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When a smallholder farmer goes to the bank: Financial management and farmers in Gokwe South District, Midlands Province, Zimbabwe.

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ABSTRACT

Economic development is linked to financial inclusion of citizens in national and global economies. Financial development is generally thought to promote economic growth for households and countries. Regarding farmers in Zimbabwe, financial inclusion has been widely discussed as a critical aspect to foster smallholder financial stability and economic development. Notwithstanding access to fertile land, and mitigation of climate challenges, among other issues unique to farmers, this paper explores financial management challenges experienced by smallholder farmers, within the context of financial inclusion to establish how farmers fair in this regard. Adopting a qualitative approach underpinned by an interpretive paradigm, the study used a case study design wherein Gokwe South District was taken as the case with a total population of 62 000 smallholder famers from the 33 wards. Ten stakeholders in smallholder farming constituted the sample and participants with 3-20 years' experience farming were purposively selected with data generated through semi-structured interviews. Results show that farmers face many challenges notably, that most of them have no bank accounts, and those who have, the accounts were inactive. They lack confidence in the monetary system signalled by unfavourable withdrawal limits, accessibility challenges, mode of payments, and exorbitant bank charges. They also lack financial management and record keeping skills. It is, thus, recommended that financial institutions design strategies that cater for marginalised economic groups, such as smallholder farmers to encourage and promote financial inclusion. These include, the establishment of financial inclusion hubs, provision of low-cost bank accounts and agency banking considered a measure that could be put in place to financially include smallholder farmers. In addition, farmers need to be trained in areas of financial management. Furthermore, there is need for policy adjustments to accommodate the financial inclusion of smallholder farming practices, as a business.

KEYWORDS: financial management, smallholder farmer, financial development, financial inclusion

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Introduction

Smallholder farming relates to farmers in communal lands, small scale commercial farmers, farmers from old resettlement schemes of 1982 to 1998, as well as A1 farmers who were resettled through the land reform program of 2000, making 80% of total farmers (Scoones et al., 2019; Zimstats, 2019). Of these smallholder farmers, 80% of them rely on agriculture as their main source of income; given that Zimbabwe is an agrarian economy, with 70% of the total Zimbabwean population deriving their livelihoods on agriculture (FAO, 2020; Mugandani & Mafongoya, 2019).

Gokwe South District is located in the communal lands of Zimbabwe which constitute 42% of the total land area in the country and 51% of the total population (Matsvai et al., 2022; Zimstats, 2019). Gokwe South District is historically known for its cotton (a cash crop) production culture spanning over a period of more than three decades, with other food crops such as maize mainly grown for consumption (Mudiwa, 2018; Musara & Dziva, 2015; Pandya et al., 2020). As a result, smallholder farmers from across the district would heavily infest the now Gokwe Town, during the cotton harvesting period (from May to August of each year), because cotton growing had lucrative financial returns (Kamara et al., 2019b). The growers were incentivised through input subsidies, such as, seed, fertilisers and chemicals by the government.

The farmers, according to Tasaranago (2021), utilised income received consumptively in household goods, clothing and groceries, school fees, healthcare, homestead developments and livestock maintenance. However, input subsidisation was haulted due to fiscal challenges, and this discouraged farmers from continuing to grow cotton. As a result, they substituted cotton for maize, and other crops including grain (sorghum, finger millet and pearl millet), legumes (groundnuts, *mbambara* nuts and cowpeas), sugar beans, sesame seeds, sunflowers and a bit of tobacco (Gokwe South Rural District Council, 2023; Rubhara et al., 2020). This created challenges to smallholder farmers because collectively these grain crops could not generate income that used to be generated by cotton alone.

In addition, their spending culture did not change, and according to Mudiwa (2018a) and Mugandani and Mafongoya (2019), they still use income generated from these crops to purchase basic foodstuffs, paying school fees, healthcare and livestock maintenance with a few being able to develop their homesteads

depending on the amount of money they get. However, the country's economy started deteriorating, posing more challenges to these smallholder farmers.

Deuflhard et al. (2019) and Barugahara (2021) highlighted that behavioural patterns of smallholder farmers in Gokwe South district have not changed probably because they lack financial education as to how best to use their earnings from crop farming. Consequently, there is an urgent need for financial innovations for specifically, Gokwe South, and generally Zimbabwean smallholder farmers to improve their livelihoods (Dzanku & Hodey, 2021; Shilomboleni et al., 2022; Tasaranago, 2021). This study, therefore, analyses possible strategies that can be adopted for smallholder farmers to be financially included through their income received from crop farming as the main occupation in Gokwe South District.

Agriculture is key to national development because a third of the total formal labour force in Zimbabwe is found in the agriculture sector, and like other SMEs, development, and growth of this kind of crop farming has a potential of developing into viable businesses which will increase employment opportunities and grow the informal business. Therefore, financial inclusion of smallholder farmers could lead to a transfer of funds circulating in the informal sector to the formal banking system resultantly increasing liquidity circulation in the economy, leading to an increase in government revenue through the payment of taxes.

The study also equip the disadvantaged communities in the country regarding the importance of financial inclusion, in particular financial management of crop proceeds as an instrument to fight inequality and poverty. This could be aided by policy makers to prepare for rainy days for example, the devastating droughts such as the 2011/12 and 2015/16 which negatively impacted agriculture (Jiri et al., 2017). Therefore, this research is expected to bring out the importance of policies to support AGRITEX which largely supports smallholder farming to bring collaborated efforts of financial sector and Agritex. An increase in scholarly researches for financial inclusion of smallholder farmers by researchers could also benefit the education policy formulation to curb financial management challenges.

The general business problem is that smallholder farmers are not financially included yet there are vast means to access credit, such as microfinance institutions and banks, focusing on rural financing (Mhlanga et al., 2020; Ndlovu & Ndlovu, 2013). The specific problem is that while empirical studies highlight

strategies to assist SMEs to access credit, their businesses have remained the same and livelihoods are still impoverished (Simatele et al., 2021; Wang & He, 2020). This means that, even when given financial assistance in the form of cash loans or farming inputs, smallholder farmers have not improved their businesses but rather, this system has created a dependency on aid.

In the past, farmers would afford to continue in their practices on cotton production while producing grains for subsistence purposes because the economy was stable (Musara & Dziva, 2015; Tasaranago, 2021). However, due to harsh economic conditions, their income generated is affected by many challenges making life very difficult for them (Jefferis, 2020; Lissah et al., 2022). There is, therefore, need to embrace the changing business environment through strategies that lessen financial management challenges to grow smallholder farming businesses from subsistence to commercial to alleviate poverty and contribute to economic growth. This paper identifies major financial management challenges encountered by smallholder farmers in Gokwe South District and proposes possible strategies to mitigate these challenges in order enable smallholder farmers to be financially included and for the sustainability of their businesses and lives.).

Theoretical Framework

There are several possible theories that explain financial management, but the financial management theory developed by Solomon (1963) was more suitable to handle financial inclusion issues discussed herein because it allowed study of the income generation and utilisation by farmers. It was also useful to this study because the theory studies profit generation through sales and flow of income; how financial resources are allocated, the risks faced, and potential investments that can be made by farmers in their agribusinesses.

Locating farmers' financial inclusion

There are many undocumented challenges that farmers face addressed by this paper using the experiences of farmers in Gokwe South District. The paper refers to broad financial management aspects to highlight the facets of financial inclusion, and associative challenges, faced by famers in Zimbabwe. Economic development is linked to financial inclusion of citizens in national and global economies (Potreous, 2018). Financial development is generally thought to promote economic growth for the households and countries at large (Anarfo

et al., 2019). Farmers in Zimbabwe are an important economic group in the country given their significant contribution to the national granary, nutrition, and food security, particularly in rural areas.

Notwithstanding the fact that financial inclusion has been widely discussed as a critical aspect that fosters financial stability and economic development, scholarship shies away from giving attention to the experiences of farmers especially those operating and living in remote parts of developing countries (Mudiwa, 2018). Despite being marooned by other challenges such as access to suitable and fertile land, climate challenge, among other issues unique to farming, farmers also face financial-related matters such as financial inclusion (Kuipa, 2019). Taken together, land and climate related challenges and financial exclusion, the farmers' situation becomes ultimately one that places them between a hard surface and a rock (Shilomboleni et al., 2022). Therefore, this paper explores financial management, within the context of financial inclusion, to establish how farmers fair in this regard.

Financial exclusion of farmers in Zimbabwe is a source of vast challenges on their part. Although financial inclusion has been widely discussed as a critical aspect and need, to foster financial stability and economic development, the process itself is marred by its own varying challenges in all economies across the globe (Demirgüç-Kunt et al., 2017; Sethi & Acharya, 2018; Balele, 2019). Ibor et al. (2017) identified and came up with a taxonomic framework of barriers to financial inclusion. Within the taxonomic framework, the barriers are high costs incurred by the service providers *viz* returns from the area needing the service; lack of documentation by the potential financial service users required at law to access financial services. The other issues regard logistical challenges and poor digital or physical connectivity.

Attempts have been made, and there has been an effort, to accommodate, mainly, excluded populations in issues linked to financial inclusion. One such is crowdfunding, which Leon and Mora (2017) discussed at great length, however, focusing more on its challenges notably, inadequate legal and regulatory frameworks, untested credit scoring models, limited access to technology, and lack of awareness and trust. Crowdfunding is a recent phenomenon (Lewis, Cordero & Xiong, 2020) in developing markets such as India and the Caribbean, although these are gaining mileage in other parts of the globe (Moysidou & Hausberg, 2020). Generally, crowdfunding lacks awareness and trust (Moysidou & Hausberg, 2020) making it unfavourable to employ in Zimbabwe particularly for the primary benefit of rural farmers. Given its currency, the phenomenon

in many markets has little overall awareness among potential users, mainly funders and fundraisers to support the innovation (Leon & Mora, 2017; Kleinert et al., 2021).

Using Mollick's (2014) definition, Lewis, Cordero and Xiong (2020 p. 3) say crowdfunding is:

> the efforts by entrepreneurial individuals and groups—cultural, social, and for-profit—to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries.

From the onset, and considering farmers in Gokwe South District, crowdfunding may be applicable in as far as identification of the target group is concerned. These are the farmers themselves playing a role as 'entrepreneurial individuals', given that the farming they undertake is done mainly as individuals or households (Shilomboleni et al., 2022). In some cases, there are community cooperatives, hence groups, that are bound together culturally and socially but operating as a farming-group for profit. Thus, one expects that to push their farming ventures, establishments require drawing on small contributions to fund projects.

Thus, the above is questioned at the level of implementation as the funds are not raised 'using the internet'. Two issues arise; the first regards trust, as earlier indicated, while the second, and probably the most detrimental, is connectivity of the farmer-groups to the Internet itself since rural spaces such as the greater part of Gokwe South district has no sound and reliable connectivity to the Internet, let alone farmers themselves could be computer illiterate and lack possession of ICT-based equipment.

Ozili (2018) noted that financial service providers do not usually invest in areas where they do not maximise their profitability or maximise profitable opportunities. Subscription to this worldview explains the discriminate and aggressive marketing tactics usually used to persuade high-and-middle income customers to use a new or existing digital finance platforms. In this respect, low-income and poor customers are usually neglected. Comparatively, remote areas are deemed by financial service providers as populated by poor customers who may pose high risk to their businesses with urbanites being regarded as providing profitable opportunities. In other words, high overheads limit the expansion of digital services to the marginalised (Ozili, 2018) such as spaces occupied by farmers.

Given that farmers are an important economic development population in developing countries such as Zimbabwe, it follows that their financial inclusion is also very generally required (Mugandani & Mafongoya, 2019). The question is which best plausible strategies can be employed for Zimbabwean farmers to be supported by financial services providers, such as banks and securities brokers for them to be financially included at reasonable charges? It is acknowledged that any financial services user, smallholder farmer included, ought to be catered for with respect to access to financial services regardless of geo-political spaces of operation, but however, this must not be at the expense of the financial service provider (Loo, 2019). Financial inclusion, as must be acknowledged, has also become a human right, and excluding certain sections of the population is infringements of the right.

While Siwela and Njaya (2018) generally agree with most scholars regarding challenges associated with financial inclusion such as lack of documentation, and high costs of financial services provision, there are additional problems as well. These include financial literacy, unstable business operating environments which characterise much of the Asians, Latin American, and sub-Saharan African financial systems.

Further, Siwela and Njaya (2018) noted that social norms in patriarchal African communities where women are blocked from having financial independence, especially those working in the informal sector. In support, Varghese and Viswanathan (2018) stress that financial illiteracy, lack of financial education and abilities; absence of outreaches at sufficiently low cost further exacerbate the problem. Generally, however, Varghese and Viswanathan (2018) noted that informal traders usually avoid presenting themselves in financial inclusion for reasons that they will be exposed to the tax revenue collection authorities. It is the same clientele that financial service providers target because of limiting expansion and scale.

To buttress the aforementioned, studies by scholars such as Lusardi (2019), reveal that lack of financial and technological literacy among farmers is a challenge to financial inclusion, hence, the reluctance by financial institutions to serve small value, and 'unprofitable' customers with irregular income.

Thus, scholarship on financial inclusion, does not shy away from identifying the universal challenges usually charactering efforts to promote financial inclusion mechanisms involving seemingly marginalised population groups. Reference to lack of financial literacy, by extension, alludes to lack of training in financial

management and development. Such a reality shows inadequate mentorship of the marginalised population groups, in this case farmers in Zimbabwe, thereby limiting in terms of financial inclusion (Sonwalkar, 2019). As scholarship has already demonstrated, if financial service users are financially illiterate, it means accessibility and utilisation of financial products and services may be improperly used (OECD, 2018), or ignored or abandoned ultimately. In addition, the socio-economic environment itself may pose its own limitation wherein financial products and services are supposed to operate. Consequently, unstable economic variables such as inflation, exchange rate volatility and interest rates, inconsistent banking and trading of existing currencies may thus discourage financial inclusion (Pasara & Garidzirai, 2020). Given the above, Jenik *et al* (2017) and Ibor *et al* (2017), implore that much of the observations above are founded on policy inconsistencies and informal trading. This concluding view illustratively projects the current macroeconomic forces obtaining in Zimbabwe largely traced to the turn of the 21st century.

To locate the source of challenges farmers face regarding financial inclusion in Gokwe South, against notions of policy inconsistencies, and largely the polarity of the economic environment, it is pertinent to discuss some of the associative realities. In other words, research has shown that financial inclusion cannot be achieved independent of the economy of a given country as it is affected by various economic factors. Firstly, the impact of inflation on smallholder agribusinesses is well documented (Kwofie & Ansah, 2018; Mudamburi, 2019; Sunge & Makamba, 2020; Zermeño et al., 2018). According to Bibi et al. (2020), inflation results in an increase in corporate taxes given that costs of sales do not change spontaneously with inflation.

Adzimatinur and Manalu (2021) found that higher expected inflation lowers real economic activity thereby reducing corporate earnings. Nguse et al. (2022) posited that inflation is associated with financial repression as such, the financial sector becomes less developed as inflation increases, especially when the average inflation rate is very high. Adding their voice, Ntini et al. (2022) argued that inflation encourages the hording of foreign currency by individuals and institutions. To discourage hording of the local currency, more foreign currency reserves are kept by businesses and governments. Ultimately, inflation creates uncertainty and financial market frictions, making the financial system inefficient in allocating financial resources (Chukwuma, 2023).

From the foregoing, it is evident that inflation is detrimental to any economy, especially given the visible buoyance of economic activities to which Zimbabwe

exemplifies much of what scholarship found above. Statistics show that inflation is highest in sub-Saharan Africa, with countries such as Zimbabwe having reaching a three-digit level of 156.9% in 2009 (Mukoka, 2020). Inflation rates for some countries in Sub Saharan Africa as of 2022 were as follows: South Africa 6.3%, Kenya 8.03, Botswana 7.9%, Lesotho 6.9%, Zambia 9.8%, Rwanda 14.1%, Nigeria 22.41%, Tunisia 9.6%, and the Zimbabwean rate rising up to 175.5% (Bank of Zambia, 2022). This is largely attributed to weak and fragmented financial systems of these countries thereby hindering effective formulation and adherence to monetary policies. Much of the research findings on inflation predict obstacles to business development. Nevertheless, inflation is unavoidable because it exists within an environment in which businesses should operate, even more successfully.

Inflation and financial inclusion

Most economic theories implore that for some stability to be maintained, the financial sector ought to efficiently mobilise savings and reallocates resources to productive projects. Such moves stimulate economic activities (Ozekhome, 2018). However, high inflation levels are discouraged as they create financial market frictions, distort macroeconomic stability and slow down the economic performance (Zermeño *et al*., 2018). In addition, unacceptably high inflation rates induce volatility in equity returns, and lower the real return on savings (Mudamburi, 2019). According to Yared (2019), governments are inclined to impose additional tax burden on the financial sector to reduce their budget deficits in inflationary periods.

Sare et al. (2019) noted that inflation impedes the performance of the financial markets by reducing the level of investment in a given economy. Ran et al. (2020) concluded that financial development reduces income inequality, and poverty capital formation, and economic growth. Inflation, therefore, hurts economic growth through declining financial development, especially by damaging the operation of financial markets. To further expound, Bibi et al (2020) concluded that high inflation rates adversely affect financial development more broadly. However, Muhammad et al. (2020) denote that inflation has, in fact exert positive effects on financial development. In hyperinflationary countries such as Zimbabwe, businesses particularly agribusinesses need to be well informed as regards the real return for their businesses. The challenge is that each time

reference is made to inflation, studies are quick to characterise the effects on cooperates and not individuals.

The banking regulations on financial inclusion

Financial regulations help enhance the efficiency of the financial system (Zeb & Sattar, 2017). As Munhupedzi and Chidakwa (2017) postulated, countries such as Zimbabwe adopted a multicurrency regime in 2009 resulting in the turnaround of the economy between 2009 and 2013, following a huge decline by 2008. Economic development was in the period in question illustrated by the stability of prices for goods and services, single digit inflation rate, and GDP growth. However, in a bid to rediscover its voice in money supply determination, the Reserve Bank of Zimbabwe (RBZ) introduced a surrogate currency namely the bond coins and notes valued at par with the US$ in 2014 and 2016 respectively. The introduction of bond coins and notes led to an overnight plunge in inflation (Ngwenya et al., 2018). Consequently, depositors lost their funds as banks hived the Zimbabwean dollar balances awaiting policy position from the central bank on how to compensate the depositors. This, according to Sunge (2018), led to loss of confidence in the Zimbabwean banking system resulting in the current liquidity challenges as businesses, and individuals, began circulating cash outside the formal banking system (Munyanyi, 2018). Such reflect some degree of chaos in the Zimbabwean financial system against the understanding that a sound banking industry is essential for economic growth (Munzara & Dube, 2020). It follows that every country should ensure soundness of its banking industry usually measured in terms of Capital Adequacy Ratio (Anarfo et al., 2020).

The intervention by the RBZ regarding the banking operations fuelled financial instability in the country (Mudamburi, 2019). In one instance, the central bank demonetised the use of the multicurrency only to re-introduced the use of free funds to purchase household goods, legalising the use of foreign currency again in March 2020 (Pasara & Garidzirai, 2020). This led to a serious plunge in the value of the surrogate currency leading to informal exchange rate determination, and a hyperinflationary situation (Sunge & Makamba, 2020; Pasara & Garidzirai, 2020). The RBZ responded by introducing the foreign exchange auction system which then stabilised the exchange rate (Jefferis, 2020). Mobile network operators such as Econet, Telecel and NetOne came in handy to provide financial access through mobile banking (Nduna, 2020) taking advantage of the fact that

the majority of the population in the country have access to mobile phones. Therefore, the mobile banking has had better penetration into the financially excluded areas (Mavaza et al. 2020) while supporting some monetary policies the central bank introduced. However, market developments led to regulations that confined mobile wallets to circulate limited amounts (Ayalew, 2020).

Financial inclusion and the Monetary Policy

A monetary policy provides a nation's central bank with the ability to control money supply to achieve and maintain price stability. Control of money supply growth remains a priority for central banks in the fight against inflation (Drechsler *et al.*, 2017). The source of Zimbabwe's hyperinflation was, according to Mlambo (2017), the printing of money by the RBZ to finance government spending in quasi-fiscal activities leading to economic decline. These activities include provision of credit to productive sectors, such as farming inputs and machinery to the agricultural sector.

The monetary policy is a process through which a central bank manages money and interest rates to influence output or inflation (Kavila & Le Roux, 2017). Bordo and Levin (2017) pontified that it contributes to sustainable economic growth, and social welfare by promoting the stable prices of goods and services. In this study, inquiry into how the monetary policy could be used to enhance financial inclusion, especially for the benefit of farmers is done given that the majority of the marginalised Zimbabwean population groups are financially excluded from the financial system. The Reserve Bank of Zimbabwe (RBZ) launched the Zimbabwe National Financial Inclusion Strategy (ZNFIS) between 2016 and 2020. The ZNFIS was aimed at improving the welfare of ordinary Zimbabweans by attempting to reduce poverty and inequalities; promote economic growth, while mitigating systemic risk and maintaining financial stability (Reserve Bank of Zimbabwe, 2016). Focus was on plugging existing gaps on marginalised groups notably women, the unemployed youths.

Financial inclusion and the Economic Policy

Since the turn of the 21st century, The Government of Zimbabwe (GoZ) crafted and introduced different economic policies aimed at revitalising the economy. SMEs, such as farmers are important in the overall growth, and development of both developed and developing economies. As such, the GoZ has been

'prioritising' these as an important economic population to promote economic development given that as SMEs are richly endowed with enumerable levels of innovation and creativity (Osinowo, 2018).

The Zimbabwean economy, as Tichakunda (2018) revealed, depends highly on agriculture, but is currently struggling to survive the economic turmoil dating back to the late 1990s Economic Structural Adjustment Programme - ESAP. Economic reforms changed the government's attitude towards SMEs development (Siddik & Kabiraj, 2018), and SME demonstrate the government's appreciation of the economic subsection, such as the existence of an SME ministry (Fields *et al*., 2019). The government crafted different policies aimed at revitalising the economy and such policies included the Zimbabwe Program for Economic and Social Transformation – ZIMPREST (1996-2000), the Millennium Economic Recovery Program – MERP (2000), the National Economic Revival Programme – NERP (2003), the Macroeconomic Policy Framework (2005-2006), the Expansionary Monetary Policies (2003-2008); the National Economic Development Priority Programme – NEDPP (2007), the Short-term Emergency Recovery Programme (2009), the Zimbabwe Agenda for Sustainable Socio-Economic Transformation ZIMASSET(2015 - 2018) (Jachi & Muchongwe, 2019).

Yue et al. (2019) noted that it is the government's responsibility to create a legislative and fiscal climate that promotes growth and survival of sustainable enterprise. According to Allam and Jones (2019), favourable fiscal climates improve economic activity and makes the economic base which favours the private sector. However, government policies are generalised and have not recognised the role of agriculture in economic growth of Zimbabwe. This study, therefore, assesses the extent to which government policies have contributed or promoted financial inclusion to farmers in remote parts of the country such as in Gokwe South district. Using the industrial development policy (IDP), the regime attempted to assist SMEs through export-led policies and a number of export support mechanisms (Msomi, 2018). It further established institutions to help with financial and institutional support of SMEs such as coming up with the Zimbabwe Development Bank (ZDB), the Small and Medium Enterprises Development Corporation (SMEDCO), the ZWMFB and the Youth Empowerment Bank (YEB) (Molai, 2019; Msomi, 2018). The main thrust of the SMEs policies was to create business skills and growth opportunities; provide credit access to the marginalised such as farmers. Banking Circle (2019) indicated that there is increased interest in pursuing SMEs as a poverty reduction strategy – the means to livelihoods contributing to national economic development.

Therefore, it means that, the GoZ provides market support to small businesses in rural areas to transport goods, source and store raw materials (Jachi & Muchongwe, 2019). This way, farmers implicated, can grow and develop in the rural areas since there is a large number of untapped resources such as raw material and labour in these areas.

Farmers in the Gokwe South district of Zimbabwe commercially grow crops such as cotton, maize, small grains (sorghum, finger millet and pearl millet), legumes (groundnuts, *mbambara* nuts and cowpeas), sugar beans, sesame seeds, sunflowers and, a bit of tobacco and horticultural products (Musara & Dziva, 2015; Njaya, 2015). The selected district used as a case for this study covers 23.1% of the Midlands province with communal land of 828,2 hectares occupied mainly by farmers. The area is very rich in crop production and livestock rearing, and historically known for commercial cotton production. It has fertile soils and pastures that are good for agriculture. The potential in the area attracted development that led to the establishment of Gokwe town, against fragile economic growth exacerbated by drought, inflation, and an unstable financial system. The area is endowed with an enormous diversity of animals and plants, both domesticated and wild, and an impressive variety of habitats, and ecosystems, that sustain the food production. Arguably, given the role of rural farmers' contribution to the national granary, nutrition, and development in general, it became pertinent to investigate financial inclusion of farmers with Gokwe South district as the case.

Methodology

Taking off from an interpretive worldview, (Creswell, 2014), the study adopted a qualitative research approach to identify major financial management challenges encountered by smallholder farmers in the Gokwe South district of Zimbabwe. The study used a case study design (Sönmez, 2013) with the case, Gokwe South District, consisting of three agri-zones namely Chisina, Nemangwe and Mapfungautsi areas which practice smallholder farming for subsistence farming on 829,228 hectares (Zimbabwe National Statistics Agency, 2019). These zones have a total population of 62 000 farmers from the 33 wards across the district. Data was obtained from both secondary and primary sources.

The secondary data was obtained from other publications, reports and prior research done by other scholars. Primary data for the study was obtained qualitatively through fieldwork conducted during the period from August

2022 to September 2022. Purposive sampling was used to select participants from smallholder farmers' stakeholders that include bankers, Agrodealers, supermarkets, health department, informal traders and non-Governmental organisations who had experience of dealing with smallholder farmers of between 5 to 20 years.

Results

Findings showed that farmers face a myriad of challenges thematically presented and discussed below.

Financial access and usage challenges

Findings revealed that most farmers did not hold bank accounts and, as a result were excluded in the mainstream economic development as cited by four of the key informants (KI01, KI02, KI04 and KI05). These were their responses:

> *It is only those that deliver their grain at GMB and Cottco that have bank accounts to receive payments through the bank, otherwise most farmers don't have accounts*. (KI01)

This means that accounts only work seasonally during the cotton marketing season, that is from April to August annually for remittances of cotton proceeds. Another key participant revealed that lack of track records excluded them from participation in the formal financial services:

> *They are not bankable, not bankable in the sense that there is no track record of them having done anything, this is one of the requirements from the financial institutions, or they are a flight risk, as you know, young people cannot stay in one place, at any given time.* (KI02)

Furthermore, another interviewee brought up the issue regarding too much documentation required for account opening as a barrier to possessing bank accounts, limiting access as depicted below:

> *The banks are too far from farmers proximity wise and due to requirements from banks they prefer to keep their money at home. Supermarkets like Nyaningwe and Spar request banking details to make payments but they refuse preferring cash. The smallholder farmers do not want to have an account, they prefer to have their money in their own hands rather than to keep the money in the bank*. (KI04)

Findings revealed that proximity from financial services providers prohibited access and usage of financial services as participants expressed that it was expensive, and farmers faced challenges such as transport costs and poor road network to access banking institutions. As such, key informant interviewees cited that there were no banking facilities like swipe machines in the rural business centres on which farmers could utilise their farm proceeds deposited in bank accounts. In addition, the findings revealed that farmers did not favour electronic transactions such as swipe, Ecocash and real time gross settlements (RTGS) as well as bond notes because their value was unstable and easily eroded. This was described by one interviewee in the following excerpt:

> *Most of them do not have bank accounts. So, they prefer to get cash on their doorsteps, rather than taking their produce to GMB, then they go to the banks to get their money, even to get the money from Ecocash. They don't like it because of some bank charges.* (KI05)

From these results, bank accounts possession by smallholder farmers is seasonal and limited by proximity and transport costs to the service as well as a fragile business environment which makes transactions in local and electronic currencies more expensive than United States dollar (USD) transactions.

Withdrawal limits and bank charges

Key informant interviewees highlighted withdrawal limits on bond notes placed by the Reserve bank of Zimbabwe is a challenge to farmers who stay far away from banking facilities hence incur transport costs to access the cash. They cited that:

> *Due to high inflation, it is very difficult to save, as well as high bank charges by banks, withdrawal limits from RBZ hinder them therefore they would rather keep RTGS among themselves as well as foreign currency which has increased circulation is also kept at home.* (KI01)

Another participant added saying:

> *The current situation with the Reserve Bank of Zimbabwe limiting cash withdrawals challenges farmers who prefer transacting in cash and don't usually want to use other forms of transacting, like swipe RTGS and the like because most of the things that they use, they just want to buy them from local shops which are closer to their homesteads*. (KI03)

High bank charges make it difficult for smallholder farmers to maintain bank accounts and thus excluding them from active participation in the financial

services sector. In addition, findings revealed that these withdrawal limits and bank charges are a result of policies and directives that are made without prior consideration of vulnerable communities in society. As a result, these people such as smallholder farmers in the rural areas resist access and usage of financial services because they are irrelevant to them. Thus, as K105 puts it:

> *A farmer might travel something like 240 kilometres to and from or 520 kilometres to the bank only to be paid a 5000 bond which won't even be enough to get that same farmer back home because 5000 RTGS is around 7 USD.* (KI05)

As a result, lack of financial access and usage of financial services excludes smallholder farmers from economic and financial benefits, thus remaining poor because they fail to benefit from other services from financial institutions such as working capital loans.

Confidence in the financial sector

Clientele confidence in the banking system cropped up as a recurring aspect regarding challenges faced by farmers in Gokwe South district. The instability of the banking sector coupled by the volatile economic environment appeared to have been major contributing factors. Below are some reactions regarding farmers' confidence with the banking sector where it was indicated that:

> *As farmers they are not very confident with the banking system because over the years a lot of unfavourable things have happened such as multicurrency regime, changing of currency from USD to RTGS, [The Real-Time Gross Settlement which started trading on 25 February 2018.] and coming of Bond notes. They would rather keep their own money, not through the banking system, because it is readily available to them. For example, if they bank their money there are withdrawal limits of say 5000 bond which may not be even enough to buy what they want. Swipe is a real challenge these days, so they would rather keep money at home* (Interview, KI01, April 2022).

The expression reflects that the use of RTGS, Bond notes and the United States dollar concurrently has created arbitrage opportunities which make the United States dollar the preferred among the three thereby making it more valuable. As a result, it appears farmers would rather sell their produce to customers who pay in United States dollars than any other local currencies. The same was echoed by K105 who noted that:

> *They prefer cash rather than having money paid into their bank accounts. So, most of the farmers have totally lost confidence in the banking sector so much so that they will prefer to get cash even if it can be less than what the government pays, they've totally lost confidence in the banking sector due to*

> *excessive bank charges and the limitation in the withdrawal limits. A farmer might travel something like 240 kilometres to and from, or 520 kilometres to the bank only to be paid a 5000 Bond[A form of banknote in circulation in Zimbabwe. It was released by the Reserve Bank of Zimbabwe; the notes were stated to not be a currency in itself but rather legal tender near money pegged equally against the US dollar.] which won't even be enough to get that same farmer back home because 5000 RTGS is around 7 USD* (Interview, KI05, May 2022).

What is clear is that farmers prefer working with hard cash instead of using paperless (soft) money deposited electronically into their accounts. The hustles experienced to then withdraw the deposited money from the bank were thus reported as distressing. Proximity to the service provider and withdrawal limits affects farmers' willingness to bank their money. The benefits of using financial services were thus questioned as follows:

> *Back in the days we used to have POSB books which we would send to Harare after a certain period to have interest calculated and added to the money kept in the bank, it would appreciate. Nowadays the same bank; you try to keep money for a longer period, it will be you who owes the bank after due to bank charges and inflation. It is dangerous for farmers to keep money in the banks because the time they come back to Gokwe Centre to utilise their money in the bank they won't be able to buy anything with it* (Interview, KI07, May 2022).

> *So, the problem is when they get to the bank; they can't access all financial products, for example, loans. The bank may be hesitant to give the farmer a loan because there are times when farmers sell their product and are told it's on credit, this causes financial barriers to the farmer* (Interview, KI07, May 2022).

In the past, financial institutions, particularly banks would allow depositors to accumulate interest on their savings but given major changes in the economic environment, if one keeps money in the bank, it would be eroded of its purchasing power. Another stakeholder thus revealed:

> *If this farmer has a running loan, and their produce is not paid for, it means they will not be able to service their loan. The lack of confidence is additionally caused by lack of enough requirements to meet the loan criteria* (Interview, KI07, May 2022).

While farmers do not access financial services from banking institutions because they lack confidence in the banking system, these banks also lack confidence in giving farmers loans.

Connectivity

Mobile and Internet network challenges also emerged as a hindrance to by farmers who intended trading using mobile money as was revealed that:

> *Farmers face network challenges, EcoCash challenges, most requirements to open accounts are unfavourable as a result they must travel to Gokwe town for that service* (Interview, KI07, May 2022).

Trading using mobile money refers to banking platforms provided by mobile operators such as Zimbabwe's Ecocash, One wallet and Telecash. As one of the key informants noted, other places in the district had no network coverage thereby making mobile banking irrelevant. In addition, they explained that information technology (IT) systems used by banks were at times being affected by power cuts and farmers were not willing to travel long distances thus, failing to access their money from the bank.

Modes of payment

Findings revealed that the use of plastic money in Zimbabwe as a payment remittance mechanism is no longer very acceptable due to loss of economic value of plastic money. Farmers prefer hard cash in the form of the United States dollars instead of RTGS, Ecocash and OneMoney which they considered "useless" if kept for later use. In addition, the local currency cash known as the Bond Notes are more preferred than plastic money although less valuable than the United States dollar. As one participant aptly stated,

> Ecocash-related challenge now is that a payment remittance mechanism in RTGS is no longer very acceptable. I think it's a policy issue with the Ministry of Finance. But they also receive money from their relatives within, and outside the country notably via Mukuru, Innbucks, Western Union and other foreign currency remittance platforms (Interview, KI01, April, 2022).

The United States dollar ($US) preserves the economic value of money, as such considered to have less risk to inflationary erosion. Using the USD, farmers dispose of the money when they want to at an equivalent 'black-market' value in Bond Notes, plastic money or use it as is.

Pricing

The key informants who participated in the study exposed that the Grain Marketing Board (GMB) and Cotton Company of Zimbabwe (Cottco) were the main customers of crops produced in large quantities such as maize and cotton. However, these large buyers took advantage of their monopoly especially in cotton and pegged low prices. In some instances, farmers were paid in form of grocery not money or delayed. Major highlights in this regard included:

> Market sometimes determines the price, mostly smallholder farmers sell their products to individuals not companies and these individuals negotiate prices to make sure they pay low prices, farmers then receive less income. Unlike if they sold their products to Supermarkets such as Spar, Nyaningwe, Choppies, these will pay the real market value than selling to individuals, and it comes as a lump sum. (KI04)

In this case, smallholder farmers were price takers and had no bargaining power to negotiate for real value of their products resulting in crops being sold at prices below production costs. Furthermore, farmers lacked proper documentation to supply to other formal markets such as supermarkets and companies which are business enablers.

> *GMB takes a lot of time before paying the farmers and due to the rate of inflation, the time the farmer gets paid, that money will be useless.* **(KI05)**

The market value of crops determines the level of production for the next season as well as ability of farmers to produce good crops next time.

> *These challenges are caused by some of the mechanisms that are put in place by the government itself. Because they sometimes impose restrictions on the farmers for them to sell grain to GMB, and then GMB takes a lot of time before paying the farmers and due to the inflation rate of inflation which is there now and due to the current crash. By the time the farmer gets paid, that money will be useless. Like now the black-market rate is hovering around eight hundred RTGS and GMB is paying something like it one hundred thousand RTGS per tonne, which is around one hundred and twenty united states dollars and is peanuts to the farmer* (KI05)

As noted above, delays in payment in a hyperinflationary environment causes loss of economic value of the currency especially in Zimbabwe where a product or service had several prices. In the end, when cotton money was paid, farmers made a loss. In addition, groceries were not the only needs for smallholder farmers; their cotton business was supposed to generate financial

returns for them to meet the many personal obligations they had. Therefore, getting 'paid' using groceries meant they were not be able to buy inputs for the next farming season. This ill-treatment of a customer and cotton being a non-consumptive cash crop, meant farmers could not sell it anywhere else. One of the key informants went further to say:

> *We go back to buying inputs they find prices already set meaning us business community/retailers we sell goods after proper costing but the farmer just comes and buys from us*. (KI07)

Another important issue raised on pricing was that farmers could not negotiate prices for their crop. Farmers had become price takers of inputs but not price setters of commodities, making them lose on both ends.

Prohibitive transport costs

Findings revealed that transport cost to the marketplace is expensive such that farmers now opt to trade with informal traders who bring wares, and cash, to their doorsteps rather than having to formally transport their grain to GMB. As participant K105 convincingly put it:

> *Transport charges for the grain to the marketplace is very high; so high that instead of getting something like $5 per bucket, the farmer ends up getting something like $3.50 or $3 because transporters charge between $2 to $3.50 per bag of grain. Farmers calculate all those charges and find it as a disadvantage to ferry produce to the market, or ferry produce to GMB, which will in turn pay them back in RTGS and therefore, due to the currency crash, they lose out* (Interview, K105, July 2022).

Every businessperson reportedly chose viable options for their businesses. In this case, farmers avoid formal business means of taking their grain to Gokwe Centre where the nearest GMB depot is located. It was noted that farmers believed that there was no economic value in incurring huge transport costs as well as getting paid late when inflation has eroded their money. In turn, informal traders capitalised on the arbitrage opportunities to do business with the farmers.

Financial literacy challenges: Knowledge of financial management

While every business operates through cashflows, findings from this study revealed that farmers in the Gokwe South district lack knowledge of how to manage their cashflows. As one participant cited that:

> *The bottom line is that these farmers are illiterate; they don't know the concept of money, as in how to use and manage their finances. Therefore, the biggest problem has been with financial management. Agronomists just teach them how to do well in the fields while neglecting their finances* (Interview, K108, August 2022).

Farmers lack knowledge of financial management, yet they are well knowledgeable, and grounded in their farming practices. For smallholder farming to be a business, it needs a balance between expertise and income management. Furthermore, as stakeholder K102 indicated that:

> *So, we realized that much as a number of them, could have been doing very well, they were very bad in terms of record keeping. They make lots of money but at the end of the month cannot even detail how much money they made, or what they used it for, because there are no records to show that and banks do not want that* (Interview, K102, August 2022).

Recordkeeping

Proper recordkeeping aids in business development and opens opportunities for growth. For farmers, they may use the records to access loans for expansion from the banks. In addition, proper budgeting and planning on different income utilisation strategies can undertake despite the economic environment. However, as one participant indicated:

> *There is a very small percentage of farmers who do proper book keeping of their money here in Gokwe South. Some may have had a very large output the previous season but have no idea of how much they received from GMB.* (KI06)

Proper record keeping is key to profit determination and as such remittances from crop production are no exception, for it to be a business not a social practice for subsistence. Similarly, KI07 suggested farmers did not know about money in terms of business:

> *They lack budgeting skills in terms of planning to go back to the fields post-harvest, it's not there in farming; the challenge as I highlighted earlier is that the farmer doesn't really know what his costs are.* (KI07)

Budgeting is a pivotal tool in business that assists in planning purposes to forecast business output. It may not be very accurate, but it gives good guidance and direction that leads to business success. KI08 highlighted that they were doing it on a small scale, that they had trained smallholder farmers on financial literacy and emphasized its importance saying:

> *Farmers need to understand five principles that we teach, we say you must earn, you have to save, you have to invest, you have to spend, and you have to protect your investment. In Gokwe South there are households with testimonies of doing budgets and involving their children out of these lessons that we have taught them.* (KI07)

These five principles are key to understanding how to use income, budget and manage inflows received from farming and are the key financial decisions one can make on what to do with the income received.

Discussion

From the findings, the majority of smallholder farmers did not possess bank accounts while other farmers operated seasonal bank accounts for cotton and maize remittances. In addition, financial exclusion was caused by too much documentation required to open and operate bank accounts, proximity to service providers as well prohibitive transport costs associated with accessing the financial services. This means that financial access among the marginalised smallholder farmers in Zimbabwe was limited and the benefits of regular use of banking services were not enjoyed. This is consistent with Mhlanga et al.'s (2020) views that failure to possess bank accounts meant that smallholder farmers were financially excluded, and thus recommended the need for financial inclusion policies that include smallholder farmers' participation in the financial sector to reduce poverty. Nyoni and Kurebwa (2022) buttressed this by saying that bank account(s) possession and access to mobile banking usually lead to better income levels.

In addition, lack of financial sector confidence was cited as a major financial management challenge that discourages smallholder farmers from being financially included. This is mainly caused by fluctuating exchange rates exchange rates and financial sector instability due to constant changes in policies and directives. This implicates on the financial inclusion of youths and potential small agribusinesses because the business environment was not conducive to farming. To this effect, Mavaza (2019), proposed that the government needs to generate consistent policies that restore financial sector confidence. However,

Silinskas et al. (2023) linked financial sector confidence to one's level of wealth not policies.

Furthermore, interviews exposed withdrawal limits and exorbitant bank charges as part of financial management challenges that hinder financial inclusion of smallholder farmers. There is therefore a need to lower barriers to financial inclusion and increase usage of financial services through the provision of low-cost, safe, and fair financial products that service marginalised communities such as these smallholder farmers. Administration charges of maintaining an account and stringent limitations placed on the accounts such as the informal sector were burdensome and needed to be relaxed Ntini et al. (2022). However, according to Chukwuma (2023), it is desirable to go cashless as it reduces fraud risk.

Results exposed that the use of mobile banking platforms and digital banking are limited by poor mobile network. This implies limitations on digital financial inclusion. Mavaza (2019) supported this by highlighting that there was need for banks to promote electronic banking by financial institutions. Baker (2021) further emphasised that digitally enhanced financial inclusion techniques encouraged participation of low-income workers in formal financial services and created investment opportunities. Interviews also revealed under-pricing of smallholder farmers products due to a lack of markets and prohibitive transport charges to access the market.

In contrast, there were high costs of farming inputs thereby affecting the viability of smallholder farming as a business. According to Chikuni and Kilima (2019), price setting by buyers led to business failure because transaction costs to access markets were high. As such, Ismail (2023) suggested the need for entrepreneurial networks and digital technology to be implored for smallholder farmers to independently market and sell their products instead of predetermined marketplaces. Furthermore, responses from interviews indicated that smallholder farmers did not have financial management and record keeping knowledge, implying lack of financial education. Sajuyigbe et al. (2020) confirmed that most small business operators did not have financial knowledge such as cashflow management, budgeting, and accounting systems. SMEs such as smallholder farmers were said to face growth challenges because they lacked financial understanding (Novianti, 2021).

Conclusions

Regarding results on major financial management challenges encountered by smallholder farmers in Gokwe South district, it can be concluded that smallholder farmers in Gokwe South District are excluded from regular use of banking services since they possess seasonal bank accounts and avoid financial services because of withdrawal limits placed on their transactions and exorbitant bank charges. It is further concluded that the business environment has led to loss of financial sector confidence by smallholder farmers as their financial development has been hampered by the multicurrency system and payment system. Lack of financial education together with high inflation, high cost of living and climate change variability are also concluded to cause farmers' failure to predict and manage crop income as well as coping with continuous change in business and weather patterns. In conclusion, expensive farming inputs and poor network are barriers to the sustainability of smallholder farming and digital financial inclusion respectively.

Recommendations

Based on the results, the study recommends establishment of financial inclusion hubs to enable financial decision-making under one umbrella. In this regard, group leaders need to be adequately equipped with financial management skills such as bookkeeping, budgeting, credit management, cashflow management and marketing as well as entrepreneurship and interpersonal skills. These collective decisions by smallholder farmers teach them to be accountable to one another and acts as a base for financial literacy that can be used as a financial development tool by smallholder farmers. In addition, the study recommends stakeholder collaboration to handhold smallholder farmers through financial management awareness campaigns. These will help smallholder farmers fight challenges posed by their prohibitive business environment, provide access to markets, empower the farmers to understand the multicurrency system and builds the farmers' confidence and causes business growth.

Based on the financial management challenge, that smallholder farmers are charged exorbitant bank charges to maintain their bank accounts, this study recommends the establishment of low-cost accounts that are safe and fair on the smallholder farmers. These accounts should be free of bank charges with no minimum deposit required to promote financial inclusion of smallholder farmers.

Furthermore, this study recommends the setting up of agency banks to increase visibility of financial institutions within existing business communities where smallholder farmers reside such as already established businesses that include shops. These agency banks should be supported by mobile satellite banks that conduct village tours on financial awareness as well as marketing of existing agency banks.

Thorough farmers' consultation needs to be done, extensively, so that financial inclusion will be user-specific. This strategy addresses the financial inclusion barriers of accessibility through network coverage and distance to financial services and financial exclusion due to economic status. The study also recommends monetary policy reforms and the establishment of flexible banking policies for an enabling business environment. A financial management model is thus recommended as laid out in Figure 1.

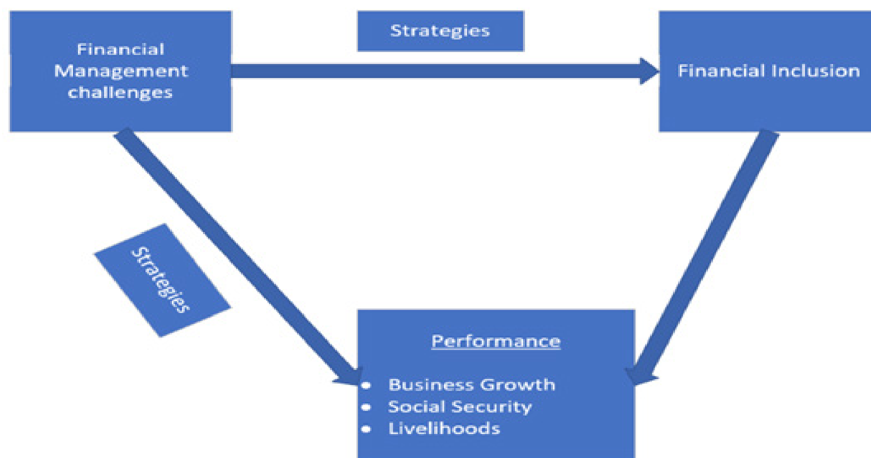

Figure 1: The proposed financial management model

The proposed financial management model (Figure 1) speaks to smallholder farmers. As shown, financial management challenges that hinder financial inclusion need to be mitigated through strategies. These include, financial inclusion hubs, agency banking financial awareness campaigns and financial management skills training. These strategies when implemented positively impact smallholder farmers' performance. As such, other financial management challenges such as those caused by the business operating environment need to be addressed through strategies such as stakeholder collaborations and policy reforms to improve performance. When performance has improved, this is seen through increase in income from crop production which resultantly positively affects livelihoods and leads to sustainable business growth.

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