

## FINANCIAL INNOVATION FOR SMALLHOLDER FAMILIES

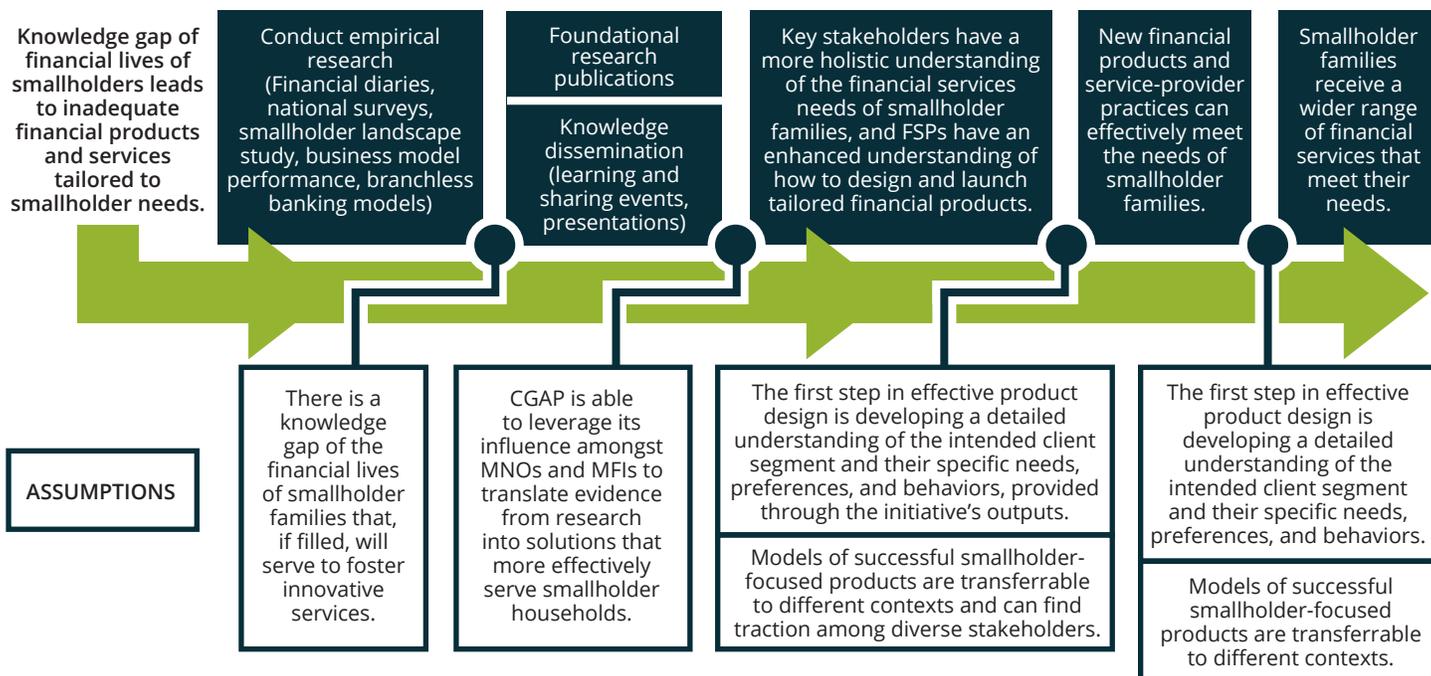
The Financial Innovation for Smallholder Families Initiative is working to facilitate the development of new financial solutions and provider practices that meet the needs of smallholder families. To achieve this objective, the Initiative aims to provide key stakeholders with a more holistic understanding of the financial services needs of smallholder families and collaborate with a wide range of providers to design and launch financial solutions, particularly technology-enabled ones. ✓

# 1. Description of Initiative’s Theory of Change

The CGAP V Strategy identified a knowledge gap on the financial lives of smallholder families, who constitute one of the largest financially excluded segments living below \$2-per-day. This gap results from the fact that smallholders had historically been the exclusive focus of agricultural development initiatives that tended to concentrate on smallholders’ farming needs, generating only anecdotal evidence of their non-agricultural livelihoods. At the same time, the financial sector traditionally has had very little exposure to—and knowledge on—rural communities, the agricultural sector, and smallholder families overall. This context meant that there was a lack of evidence to shape a holistic understanding of how the diverse livelihoods pursued by smallholder families shape their overall financial needs.

To collect evidence on smallholders’ financial lives, CGAP’s Financial Innovation for Smallholder Families Initiative carried out empirical research in several countries in Africa and Asia. With this evidence, CGAP has been developing insights that are helping financial providers to have a more holistic understanding of smallholder financial needs and to develop practices and financial products and services that respond to smallholders’ needs. The initiative’s theory of change and its assumptions are visualized below.

## Theory of Change: Financial Innovation for Smallholder Families Initiative



## 2. Evolution of the Initiative during CGAP V

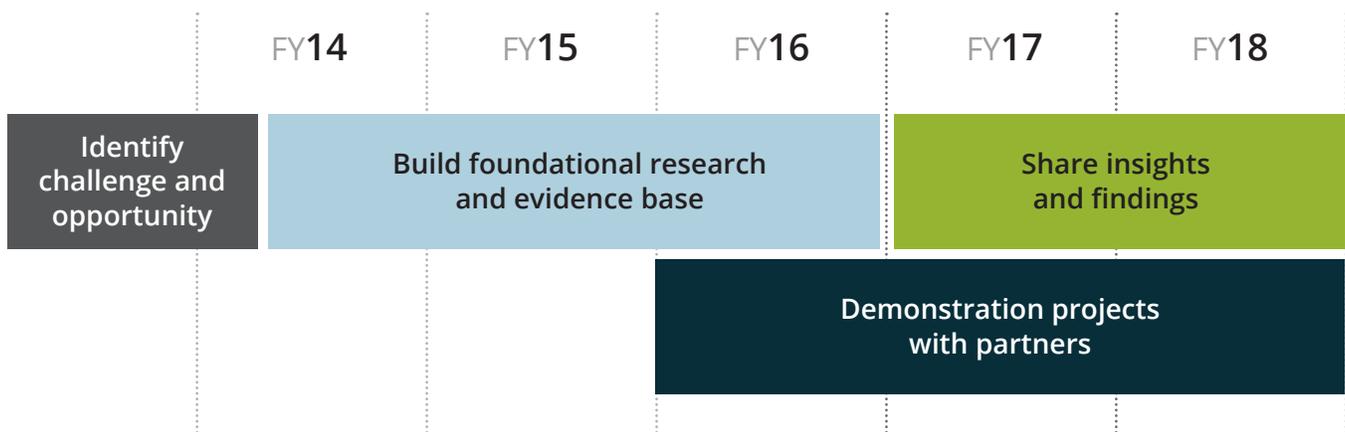
In its first year (FY14), the initiative focused on building foundational evidence on smallholders' financial needs and behaviors through the launch of financial diaries in sample communities in Tanzania, Mozambique, and Pakistan. Financial diaries captured daily financial transactions by each household member in the sample during a year, affording deep insights into smallholder financial behavior and attitudes, although these are not necessarily generalizable beyond the household sample.

Subsequently, in FY15 and FY16, the initiative launched nationally representative surveys of smallholder families in Tanzania, Mozambique, Uganda, Côte d'Ivoire, Bangladesh, and Nigeria. These surveys complemented the financial diaries by providing generalizable country-level trends in smallholder livelihoods, use of formal and informal finance, use of mobile phones and money, and risk management strategies.

While these research-intensive activities were being implemented during FY15, a few field collaborations with partner financial service providers (FSPs) began to apply preliminary insights to the design and launch of digital financial services for smallholders. These collaborations took place in Senegal (input layaway), Zimbabwe (savings for school), and Cambodia (savings accounts and remittances).

During FY17-18, CGAP sought to develop nine additional partnerships with FSPs to translate demand-side insights into financial solutions. To this end, in FY18 the Initiative established engagements with private sector actors and market facilitators in Mozambique, Uganda, Tanzania, Ghana, Côte d'Ivoire, and Nigeria, with CGAP providing technical support on the design of financial products and services targeting smallholders. Products under development include improved savings, payments, credit, and insurance delivered in combination with non-financial services such as agricultural extension, market information, and educational content. For more information on partnerships with FSPs, see box 2.

Similarly since FY17, CGAP began to share deeper insights from both demand-side research and collaborations with FSPs more broadly, through publications, webinars, and participation in industry events.



Financial Innovation for Smallholder Families Initiative Results Framework								
Outcomes	Indicator number and title	Baseline	Interim target June FY16	Interim actual June FY16	Comments on interim actual against target	Endline target June FY18	Endline actual June FY18	Comments on actual against target
Five-year Outcome 3.0 New Financial Products and Service-Provider Practices that Effectively Meet the Needs of Smallholder Families	3.0.1 # of new financial products and service-provider practices aimed at better serving smallholder families launched by financial service providers	0	n/a	n/a	n/a	5	9	Exceeded: Based on independent evaluation.
	3.0.2 # of CGAP-supported financial service providers substantially increasing their number of smallholder clients	n/a	n/a	n/a	n/a	4 providers with a 30% increase	5 providers with 30% increase	Exceeded: Based on independent evaluation.
	3.0.3 # of smallholder clients (of CGAP-supported financial service providers) who perceive that new products or practices effectively meet their financial needs	n/a	n/a	n/a	n/a	60%	95%	Exceeded: Based on independent evaluation.
Supporting Outcome 3.1 Key stakeholders have a more holistic understanding of the financial services needs of smallholder families	3.1.1 # of stakeholders who have a more holistic understanding of the financial services needs of smallholder families	n/a	15	28	Exceeded	n/a	n/a	n/a
Supporting Outcome 3.2 Financial service providers have an enhanced understanding of how to design and launch financial products (particularly technology-enabled products) which more effectively meet the needs of smallholder families	3.2.1 # of CGAP-supported financial service providers with enhanced understanding of smallholder product design and launch	n/a	3	3	Achieved	n/a	n/a	n/a

### **3. Achievements against the CGAP V Results Framework**

#### **Five-year Overall Outcome: New financial products and service-provider practices that effectively meet the needs of smallholder families.**

Over the course of CGAP V, the Smallholder Initiative contributed to the emergence of new financial products and services and provider practices that more effectively meet the needs of smallholder families. The initiative accomplished this goal through a two-pronged approach of building the evidence base on smallholder demand for financial services while designing and testing innovative products and services with FSPs.

Towards the end of FY18, CGAP commissioned an independent evaluation by BLE Solutions to assess results obtained. BLE solutions interviewed six direct FSP partners (i.e. FSPs receiving direct support from CGAP), three indirect FSP partners, and three indirect partners who were facilitators, for a total of 12 partner organizations. Interviews aimed to assess how much these partners improved their understanding of smallholder needs and the new products and practices they could develop. In addition, BLE interviewed a sample of 67 smallholder farmers who were clients of two partner providers to assess how well their financial needs were being met. It should be noted that the sample of partners and smallholders is not necessarily representative, and their participation was largely influenced by their availability to participate in interviews.

The first indicator used to assess the five-year outcome above was the number of new financial products and service provider practices aimed at better serving smallholder families launched by FSPs and attributable in some way to CGAP's work. The independent evaluation concluded that the initiative's direct and indirect influence led to the launch of nine products or service-provider practices by 12 direct FSP partners (see box 2), which exceeds the FY18 results framework target of five. The products or practices developed for smallholders involved an input layaway plan, satellite-based yield index insurance, digital input financing toolkit, village vendor agent networks, alternative credit scoring for farmers, SMS-based farmer financial education program, digital agriculture payments, savings for school, and digital remittances.

CGAP's means of influence were through technical assistance to partner FSPs to support the design and launch of new products or practices. CGAP also influenced the launch of new products and practices through the creation and dissemination of knowledge products and hosting convening or training events targeting FSPs, policy makers, and development agencies.

The second indicator used to assess this outcome is the number of CGAP-supported financial service providers substantially increasing (by 30% or more) their number of smallholder clients. To measure this indicator, CGAP requested the 12 FSPs it supported directly to report on the total number of smallholder customers at the beginning of their collaboration with CGAP and as of the end of CGAP V, 30 June 2018. The difference between these two numbers was used to determine if these providers substantially increased their number of smallholder customers. Based on these calculations, we find that five partner providers achieved a 30% or higher increase in their smallholder clientele base. This exceeds the FY18 Results Framework target of four providers. These five providers are Positive International Limited (PIL; Tanzania), Pula (Nigeria), Econet (Zimbabwe), MyAgro (Senegal), and Mukwano (Uganda).

The third indicator used to measure progress towards the initiative's Five-year Outcome is the percentage of smallholder clients (of CGAP-supported financial service providers) who perceive that new products or practices effectively meet their financial needs. To measure this indicator, BLE Solutions conducted four

focus group discussions with 67 smallholder customers of two CGAP partner providers: Econet Wireless in Zimbabwe and PIL in Tanzania.<sup>1</sup>

Overall, the evaluation determined that 95% of customers across the two providers perceive that the new products launched by CGAP partner providers effectively met their needs. This exceeds the FY18 target of 60%.

CGAP exceeded all the targets set for the three indicators. Collaboration with other key stakeholders also contributed to these positive results. As an example, by merging financial resources and technical knowledge with other CGAP teams like DFF, the collaboration with Pula in Nigeria was possible, given the complexity in the joint analysis of satellite and farm yield data required and the relatively higher costs to provide the type of support needed. Another example is the collaboration with facilitators like the Alliance for a Green Revolution in Africa (AGRA), which was instrumental in identifying a local partner like PIL in Tanzania with innovative ideas and deep local knowledge, and then leveraging financial resources and technical know-how with CGAP to implement agronomic and financial activities required. These types of collaborations enabled the initiative to make more cost-effective use of its resources and leverage different kinds of expertise.

Although by the time of the evaluation five out of the 12 partner FSPs (see box 2) had already achieved a 30% or more increase in smallholder clients, this does not necessarily mean the other seven will not be able to achieve this goal in the future. In some cases, partner FSPs like JFS in Mozambique experienced significant delays due to changes in leadership and slow coordination processes with other local partners like banks and facilitators like FSD Mozambique. In other cases, such as with Olam (Côte d'Ivoire and Ghana) and Syngenta (Tanzania), collaboration with CGAP only began in the middle of FY18. Despite the short time frame, important lessons were learned. However, the implementation of CGAP-supported processes is still ongoing and partners' smallholder clientele base may increase substantially in the near future. CGAP will continue to monitor their progress.

## **Supporting Outcome: Key stakeholders have a more holistic understanding of the financial services needs of smallholder families.**

The Financial Innovation for Smallholder Initiative has contributed to an enhanced understanding of smallholder demand for financial services among key industry stakeholders. In FY16,<sup>2</sup> CGAP found that at least 28 stakeholders reported having a more holistic understanding of the financial services needs of smallholder families. These results were obtained using surveys of participants attending a key CGAP convening in 2015 (see box 1).

While the Initiative's Results Framework does not include targets for this indicator beyond FY16, the independent evaluation by BLE Solutions indicated that further progress had been made by FY18 in increasing stakeholder understanding of the financial needs of smallholders.

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1. These two providers were chosen because of their availability to help organize focus groups, with other CGAP partners expressing regret at not being able to participate due to conflicting obligations during the evaluation process.
  2. The two Supporting Outcomes for the Financial Innovation for Smallholder Initiative only have FY16 targets in the Results Framework due to the theory of change being sequenced, i.e. to achieve the overall Five-year Outcome "key stakeholders need to have a more holistic understanding of the financial services needs of smallholder families" (supporting outcome 3.1) and "FSPs need to have an enhanced understanding of how to design and launch financial products (particularly technology-enabled products) which more effectively meets the needs of smallholder families" (supporting outcome 3.2).

**Box 1.**

Organizations that participated in CGAP's smallholder families convening in 2015 that reported in follow-up surveys a more holistic understanding of smallholder financial needs:

- Advans
- Amret Microfinance Bank
- BFA
- Bill & Melinda Gates Foundation
- Boulder Institute of Microfinance
- CENFRI
- Dalberg
- Econet
- FAO
- FSD Mozambique
- FSD Tanzania
- GIZ
- GSMA
- IFAD
- IFC
- Initiative for Smallholder Finance
- Mastercard Foundation
- Mercy Corps
- MicroCred
- myAgro
- One Acre Fund
- Opportunity International
- Rabobank
- RAF Learning Lab
- The MIX
- USAID
- Vodafone
- World Bank

BLE reports that “the efficacy of the initiative [to improve the understanding of smallholder families] is perceived in the approach the team took in convening workshops that allowed organizations to network with and learn from others, and also in observing smallholder families first, before prescribing specific products and services.”

Other methods used by CGAP to advance stakeholder understanding of smallholder financial needs included publications, knowledge events like webinars, trainings and technical presentations and the launch of CGAP's Smallholder Data Hub in March 2018 (see section 4 for a full list of publications).

### **Supporting Outcome: Financial service providers have an enhanced understanding of how to design and launch financial products (particularly technology-enabled products) which more effectively meets the needs of smallholder families.**

The indicator used to monitor progress towards this outcome is the number of CGAP-supported financial service providers with enhanced understanding of smallholder product design and launch. By the FY16 Results Framework reporting, the Initiative had been providing support to three FSPs (out of a target of four for the whole of CGAP V). These were Econet Wireless (Zimbabwe), myAgro (Senegal), and Amret Microfinance (Cambodia). In the subsequent two years of CGAP V, the Initiative provided design and pilot support to an additional nine FSPs: Pula (Nigeria), JFS and a Private Commercial Bank<sup>3</sup> (Mozambique), PIL and Syngenta (Tanzania), Mkuano, Pride and Kyagalanyi Coffee Limited (Uganda), and Olam (Côte d'Ivoire and Ghana). See box 2 for more details.

The independent evaluation found qualitative evidence that these providers enhanced their understanding of how to design and launch smallholder financial products. From interviews conducted by BLE solutions, partner FSPs report that CGAP's support provided access to local smallholder information not available elsewhere, which was critical to design their services. In addition, CGAP's advice and training resources helped to develop partner staff's capacity and were reported to have contributed to the increase in smallholder clientele and service satisfaction from smallholders reported earlier.

3. For confidentiality reasons, the partner does not want to be named.

Some relevant partner quotes that illustrate their learning experiences are shown below.

“We have worked with quite a few donor programs. From our experience, we work with organizations that can add value to business. [CGAP] seemed to understand what we were doing, they could add something, they could put something on the table.”

“We appreciated that CGAP...[was] level-headed through the project. Even though the first two studies did not show results, we were able to regroup and continue adapting the project. You do not see this a lot. I cannot emphasize this enough, but this is rare for partners to be so understanding and to allow us to fail and learn from our failures. The reality is you will fail, but only by failure do you learn.”

“[There is] very low usage of financial services by rural populations because banks force them to change their lives to use the products; CGAP helped us to change the product to their lives.”

## Box 2. Digital finance providers directly supported by CGAP's Smallholder Initiative:

**Econet Wireless** (Zimbabwe). Partner type: MNO. Developed a digital savings product that would fit smallholder's cashflows and enable them to save towards children's school fees at the start of the school year. This product would be part of a suite of smallholder products developed by Econet.

**myAgro** (Senegal). Partner type: Input provider. In the context of an existing input layaway product, the support provided enhanced product delivery by brokering new partnerships with local vendors to act as agents and improving the client on-boarding experience.

**Amret Microfinance** (Cambodia). Partner type: MFI. Designed an app-based digital savings and remittances product for smallholders and their relatives living in cities or out of the country.

**Pula** (Nigeria). Partner type: Insurance company. Reduced the cost of providing agricultural insurance by applying satellite data to improve prediction of client losses while reducing the frequency with which insurers need to visit communities.

**JFS** (Mozambique). Partner type: Buyer of smallholder produce. Measured the market size and defined financial services most needed by smallholders for JFS and a partner Bank to provide. From the assessment, input credit and agricultural payment products were designed for smallholders.

**Private Commercial Bank** (Mozambique). Partner type: Bank. Identified changes in internal processes for the bank to offer bulk digital payments made by agribusinesses to smallholders.

**PIL** (Tanzania). Partner type: Input provider. Designed a client-centric messaging and product delivery strategy as well as a client on-boarding app to deploy an input layaway product.

**Syngenta** (Tanzania). Partner type: Input provider. Designed a collaboration strategy between Syngenta and a local Credit and Savings cooperative, to develop a digital credit scoring system and a shared agent network to serve smallholders.

**Mukwano** (Uganda). Partner type: Buyer of smallholder produce. Developed an SMS-based communication campaign to deliver agronomic, market and payment information to smallholders in a way that ensures greater smallholder access to markets and a better experience receiving crop payments.

**Pride** (Uganda). Partner type: MFI. Developed a digital credit scoring model for agricultural loans targeting smallholders.

**Kyagalanyi Coffee Limited** (Uganda). Partner type: Buyer of smallholder produce. Quantified the value proposition smallholders face when offered to digitize agricultural payments they received, to identify pain points in the user experience. This helped KCL improve its offer.

**Olam** (Côte d'Ivoire and Ghana). Partner type: Buyer of smallholder produce. Identified new digital finance products that MNOs collaborating with Olam can offer to complement and enhance the value proposition of digital agricultural payments received by smallholders.

## 4. Overall Assessment of Achievement on Deliverables during CGAP V

The Smallholder Initiative has met its planned deliverables for CGAP. These deliverables can be broadly classified into three main categories: 1) Building the Evidence Base, 2) Provider Collaborations, and 3) Other Knowledge Products.

- ✔ **Building the Evidence Base:** From its beginning, the Smallholder Initiative focused on collecting data on smallholder demand for financial services and disseminating this evidence to key stakeholders through publications, events and a new Smallholder Data Hub hosted on [cgap.org](http://cgap.org). Key achievements include:
  - Completion of Smallholder Financial Diaries in Tanzania, Mozambique and Pakistan and the dissemination of findings through a Focus Note and Perspectives piece, an interactive data visualization, presentations at multiple events, and in-depth data analysis presented in Briefs on smallholder segmentation, youth savings behavior, and characteristics of women smallholders.
  - Completion of Smallholder National Household Surveys in Tanzania, Mozambique, Uganda, Côte d'Ivoire, Nigeria, and Bangladesh. Working papers and slide decks are available documenting the results of each survey, along with data sets and user guides hosted on the World Bank's Microdata Library. The survey results are also presented on an interactive Data Hub that allows users to conduct their own analysis on the data and create easy-to-download charts and tables.
- ✔ **Provider Collaborations:** Over the course of CGAP V, the Smallholder Initiative has undertaken a total of 12 provider collaborations in nine countries (see box 2). Each collaboration involved supporting partners to conduct research aimed at designing new products, services, or practices that more effectively meet the needs of smallholder families. These design engagements in turn resulted in 12 pilots that were launched or will be launched in the coming months, including new digital payments, savings, insurance, and credit products.
- ✔ **Other Knowledge Products:** The Smallholder Initiative released a range of knowledge products aimed at providing guidance to service providers, policy makers, regulators and development agencies on how they can help to advance smallholder financial inclusion. Guidance relates to how these stakeholders can better segment the smallholder market; foster collaboration between providers in different industries to feasibly serve smallholders; emerging approaches to offer digital savings, insurance, payments and credit services; an exploration of blockchain applications to agricultural finance; and exploration of women smallholder financial needs.

The below provides a list of publications produced by the Financial Innovation for Smallholder Families Initiative during CGAP V:

- [Smallholder Families Data Hub](#)
- National Surveys of Smallholder Households
  - **Mozambique:** Paper: [English](#) / [Portuguese](#) | [Data](#) | User guide: [English](#) / [Portuguese](#) | Summary slide deck: [English](#) / [Portuguese](#)
  - **Uganda:** [Paper](#) | [Data and user guide](#) | [Summary slide deck](#)
  - **Tanzania:** [Paper](#) | [Data and user guide](#) | [Summary slide deck](#)
  - **Côte d'Ivoire:** Paper: [English](#) / [French](#) | [Data](#) | User guide: [English](#) / [French](#) | Summary slide deck: [English](#) / [French](#)
  - **Bangladesh:** [Paper](#) | [Data and user guide](#) | [Summary slide deck](#)
  - **Nigeria:** [Paper](#) | [Data and user guide](#) | [Summary slide deck](#)

- [Smallholder Diaries with selected Farming Families in Mozambique, Tanzania and Pakistan](#)
  - [Full paper and Executive summary](#)
  - [Interactive data visualization](#)
  - [Data: Mozambique | Tanzania | Pakistan](#)
  - [Video](#)
- [Advancing Financial Inclusion for Smallholder Households in Mozambique: English / Portuguese](#)
- [Smallholder Households: Understanding Demand, Driving Innovation](#)
- [Female Smallholders in the Financial Inclusion Agenda](#)
- [Exploring Blockchain Applications in Agricultural Finance](#)
- [Digitizing Value Chain Finance for Smallholder Farmers](#)
- [Using Satellite Data to Scale Smallholder Agricultural Insurance \(in press\)](#)
- [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](#)

#### Select blogs and webinars:

- [Understanding the Financial Needs of Female Smallholders](#)
- [Digitizing Bulk Payments in Agriculture](#)
- [Illuminated by Data: New Tools to Develop Financial Solutions for Smallholder Families](#)
- [5 Insights into Credit Scoring for Smallholders](#)
- [More than Human ATMs: The Potential of Empowered Agents](#)
- [Digital Innovations in Smallholder Agricultural Insurance](#)
- [Cultivating Opportunities for Women in Agriculture](#)

## 5. Issues

To meet its objectives for CGAP V, the Smallholder Initiative worked closely with other teams within CGAP, with external facilitators such as the FSDs, AGRA, and UNCDF, and a range of FSPs with different business models and varying degrees of capacity and scale. This collaborative approach required great efforts to minimize coordination risks. Nurturing close relationships with our partners through frequent communication and field visits has been key to successfully anticipating and mitigating challenges.

The finalization of nationally representative surveys was delayed by about six months relative to what was originally planned mainly due to the decision to add two more countries (Nigeria and Bangladesh) to the list stipulated at the start of CGAP V. This extended the time required to complete all surveys

and conduct cross-country comparisons. However, knowledge products were produced and shared frequently as each country survey was concluded.

When working with FSPs, lack of capacity and unforeseen changes in their organizations can lead to delays and disruption of activities — with consequences for CGAP’s ability to deliver on its workplan. As the collaborations evolved, the initiative adapted accordingly, and in some cases, chose to exit the partnership to minimize lost time and resources. An example of this was our collaboration with the Kenyan company FarmDrive to conduct work in Uganda. FarmDrive had a leadership change and seemed to have overcommitted beyond its implementing capacity by agreeing to work with several other donors and facilitators at the same time.

Political developments also affected the Initiative’s work. For example, recent political developments in Zimbabwe limited the scope of the Save for School pilot. Still, CGAP and its in-country partners have continued to push ahead, with successful pilots launched in Zimbabwe and in other countries.

## 6. Insights and Lessons Learned from Implementation

CGAP’s research reveals that smallholders have a stronger, more diverse demand for financial services than most providers realize — especially for savings and insurance. This makes them potential clients for many types of providers, including those who may not currently consider smallholders a target segment. Our research also questions common assumptions about what smallholders are looking for in financial services, showing how we can use more comprehensive data to deepen our understanding of smallholders’ financial lives. We find that the products most valued by smallholders are flexible, familiar, and tangible. To deliver these products more effectively, FSPs would benefit from partnering with agribusinesses, mobile network operators, and other actors that have extensive networks in the rural areas where smallholders often live.

A more detailed explanation of insights and lessons learned is presented below.

**Smallholder families are diverse. So are their financial needs.** Product design collaborations with FSPs underscored the diversity of smallholder families. While most smallholders identify strongly with agriculture, their cash flows point to the importance of a range of income sources and expenses beyond the farm. For example, income from casual labor and remittances is vital to smoothing consumption between harvests, while expenses like school fees for children can sometimes take precedence over investments in agriculture.

**Smallholders value savings and insurance products that help them achieve specific goals. But the right support is key to ensure their use of these products.** One of the more surprising findings was how much smallholders value financial products that allow them to keep their money safely set aside and to manage risks. Savings can help plan for the future, cope with risk, and invest in livelihoods. Insurance helps plan for shocks that imply greater losses related to health problems, death of a family member, or harvest failures. Savings and insurance are especially important for smallholders who may not have access to or qualify for a loan or may be reluctant to take on debt. Client support is required to ensure savings and insurance products are associated to concrete goals and can be conveniently accessed.

**When digitizing payments, first validate your assumptions about the customer value proposition.** Many efforts to digitize bulk payments in agricultural value chains focus on the potential cost savings for those agribusinesses that buy produce from smallholders, and assume smallholders benefit from the safety and convenience of these digital payments. But often overlooked are the significant costs digitization can impose on smallholders in the absence of a well-established digital ecosystem that allows them to pay for the goods and services they need using their electronic income. The lack of these digital ecosystems forces smallholders to travel to agents to cash out, incurring significant travel and fee costs. This underscores the need for providers to invest in developing further uses of e-money, like digital merchant payments, which would reduce smallholders' need to cash out. CGAP evidence suggests providers could increase revenue by reducing their e-transfer fees from smallholders to merchants, which would in turn significantly increase the number of transfers requested by clients.

**In a risky world, smallholders value products that are flexible, familiar, and tangible.** Flexible new products allow customers to try them with little risk and quick feedback, for example by offering small, short-term savings goals and/or eschewing penalties and fees. Familiar products leverage existing customer behaviors to minimize the learning curve, which could include features like in-person customer support/education and agent-facilitated transactions. Tangible products connect finance with concrete client outcomes, like knowing a savings or credit product is specifically designed to help sending children to school, buy an input package for crops, or save towards an asset like a cow or a truck. Describing a generic use of products is not as effective in transmitting the value proposition. Tangible products also provide ways for customers to feel in control of their money and can sometimes be a source of pride, for example by providing paper-based tracking tools like a receipt, a card, or a voucher.

**Data can break down barriers to financial inclusion. But good data is key.** New types of data available on smallholders' financial and agricultural lives can reduce the cost of financial service provision and help FSPs to better understand risk. Most providers collaborating with CGAP recognize the need to invest in developing internal data analytics systems. But even when such systems exist, their effectiveness is only as good as the data on which they rely. Some datasets (e.g. yields, loan repayment, or climatic data) are of questionable quality, while others can be affected by human prejudice and could reinforce social biases that promote exclusion (e.g. exclusion of women or youth). Therefore, FSPs should be careful in selecting appropriate data when designing products. Our findings suggest FSPs would benefit from partnerships with agribusinesses, MNOs, and others, who may have better data about rural clients.

## 7. Partnerships

Partnerships played a key role for the implementation of the Financial Innovation for Smallholder Families Initiative. During the early days, the Advisory Committee played an important role in shaping the detailed strategy for the demand-side research based on financial diaries and national surveys. Members included technical experts from the **World Bank, IFAD, GIZ, and UNCDF**, which have a long track record implementing large country programs supporting rural and agriculture finance.

Working with FSPs at the country level, partnerships with local facilitators and other CGAP teams like DFF and IPE were critical to leverage know-how and resources to shape the most appropriate support given the local environment. Collaborations with FSDTs, AGRA, and AgriFin Accelerate are illustrative

examples, where they provided complementary knowledge of local financial markets and the capacity to provide frequent on-the-ground communication with partner FSPs.

Towards the end of the CGAP V strategy, as we consolidated insights and lessons learned, specific requests to share knowledge came from technical units within CGAP members. This led the Smallholder team to prepare tailored technical presentations or trainings for GIZ, USAID, and **Mastercard Foundation**.

## 8. Next Phase for CGAP VI

The expertise and knowledge in smallholder finance developed by the team during CGAP V will be mainstreamed across the organization in CGAP VI. This includes ongoing smallholder-related work to be undertaken by projects such as Segments and Insights, Financial Innovation for Development, and Digital Rails. The strong base created by CGAP's prioritization of smallholder families in CGAP V will enable these projects to maintain CGAP's thought leadership in the smallholder finance space. Examples include:

- Deeper insights on the financial needs of the most vulnerable smallholder families will be explored in the Segments and Insights project.
- Promising business models for productive asset financing aimed at bolstering smallholder livelihoods will be explored as part of the Financial Innovation for Development project.
- Promising practices to make DFS distribution networks (e.g. agents) more inclusive will be explored as part of the Digital Rails project — focusing on the creation of DFS access points in rural areas with the aim of more effectively serving excluded segments such as smallholder households.