

ABSTRACT

Agricultural finance consumption in Uganda is evolving to include innovations to deal with the hurdles to smallholder farmers' consumption of financial services. The application of financial innovation was expected to improve the innovation development process, the quality of innovations developed, the delivery process to smallholder farmers, and the understanding of smallholder life goals that inform smallholder farmers' consumption. Despite the introduction of financial innovations to increase consumption of agricultural finance to 25% of all total industry lending, the consumption of agricultural finance by smallholder farmers remains dismal. Low consumption is attributed to a one-size-fits-all product palate, inflexibility and discrimination by FIs, high risks in the agricultural sector, dispersed demand, high service cost, and land use rights issues. And inefficient delivery processes for agricultural finance. The study holistically assessed smallholder farmers' consumption of agricultural finance from the lens of the agricultural finance innovations development pathways, the nature of smallholder farmer products, the delivery mechanism for products and the life goals that shape the consumption of products and services. It was anchored in the agricultural innovation system theory alongside the actor-network theory to generate processes, delivery structures and actor-network interactions; the marketing theory (7Ps Market mix framework) to understand the influence of the nature of products and their delivery processes on the consumption of products and services and the expectancy-value theory to elicit preferred product characteristics for agricultural finance and develop hierarchical value maps that identify and link products to outcomes and the life goals that smallholder farmers seek to achieve through consumption of agricultural finance. The study applied the qualitative design utilizing case studies to gain concrete, contextual, in-depth knowledge about the Centenary staff and smallholder farmer experience. Focus group discussions and key informant guides were used in data collection. Results indicated that the development of financial innovation was a non-farmer-led process that traversed a complex, linear six-stage process presided over by diverse actors with some critical actors, especially in the research domain, left out. Product nature, pricing, and inefficient processes were prohibitive to smallholder farmer consumption of agricultural finance. Besides, smallholder farmers' decision to consume agricultural finance is driven by the need to achieve life goals, including financial security, social security, happiness, respect, and peace.

Keywords: Financial innovation, Agricultural finance, consumption