

# CONTRIBUTION OF MOBILE MONEY IN SCALING UP AFRICA'S AGRIBUSINESSES

*By Milcah Mulu-Mutuku*

Agricultural production is a key driver of Africa's growth and it provides a livelihood for a majority of Africans. However, productivity in sub-Saharan African agriculture lags behind the rest of the world (Diao, Hazell, and Thurlow, 2010) due to a number of issues one of them being its subsistence nature. Over 80% of farms are less than two hectares and only 3% of them are over 10 hectares, making mechanization difficult. Further, the level of value addition on agricultural commodities is low and post-harvest losses consume more than a quarter of total production. With increase in population and therefore increased demand for food, Africa has to transform her agricultural and food sectors in order to respond to the needs of the populace.



*A smallholder farm in Makueni County, Kenya*

The most feasible transformation may be through agricultural productivity and food processing intensification implying transformation of farming systems, responsive agricultural input markets to effectively support increased demand for farm inputs, adaptive food processing technologies, efficient and effective distribution channels, and a responsive and adaptive



*A commercial wheat farm in the Rift Valley Region of Kenya*

financial sector capable of supporting such transformations. Consequently, development experts have opined that African governments and other organizations and institutions should support the scaling up of agribusiness because production agriculture cannot achieve developmental goals in isolation of agribusinesses (World Bank, 2013).

As reported in the online magazine, *Africa Renewal* (2014)<sup>1</sup>, the scaling up of agribusiness could offer better prospects “through commodity-based industrialization that exploits forward and backward linkages with the rest of the economy”. With the changes occurring currently in Africa's financial market, mobile money is well placed in playing a transformative role in the process of scaling up of agribusinesses.

## **The Making Markets Matter Executive Training Program**

Market Matters Inc. (MM Inc.) is one of the organizations supporting agribusiness development in Africa. Headquartered in New York, USA and with regional offices in Pretoria, South Africa, MM Inc. is a not-for-profit, international development organization that “develops and implements capacity- and network-building programs that put marketing

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<sup>1</sup> <http://www.un.org/africarenewal/magazine/special-edition-agriculture-2014/we-need-more-agribusiness-africa>

principles, business strategies, and research findings into practice to foster economic development”<sup>2</sup>. The focus of this organization is to assist small agribusinesses to develop growth strategies that enhance their competitiveness in regional and global markets as well as develop local markets. One of the capacity building programs run by MM Inc. is The Making Markets Matter Executive Training Program for the African Agribusiness Sector. This is an annual program that has so far trained over 2,300 participants from various fields: agribusinesses owners and employees, government and non-governmental organizations offering business development services, and staff of donor agencies. The program blends theoretical and conceptual content with analytical and practical aspects through case analysis and physical visits to agribusinesses. Some of the topics covered are strategic management, business communication, marketing, gender issues in agribusiness, financial management, financing agribusinesses, competitor analysis, human resource management, and leadership issues.

I had the privilege of attending The 17<sup>th</sup> Making Markets Matter (MMM17) agribusiness education program which was held at the Lord Charles Hotel in Somerset West, South Africa, on May 7-12, 2017<sup>3</sup>. This program brought together 90 participants from 15 African Francophone and Anglophone countries representing producers, agro-processors, seed companies, government, non-governmental organizations, education and research organizations.



*MMM17 participants and facilitators (photo by MM Inc. at MMM17)*

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<sup>2</sup> For more information, please see the MM Inc. website: [www.marketmattersinc.org](http://www.marketmattersinc.org)

<sup>3</sup> I would like to thank The Institute for Money, Technology and Financial Inclusion (IMTFI) and MM Inc. for the support to attend this training program.



*Drumming session (photo by MM Inc. at MMM17)*

It was an innovative and educative program which kicked off with a vigorous drumming session with participants taking part under the guidance of Drum Café. This session was aimed at setting energy levels for the interactive program that required extensive mental engagement.

### **Panel Discussion on Mobile Money**

For the first time in the history of the Making Markets Matter educational program, the MMM17 incorporated a panel discussion on mobile money in the topic on financing agribusinesses in which I participated as a panelist alongside Dr. Divine Fuh who heads the Publications and Dissemination Section of the Council for the Development of Social



*Panel discussion on mobile money (photo by MM Inc. at MMM17)*

Science Research in Africa (CODESRIA) and serves on the International Board of IMTFI and Eric Ngumbi, Director of IT, Marketing and Projects at Mulleys Supermarket in Kenya. The discussion was moderated by Dr. Nduge Kiiti, an IMTFI fellow and Board member and Professor of International Development at Houghton College, in Houghton, NY and a

Visiting Professor at the Cornell International Institute for Food, Agriculture and Development (CIIFAD).

The session began with the moderator's brief introduction of both the subject under discussion and the panelists. After that each panelist was given a few minutes to highlight the relevance of their work to agribusinesses in Africa. Discussions centered on how mobile technology and mobile money can make a difference in agribusinesses, opportunities and challenges to using mobile technology/money, factors that have led to the growth and/or failure of mobile money in various African countries, and policies that an agribusiness should be aware of when engaging in the mobile money arena.

Research has shown that mobile money transfer, mobile purchases and remittances have all contributed in scaling up Africa's agribusinesses and will continue to play a crucial role in years to come. Limited access to formal financial services in most African countries, convenience and ease of operation of mobile money services are some of the factors that have contributed towards the rapid adoption of mobile money technology. Smallholder farmers and agribusiness owners have reported major economic benefits accruing from the usage of mobile money technology. As reported by Kikulwe, Fischer and Qaim (2014), remittances reduce financial risks and liquidity constraints thus allowing agribusinesses to survive uncertainties and turbulent times.



[https://c1.staticflickr.com/4/3008/2620808657\\_572f41e61b\\_b.jpg](https://c1.staticflickr.com/4/3008/2620808657_572f41e61b_b.jpg)

Using panel survey data and regression models, Kikulwe *et al.* established that mobile money users apply more purchased farm inputs and market a larger proportion of their output than non-users of the technology consequently making higher profits. As Eric, one of the panelists explained during the discussion, mobile money has enabled actors in agricultural value chains to ensure a constant supply of products and services and afforded a safe way for poor farmers to transact on agricultural commodities. With mobile technology, poor farmers can access and transact in organized and formal markets such as supermarkets. Eric continued to explain that Mulley's Supermarket has been making payments for agricultural commodities and live animals using mobile money and smallholder farmers need not leave their farms to transact. This has worked very well for female farmers whose mobility is curtailed by household chores and insecurities.

However, issues of trust, illiteracy, limited access to and ownership of phones especially among women and the poor, and technology aversion are some of the drawbacks experienced by stakeholders in the agribusiness sector. As agribusinesses engage stakeholders on mobile money technology, it is worth noting that women who make the majority of players in the agriculture sector have adopted some mobile money services more highly than others. In regard to this, I presented for discussion results of the Institute for Money, Technology and Financial Inclusion (IMTFI) study I conducted with Castro Gichuki<sup>4</sup>. Results show that while person-to-person money transfer was adopted by almost all (94.7%) respondents, payments to group accounts, business credit services, M-banking and purchase of goods were embraced by just over a quarter of them. Agribusiness owners therefore should determine the acceptability and adoptability of the mobile technology they intend to use in a particular agricultural value chain. Further, agribusinesses have a right to knowledge of all costs associated with the particular mobile money services they elect to use. They should therefore request to be furnished with the necessary details by the service providers.

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<sup>4</sup> Mulu-Mutuku, M. & Gichuki, C. N. (2016). Influence of mobile money on control of productive resources among women micro entrepreneurs participating in table banking in Nakuru, Kenya. IMTFI, UC, Irvine.



*Women micro-entrepreneurs' knowledge and usage of mobile money services*

All in all, I left that training with a new perspective on the scaling up of agribusinesses in Africa. My country Kenya is banking on the agriculture sector to drive the country's Vision 2030 of transformation "into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment". Participation in this training renewed my zeal to make my contribution in assisting the Government of the Republic of Kenya to achieve this vision.

At the end of the program, participants were presented with MMM Certificates of Completion and the continental outstanding agribusiness presented with the African Agribusiness Entrepreneur of the Year award which is an annual prize. The 2017 award was won by Monica Musonda, Chief Executive Officer and founder of Java Foods in Zambia.

## References

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