Tamara Cook, CEO of FSD during here presentation on day one of the FINAS 2025 Summit. PHOTO CREDIT: FINAS

Smallholders catching up, but struggling to invest in the future

By Murimi Gitari

At the Financing Agri-food Systems Sustainably - FINAS 2025 Summit, Tamara Cook, CEO of FSD Kenya, shared thought-provoking insights into the financial realities of Kenya's farmers. While smallholder farmers are making significant strides in adopting mobile money, a deeper concern remains—many are struggling to invest in their future.

She examined past trends and future developments, emphasising the crucial role smallholder farming plays in ensuring food security, economic stability, and climate resilience. Despite challenges, smallholder farmers remain essential to the Kenyan economy, and Cook made a strong case for rethinking financial strategies to support their resilience.

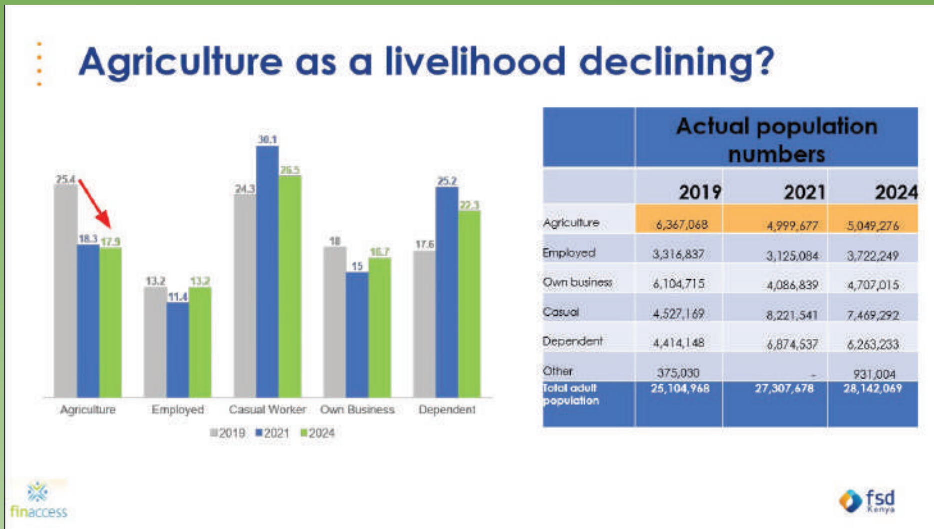
Agriculture in Kenya serves both income generation and subsistence purposes, yet its role as a primary livelihood has been declining. According to FinAccess 2024, a data-driven financial research tool used by FSD Kenya to map out household financial behaviours across the country, out of Kenya's 18+ population (28.1 million), nearly 12 million are farmers—with just over five million relying on farming as their main livelihood. The remaining farmers use agriculture to supplement their income or for subsistence.

The demographics of farmers vary significantly, and Cook's presentation revealed key distinctions based on gender, location, wealth, and age. While male farmers tend to have higher earnings than their female counterparts, farming remains a diversified economic activity—with many farmers engaging in casual work, business ownership, employment, or relying on family support.

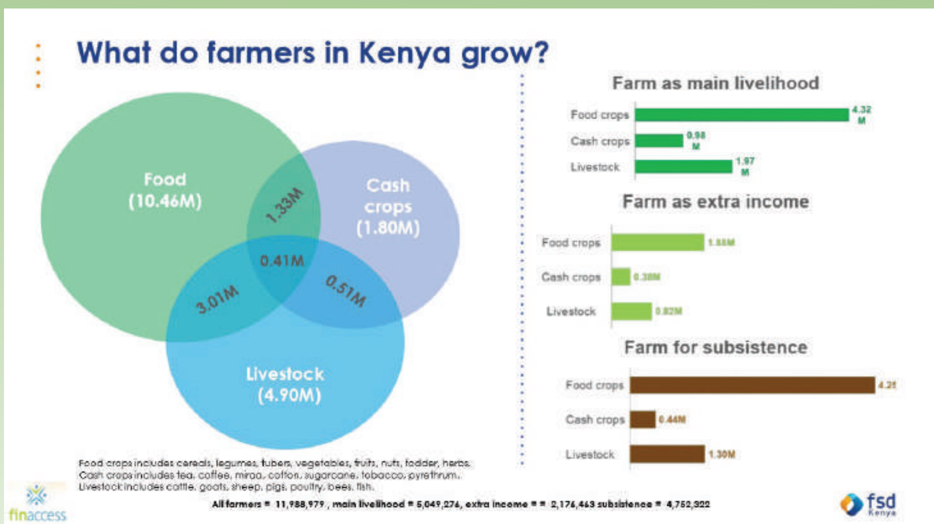
The picture she painted was complex. On one hand, farmers are catching up with the general population in mobile money usage, with a steep growth trajectory over recent years.

"We had a very steep growth of mobile money, and farmers are catching up. But in areas like traditional banking and mobile banking, farmers still lag behind, their adoption rates slower and more gradual. The lack of smartphone ownership remains a key barrier—while 40 percent of male farmers and 30 percent of female farmers now own smartphones, this digital exclusion continues to limit their access to financial tools," she noted.

The median income of farmers varies based on gender, with male farmers earning significantly more than female farmers. These disparities underscore the need for targeted financial inclusion efforts to



	Actual population numbers		
	2019	2021	2024
Agriculture	6,367,068	4,999,677	5,049,276
Employed	3,316,837	3,125,084	3,722,249
Own business	6,104,715	4,086,839	4,707,015
Casual	4,527,169	8,221,541	7,469,292
Dependent	4,414,148	6,874,537	6,263,233
Other	375,030	-	931,004
Total adult population	25,104,968	27,307,678	28,142,069



empower women in agriculture through better access to technology, credit, and market opportunities.

Despite these challenges, informal financial networks remain crucial for farmers' survival and success. Cook emphasised the enduring role of chamas, the savings and investment groups that have supported Kenyan communities for decades. "One thing we like to encourage everyone to remember is how many men and women in Kenya use informal groups—for investment, for farming, for all kinds of things," she said, underscoring the flexibility and social trust these networks provide. While banks and microfinance institutions often struggle to offer tailored financial solutions, informal groups step in, providing much-needed capital for farming projects, emergencies, and business expansion.

One of the standout findings from FinAccess 2024 is the diverse financial portfolios of farmers. Kenyan farmers widely use mobile money, savings and credit cooperative organisations (saccos), banks, traditional MFIs, and informal groups to manage their finances. Yet, Cook pointed out a fundamental challenge: smallholder farmers still struggle with financial health, despite increasing financial inclusion.

Cook framed her discussion around financial health, emphasising three crucial questions. Can farmers effectively manage their day-to-day financial needs? Are they resilient enough to withstand shocks like droughts or medical emergencies? Most importantly, do they have the capacity to invest for long-term growth? While financial inclusion rates have risen in recent years, a troubling trend has emerged—farmers' ability to invest in their future has dropped from 39 percent in 2019 to just 17 percent in 2024. "That is a significant drop," she stressed. "If farmers are spending all their money just getting by and dealing with these incredible shocks, they don't have time—or money—to invest in their future. And that affects their financial health, their families, and ultimately, our communities."

Cook posed an important question: Does finance recognise farming as just one component of a household's diversified income strategy? Insights from FinAccess 2024 show that:

- 22.7 percent of farmers receive income support from family and friends.
- 25.8 percent engage in casual or seasonal labour alongside farming.
- 14.7 percent earn additional income from agricultural activities.
- 9.2 percent combine farming with formal employment.

This overlapping of income sources suggests that financial institutions must integrate flexible solutions that accommodate farmers' evolving economic realities, rather than viewing them solely as agricultural workers.

Kenya's farmers cultivate a range of food and cash crops, including tea, coffee, miraa, tobacco, pyrethrum, sugarcane, and cotton, as well as livestock such as cattle, goats, sheep, poultry, and fish.

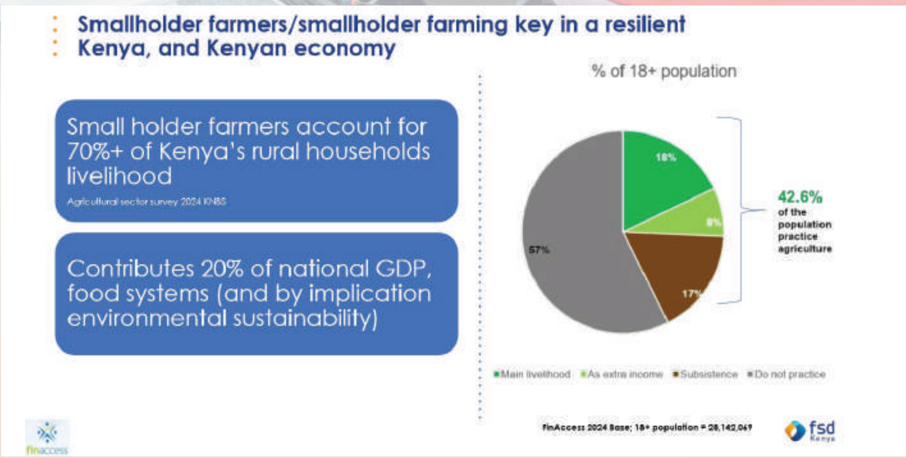
Farmers, despite their economic importance, face higher risk exposure to climate shocks, fluctuating income, and unpredictable market conditions. Their low debt default rates compared to the general population indicate financial discipline—but they remain highly vulnerable to economic instability.

Cook's presentation highlighted

shocks experienced by farmers, including climate-related disasters, price fluctuations, and input shortages. To mitigate these risks, farmers rely on a mix of financial tools, including mobile banking, sacco savings, and informal credit networks. However, access to productive credit remains limited, making it challenging for farmers to invest in long-term resilience strategies.

To tackle these challenges, Cook called for a paradigm shift in agricultural finance, urging stakeholders to rethink their approach. First, she highlighted the importance of understanding financial resilience trends through data-driven insights and meaningful dialogue. Second, she underscored the need to prioritise local markets and infrastructure, pointing to county-level partnerships and green finance initiatives that could improve water access, enabling farmers to withstand droughts. Third, she argued against the false dichotomy between financing for resilience and financing for growth, stating that both must work in tandem. “They don’t need to be mutually exclusive—they can complement one another,” she explained. Finally, she advocated expanding financial models beyond traditional agricultural finance, incorporating strategies that consider food security, income security, and climate resilience.

Cook illustrated the stark disparities in financial access among farmers with a tale of two farmers, drawn from a FinAccess survey. In the same



community, separated by a barbed-wire fence, two men lived vastly different financial realities. On one side stood a well-to-do farmer, living in a solid mabati-roofed house, with efficient water storage and multiple income streams from business ventures, investments, and family employment. This farmer was in a position to plan ahead, contribute to his community, and make long-term financial decisions. Just a few metres away lived a farmer without a farm, relying on picking tea from someone else’s plantation, desperately trying to save enough to lease his own land. His home was poorly constructed, and his water storage was simply a repurposed container rather than a proper tank.

“These two farmers illustrate what’s possible when you have financial resources versus when you don’t,” Cook reflected. “It’s a reminder that financial inclusion alone isn’t enough—we need creative solutions that allow farmers to thrive, not just survive.”

Looking ahead, Cook issued a challenge to the financial sector, urging institutions to blend resilience financing with growth financing, ensuring farmers are supported both during hardships and in expansion efforts. She emphasised the importance of strengthening informal financial mechanisms, noting that chamas and savings groups play an invaluable role in helping farmers cope with shocks and invest when traditional banks fall short. The rise of smartphone adoption among farmers also presents an opportunity—she encouraged financial institutions to leverage digital tools for smarter lending, tailoring solutions to the realities of smallholders.

“Kenya’s farmers are resilient, entrepreneurial, and essential to our nation’s future,” she concluded. “If we build financial solutions that reflect their realities, we can ensure a more food-secure and prosperous Kenya.”