Effects of Agrarian Policies on Access to Agricultural Finance in Zimbabwe

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Abstract—

Introduction: *In Zimbabwe there is an agricultural finance gap for smallholder farmers. Formal financial institutions face policy barriers to fully participate in rural financial markets. The study is an analysis policy with a view to recommend measures to improve access to agricultural finance markets in Zimbabwe.*

Problem Statement: *Inappropriate policies and policy failures exacerbate poor access to finance by smallholder farmers in Zimbabwe. Poor access to finance results in low agricultural production and productivity, which in turn leads to perpetuation of poverty amongst smallholder farmers.*

Methodology: *The study is an evidence-based policy analysis. Qualitative data was collected from fifteen key Informant interviews. In addition, secondary data was collected from literature. Seventy-five (75) reference materials were utilised from Google Scholar and Scopus databases. The data was analysed using the framework for policy analysis.*

Results: *From the literature review, there has not been any independent policy analysis focusing on the negative impact of government agrarian policies on access to finance. Government agricultural support programs crowd out financial service providers, thereby reducing access to credit.*

Conclusion: *Government policies should be designed to incentivise private sector financing for agriculture.*

Keywords— Policy analysis, financial inclusion, collateral security, Land reform, Micro-finance.

I. INTRODUCTION

Zimbabwe is an agro-economy with agriculture contributing about 12% of the country's GDP in 2023 and more than 60% of inputs to the manufacturing sector [1]. In the premises, food security, employment creation and poverty alleviation are closely related with the development of agriculture [1]. Access to financial services particularly by smallholder farmers, however, remains a major bottleneck to agricultural performance in Zimbabwe [1].

According to the 2022 Finscope consumer survey [2] only 4% of farmers access credit from formal finance institutions, 53% do not borrow at all, 25% access credit from family and friends and the remaining 18% access credit through informal sources like savings and credit clubs and other formal non-bank sources like mobile money and micro finance institutions (see figure 3).

The demand for financial services critically depends on the provision of some of the most basic public goods and physical infrastructure: including roads, telephones, mail services, literacy and electricity [3]. On the clients' end, the most practical problem is the very low absorptive capacity of the majority poor in rural areas, greatly constraining the potential positive impacts of access to finance programmes [4]. The other barriers to accessing finance include fear of debts (58%), worry about ability to pay (32%). These barriers result from past experiences and unfavourable credit terms, including high interest rates [2].

Literature reveals that approaches to agricultural financing for poor smallholder farmers has evolved over time as a result of the improved understanding of the underlying challenges. Beginning in the 1960s, subsidized agricultural credit programs were popularized as a way to correct the market failures thought to be the cause for the small amount of credit allocated to agriculture [4,5,6]. These programs usually imposed a rather naïve supply-leading approach of interest rate ceilings that undermined the health of the mostly government financial institutions delivering credit [7]. In most African countries it has been documented that governments, in the quest to address poverty and food insecurity as top priorities, have always intervened in agricultural markets, including in finance [8,9,10]. For the same purpose international development partners, such as the World Bank (WB), African Development Bank (AfDB), and International Fund for Agricultural Development (IFAD), provided credit lines to national central banks or ministries of finance, who in turn refinanced local banks at concessionary interest rates [10]. This approach was largely declared a failure, including by [11], in their work 'Undermining Rural Development with Cheap Credit', which is a widely cited critique of this credit led approach.

Governments, as policy makers, provide frameworks for processes that lead to the promotion of financial inclusion and these policy frameworks also articulate clear operational modalities to achieve national financial inclusion objectives [12]. The Reserve Bank of Zimbabwe (RBZ) is pushing for financial inclusion through National Inclusion Strategies I (2016-2020) and II (2022-2026). In addition to putting in place consumer protection regulations, governments can facilitate innovative models for financial inclusion, including promoting ease of entry of new entrepreneurs into the financial sector [13]. Instead of providing financial services directly, the role of government is to maintain macroeconomic stability and provide appropriate regulatory and supervisory frameworks [14].

II. PROBLEM ANALYSIS

2.1 What is the problem?

According to [15] 58% of Zimbabwean households are involved in farming of which 33% rely solely on agriculture for their livelihoods. Although [15] reported that 45% of farmers are banked and 31% use mobile money products bank and mobile money credit facilities have low uptake. In the agricultural sector 53% of farmers do not borrow at all, 25% access credit from friends and family and 18% from the informal sector. From these statistics, we conclude that access to credit by farmers is still very low. The constrained access has been confirmed by several studies of Zimbabwe's smallholder farmers. The studies found out that most smallholder farmers used owners' savings as the primary source of agricultural finance [16,17,18,19]. Own resources are however seldom enough to cover seasonal cash flows.

Commercial banks prefer to provide loans to established large businesses rather than small loans to numerous micro-entrepreneurs [20]. As a result, there is a yawning smallholder farmer financing gap that has kept Zimbabwe's economic potential untapped. This gap needs solutions and offer opportunity for transforming smallholder farming from subsistence to commercial. Micro finance institutions (MFI) have attempted to fill this gap. It is acknowledged by [21] that the financial needs of small agribusiness remain underserved. As observed by [20] their financial needs are too large for microfinance and too small for commercial banks.

2.2 Analysis of the problem context:

Zimbabwe has instituted agricultural policies during different phases of its Agricultural revolution, which can be divided into pre-colonial, post-independence and the multicurrency era. Despite these macro level interventions smallholder farmers still face constraints to access agricultural finance.

Barriers and constraints to financial inclusion in Zimbabwe can be classified as demand side, supply side and regulatory [22]. They [22] further elaborated that the constraints include: under demand side, low-income levels, failure to meet minimum account opening requirements, inadequate information on financial services and products, lack of confidence in the financial system and financial illiteracy. Under the supply side the barriers include absence of a robust credit information system, poor infrastructure in rural areas leading to financial institutions reluctance to establish branches and lack of skills to understand the dynamics of the projects of those at the bottom of the pyramid; regulatory constraints include absence of coordinated national policy and strategy on financial inclusion, weak consumer protection regulatory framework, weak institutional capacity and resource constraints.

Risks in agriculture are high (policy, market, production and environmental risks). Farmers lack formally recognised collateral, there are high costs in lending to smallholder farmers, MFIs lack sufficient funds for lending and repayment structures may not suit agriculture [23].

There was need to rope in the rural communities for inclusion into the formal financial system [24]. According to [24], the per capita banking facility ratios in rural areas indicate unacceptable levels of financial exclusion of the rural populace. The situation on the ground however suggests that the demand for microfinance resources is very high [25].

In a historical overview of the Microfinance sector in Zimbabwe, [25] noted that microfinance resources are on demand because of their ability to meet the capital needs of the poor who are considered 'unbankable' by the formal finance sector. It is further pointed out by [25] that traditional banks are not willing to take the risk because they rate the sector 'credit unworthy' thereby creating a huge gap that gets filled by private moneylenders who usually charge usurious rates of interest, hence exploiting the vulnerable poor people. It is noted by [25] that traditional banks argue that it is problematic to provide financial services to the rural areas because of their remoteness, which brings very high transaction costs hence raising sustainability questions. Other challenges noted for Zimbabwe include adverse selection and information asymmetry leading to moral hazard.

III. LITERATURE REVIEW

3.1 1890- 1980: Political and Legal Constraints:

During this era the political and legal constraints from the colonial state constrained efforts by Africans to organise savings and credit institutions. Colonial legislation including the Land Apportionment Act (1930), the Native Urban Areas Registration and Accommodation Act (1946) restricted Africans owning and utilising land in rural and urban areas [26]. This constrained Africans to provide collateral for credit from the financial service providers.

The development of means of saving amongst the poor in Zimbabwe started with the concept of burial societies during the early years after colonial occupation in 1890 [27]. Members of a burial society paid a joining fee and monthly subscriptions. When an immediate family member died, the member of the burial society was paid a lump-sum payment [28].

African professionals established Friendly Societies to provide loans to finance household needs and bigger financial projects. The friendly societies included the Central African Mutual Association, the Bantu Trading Cooperative Society (1938), the First African Friendly Society (1960) and the United Consumer Cooperative Society (1964), all of which were short lived [27].

On 11 November 1965 the colonial Rhodesian government declared the Unilateral Declaration of Independence (UDI) from the British empire [28]. As a result of the UDI the country was put under international mandatory sanctions because of widespread human rights violation of the indigenous black population [29]. To burst sanctions, the Rhodesian government instituted economic controls. As a result, the economy was one of the most controlled economies in Sub Saharan Africa [30]. Rhodesia's economy was dichotomous, comprising a poor and colonially marginalised black majority and an economically empowered and dominant white sector [31]. Blacks earned about one tenth as much as whites [32].

Brother Francis Waddilove, a Catholic missionary established the first savings club in 1963 in Southern Rhodesia [27]. The objective of the savings club was that the members could accumulate enough money to purchase agricultural inputs in preparation for the rainy summer season. This model was scaled-up by the Catholic Mission at Silveira House in 1968. Members of the savings club were to contribute savings for a period of two years after which they would qualify to receive loans equivalent to not more than 10% of their accumulated savings for productive purposes. The number of clubs reached a high of 3000 in 1975, with 60 000 members [27]. Activities were however severely hampered by the war of liberation between 1976-80, [32].

3.2 Post Independence (1980):

At Independence in 1980, Government through statutory instruments directed Agricultural Finance Corporation (AFC) to extend loans to all farming sectors including communal farmers [33]. In the early 1980's the (AFC) played a central role in extending loans to small scale farmers. The World Bank, European Commission (EC), Danish International Development Agency (DANIDA), and the Japanese government among others, supported this policy. Credit by the AFC to both small farmers in the resettlement areas and mainly white commercial farmers, increased from US$10 million in 1983/84 to US$22 million in 1984/85 [34,26]. Smallholder indebtedness and levels of debt defaulting increased as a result [34]. Attempts to 'throw money at the problem' failed to deal with fundamental constraints such as unsustainable interest rates, and the inefficiencies of the controlled marketing system. In the 1990's the process of commercialising the AFC under a new bank, AGRIBANK, resulted in further limitations for the poor communal area farmers.

The Commercialisation of other Government institutions under the Economic Structural Adjustment Program (ESAP) such as the Small Enterprises Development Corporation (SEDCO) and the Zimbabwe Development Bank (ZDB) led to a greater emphasis on collateral-based lending [35]. In addition, many difficulties arose over the complex procedures for accessing credit.

Prior to 2009, agricultural finance was provided by the state through Agribank, the Reserve Bank of Zimbabwe (RBZ), Commercial Banks, Microfinance Institutions (MFIs), Commodity Brokers, Farmer Contracting Agencies and NGOs. The Ministry of Agriculture provided agricultural credit in the form of direct input support to farmers, under the administration of its parastatals and departments. In this regard, the Grain Marketing Board (GMB) administered a scheme that distributed seasonal inputs; the Livestock Development Trust (LDT) focused on Heifer Support; the District Development Fund (DDF) administered tillage support; Agriculture and Rural Development Authority (ARDA) administered the Irrigation Rehabilitation Support Facilities and the Ministry of Agriculture with the support of the Army, administered the *Maguta* (*Food Security*) and Champion Farmer Input Support Scheme Facilities. The Reserve Bank of Zimbabwe (RBZ) administered the Agricultural Sector Productivity Enhancement Facility (ASPEF) and the Farm Equipment and Mechanisation Support Programme. All these loans were provided at below market interest rates thus crowding out private banks' own lending capital/capacity [36].

Zimbabwe has, in the past, instituted several policy initiatives to broaden access to financial services. Notwithstanding the strides made in the pursuit of an inclusive financial sector, gaps still exist in the level of access to, usage and quality of financial products and services, as well as the impact on the lives of those consuming the products and services. The gaps are particularly pronounced among special groups such as Micro, Small and Medium Enterprises (MSMEs), women, youth, rural population and the small-scale agricultural sector [1].

In Zimbabwe, land is owned by the state and the current land tenure system for current holders or users does not permit transfer of ownership. It then becomes difficult for banks to extend credit securitised by land given the complexities in both ownership and transferability [37,38].

IV. METHODOLOGY

4.1 Conceptual Framework:

Policy is a process with distinctive (differentiated) stages, each with an activity that enables the next stage, the results of which feed back into the process [39]. These stages aim to address an issue (programme, problem) in a systematic way by defining it, developing solutions, implementing the solutions and evaluating the results [40,41,42]. Policy analysis is the process of systematic investigation of the implementation and impact of existing policy (ex-post analysis), and of options for new policy (ex-ante analysis) [43,44,45]. The purpose of policy analysis is to facilitate the choice of sound policy with a view to improvement [46].

4.2 Data Sources:

Qualitative methods were used to collect data. Data was collected from fifteen Key Informants including from the Ministry of Lands, Agriculture, Water and Rural resettlement, Department of Agricultural Technical Extension Services, Department of Mechanisation, Veterinary Services, Dairy Services, Economics, Farmers Organisations, Banks, MFIs, Ministry of Finance and Economic Development, and the Reserve Bank of Zimbabwe (RBZ). An extensive literature review provided the additional evidence that was used for the analysis. Only reliable sources of data sources were used to ascertain the data's validity. This necessitated the use of government and academic reports, policy documents and data from other sources.

V. RESULTS

5.1 Evidence of the agricultural finance gap in Zimbabwe:

Evidence can be presented in the form of descriptive information, such as case studies, observations, reports, or protocols from literature[47]. It is further explained by [48] that direct evidence is directly related to the issues under investigation and offers a direct answer to the specific questions of the analysis. This as opposed to indirect evidence that does not directly relate to the questions but to some aspect that is related to the questions. In this study both direct and indirect evidence were gathered, described and analysed under this section.

5.1.1 Agricultural Sector borrowing and Loan Performance:

Figure 1 shows that, in 2024 78.45% of formal banking loans went to the productive sector. Of the productive sector loans, 22.94% went to Agriculture. Most of the loans to agriculture are under the government guaranteed National Enhanced Agricultural Productivity Scheme. This scheme only gives loans to farmers who are putting above 30ha into maize and wheat production. This leaves most farmers out. That is why figure 2 is showing that in the same year 2022, 53% of farmers did not borrow from any source including from formal, mobile money, and informal financial services.

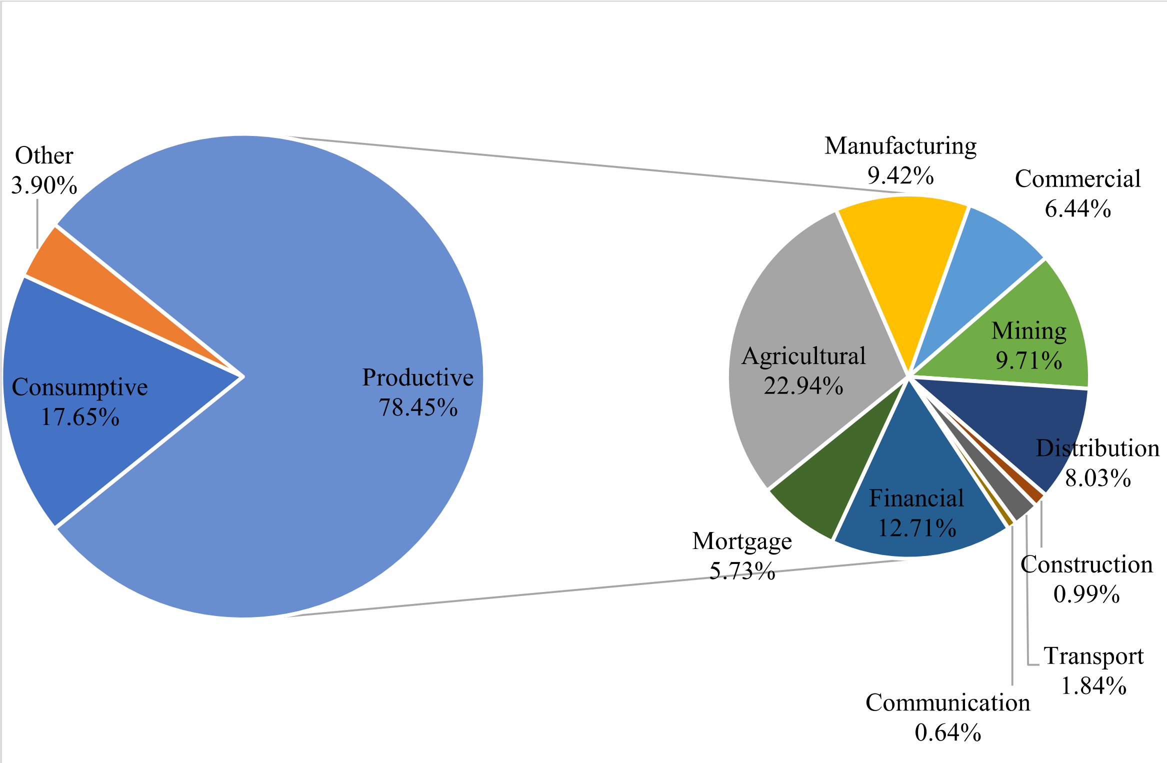

FIGURE 1: Sectoral Distribution of Loans as at 31 December 2022

Source: [49]

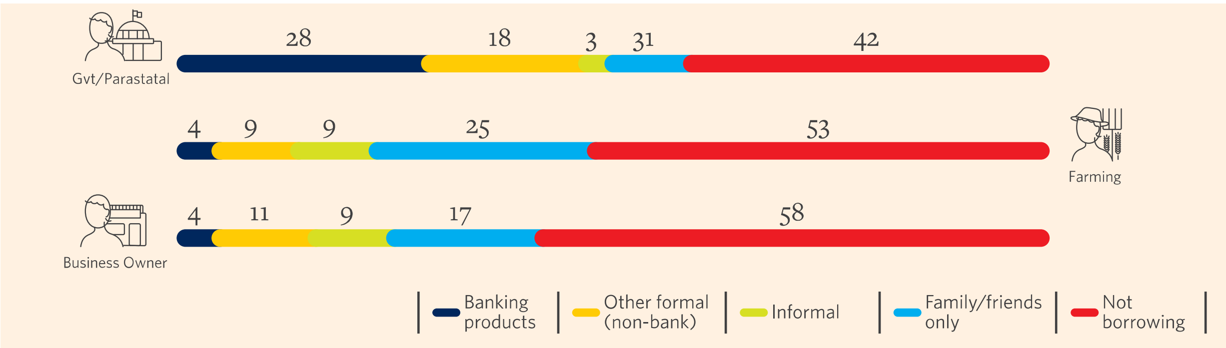

FIGURE 2: Comparing credit uptake among key livelihoods

Source: [2]

5.1.2 Non-Performing Loans:

When Zimbabwe dollarized in 2009, bank deposits and lending rapidly increased, and net credit to the economy rose to over 10% of GDP during 2011-14. Significant confidence appears to have softened due diligence standards when assessing borrower risk. This resulted in the share of Non-Performing Loans (NPLs) steadily increasing, reaching over 20% of the loan portfolio in September 2014 [36]. Most bank loans were not contingent on any collateral, hence the risk of default was very high. By 2014 the capital-to-asset ratio dipped below the 10% benchmark. To solve this challenge the government had to do something to capitalize the banks. The Zimbabwe Asset Management Corporation (ZAMCO) was created to address this challenge. In July 2014 banks were bailed out by ZAMCO which bought the NPLs using financial resources generated through the issuance of Treasury Bills (TBs) [36]. The bailout increased the capital adequacy ratio back to healthy levels.

The NPL experience resulted in commercial banks reducing lending generally but particularly to the agriculture sector. By 2018 lending to the agricultural sector had declined by 18%. Loan application rejections by banks included lack of collateral security. Lack of collateral security alone accounted for at least 60% of loan application rejections. Farmers with a poor credit history accounted for 20% of the rejections [36]. For quasi agriculture institutions like AGRIBANK, collateral security featured less as a means of screening farmers for agricultural credit.

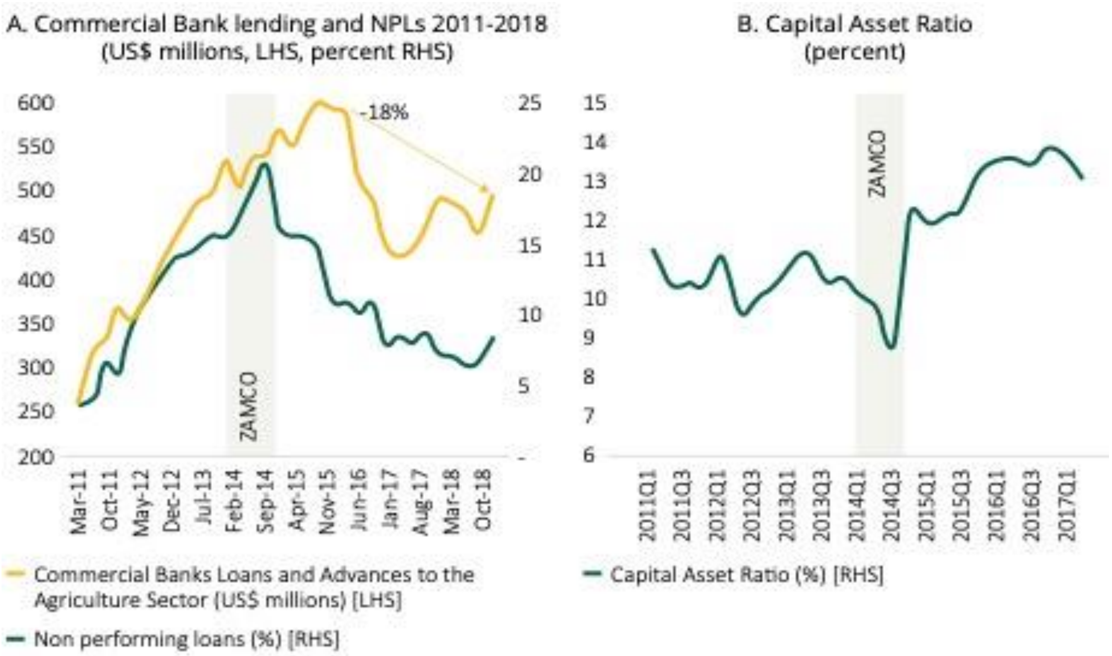

FIGURE 3: Commercial Bank lending and NPLs 2011-2018 (US$ millions, LHS, percent RHS)

Source: [50]

5.1.3 Reasons for Bank Loan Application Rejections:

A survey by [36] shows that among the reasons for bank loan rejection by farmers, were lack of collateral security accounting for at least 60% of the rejected loan applications followed by poor past farmer production performance, which accounted for 20% of the rejections, poor past loan performance, accounts for at least 37% of loan rejection, while lack of collateral accounts for 30% by the institutions. These reasons are shown graphically in figure 4.

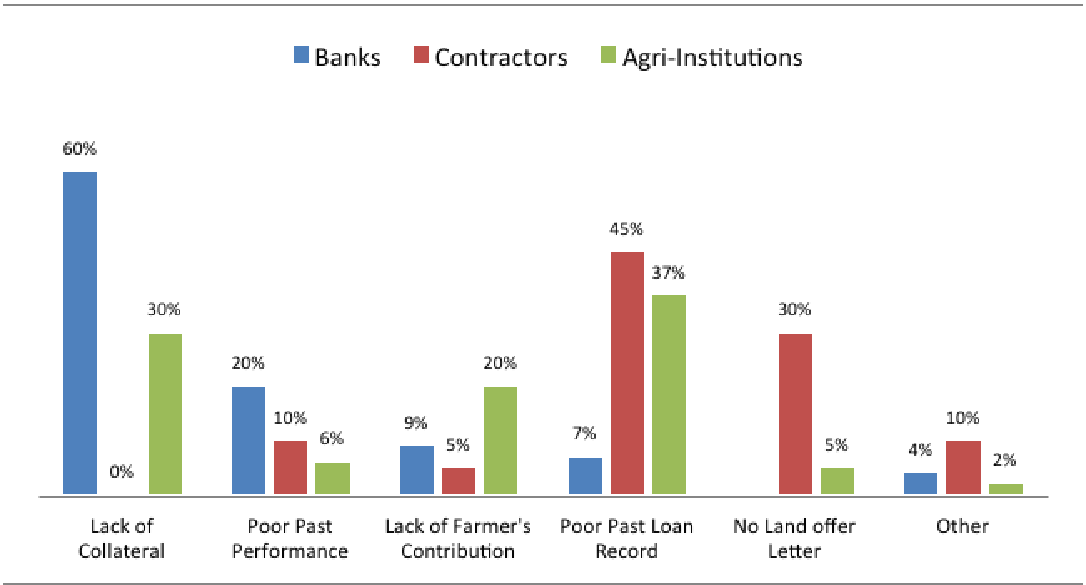

FIGURE 4: Factors Leading to Agricultural Loan Rejection

Source: [35]

5.1.4 Financial Inclusion Status:

The Reserve Bank of Zimbabwe (RBZ) has been implementing a financial Inclusion Strategy since 2016, the National Financial Inclusion I , NFIS I (2016-2020) and the NFIS II (2022-2026). NFIS I registered significant inroads in narrowing the financial inclusion. NFIS I registered significant progress on the access strand, with 83% of adults now formally served, up from 69% in 2014, and 95% of MSMEs formally served, up from 18% in 2012, despite the disruptive effects of the Covid-19 pandemic [37]. Women's financial inclusion increased from 68% in 2014 to 83% in 2022, while men that are formally served increased from 70% to 85% on the back of increased access to banking products. The financial exclusion gap narrowed from 23% in 2014 to 12% in 2022 [37]

Despite these financial inclusion inroads in NFISI, NFIS II seeks to address various challenges including, lack of acceptable collateral by the majority of low-income groups hampered access to affordable funding, Low level of financial literacy among the targets segments; Lack of business skills which militate against effective utilisation of funding; Lack of historical credit data on some low income borrowing segments; High level of informality in the MSME sector; Weak infrastructure including poor connectivity, inconsistent power and water supplies, and poor road & communication infrastructure, adversely impacted on outreach; The centralisation of the financial inclusion activities in major urban areas, High cost of delivering financial services; Inadequate financial resources to implement planned initiatives; and Weak legal framework to support some innovations e.g. value chain financing

5.1.5 Agricultural Financial Access in the Multicurrency Era:

Zimbabwe experienced a decade of recession up to 2009 where the Zimbabwean Dollar lost value against major currencies. The United Nations Operational Rate of Exchange which was at Z$117:1US$ in May 2006 dropped to Z$35 X 10^{15}: 1USD in November 2008 [19]. This eventually led to dollarization informally during the last half of 2008 and eventually the Zimbabwean dollar was abandoned for a multicurrency monetary policy in January 2009. This ushered a new economic dispensation of relative price stability, improved business confidence and increased capacity utilisation (from 10% to around 40% by end of 2009) positive economic growth (5.7 per cent in 2009) [51,52].

Since the introduction of the multi-currency monetary policy in 2009, banks in Zimbabwe maintained between 10% and 25% of their loan portfolio in agriculture [35]. With total financial sector deposits of approximately US$2.5 billion in 2010, for example, this translates to more than US$250 million being outstanding bank loans to farmers. They also note that factors that are considered by banks in appraising farmers' loan applications include availability of collateral security, past farmer production performance, farmer's own financial contribution and past loan performance.

5.1.6 Land reform:

Lack of title deeds has been identified as contributing to poor access to finance because farmers cannot use the land as collateral security to apply for agricultural credit. The government of Zimbabwe is issuing 99 year leases to newly resettled A2 farmers and most of these farmers are ignorant of the various policy provisions, conditions and entitlement associated with these leases [53]. The estimated issuance rate is 1000 per year. This is a very low rate considering that there is a total of over 16000 resettled A2 farmers [54].

The current legal framework forbids the buying and selling of the 99 year lease. The leases are not transferable, registrable and executable. As a result commercial banks, micro finance institutions and private creditors are all reluctant to lend to the farmers as a result of lack of security.

5.1.7 Agricultural Support Programmes:

The Presidential Input Program (PIP) was designed to benefit vulnerable farming households [55,56]. In 2017, 1.4 million small-scale rural farms received free inputs for grain and soya bean production under this scheme. Grain production inputs accounted for about US$53 million of costs with US$38 million going to oilseed crops (mainly soya) input costs. For cotton, each farmer receives free fertilizers, seed and chemicals for a hectare. The Cotton Company (Cottco) is responsible for administering the scheme, which benefited 385,000 farmers in 2017/2018. In 2016/17 and 2017/18, US$125 million and US$263 million was spent respectively [57]. A2, Small Scale Commercial and Large Scale Commercial Farmers, are supported through the Command Agriculture Scheme [58,59,60,61].

In the Command Agriculture Scheme, farmers are financed through a state-led contract farming model to grow prescribed crops. Over the years of its implementation most farmers failed to pay back for the support received – which was the same case under previous input support facilities in 2004-2007 and 2009-2014 [57]. In 2018 Government availed financing to the tune of US$105 million in 2016, US$439 million in 2017, and US$238.3 million in 2018. Yet recovery in 2017 was only US$47 million, while US$81.3 million was recovered in 2018. This implies very high and increasing non-payment rates from 54% in 2017 to 81% in 2018 [62].

A Key informant gave the reasons for poor loan performance as follows:

The contract requires farmers to pay back the loan in kind or the money equivalent of 5 tonnes per hectare. However, productivity is very low due to other factors besides adequacy of inputs from the contract. Productivity is also affected by, inter alia, quality of season, agro-ecological region, farmers' expertise, level of mechanisation and timeliness of receiving inputs. As a result most farmers are not able to meet their contractual obligation.

This observation was a common immerging theme with 90% of the respondents.

5.2 Findings from the available evidence:

5.2.1 Land tenure:

It was noted by [38] that most farmers in Zimbabwe do not have title to their land, particularly in Communal, Old Resettlement, A1 and A2 Fast Track Land Reform Programme (FTLRP) settlement schemes. In [63], 18 percent of the beneficiaries cite their lack of title and fear of eviction as factors limiting their farm investments. A proportion of resettled farmers believe that freehold land tenure (title deeds) will secure their land rights and unlock the value in land. [64] estimated the proportion of such land beneficiaries at 5%, [65] at 20%, [66] at 40%, and [67] at 20%. The [68] Land Tenure Commission also recommended formalisation of resettlement tenure for farmers to use land as collateral.

Some commercial banks are reluctant to extend loans to farmers because they lack adequate and acceptable forms of collateral. Those banks that have advanced limited loans to the A2 Model resettlement beneficiaries have instead preferred urban properties and movables for collateral. Other banks prefer to lend to contractors, e.g. in cotton, tobacco and horticulture who in turn finance farmers through contract farming arrangements.

The communal tenure system gives an individual a secure and normally inheritable right to property, the land however belongs to the state, which may reduce investment incentives. Due to perceived and severe moral hazard problems, private sector institutions have been reluctant to service rural financial markets in the absence of acceptable collateral and a legal and regulatory framework [39].

In 2024 the Government of Zimbabwe issued a policy statement that Agricultural land held by farmers under 99-year leases, offer letters and permits will be held under bankable, registrable and transferable documents of tenure. These title deeds were launched by the President in the same year. This policy shift was cited as addressing challenges faced by farmers under the current land tenure system. The challenges included face difficulties faced by resettled farmers in accessing finance for their farming activities, lack of security of tenure resulting in farmers not fully developing their land holdings, problems related to succession and inheritance and failure to repay loans given or guaranteed by the Government. For a farmer to get the title deeds , they are required to buy the land from government either through cash payments or mortgage with selected banks. Most farmers are still warming up to this requirement since poor access to agricultural financing will not guarantee productivity and enough returns to service the mortgages.

5.2.2 Agricultural Support Programmes:

Over the years the Government of Zimbabwe has implemented agricultural support programs including the 2000 Government Input Scheme, the 2004 Productive Sector Facility introduced through the RBZ, and the Agricultural Sector Productivity Enhancement Facility (introduced in 2005 through the RBZ).

Since January 2009, the Ministry of Finance directed the Reserve Bank to stop operating its quasi-fiscal activities in providing financial support to the agriculture sector. The Reserve Bank was tasked to put in place measures to restore and enhance the level of participation by commercial banks and other financial institutions in lending to farmers [69]. The intention was to see commercial banks and MFIs become the main source of agricultural finance, drawing from the deposits by the general public. The Government would still fund schemes targeting input support to smallholder farmers in communal and resettlement areas. These current schemes under this arrangement are the Command Agriculture targeting medium to large-scale resettlement farmers and the Presidential Input Scheme targeting 1.6 million communal smallholder vulnerable farmers [70]. However, a history of low rates of farmer repayment and the perceived high risk of lending to the agricultural sector, have limited the involvement of commercial banks and MFIs in agricultural financing [50]. Government support programs that are ill targeted and operationally leave out key financial institutions crowds out the private sector including supply chain actors like agro dealers [71].

5.3 Discussion and Policy Recommendations:

5.3.1 Security of land tenure:

Probable solutions to the lack of security of tenure for resettled farmers include titling and registering land; reforming the law of secured transactions, such as legally acceptable forms of collateral; establishing legal registries and expanding the scope for private operation; lowering the cost of registration and foreclosure; drafting specific, clear and limiting homestead provisions; and removing interest rate ceilings [72]. Promoting secure forms of land tenure can be beneficial to stimulate productive farm-level investment and to allow producers to pledge land as collateral for obtaining finance. In the absence of long-term land-use rights, farmers lack incentives to invest in the land, Farmers are not motivated to engage in productivity enhancements as well as sustainable and environmentally friendly land use.

5.3.2 Government Support programmes:

Perhaps the biggest failure of the present rural financial system was its founding assumption that poor people were too poor to save and required free inputs [73]. This assumption seriously undermined the ownership and sustainability of the institutions serving the rural community. The reliance on public funding not only exposed such institutions to political manipulation but also subjects them to severe budgetary constraints in the event of macro-economic decline as Zimbabwe has experienced in the post land reform period [73].

The government's involvement should be to create a supportive legal environment. Massive government participation in input distribution programmes is not sustainable due to limited government budgets, the disruption of the growth of the private sector as well as inherent inefficiencies that lead to input distribution delays, limited choice of inputs, lack of quality assurance and the misallocation of scarce resources due to poor targeting and leakages. Heavy government subsidies that are not properly targeted crowd out the private sector actors from the rural financial markets and create dependency amongst the target groups.

Government support should be directed towards public goods and investments in financial and physical infrastructure with industry-wide, systemic benefits. Utilization of "smart" subsidies that minimize market distortions and elimination of regressive measures help encourage private sector investment, leading to sustainable agricultural development and finance.

Policymakers should avoid historically ineffective and sometimes damaging measures such as interest rate caps, debt forgiveness, and directed or mandatory lending targets, which impede the functioning of financial markets. Governments can actively support growth of agricultural insurance through investments in weather stations and data collection, such as weather and area yield data, necessary for commercial products to be developed, which may also require suitably designed insurance premium support.

VI. CONCLUSION

There have been documented policy failures in attempts to address rural poverty through subsidised credit. Poor land tenure security has emerged to be a challenge dating back from the colonial era and has remained so to this date. Government support programmes and the distribution of free inputs should be designed to crowd in the private sector as opposed to crowding them out. Government policies should be consultative, and evidence based to build ownership by stakeholders. In this way policy failures will be minimised. With sound policies the rural finance gap will be narrowed.

ETHICS APPROVAL AND CONSENT TO PARTICIPATE

This study was conducted in accordance with ethical research standards. Since the research involved policy analysis and key informant interviews, ethical approval was not required from a formal institutional review board. However, informed consent was obtained verbally from all participants prior to interviews, and confidentiality of responses was strictly maintained.

HUMAN AND ANIMAL RIGHTS

No human clinical trials or animal experiments were conducted in this study. The research was limited to interviews with consenting individuals and the use of publicly available secondary data.

CONSENT FOR PUBLICATION

All authors have read and approved the final manuscript. Participants provided consent for the use of anonymized data for academic publication purposes.

CONFLICT OF INTEREST

The authors Prince J T Kuipa, PhD and Douglas Ncube PhD certify that they have no affiliations with or involvement in any organisation or entity with any financial interest (such as honoraria; educational grants; participation in speaker's bureaus; membership; employment; consultancies; stock ownership, or other equity interests; and expert testimony or patent-licensing arrangement), or non-financial interests (such as personal of professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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