



Understanding “Foregoing” Behavior at the Base of the Pyramid (BoP) in Kenya

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By Tonny Omwansa, Angela Crandall, and Tim Kelly At the end of 2012, *infoDev* released a [study](#), conducted by iHub Research and Research Solutions Africa, looking at how mobile phones are being used by those at the economic base of the pyramid in Kenya (living on less than US\$2.5 per day). The study, funded by the Ministry for Foreign Affairs of Finland and UKaid, covered urban and rural areas of 6 districts in Kenya. Its findings are not nationally representative, but comparisons with representative surveys show no significant differences for key indicators, such as phone ownership. Of the many [findings](#) revealed in the report, one particular behavior captured a lot of attention - the fact that 1 in 5 respondents interviewed had foregone some usual

of discretionary income, suggesting some tough choices are being made. The most common item that people were sacrificing was food, followed by the purchase of bus fare. During the focus group discussions, it emerged that either an individual's entire meal was foregone, or a family meal was skipped or a cheaper meal was chosen, for instance vegetables instead of meat. The media coverage of this specific aspect of the report varied widely. Some journalists captured more nuances of the sacrificing behavior ([VOA News](#) , [Business Daily Africa](#) , [The Economist](#)) while others did not ([TechMoran](#) , [Standard Media](#)). This wide coverage has prompted us to explore the issue further. Our finding, although captivating, is not unique as it echoes results found in similar, earlier studies. The book “ [Portfolios of the Poor](#) ” expounds how the poor live on less than \$2 a day. Using a survey of 250 households over a period of a year, the authors show that the poor live very sophisticated financial lives. They make conscious and well thought out choices, utilizing informal and formal tools to enable them save and borrow. The base of the economic pyramid in society is generally vulnerable to economic stresses, which result in fluctuations of their low income. To smooth these fluctuations, they make sacrifices on certain expenditures and investments. In some cases, the sacrifices might appear irrational, but several studies have revealed that these choices are actually quite logical. One study in rural Thailand [1] shows that poor farmers would buy gold, instead of something other people would consider more appropriate like a plough. They chose gold because they can easily liquidate it when the need arises. For these poor farmers, savings with an underlying consumption objective is more important than an investment for production purposes. In Uganda, a study revealed that women were willing to forego store-bought items or travel expenses so as to purchase mobile phones and airtime [2]. The study focused on establishing if strategies like substitution had affected the well being of the community members. The study revealed that the mobile phones were viewed as long-term economic growth investments. The poor households were willing to cope with unpleasant short-term sacrifices such as reduced consumption of food. In the long term, they hoped the mobile phone would improve their chances of generating income. The communication device gave them a sense of opportunity. Ability to communicate, particularly during unpredictable shocks, reduced the effect of the shocks, reduced travel costs, improved access to information and resulted in more efficient actions. Data from a World Bank study of 2,100 households in the Philippines found that mobile phone ownership led to a sharp decline in tobacco consumption [3]. The authors argue that this budget shift could be as a result of the respondent attaching more value to the mobile phone than the social status achieved from smoking. What about expenditure on food? Foregoing food has more worrying implications for general welfare. A study conducted among the poor population from 13 countries showed that 56 to 78 percent of their income went to food. In addition, between 4 and 8 percent went to tobacco and alcohol. Over 90 percent of these households spent an additional 10 percent of its annual income on festivals, such as weddings or funerals [4]. Another way to explore the issue is to look at the foodstuffs that the poor actually buy. One study [5] found that the poor tend to buy costly items (in terms of cost per calories). For example, the researchers found that 20 percent of the money spent on grains went to rice, which costs more than twice per calorie than millet. An additional 7 percent was spent on sugar, which is not only a more expensive source of calories but has little nutritional value. The researchers concluded that for every 1 percent increase in

to pursue opportunities that would pay better in the future. One of our respondents said, “Why not buy credit and forgo bread so that I make more money for daily use than bread for a day’s use?” saying phone credit gave her a higher chance of securing a better job. This respondent did not explicitly say that in foregoing bread, she did not buy any other food. Another individual sells mangoes in a market bordering Kibera, Nairobi’s largest slum. She says she has skipped meals to purchase mobile phone credit. “Sometimes, you know, I’m hungry but I need to talk to someone, for example. So what I do; I just sacrifice that money and I don’t take that food. Then I buy that [mobile phone] credit and use it to talk to that person who I was supposed to talk to,” she said. By giving up meals, this individual is able to make money through the business she gets by using her mobile phone, which she can then use to buy more food. “Okay, now for example, I have customers,” she explained. “Here, I sell mangoes [and I] take some orders from maybe, let’s say, neighbors. They know that I sell mangoes. So sometimes, they call me and say, ‘Today, you can just bring five mangoes.’ So I take their orders through the cell phone.” While at first glance the notion of the base of the pyramid sacrificing food and transport in order to purchase airtime may seem quite drastic, closer inspection helps to shed some light on how such strategies are not as irrational as they may first appear to be. On the contrary, they are mostly strategic and calculated. The finding does demonstrate, however, that the poor lack appropriate instruments to help manage their money. **Authors:** **Tonny Omwansa**, PhD, lectures at the School of Computing and Informatics in the University of Nairobi is the co-author of [Money, Real Quick: Kenya’s Disruptive Mobile Money Innovation](#). **Angela Crandall**, Research Manager at iHub, co-authored the Mobile Usage at the Base of the Pyramid in Kenya report. **Tim Kelly**, PhD, Lead ICT Policy Specialist at the World Bank, leads the analytical work program on ICT4D and edited the 2012 [Maximizing Mobile](#) and [eTransform Africa](#) reports. --- [1] The finding captured by Ana Marr, *The Poor and their Money: What have we learned?* ODI Poverty briefing, March 1999. [2] Diga (2007). *Mobile Cell Phones and Poverty Reduction: Technology Spending Patterns and Poverty Level Change among Households in Uganda*. http://www.w3.org/2008/02/MS4D_WS/papers/position_paper-diga-2008pdf.pdf , accessed March 2013 [3] Labonne and Chase (2008). *Do Community-Driven Development Projects Enhance Social Capital? Evidence from the Philippines*. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1233054 , accessed March 2013 [4] Deaton and Subramanian (1996). *The Demand for Food and Calories*. http://www.vincenzodimaro.it/teaching/crescita/Subramanian_Deaton_1996.pdf , accessed March 2013 [5] Banerjee and Duflo (2007). *What is middle class about the middle classes around the world?* <http://economics.mit.edu/files/2081> , accessed March 2013

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