

EVALUATION SUMMARY INVESTMENT STUDIES

EVALUATION OF THE SMALL- HOLDER PARTNERSHIP MODEL



FACTS

CLIENT
Babban Gona

COUNTRIES
Nigeria

CONSULTANT
IDInsight

COUNTRY FACTS

- Population: 200.9 million
- GNI per capita: US \$ 4,928 (PPP)
- Poverty headcount: 40%
- FINDEX (2018):
- Adults with an account: 39.7%
- Adults with an account belonging to the poorest 40%: 27.3%
- Borrowed from a financial institution: 5.3%

INTRODUCTION

The Nigerian agricultural sector represents a quarter of the country's economy, but it is far from reaching its full potential. Over the past 20 years, value-added per capita in agriculture has risen by less than 1% annually. According to [FAO](#), the factors undermining agricultural development include low productivity due to poor planting material, low fertilizer usage and a weak agricultural extension system among others.

Established in 2012, Babban Gona aims to mitigate constraints on farmers' productivity via its Smallholder Partnership (SHP) model. The company provides an end-to-end package of services to a network of farmer groups, with the loans repayable at the end of the season. Babban Gona operates in Northern Nigeria, where industrial development is low and there are very few employment opportunities.

In 2017, FMO extended a US\$ 4 million loan to Babban Gona via MASSIF, the financial inclusion fund managed by FMO on behalf of the Dutch government, to support and expand its farmer service model.

THE STUDY

In 2019, FMO decided to commission an independent evaluation of the Babban Gona model. We choose to undertake a different approach, a process evaluation, focusing on understanding the farmers' experiences and expectations and how the model has been implemented rather than measuring the model's outcomes. This is particularly relevant as the SHP model is innovative and has high growth targets. The study was carried out by IDInsight in January-February 2020, conducting 150 quantitative surveys, 28 qualitative interviews, and 3 Focus Group Discussions (FGDs) with Trust Group farmers and Babban Gona staff.

Upon the completion of the study, FMO and Babban Gona discussed the findings together. The company recognized the challenges identified and had already started to implement changes to address the issues raised in the upcoming 2020 farming season, that showed improvements in member satisfaction as measured in its record retention rates and customer survey response results.

Babban Gona is continuously seeking ways to improve its business model and FMO is pleased to see how the company has taken on board the findings and progress made to address the recommendations.

THE SMALLHOLDER PARTNERSHIP (SHP) MODEL

Through the Smallholder Partnership (SHP) model, Babban Gona aims to raise productivity and incomes via four main services: i) access to credit, ii) quality inputs iii) training and education (including the provision of extension services) and iv) access to markets. These services are delivered through cooperative Trust Groups consisting of 3-5 farmers.

In each Trust Group, the leader (TGL) receives agronomy and business training, which they in turn pass on to the other members. The farmers receive ongoing check-ins from Babban Gona's field officers (MIKs), who flag any issues, as well as use a farm calendar to ensure that farmers are on schedule with their farming activities. The field monitoring is accompanied by Trust Group meetings that refresh training.

FINDINGS

WHO ARE THE BABAN GONA FARMERS?

In 2020, Babban Gona worked with about 40,000 farmers. The majority of them (64%) are between 30 and 49 years old, reflecting national and regional averages. However, the data shows a larger presence of farmers aged under 30 (18%) relative to national indicators. This may suggest that given the high unemployment rates among young farmers, Babban Gona offers an appealing opportunity to earn a steady income stream from agriculture.

Most of Babban Gona farmers (94%) depend on farming (including farming businesses¹) as a primary income source, with farmers' average monthly income equivalent to 476 USD PPP. The study also highlighted that this group of farmers owned more farmland (3.6 hectares) than the average Nigerian small family farmer (0.5 hectares), plus 75% of them have been farming for more than 10 years, which is 65% above the time in the sector reported by other Nigerian smallholders.

The Babban Gona farmers also have slightly higher educational attainment than the majority of Nigerian smallholder farmers: 32% of the respondents completed primary school, only slightly below the North West regional level (34%), but above the national average (20%).

Around 97% of the farmers are male, so we cannot draw meaningful quantitative gender differences from the data. However, Babban Gona's own data suggests that the women are younger and bring smaller plots into the SHP model (1.4 hectares for women compared to 1.8 hectares for men). Also, females are less likely to be Trust Group Leaders; of the sample of female farmers 23% of them are TGLs, whereas, among male farmers, the share increases to 29%. It is not clear from this study if this stems from a lack of interest in leadership roles, a lack of confidence in their agricultural skills, or from the fact that the recruitment strategy among women is less effective.

A study carried out by Babban Gona on this topic determined that male family members' approval was the main barrier to women's participation in the model. The reasons cited were the reluctance to let women interact with male extension workers and the long distances the women would have to travel to participate in the model. The company explains that its strategy has been to leverage on the trust built with the farmers' members to invite the women to join the Last Mile Retailer Program. This program targets women related to a Trust Group farmer to provide, on credit, fast-moving consumer goods (such as bouillon cubes, powdered milk and pre-prepared noodles) to sell in their community. The revenue generated is expected to increase further the non-agricultural net income of the farmers' households while improving the level of financial inclusion and independence for women in these communities.

¹ Business related to farming outside farming itself.

WHAT ARE FARMERS' EXPERIENCES AND EXPECTATIONS OF BABBAN GONA?

Overall, the farmers joined Babban Gona because it provided quality inputs (63%) and improved crop yields (49%). Significantly, 61% of the farmers said they had heard about the Babban Gona model from existing members, emphasizing the importance of word-of-mouth recommendation. It was also clear that the farmers valued the higher-quality inputs provided on credit by Babban Gona, especially the fertilizer (85%) and maize seeds (56%), and those farmers (60%) who were more aware of pricing reported that Babban Gona's prices were either lower than, or similar to, the local market prices.

Most farmers were satisfied with the SHP model and 89% planned to enroll for the next season. Over 80% of farmers reported that they were satisfied or very satisfied with the SHP model, and 91% of the farmers were very or somewhat likely to recommend Babban Gona to others.

WHAT ARE THE KIND OF CHANGES EXPERIENCED BY THE FARMERS?

Many farmers felt that Babban Gona had increased their income. Some 51% of the farmers indicated that their income increased after enrolling in Babban Gona, while only 18% felt that their income had declined². The farmers who experience increased income (83%) reported using the increased revenue to buy more food for their families, highlighting Babban Gona's contribution to improving food security (SDG 2). Of these households, 64% engaged in other productive activities e.g., buying or farming more land, investing in irrigation systems, diversifying to higher-value crops, and 53% improved their homes.

Importantly, those farmers not enrolled in the model indicated that they had learned about some of the Babban Gona techniques and this allowed them to benefit from the SHP model. Thus, Babban Gona has positioned itself as a point of reference within the communities it is trying to serve.

HOW DO THEY EXPERIENCE THE SERVICES PROVIDED?

The farmers said that interaction with field officers was helpful but not as regular as they would wish. Although 90% of the farmers described the MIK-farmer interactions as 'Very helpful' or 'Somewhat helpful', they also indicated MIK visits were not sufficiently frequent. Babban Gona's target is visiting 5-6 times per season and 63% of farmers contacted by MIKs in the 2019 season reported that communications between them occurred on five or fewer occasions during the season. This is slightly below Babban Gona's target.

A third of the farmers did not have full access to relevant information on program design and agricultural practices. Over 30% of the group leaders reported that there had been no training during the last farming season, while 23% of farmers indicated that there had been no Trust Group meetings in the previous farming season. This is far from ideal since a large number of farmers who attended these sessions said they had been extremely helpful in enhancing their farming practices. Babban Gona indicates that in the 2019 season, it operated a member monthly meeting training program that required farmers to travel to training locations to receive training. As attendance at these meetings was not as high as expected, in 2020, the company implemented multiple strategies to take training closer to its members.

Some farmers perceived a lack of transparency and fairness concerning the SHP model. These views about Babban Gona's lack of transparency might be due to a lack of understanding of its credit program's complicated terms, because only 22% of the new and 25% of the experienced farmers reported that the loan terms were 'Very clear'. To address this, Babban Gona has introduced one-on-one sessions between members and customer service agents dedicated to walk members through their statement summary at harvest. The company reports having increased the customer service call center team's capacity to serve the farmers better.

² Perception of lower incomes might be driven by a lack of understanding of the income and expenses incurred during the program. In the qualitative interviews, some farmers indicated they lacked clarity on the repayment process and therefore felt their yields were not split fairly with Babban Gona.

Furthermore, Babban Gona offered insurance for bad harvests due to catastrophic events, such as droughts or floods, but many farmers were not aware of this product offering. Even when farmers were aware of the insurance coverage offered by Babban Gona, they said it was not easy to access the service.

CONCLUSION

The SHP model was largely implemented, as intended, by the Theory of Change, and most farmers were satisfied with the model. However, in some respects there is room for improvement, including improving the quality and frequency of training and extension services provided to farmers, as well as improving farmers' understanding of the model. We also identified some barriers to farmer retention and scaling up which need to be addressed by Babban Gona to ensure sustainable expansion.

RECOMMENDATIONS FOR BABBAN GONA AND WHAT HAS CHANGED

Improve its communication strategy to more effectively disseminate the program's components and deliver a more comprehensive and easily accessible harvest advance report. This includes developing written materials explaining exactly which services farmers are entitled to, and the cost of each of these services. Additionally, TGLs could provide training to farmers to help them interpret the report.

Set up farmer feedback mechanisms to monitor MIKs, TGLs and ensure the hotline service is effectively providing support to farmers and solve complaints. This would increase member satisfaction, as well as provide a more robust tracking system. This could include implementing a "scorecard" system to gather farmers' perceptions of the content and quality of the MIK services, and that of other Babban Gona employees.

Develop a data management tool (dashboard) to generate timely, digestible and systematic insights into the program's performance. This platform would promote insight sharing and drive decision-making efficiency.

Reduce farmers' risk exposure by increasing awareness of the insurance product, as well as reviewing its design. Babban Gona will look into this recommendation in the future.

After completing the study, Babban Gona started to implement measures that improve its interaction with the farmers, minimize any potential risk to farmers, and increase its impact. More concretely, in 2020, it worked with external consultants to develop new training material for farmers to enhance message delivery. It has also increased the Customer Service team threefold (to over 50 agents) and invested in a new and more efficient telecommunications management platform. Finally, to get better insights into the program's performance, it has invested in business intelligence support tools, managed by its Business Intelligence Team. These enhancements showed notable improvements in member satisfaction measured in the record retention rates and customer survey results.

FMO is pleased to see Babban Gona's working on strategies to overcome the identified barriers to scaling identified by this study.