

NEW DIGITAL SUPER AGENT MODEL FOR AGRICULTURE: BRINGING FINANCIAL SERVICES AND LAST MILE INPUT SUPPLIES TO SMALLHOLDER FARMERS IN TANZANIA

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The Last Mile Finance, Input and Agent Gap For Agriculture

Financial Service Providers (FSPs) in Tanzania are in a conundrum. If they don't innovate then they will be fighting for their survival. According to the 2017 Finscope Survey, Tanzania has over 50 banks with more than 15,000 branches. However, only 16.7% of the population use or have used banking services while 41% of adult Tanzanians meet most of their expenses through income generated from farming activities.

Mobile Network Operators (MNOs) are beginning to fill these rural finance gaps left by traditional banking institutions, building on rapid mobile money adoption and interoperability, widespread phone ownership, and expanding connectivity. However, rural agents (tasked with providing mobile money exchanges, talk time, and basic mobile product services) are often overstretched, unable to fully serve the farmer-client with the high levels of liquidity required at strategic points across the farming seasons, making this customer segment almost impossible to service economically for the agents through one service alone.

Agro-dealers and small retailer intermediaries also face a liquidity crunch, often servicing farmers during peak periods, as well as long spells of low revenue streams. Farmers often struggle to finance and obtain the inputs they require due to last-mile financial and supply chain bottlenecks caused by these siloed services not finding enough value in providing them with the services they need on a community - community basis across very large Tanzanian rural areas.

A New Type of Agriculture Mobile Money Super Agent - Blending Multiple SME Services

Across Africa and Tanzania in particular, companies are looking to engage digitally to reach a wider audience at a lower cost, but servicing rural agents who provide the financial liquidity required when cashing out is expensive and risky. Also, FSPs struggle with relevant data that will help them to finance farmers and/or Small-to-Medium-Enterprises (SMEs) involved in the agriculture value chain and building this capability from scratch will be time-consuming.

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Sources for this page:

FinScope Tanzania Survey: <https://www.fsd.or.tz/wp-content/uploads/2017/09/FinScope-Tanzania-2017-Insights-that-Drive-Innovation.pdf>



Therefore, a new type of digitized business model is required to service mobile money and agri-input agents, agro-dealers and SMEs at scale, de-risking companies who would usually attempt to manage their networks solo (mobile money agents only for MNOs, input agro-dealers only by input companies), by looking outside their domain for agricultural partnerships with digital platforms that will bridge these gaps.

This is the problem an emerging fintech company in Tanzania Digital Mobile Africa (DMA) is addressing. With 70% of Tanzanians involved in agriculture, digital platforms such as DMA can bring value by acting as a data and liquidity broker for the services that are currently missing or struggling to meet rural demand. The DMA platform aims to create a super agent platform to help manage a network of SMEs and farmers on behalf of MNOs, FSPs and Input companies - merging mobile money onramps and offramp services, savings, credit and input supply chain inventory management systems.

In a recent AgriFin supported pilot, in partnership with Halotel and the Halopesa platform, DMA brought together 5,000 farmers, 95 village-based agro-dealers and 5 input suppliers on the platform and tested the interaction across input transactions. Within 3 weeks of integrating input suppliers onto the platform, DMA collected 5,251 orders worth TZS 599 million. Previously, most of these orders would have been made in cash and out of sight for FSPs. Most agro-dealers are established businesses in rural and semi-rural areas where FSPs want to engage but they can't do so due to various risk factors.

Product Delivered current season

Product	Deliveries	Quantity	Value	% Value	
DAP	3,064	5,760	TSh 334,489,800	78 %	
UREA	922	1,326	TSh 75,786,600	18 %	
SEEDS	409	1,396	TSh 17,092,500	4 %	
SEED	40	153	TSh 1,836,000	0 %	
Totals	4,435	8,635	429,204,900		

Orders current season

District	Orders	Groups	Wards	Villages	Products	Value	
Kakonko DC	909	57	7	11	15	TSh 125,865,323	
Kasulu DC	504	41	16	24	15	TSh 64,642,914	
Kibondo DC	4,619	137	23	44	15	TSh 492,643,459	
All Districts	6,032	235	46	79	45	TSh 683,151,696	

Above: Snapshots of the Halopesa Platform from the DMA Dashboard

In this case, the DMA digital platform established the value of why they should partner with FSPs and successfully bridged the information gap by aggregating and managing rural agents for smallholder farmers to access multiple services. Over the medium term, the pilot network will benefit from digitised savings group efforts and innovations DMA has been supported to include by partners such as GATSBY, Halotel, Tanzania Postal Bank, Vodacom, Savings at the Frontier (Mastercard Foundation) and UNCDF.

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Sources for this page:

Digital Mobile Africa: <https://www.digitalmobile.africa/>

The challenge for DMA will be the scaling up of this model. While commercial value has been demonstrated during this pilot, the private sector is reluctant to invest in the business case when many donors are interested in supporting these models in Tanzania and often FSPs see new fintech operators as competitors rather than partners. Meanwhile, many MNOs are laser-focused on expanding talk time, data, and mobile money revenues but not necessarily interested in investing in the rural infrastructure often required to fully support the smallholder farmer ecosystem of services.

The next steps for DMA will be to prove they can sell their model to both a larger number of farmers and agents, while also proving to the private sector in Tanzania that they provide enough value to build a fully sustainable business model. We look forward to supporting DMA in this journey.

How Do We Empower these Digital Platforms to Reach their Potential?

Given the potential and demand for financial services to smallholder farmers, Mercy Corps AgriFin will continue to engage and work closely with its partners including financial services and show them the importance of partnering with digital platforms.

The DMA platform model has shown that it can be useful in addressing smallholder farmers' challenges such as input ordering and digital payments uptake, especially on the last mile. Also encouraging agro-dealers to take up mobile money agent business has increased the buffer and brought in new revenue streams to their businesses. However, there is a need to ensure the model is sustainable while keeping farmers and other stakeholders engaged in the platform throughout the year and not just during the farming season. DMA should also look into how it can create more value to other stakeholders besides farmers in the value chain through data analytics and other activities.

If you want to find out more about our work, or are interested in collaborating, please get in touch!



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