Promoting uptake of insured loans among smallholder farmers in Nigeria

What did we test

- What impact does bundling government input loans with insurance have on farmer desirability, trust and perceived risk?
- What organization do farmers trust the most to manage insured loans?
- Do social cues improve perceptions towards the insured loan program?
- How best can insurance be framed and explained to enhance engagement?

Smallholder farmer demographics

Total sample: 1,645
Women: 23%

72% had no prior experience with agricultural insurance

Main Value Chains

- Legumes
- Rice
- Maize

How did we measure desirability, trust and perceived risk of farmers?

- Desirability: willingness to register and recommend the insured input loan program
- Perceived risk: reported risk rating (on a scale of 1–4) of how risky they felt the insured input loan was
- Trust: confidence or satisfaction (on a scale of 1–4) to receive the insured input loan and the benefit of insurance if they had a bad harvest

Methodology Used

Phone-based randomized controlled trial
Farmers were offered an insured input loan program over the phone and randomized to receive different insured loan scripts.

Use of framing, explanation, organization type and use of social cues was varied across the randomized scripts so as to test the use of different behavioral primers and communication styles.
Key learnings on improving desirability, trust and perceived risk of insured input loans

1. **The Messenger Effect**
The type of organization responsible for delivering or communicating insured input loans to smallholder farmers matters in driving desirability. Farmers who received scripts that described a national farming body or association as being responsible for the insured input loan were:

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<th>Percentage</th>
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<tbody>
<tr>
<td>6%</td>
<td>more likely to share when a national farming body was described as the organization responsible for managing the insured input loan compared to a government provider.</td>
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<tr>
<td>3%</td>
<td>more likely to recommend to another farmer</td>
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2. **Social cues reduced perceived risk but had limited impact on desirability and trust:**

- **Social Norms**:
  - 500,000 farmers in your region have already signed up for the insured loan program

- **Social proof**:
  - 100,000+ farmers in your region qualified for the insurance pay-out and received debt-relief

In isolation social norms and social proof did not have any positive impact on desirability and trust. Testing a combination of both may yield better impact.

3. **Framing of insurance makes a difference**
We tested the use of ‘crop’, ‘livelihood’ and ‘self’ in describing the subject of insurance for smallholder farmers. Altering the subject of insurance cover made significant differences in farmer trust in the benefit of insurance as well as satisfaction in the expected benefit. When insurance was described as protecting livelihood instead of crop or self:

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<tr>
<td>12%</td>
<td>predicted rise in reported trust</td>
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<tr>
<td>8%</td>
<td>predicted rise in satisfaction with insurance</td>
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4. **Style of insurance explanation makes a difference**
We tested three communication styles in explaining the yield index insurance payout for the insured input loans we offered.

- **Brief explanations of how insurance works**
- **Detailed procedural explanation of how insurance works**
- **Anecdotal story-based explanation of how insurance works**

Desirability as measured by willingness to register and recommend was predicted to be higher for story-based explanations.

Farmer trust in insurance was predicted to be higher for story-based explanations.

Farmer perceived risk toward insured input loan programs was estimated to be lower for detailed procedural explanations and lower for story-based explanations.

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