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AN ANALYSIS ON THE EFFECTS OF VILLAGE CAPITAL FINANCE ON THE WELFARE OF SMALLHOLDER FARMERS IN MUTOKO AREA WARD 5.

BY

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A Dissertation Submitted in Partial Fulfillment of the Requirements

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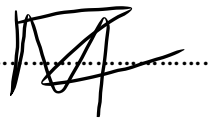
Signature: 

DEDICATION

This dissertation is dedicated to my parents, family members, and friends who have always provided me with immense love and support throughout my academic career. Finally, I am dedicating this dissertation to Almighty God, who has bestowed upon me all the wisdom, courage, and strength to pursue my studies.

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ABSTRACT

Agriculture is one of the pillars which forms the basic structure of socio-economic development in Zimbabwe. This study aimed at examining the effects of Village Capital Finance financial services on the welfare of smallholder farmers in Ward 5 of Mutoko District, Zimbabwe. VCF has been providing agricultural financing to small scale farmers in different parts of Zimbabwe including Mutoko District for purposes of improving agricultural output, welfare of the farmers and profitability. Nevertheless, there is still little evidence about the effects of VCF financial services on the welfare of smallholder farmers in Ward 5 of Mutoko District. The study was meant to identify the beneficiaries of VCF financial services, contribution of VCF financial services towards agricultural production, effects on income and profitability of farmers, problems encountered in accessing VCF financial services, and recommend measures that could help in improving access to financial services. Quantitative data were obtained through structured questionnaires that were distributed to 150 smallholder farmers and qualitative data were collected by interviewing of 5 loan officers of VCF. Quantitate data were analyzed through graphs, tables, pie charts, regression analysis, and SPSS. According to the results, the availability of financial services from Village Capital Finance has a positive impact on agricultural production, income generation, profitability, and welfare of smallholder farmers in Mutoko ward 5. Availability of loans helped smallholder farmers with finance for agricultural inputs and engage in agricultural practices like broiler production, horticulture and crop

production. Various obstacles such as low financial literacy, transaction cost, poor infrastructure in rural areas, and climate risk when accessing financial services were noted. The study concludes that Village Capital Finance plays a significant role in increasing the welfare of smallholder farmers through providing agricultural financial services in Ward 5. The researcher recommends VCF on building capacity for smallholder farmers on financial literacy like conducting some workshops with farmers, access to agricultural finance, innovative agricultural loans for farmers, and collaborations amongst various stakeholders.

Key words: Village Capital Finance, smallholder farmers, welfare, agricultural finance and Mutoko District ward 5.

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LIST OF ACRONYMS AND ABBREVIATIONS

AfDB: African Development Bank

APA: American Psychological Association

DFID: Department for International Development

FAO: Food and Agriculture Organization of the United Nations

GDP: Gross Domestic Product

IFAD: International Fund for Agricultural Development

RBZ: Reserve Bank of Zimbabwe

SADC: Southern African Development Community

SPSS: Statistical Package for the Social Sciences

UNDP: United Nations Development Programme

VCF: Village Capital Finance

ZIMSTAT: Zimbabwe National Statistics Agency

ANOVA: Analysis of Variance

CI: Confidence Interval

MFI: Microfinance institution

Chapter One

Introduction

1.2 Background of the Study

Small-scale farmers are important for ensuring rural development, food security, and agricultural productivity worldwide. According to the FAO (2018), smallholder farmers produce more than 70% of the world's food and this is especially common in developing countries. However, these farmers encounter problems such as lack of access to market, high costs of production, climate change, and limited access to financial services (World Bank, 2020).

Financial services are crucial by providing opportunities to invest in productive activities like input purchasing and adopting new technology like purchasing a tractor. Access to agricultural finance has become one of the major issues in development studies. The microfinance organizations as well as rural finance organizations try by all means to meet the financing requirements of small-scale farmers.

Empirical evidence from Asia and Latin America shows that agricultural loans affect household incomes, food security, education and health outcomes (IFAD, 2019). However, the success

of agricultural finance depends critically on institutional structure, interest rate environment, and the socio-economic setting within which farmers live. Agricultural activities are central to economic development in Africa and employ over 60% of the population and make significant contribution to gross domestic product. However, despite their overwhelming presence within the agriculture industry, smallholder farmers still experience poverty, hunger, and exposure to climate change-related vulnerabilities.

Limited availability of financial services for agriculture continues to inhibit their productivity and ability to adopt new technologies and improve the welfare of households (FAO, 2019). In light of this issue, microfinance institutions, savings groups, and cooperative banks have increasingly engaged in rural financing for smallholder farmers. Availability of rural financial services enhances management of agricultural risks and facilitates consumption stability and input provision (World Bank, 2018). Despite these efforts, high-interest rates, limited institutional outreach, and financial illiteracy pose major obstacles to the welfare improvement from agricultural financing in Africa. Indeed, agriculture is central to food security and rural development within Southern Africa in countries that depend greatly on rainfed farming. Smallholder farmers in this region face many problems.

Among these, there are droughts, erratic rainfall, credit shortages,

and lack of rural infrastructure that affect the welfare of smallholders in the region (SADC, 2020). Financial institutions have tried to solve these problems through group lending, financing of inputs, and microcredit services. Nevertheless, there are many rural communities that continue to be limited in accessing the financial services owing to geographic remoteness such as Mutoko, and lack of collaterals. Agriculture is one of the major sectors that drive job creation and food security in Zimbabwe where over 67% of the population depend on agriculture (government of Zimbabwe, 2019).

The smallholder farmers dominate the agricultural sector and face numerous problems like unstable market conditions, shortage of inputs, climatic variability, and lack of funds. There has been an enormous financing gap in the rural areas following the decline in financial support by commercial banks in favor of smallholder farmers in the agricultural sector during the early 2000s (RBZ, 2020). It is evident in the Mutoko district in Mashona land east province that mostly consists of the rural community whose major economic activity is agriculture. In the Ward 5 of Mutoko district, smallholder farmers are involved in rain-fed agriculture and livestock farming.

The district faces some problems such as low productivity, inadequate infrastructure. The factors considered include weather conditions, climatic shocks, and availability of funding for

agricultural purposes. Currently, Village Capital Finance is making efforts to improve access to finance to smallholder farmers in the Mutoko district, particularly in ward 5. Village Capital Finance seeks to enhance the welfare and efficiency of agriculture through loans and provision of financial services. Nevertheless, not much is known about how such financial services have affected the welfare of smallholder farmers in ward 5 in relation to their income levels, food security, education, health, and general standard of living. This research will thus examine the impacts of village Capital Finance on the welfare of smallholder farmers in ward 5 of Mutoko district.

1.3 Problem Statement

The agriculture industry is a key player in food security, job creation, poverty reduction, and rural development. The involvement of the small-scale farmer in Zimbabwe's agricultural sector is extremely important since the small-scale farmer plays a crucial role in achieving food security and contributing to the sustenance of life in the countryside. To the small-scale farmer in Ward Five in the Mutoko district of Zimbabwe, farming is a key means of supporting himself or herself economically. Unfortunately, while agriculture plays an important role in maintaining the livelihoods of these individuals, there exist several socioeconomic and financial problems that undermine efforts made by farmers to increase agricultural production.

Some of the main obstacles include lack of mechanization, instability of the agricultural market, poor transport infrastructure, climatic variability, lack of access to farming inputs, and inadequate agricultural finance (AfDB, 2022). Limited access to financial services is another major challenge faced by the development of smallholder farmers within Zimbabwe, especially in rural areas such as ward 5 of Mutoko district. Even though theoretically financial capital is supposed to be empowering in terms of enhancing productivity, reducing the vulnerability of rural households, and hence promoting better livelihood outcomes through improved food security and income levels (DFID, 1999), in practice this is not always the case. Often, there is evidence that despite access to financial services, farmers still end up having low yields and poor and unpredictable incomes, rendering them vulnerable to food insecurity.

It also needs to be noted that while studies on the subject of farmer welfare vis-à-vis financial services within Zimbabwe have tended to concentrate on the national or even regional trend, empirical information on the actual effect of financial services on the welfare of farmers within individual wards is lacking. This is because of the assumption that national and regional trends are applicable in any specific ward. However, it will not be surprising to find that the effects of financial services on the welfare of farmers in ward 5, Mutoko district are quite different. Though several pieces of

research have been conducted on the significance of finance and microfinance organizations in the agricultural sector, there is no evidence of empirical research conducted on the relationship between VCF financial services and the welfare status of the smallholder farmers within ward 5 of Mutoko district.

Moreover, very little information is available on the effect of Village Capital Finance financial services on the welfare status of smallholder farmers within this particular geographical location. The question here is whether the farmers have access to the services, how they use them, and whether the services enhance their welfare status. This study will be focused on examining the effect of Village Capital Finance financial services on the welfare status of smallholder farmers in ward 5 of Mutoko district. In doing so, it will address some of the welfare indicators such as income level, food security, and asset ownership of the farmers.

1.4 Objectives

1.4.1 Main Objective

- In order to ascertain the effect of Village Capital Finance on the well-being of the smallholder farmers in Ward 5 of Mutoko District of Zimbabwe.

1.4.2 Specific Objectives

- To determine the target groups for Village Capital Finance's financial services in Ward 5, Mutoko, Zimbabwe.
- To determine Village Capital Finance's contributions towards the agricultural productivity levels in Ward 5, Mutoko District of Zimbabwe.
- To determine how Village Capital Finance affects the income and profitability of smallholder farmers in Ward 5, Mutoko District.
- To determine the problems faced by the smallholder farmers of Ward 5, Mutoko District when accessing the financial services of Village Capital Finance.
- To recommend some possible actions to mitigate the above stated problems.

1.5 Research Questions

1.5.1 Main question

- What is the influence of Village Capital Finance on the welfare of smallholder farmers in Ward 5, Mutoko, Zimbabwe?

1.5.2 Specific questions

1. Which kinds of financial services are offered by Village Capital Finance to help the wellbeing of smallholder farmers in Ward 5,

Mutoko, Zimbabwe?

2. How many smallholder farmers in Ward 5, Mutoko, have enjoyed the benefits offered by Village Capital Finance?

3. What is the contribution of Village Capital Finance in improving agricultural productivity in Ward 5?

4. Has Village Capital Finance affected the income and profits of smallholder farmers?

5. What difficulties have smallholder farmers encountered in accessing Village Capital Finance?

6. Which actions should Village Capital Finance take to overcome such challenges?

1.6 Hypothesis

Hypothesis 1: The use of Village Capital Finance services would significantly improve the well-being of small-scale farmers in Ward 5, Mutoko district, Zimbabwe.

Hypothesis 2: Lack of adequate financial knowledge and lack of access to formal financial services in rural areas would hinder the use of Village Capital Finance services.

1.7 Significance of the Study

Agriculture carried out by smallholders is the bedrock of the economy of Zimbabwe, especially in Mutoko district. For this reason, this research is essential. One of the challenges that hinder smallholders from increasing their levels of production and earnings is the scarcity of access to relevant and affordable financial products. Microfinance organizations such as Village Capital Finance aim to address this challenge through provision of financial services and agricultural loans.

The need for empirical data showing the effect of finance provision on farmer wellbeing in terms of income, food sufficiency, assets, and general well-being remains. Hence, this research will be significant in providing academic knowledge, influencing policies relating to rural finance, and offering recommendations for improvement in the field of finance in order to facilitate agriculture in ward five of Mutoko district.

1.8 Scope of the study

The current study is limited to Ward 5 of Mutoko district, in order to evaluate the effect of Village Capital Finance on the wellbeing of smallholder farmers. In this case, the research will be targeting relevant institutional officials and smallholder farmers that have received financial assistance from Village Capital Finance. Important variables for assessing the welfare of smallholders include availability of important services, asset holdings, food

security, household incomes, and agricultural productivity. However, the research period will be limited to only three years within this period.

1.9 Outline of the Study

Chapter One: This chapter normally highlights the background to the research topic, the statement of problem, research questions, the main objective, sub-objectives, reasons why the research is necessary and the structure of the whole report.

Chapter Two: This chapter analyzes and synthesizes the extant literature instead of merely summarizing references. The analysis of relevant contributions to the literature, theories, issues and research reports should be included. In addition, the study should be put in the context of the entire body of knowledge, moving from the general background to more recent specific studies. Moreover, multiple viewpoints can be considered to show critical analysis of the topic. Synthesis of the literature (analysis and integration of the sources) instead of mere summary is emphasized.

Chapter Three: In this chapter, the methodology adopted in the research is explained, including details about the description of the study area, research design, data gathering process, type of data gathered, sample size, methods of sampling, variables discovered, control of variables, strengths, and weakness in methodology.

Chapter Four: This chapter explains the analysis of the findings in terms of tables, graphs, and charts. This chapter also considers how the findings are connected to the research questions and objectives. Implications of the findings are analyzed in regard to the literature review and actual findings, focusing on findings and explanations.

Chapter Five: In this final chapter, a conclusion regarding the importance of the research findings is presented. This chapter highlights the importance of the findings. The likely recommendation and further research are highlighted in regard to all the findings of the research.

1.10 Limitations of the Study

Geographically, the study was confined to ward 5 of Mutoko district. Therefore, the conclusions cannot be used for generalizations about other wards, other districts or other provinces in Zimbabwe. The study's emphasis on one particular bank, Village Capital Finance, restricts its scope of comparison with other banks operating in the locality. The use of self-reports by the farmers on their income, production, and welfare benefits may result in a bias or even false reports.

It may constrain the extent to which data is gathered or evaluated regarding the impact of such institutions. Financial constraints faced by the researchers may have affected the size of the sample as well as travel to the remote areas. Several external factors, such as droughts, market prices, input availability and government policies, affect the welfare of the farmers to a great extent.

Chapter Two: Literature Review

2.0 Introduction

This chapter explore the existing literature on the effect of financial services on the well-being of smallholder farmers with reference to the impact of Village Capital Finance financial services on the well-being of smallholder farmers in Ward 5 of the Mutoko district. The review addressed theories, what other studies found, the theoretical framework behind the study, and gaps in current research. literature review plays an important role because it forms the basis of the study.

2.1 The Concept of Smallholder Farming

Smallholder farmers in Zimbabwe refers to communal, A1 resettlement and old resettlement farmers who cultivate less than 10 hectares and rely mainly on rainfall and family labor according to(ZIMSTAT, 2022). In Zimbabwe, they grow crops like maize, vegetables, and keep for home use and sale (ZIMSTAT, 2022). Most rural households depend on farming for income according to Government of Zimbabwe, 2019. Smallholder farmers reduce poverty, create natural jobs, and supply food security in developing countries, especially Sub-Saharan Africa FAO, 2014. Smallholder farmers contribute to the provision of food for consumption, livestock farming, horticulture, and maize production in Zimbabwe (ZIMSTAT, 2022). Most of the population living in the rural parts of

Zimbabwe depends on agriculture as their main source of income. But yields stay low due to limited access to finance, low mechanization and weak extension services AfDB,2022

2.2 The Concept of Agricultural Finance

As per World Bank (2019), Agricultural finance refers to loans, savings, insurance and leasing for farming and agribusiness. Smallholder farmers need these services to purchase seeds and fertilizers, fix irrigation and to introduce new farming methods (IFAD, 2021). Farming is seasonal. Farmers spend money on inputs before harvest, but income only comes after selling their products. So, they borrow to cover the gap. That is why access to finance is called the missing link for smallholder farmers in Zimbabwe according to Matsvai, 2024. In Zimbabwe, commercial banks charge high interest rates and ask for collateral security that smallholder farmers do not have RBZ, 2023. Because of this, many smallholder farmers turn to microfinance institutions and contract farming schemes. Mastvai, 2024 found that interest rate, grace period, and land size are the main factors that determine whether smallholder farmers in Chiredzi take microcredit. The situation is similar to Mutoko District. Mango et al. 2025 studied tobacco contract financing in Mutoko and found out that contract financing gives farmers access to inputs and cash before harvest. VCF is a microfinance which gives short-term loans to smallholder farmers in ward 5 of Mutoko District. However, no study has measured how VCF financial services specifically affect the welfare of smallholder

farmers in Mutoko District ward 5.

2.3 Village Capital Finance and Rural Financial Services

Village Capital Finance provides financial services to the smallholder farmer community and rural areas and these include financing of inputs, savings, agricultural loans, and financial literacy programs. The main purpose of these services is the promotion of financial inclusion and rural development. Improved access to financial services will provide inputs to farmers which will improve household welfare and productivity in agriculture (World Bank, 2022). Financial inclusion matters for reducing poverty, since when rural people have access to credit, they can engage in agriculture and earn more income (IFAD, 2021). Access to financial services is capable of transforming agriculture through provision of affordable credit and other financial products help marginalized farmers to produce more (AfDB, 2022). But smallholder farmers in Zimbabwe still face barriers. High interest rates, collateral issues, delays in providing loans, and poor financial literacy skills (RBZ, 2023). In Mutoko District, smallholder farmers struggle with poor market access and storage, which affects loan repayment Munyoro &Maruta, 2024.

2.4 The Welfare of Smallholder Farmers

The welfare, as used here, refers to socioeconomic wellbeing of a household. In this study, welfare was measured through household incomes, food security, agricultural profitability, agricultural

production, healthcare, and education. Any improvements in the welfare of rural areas are bound to increase agricultural production and the efficiency of poverty reduction programs (UNDP, 2023). Financial services help farmers to invest in their agricultural activities. This can improve agricultural productivity, increase food security and income (World Bank, 2022). The welfare situation of small farmers in Zimbabwe has been limited by low agricultural production, lack of adequate financial facilities, climatic risks, and unfavorable market environment (ZIMSTAT, 2022). This study intends to establish whether Village Capital Finance services impact the welfare of small farmers in Ward 5 of Mutoko District.

2.5 Theoretical Foundations

2.5.1 Financial Intermediation Theory

The theory of financial intermediation was formulated by Gurley & Shaw (1960). The theory says banks and other financial institutions facilitates flows of capital from entities having surplus money to entities experiencing capital shortages through their credit and loan facilities. According to the theory, financial institutions play an important role in promoting economic growth by lowering transaction costs, allocating resources effectively, and opening up investment opportunities. Village Capital Finance demonstrate this theory by channeling funds for investment in agriculture and promotes welfare through offering credit and savings facilities. The

theory works best when financial services reach rural areas evenly. However, in Zimbabwe commercial banks are mostly in towns, so rural farmers end up rely on MFIs and village schemes RBZ, 2023.

2.5.2 Welfare Theory

Welfare theory was developed by Pigou (1932). This theory centers on resource allocation and the improvement of the state of welfare for people using economic means. It also, implies that the state of welfare of an individual will be improved by giving him/her access to chances and resources which will make him/her earn more and have a better standard of living. Since it was expected that the services offered by Village Capital Finance improve the welfare of farmers by raising their production, profitability, food security, and earning capacity, this theory is relevant to this study. Mango et al. 2025 found similar results with contract financing in Mutoko District.

2.5.3 Theory of Financial Inclusion

Financial Inclusion theory emphasized on access and cost of financial services for marginal individuals. According to Demirgüç-Kunt et al. (2022), financial inclusion refers to the process where there are savings, loans, insurance, and payment services offered to enterprises and individuals. The theory is relevant in this case study as the mission of Village Capital Finance is to enhance financial inclusion through offering agricultural loans to the small-scale farmers. Financial exclusion can result in increased levels of

poverty among the small-scale farmers. When farmers are excluded from finance, poverty tends to stay high Mastvai, 2024. By offering small loans without land title deeds, VCF tries to reduce exclusion in ward 5 of Mutoko District.

2.6 Empirical Literature Review

Many scholarly articles have been written on the relationship between financial services and agricultural productivity among smallholder farmers. According to Mwangi & Ouma (2021), smallholder farmers who received agricultural credit witnessed an improvement in the productivity of crops and family incomes. The study further showed that the farmers who had access to financial services tended to utilize quality agricultural inputs as well as technology.

Further, according to Moyo & Ncube (2022), microfinance institutions contributed to the enhancement of income levels, food security, and agriculture production in communal farming practices in the rural regions of Zimbabwe. According to the research paper published in 2021 by IFAD, financial literacy skills are useful for the effective management of savings, credits, and investments by small farmers. Additionally, according to the World Bank (2022), small-scale farmers in Sub-Saharan Africa have enhanced their standard of living as a result of agricultural commercialization.

On the other hand, according to Chikoko (2020), the problem of high interest rates and strict conditions for providing collateral

reduced the accessibility of financial products for smallholder farmers in rural Zimbabwe. In another study conducted by Nyoni and Bhebhe (2021), lack of adequate infrastructure and climatic threats were among factors that compromised the ability of rural farmers to repay loans. However, although several researches have been done on finance for agriculture and rural development, this research seeks to bridge a gap regarding the role of Village Capital Finance on farmers' welfare in Ward 5 of Mutoko District, Zimbabwe.

2.7 Research gap

Little empirical research exists regarding the effect of Village Capital Finance services on the well-being of smallholder farmers in Ward 5, Mutoko District, Zimbabwe. Most of the existing studies have tended to analyze the issue of agricultural financing, microfinance institutions, and rural development in general without considering the particular problems experienced by farmers in the Mutoko District setting.

The interrelationship between financial literacy, agricultural production, and well-being from the perspective of Village Capital Finance services has not been explored sufficiently. This paper, therefore, tries to address this gap through empirical research on the effects of Village Capital Finance services on agricultural production, income generation, profitability, and well-being of smallholder farmers in Ward 5 of Mutoko District.

2.8 The conceptual framework

Figure 2.0 shows the diagram of conceptual framework which is illustrating the relationship between Village Capital Finance services and the welfare of smallholder farmers inward 5 of Mutoko District.

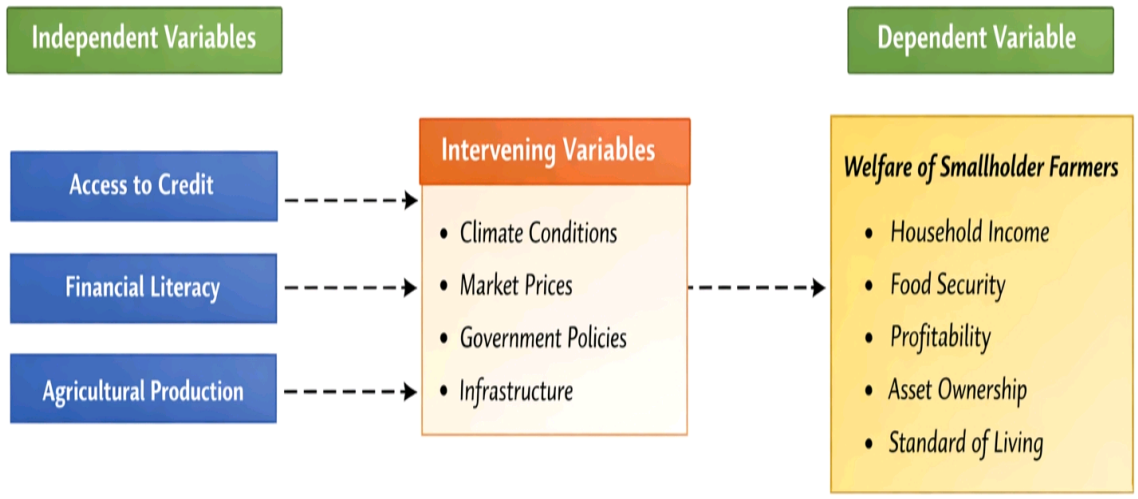


*Figure 1**Fig 2.0 Conceptual Framework***

Effect of Village Capital Finance financial services on the welfare of smallholder farmers in Ward 5 of Mutoko district. **Source:** Conceptualization by researcher (2026), adapted from World Bank (2022), IFAD (2021), FAO (2023), AfDB (2022), and UNDP (2023).

Explanation

The main factors that have been established to be important for influencing this link are access to credit, financial literacy, agricultural productivity, savings, and funding for agriculture inputs. These factors are among the main financial services provided by Village Capital Finance. Access to credit will help farmers to finance their agricultural activities and also invest in them; besides, farmers can hire labor and obtain inputs for their agricultural activities. As noted by the World Bank (2022), access to agricultural credit improves income generation, agricultural productivity, and investment capabilities of smallholder farmers.

Financial literacy includes educating the farmers on key issues like the management of their loan, keeping records, and saving effectively. Financially literate farmers are more likely to invest their borrowed money effectively. Agricultural output is said to be the product of the work done by the farmers after accessing finance services. Through financial inclusion, the farmers get opportunities to undertake modern agriculture through better inputs (FAO, 2023).

In this theory, the other determinants which could influence the relationship between finance services and welfare of the farmers have been considered. Such determinants could include market prices, government policies, inflation rate, weather conditions, and the state of rural infrastructure among others. These factors could either favor or hamper the relationship.

External factors associated with environmental and economic conditions play an important role in the productivity of agriculture and rural regions in Africa as described by the African Development Bank (2022). As for the outcome, or welfare, of the farmers, the variables that will be used include income, profitability, food security, asset creation, housing condition, and the overall quality of life. It can thus be stated that the higher the number of services provided by Village Capital Finance, the higher the welfare that results from increased productivity and profit.

Financial inclusion contributes to improving the socio-economic welfare of the people residing in rural regions, as well as enhancing their quality of life according to the United Nations Development Program (2023). Some of the theories involved include: Financial Intermediation Theory, Welfare Theory, and Financial Inclusion Theory.

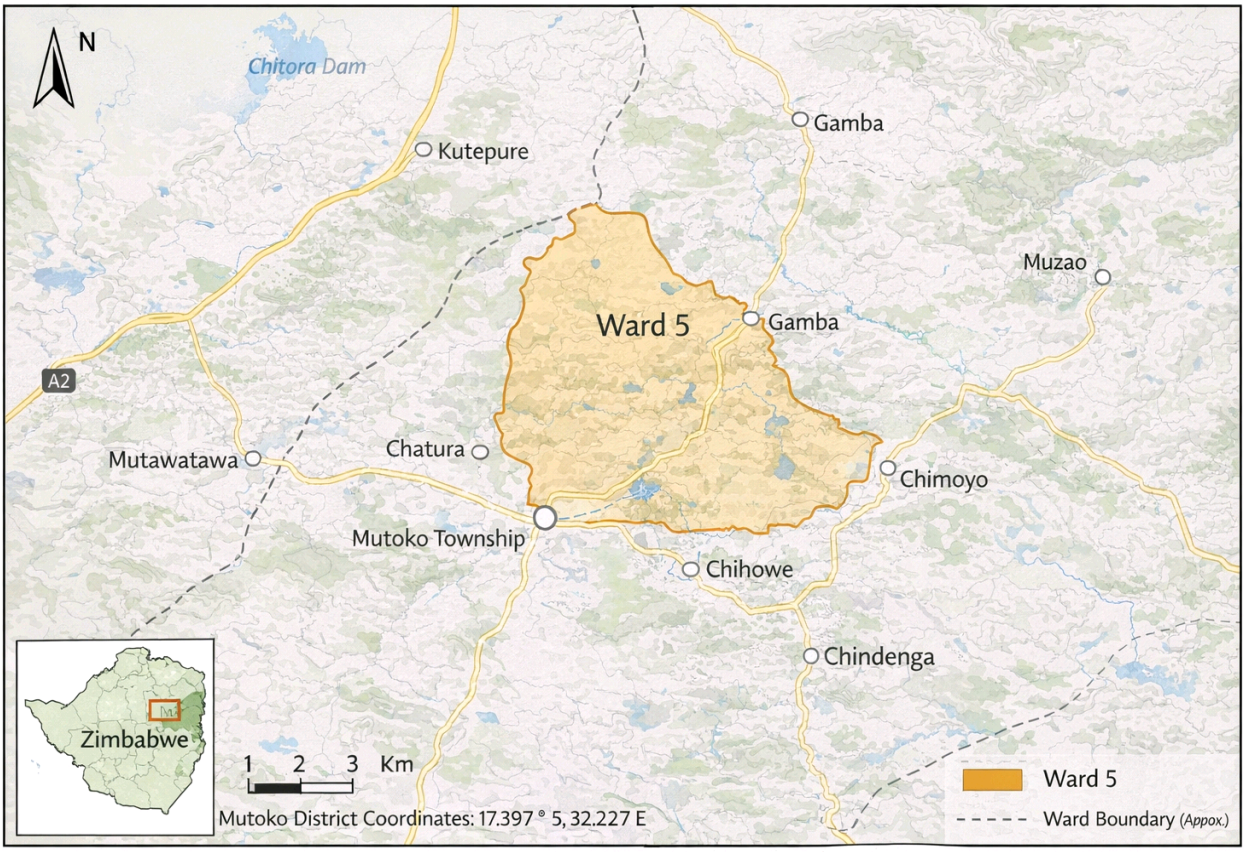
Chapter Three: Research methodology

3.0 Introduction

The present chapter highlights the methodology of the research, including the research design, the study area, the population, the sampling method, the techniques for analyzing the data collected, the ethical issues involved in the research, the determination of the sample size, the technique for collecting data, the instruments for data collection, and the limitations of the research.

3.1 Description of area of study

Below is a map which is showing the boundaries of Mutoko District ward 5, Zimbabwe.



2Figure 3.0: Map Showing of Mutoko District Ward 5

Source: Researcher's adaptation based on Mutoko District administrative boundaries (2026).

Explanation

The study was carried out in Ward 5 of Mutoko District, which is located in Mashonaland East Province of Zimbabwe. Mutoko District is located in the northeastern region of Zimbabwe, and can be accessed by way of the Harare-Nyamapanda Road, which is about 143 kilometers from Harare. The district lies geographically at latitudes 17.397°S and longitudes 32.226°E, and it is part of agroecological regions III and IV. Regions III and IV experience semi -arid climatic conditions, which are characterized by frequent droughts and moderate rainfall patterns. Economically, agriculture plays a major role in sustaining livelihoods in this area, and this is because the economy of Mutoko District is based on agriculture, which is the main source of food security and livelihoods for majority of people living in the district

3.2 Research Design

The purpose of the current research is to examine the effect that Village Capital Finance has on the livelihoods of smallholder farmers in Ward 5, Mutoko District, Zimbabwe. To do this, the researcher will make use of a mixed research methodology, which entails the gathering of quantitative data by means of structured questionnaires, interviews, and observations, together with qualitative data, as well as secondary data. In respect of quantitative data, it will involve the gathering of numeric data concerning income, agricultural productivity, food security, and asset possession.

In applying the descriptive research design, the researcher will attempt to provide a description of the characteristics of smallholder farmers in Ward 5, Mutoko District, who benefit from the Village Capital Finance. With this design, it will allow the researcher to gather comprehensive information about the nature of the financial services enjoyed by these farmers, how much agricultural products they produce, their sources of income, and problems associated with financing. The explanatory research design will enable establishing a cause-and-effect relationship between the livelihoods of smallholder farmers and Village Capital Finance services.

Qualitative research techniques will provide in-depth knowledge about the views, experience, and perception of the respondents regarding accessibility and the efficiency of Village Capital Finance services. Qualitative research methods are very important since purely numerical data might not be sufficient enough in measuring the welfare gains. The general purpose of this study is to determine whether access to financial services like loans, savings, and financial education result in significant welfare improvements in terms of living conditions, income levels, agricultural efficiency, and profitability.

3.3 Justification of Research Design Choice

The decision to apply the mixed method approach for this study was made in order to gain a thorough insight into the research problem under consideration. Quantitative data will help to make

statistical estimates of welfare gains, while qualitative data will explain the causes behind those trends.

3.4 Data Collection Approaches

3.4.1 Types of Data

The data collected for this research was drawn from both primary and secondary sources. Primary data was collected through the use of questionnaires, interview techniques, and direct observation. This provided first-hand experiences concerning the welfare of the farmers and their ability to obtain financial services. Secondary data was obtained from various publications, articles, and reports generated by bodies like the Zimbabwe National Statistics Agency.

3.5 Sample Size Determination

Sample size can be defined as the number of people selected from a target population in order to conduct research on them. An important aspect of this process was determining the sample size because the research needed to be reliable and representative. This research comprised of 150 small scale farmers and 5 loan officers, making up a total of 155 respondents.

The size of 150 small-scale farmers was considered adequate because it offered sufficient data for statistical calculations such as correlations and regressions. In addition, this number enabled inclusion of a variety of views from farmers who make use of the

Village Capital Finance service. Finally, five loan officers at the Village Capital Finance Company were strategically selected based on their knowledge of loaning processes, credit management, and payment terms, as well as the difficulties that farmers have to overcome in order to access financial services. Several factors affected the final sample size selection process, which included funding issues, time limits, respondents' accessibility, geographical location of the farmers in Ward 5, and research goals.

3.5.1 Sample Size Formula

Yamane's (1967) formula was used to calculate the sample size for the smallholder farmers.

The formula is:

$$n = N / (1 + N(e)^2)$$

Where:

n = sample size

N = population size

e = margin of error

Given:

N = 240

e = 0.05

Substituting these values into the formula:

$n = 240 / (1 + 240 (0.05)^2)$

$n = 240 / (1 + 240(0.0025)$

$n = 240 / (1 + 0.6)$

$n = 240 / 1.6$

$n = 150$

Thus, the total sample size was made up of 150 smallholder farmers. Besides the aforementioned sample, five loan officers from Village Capital Finance were purposely sampled owing to their professional competence in handling issues such as loan processing, credit management, repayment mechanisms, and challenges experienced by farmers accessing financial services.

3.6 Sampling Methods

In this study, two different sampling approaches were used. Simple random sampling was adopted to sample the smallholder farmers. It is a sampling technique whereby all members have an equal chance of selection. On the other hand, purposive sampling was used to sample the key informants since they were knowledgeable about the issue under study.

3.6.1 Rationale

The best possible sampling technique was used for each target group by the researcher. The use of simple random sampling was aimed at making the data collected objective and generalizable while purposive sampling ensured the data collected was valid. Therefore, through the combination of the two techniques, the study will be able to provide credible information regarding the services offered by Village Capital Finance to smallholder farmers.

3.7 Research Variables

Variables are elements which can be quantified to determine changeability and/or difference among various subjects involved in the research. The main objective of this research was to determine the impact of Village Capital Finance services on the welfare of smallholder farmers in Ward 5, Mutoko district.

3.7.1 Independent Variables

These are the variables that affect the outcome or influence another set of variables. This research included independent variables such as Village Capital Finance Services, credit facilities and agricultural production among others. Access to credit facilities was selected as an independent variable because capital finance forms the basis of agricultural development. Financially literate farmers can manage credit better, make appropriate investments and increase their profit margins and productivity. Agricultural productivity was assessed based on crop yield, livestock rearing practices, efficient resource management and application of modern farming technology. High levels of agriculture production led to increased household incomes and enhanced welfare of the smallholder farmers.

3.7.2 Dependent Variable

A dependent variable is the variable influenced by the independent variables. In this case, the main objective of this research is to find out whether there is a correlation between the services offered by Village Capital Finance and the improvement in welfare of small holder farmers; hence, welfare of the farmers has been identified as the dependent variable. The welfare of farmers will be determined based on income, profit, food security, possession of assets, housing status, and access to education and health services.

3.7.3 Intervening Variables

Intervening variables are those variables which are external but have an influence on the relationship between the independent variables and the dependent variables. In this case, the variables include the climatic situation, government agricultural policies, markets dynamics, inflation, provision of agricultural inputs, infrastructural development, and previous farming experience of farmers. This is so because these factors may impact the welfare and production of farmers irrespective of financial services provided.

3.7.4 Rationale

Independent Variable influences the results (financial access). Dependent Variable (welfare) is the variable being measured. Control Variables are used to explain other factors that may affect the result.

3.8 Control Strategies

For purposes of ensuring that findings were both reliable and valid, a number of controls were instituted by the researcher. These involved attempts to prevent bias, minimize error, and avoid any outside influences that might have an effect on the results. In

particular, the researcher used structured interview guidelines and standardized questionnaires when interviewing the loan officers and the smallholder farmers. A pilot study was undertaken prior to actual data collection. This step proved quite essential in the detection of any ambiguous language or problems in the questionnaires that may affect validity and reliability. Necessary modifications were therefore made following the pilot test. Simple random sampling technique was employed to reduce chances of any selection bias. Purposeful sampling was also done among the loan officers since they possessed expertise in areas related to the objectives of the study.

In order to eliminate any possible information bias, the researcher made sure that participants understood the objectives of the study before being interviewed or given questionnaires. In this way, the respondents felt free to provide correct answers. In order to avoid mistakes during the process of entry and analysis of the obtained information, the information was first coded, analyzed, and validated through the use of SPSS and Microsoft Excel before undertaking the actual analysis. Cleaning of data was also conducted in order to find any inconsistencies and incompleteness within the data obtained. The findings of the study were also interpreted taking into account intervening variables that could prevent the wrong interpretation of the effect of services provided by VC F in enhancing welfare of smallholder farmers.

3.9 Methods of measurement

- The research utilized:

- Questionnaires containing open and closed-ended questions
- Interview guide
- Observation checklist
- Dependability and Validity

- Pre-testing of instruments ensured reliability.
- The utilization of multiple methods (triangulation) ensured validity.

3.10 Strengths and Limitations of the Research Methods

3.10.1 Strengths of the Methodology

Some of the strengths associated with the research methodology are as follows. First, the adoption of the mixed method helps obtain data in both qualitative and quantitative forms. This will help the researcher in achieving richer results from this experiment. Second, the combined application of questionnaire and interview methods allows one to analyze the collected information using triangulation and thus increase validity. Third, the adoption of a relatively large sample size that includes 150 farmers helps make the research more representative and generalizable. Finally, the adoption of regression analysis adds strength to the entire study.

3.10.2 Limitations of the Methodology

There are several potential limitations associated with the methodology of this study. Constraints concerning time and finances may affect the level of data gathering in this research. It will not be easy to reach out to participants from the rural areas owing to bad road networks and the prevailing weather conditions at that time. Failure by some participants to respond to the questions may affect the outcome of the investigation; however, all these constraints will be managed through suitable control measures and proper planning.

3.11 Data Analysis Procedures

Data analysis is the process of organizing, examining, and presenting the gathered data. The quantitative data will be coded and analyzed using Microsoft Excel and Statistical Package for the Social Sciences (SPSS). The use of descriptive statistics such as frequencies, percentages, graphs, and tables will be used to present the data collected. The regression method will be used to identify the relationship between the services offered by Village Capital Finance and the well-being of smallholder farmers.

The regression equation will be as follows:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$$

Where:

Y = Welfare of smallholder farmers

X1 = Access to credit

X2 = Financial literacy

X3 = Agricultural production

ε = Error term

The qualitative data obtained from interviewing will be analyzed using thematic analysis where the responses are grouped into main themes based on the research goals.

3.12 Ethical Considerations

Ethical considerations refer to the set of guidelines that will enable the researcher conduct the research in an ethical manner. Before embarking on the research, the researcher will seek permission from the appropriate authority. The researcher will make sure that participants know the aims and objectives of the study before collecting any data, and this will be voluntary work. In addition, informed consent will be a necessary requirement for participation in the study. The researcher will ensure anonymity and confidentiality of the respondents as no personal data will be disclosed. Only the obtained data will be used for academic purposes only, and plagiarism will be avoided.

3.13 Chapter Summary

The research methodology to be used in the conduct of this study has been presented in this chapter. This includes the study area, research design, target population, sampling techniques, and sample size. The chapter has also presented the variables, data collection techniques, control techniques, strengths and weaknesses of the methodology, and data analysis techniques among other things.

Chapter Four: Data presentation, analysis and interpretation

4.0 Introduction

This chapter presents data analysis and interpretation of data obtained from smallholder farmers and Village Capital Finance loan officers in ward five, Mutoko district. This research work sought to assess the impact of Village Capital Finance Services on the welfare of smallholder farmers. This chapter presents findings in relation to the aim of the study. A total of 155 respondents were used for the study. Data analysis comprised of thematic analysis for qualitative data gathered from interviews and descriptive statistics such as frequencies, percentages, tables and regression analysis for quantitative data.

4.1 Rate of response

The information of questionnaires distributed, returned and not returned is shown by table 4.0 below.

Category	Frequency	Percentage
Distributed Questionnaires	150	100%

Returned	142	94.8%
Not returned	8	5.2%

1Table 4.0 Rate of response

According to the study a total of 150 questionnaires were sent to the smallholder farmers who have been accessing VCF financial services. 94.8% of these smallholder farmers responded and only 5.2% of smallholder farmers ward 5 of Mutoko District did not respond.

4.2 Distribution of Gender

The experiment recorded an acceptable number of respondents of 142 smallholder farmers. A good number of responses was obtained through physical visits and explanation to respondents regarding the objective of the research.

This section describes the characteristics of respondents, such as their gender, age, marital status, educational background, and experience in farming.

Gender	Frequency	Percentage
Male	83	58.5%
Women	59	41.5%

2Table 4.2: Showing the render responds rate

Interpretation on gender distribution

According to the study, male respondents account for 58.5% of the respondents sampled, while female respondents constitute 41.5%. In other words, both men and women are involved in the practice of smallholder agriculture in Ward 5, but most of the time, men tend to be actively involved in agricultural activities compared to women and also have access to financial institutions. This is consistent with the results reported by Food and Agriculture Organization (2023), who observed that in spite of the significant contributions of women in agricultural production, males continue to predominate in accessing productive resources and finance in many developing countries. Similarly, as stated by the African Development Bank (2022), there is gender discrepancy in accessing agriculturall input.

The considerable percentage of women participating in farming activities implies that women are important actors in agricultural production and household wellbeing in Ward 5. Such a finding validates the Theory of Financial Inclusion, as it focuses on the significance of ensuring equal access to financial services for every member of the population. Greater involvement of women in such financial schemes has been linked to better health outcomes in households. Nevertheless, this subtle domination of male beneficiaries might suggest that some gender-related obstacles still remain, such as inequalities in asset ownership and the lack of collateral by women.

4.3 Age Structure of Smallholder Farmers in Ward 5 of the Mutoko District.

Table 4.3 below shows the age group of smallholders who are benefiting from VCF financial services.

Age group	Frequency	Percentage
18-30	24	16.9%
31-40	39	27.5%
41-50	46	32.4%
Above 50	33	23.2%

3Table 4.3: Age Structure

Interpretation on age distribution of respondents

It was discovered that the largest proportion of the respondent (59.9%) was aged 31-50, whereas the smaller proportion of respondents (16.9%) was comprised of young farmers aged 18-30 years. Thus, it is reasonable to conclude that middle-aged farmers are the most active actors when participating both in agriculture production and utilizing financial services. It conforms to the findings of Mwangi and Ouma (2021) as middle-aged farmers tend

to access agricultural credit due to having more experience in farming, being asset-rich, and being more likely to repay the loan than young farmers.

Similarly, it was reported by the World Bank (2022) that financial institutions tend to consider middle-aged farmers to be low-risk borrowers due to the presence of a well-established farming enterprise. Limited access to land, lack of collateral, and farming experience can serve as the reasons for the small proportion of young farmers participating in financial programs. However, it partly contradicts current policies encouraging youth involvement in agriculture in Sub-Saharan Africa. As for Financial Intermediation Theory, the main principle of allocating financial resources implies considering lenders' risk levels. Thus, there are reasonable grounds to assume that financial institutions prefer middle-aged farmers.

4.4 Education Level of respondents

Education level	frequency	percentage
Primary education	37	26.1%
Secondary education	79	55.6%
Tertiary	18	12.7%

education		
No formal education	8	5.6%

4Table 4.4 Education Level

Interpretation on educational level respondents

It was determined that 55.6% of participants had received secondary level education, and 12.7% had tertiary level qualifications. Moreover, only 5.6% did not have any formal education. This implies that most of the farmers are literate and numerate enough to comprehend loan terms and keep farm accounts. This finding is in line with IFAD (2021), which noted that having some form of education improves the farmer's capacity to effectively use financial services and invest in agriculture. Likewise, according to Demirgüç-Kunt et al. (2022), individuals who have higher levels of education access financial services and use them efficiently compared to those with lower education levels.

The results validate the Theory of Financial Inclusion since it highlights the significance of the ability to critically analyze financial knowledge and education in enhancing effective use of the financial services. Educated farmers will have greater capacity to be able to analyze the investment opportunities, comprehend their repayment terms, and apply better technologies in farming. The significant role of financial literacy in the regression analysis

further proves this point.

4.5 Use of Financial Services

Use	Frequency	Percentage
Agricultural purpose	52	36.6%
Saving facilities	14	9.9%
insurance	17	12%
Asset investment	48	33.8%
Others	11	7.7%

5Table 4.5 Use of Loans

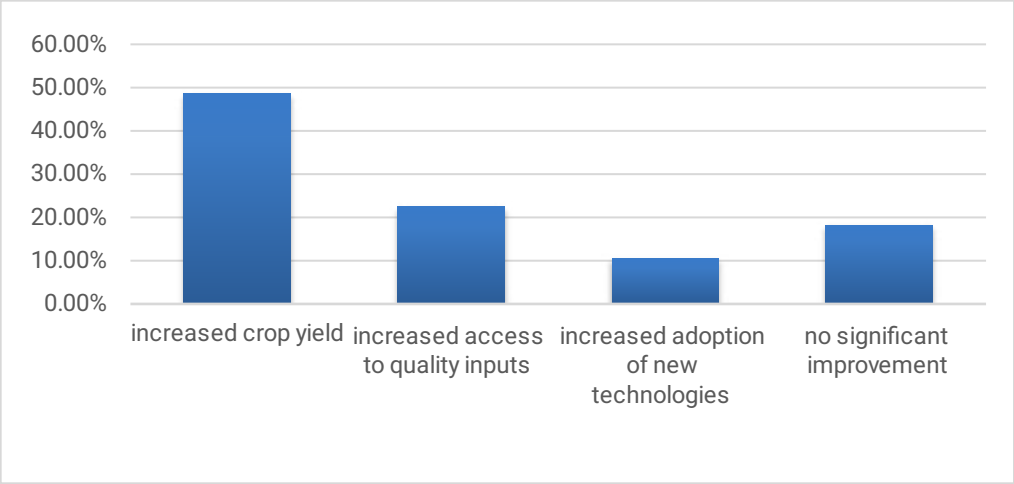
Interpretation on utilization of Village Capital Finance loans

Respondents indicated that loan products were mainly used in agriculture (36.6%) and for asset investment (33.8%). In contrast, fewer respondents were found to use loans for savings, insurance, and others. From the above information, it was clear that respondents made productive use of the available financial

resources. It is important to note that productive use of financial resources enhances welfare since income can be generated from such investments. The current findings are consistent with the report of the World Bank (2022) in which the organization highlighted the importance of agricultural credit for purchasing farm inputs, agriculture equipment, and income-generating ventures.

Similar is the case with the study conducted by Moyo & Ncube (2022), in which it was observed that the farmers of Zimbabwe have received better results in terms of increased incomes and improved food security because of using borrowed funds for investment in agricultural production than the ones who utilized their funds on household consumption expenditure. It is evident that the findings presented above give a robust empirical support for Financial Intermediation Theory, as this theory suggests that the role played by banks in economic development is based on savings mobilization and directing them toward productive purposes.

4.6 Impact of VCF services to agricultural production in Ward 5 of Mutoko district



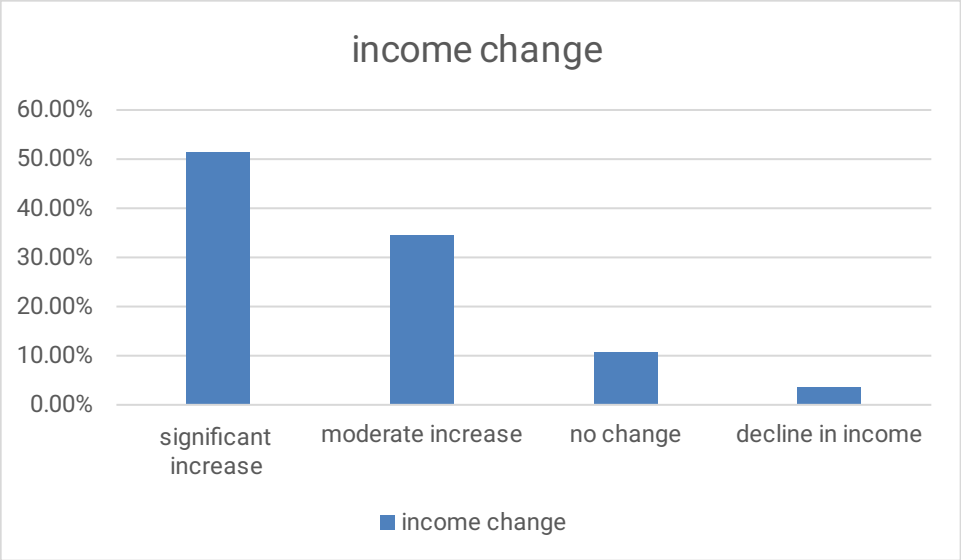
3Figure 4.5 Productivity Change

Interpretation

The research established that 48.6% of the respondents noted that their farm yields had been increased due to the utilization of the services provided by VCF while 22.5% reported increased availability of agricultural inputs. This evidence shows that financial services help the farmers acquire good seeds, fertilizer, pesticides, and tools for farming. Therefore, agricultural productivity is improved. The results are consistent with the findings of Mwangi & Ouma (2021) who observed that availability of agricultural credit was associated with increased farm yield and productivity among small-scale farmers in Kenya.

Similarly, Moyo & Ncube (2022) established that the provision of agricultural finance from micro-finance institutions led to increased production among the beneficiaries compared to non-beneficiaries in Zimbabwe. The findings are consistent with the Financial Intermediation Theory put forth by Gurley & Shaw (1960). This theory explains how financial institutions mobilize economic resources and channel them to the sectors where they are most productive. Agricultural productivity in this case has been facilitated through loans and other financial services provided by VCF. In contrast to other studies, where a remarkable level of improvement was achieved, a certain number of respondents (18.3%) showed no noticeable change in productivity. The possible reason for this phenomenon can be due to various external factors including drought, poor quality soil, changes in the price of inputs, and variations in climatic conditions.

4.7 Impact of VCF on Welfare and profitability of Smallholder Farmers.



4Figure 4.6 Income change after using VCF services in ward 5, Mutoko district

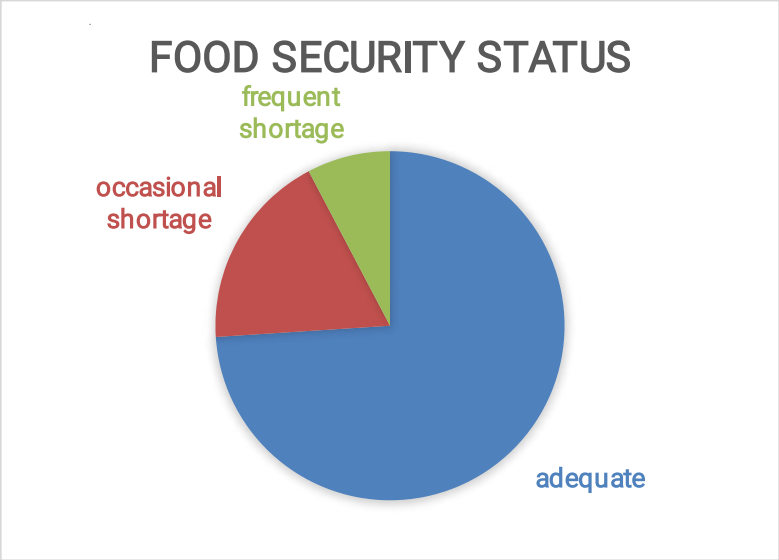
Interpretation

It was noted that the majority of the respondents (51.4%) had experienced an increase in their household incomes from accessing VCFs services, whereas there was only a minimal portion of people whose incomes had declined. Therefore, financial services can be used as an important source for generating additional income as well as enhancing farm profits. The current findings are supported by studies conducted by IFAD (2021) which

indicated that increased use of agricultural finance would lead to an increase in household income via increased production and participation in the market. Further, according to The World Bank (2022), when a farmer accesses credit, he will invest in income-generating activities which increase profitability and welfare.

An increased income could be linked with increased production by allowing farmers to engage in production. It is clear that increased production allows people to sell more goods on the market, hence an increased surplus and income. It can also be noted that findings conform to the Welfare theory which states that increased income enhances the welfare of people.

4.8 Food Security status after accessing VCF financial services



5 Figure 4.7 showing smallholder farmers food security in Ward 5 of Mutoko district after accessing VCF financial services.

Interpretation

Food security was among the important welfare measures that were linked to use of financial services offered by VCF institutions. More than 73.9% of the participants indicated that there was enough food after accessing financial services. The outcome is consistent with findings by FAO (2023) about the importance of

agricultural finance in ensuring food sufficiency and nutrition. The same results were noted by Moyo and Ncube (2022) whereby the level of food security was higher among farmers accessing financial services compared to those not doing so.

The association can be attributed to higher agricultural production and higher incomes. The increased production means that there will be enough food in the home for consumption purposes while any surplus can generate extra income. The findings are consistent with the Sustainable Livelihood approach where access to financial capital builds household resilience leading to food security.

4.9 Asset Ownership

Asset	Frequent	Percentage
Livestock	50	35.2%
Farm equipment	43	30.3%
irrigation	5	3.5%
Household items	19	13.4%
Others	25	17.6%

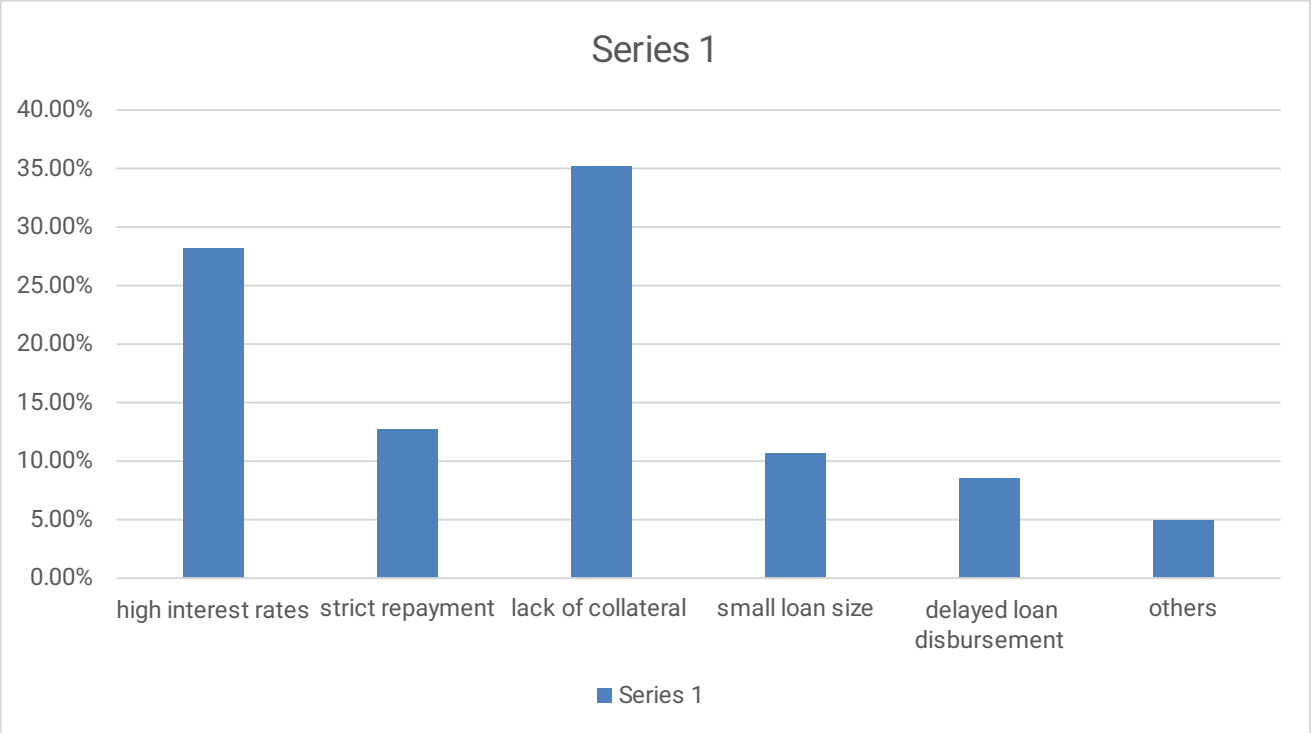
6Table 4.9 showing asset ownership by smallholder farmers in Ward 5 of Mutoko district after accessing VCF financial services.

Interpretation of results

It was noted that a significant number of farmers used the income that was earned by them using the activities supported by VCF in building productive assets such as livestock, agricultural tools, and other household items. The accumulation of productive assets is very important from the point of view of welfare improvement since it adds to household wealth and future income generation abilities. Such findings can be linked to the data from the World Bank (2022) showing that financial inclusion leads to the accumulation of assets for the rural population.

Moreover, it was also indicated in IFAD (2021) that access to financial services allows rural farmers to create productive assets that help them deal with any potential future risks.

4.10 Challenges faced by smallholder farmers in Ward 5 of Mutoko district on accessing VCF financial services.



6 Figure 4.9 Challenges uncounted by smallholder farmers when accessing VCF services.

Interpretation

Even as the benefits of the welfare program are clearly indicated, some obstacles have been found to be affecting the access to the Village Capital Finance services such as lack of collateral, high interest rates, tough repayment terms, delayed disbursement of

funds, and poor infrastructure. While the identification of lack of collateral as the biggest obstacle aligns with the observations made by Chikoko (2020), who notes that the demand for collateral is still one of the major reasons why agricultural financing continues to face difficulties in rural areas of Zimbabwe, the same observation was confirmed by Nyoni and Bhebhe (2021).

Nonetheless, contrary to the previous studies that focused on the problem of poor infrastructure as the main issue, respondents in this study considered requirements of collateral and interest rates to be more important. This could be explained by the particular local conditions in Ward 5 since farmers there have no sufficient means to use as collateral. Such observations partially question the premises of Financial Inclusion Theory, according to which the availability of financial products automatically guarantees accessibility.

4.11 Regression analysis

A regression analysis was conducted to determine the relationship between Village Capital Finance and the welfare of smallholder farmers.

The regression equation used is as follows

$$Y=\beta0+\beta1X1+\beta2X2+\beta3X3+\varepsilon$$

Where:

Y=welfare of smallholder farmers

X1=access to credit

X2=financial literacy

X3=agricultural production

ε =error term

Multiple regression analysis was done by the researcher to determine the extent of influence of the independent variables on the welfare of smallholder farmers.

4.11.1 Model summary

Model	R	R square	Adjusted R square	Std. error of estimate
1	0.782	0.611	0.603	0.417

7Table 4.10 Model summary

Model	Sum of squares	df	Mean square	F	Sig.
Regression	38.442	3	12.814	73.612	0.000
Residual	24.026	138	0.174		

Total	62.468	141			

8Table 4.11ANOVA results

Variable	Beta coefficient	Standard error	t-value	p-value
constant	1.204	0.284	4.239	0.000
Access to credit	0.523	0.117	4.470	0.001
Financial literacy	0.318	0.126	2.524	0.012
Agricultural production	0.447	0.149	3.000	0.003

9Table 4.12 Regression coefficients

Variables	welfare	Access to credit	Financial literacy	Agricultural production

Welfare	1			
Access to credit	0.711	1		
Financial literacy	0.604	0.532	1	
Agricultural production	0.683	0.641	0.577	1

10Table 4.14 showing correlation matrix

4.11.7 Regression results interpretation

From the regression results presented above, it has been noted that the following variables affected the welfare of the farmers positively: Access to Finance (β= 0.523), Agricultural Production (β= 0.447) and Financial Literacy (β= 0.318). In summary, the regression results indicated that the dependent variable is affected by the independent variables to a percentage of 61.1% (R^2= 0.611).

These results from the current study that the access to credit affects the welfare level of individuals positively could be justified using the theory of financial intermediation. This theory states that

the access to credit increases the welfare level of individuals due to their involvement in agricultural production. These results have also been found previously by Mwangi and Ouma (2021) and IFAD (2021).

Financial Literacy, which contributed significantly towards the welfare of farmers, is advocated for by IFAD (2021). According to the researcher, such knowledge is vital where management of loans and investments is concerned.

In this regard, the findings from the above analysis have validated Hypothesis 1, in that having access to village finance helps improve the welfare and income of farmers. The findings also help validate Hypothesis 2 in as far as financial literacy and institutional barriers affect financial service usage.

4.12 Chapter Summary

The financial services provided by VCF have significantly improved agricultural production and the well-being of small-scale farmers in Mutoko district ward 5 based on the results shown and analyzed in this chapter both graphically and in tabular form. The inclusion of qualitative information through the loan officers provided deeper understanding of the factors that influence access and utilization of financial services and their effects on smallholder welfare. There were numerous challenges faced by the farmers in accessing financial services such as high rates of interest, need for collateral, and poor infrastructure among others.

CHAPTER 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter highlights the summary of the research findings, draws relevant conclusions based on the empirical information presented, and provides useful recommendations. This research study investigated the impact that the financial services offered by Village Capital Finance had on the welfare of small-scale farmers in Ward 5 of Mutoko District. The conceptual and theoretical frameworks discussed in Chapter 2 have been considered along with the results of Chapter 4. In addition to this, the relevance of the findings to the research objectives and hypotheses is also assessed.

5.1 Overview of results

The primary objectives of the study were to identify the extent of access to financial services, its effect on agricultural productivity, and its effect on the welfare of smallholder farmers.

5.1.1 Financial services access

As per the results of the study, majority of the farmers in Ward 5 have enjoyed financial support from Village Capital Finance, suggesting that financial service access is relatively moderate. But then again, financial service access is not universal since many farmers remain deprived of financial services due to several challenges such as restrictive loan terms, lack of collateral, and financial illiteracy. The implication is that even though steps toward financial inclusiveness have been taken, there are areas that need to be addressed to ensure that farmers have access to financial services.

5.2.2 Effect on productivity in agriculture

Results showed a considerable positive relationship between the two variables. Productivity improvements were experienced through the adoption of improved seeds, fertilizers, and farm machinery with the use of loans. This is consistent with the assumption of the conceptual framework that finance improves productive capabilities. Nonetheless, other factors such as the availability of inputs and the unpredictability of rainfalls affect the productivity increases.

5.1.3 Effect on the welfare of smallholder farmers

It was clear from the research that financial services greatly helped the farmers. The following welfare indicators have been improved, among others:

- There was an increase in the household income since there was higher productivity in agriculture
- An increase in food security, as many people now state that they are secure in terms of adequate food availability.
- Acquisition of productive assets such as agricultural equipment and livestock
- Better ability to cater to needs of the household such as healthcare and education
- All these findings prove that the financial services influence economic outcomes as well as the general social welfare.

5.1.4 Constraints faced by farmers

Nonetheless, while considering all the benefits associated with the provision of financial services to farmers, it was noted that there were some restrictions that affected their effectiveness. These included:

- High interest rate, increasing cost of borrowing.

- Short deadlines for repayment, which may not necessarily align with agricultural seasons.
- Restricted size of loans, reducing investment opportunities.
- Restricting poor farmers from accessing due to need for collateral.

5.2 Conclusions

In conclusion, therefore, the financial services offered by Village Capital Finance play a key role in enhancing the quality of life among small scale farmers in the Mutoko district. This is due to the fact that through availability of credit facilities, the small-scale farmers will find it easier to make investments in efficient farming technology, hence improving their productivity and income levels. The welfare benefits that will accrue from this include food security and easy access to other services.

Moreover, the sustainable livelihoods framework as well as the financial inclusion theories are supported by the study since they both emphasize the importance of financial capital in improving the livelihoods of the poor in rural areas. Nonetheless, it is worth noting that the study does show that there are still many smallholder farmers who do not benefit from financial services due to constraints related to access, high cost, and the environment.

5.3 Suggestions

The following recommendations are proposed based on the findings and conclusions made:

5.3.1 Access to financial services

There is need for Village Capital Finance to extend their financial outreach efforts in order to reach a higher number of the farmers, particularly the excluded ones. Specialized financial products can be considered for this purpose.

5.3.2 Adapt loan terms

Terms of loans need to be adaptable in such a way that they correspond with agricultural seasons. There will be an increase in loan uptake and low rates of default.

5.4.3 Reduced interest rate

Decreased interest rate would ensure that many farmers are able to undertake lucrative projects as the costs of using the services will be affordable.

5.3.4 Foster finance literacy

Farmers' awareness about finance management should be increased by using training programs. This would increase the effectiveness of using financial services.

5.3.5 Enhance government support

Government policies to foster micro-finance institutions as well as provision of financial services among rural dwellers should be

undertaken by the authorities.

5.3.6 Promote climate-friendly agriculture

This is because of the impacts of climate variability that the adoption of climate-smart agricultural practices will ensure increased productivity by farmers. The study recommends additional research on the following issues:

- Effects of long-term use of micro-finance on rural livelihoods
- Comparison studies involving different districts in Zimbabwe
- Impact of digital finance on financial inclusion
- Relationship between climate change and financial accesss

5.4 Contribution of the Study

The contribution of this research study to the body of knowledge in existence is through the empirical support for the criticality of microfinance as a key driver towards improved wellbeing among rural communities. The study emphasizes the role of financial inclusion as a key component in the wellbeing of smallholder farmers and productivity.

5.5 Conclusion of Chapter

A comprehensive discussion of the research findings, conclusion, and recommendations was offered in this chapter. It was found that access to financial services is important in improving the

wellbeing of smallholder farmers.

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QUESTIONNAIRE

A STUDY ON THE EFFECTS OF THE SERVICES OF VILLAGE CAPITAL FINANCE ON THE WELFARE OF SMALLHOLDER FARMERS IN WARD 5 OF MUTOKO DISTRICT, ZIMBABWE

Dear Participant,

This is to introduce myself. My name is Zakaria C Makaza. I am carrying out research titled: “A Study on the Effects of the Services of Village Capital Finance on the Welfare of Smallholder Farmers in Ward 5 of Mutoko District, Zimbabwe.”

You have been chosen to take part in this research due to the contribution that your opinions and experiences will make in the success of the research. Your participation will be strictly limited to academic purposes only. Your responses will be kept confidential

and anonymous.

Kindly provide me with your answers to the following questions by ticking (✓) the correct option or writing your answers in the provided space.

Thank you for your cooperation.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

[ ] Male [ ] Female

2. Age Group

[ ] 18–30 years [ ] 31–40 years [ ] 41–50 years [ ] Above 50 years

3. Marital Status

[ ] Single [ ] Married [ ] Divorced [ ] Windowed

4. Highest Level of Education

[ ] No formal education [ ] Primary education [ ] Secondary education [ ] Tertiary education

5. Household Size

[ ] 1–3 members [ ] 4–6 members [ ] 7–9 members [ ] Above 9 members

6. Farming Experience

[ ] Less than 5 years [ ] 5–10 years [ ] 11–15 years [ ] Above 15 years

7. Main Farming Activity

[ ] Crop production [ ] Livestock production [ ] Horticulture [ ] Mixed farming

8. Average Farm Size

[ ] Less than 1 hectare [ ] 1–2 hectares [ ] 3–5 hectares [ ] Above 5 hectares

SECTION B: FINANCIAL SERVICES OFFERED BY VILLAGE CAPITAL FINANCE

9. Are you a beneficiary of Village Capital Finance services?

[ ] Yes [ ] No

10. Which financial services have you accessed from Village Capital Finance?

[ ] Agricultural loans [ ] Savings facilities [ ] Financial literacy training [ ] Input financing [ ] Insurance services [ ] Other (Specify) _____

11. How long have you been receiving services from Village Capital Finance?

[ ] Less than 1 year [ ] 1–3 years [ ] 4–6 years [ ] Above 6 years

12. How often do you access loans from Village Capital Finance?

[ ] Once per year [ ] Twice per year [ ] More than twice per year [ ] Rarely

13. How would you rate accessibility of Village Capital Finance services?

[ ] Very accessible [ ] Accessible [ ] Neutral [ ] Difficult to access [ ] Very difficult to access

SECTION C: IMPACT OF VILLAGE CAPITAL FINANCE ON AGRICULTURAL PRODUCTION

14. Has Village Capital Finance improved your agricultural production?

[ ] Yes [ ] No

15. If yes, in which ways has agricultural production improved?

[ ] Increased crop yields [ ] Improved access to inputs [ ] Expansion of cultivated land [ ] Adoption of modern farming technologies [ ] Improved livestock production

16. Which farming inputs did you purchase using loans from Village Capital Finance?

[ ] Seeds [ ] Fertilizers [ ] Chemicals [ ] Irrigation equipment [ ] Farming tools/machinery

17. To what extent has Village Capital Finance contributed to agricultural productivity?

[ ] Very high extent [ ] High extent [ ] Moderate extent [ ] Low extent [ ] No contribution

18. Have you adopted any modern farming technologies after receiving financial support?

[ ] Yes [ ] No

If yes, specify _____

SECTION D: IMPACT OF VILLAGE CAPITAL FINANCE ON INCOME AND WELFARE

19. Has your household income improved after accessing Village Capital Finance services?

[ ] Yes [ ] No

20. How would you describe changes in your income level?

[ ] Significant increase [ ] Moderate increase [ ] No change [ ] Decline in income

21. Which of the following welfare indicators improved after receiving financial services?

[ ] Food security [ ] Housing conditions [ ] Asset ownership [ ] Access to education [ ] Access to health services [ ] Household income

22. Has access to Village Capital Finance services improved your profitability?

[ ] Yes [ ] No

23. To what extent have Village Capital Finance services improved your standard of living?

[ ] Very high extent [ ] High extent [ ] Moderate extent [ ] Low extent [ ] No improvement

24. Please explain how Village Capital Finance services have affected your welfare.

SECTION E: CHALLENGES FACED IN ACCESSING VILLAGE CAPITAL FINANCE SERVICES

25. What challenges do you face when accessing Village Capital Finance services?

[ ] High interest rates [ ] Lack of collateral security [ ] Delayed loan disbursement [ ] Limited financial literacy [ ] Poor rural infrastructure [ ] Long distance to service centers [ ] Climate-related risks

26. How would you rate the loan repayment conditions?

[ ] Very favorable [ ] Favorable [ ] Neutra l [ ] Unfavorable [ ] Very unfavorable

27. Have you ever failed to access a loan from Village Capital Finance?

[ ] Yes [ ] No

If yes, explain the reasons.

28. Does lack of financial literacy affect farmers' access to financial services?

[ ] Yes [ ] No

29. Does poor rural infrastructure affect access to Village Capital Finance services?

[ ] Yes [ ] No

SECTION F: MEASURES TO IMPROVE ACCESS TO FINANCIAL SERVICES

30. What measures can be taken to improve access to Village Capital Finance services?

[ ] Reduction of interest rates [ ] Financial literacy training [ ] Flexible collateral requirements [ ] Faster loan processing [ ] Expansion of rural banking services [ ] Mobile banking services

31. Which measure do you think is the most important?

32. What recommendations would you give to Village Capital Finance to improve service delivery?

SECTION G: INTERVIEW GUIDE FOR LOAN OFFICERS

1. What are some of the financial services offered by Village Capital Finance to smallholder farmers?

2. How does Village Capital Finance enhance agricultural production and the wellbeing of farmers through the provision of their financial services?

3. Identify the key obstacles faced by smallholder farmers when accessing financial services.

4. What are the main influences on the repayment of loans made to farmers?

5. What processes are followed when making loan applications by farmers at Village Capital Finance?

6. What strategies have been employed by Village Capital Finance to make finances more accessible to the farmers?

7. Give your recommendations for making it easier for smallholder farmers to access financial services.

THANK YOU FOR YOUR PARTICIPATION