

PHASE 2 | EXPERIMENTAL FINDINGS

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?

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.

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

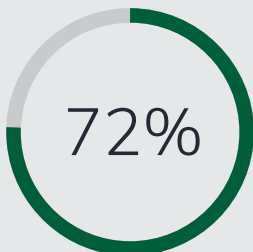
Smallholder farmer demographics

Total sample

1,645

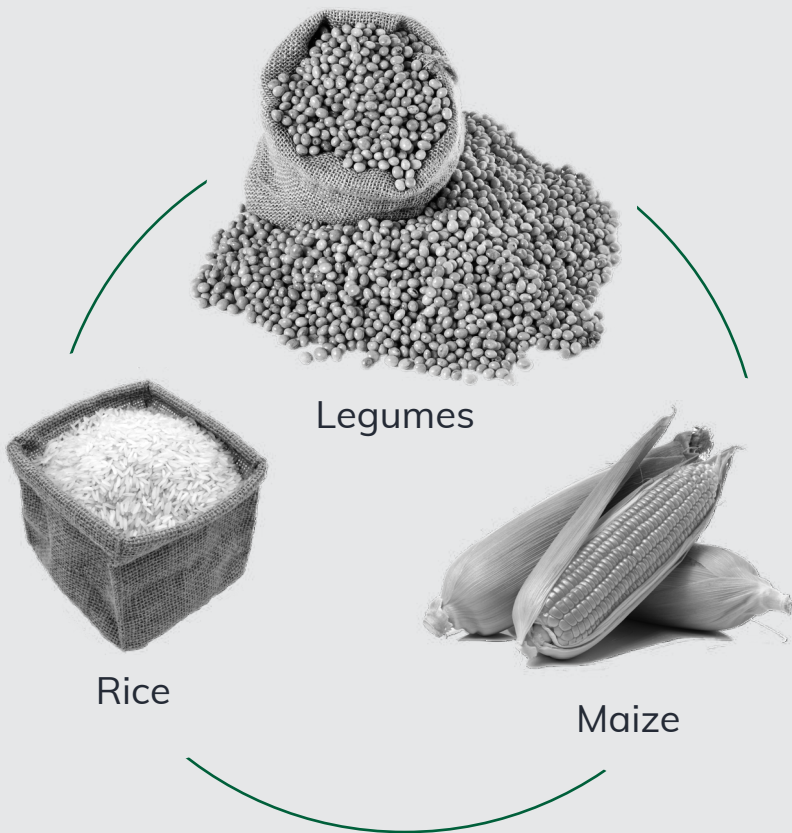


Women
23%



had no prior experience with agricultural insurance

Main Value Chains



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:

6%

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.

3%

more likely to recommend to another farmer

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:

↑ 12%

predicted rise in reported trust

↑ 8%

predicted rise in satisfaction with insurance

2

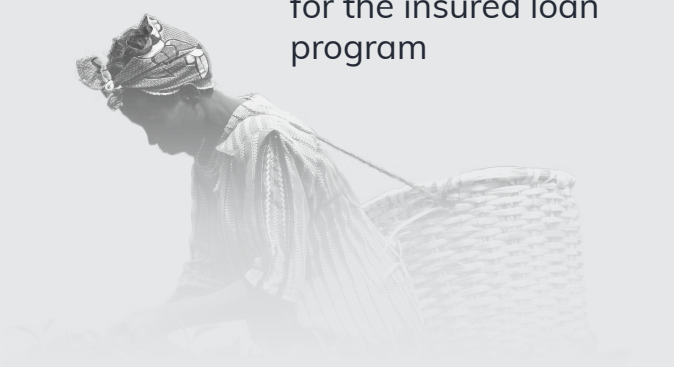
Social cues reduced perceived risk but had limited impact on desirability and trust:

Social Norms

Beliefs and perceptions of acceptable behaviors

“ 500,000

farmers in your region have already signed up for the insured loan program




Social proof

Evidence or proof of a social norm or behavior

“ 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.


Social norms reduced farmer perceived risk toward the insured input loan the were offered by **16%**.


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

5% ▲

higher for story-based explanations

Farmer trust in insurance was predicted to be

7% ▲

higher for story-based explanations

Farmer perceived risk toward insured input loan programs was estimated to be

32% ▼

lower for detailed procedural explanations and

17% ▼

lower for story-based explanations

Brought to you by PULA in collaboration with Busara Center for Behavioral Economics