

Understanding the Demand for Financial, Agricultural, and Digital Solutions from Smallholder Households:

Insights from the Household Survey in Uganda



MAY 2017

UGANDA

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Photo by Sarah Ackerley

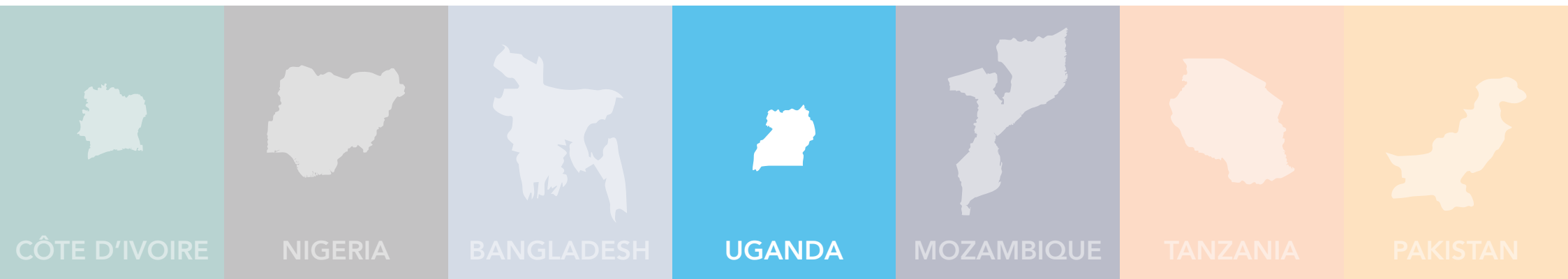
BACKGROUND

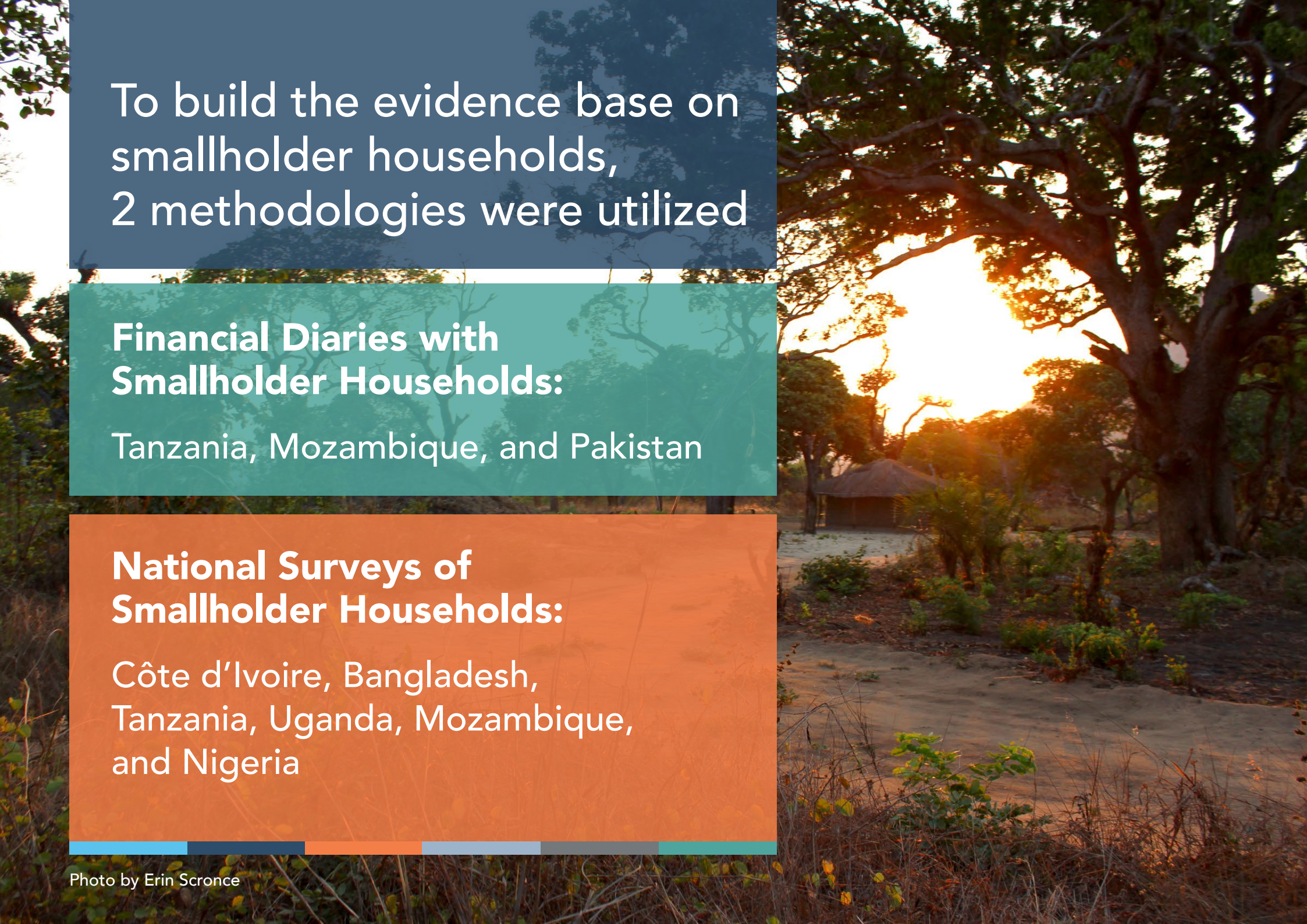
3

Financial innovation for smallholder families

This deck is part of a series which explores the research that CGAP and partners have conducted to explore the financial needs and behaviors of smallholder households.

Research was conducted as a basis for guiding financial solution providers, mobile network operators, donors and governments to design, improve, and scale solutions that address the needs of smallholder families.





To build the evidence base on
smallholder households,
2 methodologies were utilized

**Financial Diaries with
Smallholder Households:**

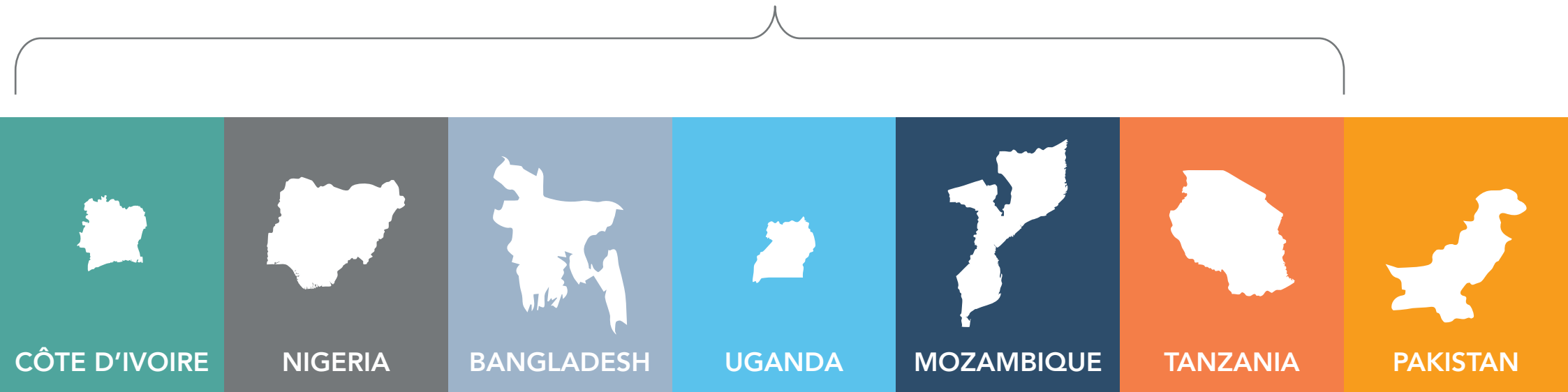
Mozambique, Tanzania, and Pakistan

**National Surveys of
Smallholder Households:**

Mozambique, Uganda, Tanzania,
Côte d'Ivoire, Nigeria, and
Bangladesh

Data sources

Six countries have data from
National Surveys of Smallholder Households



Mozambique, Tanzania, and Pakistan utilize
an additional data source: Financial Diaries



Photo by Mohammad Saiful Islam

Census from Uganda Bureau of Statistics UBOS (2014) puts the population at **34.6m**.

In Uganda, agriculture contributes **23%** of the GDP and involves **80%** of the population.

Smallholder farmers in Uganda rely not only on income from agricultural activities but also other off-farm activities such as casual labor on other farms, trading, and remittances from relatives.

Smallholders in Uganda have very few tools to manage their irregular and volatile household cash flows, and thus have difficulty in planning and expanding their livelihood activities.

In 2015, CGAP and GIZ, in coordination with the Uganda Bureau of Statistics, conducted a nationally representative household survey to explore the financial needs and behaviors of smallholder farmers as a basis for guiding financial institutions, mobile network operators, donors, and government partners to design, improve and scale solutions that address the needs of farmers.

This presentation highlights the key insights from the survey.



National Survey of Smallholder Households

Sample Design

The smallholder household survey in Uganda is a nationally representative survey with a target sample size of 3,000 smallholder households.

Sampling Frame

The sampling frame for the smallholder household survey is the list of enumeration areas (EAs) created for the 2014 Uganda National Population and Housing Census. Uganda is divided into 112 districts with each district comprised of counties/municipalities. Each county/municipality consists of sub-counties/town councils with each of them being further divided into parishes/wards and villages/cells.

Questionnaire Implementation

To capture the complexity of smallholder households, the questionnaire consisted of three parts, with certain questions asked of all relevant individuals in the household, not just one household member.

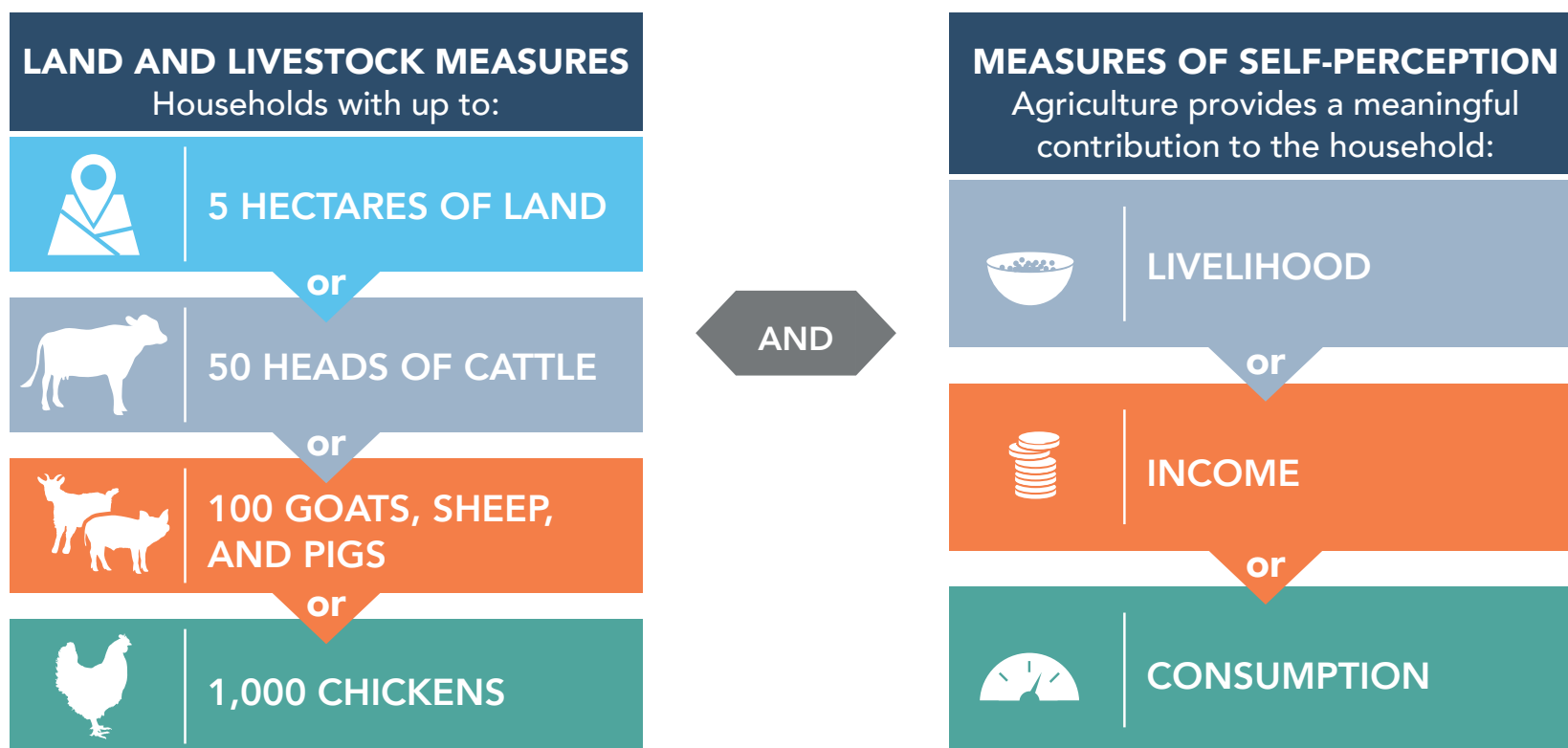
Data Collection

The questionnaire was translated into nine languages—Acholi, Ateso, Langi, Luganda, Lugbara, Lugishu, Lutooro, Ngakaaramojong, and Runyankole—and then pretested and validated in all nine languages to ensure that the integrity and appropriateness of the questions were in line with social and cultural customs. Data collection took place from 16 August to 7 September 2015, using computer-assisted data collection tools that regularly yielded data for analysis and quality control to provide timely feedback to field staff. The survey was implemented by Ipsos Uganda, InterMedia's local field partner.

National Survey of Smallholder Households

Identification of relevant smallholder households to sample

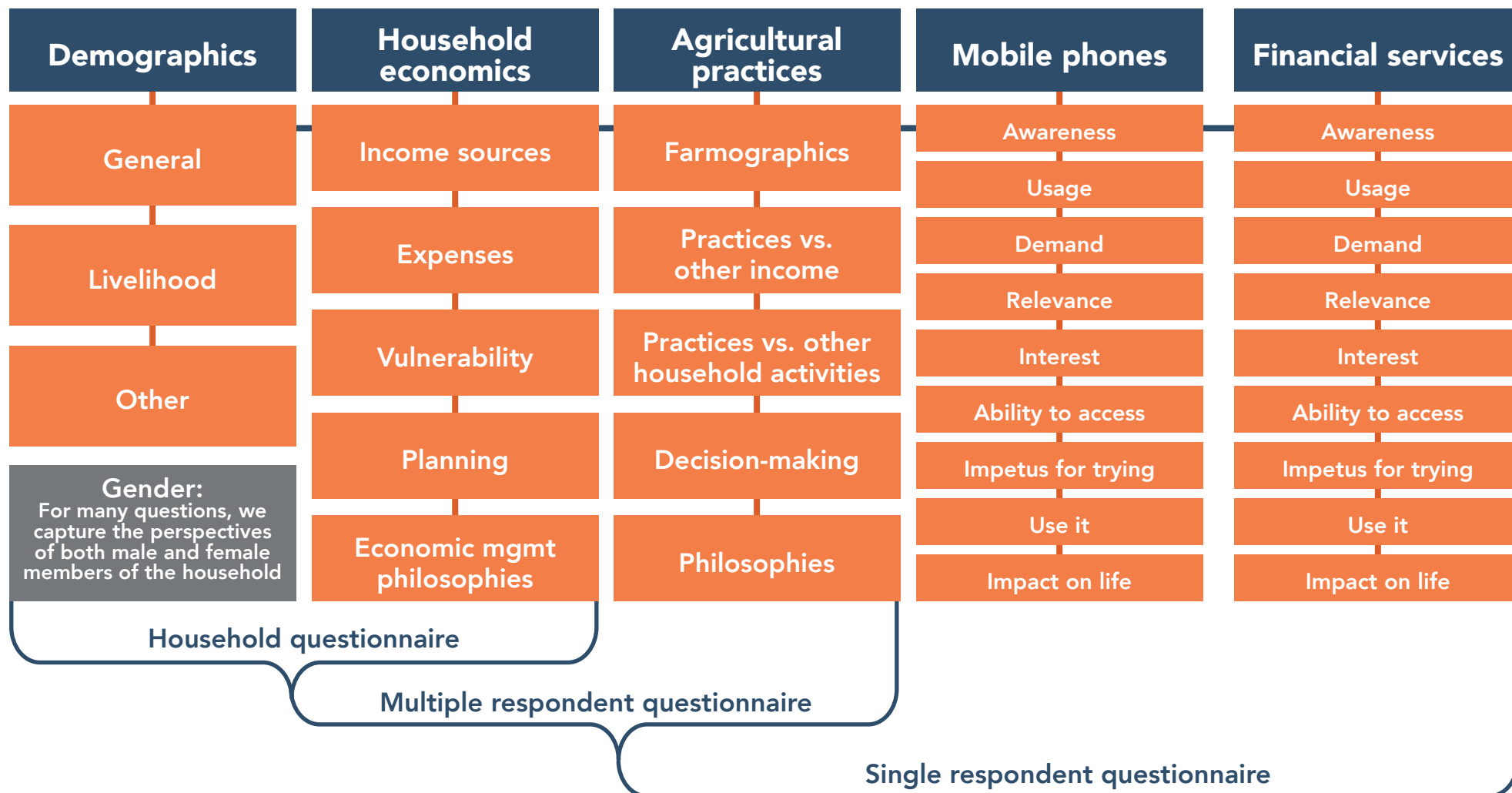
Listing criteria for the national surveys of smallholder households



CGAP conducted national surveys of smallholder households in Uganda, Mozambique, Tanzania, Côte d'Ivoire, Nigeria, and Bangladesh. Care was taken to use an approach in the listing exercise that would encompass the wide variety of smallholder families across all 6 countries.

National Survey of Smallholder Households

Three questionnaires to capture household information and perspectives



Financial diaries with smallholder families

Methodology

The Diaries methodology combines in-depth quantitative and qualitative research. Research teams met participating families about every two weeks to collect granular data on their cash flows in and out of the household, financial tools, assets, major life events, and attitudes toward agriculture and financial services.

Sample Design

The Financial Diaries, conducted between June 2014 and June 2015, captured the financial and in-kind transactions of about 270 total households in impoverished northern Mozambique, the fertile farmlands of western Tanzania, and the Punjab province, the breadbasket of Pakistan.

Financial diaries with smallholder families

Sample locations and key characteristics



Sample households:
93

Monthly p.c. net income:
\$5.50

Major crops and livestock:
Cassava, beans, peanuts,
poultry



Sample households:
86

Monthly p.c. net income:
\$10

Major crops and livestock:
Maize, potatoes, rice,
beans, poultry



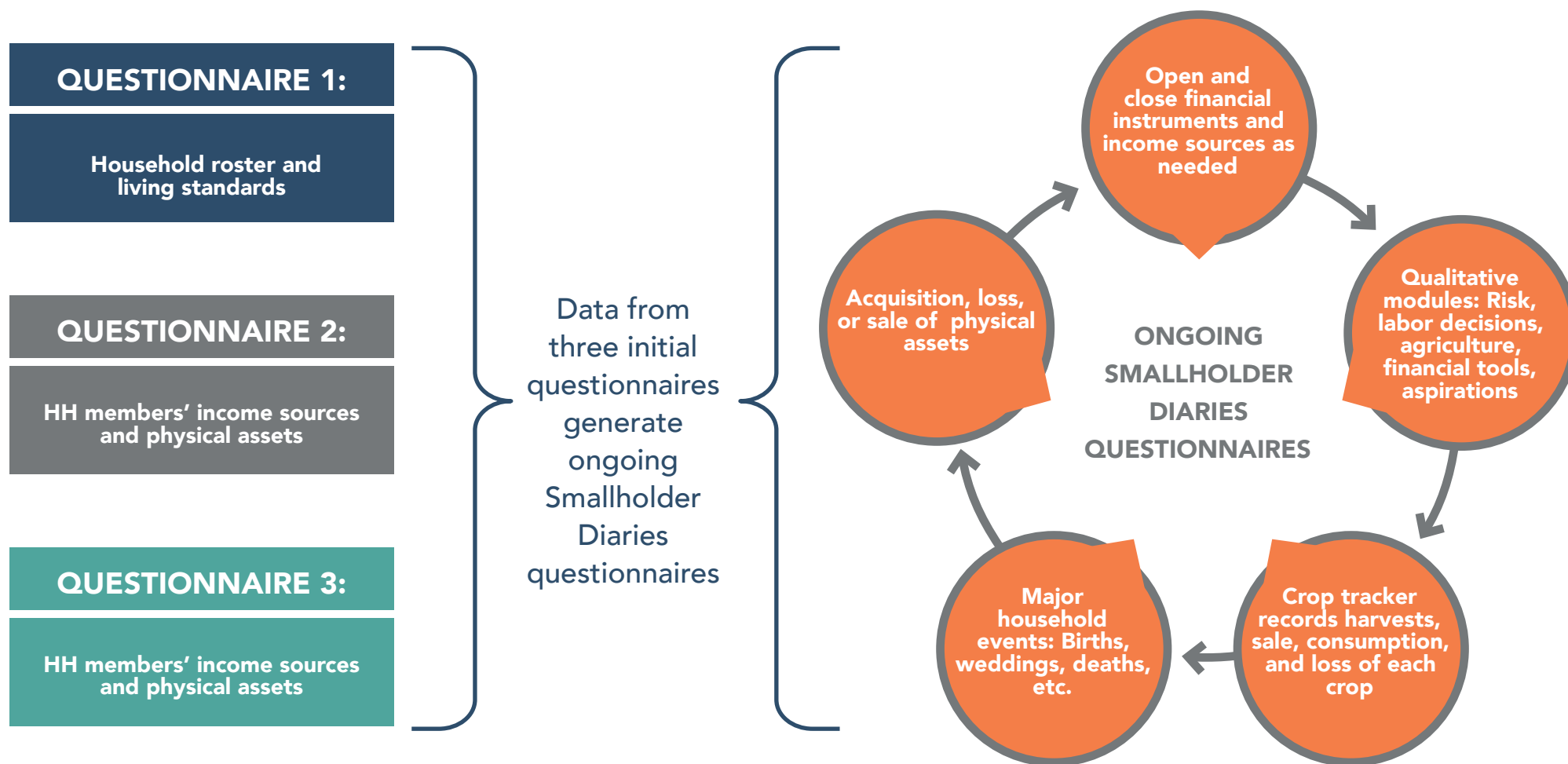
Sample households:
94

Monthly p.c. net income:
\$25.99

Major crops and livestock:
Wheat, rice, cotton,
buffalo, goats

Financial diaries with smallholder families

Three initial questionnaires inform ongoing biweekly questionnaire





WHY IT MATTERS

14

Smallholder agriculture in Uganda

80%
Population¹



70%
Smallholders²
live on less than \$2.50 a day

23%
GDP¹



10%
Smallholders² farmers have a bank account



Agriculture provides the main income stream into smallholder families in Uganda, and supports nearly all household activities. Agriculture is also attracting young people. A new generation of farmers is bringing modern perspectives, a fresh vitality, and an ambitious mindset to the sector.

Key statistics from the National Survey of Smallholder Households in Uganda

93%

pay for inputs immediately, and only **7%** have access to some sort of credit which allows them to pay later.

37%

own between 1 – 5 hectares of land

100%

get paid in cash when they sell

95%

pay for supplies, inputs in cash

75%

of the farmers use family labor for Agricultural activities

69%

own at least one mobile phone in the household

73%

stored their crops after harvest

72%

seek financial or income related advise from friends and family

73%

have used mobile money

68%

grow between 1 – 4 crops for selling

89%

have no contract to sell any of their crops, livestock



INSIGHTS

17

Photo by Mohammad Saiful Islam

What the data reveals about smallholder households in Uganda and opportunities for financial innovation

7 insights



1 Agriculture

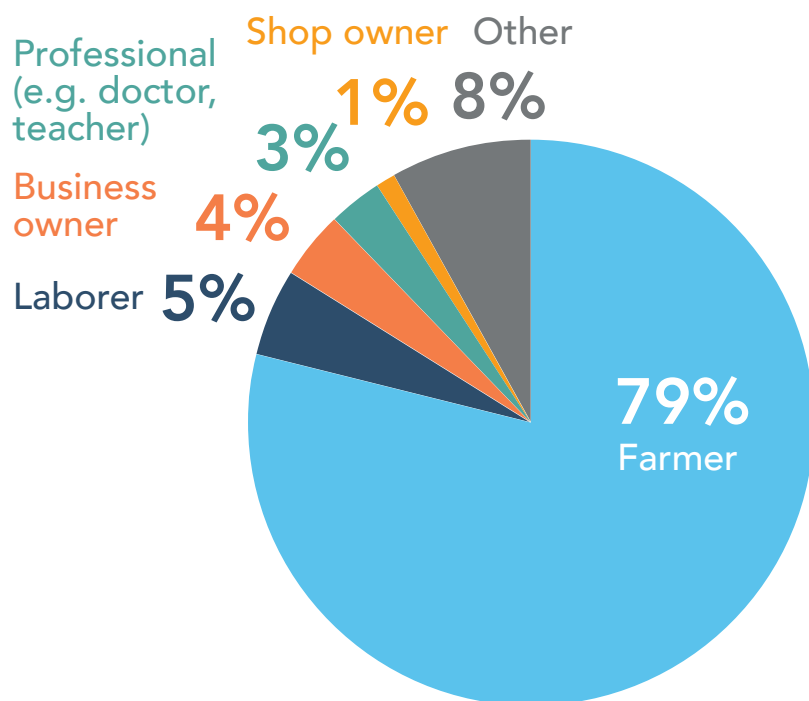
Ugandan farmers take pride in agriculture, celebrate their accomplishments, and show resilience.

- Farming is the core business from which they derive income and sustenance.
- Their commitment to agriculture is unchanged despite the difficulties associated with it.
- They're optimistic about the future and pro-actively work to become the best they can be.
- For smallholders, farming emerges as a life choice and an important part of their identity. This offers insights into their motivation, despite their often very difficult financial circumstances.
- Almost 60% of smallholders have been in agriculture for more than 10 years. And 90% say that they intend to keep farming for the next 10+ years.

Farming is a core business from which they derive income and sustenance...

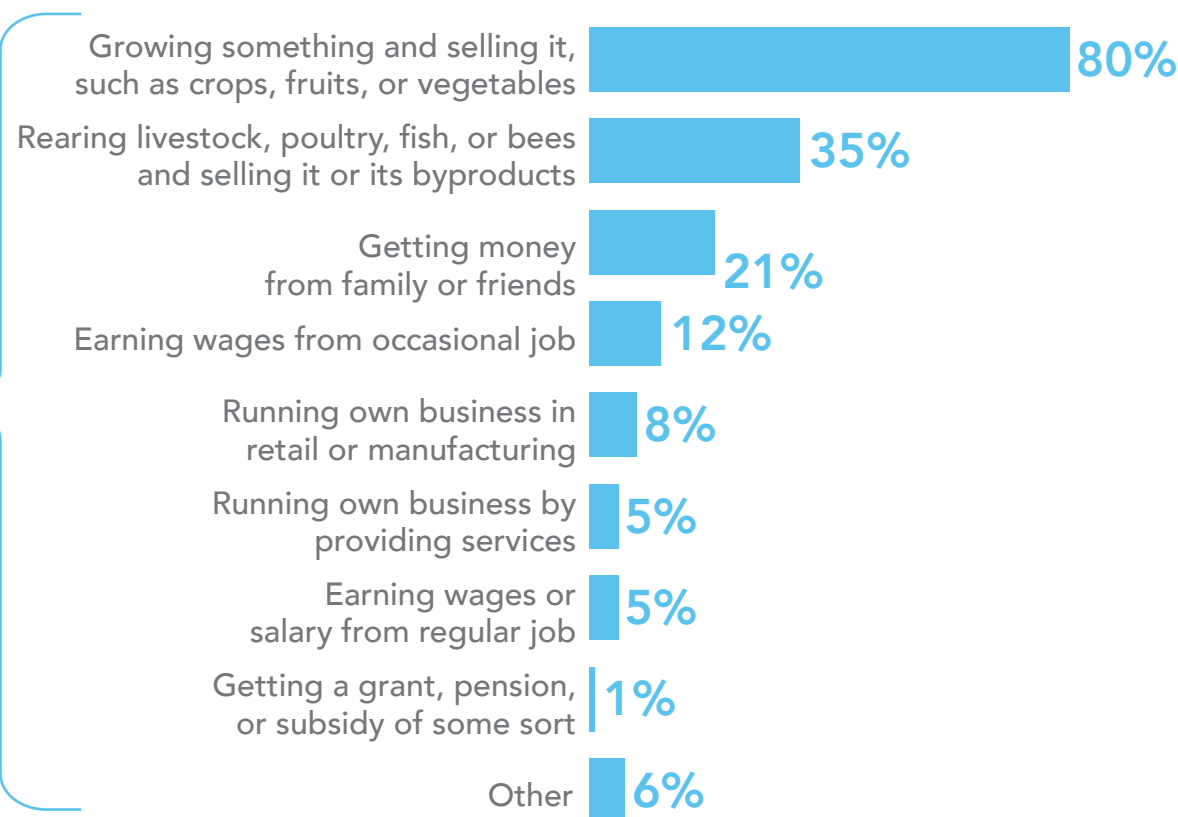
What is your primary job?

Smallholder farmers, n=5,517.



Do you generate income from any of the following sources?

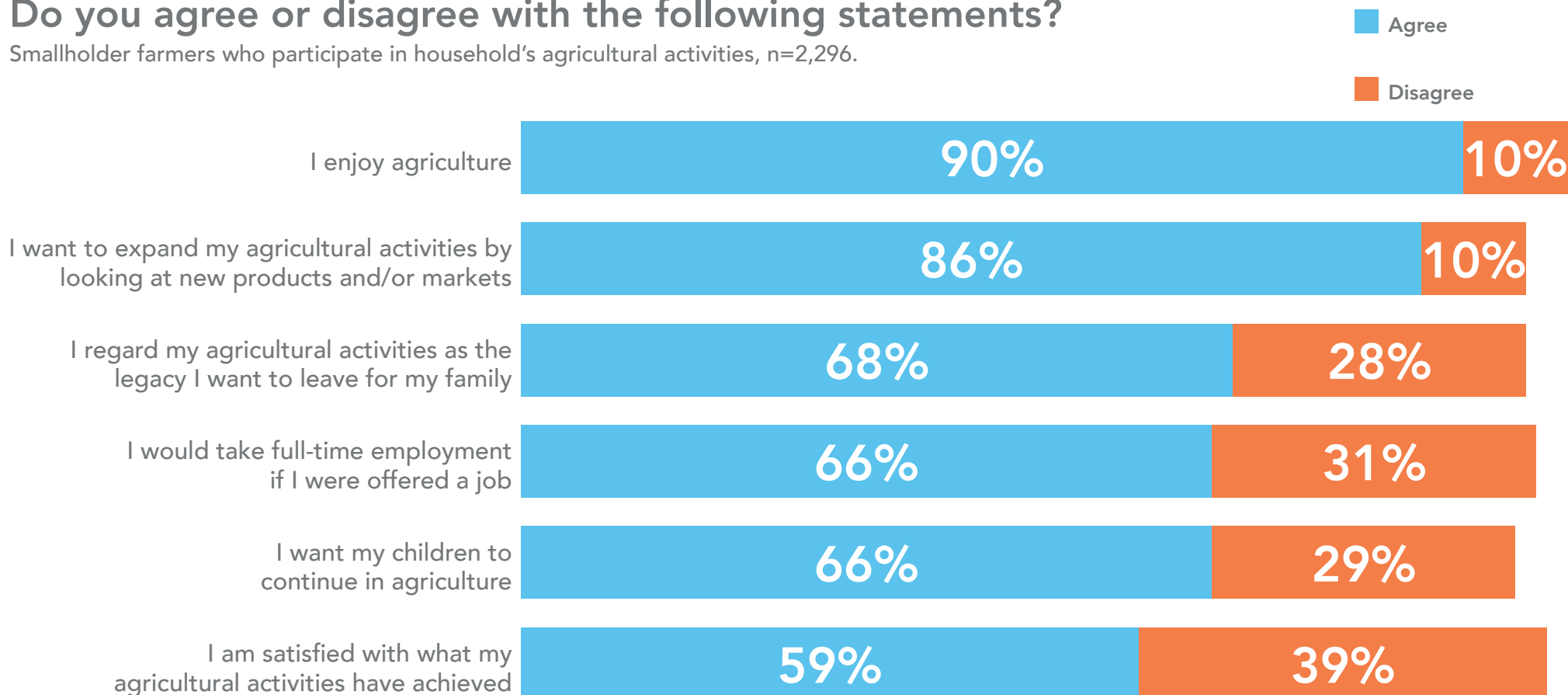
Smallholder farmers, n=5,517. Multiple responses allowed.



...and they do it with passion.

Do you agree or disagree with the following statements?

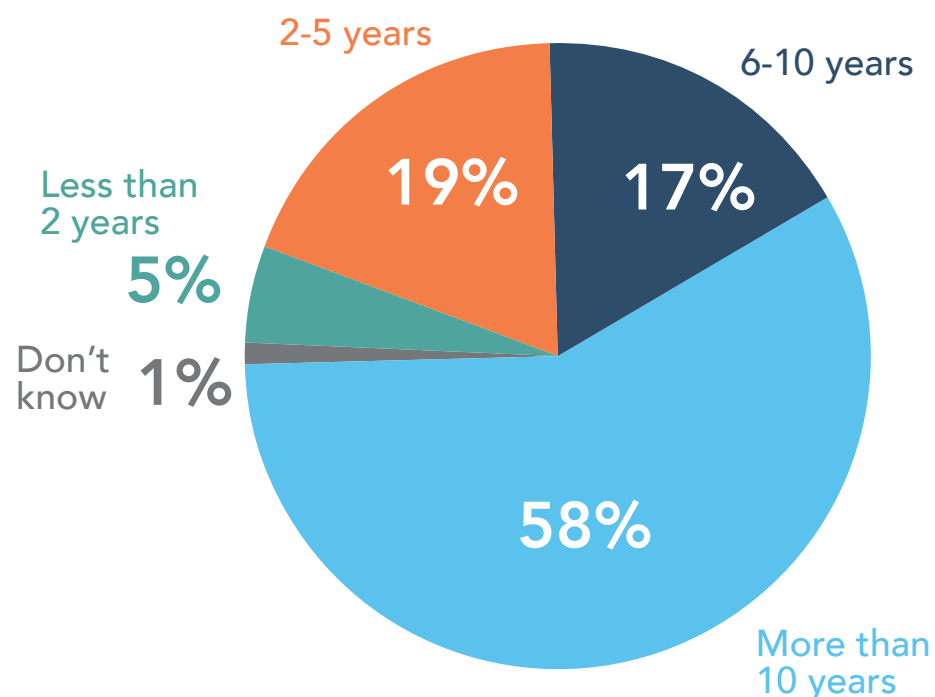
Smallholder farmers who participate in household's agricultural activities, n=2,296.



The majority are experienced, but landholding under cultivation is still small.

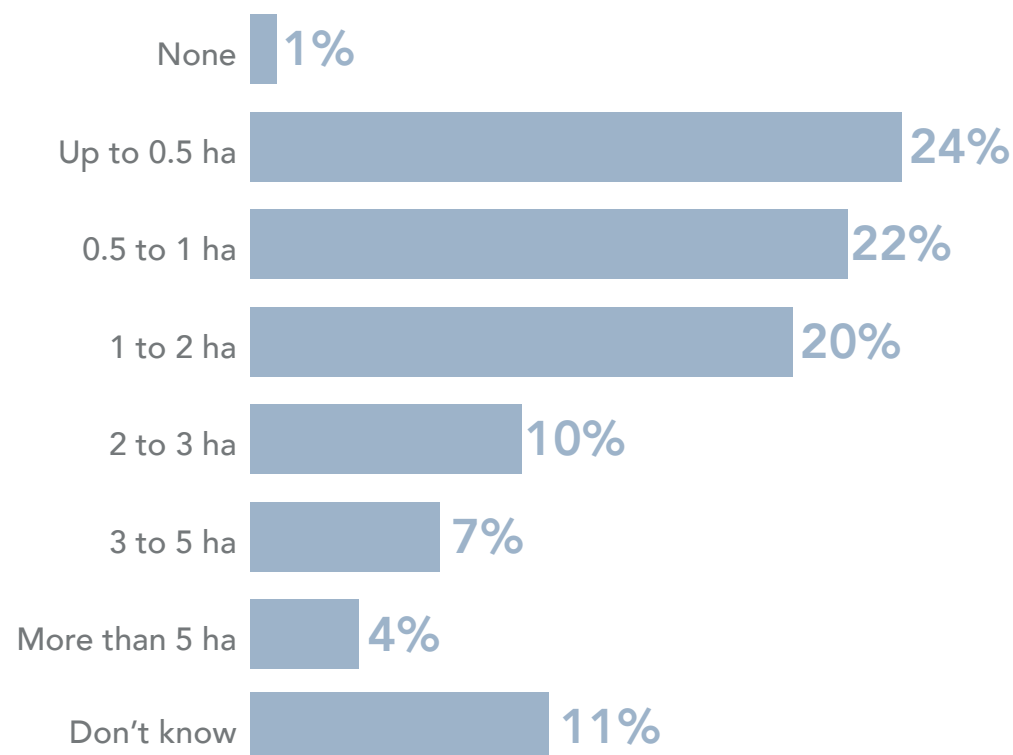
How many years have you been farming?

Sample: Smallholder farmers who participate in household's agricultural activities, n=2,296.



How many hectares (ha) of agricultural land do you own?

Sample: Smallholder households reported land size, n=2,765.

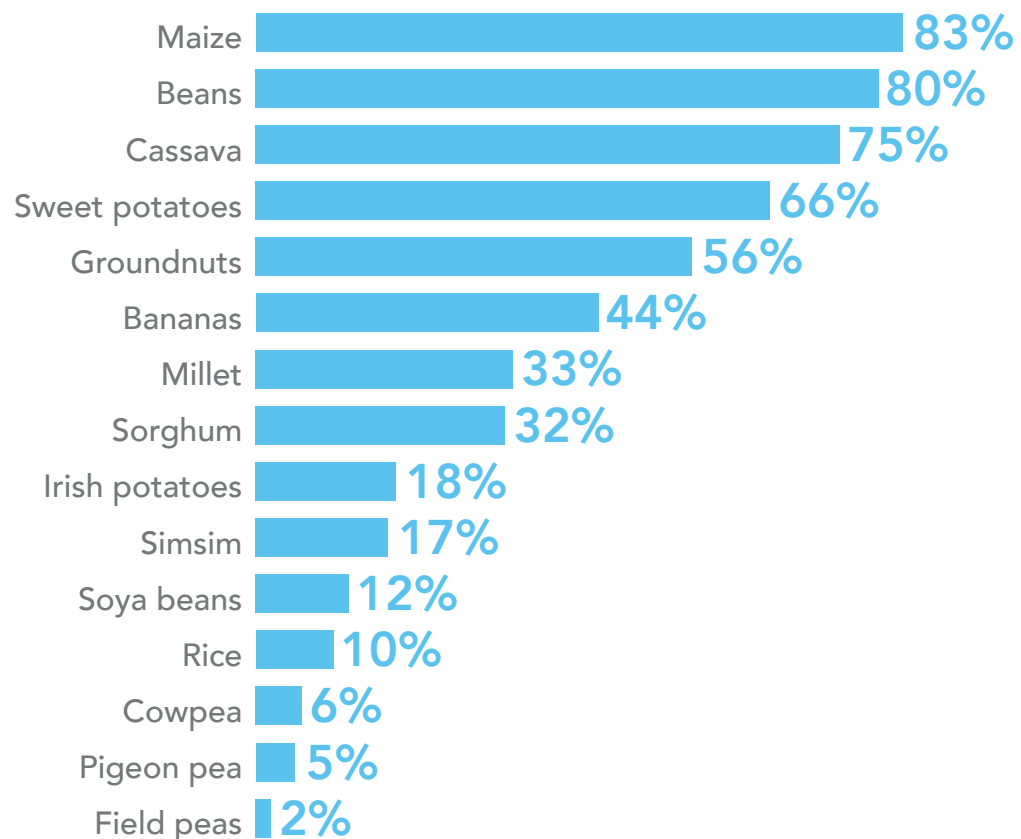


Smallholders grow seven crops at the median...

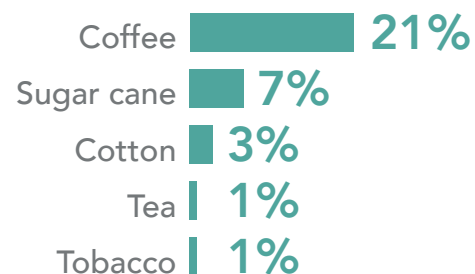
Which of the following crops do you grow?

Sample: Smallholder farmers who participate in agricultural activities, n=5,203.

FOOD AND STAPLE CROPS



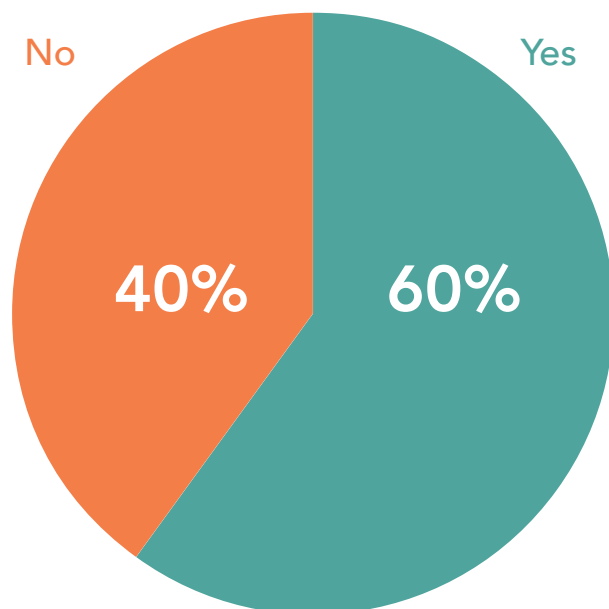
CASH CROPS



...and 3 out of 5 of smallholders raise livestock.

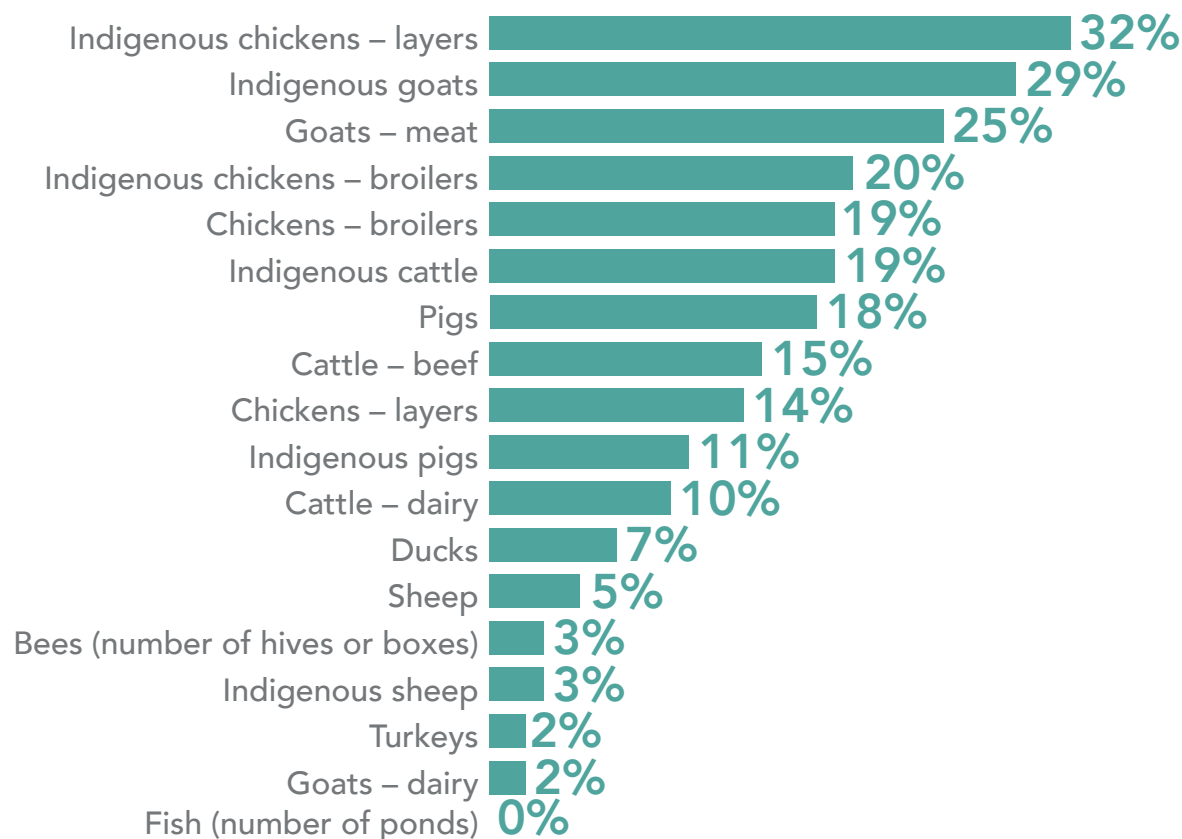
Do you have any livestock, herds, other farm animals, or poultry?

Sample: Smallholder farmers who participate in agricultural activities, n=5,203.



Which of the following do you rear?

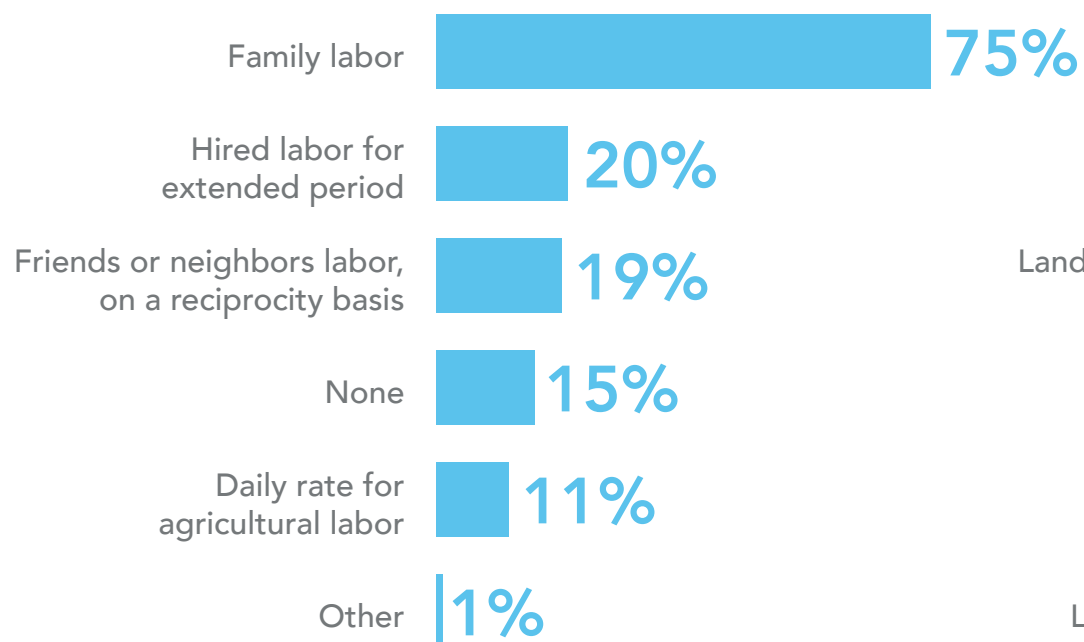
Sample: Smallholder farmers who have any livestock, herds, other farm animals or poultry, n=3,184. Multiple responses allowed.



Agriculture revolves around the family.

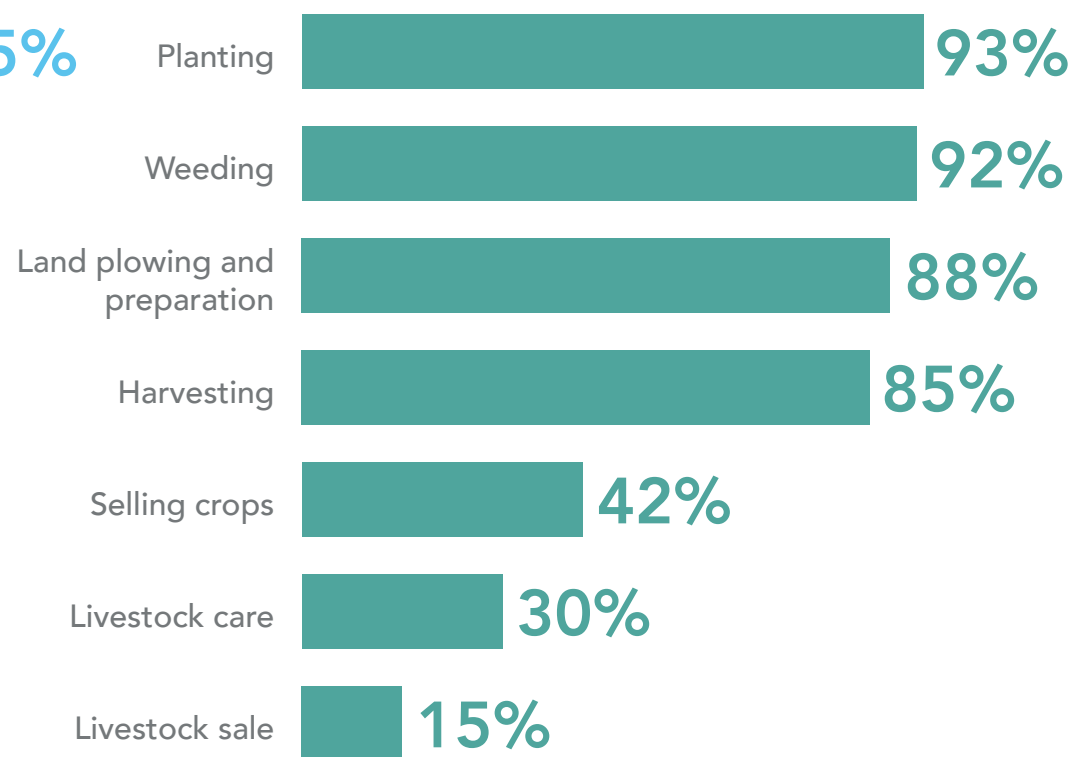
For managing the land and livestock, what types of labor do you use?

Sample: Smallholder farmers who participate in household's agricultural activities, n=5,203. Multiple responses allowed.



What do you use the labor for?

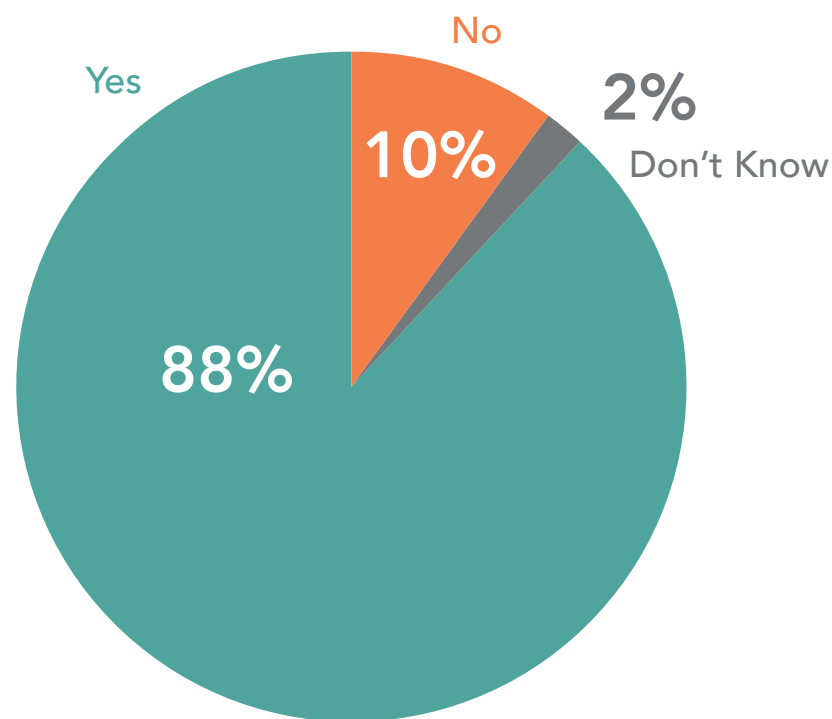
Sample: Smallholder farmers who use labor for managing land and livestock n=4,437. Multiple responses allowed.



Despite the difficulties, the desire to continue in agriculture is very strong...

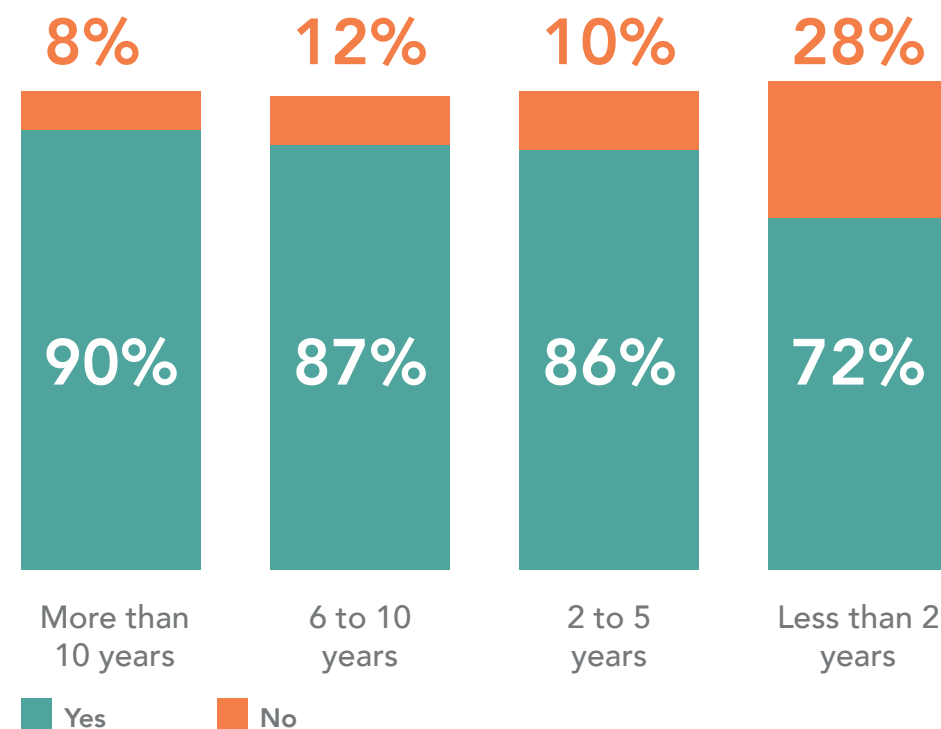
Do you intend to keep working in agriculture?

Sample: Smallholder farmers who participate in household's agricultural activities, n=2,296.



Do you intend to keep working in agriculture?

By number of years in farming. Sample: Smallholder farmers who participate in household's agricultural activities, n=2,296.



...but some would also be willing to take a full-time job if offered.

Do you agree or disagree with the following statements?

Sample: Smallholder farmers aged 15-29 who participate in household's agricultural activities, n=860.
Smallholder farmers aged 30+ who participate in household's agricultural activities, n=1,436.

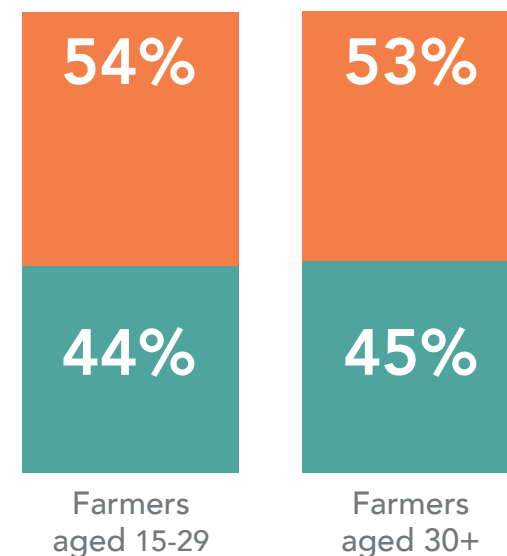
I WOULD TAKE FULL-TIME
EMPLOYMENT IF I WERE
OFFERED A JOB



I AM SATISFIED WITH WHAT
MY AGRICULTURE ACTIVITIES
HAVE ACHIEVED



I WOULD NOT WANT TO DO
ANY OTHER KIND OF WORK

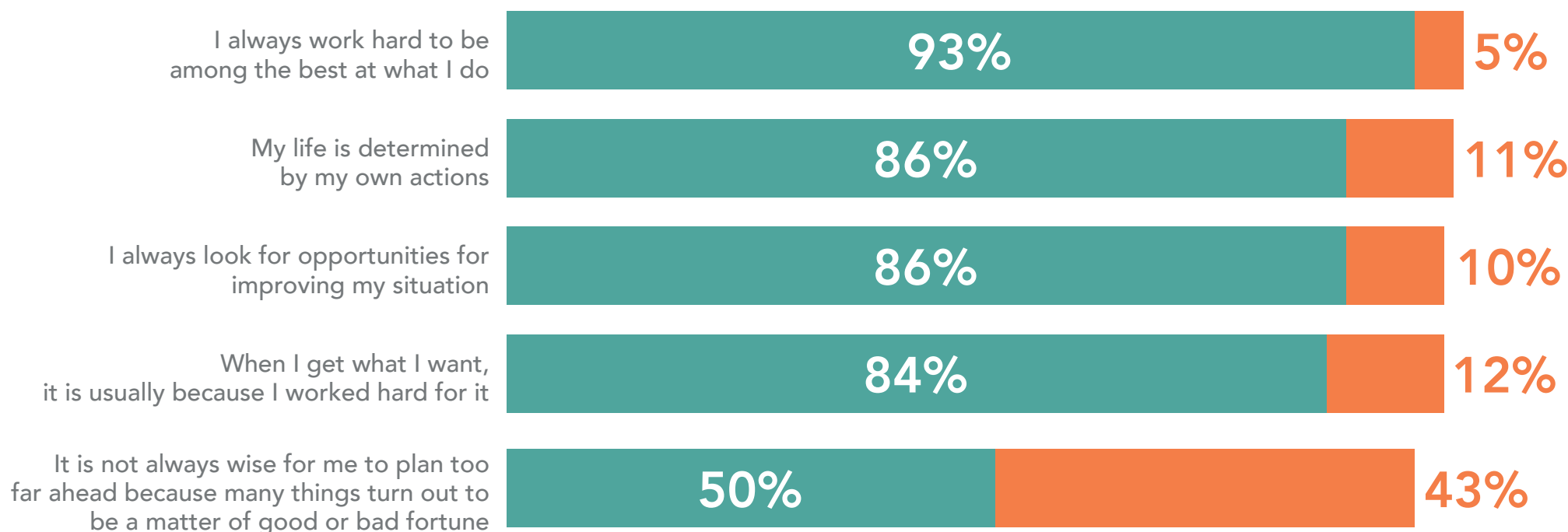


Agree Disagree

The future lies in their hands and they know that.

Do you agree or disagree with the following statements?

Sample: Smallholder farmers, n=2,771.



Smallholders are not letting their current situation define their future. Ugandan farmers are working hard to better their lives, every day.

What does the data teach us?

- Ugandan farmers' commitment to agriculture and the desire to continue in the sector necessitates that they access timely advisory services that enable them improve productivity and better planning for income.
- Landholdings are small, and maximum productivity will require a shift from traditional approaches of production to adoption of technology. Products such as high quality seeds, fertilizers and equipments that catalyze this transition will be critical.



2

Investments

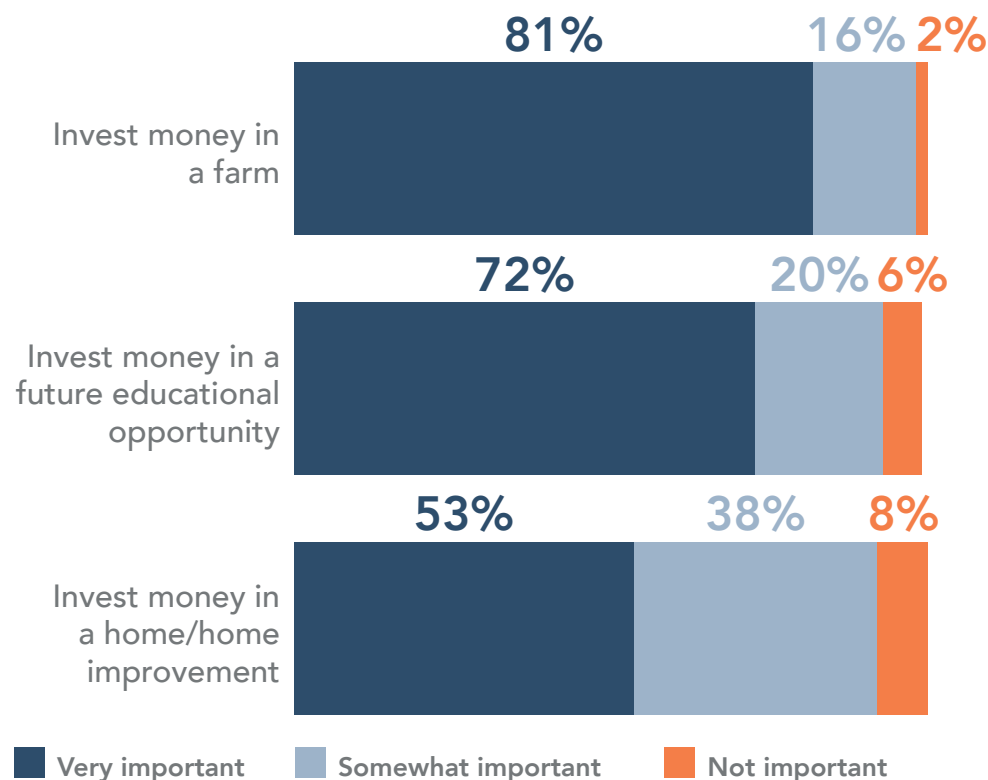
Ugandan smallholders see investments in their farm and their children's education as pathways to a brighter future.

- They place the highest level of importance on investing in their farms and the future educational opportunities of their children.
- They align their savings aspirations with their priorities: their farm and their children's education. Smallholders in Uganda want financial tools that allow them to plan for their agricultural activities and build up reserves for emergencies.
- They have the greatest appetite for financial mechanisms that help them afford agricultural inputs such as seed and fertilizer to improve productivity and income.
- The payment of school fees is an important priority. A majority of smallholders want a product that can help them address the pressures of school fees.
- Smallholders also know that risk management matters and can mean the difference between heavy gains and severe losses.

Investment in the farm and children's education is important...

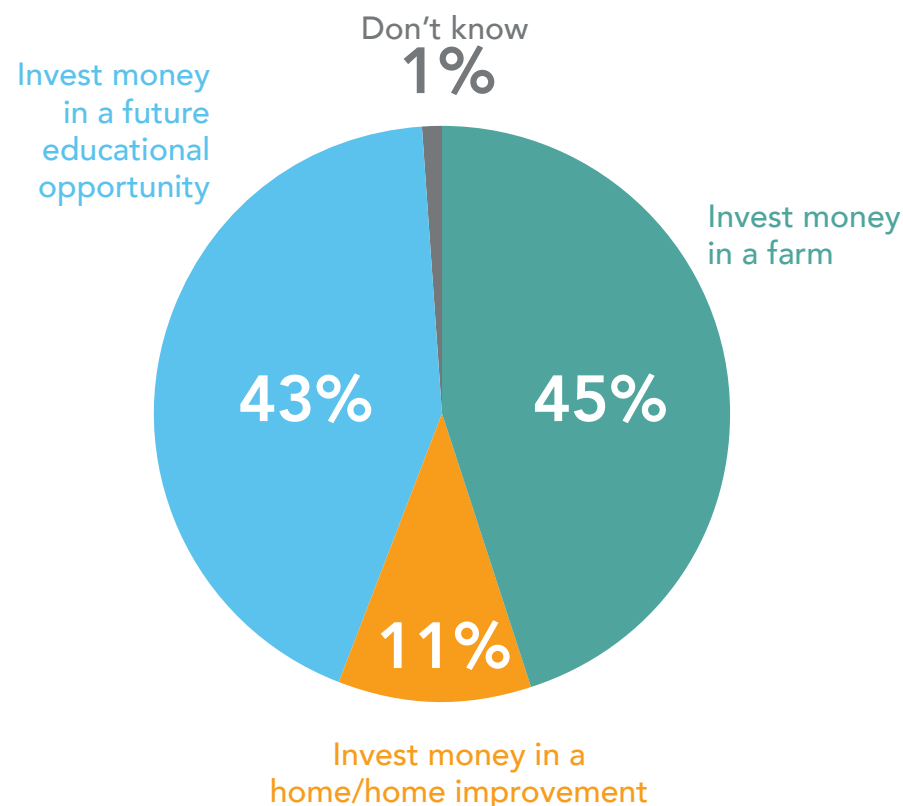
How important is it for your household to **invest** in each of the following?

Sample: Smallholder farmers, n=2,771.



Which of the following do you feel your household needs to do the most?

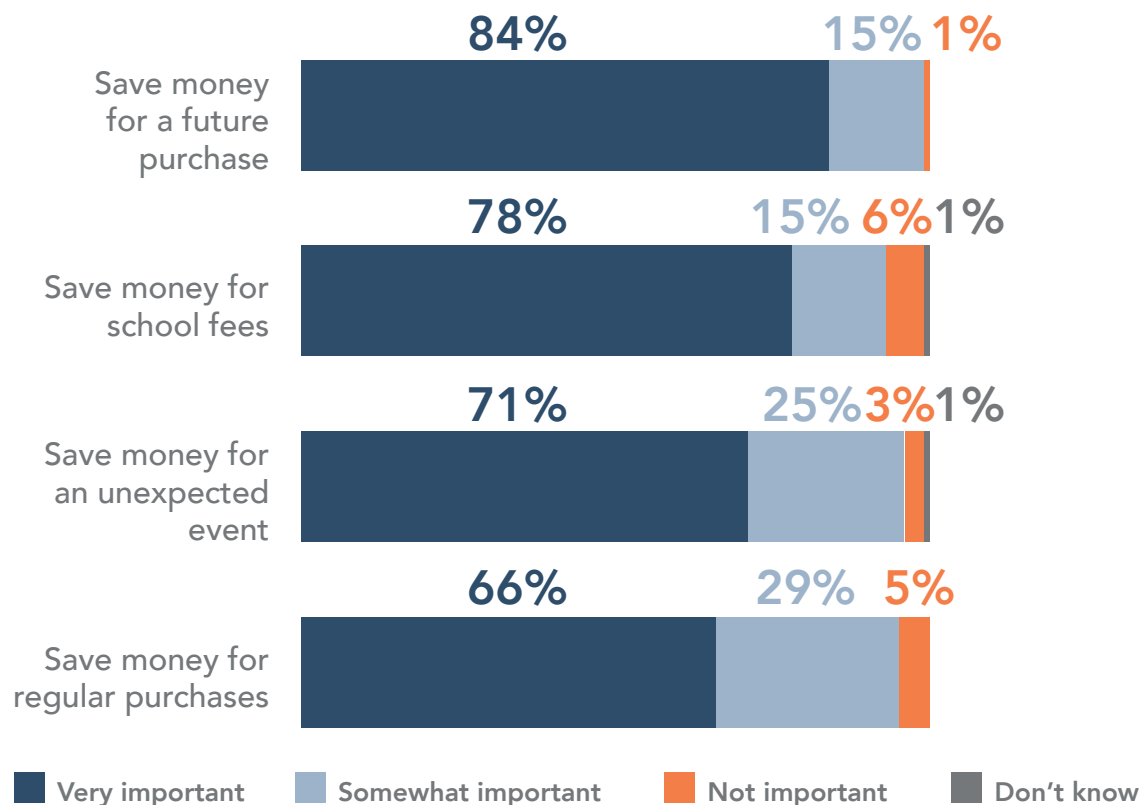
Sample: Smallholder farmers, n=2,771.



...and these priorities drive their savings.

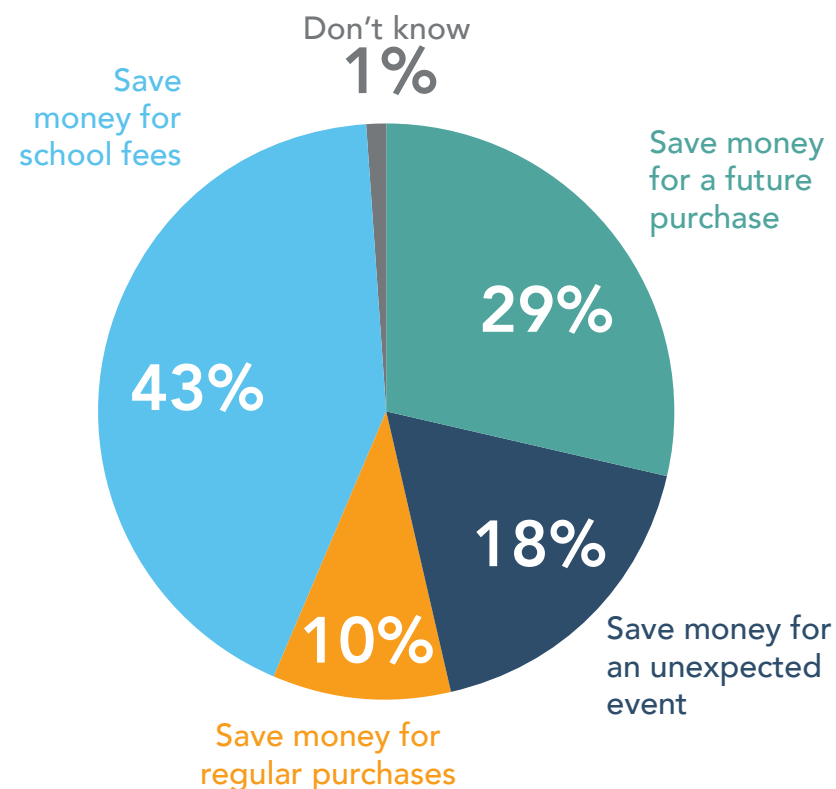
How important is it for your household to save for each of the following?

Sample: Smallholder farmers, n=2,771.



Which of the following do you feel your household needs to save for the most?

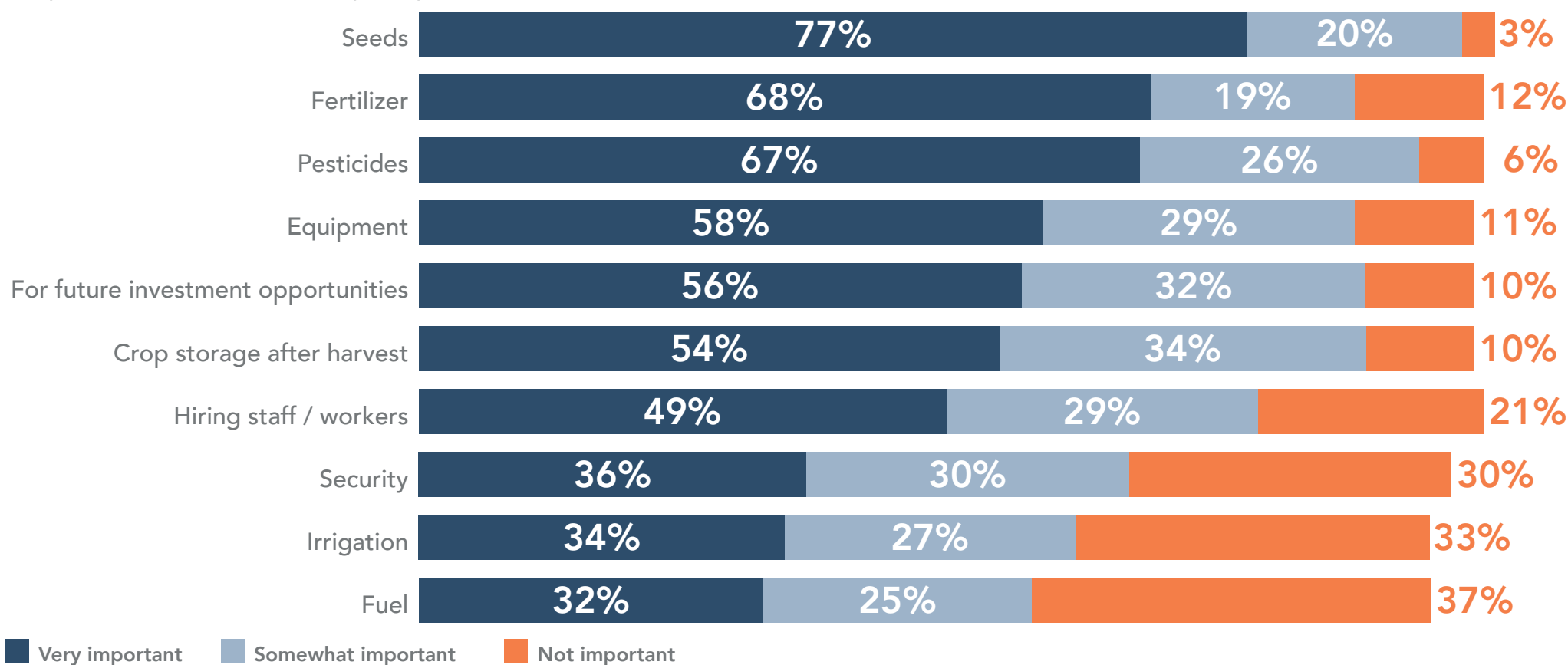
Sample: Smallholder farmers, n=2,771.



The importance they attach to the farm drives savings behavior.

How important is it to keep money aside for the following agricultural needs?

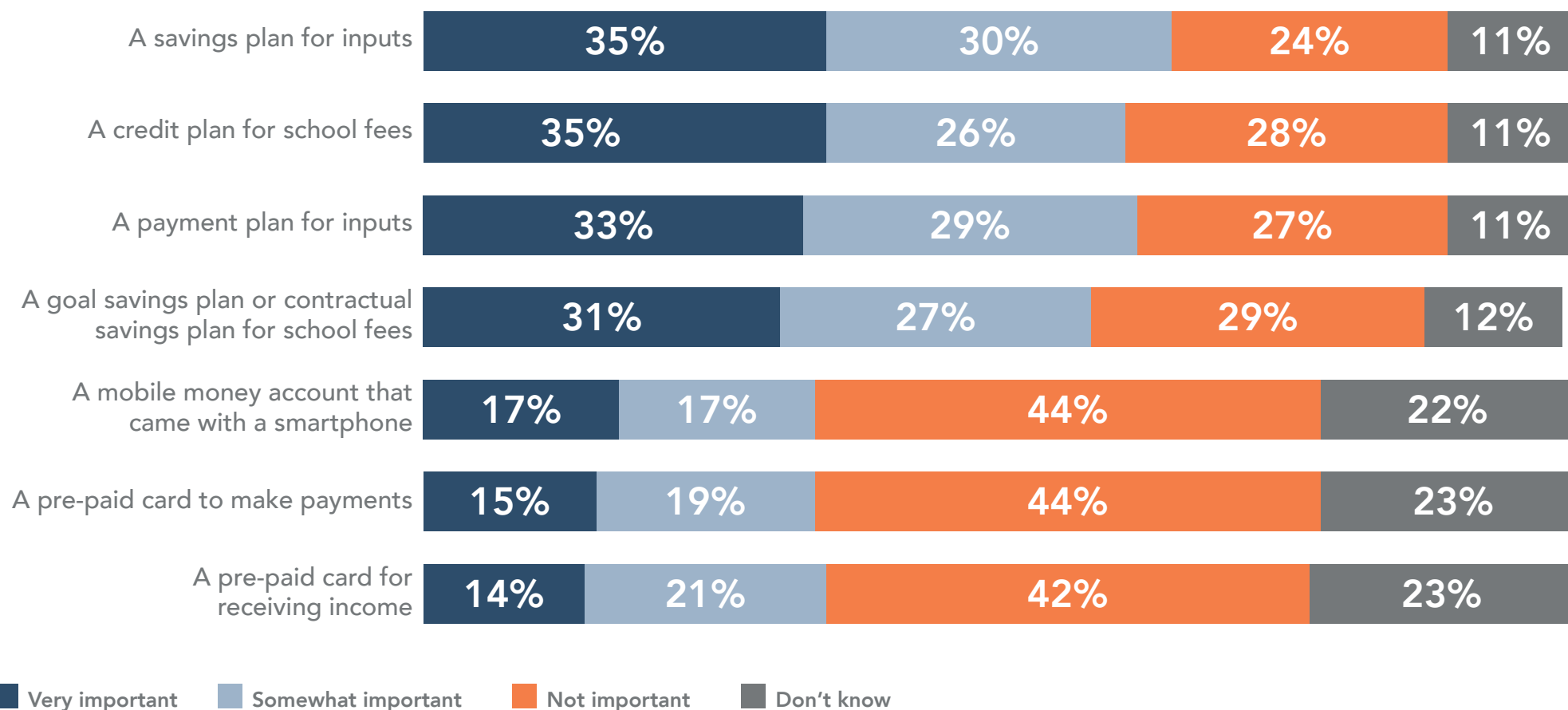
Sample: Smallholder farmers who participate in household's agricultural activities, n=2,296.



Smallholders want savings, credit, and layaway plans that enable them to pay for seed and fertilizer, plus their children's education.

How important is each of the following products to your agricultural activities?

Sample: Smallholder farmers, n=2,771.

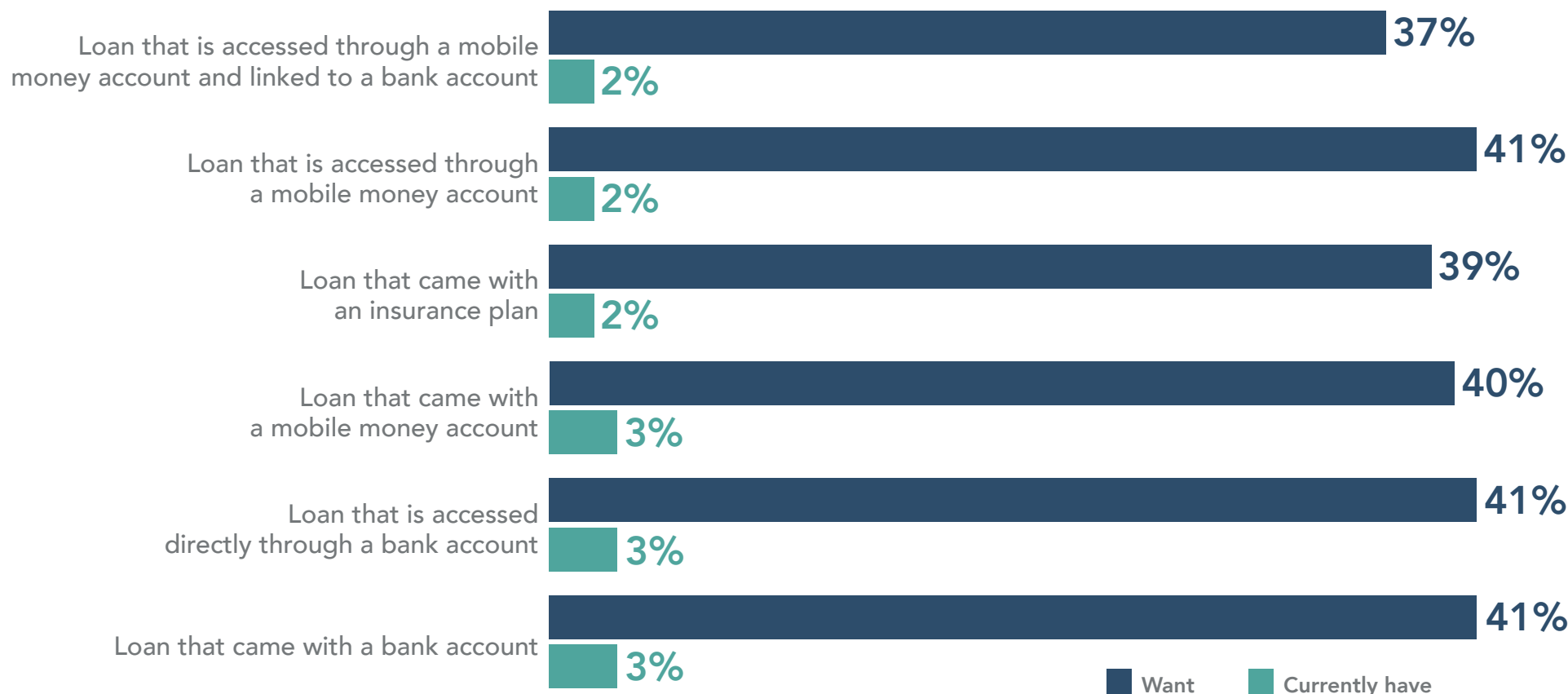


They see mobile phones and banks as major channels through which financial solutions can reach them...

Do you currently have any of the following products for your agricultural activities?

Do you want to have any of the following products for your agricultural activities?

Sample: Smallholder farmers, n=2,771.



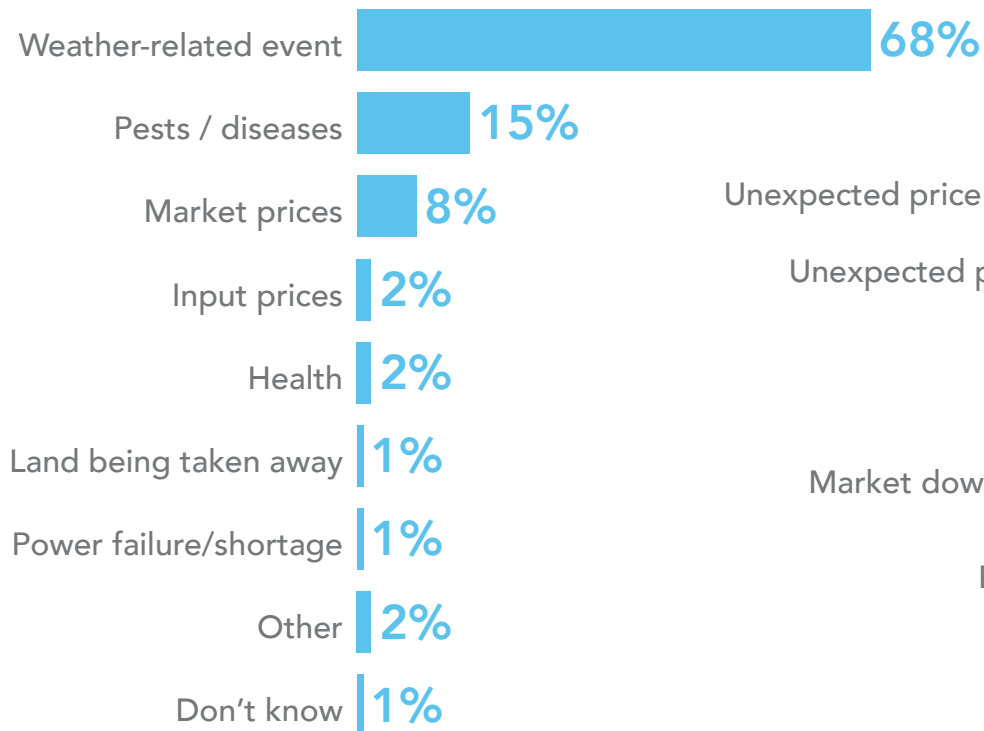
■ Want ■ Currently have

37

But they also know that risk management matters, and could mean the difference between heavy gains and severe losses.

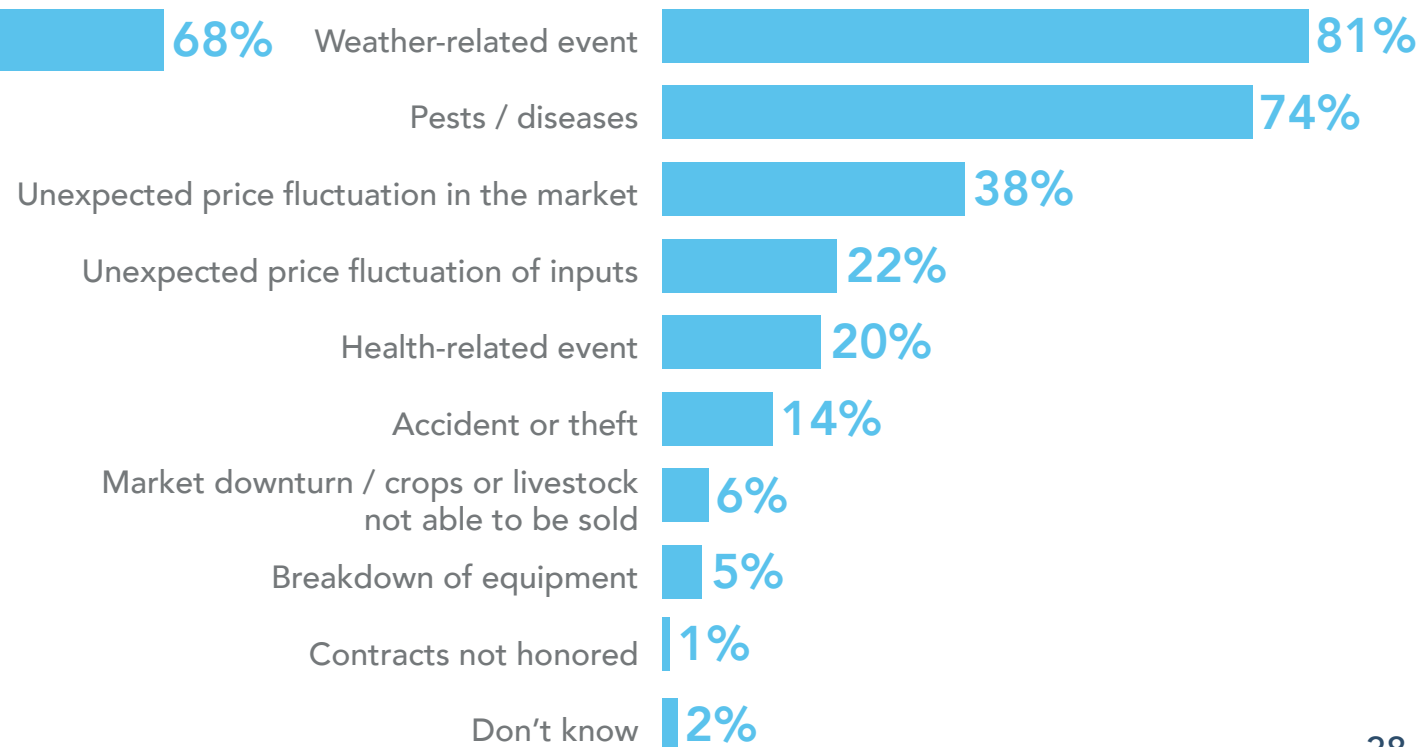
What poses the most significant risk to your agricultural activities?

Smallholder farmers who participate in household's agricultural activities, n=2,296.



Have your agricultural activities been seriously affected by any of the following events in the past three years?

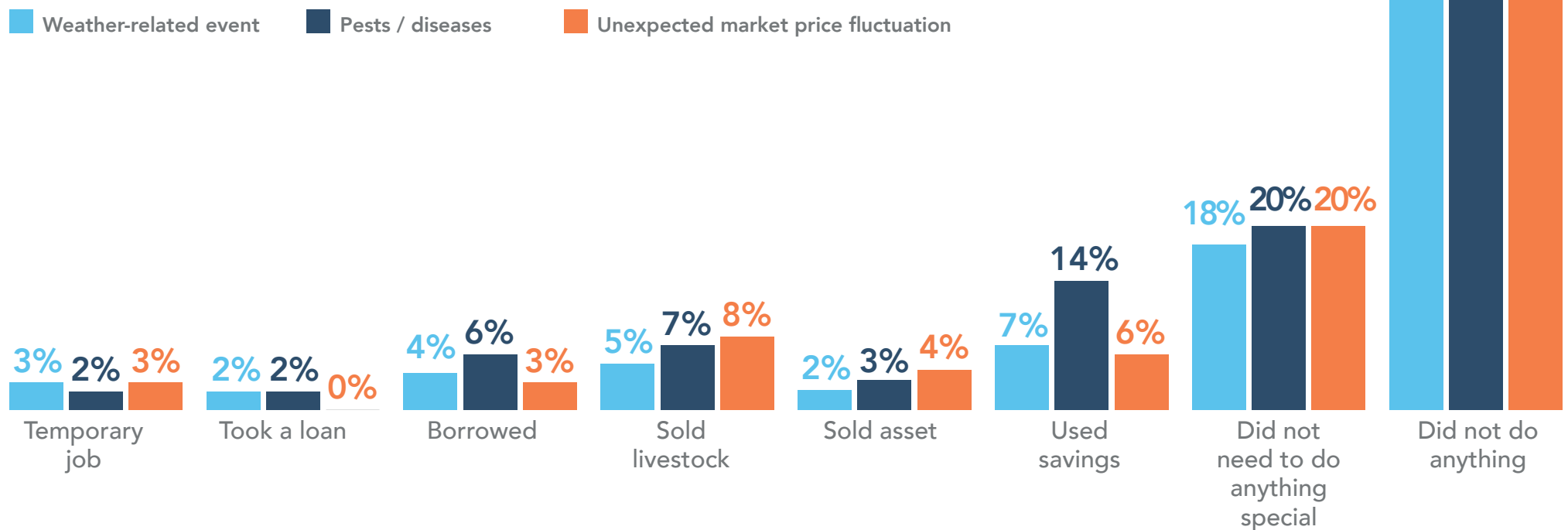
Smallholder farmers who participate in household's agricultural activities, n=2,296.



So many risks, but few coping options.

How did you mainly cope when this happened?

Sample: Smallholder farmers who say their agricultural activities have been seriously affected by each category. weather-related event n=1,810, pests / diseases n=1,759, unexpected market price fluctuation n=812.

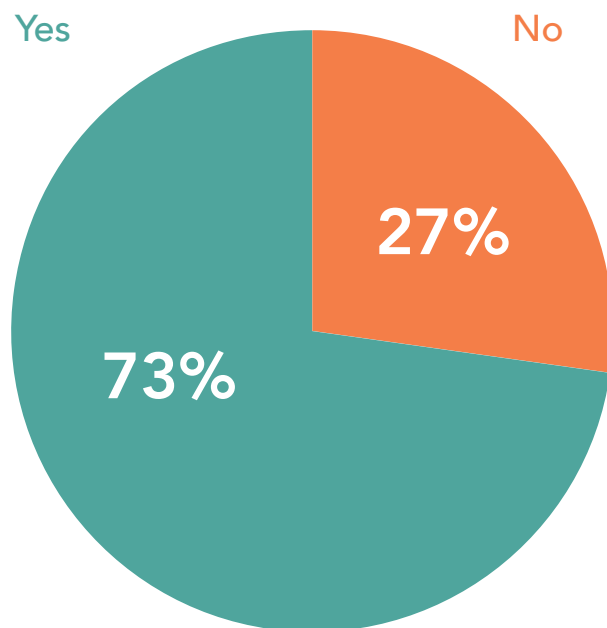


Most smallholders did not do anything, or did not do anything special, to cope with shocks to their agricultural activities. After a weather shock, for example, very few smallholders did something specific in response, such as taking a temporary job, borrowing money, drawing on savings, or selling livestock or assets.

Smallholders also cope by storing crops.

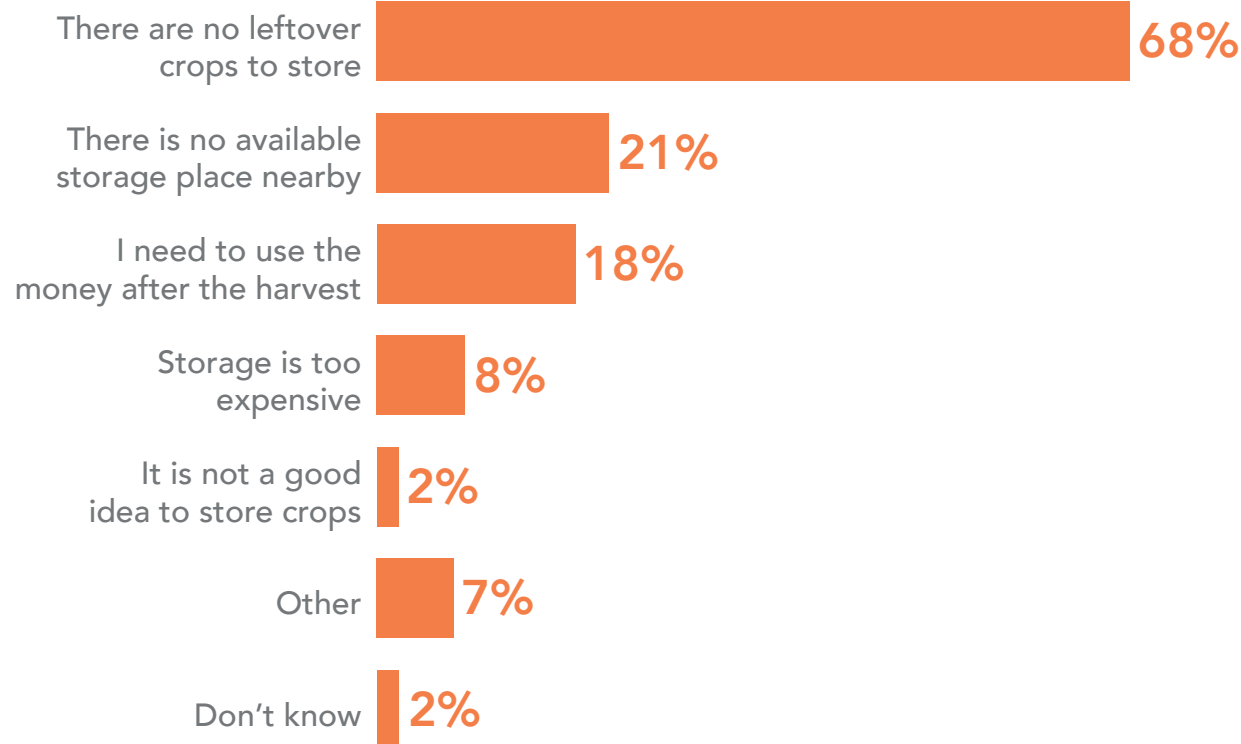
Do you currently store any of your crops after the harvest?

Smallholder farmers who participate in household's agricultural activities, n=2,296.



Why do you not currently store any of your crops?

Smallholder farmers who currently do not store any crops after harvest, n=663. Multiple responses allowed.



What does the data teach us?

- Farmers are hungry for a holistic suite of financial products and services and **not just credit**. They're looking for savings, insurance, investment and risk management products that enable them reach their goals.
- The mobile phone emerges as a major delivery tool for financial and non financial services that smallholders need.
- Weather is the greatest threat to their livelihood and could mean the difference between heavy gains, and severe losses. Affordable weather insurance products will be critical to help them cushion against this risk.



3

Financial tools

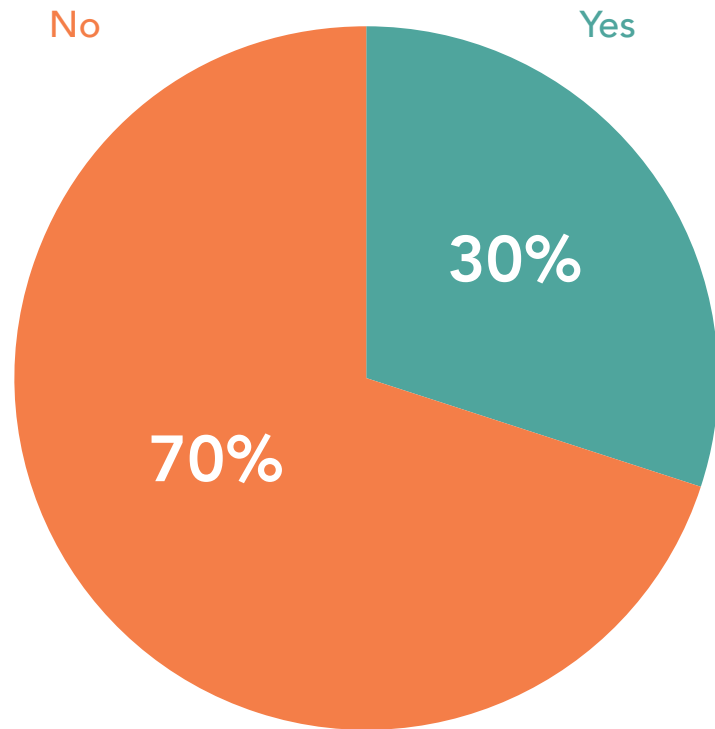
Smallholders in Uganda recognize that access to formal and informal financial services is important and critical for their work, but many remain excluded.

- Smallholder farmers in Uganda lag behind the nation in their exposure to and use of some financial services.
- Key reasons that smallholders in Uganda do not use financial services include lack of means ("I don't have the money"), lack of access (I don't have a bank account"), and lack of understanding ("I don't know how to open an account").
- The majority of smallholder farmers consider the ability to save money a key benefit of having a bank account. This perception can drive adoption and usage.

They know that it is important to have a bank account and use it for savings, but 70% have not even stepped inside a bank branch.

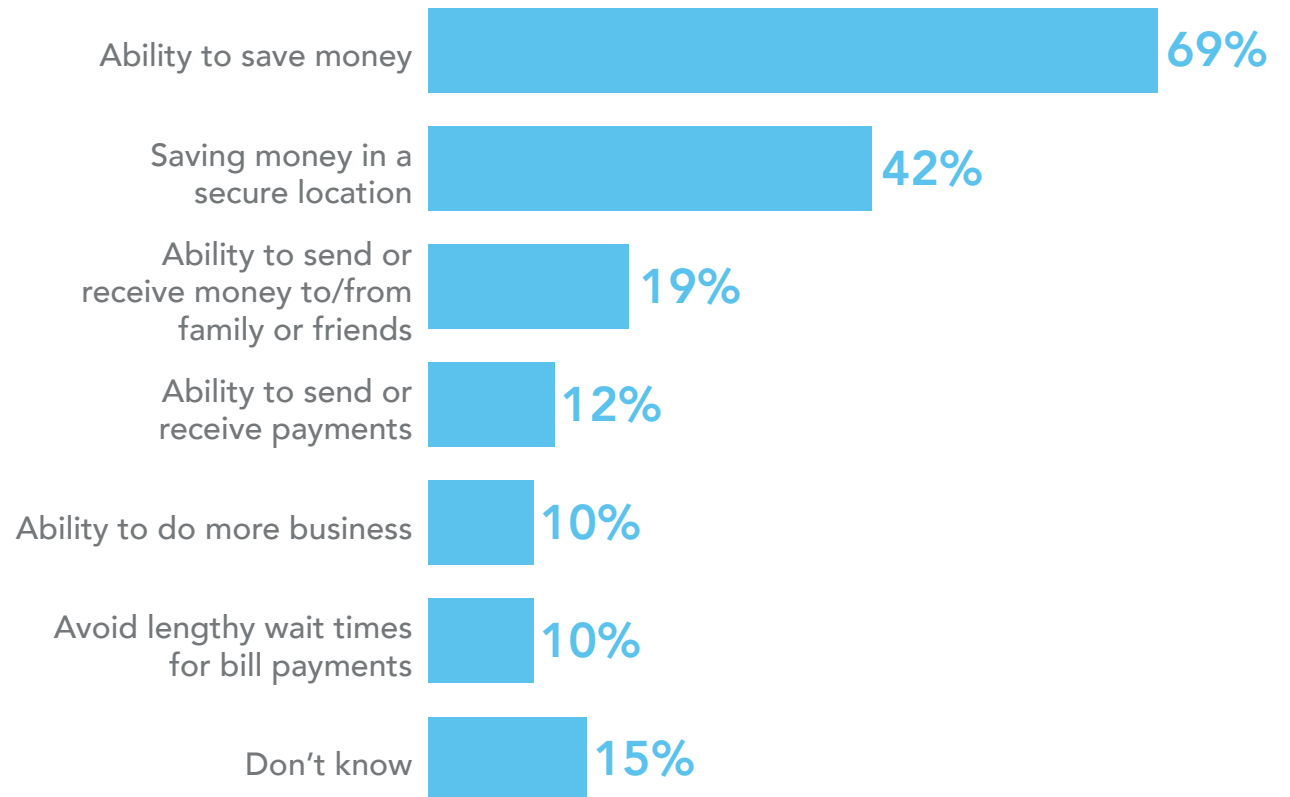
Have you ever been inside a bank?

Sample: Smallholder farmers, n=2,771.



What are the benefits to having a bank account?

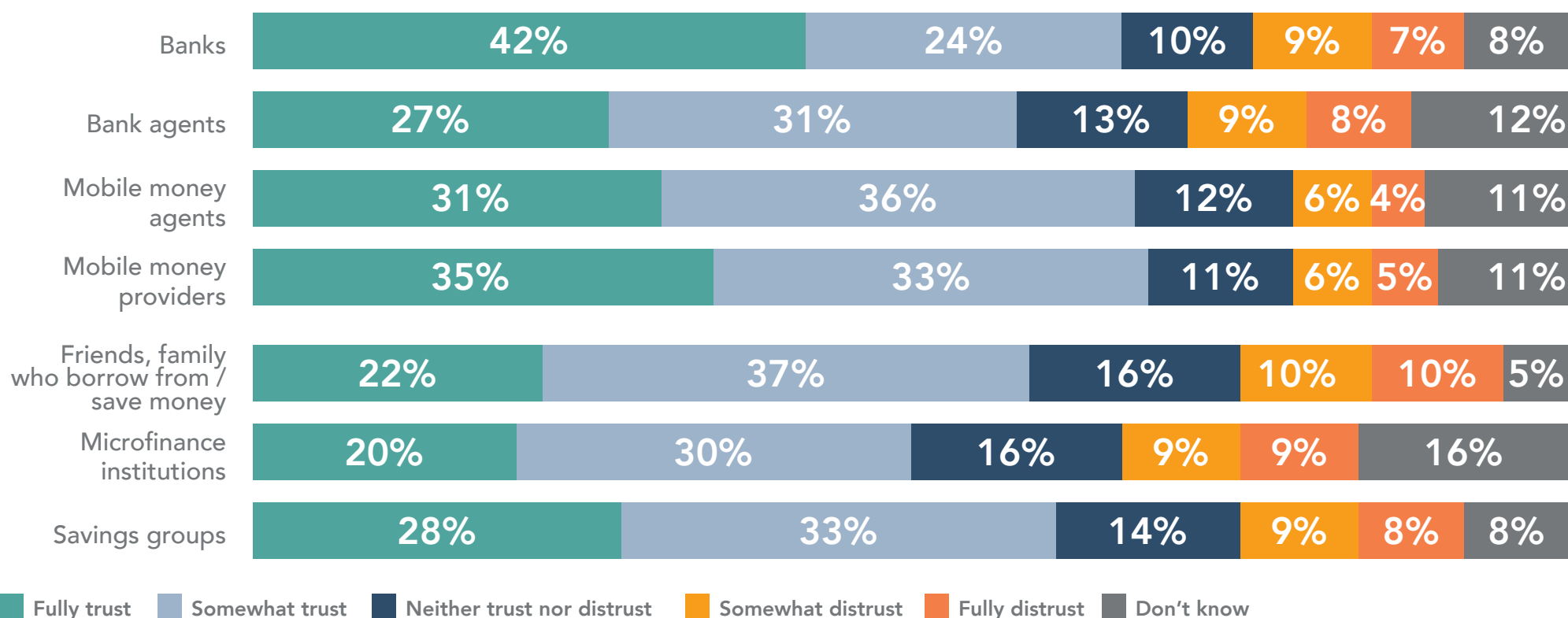
Sample: Smallholder farmers, n=2,771. Multiple responses allowed.



The high amount of trust in banks highlights an opportunity.

How much do you trust each of the following as financial sources?

Sample: Smallholder farmers, n=2,771.

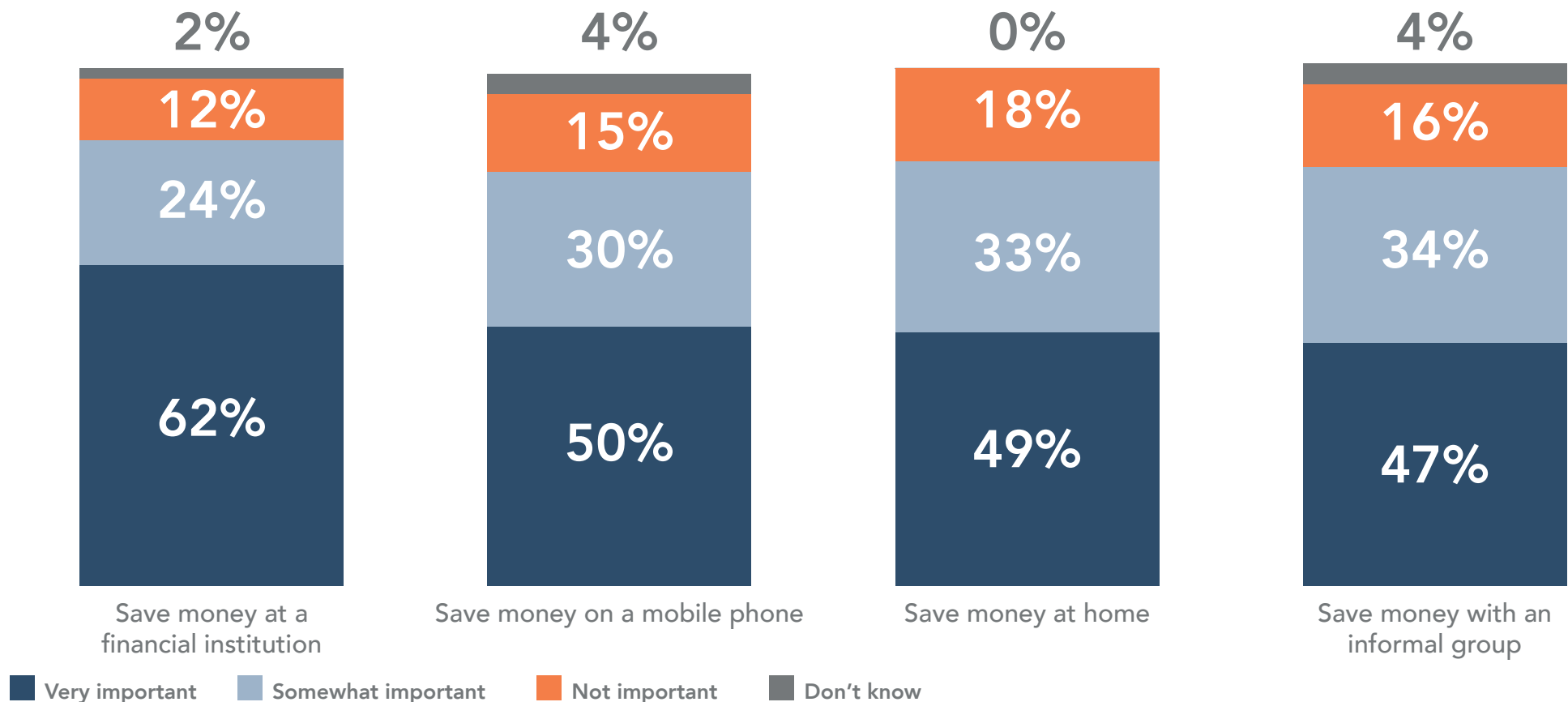


Roughly two-thirds of smallholders trust banks, bank agents, mobile money providers or their agents at least somewhat. This moderately high level of trust is a solid foundation for providers to build on.

They attach great value to savings at a financial institution and on mobile. This resonates with the trust smallholders place in both channels.

How important is it for your household to save at each of the following?

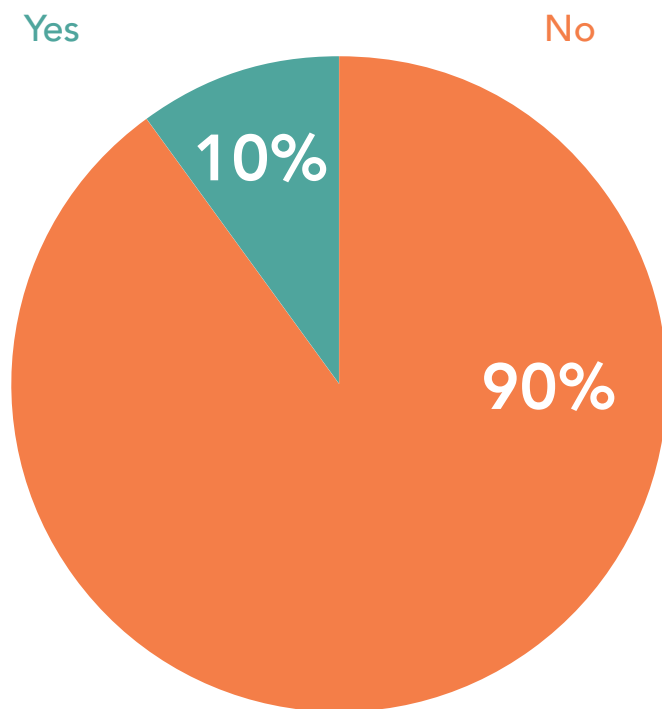
Sample: Smallholder farmers, n=2,771.



But lack of money is a major challenge for those who don't save.

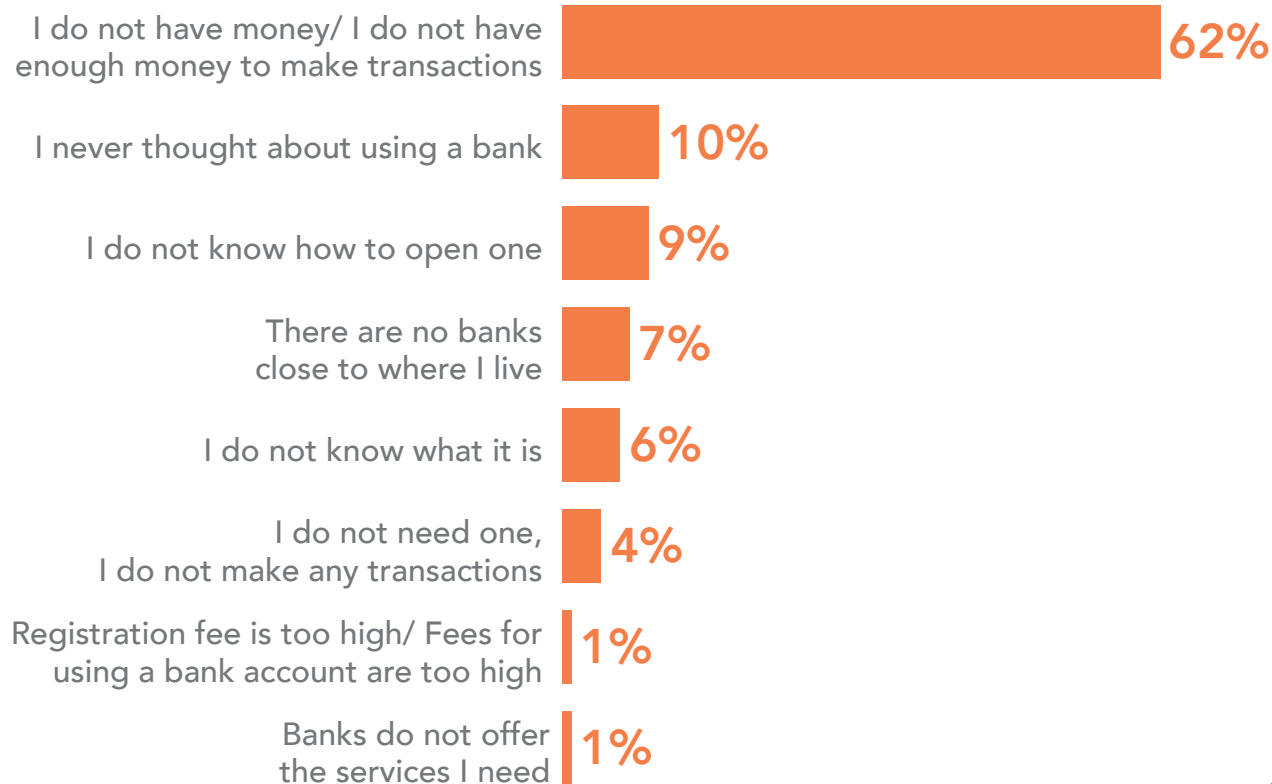
Do you personally have a bank account that is registered in your name?

Sample: Smallholder farmers, n=2,771.



What is the main reason you do not have a bank account?

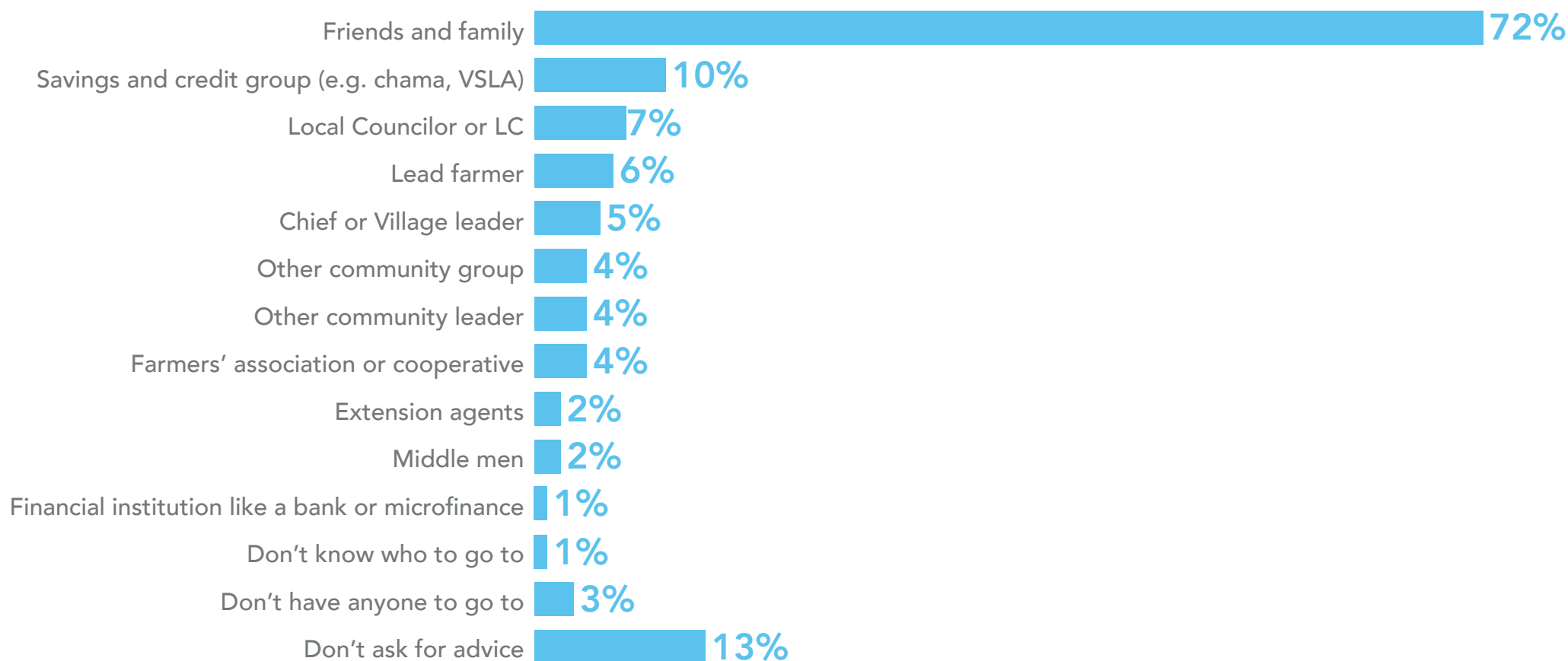
Sample: Smallholder farmers who don't have a bank account, n=2,415.



Even though smallholders trust banks, when it comes to financial advice they turn to friends and family.

When it comes to financial or income-related advice, who do you regularly talk to?

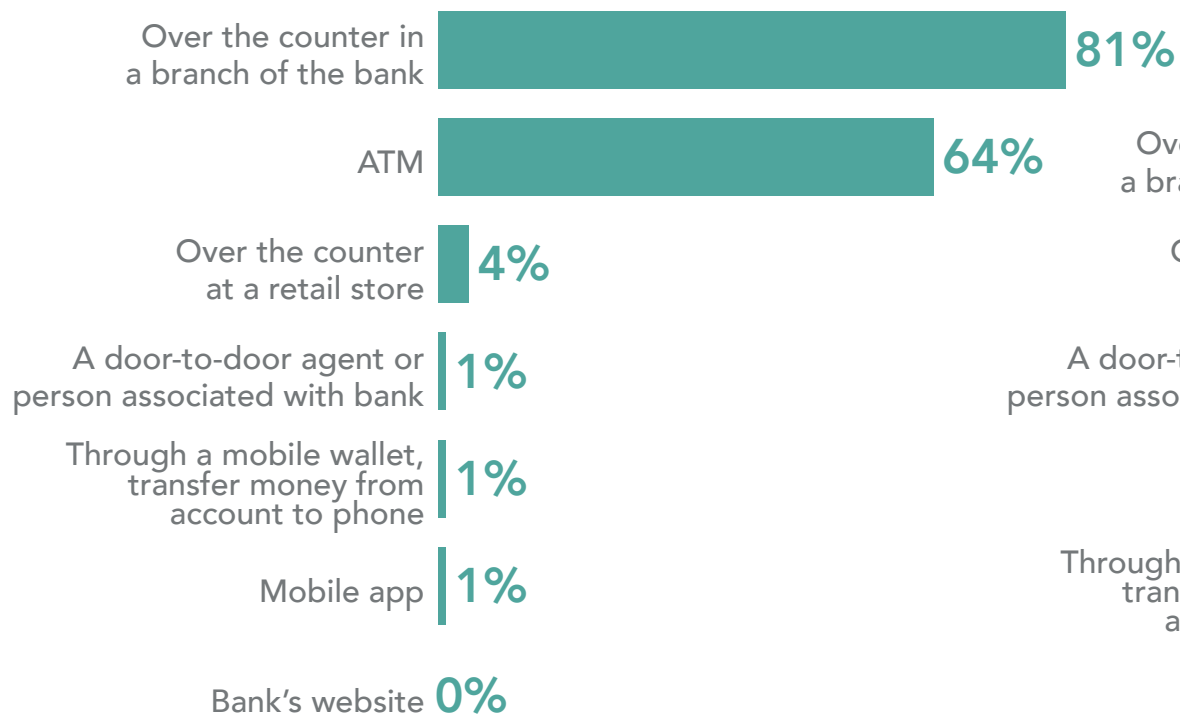
Sample: Smallholder farmers, n=2,771. Multiple responses allowed.



They value human touch, but also ATMs. This is how they interact with banks.

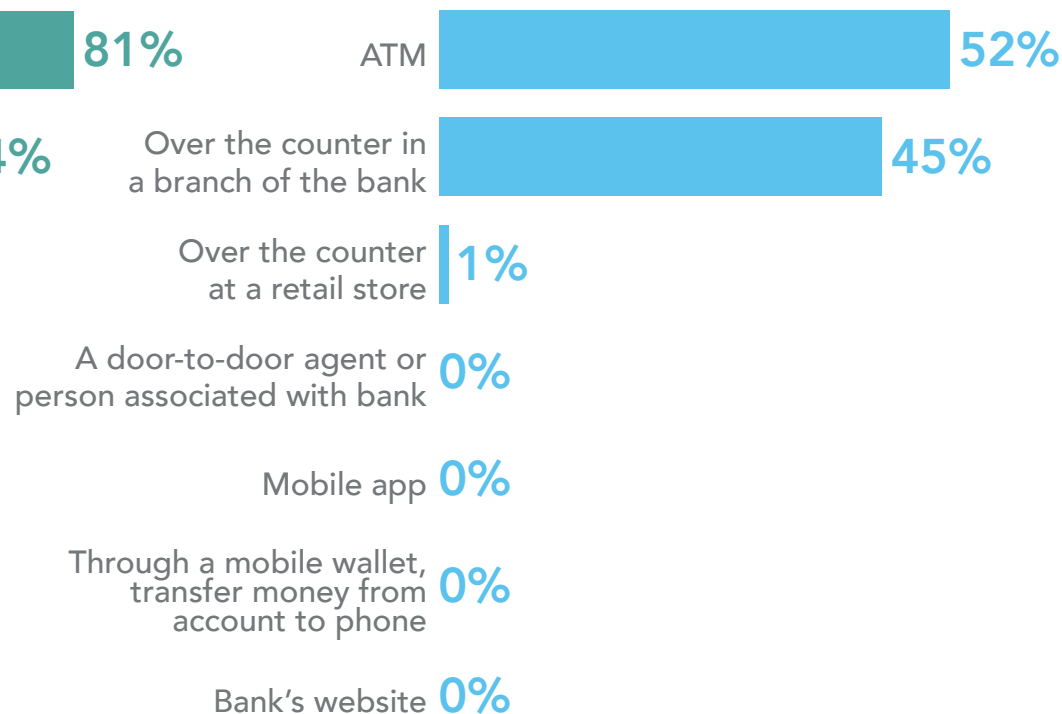
When you use a bank account for any financial activity, do you use any of the following?

Sample: Smallholder farmers who have ever used a full-service bank for any financial activity, n=357. Multiple responses allowed.



Of the different ways you use a bank for financial activities, which is your preferred way?

Sample: Smallholder farmers who have ever used a full-service bank for any financial activity, n=357.



Low usage of banks could point to limited product options for smallholders.

Do you use a bank account for the following payments or purchases?

Sample: Smallholder farmers who have ever used a full-service bank for any financial activity, n=357.

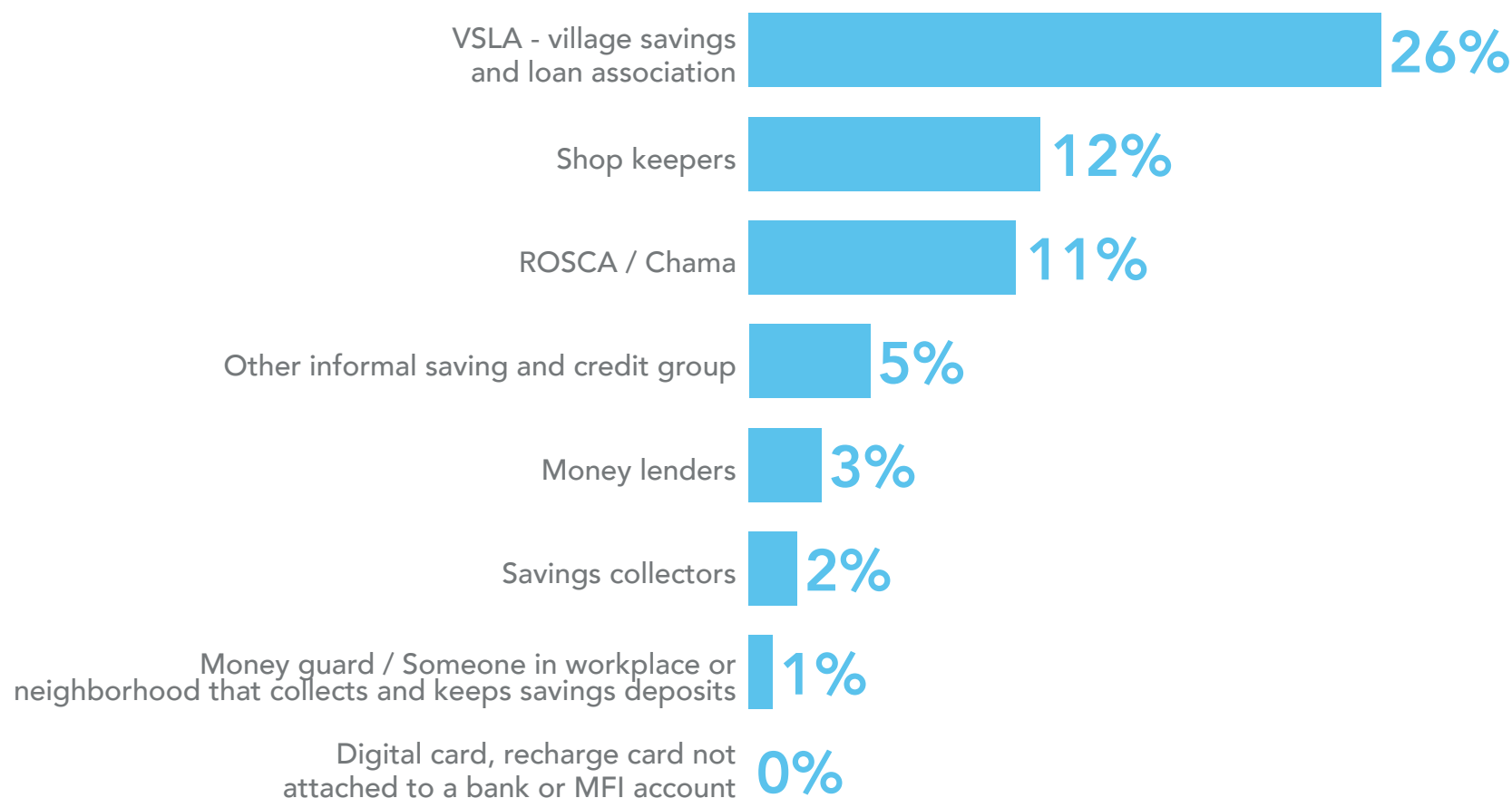


50

Low usage is not just with banks, but informal providers too.

Have you ever used any of the following?

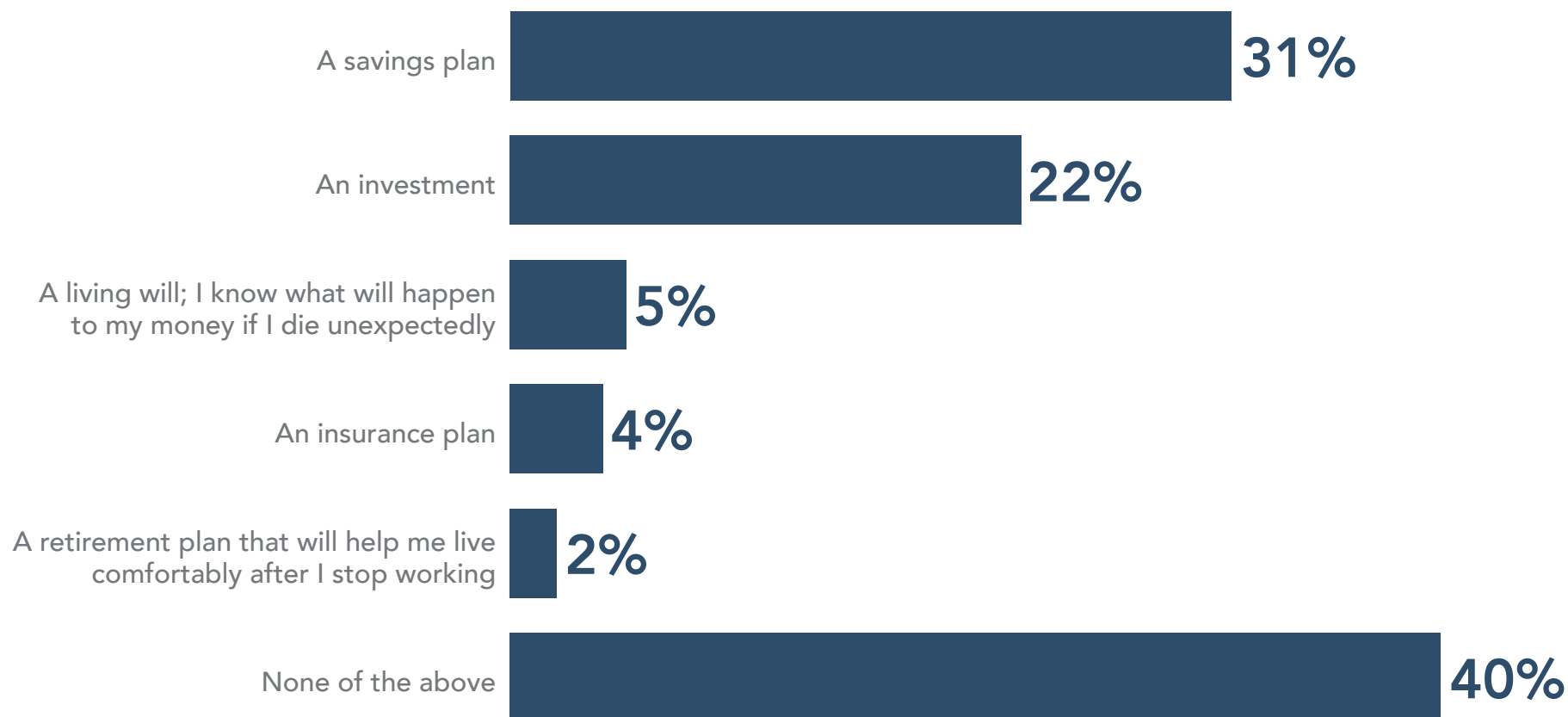
Smallholder farmers, n=2,771.



Smallholders aspire to create a brighter future. They see savings and investment plans as pathways...

Do you have any of the following?

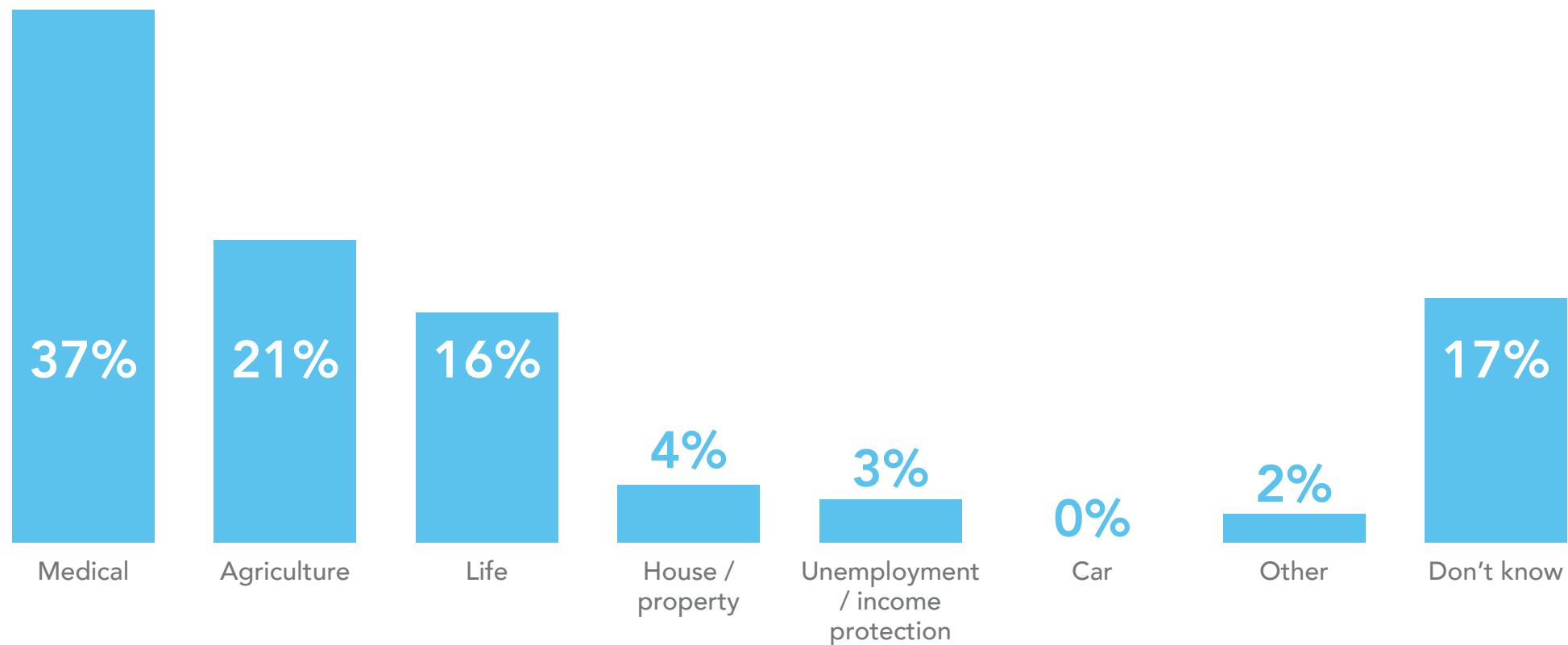
Smallholder farmers, n=2,771. Multiple responses allowed.



...but there's demand for insurance products too.

Which of the following types of insurance do you feel your household needs the most?

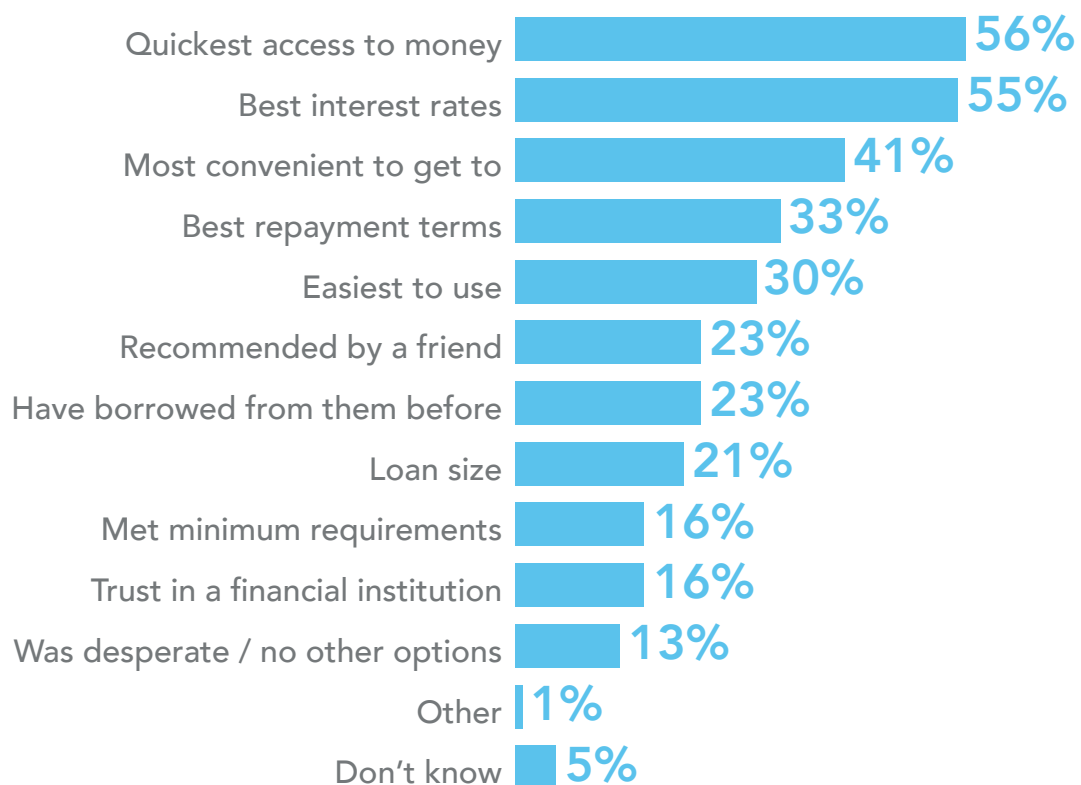
Smallholder farmers, n=2,771



Here are some considerations before smallholders use financial institutions.

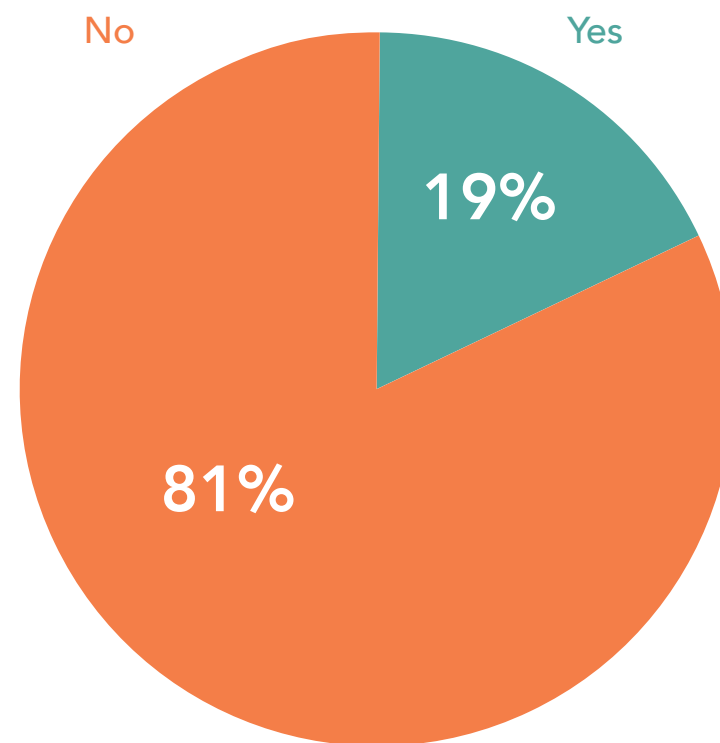
What factors would you consider when you want to borrow money?

Sample: Smallholder farmers, n=2,771. Multiple responses allowed.



Do you currently have any loans?

Sample: Smallholder farmers, n=2,771.



What does the data teach us?

- Financial institutions offer limited product options targeted to smallholders, which could be driving their low usage.
- Beyond bank products, insurance also emerges as an important product to help cushion smallholders against various risks.
- Smallholders trust banks. There is a strong business case for banks to offer relevant products targeted specifically to smallholders.



4 Transactions

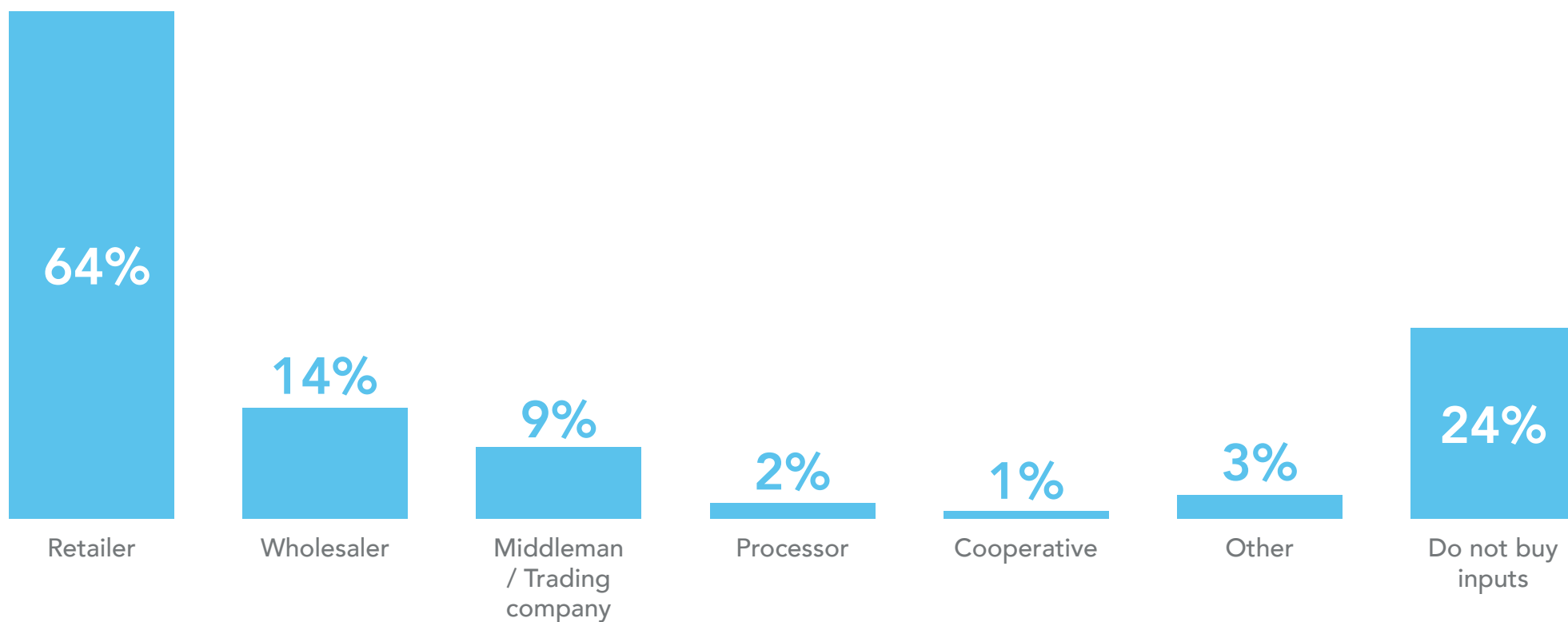
Transactions are largely cash based and without contracts.

- Approximately three quarters of smallholder farmers in Uganda purchase agricultural inputs (fertilizer, seeds, etc.), and they buy them from retailers.
- Transactions tend to be paid in cash at the point of purchase with few farmers having an option of input credit.
- 1% of smallholders receive government pensions; 45% of them say they collect it in cash.
- Nearly all sales happen outside of formal contracts. Only 8% of smallholders have a contract to sell their crops or livestock.

Inputs are procured locally from retailers...

Who do you normally purchase your agricultural and livestock inputs from?

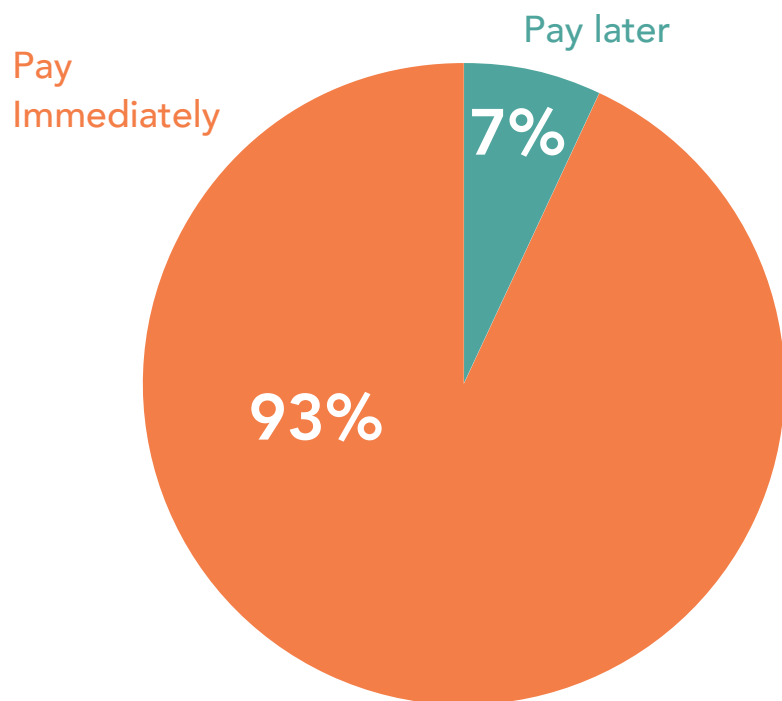
Sample: Smallholder farmers who participate in household's agricultural activities, n=5,203. Multiple responses allowed.



...and in cash, with little options to pay later.

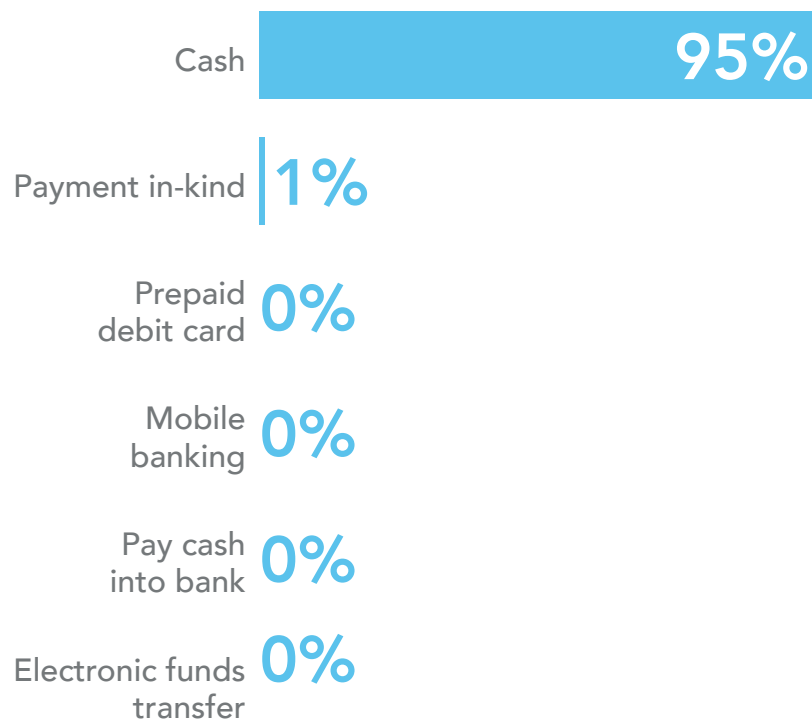
Do your suppliers give you the option to pay them later or do you have to pay immediately?

Sample: Smallholder farmers who pay suppliers for inputs, n=3,789.



How do you usually pay your suppliers of inputs?

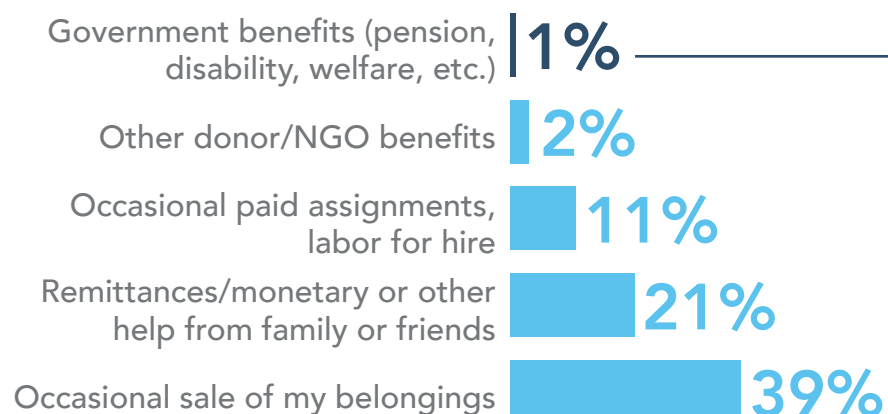
Sample: Smallholder farmers who purchase main agricultural and livestock inputs, n=3,983. Multiple responses allowed.



Even those that collect a pension still get it in cash.

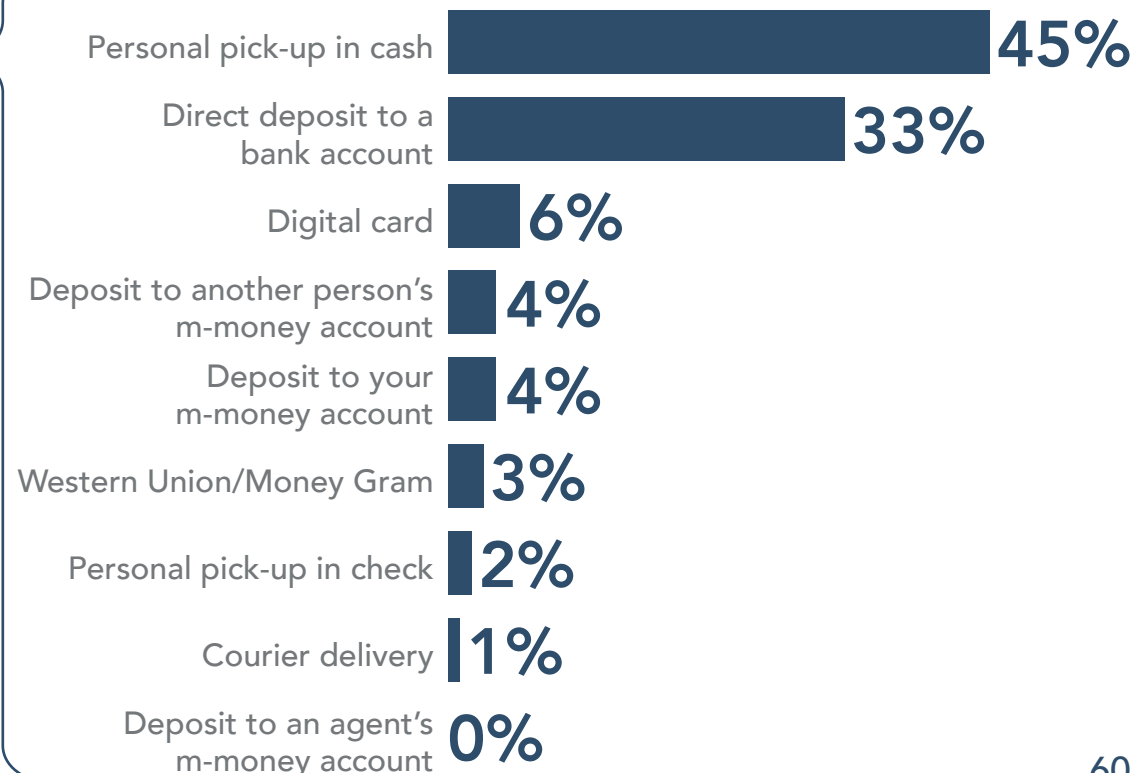
Do you receive income from any of the following?

Sample: Smallholder farmers, n=5,517.
Multiple responses allowed.



How do you usually get this government payment?

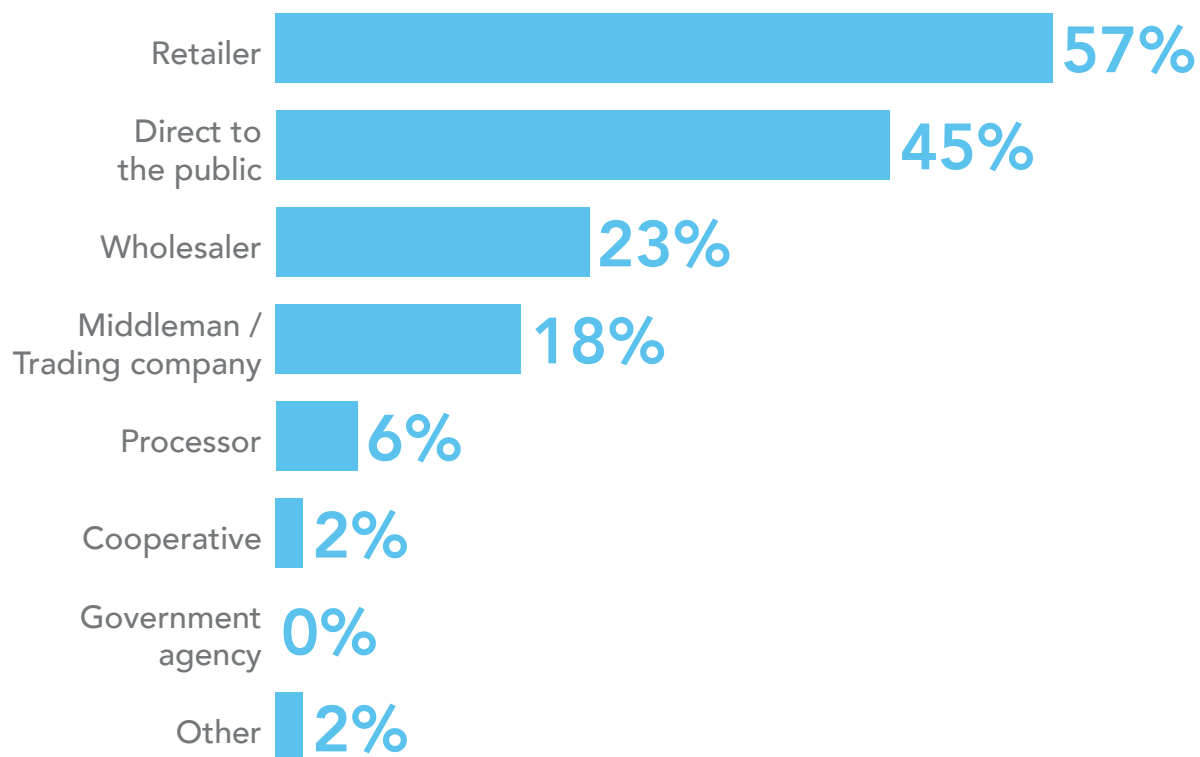
Sample: Smallholder farmers who receive income from government benefits, n=82. Multiple responses allowed.



Smallholders sell to retailers, with no contracts.

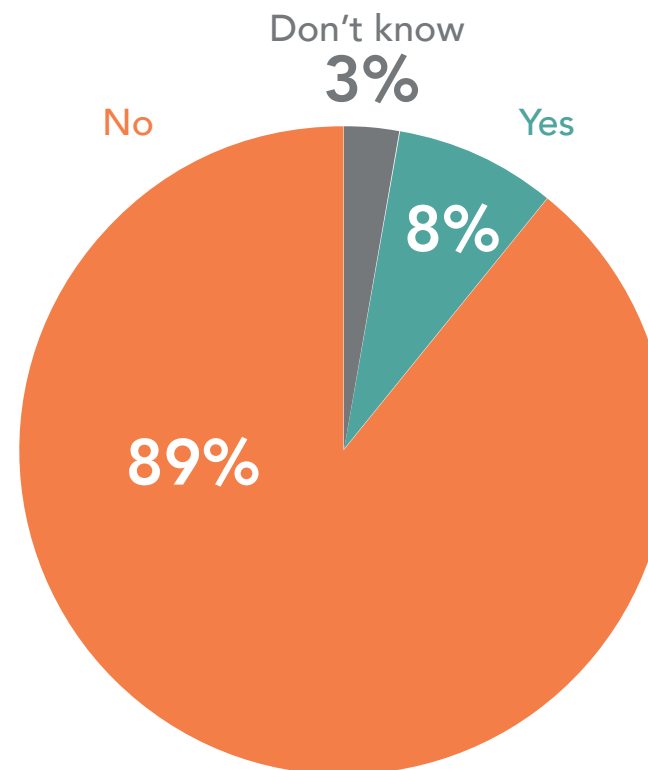
Who do you sell your crops and livestock to?

Sample: Smallholder farmers who grow and sell crops, n=4,375. Multiple responses allowed.



Do you have a contract to sell any of your crops or livestock?

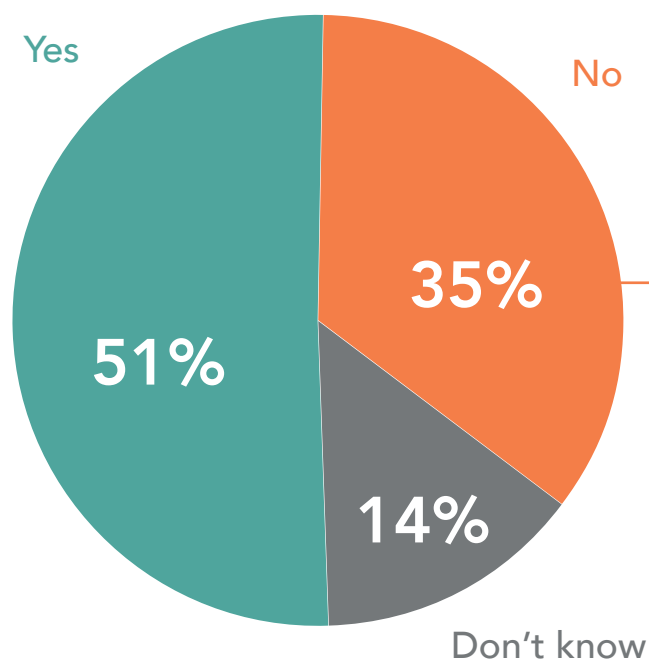
Sample: Smallholder farmers who grow and sell crops, n=4,375.



Selling without contracts, many smallholders feel taken advantage of.

When you sell your crops and livestock, do you get the current market price?

Sample: Smallholder farmers who grow and sell crops, n=4,375.



Why do you not get the current market price?

Sample: Smallholder farmers who do not get current market price for crops and livestock sold, n=1,556. Multiple responses allowed.



What does the data teach us?

- Cash is still the desired mode of payment. This leaves farmers with no trace or trail of historical payments - data that is critical in building models to integrate them in the financial system.
- The inability to access inputs on credit from suppliers means that smallholders will struggle to keep their farms afloat, especially during poor harvests. With a poor season and low income, access to inputs for the next season may be a challenge, given that input suppliers require cash.
- Many smallholders are trading individually. Coming together collectively could enable them to secure contracts, procure inputs in bulk at a discount, and improve their ability to bargain for better prices.



5

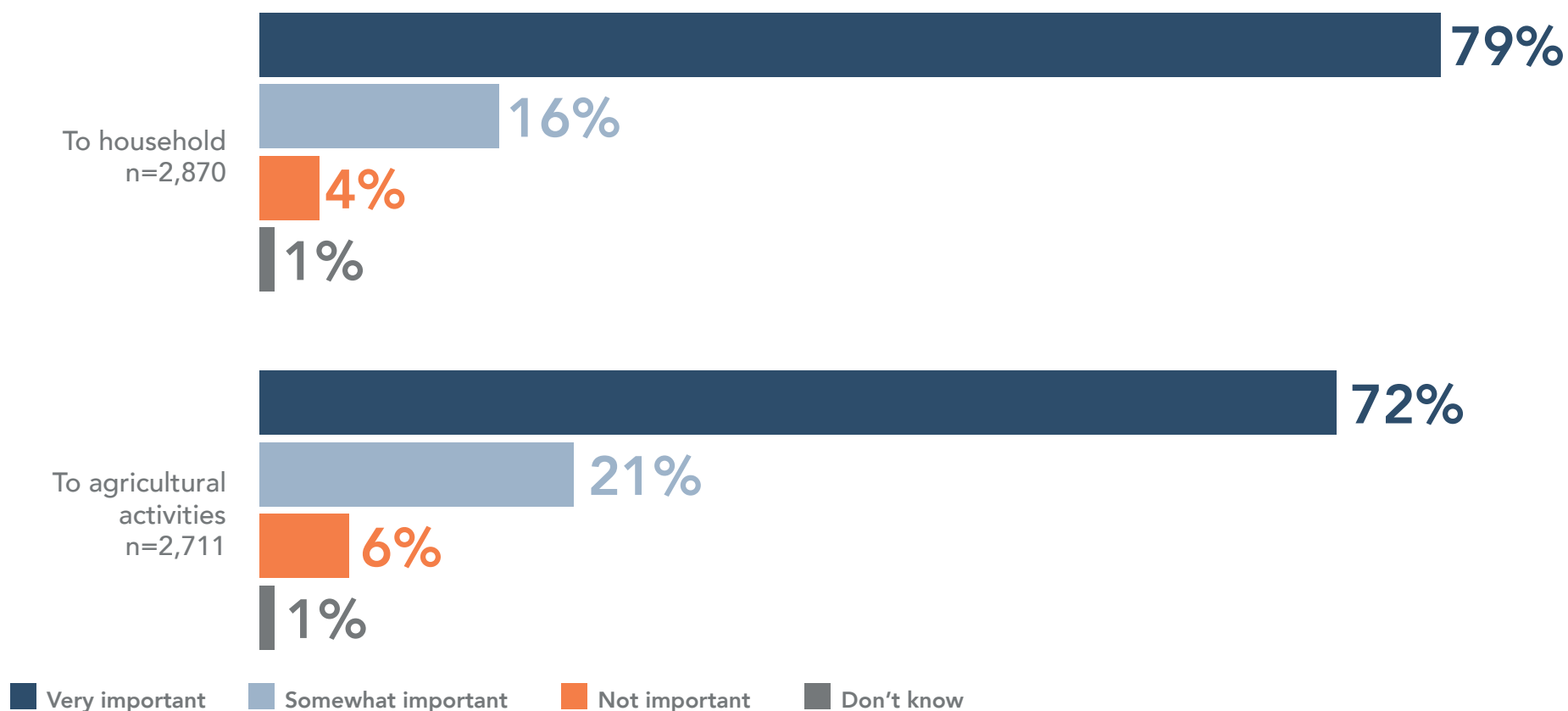
Mobile phones

The mobile phone is a critical tool to drive uptake and usage of digital financial services for smallholders.

- Mobile phones are very important to smallholder farmers in Uganda, but usage beyond voice calls is still limited.
- Farmers do not yet see the mobile phone's greater application or utility for their household or agricultural activities.
- Phone ownership lags use. While 73% of smallholders have used a phone, only 69% actually own one.
- When smallholders move beyond calls and texts, the mobile phone will be a more powerful digital channel for households.

The phone is important for both household and agricultural activities....

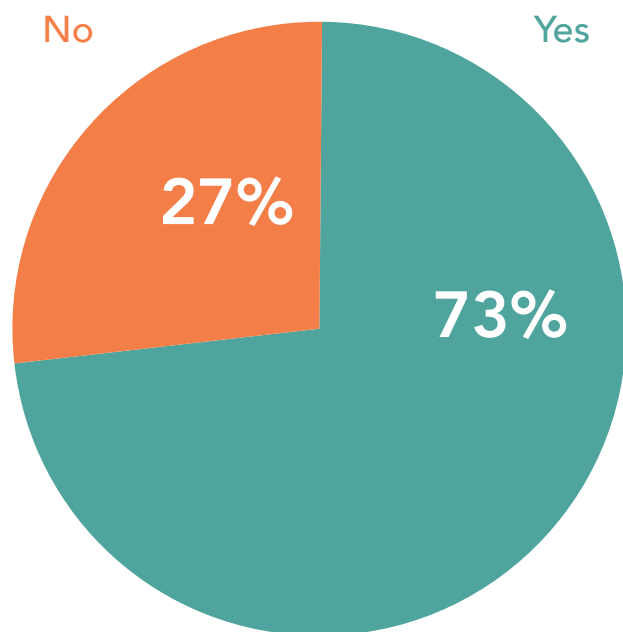
Regardless of what you have, how important is it to your household/agricultural activities to have a mobile phone?



...and this perceived importance translates into greater usage.

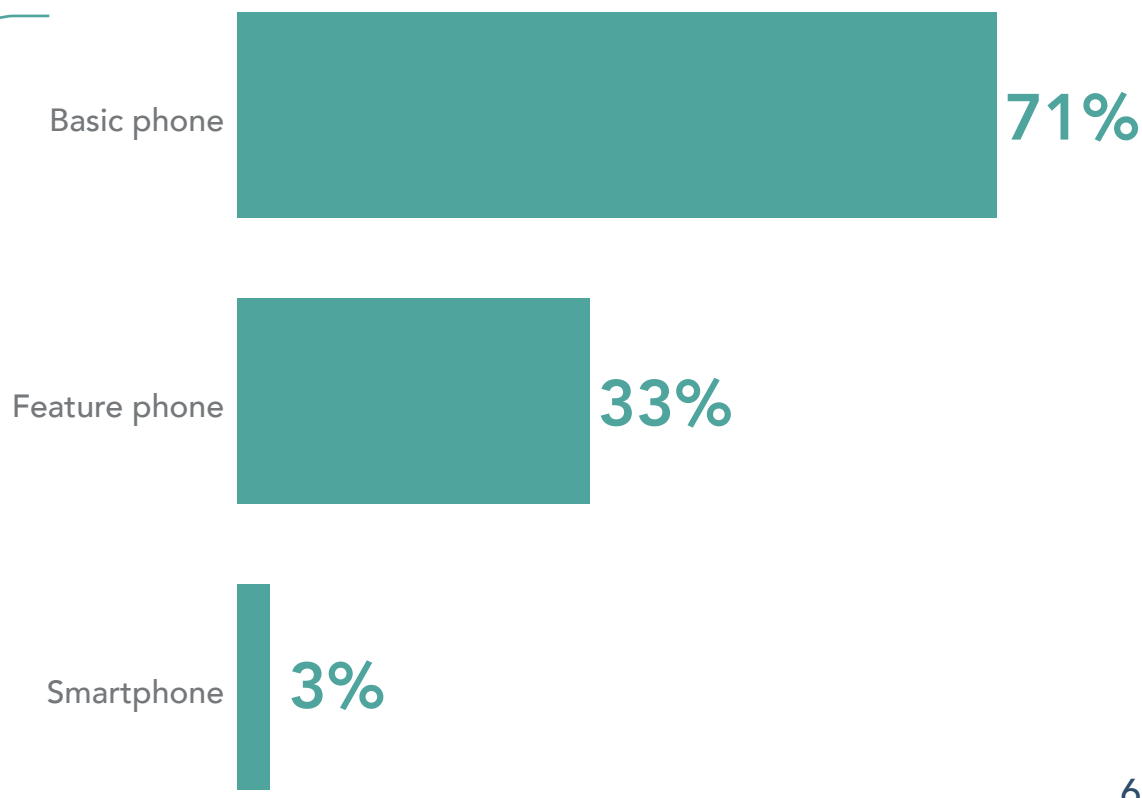
Have you ever used a mobile phone?

Smallholder farmers, n=2,771.



What type of phone have you used?

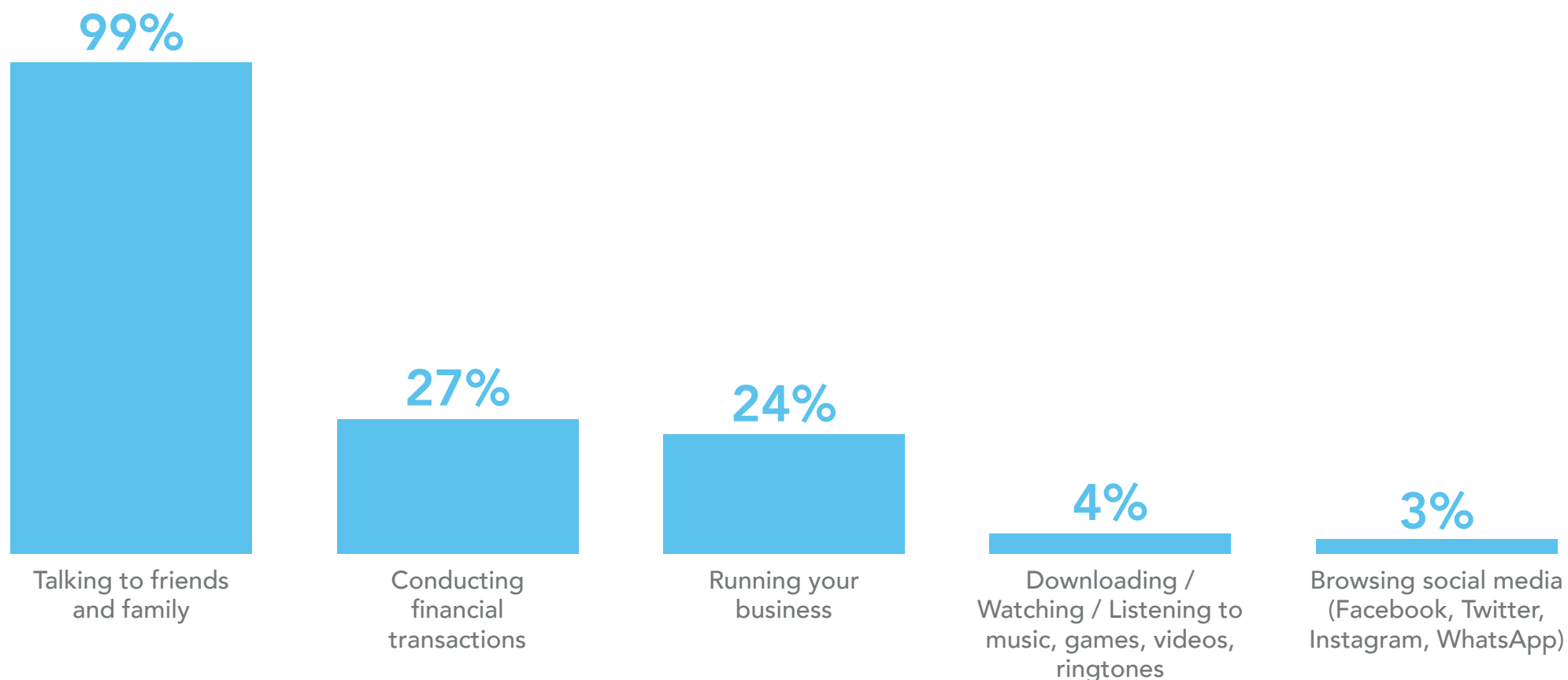
Sample: Smallholder farmers who have ever used a mobile phone, n=2,104.
Multiple responses allowed.



Smallholders see voice calls as the major reason to own a phone.

What are the benefits to having your own mobile phone or SIM card?

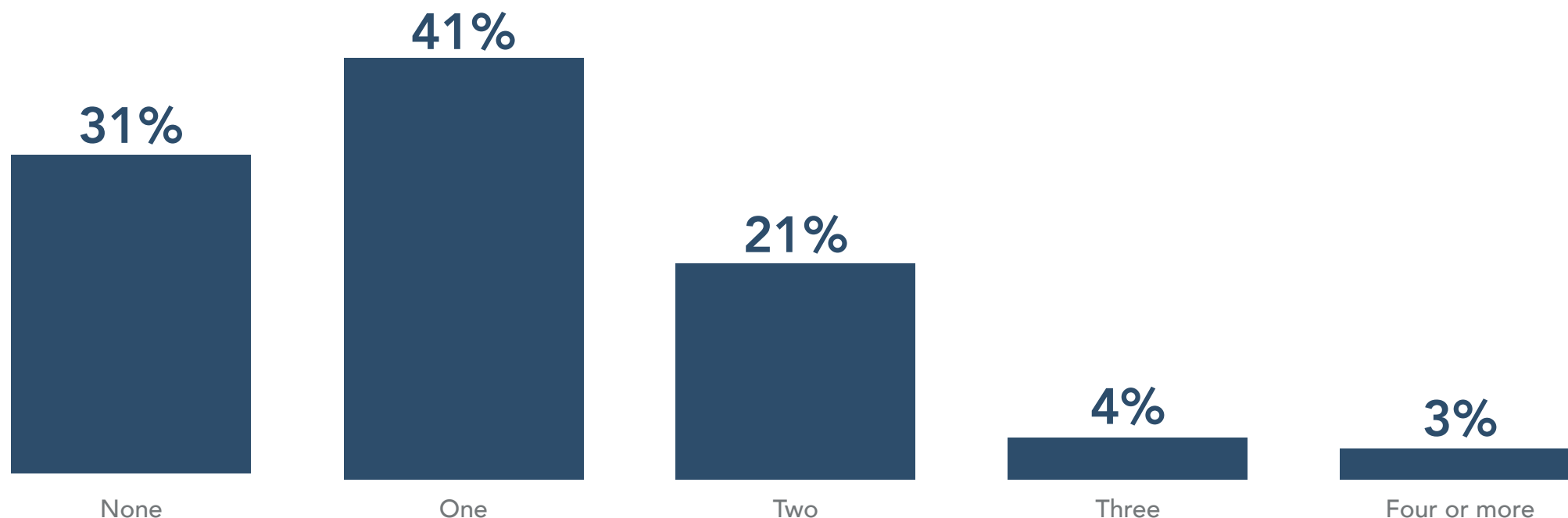
Sample: Smallholder farmers who have ever used a mobile phone, n=2,104. Multiple responses allowed.



Phone penetration is fairly good.

How many people in your household own a mobile phone?

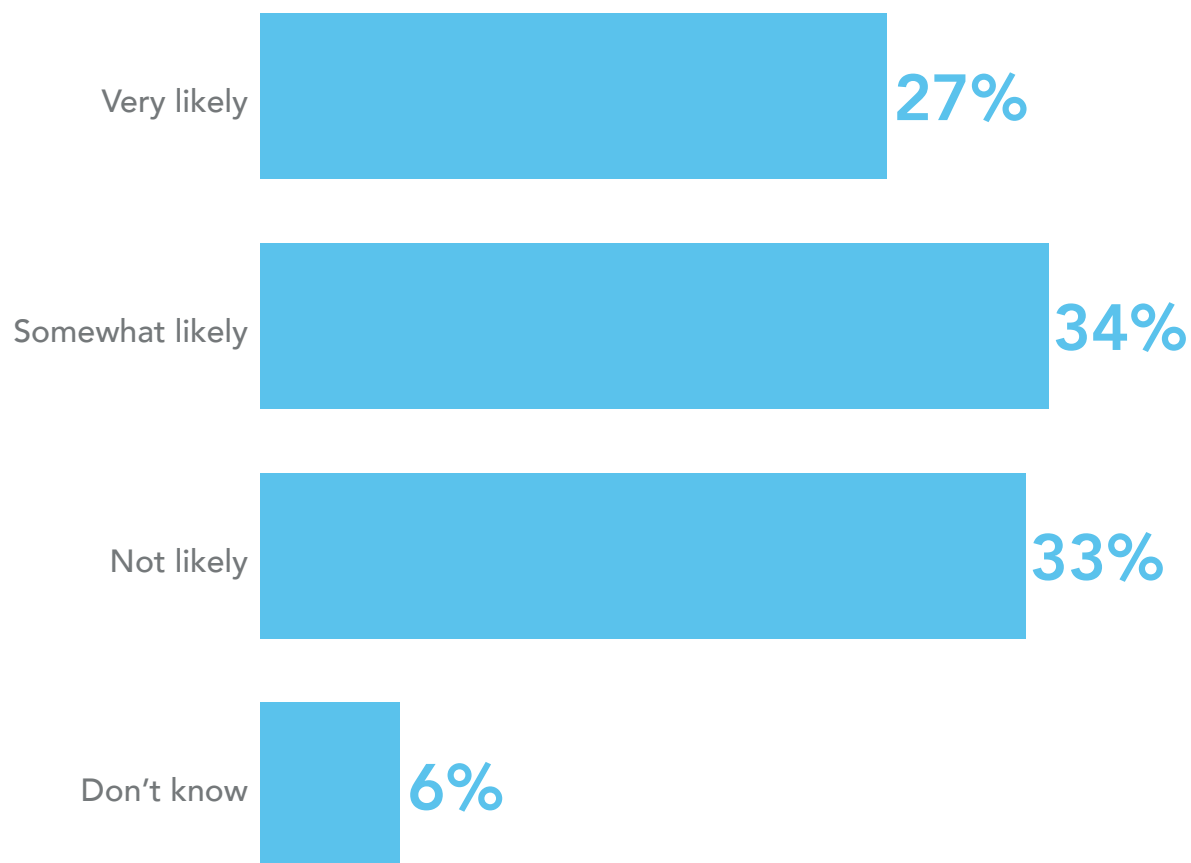
Smallholder farmers, n=2,870.



Even among those who have no phone yet, there's interest in acquiring one.

How likely are you to purchase a mobile phone in the next 12 months?

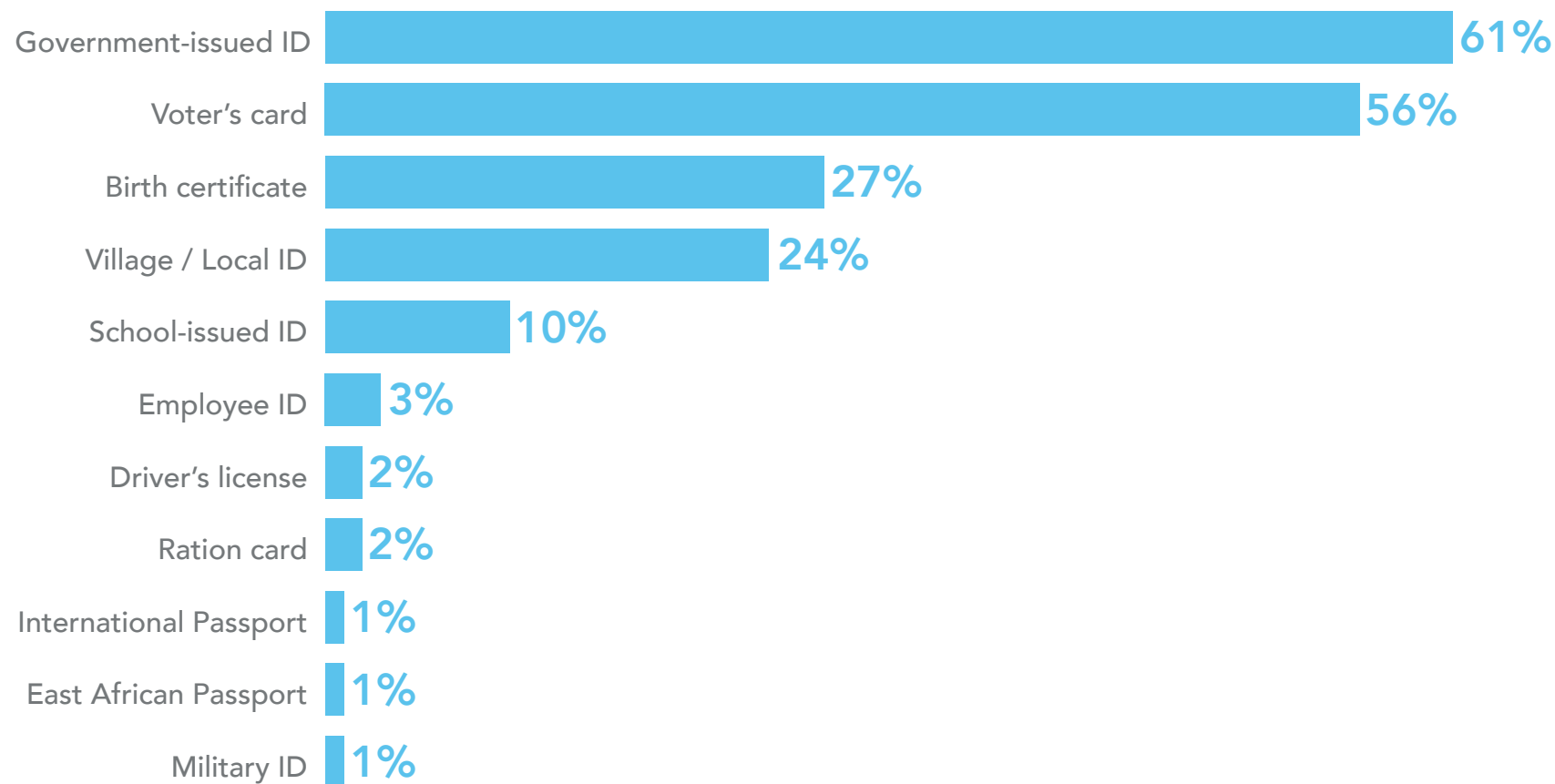
Sample: Smallholder farmers who currently do not own a phone but have used a phone, n=657.



KYC limits further use beyond voice and SMS.

Do you have any of the following types of an official identification?

Sample: Smallholder farmers, n=5,517. Multiple responses allowed.



What does the data teach us?

- 71% of smallholders own a basic phone. Any digital solution that targets smallholders must take this into consideration. Basic solutions that can run on basic and feature phones must be emphasized.
- There's need to clearly articulate the benefits of a phone beyond voice and SMS. Transitioning smallholders beyond the current usage practices will require targeted education and awareness.



6

Mobile money

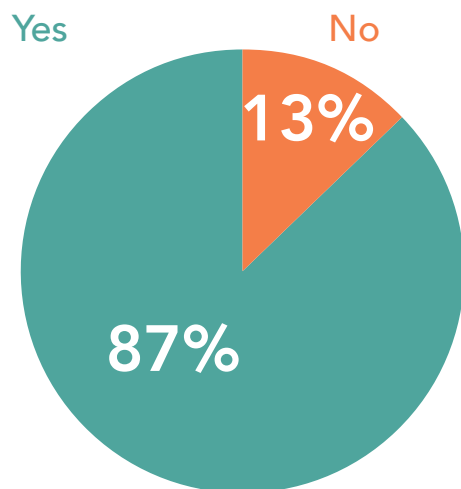
Farmers' awareness of mobile money is very high. They recognize its benefits but many aren't using the service yet.

- 87% of smallholders in Uganda have heard about mobile money. They see the benefits of having a mobile account as giving them ability to send and receive money and savings.
- Smallholders are aware of the basic functions of mobile money as depositing and withdrawing.
- They started to use mobile money largely to send or receive money.
- Lack of money is one of the major reasons for not using mobile money.
- Overall awareness about mobile money providers is high for only two providers: MTN and Airtel. Many first heard of these two providers from the radio and friends.

The awareness and perceived benefits of mobile money don't translate into its regular use.

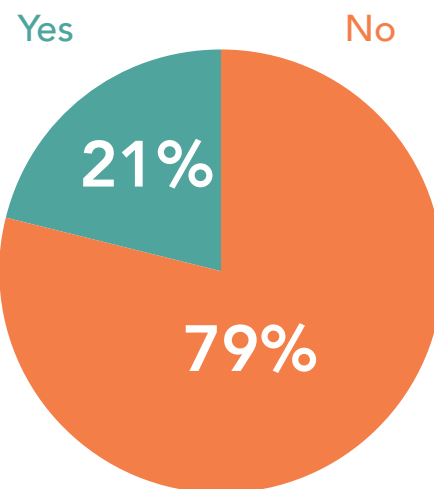
Have you ever heard of something called mobile money?

Sample: Smallholder farmers, n=2,771.



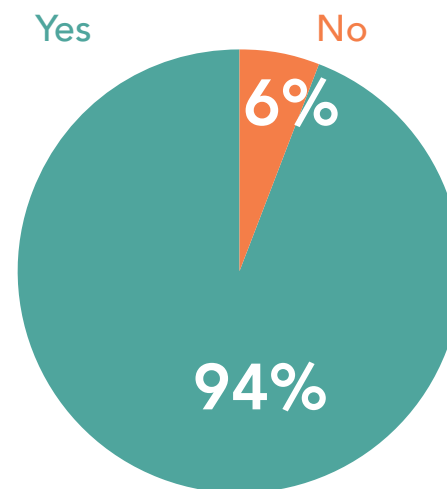
Do you have a registered account with a mobile money provider?

Sample: Smallholder farmers, n=2,771.



Are there benefits to having a mobile money account?

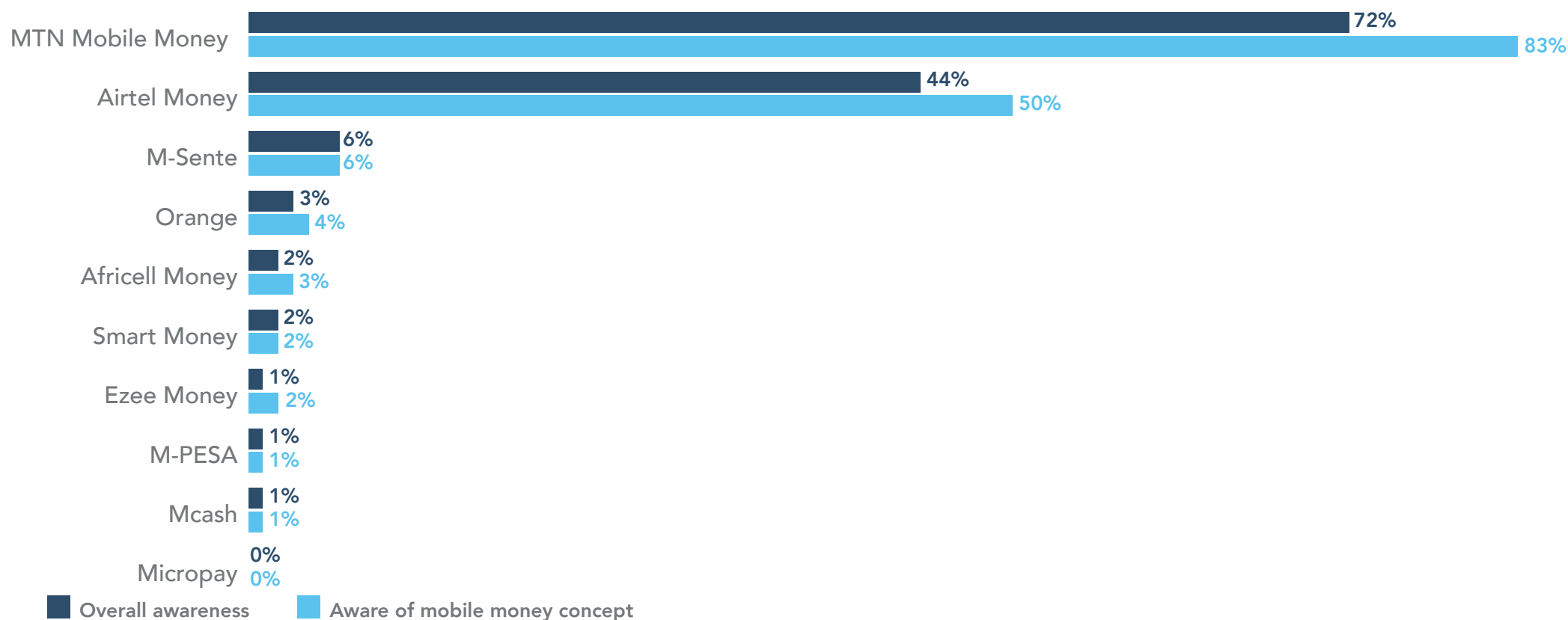
Sample: Smallholder farmers who are aware of mobile money concept, n=2,411.



MTN and Airtel Money are well known.

Please tell me the names of any mobile money providers that you are aware of?

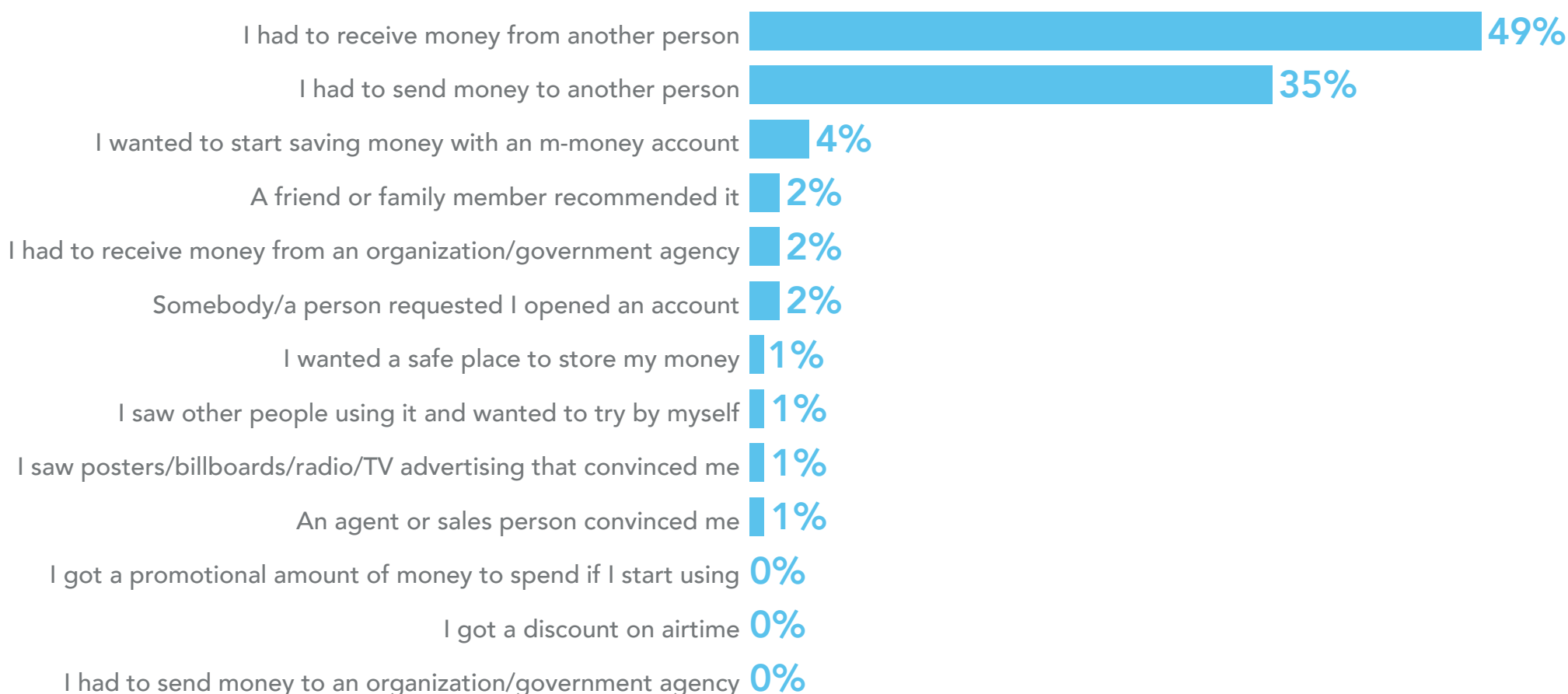
Sample: Smallholder farmers, overall awareness n=2,771, aware of mobile money concept n=2,411. Multiple responses allowed.



Send/Receive are predominant uses of mobile money services.

What is the main reason you started using mobile money?

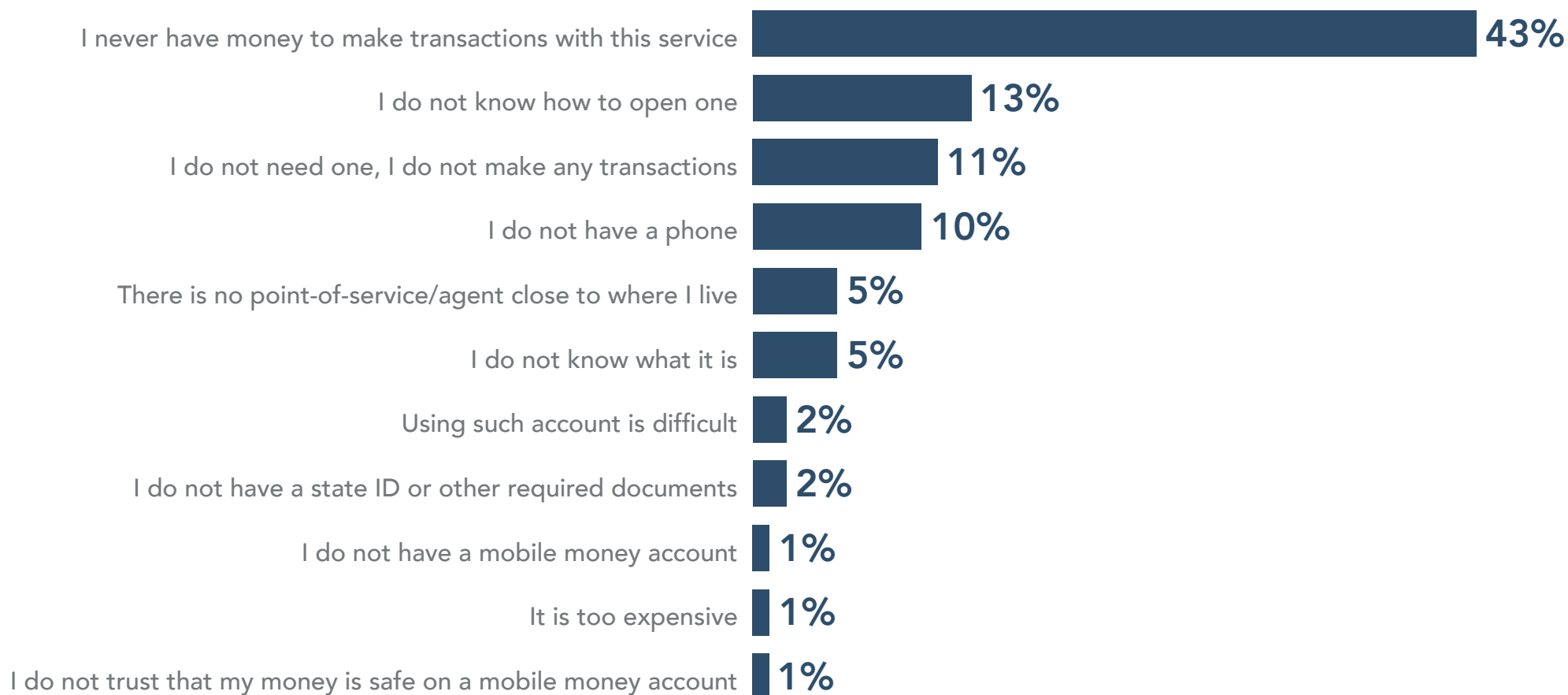
Sample: Smallholder farmers, n=888.



Transaction fees are a barrier to usage.

What is the main reason you have never used mobile money services?

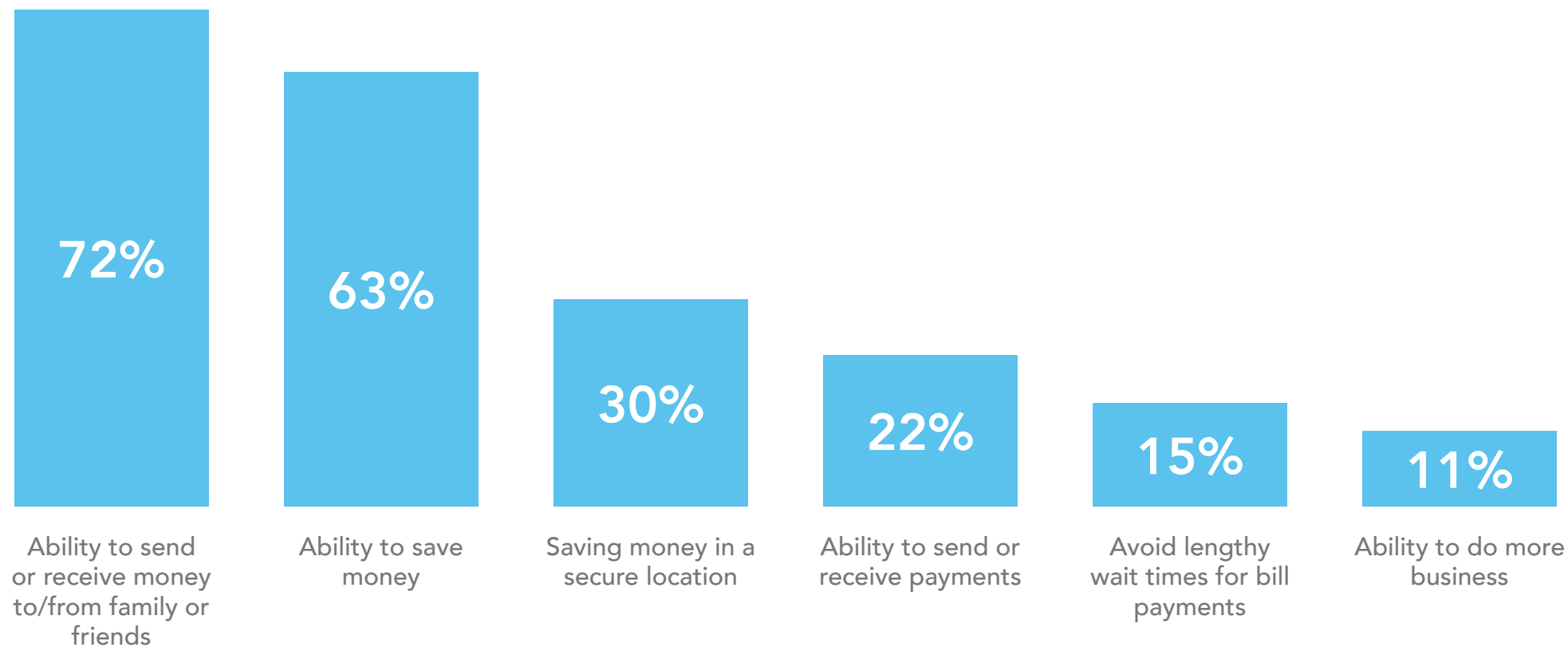
Sample: Smallholder farmers, n=602.



But there's traction for sending/receiving money.

What are the benefits to having a mobile money account?

Sample: Smallholder farmers who believe there are benefits to having a mobile money account, n=2,411. Multiple responses allowed.



What does the data teach us?

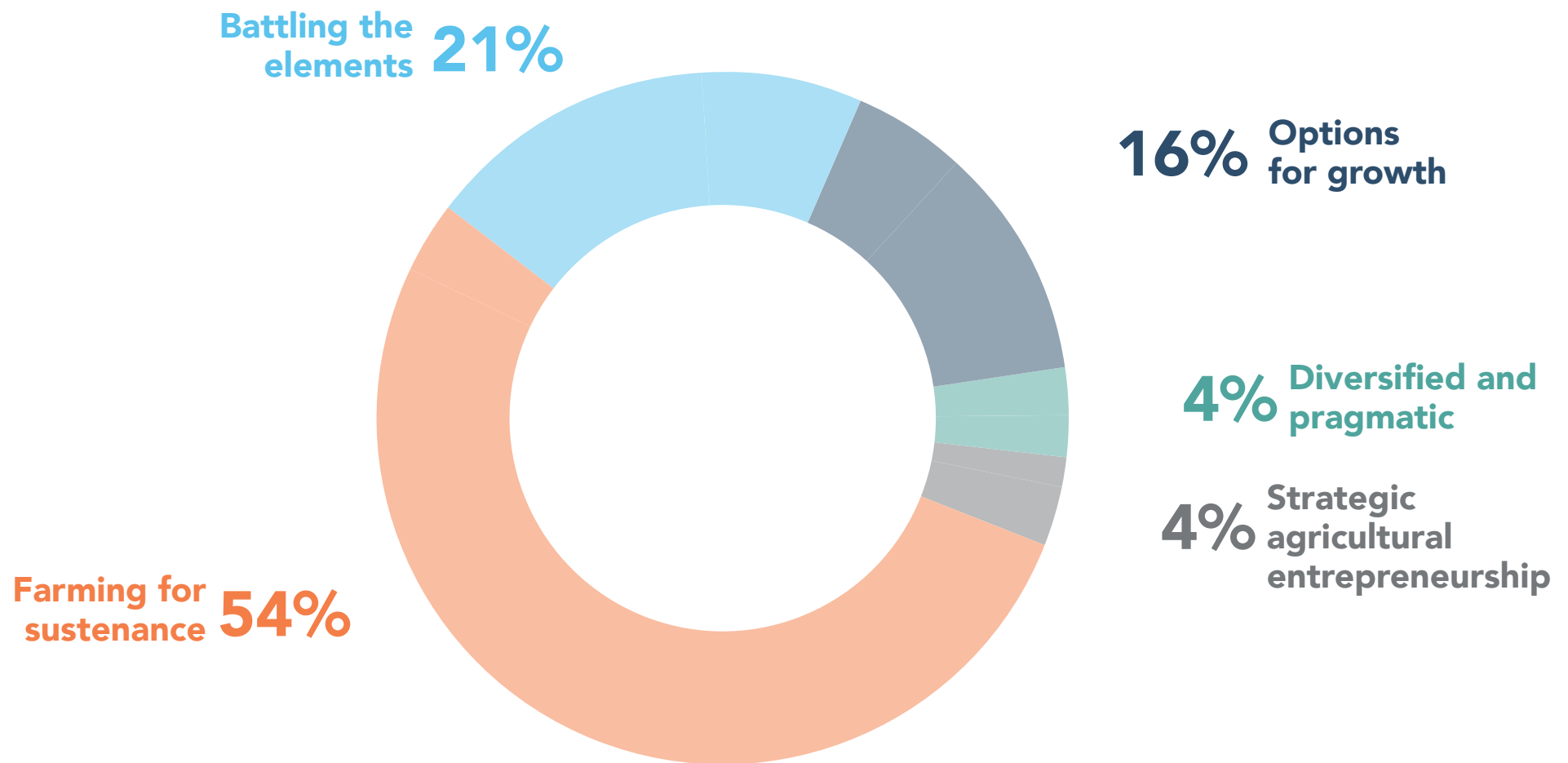
- Smallholders' awareness about mobile money and its benefits is an opportunity. MNOs can leverage this knowledge to drive usage over and above sending and receiving money.
- Below the line marketing initiatives seem to work better with smallholders as channels for information sharing. But radio is still an important channel to reach smallholders.



7

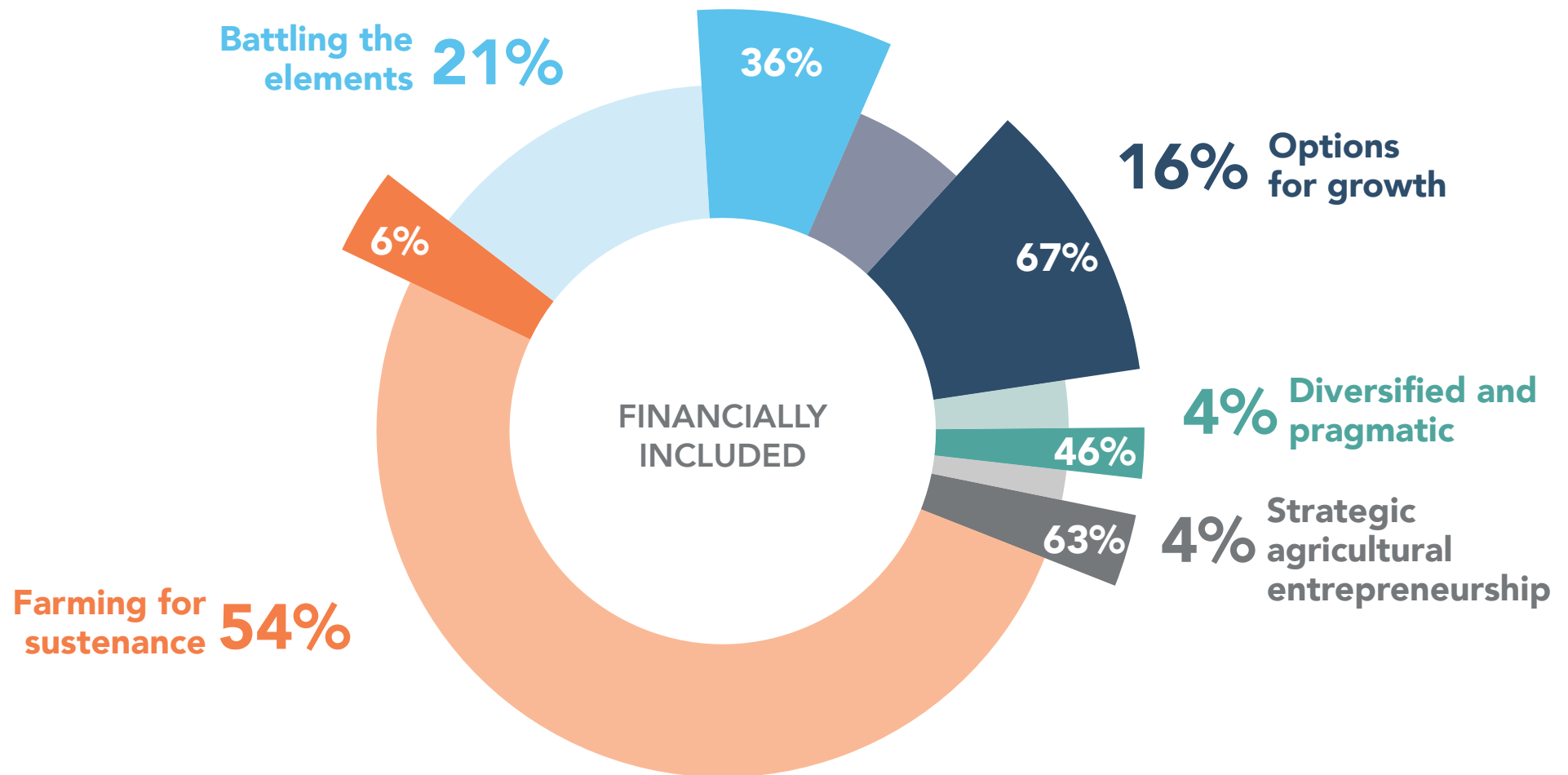
Segmentation

Five segments of smallholder households in Uganda



Five segments of smallholder households in Uganda

Percentage of segments financially included



Farming for sustenance

- It is the predominant segment among smallholder households in Uganda, comprising **54%** of farming households.
- This segment does live off of what the farm produces, either consuming, selling or trading the fruits of their agricultural labor, without much else to sustain their households.
- It is a highly vulnerable group, and perhaps stands to gain the most from financial and agricultural mechanisms that can facilitate their daily labor.

Government and NGO extension services that are geared towards increased production, productivity and improvements in farming methods can greatly help this segment to become more food secure.

Battling the elements

- The **"battling the elements"** group is the second largest segment in Uganda, comprising **21%** of smallholder farming households.
- This is an important group because these households are facing many of the same limiting circumstances as those in the "farming for sustenance" group, but are more able to call on their support networks for financial assistance.
- They are taking better financial steps in their lives, despite having less education and facing the brutal realities of farming.
- A greater portion generate income from agriculture, and a greater portion of these households has multiple income sources. This segment is still challenged by limited education, and the incidence of unexpected life or farm-related events.

This segment presents an opportunity for financial services that enable smallholders in this group to manage risk and reduce losses that could emerge from unexpected events. This is a target for FSPs (Insurance, Banks, MFIs).

Diversified and pragmatic

- The **"diversified and pragmatic"** segment, which includes just **4%** of Uganda's smallholder households, is moving away from vulnerability onto a path of stability.
- The "diversified and pragmatic" segment reflects the realism and inner conflict that can characterize smallholder farming households. These households grow more, sell more, earn more, have more income streams and have a broader portfolio of financial mechanisms.
- The conflict that arises in this group is that despite enjoying farming, taking pride in it, and looking for opportunities to grow it, many would diversify out of agriculture if given the opportunity.

This is an important group, as it represents smallholder households that have diversified within and outside of agriculture to best sustain their household needs. It can be used by Governments as role model for inspiring other farmers to transition.

Options for growth

- Smallholder households in the “options for growth” segment comprise **16%** of the smallholder population.
- The segment relies heavily on agricultural income, but is also the most likely to be engaged in more stable income sources outside of agriculture, such as running one’s own business or working a regular, full-time job.
- The “options for growth” group has greater access to financial tools and external support.

This is an important group, as it represents smallholder households that have diversified within and outside of agriculture to best sustain their household needs. It can be used by Governments as role model for inspiring other farmers to transition.

Strategic agricultural entrepreneurship

- The **"strategic agricultural entrepreneurship"** segment includes just **4%** of Uganda's smallholder households, and comes in as the second smallest of all five segments.
- This segment, comprised of those who have emerged from life's events empowered and enabled, is one of the smallest.
- The group is more enabled than others, has higher income, more education, greater access to emergency funds, and more financial mechanisms at their disposal.
- They have been impacted by the realities of farming, and have been able to rely upon their savings or other resources to get through tough times.

This group can be a model or a use-case for carrying meaningful messages (or examples) for growth in other segments of the population.



Photo by Wim Opmeer

IMPLICATIONS

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FSPs – Banks, MFIs and MNOs

- Leverage the trust that smallholder farmers have in financial institutions to develop a compelling value proposition and design responsive products and services.
- Empathize with the smallholder farmers; design offerings that bring them closer to achieving their aspirations.
- Think economies of scale. Almost half of smallholders in Uganda are characterized as the lowest income, most vulnerable 'farming for sustenance' segment. But the sheer size of this customer group and the lack of providers serving it also present big opportunities.
- Design financial solutions that pair the immediate needs of smallholder households with their longer-term desires, and that offer both short- and long-term benefits.
- Leverage the technologies available to smallholder farmers, like mobile phones, in the design and delivery of financial solutions, and empower their usage with targeted product education.

Donors

- Donors can play a catalytic role in bringing together different actors, breaking down silos, and improving knowledge exchange. Interventions that target smallholder farmers can improve the financial inclusion ecosystem working to serve them.
- Capacity building and systems strengthening will be critical to bring the FSPs to a level they can ably serve smallholder farmers. A strong investment in change management is a good place to start.
- Donors can also support initial interventions to explore and amplify the business case for solutions that target smallholder farmers.

Governments

- Governments can equip smallholder households with identification cards and other basic tools required for financial inclusion. This would help improve KYC, an important step in enabling the integration of smallholders into the financial system.
- Progressive regulatory policies that foster innovation and collaboration between different players in the market targeting smallholder farmers are also important.
- Infrastructure development is critical. Investing in broadband, fiber optic cables, and weather stations will be key to fostering innovation in the ecosystem.



Photo by Mohammad Saiful Islam

RESOURCES

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Resources

National Surveys and Segmentations of Smallholder Households:

Bangladesh:

[Paper](#) | [User Guide](#) | [Data](#)

Nigeria:

[Paper](#) | [User Guide](#) | [Data](#)

Uganda:

[Paper](#) | [User Guide](#) | [Data](#)

Tanzania:

[Paper](#) | [User Guide](#) | [Data](#)

Mozambique:

Paper: [Pt](#) [En](#) | User Guide: [Pt](#) [En](#) | [Data](#)

Côte d'Ivoire:

Paper: [Fr](#) [En](#) | User Guide: [Fr](#) [En](#) | [Data](#)

Financial Diaries with Smallholder Households

[Executive summary](#)

[Full paper](#)

[User Guide](#)

[Video](#)

[Data](#)

Tanzania: [Data](#)

Mozambique: [Data](#)

Pakistan: [Data](#)

[Designing Digital Financial Services for Smallholder Families: Lessons from Zimbabwe, Senegal, Rwanda, and Cambodia](#)

[Segmentation of Smallholder Households:](#)

[Meeting the Range of Financial Needs in Agricultural Families](#)

[Serving Smallholder Farmers: Recent Developments in Digital Finance](#)

[Digitizing Value Chain Finance for Smallholder Farmers](#)

[Smallholder Households: Understanding Demand, Driving Innovation](#)

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