

Role of inclusive finance in smallholder farmer's growth and commercialisation in SADC

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Outline

- **Introduction**
- **Concepts**
- **Methodology and frameworks**
- **Financial inclusion in SADC**
- **Results and Discussion of micro study**
- **Conclusion and recommendation**

Introduction



Accessibility to inclusive finance is a major challenge in SADC



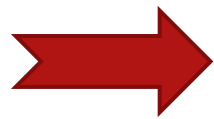
Inclusive finance can positively impact agricultural sector & increase commercialisation.



Understanding how inclusive finance affects smallholder farmers' decisions to commercialize is important.



Lead to alignment of policies by relevant stakeholders.



Definitions of inclusive finance and commercialisation

- **Inclusive finance** refers to the delivery of financial services and products that are available, accessible, and affordable to all segments of society, to achieve inclusive economic growth
- **Finance** is a broad term that encompasses many financial services. In this study, will only focus on credit, insurance, off-farm income, agriculture insurance and household savings
- **Commercialisation** is defined as; increasing the amount of produce that is sold. The value of output marketed relative to amount produce was used (Pingali & Rosegrant, 1995).

Objective

- ▶ The overall objective of the study was to examine the role of inclusive finance in agricultural commercialisation among smallholder farmers.
- ▶

Hypothetical Concept

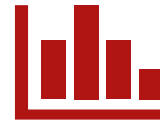


Methods



Data Sources

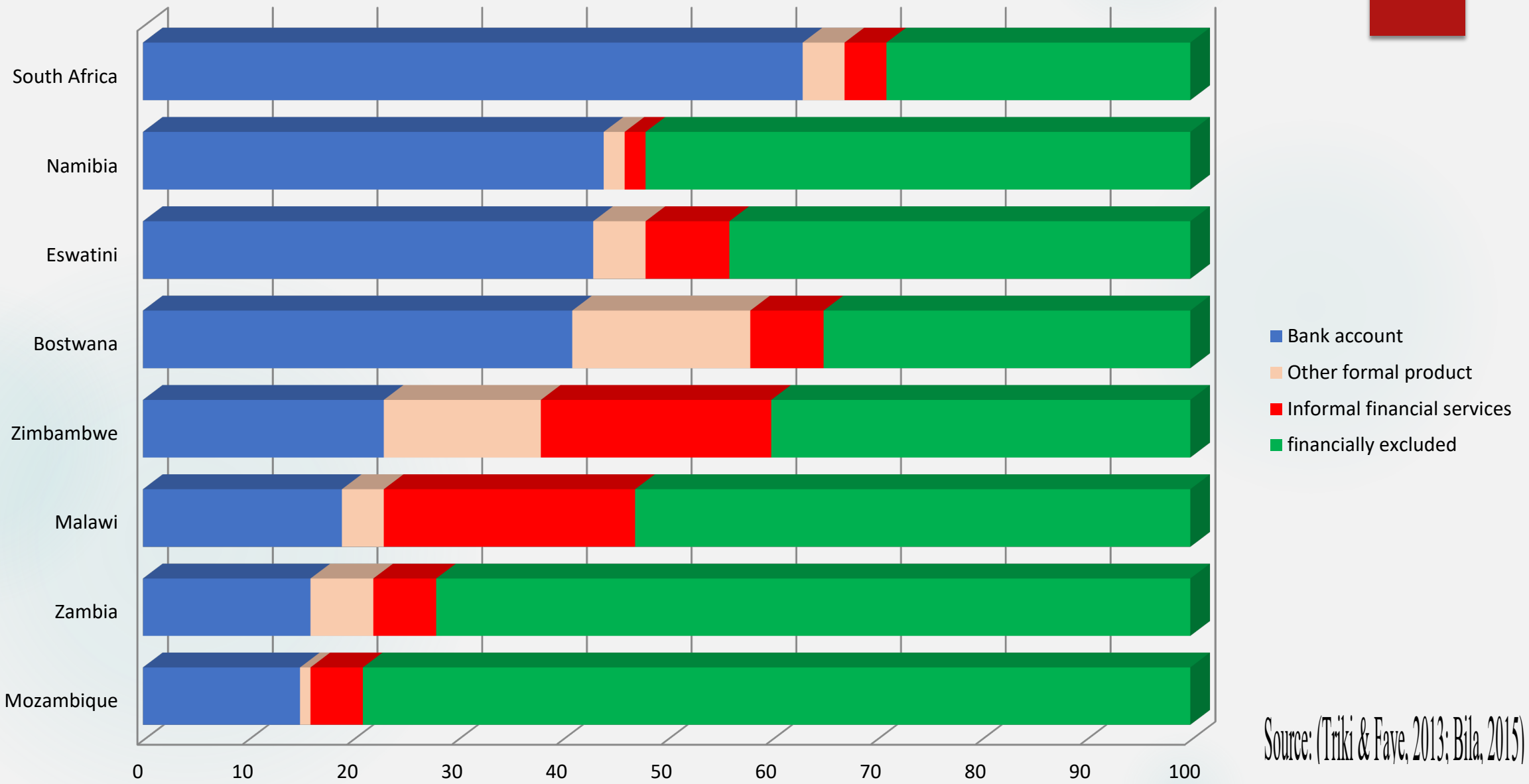
Macro-economic data (IMF)
Micro-economic data for Eswatini;



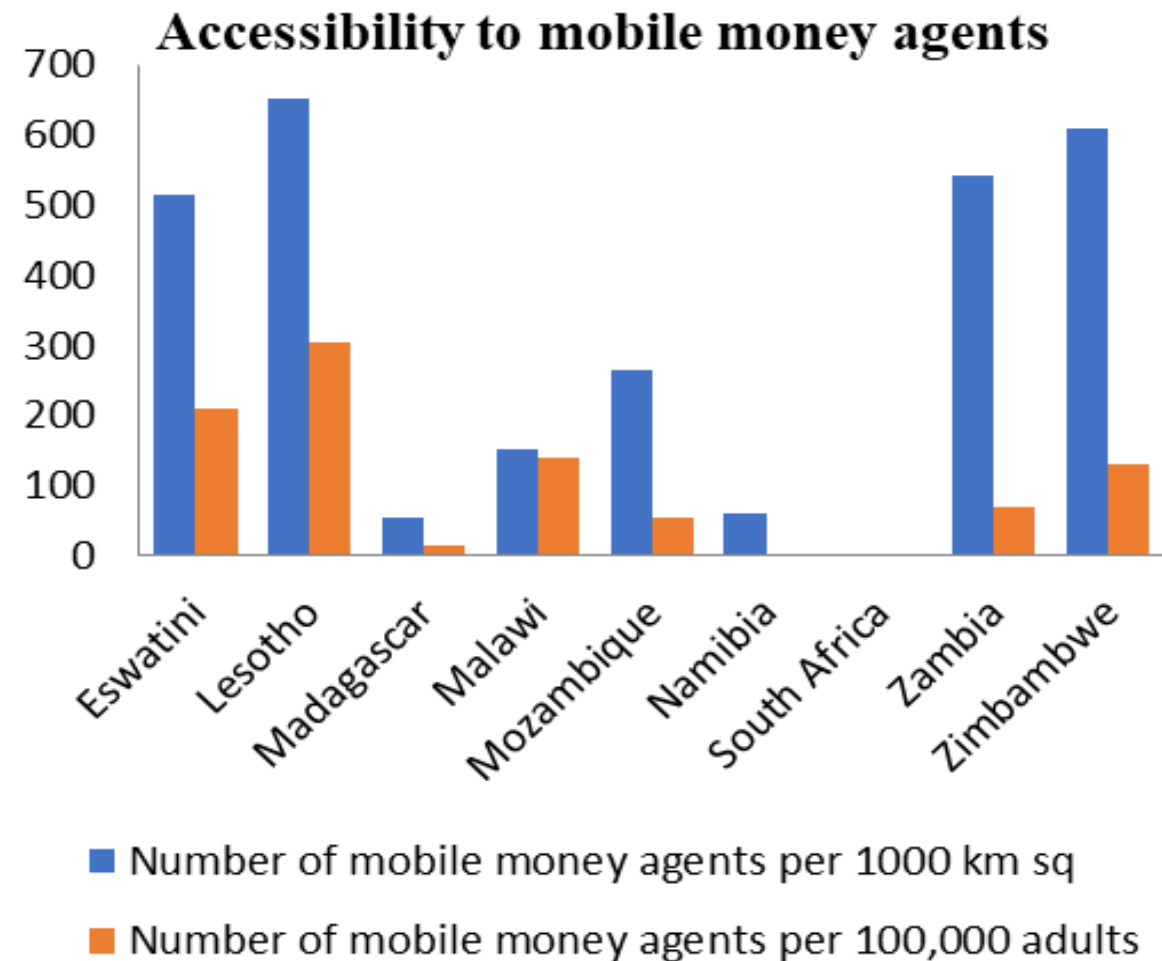
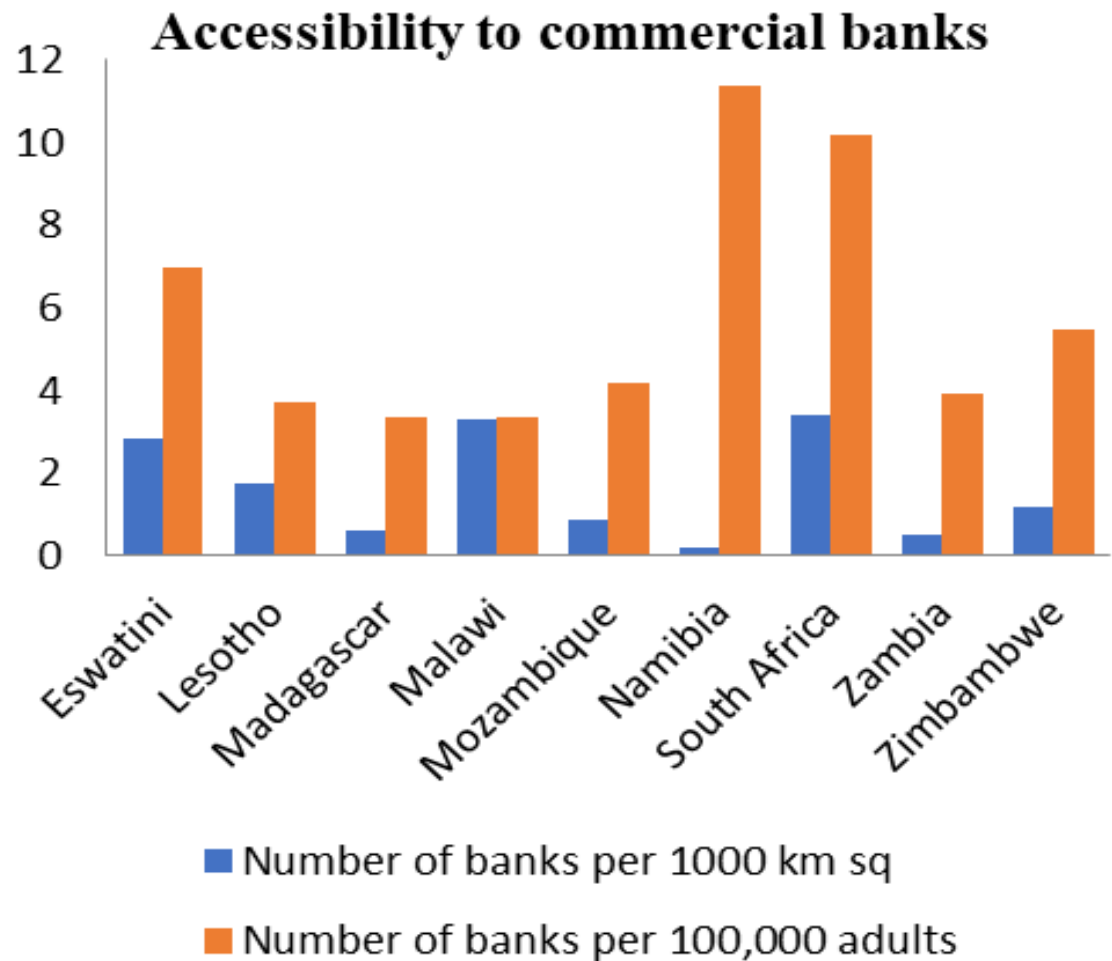
Data Analysis

Econometric research methods
• ANOVA

Financial inclusion in SADC



Source: (Triki & Faye, 2013; Bila, 2015)

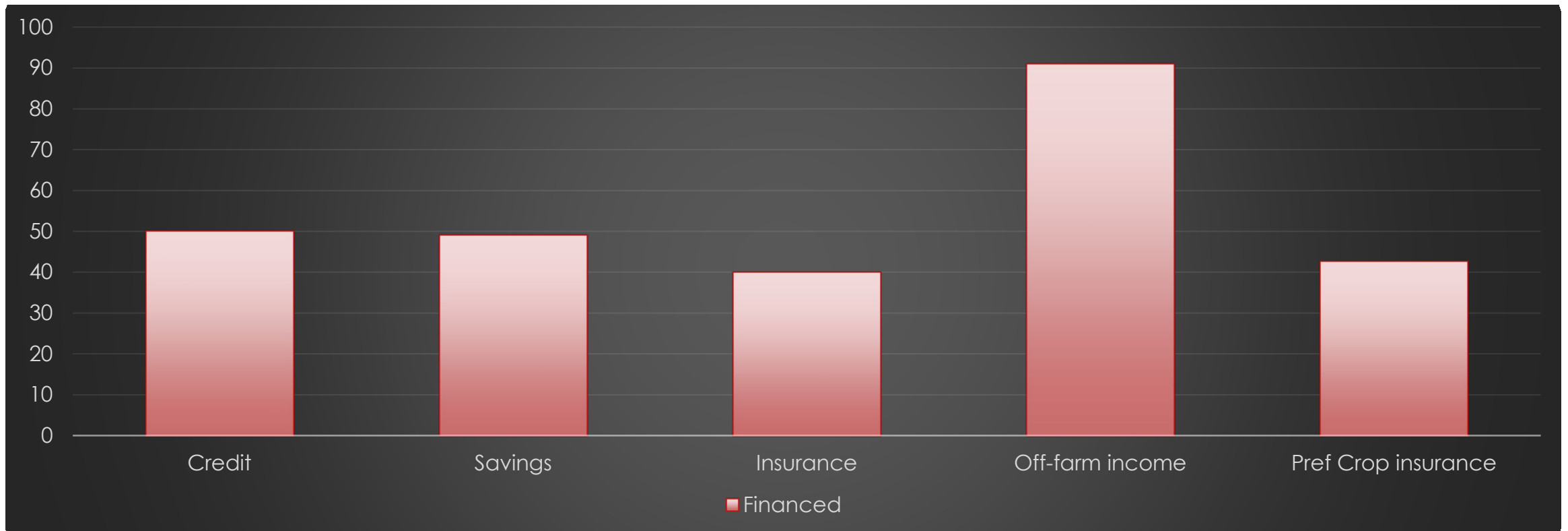


Source: IMF database (2014)

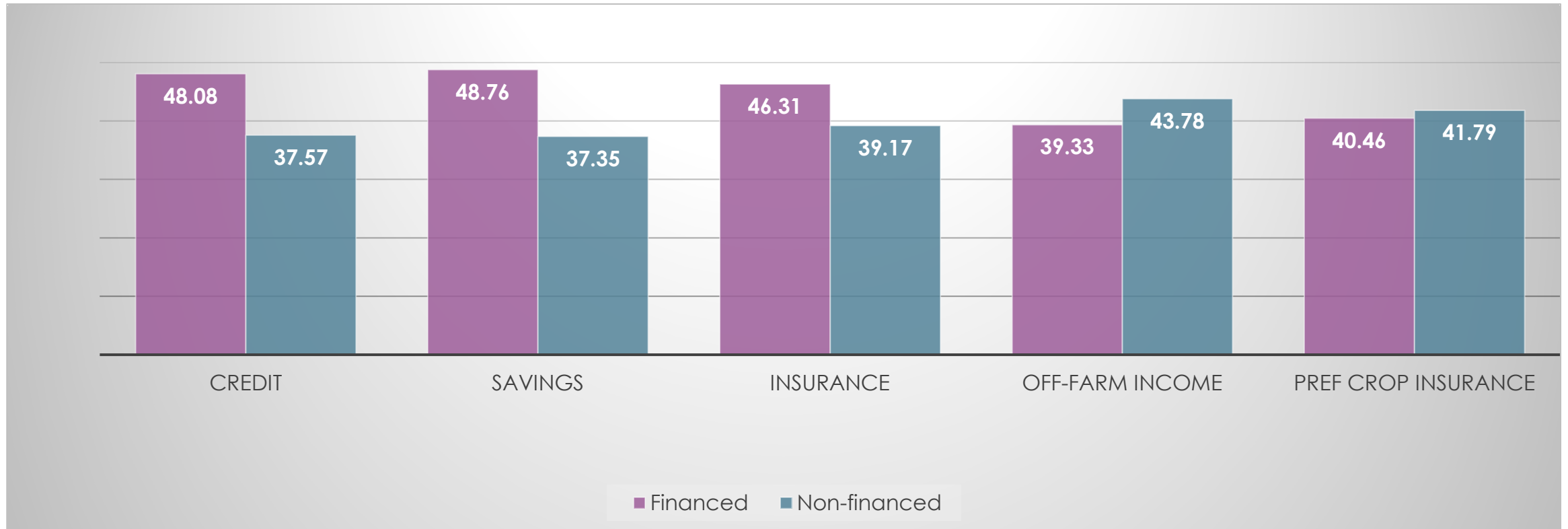
Discussion of the macro study

- **South Africa** tops the list of because millions of South Africans receive social grants and enjoy a higher level of financial inclusion (Fanta, et al., 2017).
- At least 45% of adults use mobile money services in **Zimbabwe**. However, this has drastically decreased the use of formal financial services (Finscope, 2016)
- **Mozambique** has lowest level of financial inclusion. 75% of micro-medium enterprises were financially excluded from both formal and informal financial services (FinMark Trust, 2013)

Descriptive results for Micro study



Comparing the commercialisation Means



ANOVA Results

		F-statistic	Significance
One-way	Savings	4.411**	Yes
	Credit	3.758**	Yes
	Off-farm income	1.505	No
	Insurance policy	0.710	No
	Crop insurance pre	0.066	No

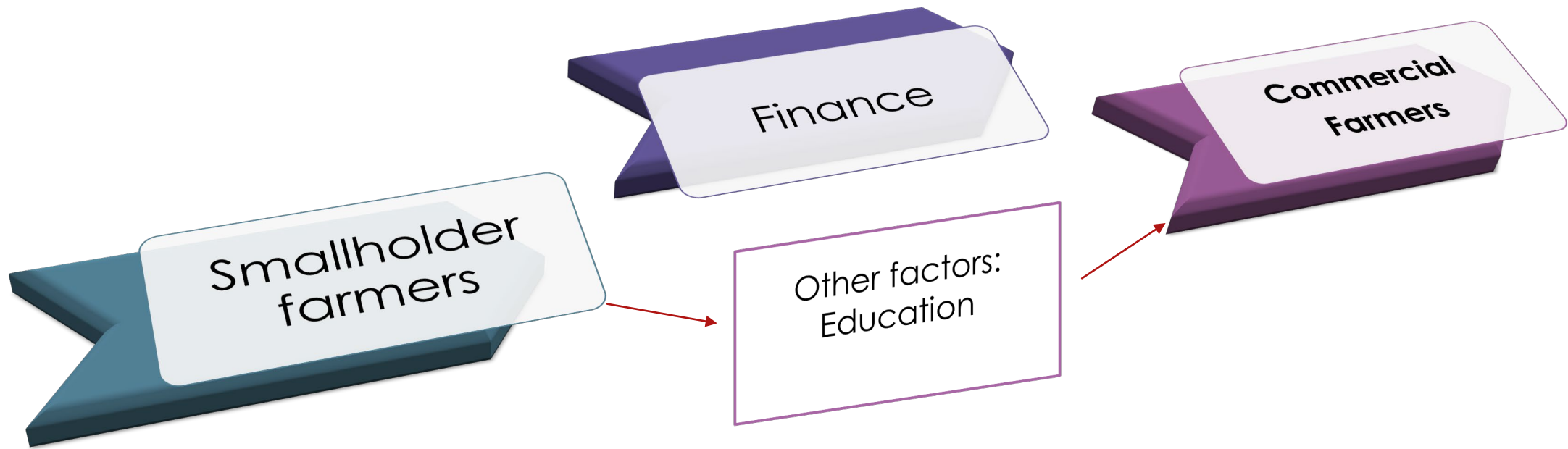
Discussion of results of the micro study

- The results showed that only credit and saving had a significance difference between financed and non-financed farmers.
- However, all financial variables tested positive for endogeneity
- This implies that further analysis is necessary

Endogenous switching regression results

		Model completed	Coefficient direction
1-way	Savings (S)	Yes	0.435**
	Credit (C)	Yes	0.283
	Off-farm income (O)	Yes	0.369**
	Insurance policy (I)	Yes	0.254*
	Agric insurance pref (A)	No	0.106
2-way	SC	Yes	0.159
	CO	Yes	-0.488
	IO	Yes	-0.656
	IA	Yes	0.295*

Conclusion



Lessons for SADC & Mozambique

- ▶ both financial inclusion and agricultural commercialisation are important in economic development
- ▶ For SADC, and Mozambique in particular, to accelerate agriculture and rural development, there is a need to promote financial inclusion and commercialisation of agriculture
- ▶ Agricultural commercialisation among smallholder farmers can be achieved through an increase in the accessibility of finance

Recommendations



The government needs to take a key role to spearhead an increase in financial inclusion by creating an enabling environment and policies to increase financial inclusion. .



Financial institutions should improve accessibility of financial services to smallholder farmers.



Foundation for other researchers to further analyze the effect of finance on agriculture.

THANK YOU!