

# FINANCIAL SOLUTIONS FOR SMALLHOLDERS IN NIGERIA



Photo: Yosef Hadar / World Bank

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# Speakers



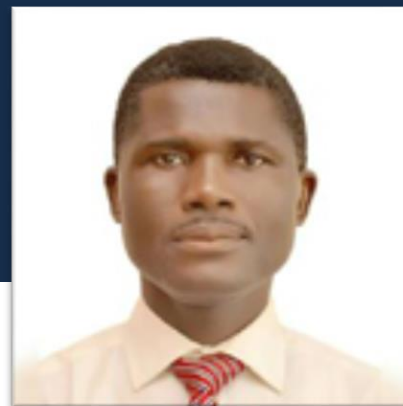
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# Agenda

Introduction

CGAP Smallholder Research

Nigeria National Smallholder Survey: Findings

Discussion

Q&A





Photo: Allison Shelley for CGAP

# Why Smallholders?

CGAP's Smallholder Research

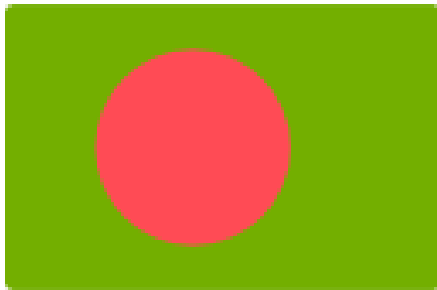
# CGAP's smallholder research

## Goals:

- Improve understanding of smallholders' demand for financial services through nationwide surveys
- Translate demand-side insights into market impact by working with financial services providers

# Household surveys in six countries

- Nationally representative surveys to evaluate smallholders' financial knowledge, attitudes, and behaviors in six countries



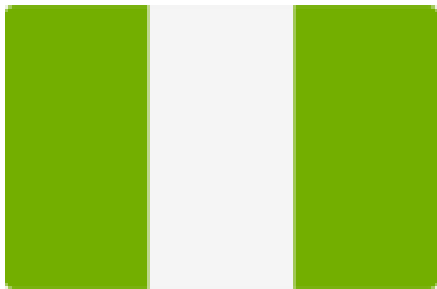
Bangladesh



Cote d'Ivoire



Mozambique



Nigeria



Tanzania



Uganda

# Household surveys in six countries



Photo: Yosef Hadar / World Bank

- Segmentation to access differences in knowledge, attitudes, and behaviors across communities
- Deep-dive into smallholders' livelihoods and financial behavior
- Discuss implications for financial service delivery





Photo: Evariste Bagambiki, 2016 CGAP Photo Contest

# Nigeria Smallholder Survey

## Methodology and Findings



# Defining smallholders

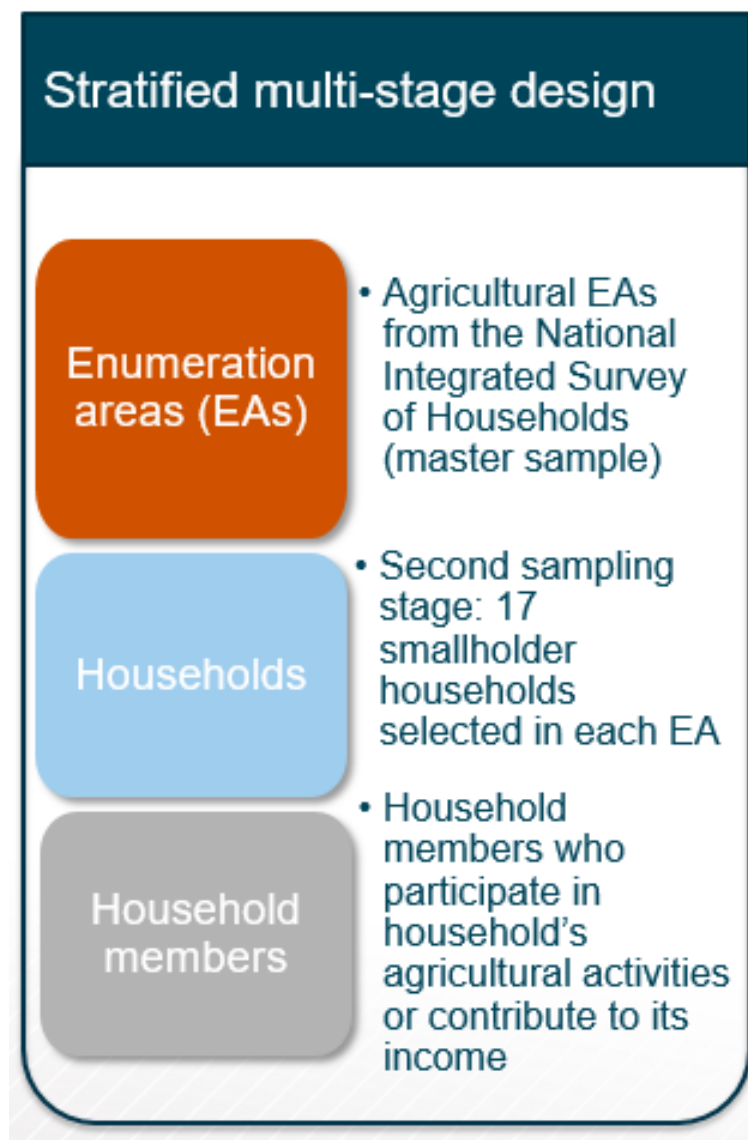
Two criteria:

- Households with up to 5 hectares of land OR who have fewer than:
  - 50 heads of cattle
  - 100 goats, sheep, or pigs
  - 1,000 chickens
- Agriculture provides a meaningful contribution to the household's livelihood, income, or consumption (self-identified)

# Methodology

## Sample Design

- Target: Nationally representative survey of 3,000 households
- National-level results for six geopolitical zones, disaggregated for urban and rural areas
- Sample designed by InterMedia with National Bureau of Statistics (NBS)
  - Multi-stage
  - Stratified by urban and rural
- Household listing operation
  - Identified according to definition
  - Provided frame for second stage of sampling

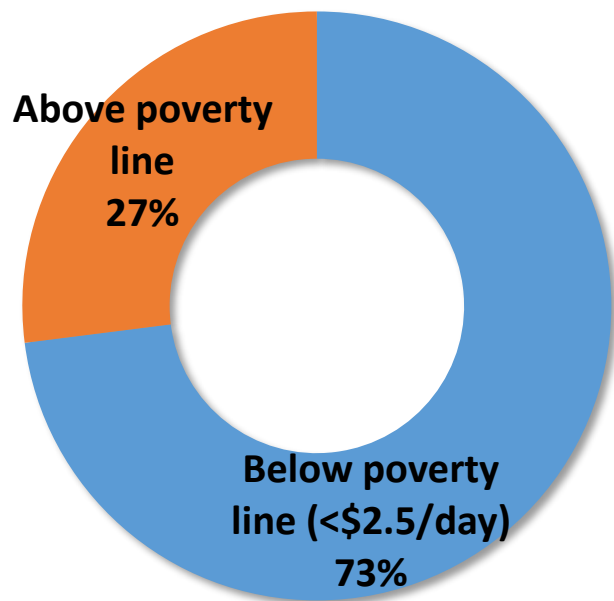


# Who are Nigerian smallholders?

Estimated total number of smallholder households in Nigeria: 19,791,122

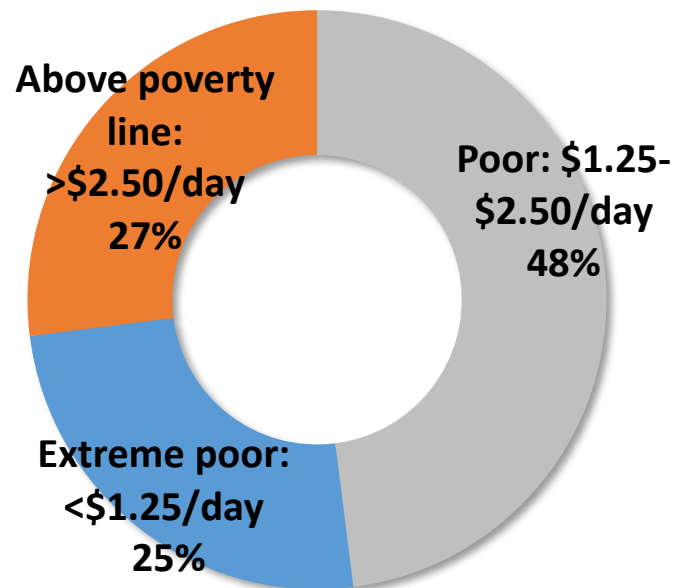
## Poverty status

Smallholder households, n =3,026



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Smallholder households, n =3,026





# Who are Nigerian smallholders?



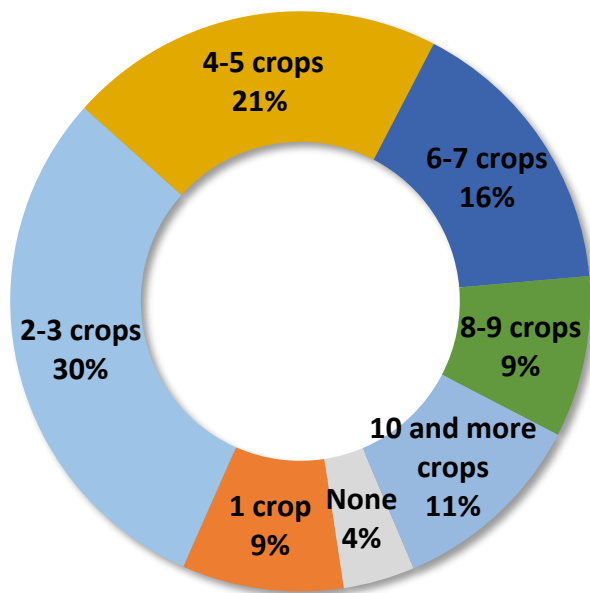
Photo: Arne Hoel / World Bank

- 63% own their land
  - 24% under customary law
  - 39% with lease or certificate
- 85% consider farming a business
- Growing 6 crops (avg.)
- 6 in 10 raise livestock
- 2 in 3 rely on labor of family members

# Informal agricultural ecosystem

## Number of crops grown for selling

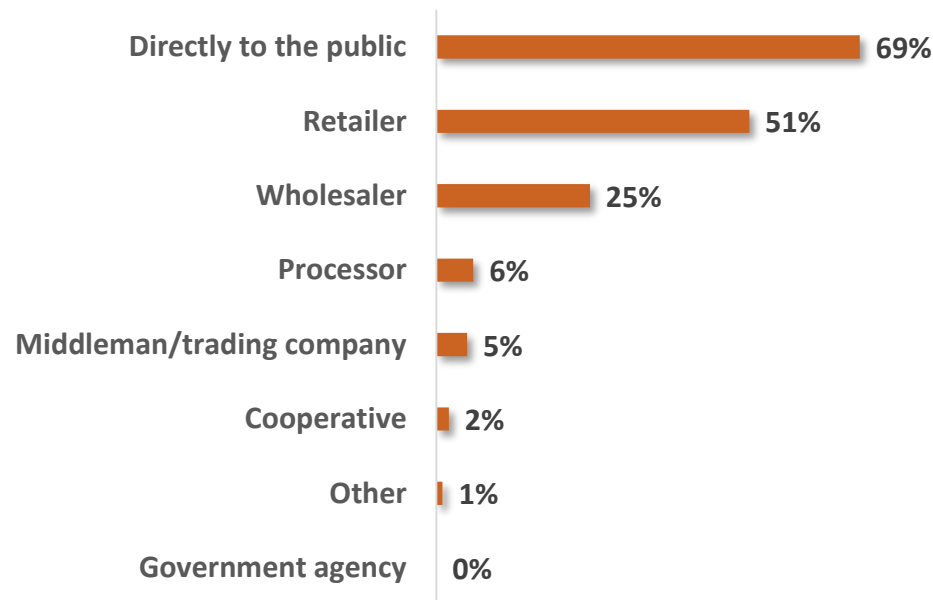
Smallholder farmers who grow crops, n=4,446



## Who do you sell your crops and livestock to?

Smallholder farmers who grow at least one crop for selling, n=4,236

Multiple responses allowed



# Informal agricultural ecosystem

- 85% sell without a contract
- 100% paid in cash for crops and livestock sold
- 90% pay their input suppliers immediately, and 96% pay in cash
- 25% do not have access to transport to other markets
- Only 13% are members of an agricultural association or farming group (i.e., planting group)



# Farming challenges

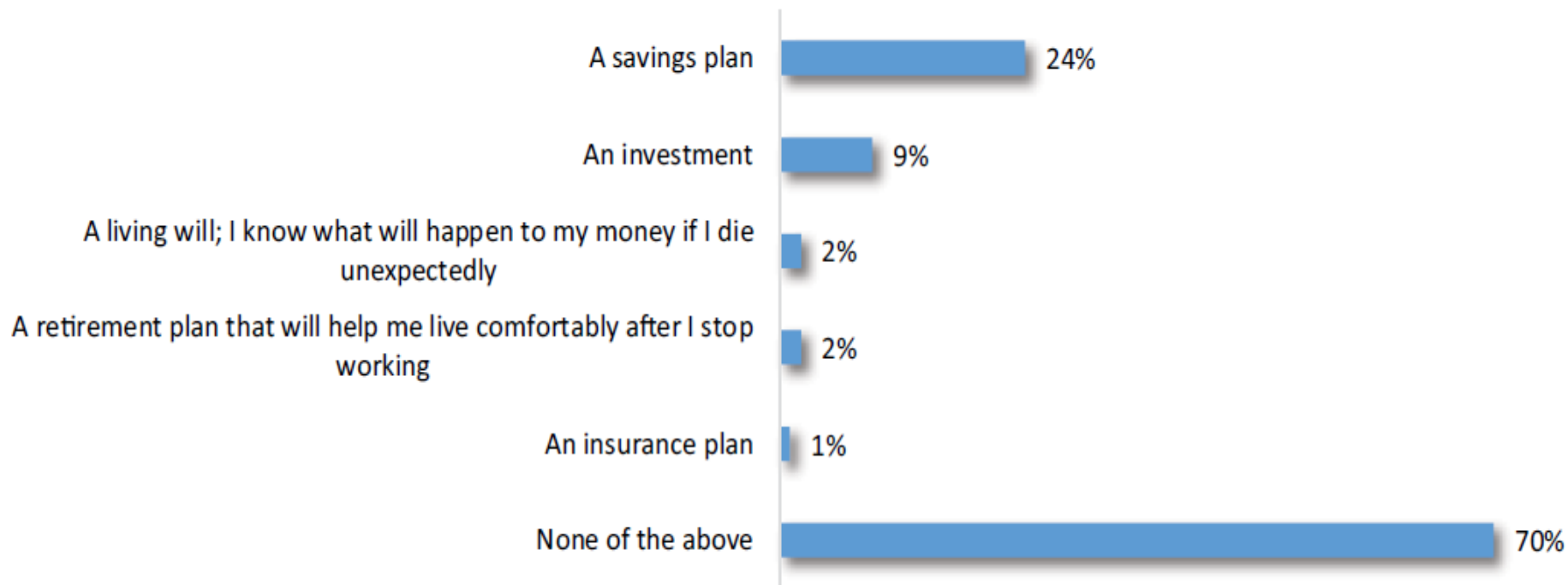
- Frequent exposure to events that seriously affect agriculture in the last three years

Smallholder farmers who participate in farming, n=2,502



# Risk management tools

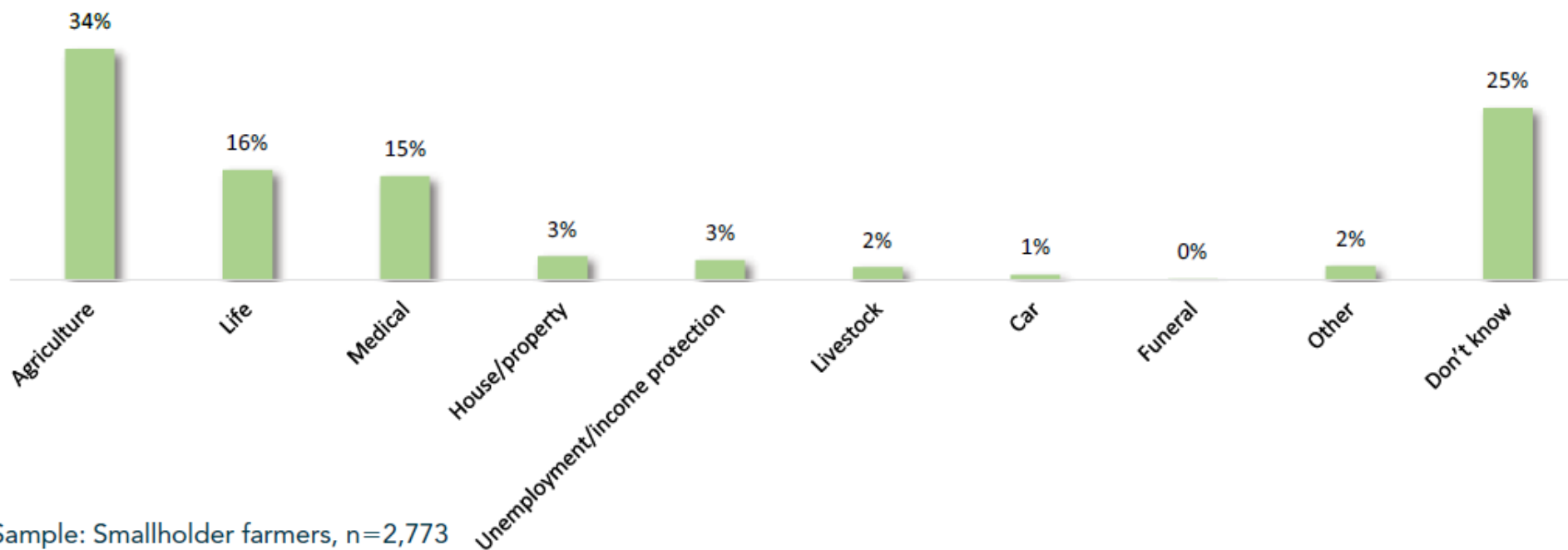
Do you have any of the following?



Sample: Smallholder farmers, n=2,773

# Type of risk management tool needed

Which type of insurance does your households need the most?

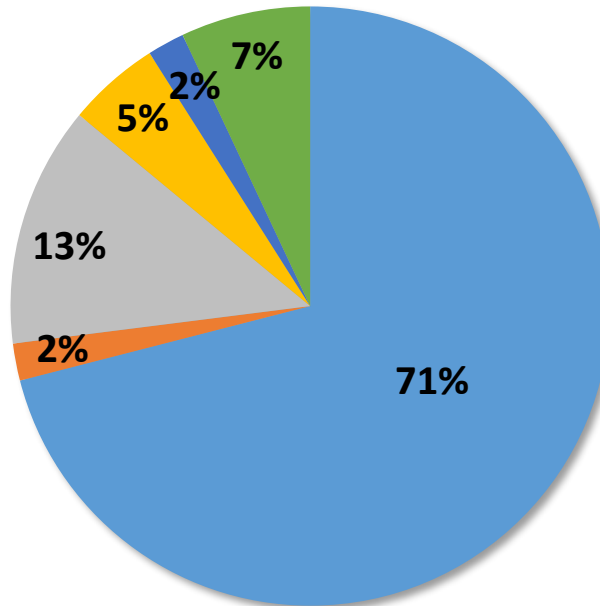




# Income

***What is your primary job (where you spend most of your time)?***

*Smallholder farmers, n=5,128*



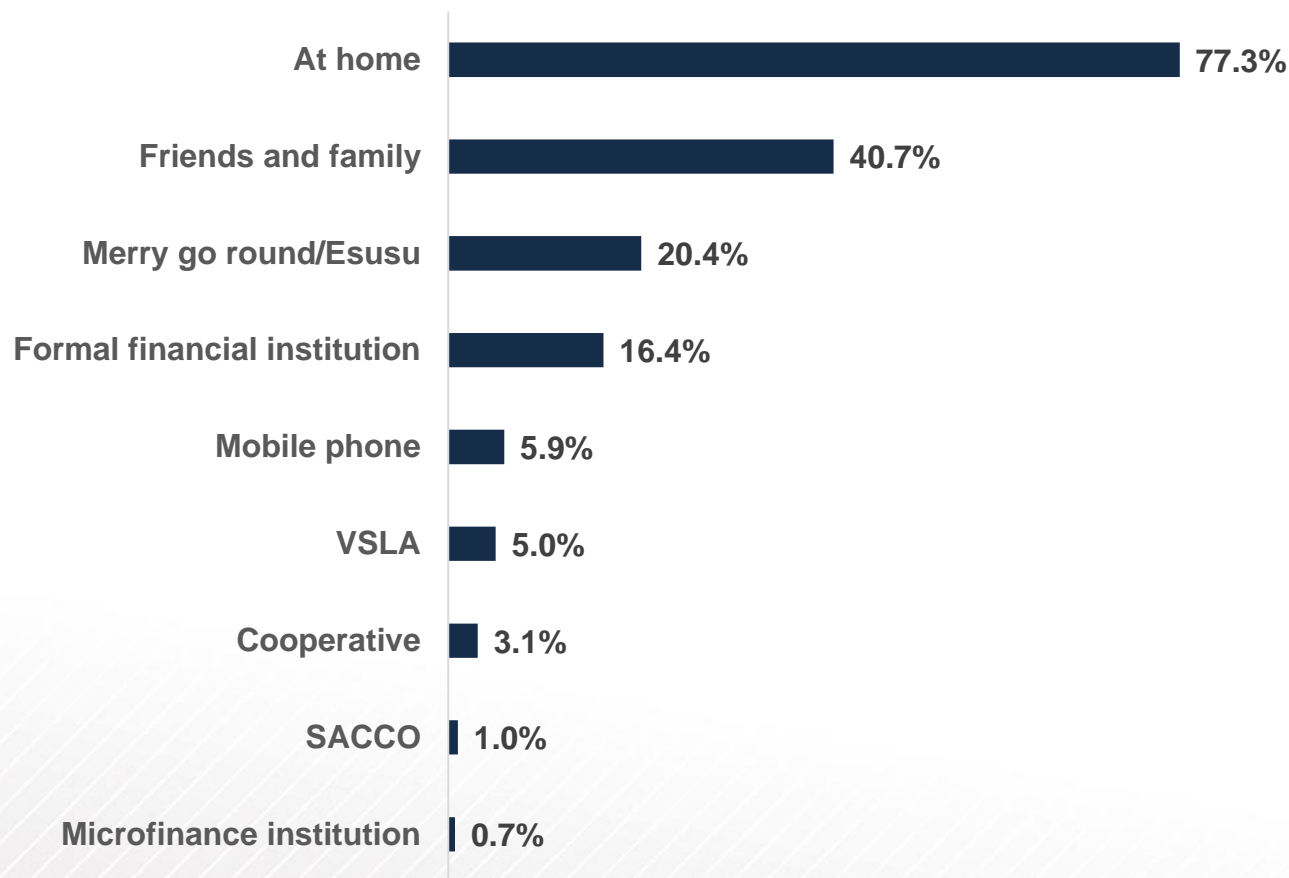
■ Farmer ■ Laborer ■ Business owner ■ Professional (e.g., doctor, teacher) ■ Shop owner ■ Other

- Remittances are an important source of cash for 20% of smallholder household members.

# Credit and savings

**In the past 12 months have you saved money with the any of the following?**

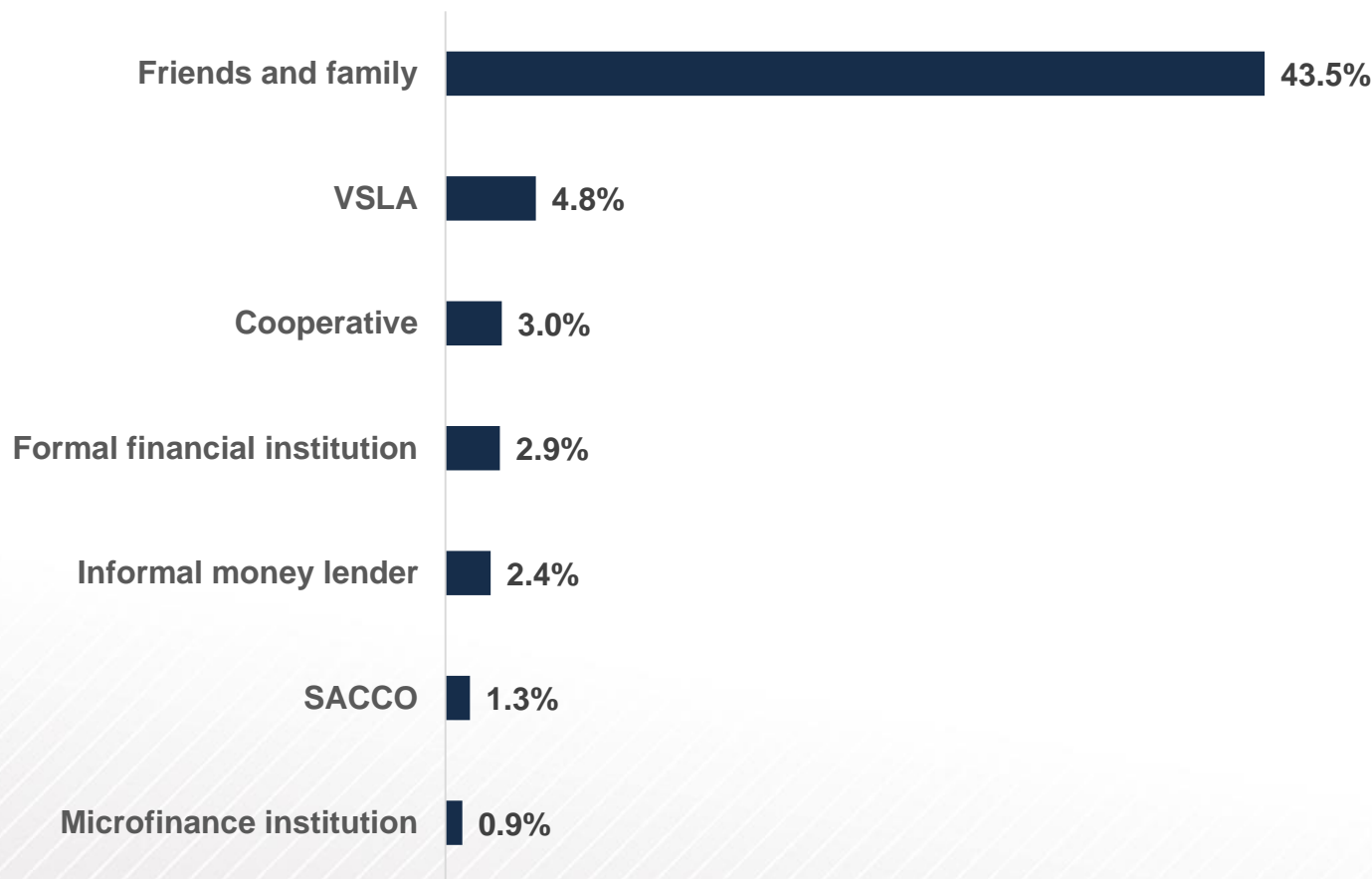
Smallholder farmers n=2, 773



# Credit and savings

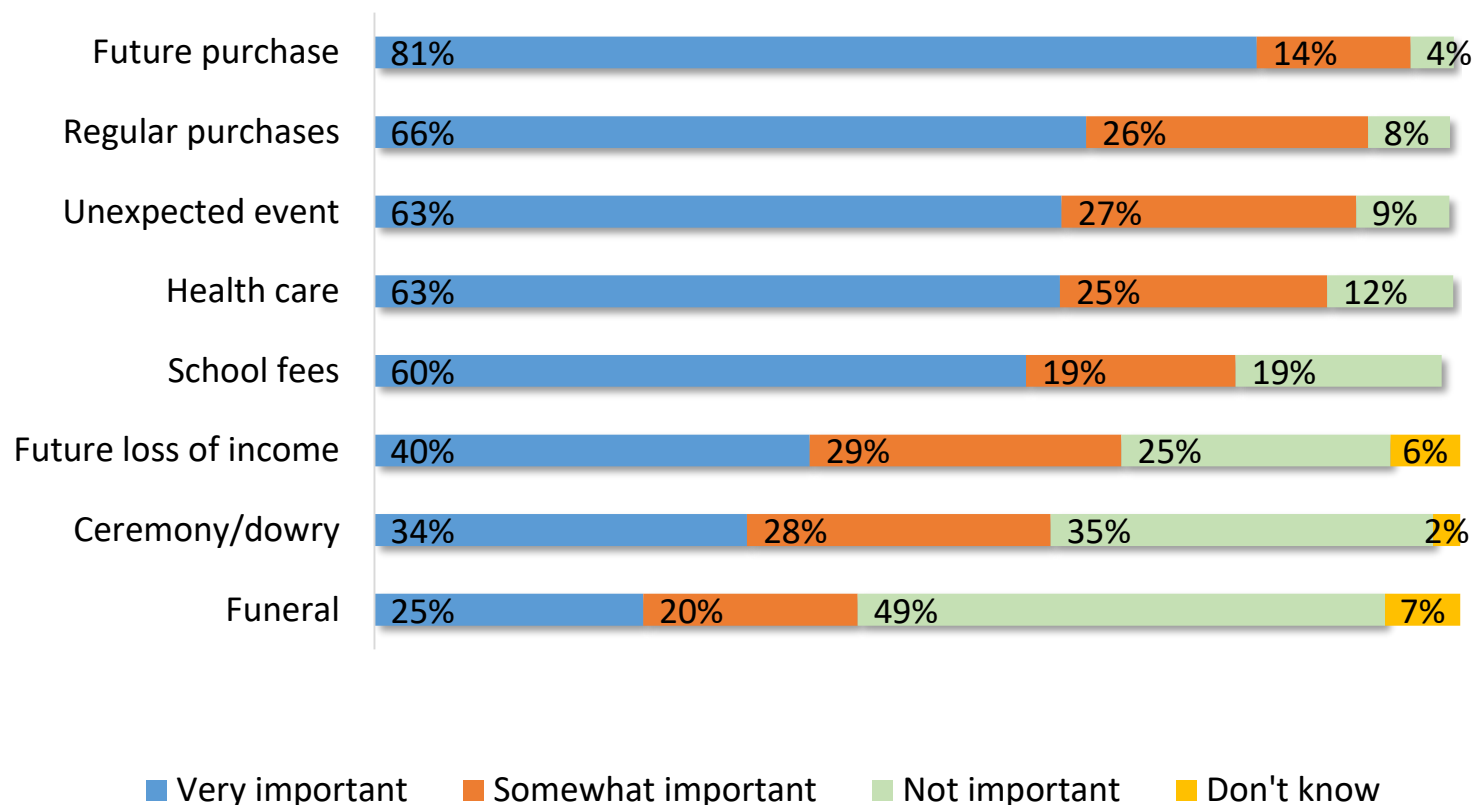
**In the past 12 months have you attempted to borrow from any of the following?**

Smallholder farmers, n=2,773



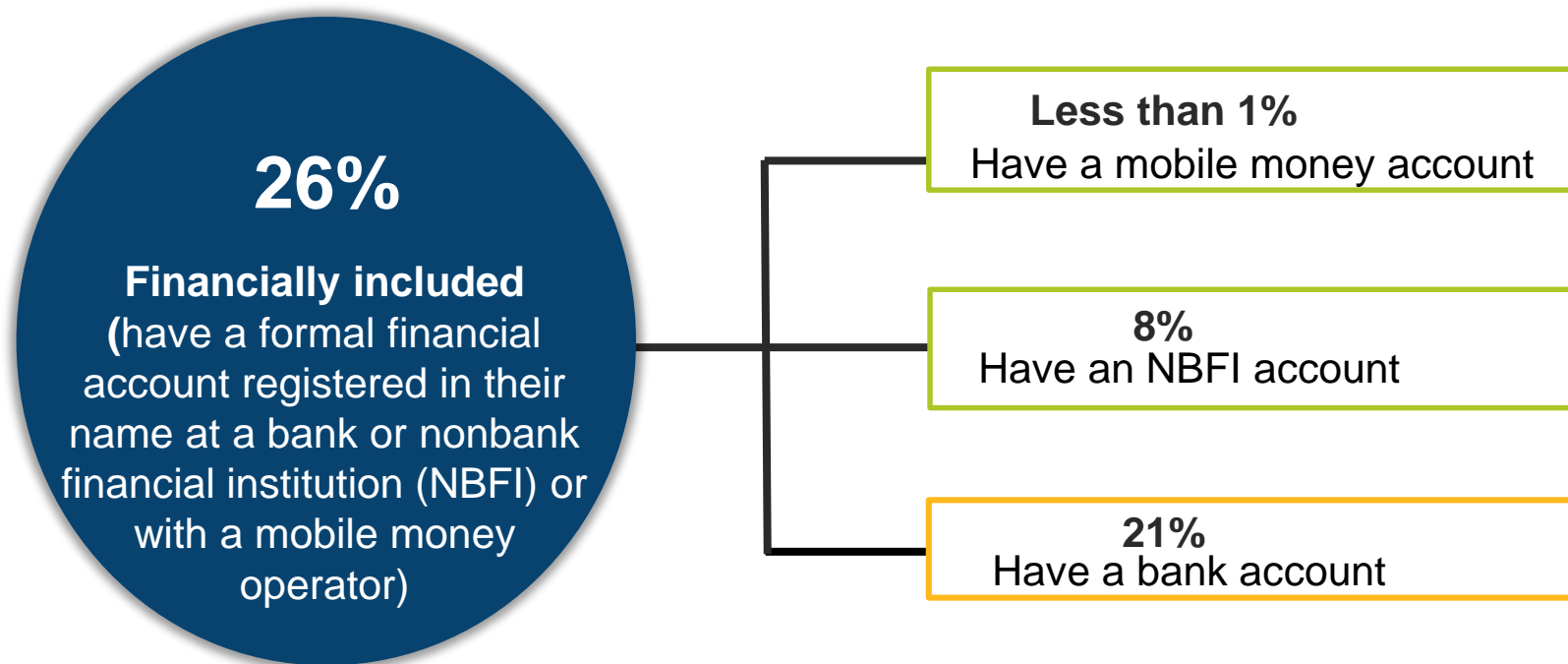
# Importance of savings

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





# Financial inclusion

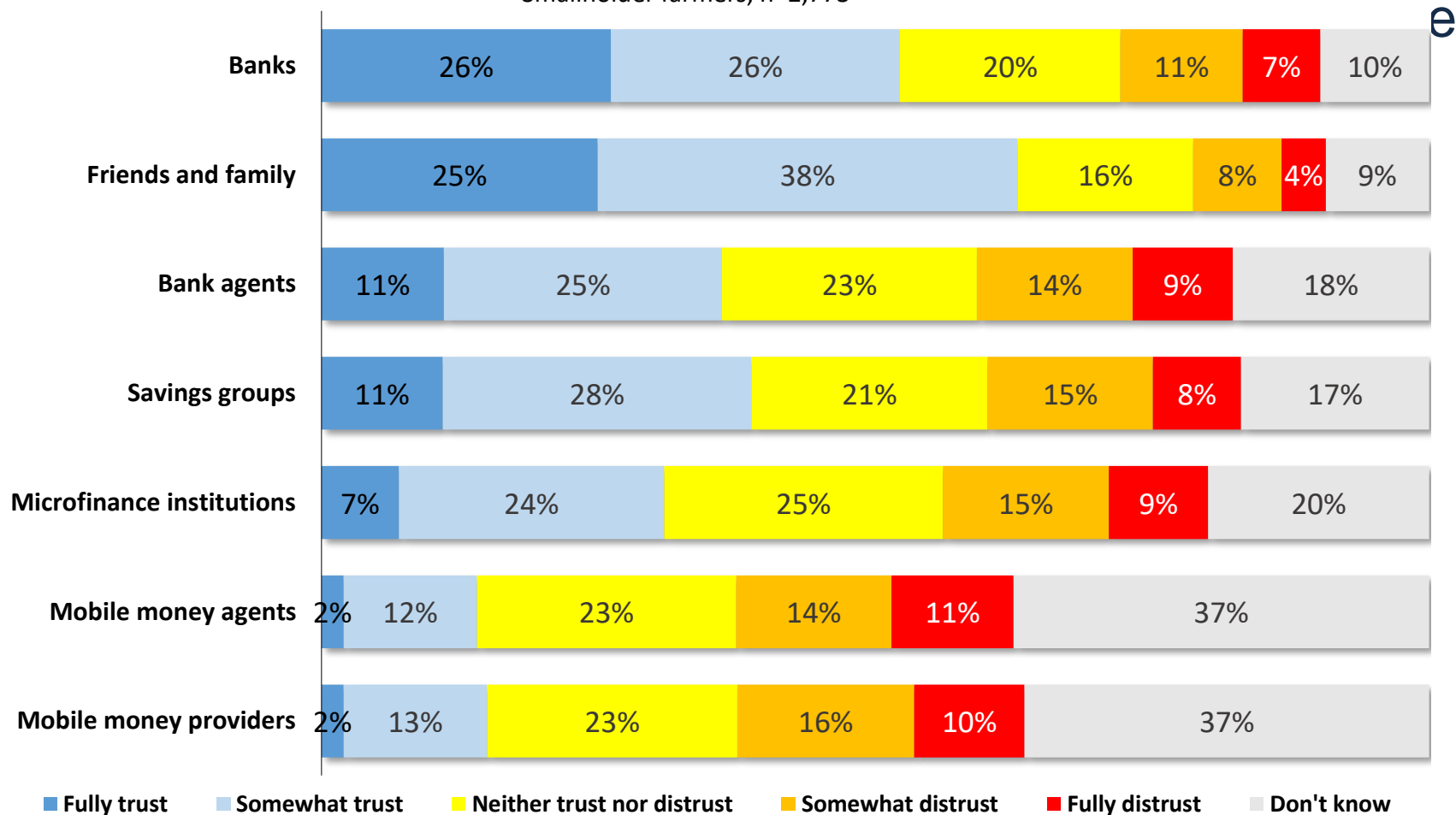


Smallholder farmers, n=2,773

# Financial inclusion

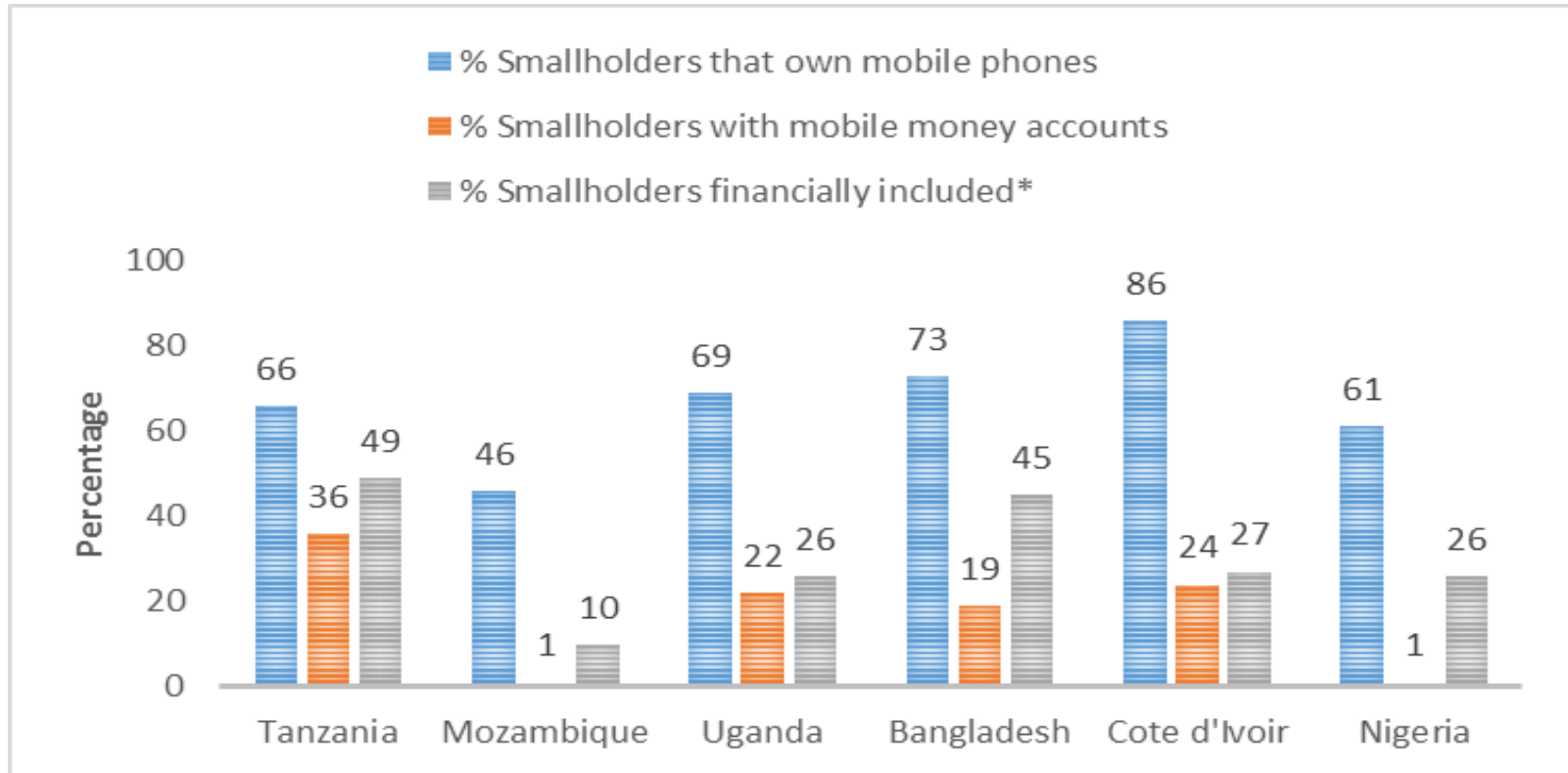
How much do you trust each of the following as financial sources?

Smallholder farmers, n=2,773



# Potential for digital financial services

- High mobile phone ownership + low use of mobile money accounts = big potential for DFS



Source : CGAP national surveys of smallholder households, 2015. \*Financial inclusion is having an account with an institution that provides a full suite of financial services and comes under some form of government regulation. These services include savings, money transfers, insurance or credit.

# Segmentation

Segmentation technique using principle components analysis (PCA) and cluster analysis of the data

## Four Segments

Farming for  
sustenance  
23%

- Dependent on the farm for day-to-day survival

Battling the  
elements  
44%

- Challenged and with limited resources, but perseverant

Options for  
growth  
19%

- Stable, optimistic about the future and have options for the future within and outside of farming
- Could pivot deeper into or out of farming depending on opportunities

Strategic  
agricultural  
entrepreneurship  
14%

- Actively engaged in agriculture and growing their agricultural activities
- Model for growth in other segments



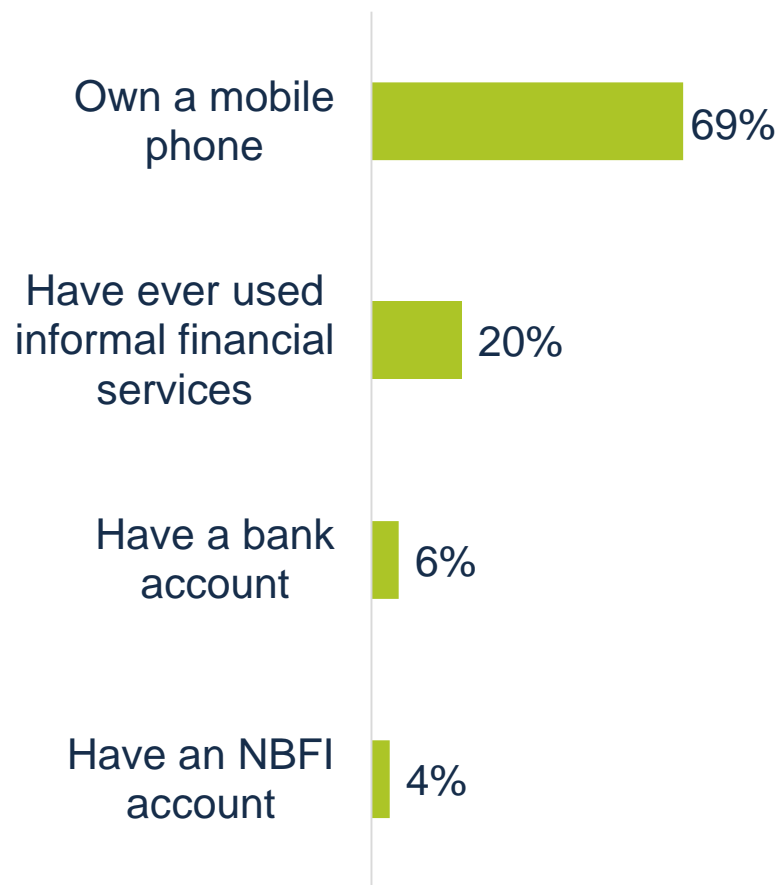
# Farming for sustenance

23% of smallholders belong to this segment

- 9 in 10 live in northern Nigeria
- Largest proportions:
  - Household heads with no formal schooling: 60%
  - Female household members: 58%
  - Youth (aged 15 to 29): 40%
- Most vulnerable group: 87% live on less than \$2.5 per day
- Highly tenured: 3 in 4 have more than 10 years in farming
- Least financially included: only 9% are financially included
- Trust banks the least and perceive the least the relevance of banks for their households

## Key Characteristics

n= 613



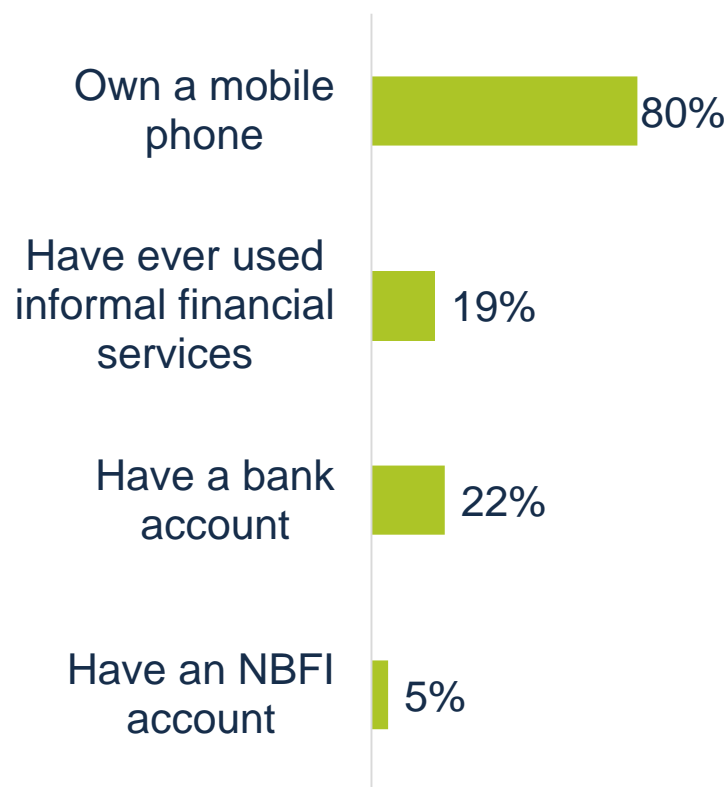
# Battling the elements

44% of smallholders belong to this segment

- Largest segment spanning across Nigeria
- 7 in 10 household members are male
- Highly experienced farmers
  - More than 10 years in farming: 65%
  - 6 to 10 years in farming: 24%
- 7 in 10 live in poverty (< \$2.5 per day)
- Enjoy and take pride in farming, but 56% would consider full-time employment outside of agriculture (second group most likely to leave farming)
- 25% are financially included
- More educated and have better access to financial services compared to the “farming for sustenance” smallholders, though significant gaps remain in their portfolio of financial tools

## Key Characteristics

n=1,093



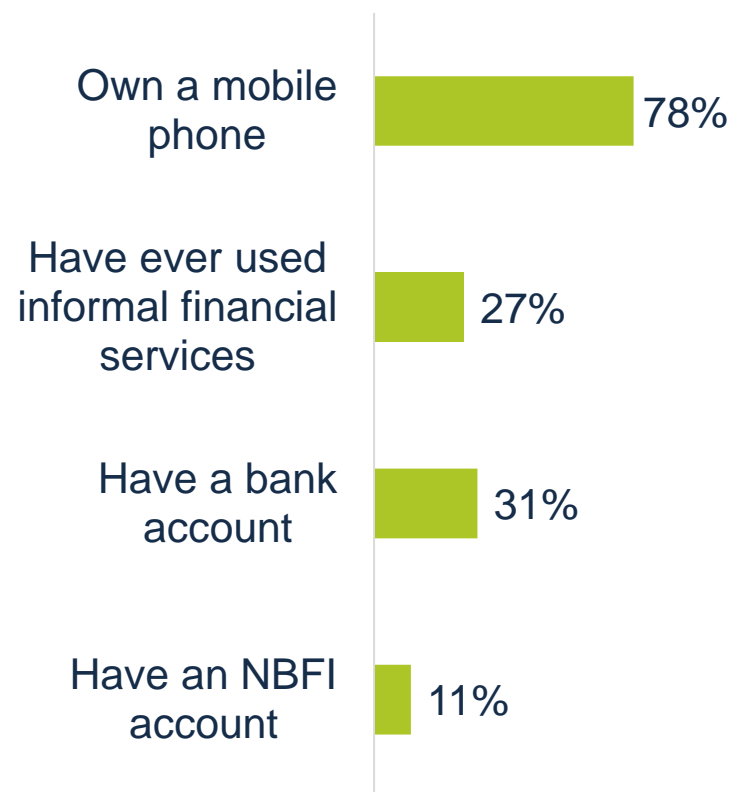
# Options for growth

19% of smallholders belong to this segment

- Span across Nigeria with northeast having the smallest share (5%)
- Most educated segment: 73% of household members have primary school education or higher
- 69% live below the poverty line of \$2.50 per day
- Relatively new to farming: 56% with more than 10 years in farming (the smallest proportion)
- Least satisfied with their agricultural achievements
- 39% are financially included
- Compared to smallholders in other segments, the “options for growth” smallholders have greater access to financial tools

## Key characteristics

n=659



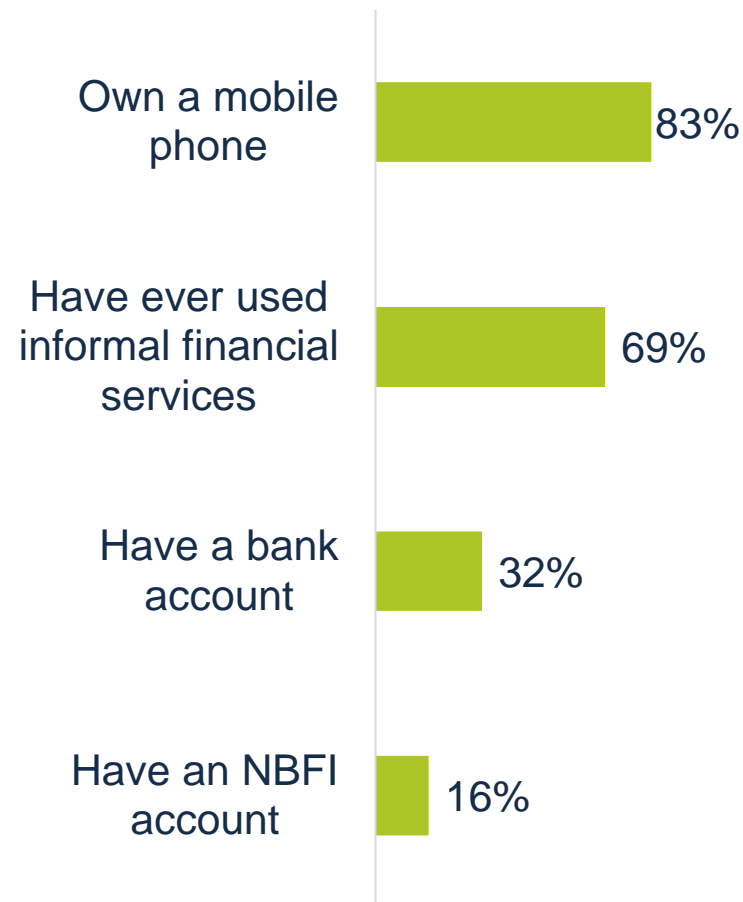
# Strategic agricultural entrepreneurship

14% of smallholders belong to this segment

- 2/3 of the households in this segment are located in north central, north west and south-south
- Household heads are relatively younger and more educated (second most educated segment)
- 68% live below the poverty line of \$2.50 per day
- Highly tenured in farming: 3 in 4 have more than 10 years in farming
- Segment most likely to leave farming (58%)
- 41% are financially included
- Segment with largest proportions who:
  - Have a savings plan: 45%
  - Have access to credit: 38%
  - Trust banks and financial institutions: 61%
  - Recognize the importance of insurance (59%) and savings (86%) for farming activities
- Only segment that values saving at financial institutions more than saving money at home

## Key characteristics

n =408



# Summary

Nigerian smallholder households

- Mostly led by men who are aging and lack formal education
- High poverty rate
- Transactions with other players in the value chain are essentially in cash, and all purchases are paid immediately
- Low infrastructure in terms of access to markets
- Grow a diverse set of crops to sell, trade and consume at home
- Farming is an important source of income



# Summary

## Nigerian smallholders

- A small portion is financially included – bank driven
- Lack access to formal sources of financial information
- Low level of trust in banks, MFIs, and mobile money
- Low level of mobile money awareness and uptake despite significant levels of mobile phone ownership
- Savings and credit mostly through informal channels (namely family and friends)
- High rates of phone ownership
- Not a homogenous group

# Summary

## Agricultural and digital finance implications

- With all segments reporting interest in staying in farming, the balanced mix of an older and younger generation of farmers presents an opportunity for cross-generation learning.
- There is a need for risk planning and mitigation to help smallholders cope with tough times in the agricultural cycle.
- Integration of the mobile phone into financial and agricultural activities is critical to improve smallholder livelihoods.
- Importance of savings offers an opportunity to increase both agricultural sustainability and financial inclusion.



Photo: Anjali Banthia, 2012 CGAP Photo Contest

# Discussion

## With Guest Speakers

# Rose Goslinga



Rose Goslinga is the managing director of Pula Advisors, a company that is radically restructuring agricultural insurance, using technology to increase and protect the incomes and yields of billion smallholders worldwide. Pula works in eight countries across Africa and Asia and in 2016 alone facilitated crop and livestock insurance cover to 400,000 farmers in Kenya, Rwanda, Uganda, Nigeria, Ethiopia and Malawi. Its founders' work in agriculture insurance has been recognized by several international awards, including the Financial Times/IFC Award for Sustainable Finance.



# Ernest Ihedigbo



Ernest Ihedigbo leads the Agricultural Value Chain Finance and Investment Services team of NIRSAL PLC. He has responsibilities for identification, development and deployment of agribusiness financing and insurance interventions in collaboration with agriculture and financial sector stakeholders. He facilitates the flow of financing into fixed agricultural value chains qualified under the risk sharing fund.



# Q&A

Please submit your questions using the chat box. Remember to send your questions to “**All Participants.**” Thank you!

# Thank you

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