

COMPARATIVE ANALYSIS OF SMALLHOLDER FARMERS IN KENYA, ZAMBIA AND TANZANIA

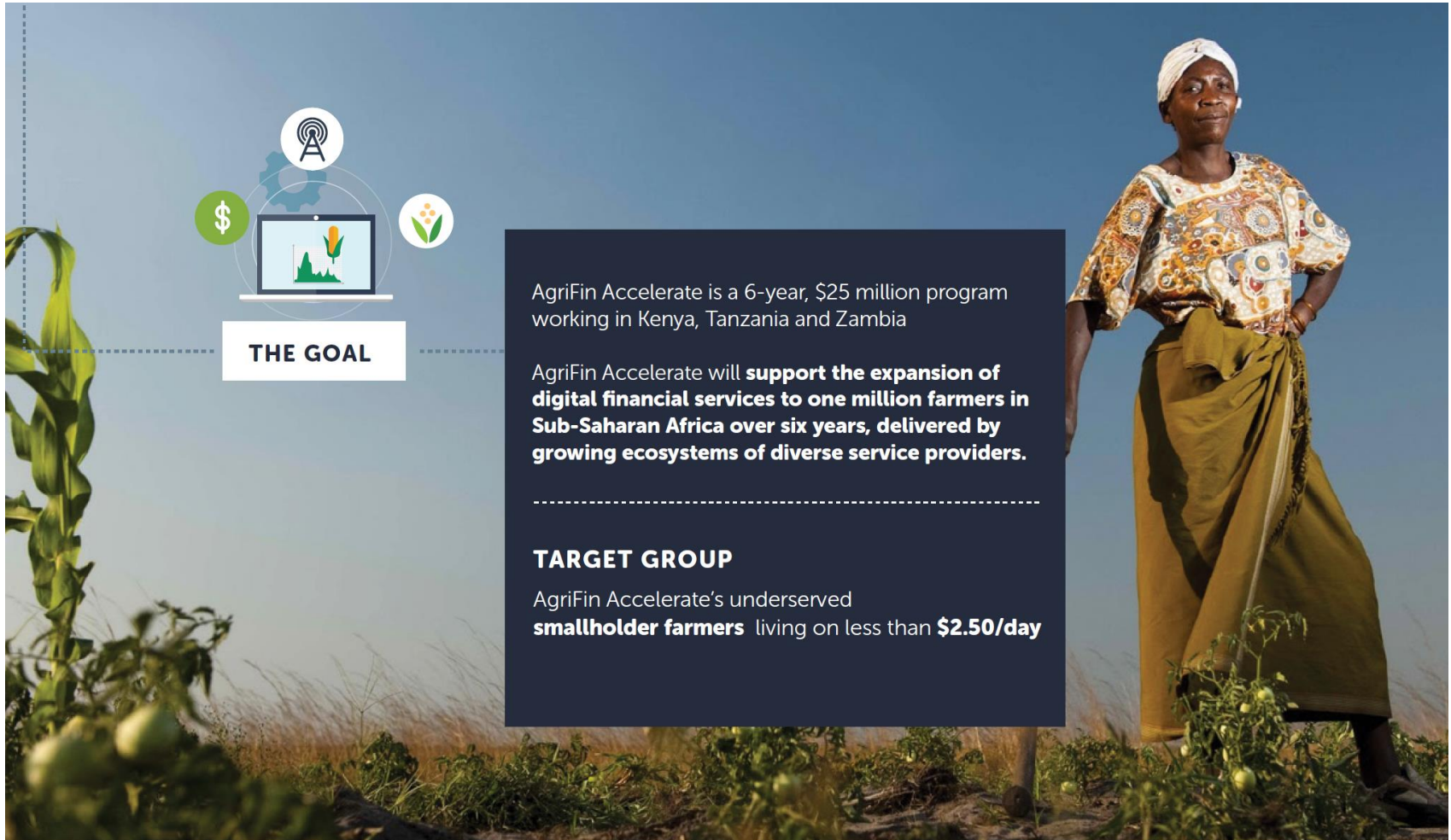
Snapshot results from Tanzania,
Kenya & Zambia

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Washington DC, May 2018



Background: AFA Program Objectives



The graphic overlay on the left side of the slide features a central laptop icon displaying a field with a sun. Above the laptop are three circular icons: a dollar sign, a target symbol, and a plant with a gear. Below the laptop is a white box with the text 'THE GOAL'. To the right of this graphic is a dark blue text box containing the program's description and target group.

THE GOAL

AgriFin Accelerate is a 6-year, \$25 million program working in Kenya, Tanzania and Zambia

AgriFin Accelerate will **support the expansion of digital financial services to one million farmers in Sub-Saharan Africa over six years, delivered by growing ecosystems of diverse service providers.**

TARGET GROUP

AgriFin Accelerate's underserved **smallholder farmers** living on less than **\$2.50/day**

AFA Approach: Innovation Partner



**FOCAL AREAS FOR
INNOVATION**

- Products & Services for SHF
- Last Mile Distribution
- Farmer Capability Tools
- Technology Start Up Acceleration
- Alternative Data & Credit Scoring



AFA Approach: Outcomes & Impact

EXPECTED OUTCOMES

Outcome 1:

Market actors expand, improve and continue to offer high-impact digital financial services products and services that are tailored to the needs of smallholders;

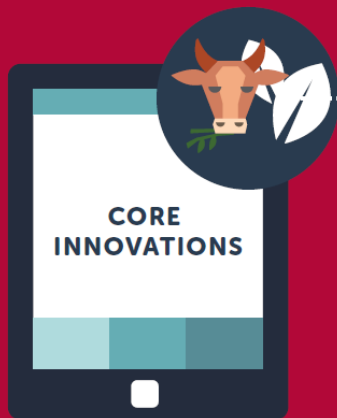
Outcome 2:

Farmers increase capability to access and utilize demand-driven, high impact technology-enabled financial products and services;

Outcome 3:

Ecosystems emerge supporting provision of digital financial and informational services to SHFs.

We expect to see 50% increases in income and productivity for farmers, with 50% outreach to women



Rapid iteration engagement model to drive innovative, client-centric product development; and

Work with partners to **develop “bundles”** of digitally-enabled services offering farmers affordable access to financial and informational services.



3.1 Profile of Smallholder Farmers

Research Question 1: What is the profile of an average farmer in Tanzania, Kenya and Zambia?

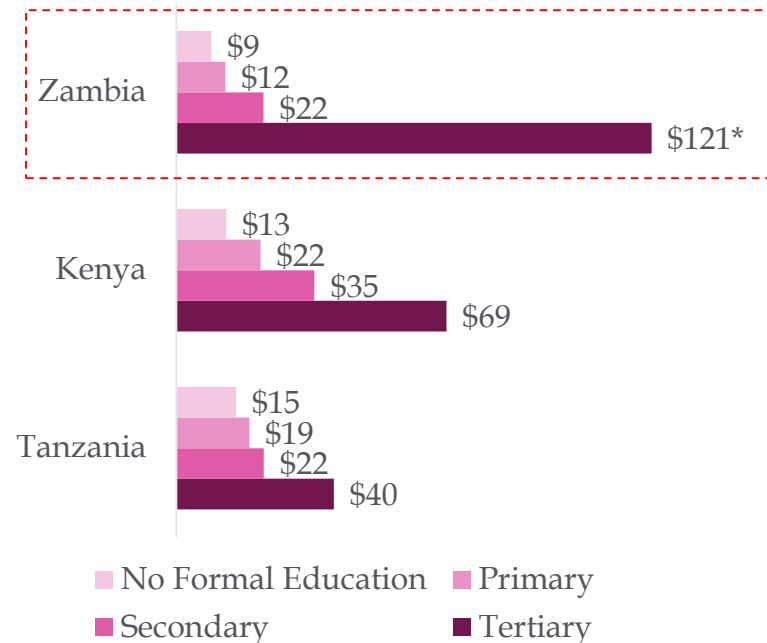
Socio-economic profile:

- Kenya’s SHFs have the largest income gender gap both in total and relative terms.
- Zambia’s SHFs education income gap is most pronounced: the median SHF with tertiary education earns \$121, while the median SHF with no formal education or primary education only earns \$9 or \$12 a month.

Median Monthly total income by gender and country



Median Monthly total income by education and country



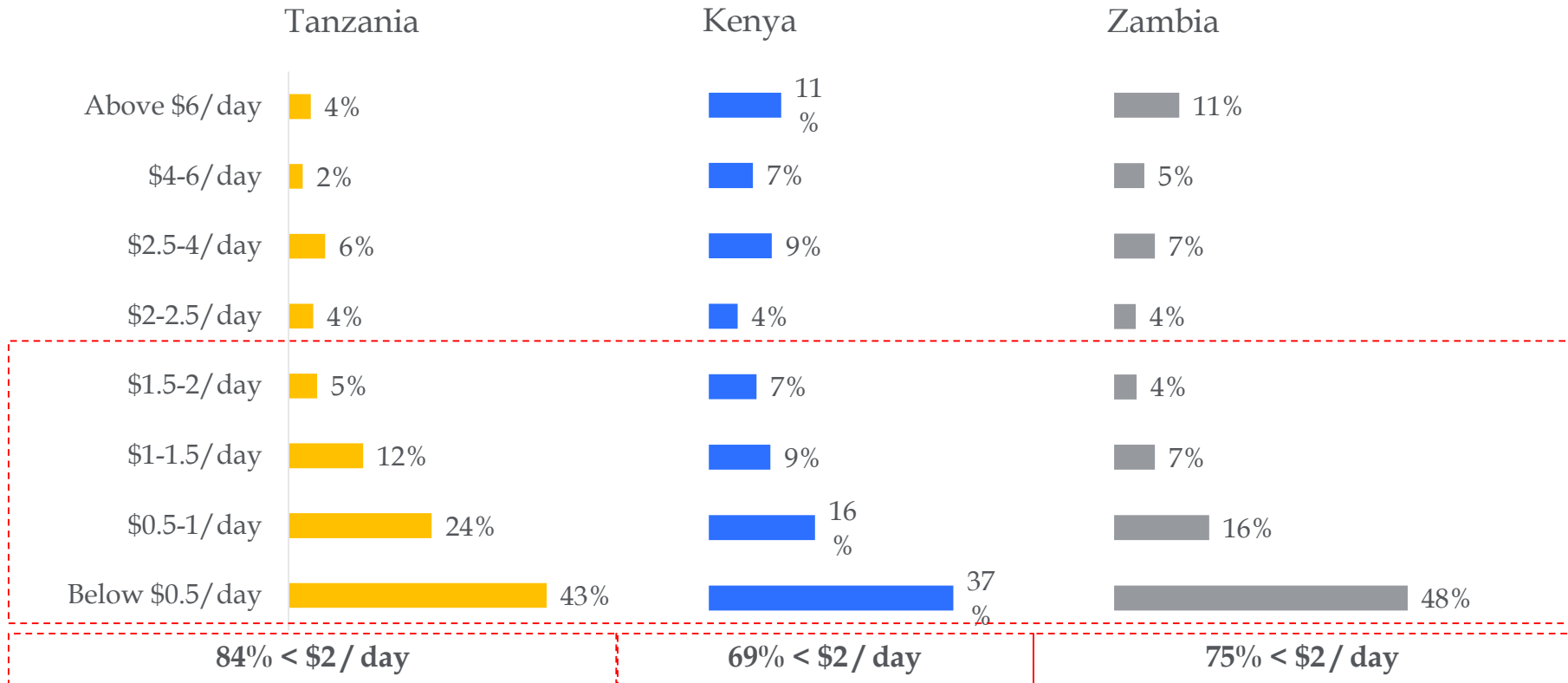
*Income levels might be skewed due to a small sample size in the tertiary category.

3.1 Profile of Smallholder Farmers

Research Question 1: What is the profile of an average (or median) farmer in Tanzania, Kenya and Zambia?

Economic Profile (2) – income distribution of SHFs:

- Income distributions in all three countries point towards a large share of SHFs living below \$1/day.
- Zambia observes the most unequal distribution: while it has overall fewer SHFs living below \$2 / day than Tanzania, 48% of Zambian farmers still live below \$0.5/day.



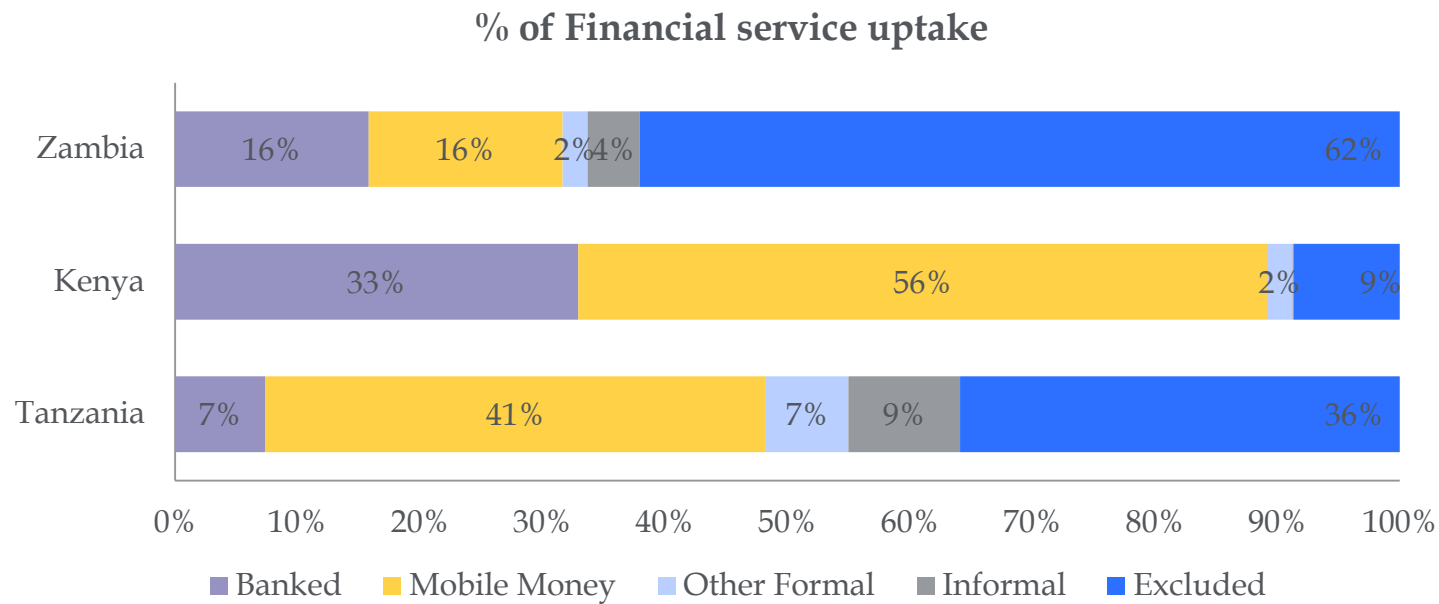
Disclaimer: Note that comparing SHF's average income does not account for national differences in income levels. We can however interpret the income distribution for each country.

3.2 Uptake and Usage of Financial Services

Research Question 2: What is the uptake and usage of financial services by SHFs in Tanzania, Kenya and Zambia?

Nature of Financial Uptake:

- Kenya’s SHFs have the highest financial inclusion levels with only 9% who are excluded.
- Of those who are financially included in Kenya, 33% are banked as opposed to 16% in Zambia and 7% in Tanzania.
- Mobile money penetration is 56% in Kenya, while it is lowest in Zambia (16%) and 41% in Tanzania.



3.2

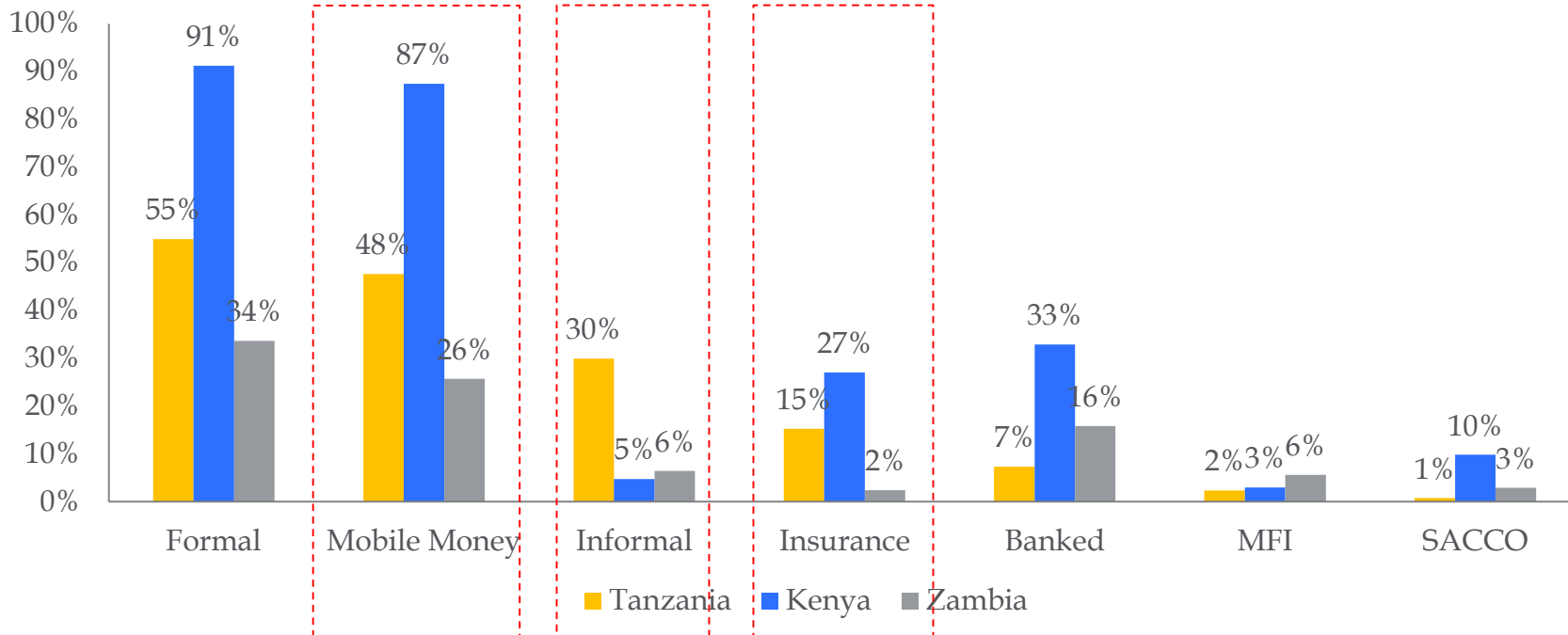
Uptake and Usage of Financial Services

Research Question 2: What is the uptake and usage of financial services by SHFs in Tanzania, Kenya and Zambia?

Nature of Financial Uptake:

- SHFs in Tanzania make most use of informal services and are catching-up with insurance and mobile money.
- 91% of Kenyan SHFs are formally included. Kenya has the highest take up across most types of financial services, except informal services and MFIs.

Financial service uptake by type of service



3.2

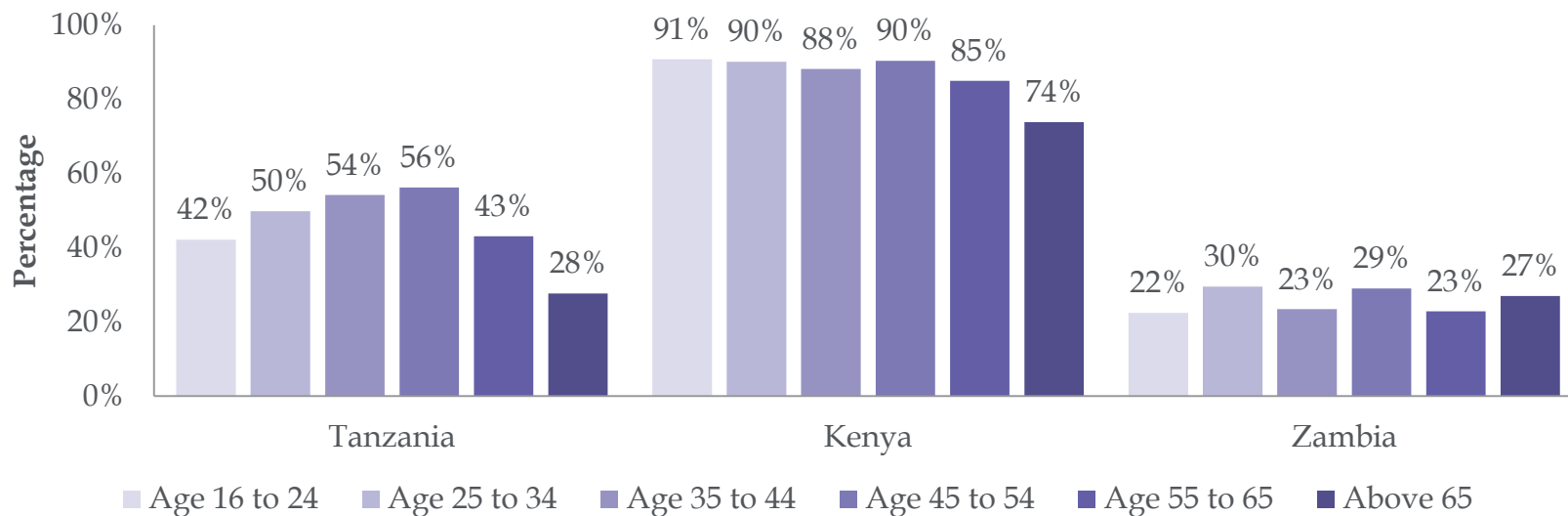
Uptake and Usage of Financial Services

Research Question 2: What is the uptake and usage of financial services by SHFs in Tanzania, Kenya and Zambia?

Mobile money services uptake by age:

- In Kenya, mobile money uptake is similar for SHFs between 16 and 54 but decreases in groups older than this.
- In Tanzania, mobile money uptake is bell-shaped with low values for the youngest and oldest SHF segments, peaking for SHFs between 45 and 54.
- In Zambia, SHFs of all age groups have similar mobile money uptake.

% of Population Using Mobile Money by Age Group

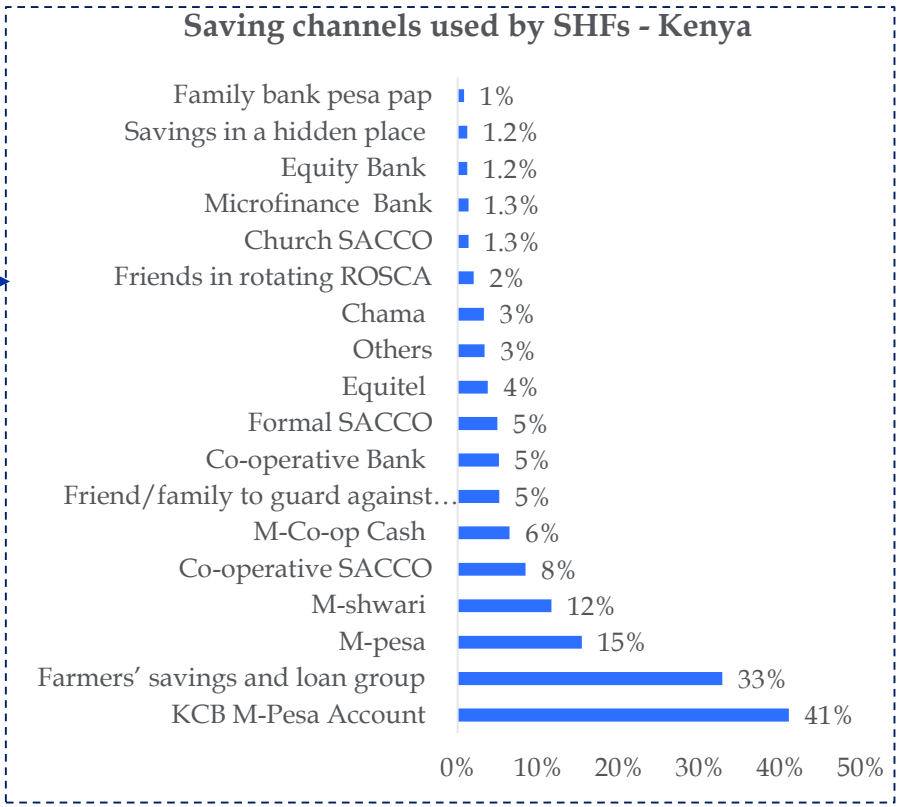
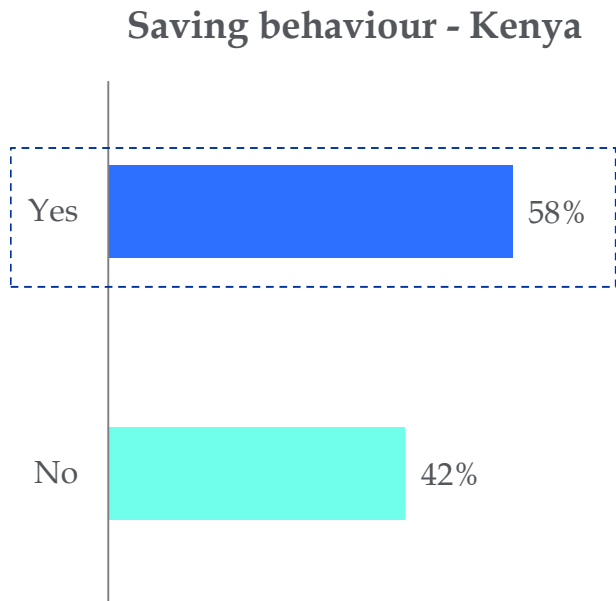


3.2

Uptake and Usage of Financial Services

Research Question 3: How do SHFs save and borrow in Tanzania, Kenya and Zambia?

Saving behaviour: Kenyan SHFs who save (58%) often do so by using mobile money (41% use KCB M-Pesa, 15% use MPesa and 12% use M-shwari). Savings groups are also used frequently (33%) and most SHFs have moved away from savings at home ('savings in a hidden place' = 1.2%).



Base: SHFs who save



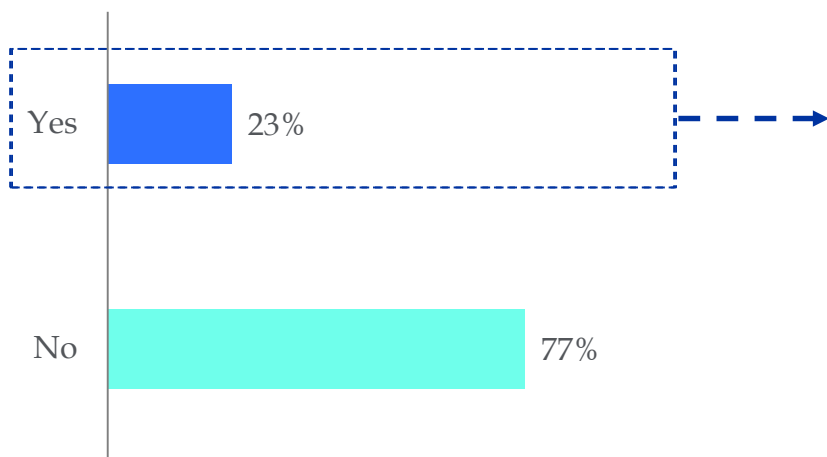
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Uptake and Usage of Financial Services

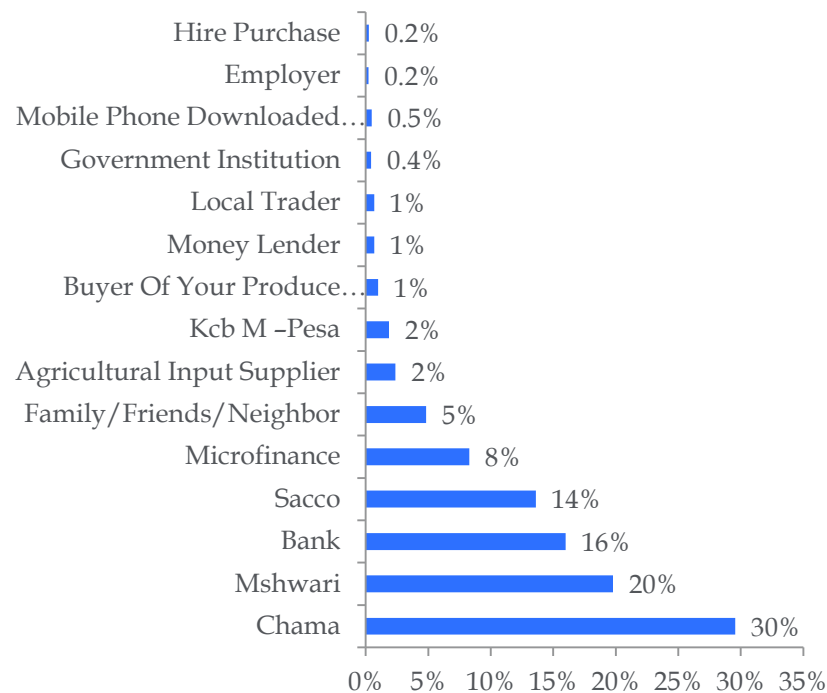
Research Question 3: How do SHFs save and borrow in Tanzania, Kenya and Zambia?

Borrowing behaviour: SHFs in Kenya borrow are less likely to borrow than those in Tanzania (23% vs 45%). Those that do have mostly moved away from borrowing from friends or neighbour (5%) and are using informal groups, such as Chama (30%) or SACCOs (14%), or mobile money services such as Mshwari (20%).

Borrowing behaviour - Kenya



Borrowing channels used by SHFs - Kenya



Base: SHFs who borrow

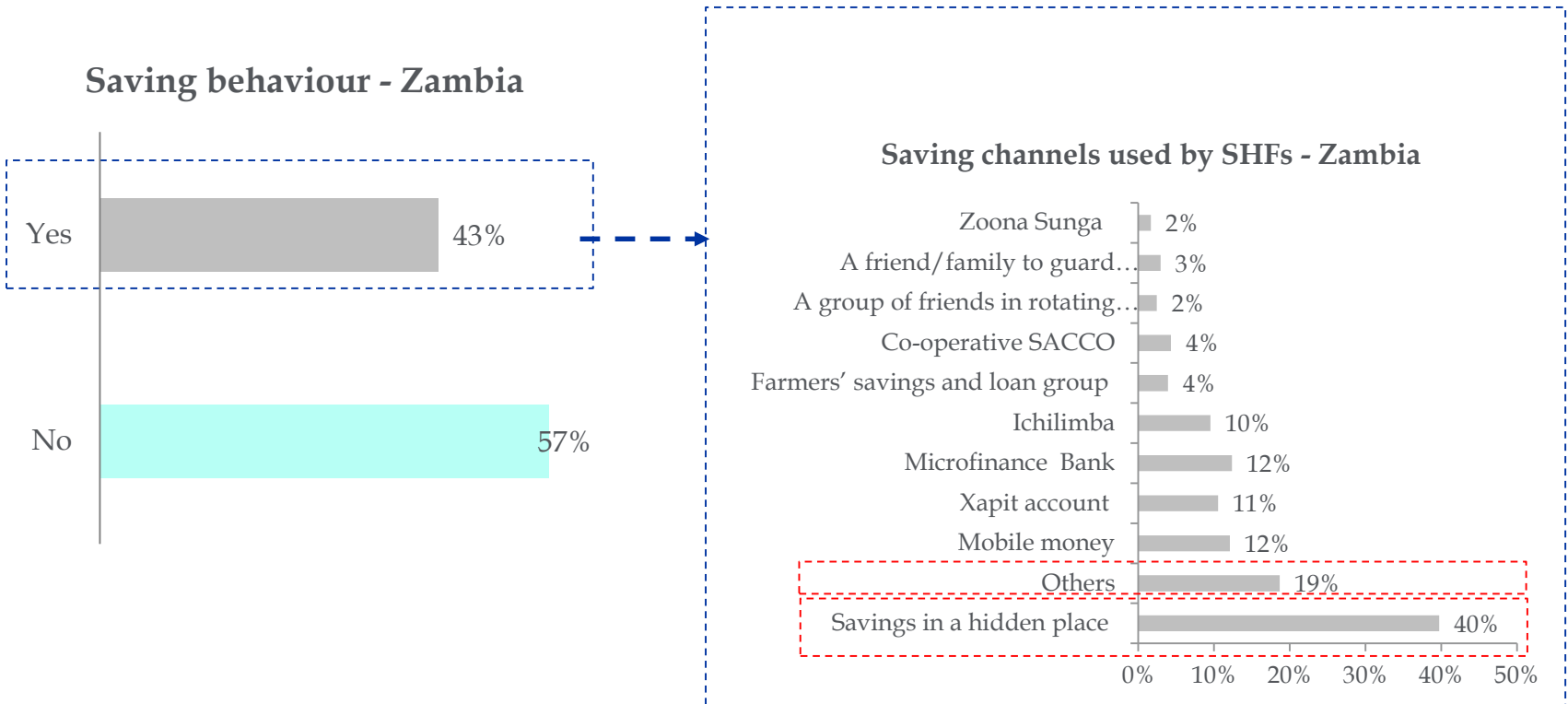


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Uptake and Usage of Financial Services

Research Question 3: How do SHFs save and borrow in Tanzania, Kenya and Zambia?

Saving behaviour: The most common way of saving for SHFs in Zambia is savings money in a hidden place, e.g. at home (40% of SHFs who save). Mobile money uptake for saving purposes is relatively high (12%), considering the overall low uptake of 26% across SHFs in Zambia.



Base: SHFs who save

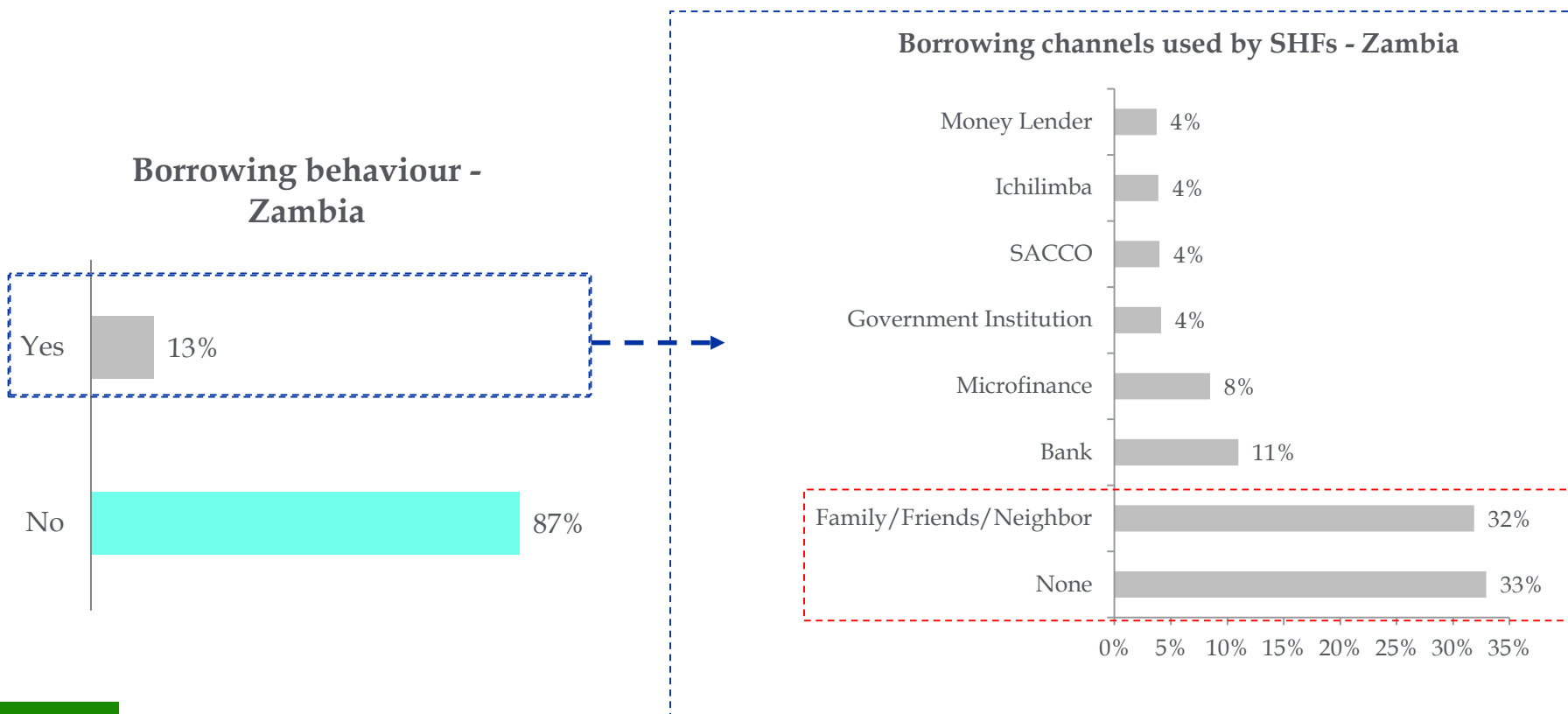


3.2

Uptake and Usage of Financial Services

Research Question 3: How do SHFs save and borrow in Tanzania, Kenya and Zambia?

Borrowing behaviour: Only a small proportion of SHFs in Zambia claim that they borrow money. Of those who do, 33% do not indicate a source and 32% borrow from family and friends.



Base: SHFs who borrow



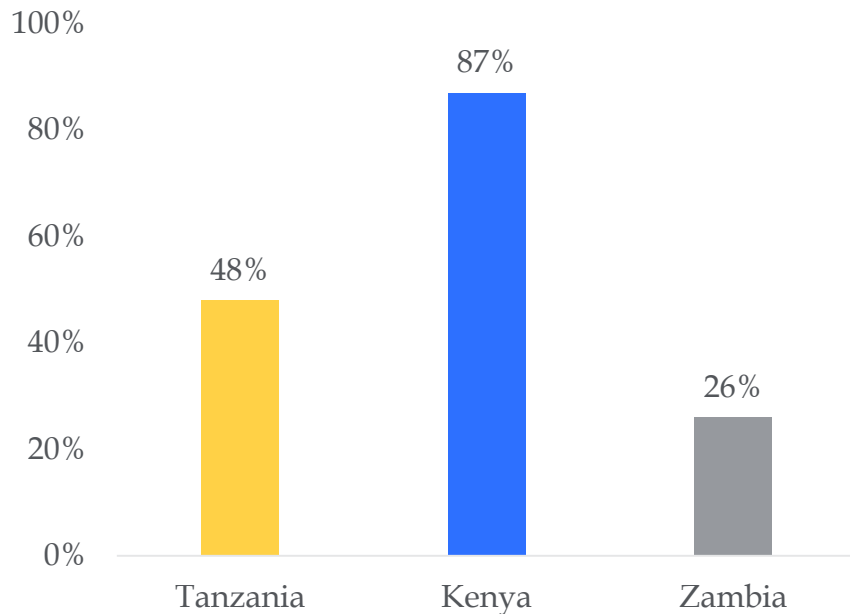
3.3 Digital Services

Research Question 5: What is the uptake and usage of digital financial services in Tanzania, Kenya and Zambia?

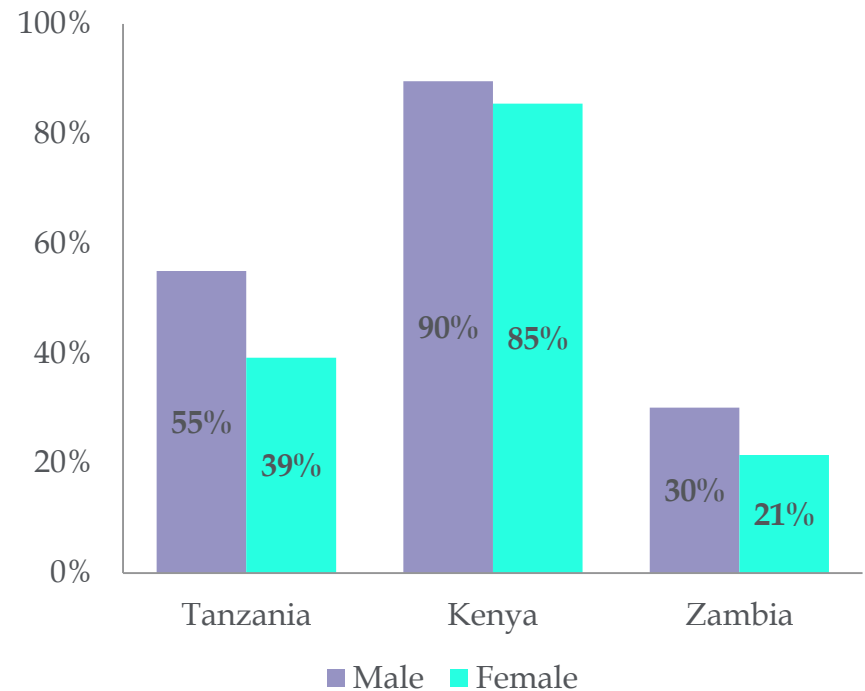
Mobile money uptake:

- Mobile money uptake varies in each country, underlining their different progress in terms of market evolution.
- Although the gender gap is closing in mobile money in Kenya, it remains significant in Tanzania and Zambia.

SHFs using mobile money



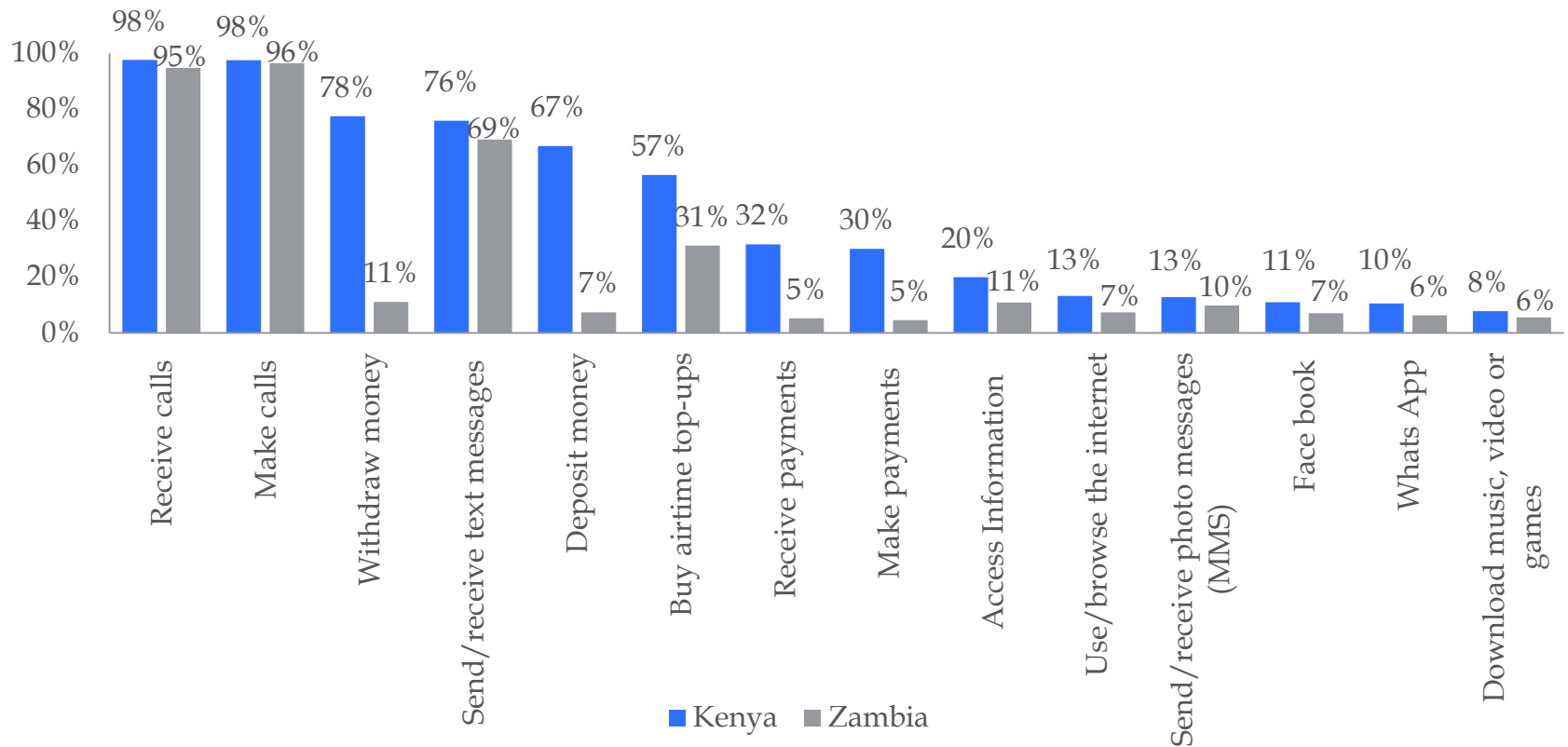
SHF using mobile money by gender



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Annex

SHFs using mobile phone for different purposes



3.5 Growth and Resilience

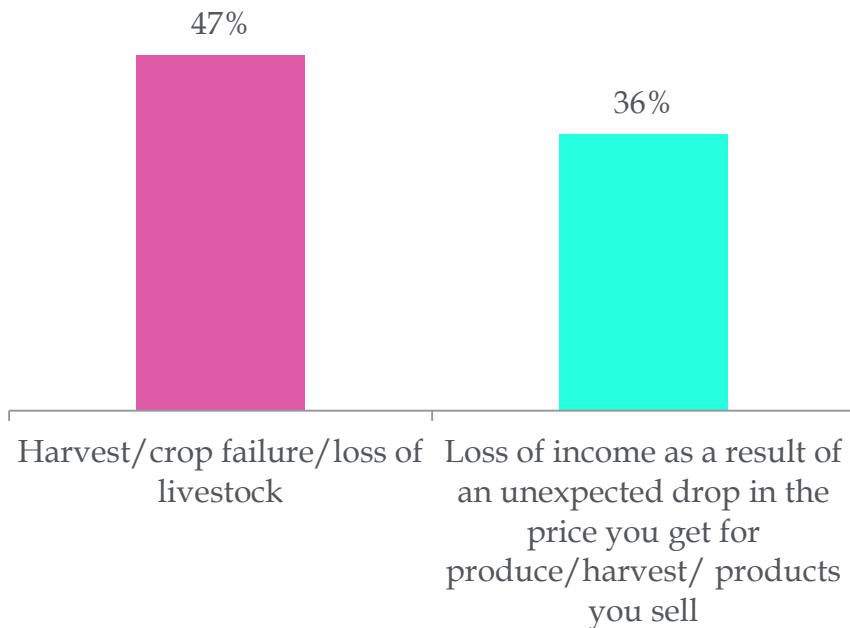
Research Question 7: What do farmers perceive as the most serious threat to their livelihoods? What are the coping strategies?

Agricultural Events - Tanzania

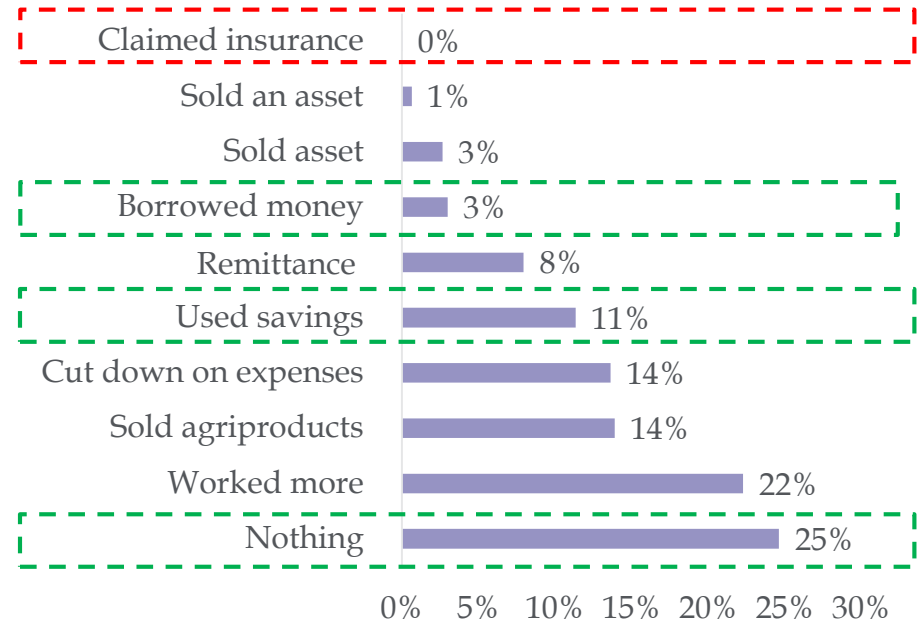
- About half of all SHFs have experienced unexpected agricultural events in the past 12 months.
- For 75% of those the event has a significant effect on household income, urging to either use-up savings, reduce consumption or do additional work to make-up for the loss.
- No insurance is used and only few SHFs uptake cash savings.



Percentage of SHFs that suffer from agricultural shocks (1)

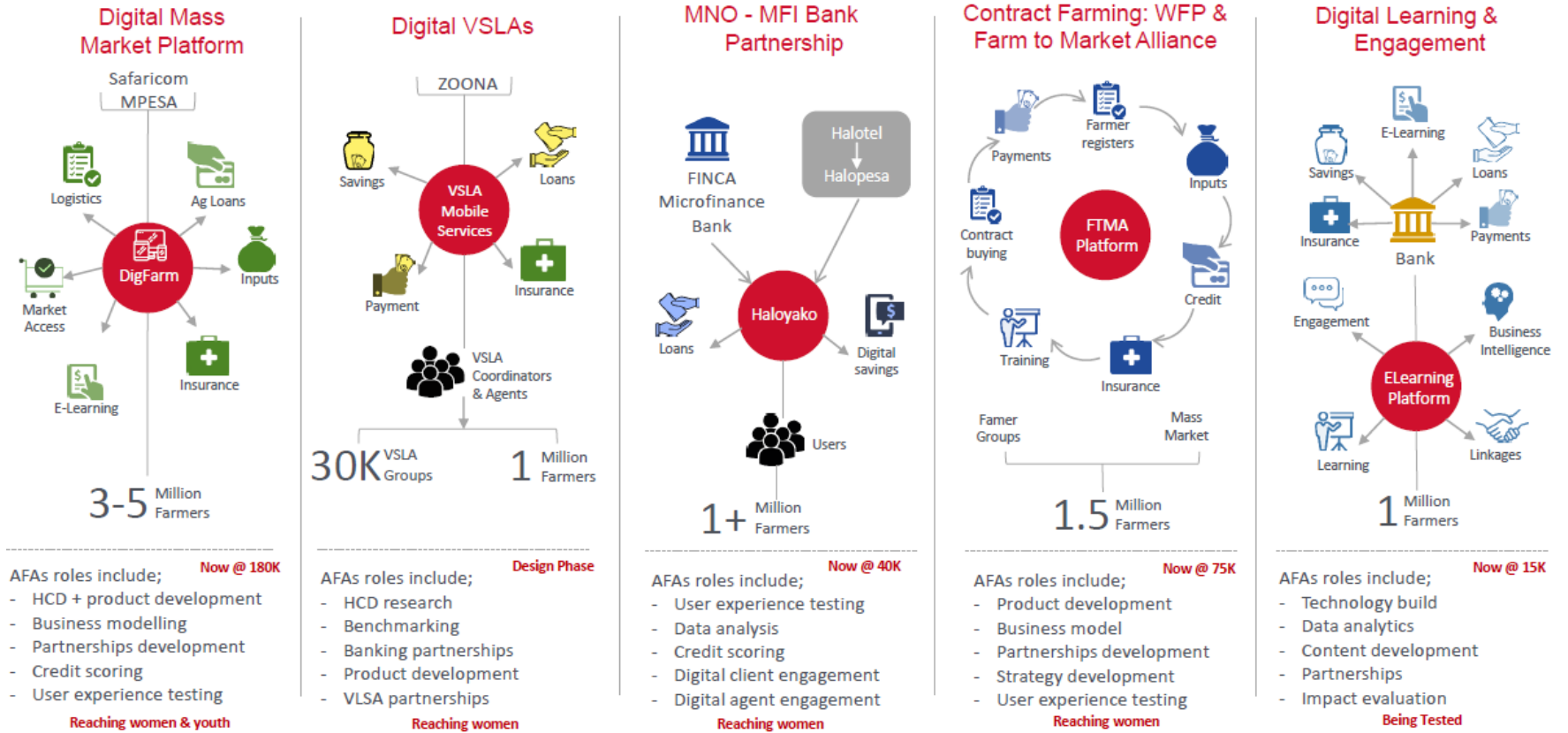


Coping mechanisms for SHFs that experience crop failure (2)



Base for chart 1 is all SHFs in Tanzania. For chart 2, it is SHFs who experience crop failures.

Where We Are Today: Models to a Million



✓ Six existing core partners can be linked to ADF program in Tanzania and Kenya: Safaricom, Equity Bank, WFP FtMA, NMB, CRDB and Halotel/FINCA Bank + 20 VAS partners

Thank You!