude depends on the financial capacity of each type of MFI.



For instance, on further analysis, loss of customers is more predicted amongst Umurenge and non-Umurenge SACCOs (with 91% and 85% respectively).

Similarly, National Microfinance Institutions, Umurenge and non-Umurenge SACCOs face challenges related to liquidity challenges - reduced inflows/collection.

Impact on microfinance portfolio



65%

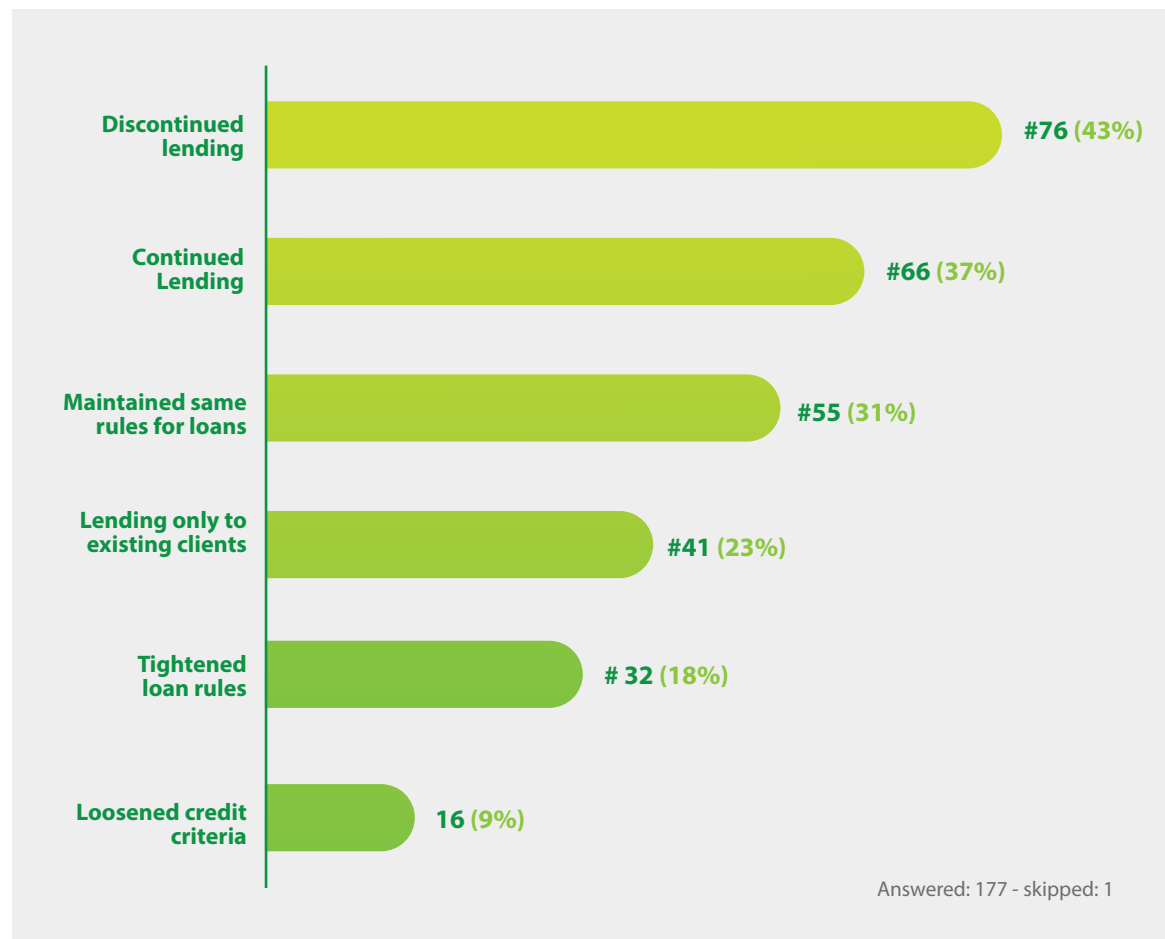
of the surveyed MFIs argued that COVID-19 has already had significant negative impact on their loan portfolios



85%

of Non-Umurenge SACCOs reported to have had significant negative impact

Lending approach adopted by the MF sector to counter COVID 19



Discontinued lending



43%

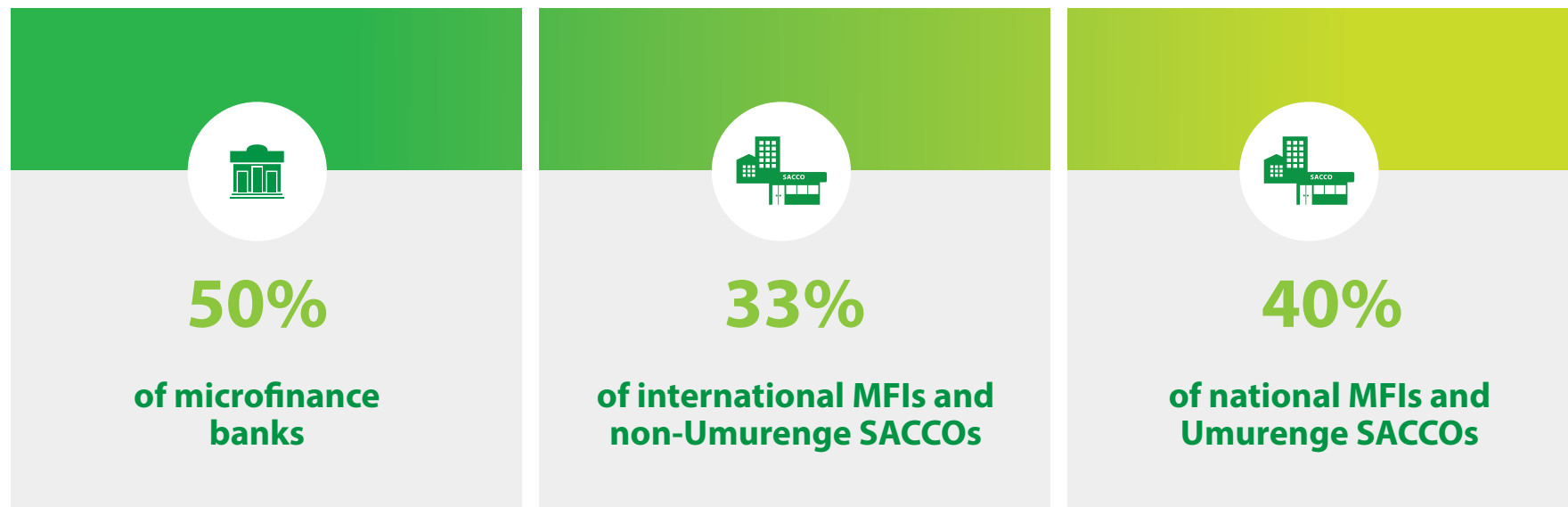
‘Discontinued Lending’ measure by the microfinance tops the survey response, taken in distress by the sector.

It should be noted that the microfinance sector serves nearly four million MSMEs and SMEs in Rwanda, as per Association of Microfinance Rwanda (AMIR).

Lending approach adopted by the MF sector to counter COVID-19

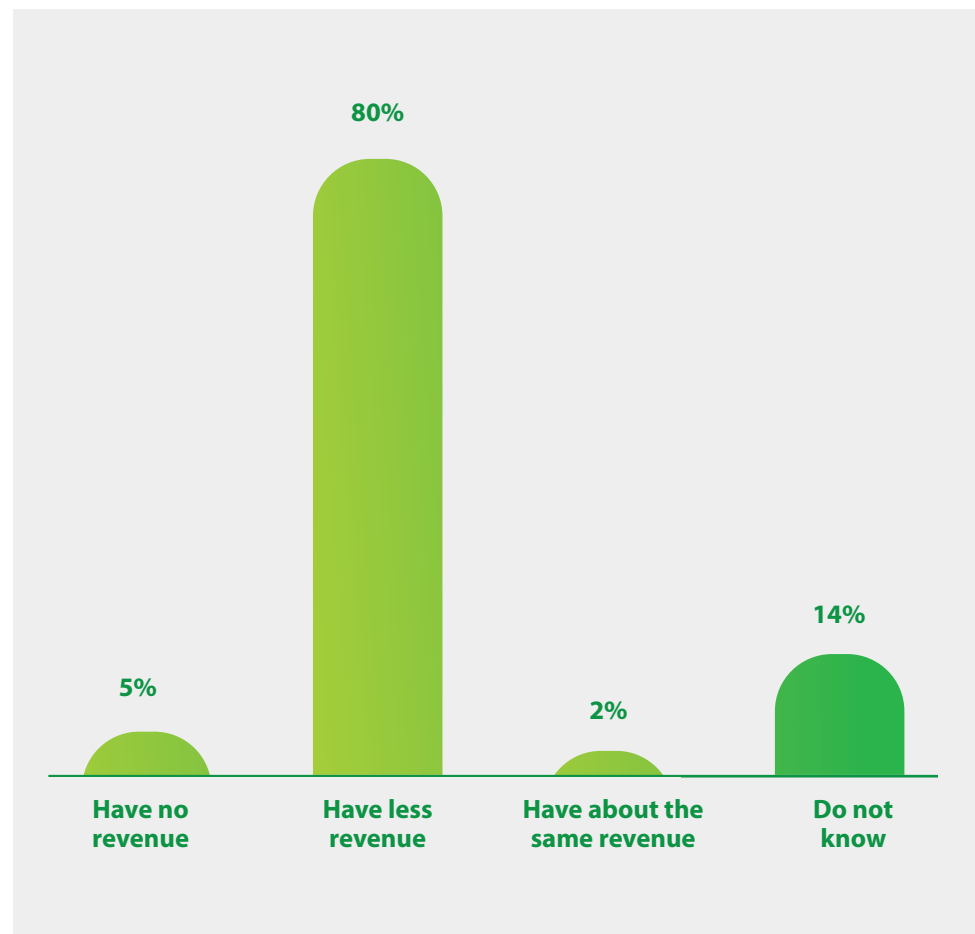


Discontinued lending includes:

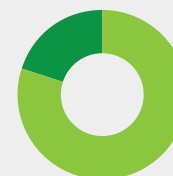


The reaction by the sector to stop lending may have adverse effect on the MSME clients. The MF sector expressed a need for working capital to bounce back from the COVID 19 impact. Lack of sources of finance is going to affect not only their businesses and its ecosystem but the very livelihood of the Rwandan population and economy in general.

Prediction by the MF sector on what to expect in next two to three months



A majority predicts to having less clients and lend less due to lack of liquidity



80%

of MFIs expect to be having less revenues in the coming two to three months.

This concerns all MF banks, all MF ltd institutions, as well as 80% of Umurenge SACCOs and more than 60% of the non-Umurenge SACCOs.

Mitigation measures implemented by the MF sector to support savings groups and group based loans



- 1 Approved grace period and set up emergency committees
- 2 Continued to lend to clients dealing with essential sectors
- 3 Cancelled all late payment penalties
- 4 Stopped group meetings
- 5 Rescheduling of loans for groups
- 6 Regroup the members into smaller groups
- 7 Introduced emergency loans disbursed via mobile money
- 8 Playing an advisory role on safety for members via phone/group calls
- 9 Collection of payments from the field
- 10 Encouraging groups to use mobile banking platform
- 11 Groups encouraged to send all payments to group account and leader uses her or his mobile money account

Value addition services undertaken by MF sector to support clients beyond financing during COVID-19



**Financial
education**



**Renegotiation
of loan
advisory /
education**



**Discussions
regarding
business
continuity**



**Providing
COVID-19
advisory where
necessary**



**Passing on
necessary
information on
government
measures**



**Building
relationship
with our
clients**



**Teaching
them
hygiene**

Suggestions by the MF sector to support MSMEs and MSEs



1

Plan for refinancing
or avail technical
assistance towards
diversifying

2

MFIs need to offer
flexible refinancing
to support SMEs
with subsidised
interest

3

MSME/SMEs
clients need not to
be discouraged,
approach us for
financial support

4

Approach us to
restructure of
your loans and/
or grace periods
or rescheduling of
loans

5

Create specific
refinance fund to
support MFI to
refinance SMEs,
flexible repayments

6

To support SMEs, we
need to give some
additional loan
to support them
rebound

7

Possibility of
offering bridge
loan after COVID-19
lockdown.

8

MF sector will work
together towards
solving problems
caused by COVID-19

9

MSME's /SME's need
to review their
business plans after
Covid-19, become
more customer
centric

10

Provide MSMEs
training on
sustainability and
resilience of their
business

Staff support provided by the MF sector during COVID-19



Work from home



On time payment of salary and forced leave



Staff encouraged to be positive and strictly follow government instructions and avoid rumours



Some MFIs provided staff with protection materials such as sanitisers, masks and gloves



Private transport arranged for staff who were working during lockdown



Providing online training/ using Zoom or Skype



Financial help to staff who were facing financial difficulties

Conclusion of survey

COVID-19 impact on the MF sector



Urgent need of liquidity

FSPs are using their capital and /or withdrawing their savings more than ever to survive the pandemic. All this, has put the MF Sector in serious liquidity, capacity and refinance challenges.



Extend relief measures to sector

BNR relief measure of extended lending facilities to banks (RWF 50 billion fund) for distressed commercial banks to support their liquidity at CBR rate, can be extended to MF PLC and SACCOs too.



Digitise the MF sector

The COVID-19 lock-down has reiterated the need for digitising MFIs, especially Umurenge and non-Umurenge SACCOs and ensure they effectively offer digital banking services to their clients



Fundamental threat

If the MF Sector is going to survive the pandemic, we need to treat COVID-19 as a fundamental threat and bring in emergency demand driven interventions to save the sector.



We wish to thank every MFI in Rwanda and all stakeholders, who extended their support in giving us their valuable insight for this survey during this challenging period of COVID-19.

**AFR & AMIR – Research Team
May 2020**