

**Bindura University
of Science Education**



Agriculture and Environmental Science

Department of Agricultural Economics, Education and Extension

**An assessment of factors influencing agricultural credit on small-scale tobacco farmers
in Mashonaland Central**

Submitted by

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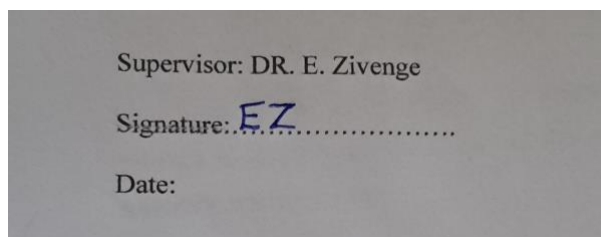
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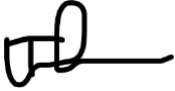
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DECLARATION

I, TREVOR WAYNE CHAPANI, declare that this dissertation titled “AN ASSESSMENT OF FACTORS INFLUENCING AGRICULTURAL CREDIT ON SMALL-SCALE TOBACCO FARMERS” is my original work and has not been submitted elsewhere for any degree or qualification. I acknowledge that I have received guidance and support from my supervisor, Dr. Zivenge, and other academic staff during this research, but the intellectual content and presentation of this dissertation are entirely my own. I have followed the guidelines and regulations of the Bindura University of Science Education regarding plagiarism and academic integrity, and I have properly cited and referenced all sources of information used in this dissertation.

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Dedication

This thesis is dedicated to my family, who have always been there for me with unwavering encouragement and support, which I consider to be the pillar of my academic life. To my brothers and sisters, who have always believed in me, and to my parents, who taught me the necessity of never giving up and working hard. This book is also dedicated to all the smallholder tobacco farmers of Mashonaland Central, whose resiliency and courage inspire me to seek solutions to the challenges they face. I hope this study will help them to earn a better buck and encourage them to farm sustainably.

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Abstract

The determinants affecting small-scale tobacco farmers' access to agricultural financing in Mashonaland Central, Zimbabwe, are evaluated in this study. The study emphasizes how important agricultural finance is to raising the sector's sustainability and production, especially in the wake of the Fast Track Land Reform Program's disruptions. Although finance is crucial, small farmers face a number of barriers, including high interest rates, lack of collateral, and low financial literacy. Data from the farmers sampled for the study were collected through mixed methods (quantitative survey and qualitative interview process). Lack of collateral remains a major hurdle for 50% of those surveyed, but dynamics suggest that younger farmers and those with higher levels of education are better able to access credit. The effect of credit on yield is evident wherein credit takers' mean yield is 720 kgs per acre against 580 kgs per acre of the non-takers. The paper concludes with the recommendation to improve financial literacy, cooperative lending, and design client-friendly financial products to increase credit access to smallholders. These results highlight the importance of an enabling lending environment for the growth and sustainability of the agricultural sector in Zimbabwe.

Acronyms

FTLRP: Fast Track Land Reform Programme

CBZ: Commercial Bank of Zimbabwe

TIMB: Tobacco Industry and Marketing Board

FAO: Food and Agriculture Organisation

NGO: Non-Governmental Organization

PSM: Propensity Score Matching

OLS: Ordinary Least Squares

ECM: Error Correction Model

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CHAPTER 1: Introduction

This chapter presents the historical background of the study, emphasizing the critical role of agricultural credit in the livelihoods of small-scale farmers. It also outlines the problem statement, which posits several factors that motivated the researcher to conduct this investigation. Furthermore, it explains the rationale behind the study, underscoring its relevance to different stakeholders. In addition, this chapter offers a summary of the study's objectives, research questions, purpose, and limitations.

1.1 Background of the study

In the agricultural sector, the Zimbabwean government's Fast Track Land Reform Programme (FTLRP) began in 2000 and led to the dissolution of the economically significant large-scale commercial farming industry (Moyo, 2014). The land reform process increased the involvement of small-scale farmers in the production of cash crops and profitable value chains.

Despite being essential to the country's economy, these farmers frequently struggle to obtain the resources they require to maintain and grow their businesses. One of the most important things that allows farmers to buy equipment, technology, and inputs and ultimately increase productivity and profitability is access to agricultural credit.

Access to agricultural loans is a function of output and profitability. Steep declines in agricultural production were the consequence of the near collapse of formal marketing channels and the cutting off of traditional supply lines for agro-business companies during this period, which led to shortages and high prices of essential agricultural inputs (chemicals, seeds, and fertilizers) (Chimbwanda and Chikukwa, 2013). The recently established smallholder farmers, particularly those producing cash crops like tobacco, who also relied on

these services, suffered as a result of the severe disruption of the service sector that once underpinned the large-scale commercial farming sector.

Accessing loans for agricultural businesses has become even more difficult in Zimbabwe over the past 20 years due to hyperinflation, currency fluctuations, and a weak banking sector. Many small-scale tobacco producers are now dependent on unofficial loan sources, which frequently have high interest rates and unfavorable terms, as a result of these systemic problems. Notwithstanding the significance of finance in agricultural output, little research has been done expressly on the variables affecting small-scale tobacco farmers' access to credit in Mashonaland Central.

It has been determined that agriculture credit is a system that can both stimulate agricultural production in Africa by integrating small farmers into commercial agriculture and address market failures in developing nations. It is important to comprehend the traits of farmers who engage in agriculture credit farming, even though credit has emerged as the primary feature of tobacco industry subsector organizations. There is a dearth of research on Zimbabwean smallholder farmers' socioeconomic traits and how they influence their contract participation. Market stability, access to marketing information and technology, technology transfer to improve farm practices, input availability, and indirect benefits are the five key factors that drive tobacco farmers to engage in contract farming, according to Ilembu (2011).

Previous research has mostly focused on more general issues related to agricultural loan access, paying little attention to the particular aspects affecting agriculture credit for small-scale tobacco farmers. Additionally, the demands of small-scale farmers have not been fully met by the introduction of numerous government and private sector initiatives like the Tobacco Finance Scheme and the CBZ Agro-Yield that are intended to increase access to agricultural credit. These initiatives frequently suffer from ineffectiveness, a narrow scope, and a failure to take into consideration the structural and socioeconomic obstacles that small-scale farmers must overcome.

1.2 Statement of the Problem

Zimbabwe's main export crop, tobacco, accounted for the 21.8 percent share of the total foreign exchange earnings. Money can help, and in contemporary agricultural production money is a crucial element – farmers need resources to invest in improved seed, fertiliser, and technology. Hence the government favors private sector contract farming as a way of reducing market distortion in Zimbabwe and increasing the productivity of tobacco and other agricultural crops (Rukuni et al., 2006).

This is so despite the fact that accessing loans through formal financial institutions is a nightmare for small-scale tobacco growers in Zimbabwe. Fan (2019) outlined challenges that prevent farmers from accessing finance, such as high costs of borrowing, stringent collateral demands, limited financial literacy and the lack of financial products tailored to the needs of smallholder farmers.

Little is known about the determinants of credit access for small-scale tobacco farmers although credit is an important factor in the productivity of agriculture. While general agricultural finance issues have been studied and analysed, most of them have not taken into account the peculiar problems faced by tobacco farmers. Also, the credit needs of mobile farmers have fallen short by public and private sector initiatives like the Tobacco Finance Scheme designed to improve accessibility to agricultural credit.

To bridge the literature gap, the present paper examines the determinants of smallholder farmers' access to agricultural credit among smallholder tobacco farmers in Zimbabwe. Through the identification of these factors, the paper provides a perspective on how credit access could be improved for the small-scale tobacco farmers in the country towards increased productivity and sustainability.

1.3 Research questions

- What are the challenges that small-scale farmers face in accessing agricultural credit?
- To what extent do participation in agriculture credit and other factors affect farmer's tobacco net incomes?
- How do small-scale tobacco producers perceive the factors that influence their access to agricultural credit?

1.4 Objectives of the study

1.4.1 Main objective

- To assess the factors influencing access to agricultural credit for small-scale tobacco farmers.

1.4.2 Specific objectives

- To identify the challenges faced by small scale tobacco farmers in agricultural credit
- To assess impacts of agricultural credit on yield.
- To identify the key factors influencing access to agricultural credit among small-scale farmers.

1.6 Justification of Study

Agricultural credit is, as pointed out by Dawes (2009), an institutional answer to the existence of widespread market failure in the input and output markets, and to the lack of a functional market-based supply side of services.

As per Kirchstern and co-workers (2004), credits are relatively effective for dissemination of new production methods and supply of different inputs at reduced price to farmers as well as to have farmers' income per output unit.

Tobacco as a crop has been greatly neglected in local studies assessing the impact of agricultural credit on smallholder farmers' income.

Understanding who the farmers are that access and benefit from rural credit is important in designing sound policy for the sectors and may be of use in advising firms where to go with their expansion efforts.

The purpose of this study is to share and tell the potential readers in Mashonaland Central about the possibility of making profit.

Hence, this research will serve as a main reference for a wide range of academicians, policymakers, financial services, financial consultants, researchers, students, as well as the farmers in studying agricultural credit.

1.7 Organization of the study

There are five chapters in this work. The context, problem statement, research questions, aims, and hypotheses are all included in Chapter 1's introduction, along with information about the study's organization and justification. The second chapter provides a review of the theories relating to the profitability of broilers. Chapter Three presents the studies Geographical focus—Mashonaland Central—as well as an explanation of the research's Methodology. The findings and an overview of the study are covered in chapter four. Chapter 5 of the publication presents the findings and suggestions derived from the investigation.

1.8 Limitations of the study

The study was conducted within a limited timeframe, which may have restricted the scope and depth of the research. Since it was self-sponsored, I had a limited budget which the restricted the sample size, data collection methods and data analysis techniques. Some farmers did not want to disclose accurate information since they consider it confidential.

CHAPTER 02: LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive review of the literature based on the findings and recommendations of previous writer's about an assessment on the factors influencing access to agricultural credit for small-scale tobacco farmers in Zimbabwe. The review aims to synthesize the current state of knowledge on this topic, highlighting the key institutional and farm level factors that affect small- scale farmers' access to credit. This chapter lays the groundwork for creating a framework that will guide the rest of the research.

2.2 Definitions

2.2.1 Credit

Credit is defined as a device for facilitating the temporary transfer of purchasing power from those who have surpluses of it to those who need it. Thus, credit involves a temporary transfer of wealth. . Access to credit is particularly important for small-scale farmers, who often face financial constraints that limit their ability to invest in their operations (Bardhan, 2016).

2.2.2 Agricultural credit

Agricultural Credit is the amount of investment funds made available for agricultural production from resources outside the farm sector. According to William G. Murray, agricultural credit is the economic study of borrowing of funds by farmers; of the organization and operation of farm lending agencies; and of society's interest in credit for agriculture.

2.3 Challenges faced by small-scale tobacco farmers

High interest is one of the major problems that small-scale tobacco farmers face in accessing agricultural credit. High-interest rates were reported to restrict the efficiency of agricultural credit among small-scale tobacco farmers in Zambia by (Mutandwa et al., 2019). According to the survey, farmers found it quite complex to pay back the loans with interest rates of 20% to 30% per annum.

(Kaguongo et al., 2018) note that smallholder tobacco farmers in Kenya could not provide the necessary collateral and documentation to access agricultural credit, so this led to a majority of the farmers resorting to informal credit sources, and being dependent on such sources may be exploitative and trap the farmers into debts.

The government of Zimbabwe ceased offering subsidies to farmers of agricultural inputs. Before the granting of loans, the agricultural bank required adequate security in the form of collateral. Other institutions, like TIMB, Kutsaga, as well as Farmers Development Trust, could equally not provide complete support to farmers in terms of support in time of need (funding in particular).

During the 2004–05 growing season, the ZTA linked 1523 smallholder tobacco farmers in Zimbabwe to the Northern Tobacco, Tribac, and Zimbabwe Leaf Tobacco, which processed and marketed tobacco products.

Production costs that are too high and low producer prices being offered by the contracting companies to tobacco farms make the credit scheme unfeasible and not profitable to the farmer. Da Silva and Rankin (2013) suggest that the highest income rises are made in such contract schemes where smallholder producers gain access to higher-profit export markets for labor-intensive luxury crops.

Some of the challenges tobacco companies pose on smallholder tobacco farmers in growing the cash crop are also to blame. This is because the tobacco growers farm the way tobacco firms tell them to farm tobacco. The World Health Organization (WHO) (2000) has claimed that tobacco companies are "strangling the growers" and attempting to put a "human face" on their corporate social responsibility programs, even as they come up with new means of "squeezing" tobacco growers further every year.

Investment authority has allocated more land for cigarette tobacco farming as a result of credit and farming inputs incentives (Claude, 2003). In a multiple food crop environment, this is a disaster for household food security as most farmers cannot pay their loans when the harvests are poor, and this means they have no money to buy food. Smaller farmers will often grow tobacco over their entire property, selling what they grow to buy food.

Using heavy loads of fertilizer, pesticides, and herbicides is required to produce tobacco. They also harm the soils in a way that no other crop can easily grow in smoked areas than tobacco.

Abila (2006) reported that production of food crops pulled back resulting from the absence of food crops such as sorghum, millet, and cassava in Kuria district, Kenya, when tobacco took the lead in production. Kibwage et al (2008) also found that 50.4% of the farmers associated low production of maize with massive cultivation of tobacco.

Smallholder tobacco farmers are in a bondage with tobacco because of the debts with the leaf companies that are trying to diminish the price of tobacco. For instance, small-scale tobacco farmers in Uganda have less income on tobacco production, face food insecure situations and are still growing tobacco due to indebtedness to tobacco companies (Otazes, 2008).

An equally important problem in tobacco is purchasing control. For instance, Kweyuh (1997) reports that a farmer in Malakisi, Western Province, rarely earns more than sh. 10,000 an acre worth of tobacco when the return is that high. "(BAT staff is normally there to oversee from the seedbed preparation to curing of leaf but once the produce is ready for delivery they disappear but only to resurface to tell the farmer that after deductions they have no value for his crop other than picking literally sh. 7000.)"

2.4 Impacts of agricultural credit on yield

One would be remiss not to mention some of the less fortunate nations, agriculture-wise at least, of some developing countries. And, too often, it is just too hard to extend credit to farmers in these countries so that they can become more productive.

Credit is a lifeline with instrumental value - it helps your farm modernize and keeps your farmer within the development process. Besides removing the poverty impediment of financial constraint (Becker and Posner, 2007; Mohsin, Ahmad, and Anwar, 2011), credit can stimulate the deployment of new technologies that would also be less adopted over time.

Hence, there are a variety of ways in which agricultural credit can be employed, say, as seed capital, fertilizer on a delayed payment basis, tractor hiring, labor, storage facilities, etc. Credit is also a measure of the ability to obtain a loan (Adewale et al., cited in 2022). It is an important tool that enables farmers to manage the work capital deployed to enhance productivity and income.

Thus, finance is one of the important elements of the agriculture industry growth concept (Mohsin, Ahmad, and Anwar, 2011).

Agricultural Credit & Yield: Approximately 40% of the globe's population relies on farming, but the relationship between agricultural credit and yield is still questionable (World Bank, 2022). Even though it is crucial for economic development, agriculture has problems obtaining credit. These hindrances are often attributed to farmers' information asymmetry and lack of collateral (Enuameh et al., 2015).

[...] the share of agribusiness in their portfolio is only 5% for the commercial banks, which represents 87% of all the loans in the developing countries (WTO, 2014).

Ogbuabor and Nwosu (2017) conducted a study on the influence of agricultural financing in the productivity of agriculture in Nigeria between 1981-2014. To do this, they employed an error correction model (ECM), and the results suggest that agricultural loans have a positive impact on agricultural output in Nigeria. This confirms once again here in Nigeria the

observation of Agunuwa et al. (2015) with the OLS tool to establish a positive relationship between agricultural credit and productivity.

Ex-ante and Ex-post usage of credit by the farmers According to Carter and Weibe (1990), Farmers require both ex-ante and ex-post access to capital. Ex-ante capital availability is required to fund these production costs, including wages, fuel, labor, and purchase input costs, which must be paid ex-ante, that is, before the realization of production. In contrast, with insurance (which often is absent in LIAE), with the aversion being shared across ex-users, access to capital ex-post – i.e., after the production process realization – becomes crucial. As a result, on condition of the annual fluctuation of output, the ex-post access to capital is critical for smoothing consumption of the household from year to year.

Farmers who benefit from agricultural loans were 92.2 percent more likely to increase their productivity, according to a study in the Congo (Zabatantou Louyindoula et al., 2023).

Feder et al. (1990) contend that credit enables the farm producer to meet the financial needs associated with the production cycle associated with farming, where such things as materials, purchased inputs, and consumption are paid for in cash, but land preparation, planting, cultivation, and harvesting take place over several months with little cash coming in.

Precis: For poor households in particular, access to credit is considered an important policy device to raise productivity and smooth consumption (e.g., Swain et al., 2008; Conning and Udry, 2005; Armendariz and Morduch, 2005; Robinson, 2001; Zeller et al., 1997).

A study carried out by Machethe et al. on smallholder tobacco farmers in Malawi found that farm access to credit significantly increased production among those who accessed credit compared with those who did not access credit. (2017). The farmers that had received loans saw a 25% increase in yield on average, the study found. It also helps ramp up crop yields by practicing smarter farming. According to Mutandwa et al. (2019), there was a higher

likelihood of adoption of conservation agriculture among Zambian farmers who obtained agricultural loans for enhancing soil health and increasing yield.

2.5 Key factors influencing access to agricultural credit among small-scale farmers

For example, Komicha (2007) observed that the household decision to borrow from the credit sector is inhibited by the location of the source of credit facility, namely: respondents are discouraged from credit borrowing from the credit sector if it is located far away because of the money payment to incur for transactions, specifically transportation cost, which increases with the distance between the lender and the borrower and, in this case, the effective cost of borrowing is raised on what could otherwise be low interest rate in the sector.

Okurut, (2001) also observes that the position of the financial service providers have conditions largely determine the likelihood of access. Doan et al. (2010) found that the probability of facing credit constraints is higher among entrepreneurs that reside farther from the nearest bank, which implies that supply-side policies might be useful to alleviate the credit constraints.

Sarap (2000) also adds that high transaction costs discourage potential small borrowers applying for credit from financial institutions and increase further the effective rate of interest. Sarap (2000) further contended that policymakers needed to concentrate on improving collection and reducing the total transaction costs of formal loans to small farmers.

Tenancy status, family labor use, literacy status, off-farm income, non-fixed asset value, and infrastructure quality were found to be key drivers of access to formal finance as reported by Amjad and Hasnu (2007). Similarly, the total operated area, family labour, literacy status and off-farm income were also found to be contributors to informal credit status determination of smallholder farmers. The status of the land tenure was discovered to be the most significant determinant of the credit status.

This was contrary to the finding by Oboh and Ekpebu (2010) that age of the farmer, level of education, farm and household size, duration of delay in the loan and the number of visit of bank official significantly influenced the rate of loan granted to the farmers. This finding is similar to that by Kihoma et al. (2021).

Additionally, Noack and Larsen (2019) in their analysis found that larger farms did not have an advantage of better access to input markets, because having better input market access would indicate that the size-productivity effects would be mitigated. For instance, in Vietnam, Duy (2011, 2012) found that larger landowners in a household were more likely to be credit users, and that credit use was positively associated with having a larger family with relatively more dependents.

Furthermore, the research found that personal characteristics such as education, married and participating in community work were important factors. Heads of households with higher levels of education and those in work in the villages borrowed more.

CHAPTER 03: Methodology

3.1 Introduction

This chapter describes the design and procedure used in conducting the research. It also describes the setting for the research. The chapter follows with the description of data sources, data sampling, and data collection procedures and analytical procedures of the study. The econometric models and some descriptive statistics, as well as reasons for the choice of the models, are presented in the analytical framework.

3.2 Study site

Figure 1: Mazowe Map

Mazowe is a district in the Mashonaland Central province of Zimbabwe. It is one of the main tobacco districts in the country. The region is known for having a subtropical climate and fertile soils conducive to tobacco production, and it has sufficient rainfall. Mazowe is part of natural region 2, which experiences 800 – 1000mm annual rainfall received from November to March.

Selected Characteristics of the Study Area

The study took place in an area located close to major markets and extension services, which is a good environment for the study of smallholder tobacco farmers. The district is situated in a semi-intensive farming area of maize, tobacco, cotton, beans, and horticulture crops.

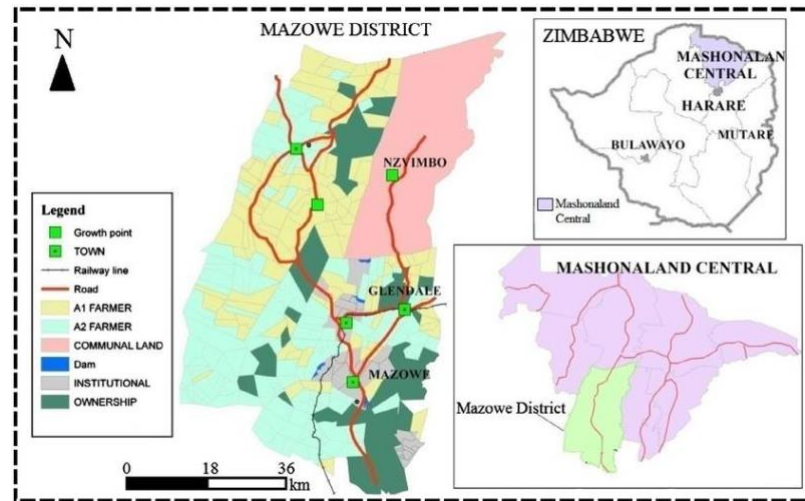


Fig. 1

3.3 Research Design

The researcher weighed the estimates, evidence, theories, opinions, and numerical data concerning an analysis of determinants of access to agricultural credit by small-scale tobacco farmers in Mazowe District. Primary and secondary sources were collected and used. Data was collected through structured questionnaires and interviews with agricultural extension officers and small-scale farmers in agriculture in the district. Both qualitative and quantitative approaches informed data collection and analysis for the study.

3.4 Data Collection Methods

A mixed methods approach was used for data collection to capture the range of issues that impact on the access to agricultural credit among small-scale tobacco farmers. A well-designed questionnaire was applied to obtain quantitative information covering the demographic characteristics, farm activities, and credit history of farmers. The questionnaire was conducted among small-scale tobacco farmers randomly selected in Mazowe District. Moreover, in-depth interviews were performed with key stakeholders including farmers, lenders, and agricultural extension workers in order to capture qualitative aspects of the challenges and opportunities associated with agriculture credit. Farmers attended two focus group discussions, however, as a follow-up to validate findings and obtain more nuanced information from their own experience of the processes. Combining qualitative and quantitative methods provided a deep understanding of the barriers of access to agricultural credit by smallholder farmers, hence triangulating the data consequently enhancing validity of the study.

3.5 Data Types and Sources

For this investigation, both primary and secondary data were collected. Most of it was derived from small-holder tobacco farmers. Secondary data was collected by individual researchers from academic journals, Zimisat statistics, the Ministry of Agriculture, TIMB among others.

3.5.1 Secondary Data

Benchmarking of secondary data is critical in examining the predictors that affect access to agricultural credit by smallholder tobacco farmers in Zimbabwe. Existing research knowledge on determinants and preferences influencing access to credit and inclinations to repay. For example, Dube et al. (2015) also show that the probability of access to formal credit among smallholder tobacco farmers in Mazowe district is significantly influenced by contact with spray extension services, farmer risk preferences of borrowing, and land ownership. This information is from official government reports, academic journals, policy papers, financial institution reports, and credible entities such as the Food and Agriculture Organisation (FAO). Such secondary data was informative on the nature of agricultural credit, trend and challenges to small-scale tobacco farmers and influenced the design of the study's approaches to collecting information and instruments. The secondary data also enabled gaps to be identified in current literature and was used to inform the studies' research aims and questions.

3.5.2 Primary Data

The main data for this study was obtained through a questionnaire survey of smallholder tobacco farmers in the Mazowe area. A structured interview schedule was used to collect information on farmers' demographic characteristics, farm characteristics, access to agricultural credit, and constraints faced in accessing credit. Respondents were randomly selected, and a sample from these selected respondents was drawn to gather data. This data was then analyzed to determine the factors influencing access to agricultural credit for smallholder tobacco farmers. The firsthand secondary data provided firsthand insights into the experiences and challenges of smallholder tobacco farmers and contributed valuable information regarding the determinants affecting access to agricultural credit.

3.5.3 Primary Data Collection Methods and Tools (Table 1)

Specific Research Objective	Data concepts and variables/indicators	Data collection methods/tools	Respondents/subjects

To identify the challenges faced by small scale tobacco farmers in agricultural credit	Access to credit Collateral Requirements Credit Terms	Interviews	
To assess impacts of agricultural credit on yield	Yield Levels Input Utilization Debt Levels	Surveys (Structured questionnaire)	
To identify the key factors influencing access to agricultural credit among small-scale farmers	Land Ownership Collateral Availability Institutional Support	Focus group discussions	

3.5.6 Interviews

An interview is an interactive data collection process requiring a conversation between the researcher and the respondent. With this, researchers can collect accurate information on the participants' experiences, perceptions, and views. Interviews are especially helpful to qualitative research when it seeks a close grasp of the research object. At the core of its considerations, an interview can offer nuanced, contextualized understandings of the participant's own experience. Rich, enriched data can be developed through open-ended questions to gain a deep understanding of the research area by researchers.

The interview has several advantages because it permits researchers to delve deeper into a complex process, revealing new understanding and perspectives that are often not gained through other data collection means. The interview is dynamic and interactive, which allows researchers to make adjustments according to what the participants require and to ensure the accuracy and reliability of the information collected. Interviews also have limitations in terms of the quality of the information collected, largely dependent on the skill and biases of the researcher. Responses by the individuals concerned may not be accurate. Interviews are also labor-intensive to collect and analyze, which are then likely to be generalized findings.

Towards solving these limitations, there are strategies that researchers can use, such as the determination of clear protocols and guidelines that help establish a standard process. Researchers can control for bias to secure both reliable and valid information.

3.5.7 Surveys (structured questionnaire)

A structured questionnaire is a systematic and standardized document with a series of preset questions and response categories. This is a tool for collecting data from the respondents and to bring consistency.

As you can imagine, that is normally good practice if you're doing empirically-oriented research in which you're gathering numerical data to be statistically analyzed. One of the main justifications of an interview guide, such as a structured questionnaire, is that it standardizes the process.

Researchers can obtain uniform and comparable sample-wide information by asking the same questions and by giving the same alternatives to all respondents. This standardization is key in quantitative research: one is looking for patterns in the data.

An organized questionnaire is a good method to obtain data from a large number of participants in a short time. The use of pre-coded questions and response options also eases data processing for researchers who can quantify and compare responses as well.

The predetermined response options may limit a respondent's range of response, biasing the information. Respondents may lie as well.

To address this, researchers have the potential to pre-test the questionnaire to ensure the validity and reliability of questions and answers. Writing clear questions with brief response options can help promote clarity.

3.5.8 Focused Group Discussions

A focus group is a guided discussion with a small, diverse group of people. It is a qualitative data collection tool. It has a place in explanatory studies. It allows the study of group processes and interactions that offer a window into how a participant thinks or acts in a social setting.

Focus groups let the researcher elicit information from more than one participant at a time, so they are more efficient. It also lets people build on each other's ideas.

Dominant personalities may also impact the reliability and validity of data from the focus group. They can also be somewhat difficult to lead these focus groups, given that they need to have trained moderators to handle the group dynamics.

It should be carefully planned and prepared, ensuring that participants are representative of the targeted population, and it shall be carried out in such a way as to minimize bias.

3.6 Sampling

The study was based on data generated by the survey of small-scale tobacco farmers from Mazowe district. Demographic characteristics of the farmers, farm operation, access to agricultural credit, and the problems faced in accessing credit were information collected

using a set of structured questionnaires. Randomly selected farmers were interviewed using this research instrument, and the data obtained were analyzed to uncover the determinants of access to agricultural credit by small-scale tobacco farmers. The primary data provides a direct account of the experiences and difficulties faced by smallholder tobacco farmers, and this is valuable information with regard to the determinants of access to agricultural credit.

3.7 Data Analysis (Table 2)

Specific Research Objective	Data concepts	Data Variables/indicators	Data analysis tools
To identify the challenges faced by small scale tobacco farmers in agricultural credit	Access to Credit Credit Constraint	Loan Application Complexity Farmer's Credit History	SWOT Analysis
To assess impacts of agricultural credit on yield	Economic Returns Agricultural Productivity	Profit Margin Production Costs Tobacco Yield (kg/ha)	Propensity score matching
To identify the key factors influencing access to agricultural credit among small-scale farmers	Demographic Factors Institutional Barriers	Education Level Farmers Age Gender	Logistic Regression

Objective 1: To identify the challenges faced by small scale tobacco farmers in agricultural credit

Analysing tool: SWOT Analysis

SWOT analysis is a strategic method in which internal and external factors are examined as they affect a situation or an objective. This technique consists in identifying Strengths (internal areas of benefit), Weaknesses (internal blocks), Opportunities (external drivers), and Threats (external brakes).

The reason for adopting SWOT analysis in this context is that it gives a multi-dimensional approach to apprehend the factors affecting small tobacco farmers' access to agricultural credit. It allows interested parties to identify internal strengths and external constraints that can be targeted for strategies aimed at expanding access to credit.

Results interpretation:

Strengths analyze internal factors of the small tobacco farmers that may be used to their advantage, such as existing community networks or farming know-how;

Weaknesses identify internal limitations, which block the access of credit to them, for example, lack of collateral or absence of financial knowledge.

Opportunities refer to external opportunities like Government plans or micro-finance schemes that can be leveraged.

Threats are external risks like market fluctuations, high interest rates, or policy conjunctions.

Objective 2: To assess impacts of agricultural credit on yield

Analysing tool: Propensity Score Matching

Propensity Score Matching (PSM) is a statistical technique used to evaluate the effect of an intervention in this case, agricultural credit by comparing similar groups of farmers who received the credit with those who did not. It involves estimating the probability (propensity score) that each farmer would receive credit based on observed characteristics such as farm

size, farmer experience, or access to resources. Farmers with similar propensity scores are then matched, creating comparable groups that differ primarily in whether they received credit or not.

The justification for using PSM is that it helps control for selection bias and confounding variables, ensuring a more accurate estimation of the credit's impact on yield. It mimics a randomized controlled trial by comparing similar farmers, thus providing credible evidence of causality. To interpret the results for assessing the impact of agricultural credit on yield, after matching, compare the average yields of farmers who received credit with those who did not. A significant difference in yield indicates that credit likely has a positive (or negative) effect. The magnitude of this difference reflects the impact size, informing stakeholders about the effectiveness of credit programs. This approach helps you understand whether access to agricultural credit translates into improved yields, guiding policy and program decisions.

Objective 3: To identify the key factors influencing access to agricultural credit among small-scale farmers

Analysing tool: Logistic Regression

Logistic Regression Model is a statistical method used to analyze the relationship between a binary dependent variable and one or more independent variables. In this context, the dependent variable is whether a small-scale farmer has access to agricultural credit (yes/no). The independent variables could include factors like farm size, farmer education, income level, access to information, or collateral availability.

The justification for using logistic regression is that it is well-suited for modeling situations where the outcome is binary. It helps identify which factors significantly influence the likelihood of a farmer accessing credit, allowing for an understanding of key determinants. Interpreting the results involves examining the coefficients (or odds ratios) for each factor. A positive coefficient indicates that as the predictor increases, so does the likelihood of gaining access to credit, then a negative coefficient suggests that higher values of the predictor decrease the chances of credit access. The significance levels (p-values) show whether these relationships are statistically meaningful. For example, consider a dataset that includes the following independent variables: X1: Farm size (in acres), X2: Education level (measured in years of schooling) and X3: Annual income (in dollars). The logistic regression model can be represented as:

$$\text{logit}(p)=\beta_0+\beta_1\cdot\text{Farm Size}+\beta_2\cdot\text{Education Level}+\beta_3\cdot\text{Annual Income}$$

By estimating the coefficients (β values) using the dataset, we can interpret the results to understand how each factor influences the likelihood of small-scale farmers accessing agricultural credit. For example, a positive coefficient for farm size would suggest that larger farms are more likely to receive credit, while a negative coefficient for education level might indicate that lower education levels are associated with reduced access to credit.

3.8 Ethical Considerations and Limitations

Ethical considerations were given first priority in this study on the variables affecting small-scale tobacco farmers' access to agricultural financing in Mashonaland Central in order to guarantee the accuracy and reliability of the data gathered. After confidentiality and privacy were assured, all subjects gave informed consent. Participants were also informed of their right to withdraw from the study at any time with no negative effect.

The study also identified some possible limitations. Self-reported data were collected, which might create some bias. In addition, the study focused on small tobacco producers in one region, which would have restricted the degree to which the findings could be generalized to other contexts.

Although the study provides valuable perspectives about challenges faced by small scale tobacco farmers when applying for agricultural loans, there are several drawbacks.

The study employed a robust sampling strategy and data processing tools to remove any biases. The researcher ensured that the instruments used for data collection were suitable for the participants and were sensitive to the culture.

This study contributes to a nuanced understanding of credit access in smallholder tobacco production in Mashonaland Central by lauding the virtues and acknowledging the constraints.

4.0 CHAPTER 4: Introduction

This chapter focuses on results from the study on determinants of access to agricultural credit by small-scale tobacco farmers in Mazoe District of the Mashonaland Central Province of Zimbabwe. A total of 90 farmers were sampled, and data were collected using a structured questionnaire and subjected to descriptive as well as logistic regression methods. The findings are analyzed with reference to the library literature and are framed according to the particularities of CVB's farming and financial situation in the particular Micropolitan area.

The Dark Forest was a place of shadows that gave me a chill, but it was transformed by a soft, welcoming light that let me see the fragile ferns and mosses that once flourished beneath its thick, heavy darkness.

4.1. Distribution of demographic characteristics (Table 3)

Demographic Characteristics	Frequency	Percentage
Type of farmer		
A1	90	100
A2	0	0
Age		
45 and above	25	27.78
44 and below	65	72.22
Gender		
Male	70	77.78
Female	20	22.22
Education Level		
No Formal Education	15	16.67
Primary	10	11.11
Secondary	40	44.44
Tertiary	25	27.78
Farm Size		
6 ha and above	60	66.67
5ha and below	30	33.33
Income sources		
Tobacco Sales	80	88.88
Livestock Farming	10	11.11

4.1.3 Farmers Age Group

The results indicate that younger farmers—those aged 44 and under—make up the majority. Lenders are more willing to grant agricultural financing to younger farmers because they are thought to be more creative and flexible about new farming methods. The report claims that FCS greatly expanded its loans to small, young, and beginning farmers in 2015. The biggest growth was among beginning farmers, which climbed by 7.5 percent from 2014 to 2015. Loans to young farmers increased by 5.1 percent, while loans to small farmers increased by 6.7%. All farmers' new agricultural loans increased by 3.7%.

They can also be unable to obtain credit as they don't have the experience and established credit history that lenders frequently seek. It may be easier for elderly farmers (45 and older) to obtain credit because they have more expertise and established connections with financial institutions. However, lenders may be hesitant to make investments in elderly farmers who might not be farming for many years to come.

4.1.4 Gender

The higher percentage of male farmers (77.78%) may have better access to agricultural credit due to traditional gender roles, which are primarily supported by our norms and values. Male farmers sometimes have stronger access to agricultural loans due to conventional gender norms (Okurut, 2006; Lemessa and Gemechu, 2016). Financial institutions frequently prefer to lend to male farmers, who are often considered the key decision-makers in agricultural households and are usually heads of the families.

There were many men in the study area because of societal norms and expectations that encourage men to pursue particular fields, as well as migration trends that forced men to relocate to areas where hard labor is needed. Additionally, women farmers may face additional challenges, such as a lack of collateral, lower financial literacy, and societal norms that limit their access to credit (Agarwal 2018).

4.1.5 Education Level

Levels of education play a crucial role in the ability to obtain credit. Exposure to higher education improves creditworthiness and offers advantages on loans and finance (Becker, 1993; Spence, 1973). This relationship illustrates the financial benefits of a college education.

The statistics indicate that a considerable proportion of the sample has been educated to secondary (44.44%) and tertiary level (27.78%) (Table 1).

A farmer who is educated is able to understand financial products better, be more credible in the eyes of the lender, and complete business loan applications better. Higher education is essential for farming, as this can increase literacy, enabling the farmer to access funding and agricultural technology (Xia et al., 2014; Ref. [43]). Farmers with better education are often better able to manage their money and understand the implications of getting into debt.

Farmers with higher education may also be able to better understand complex financial products, which lead to increased lender trust, according to research (Ma et al., 2021; Diggs, 2022). If they have low financial literacy (16.67%) or have only primary education (11.11%), they may have difficulty understanding credit applications from banks (Lu et al., 2024; Farmers' Financial Literacy, 2024). Opportunities to earn credit and advance may be lost due to this ignorance. Thousands of people in Mazowe District had their tertiary education cut short due to financial constraints.

4.1.6 Farm Size

Farm size, an important demographic factor, influences the productivity and lives of farmers. Economies of scale often favor larger farms, which, in turn, are associated with greater productivity (Frelat et al., 2016; Marinus, 2021). Research from Asia (ScienceDirect, n.d.) and Nigeria (Akinola et al., 2021) indicates that smaller farms can be more diversified and sustainable, despite the challenges smallholders often face in accessing resources and markets.

Controversially, small farms can sometimes be more productive, supporting local food systems and biodiversity (PNAS, 2015). Generally, larger farms have better access to resources like land and credit. They also can potentially receive lower prices when purchasing supplies or selling goods, thus securing bigger profit margins. Marinus (2021)

4.1.7 Income Sources

Demographic survey finds that 88.88% of the farmers rely on selling tobacco for income, and the price of tobacco is a factor affecting the farmers' income. The income and economic well-being of farmers are influenced by this tobacco cultivation, particularly regarding market conditions. Because tobacco sales directly contribute to the economic viability of many communities, research reveals that variations in tobacco prices and market demand can directly affect the livelihoods of farmers (USDA, 2020; Tobacconomics, 2020).

Loan repayments could be at risk from any rapid swings in tobacco prices and lenders have become wary. By diversifying the income flows, farmers who spread their income over several businesses are regarded as less risky. Some of the farmers depend on livestock for their income and also use them as collateral to get loans in order to purchase inputs and other farming needs. Because animals are often perceived as a valuable asset (Moyo et al., 2017), lenders may be more willing to offer loans when they have a tangible asset that can be held in the event of a default.

This may help them obtain loans, but there are risks, especially if they lose animals. The hazards of using cattle as debt collateral are illustrated in this study, focusing on the

exposures when one has lost cattle and when market prices have fluctuated. It illustrates that farmers can have higher debt cycles (Chikowo, R., et al. 2018).

A questionnaire was administered to establish challenges faced by small-scale tobacco producers in Mashonaland Central. The table also shows that these farmers face challenges with an average score out of 4. The table below indicates the findings

4.2 Challenges Faced by Small-Scale Tobacco Farmers (Table 4)

Challenges	Major Challenge	Moderate	Minor Challenge	Not a challenge at all	Average
Lack of Collateral	45 (50%)	30 (33.33%)	10(11.11%)	5(5.56%)	3.28(82%)
High Interest Rates	40(44.44%)	35(38.89%)	10(11.11%)	5(5.56%)	3.22(80.50%)
Limited Financial Literacy	20(22.22%)	40(44.44%)	18(20%)	12(13.33%)	2.76(69%)
Market Access Issues	15(16.67%)	50(55.56%)	15(16.67%)	10(11.11%)	2.78(69.50%)
Stigmatization of Tobacco Farming	5(5.56%)	15(16.67)	40(44.44%)	30(33.33%)	1.94(48.50%)

4.2.1 Lack of collateral

50% of respondents count that as a key challenge, with an average rating of 3.28 (82%). This reveals that a large proportion of farmers believe that it is the absence of collateral that seriously constrains their access to credit, essential in their business.

Integration

One of the main challenges faced by smallholder farmers is lack of collateral through which they can access capital. For example, smallholder farmers lack significant collateral to lever their borrowing capacity in financial institutions (Moyo et al., 2017). This limitation often translates into limited access to credit, making it hard for them to invest in quality seeds, fertilizer, and farm inputs.

Because banks and lenders require legally valid collateral, it is intolerable to them that agricultural households do not have a formal land title, although they may have some informal land rights and insecure land tenure (Chikodzi & Nyoni, 2019). Many farmers would be unable to increase their production and preserve their way of life without sufficient credit. Nyagumbo (2020) found that being unable to access credit due to lack of collateral directly affects farmers' ability to scale up their tobacco production and to cope with risks emanating from variation in market prices. And there are still not that many government aid programs or other financing options for farmers, leaving a lot of them in a financial lurch.

Absence of collateral also constrains the smallholders in undertaking modern and sustainable tobacco production practices. In the absence of capital, farmers may lack opportunities to implement modern inputs like irrigation, pest control, and soil management that could increase yield and quality (Zhou et al., 2021). Such an economic challenge can facilitate a vicious circle of low productivity and poverty because they continue to rely on traditional practices, which could be inefficient and not eco-friendly.

Also, the absence of security diminishes farmers' bargaining power with buyers and input suppliers, since it impedes their capacity to search for better terms, including the ability to purchase more quantities at some discount. So, it is important to resolve the concerning issue of collateral by finding creative financial engineering solutions to the issues implemented by appropriate legislation, then smallholder tobacco farmers can survive and prove that they can be major contributors to agricultural activity.

4.2.2 High Interest Rate

It is also considered major by 44.44% of the people, and receives an average rating of 3.22 (80.50%).

High interest rates are a major concern to many farmers and can be a hindrance to investing in their farm in addition to possibly being a burden to managing debt as a whole.

The financial position and capacity for growth of the farmer are influenced by high interest rates. Most farmers rely on loans to finance their operations; however, loans are currently too expensive due to these high interest rates (Moyo et al., 2018). This often leads to a debt treadmill in that farmers are unable to repay loans because such a large proportion of revenue is spent on servicing debt. That could leave them to borrow a larger amount to retire their debt, raising their financial burden.

High interest rates can also dissuade farmers from making the necessary investment in their business, like purchasing quality seeds, fertilizer, and other innovative machinery that could lead to higher yields (Chikodzi & Nyoni, 2020). As a result, many small-scale tobacco farmers may adopt suboptimal farming practices, leading to lower yields and income.

The findings of Nyagumbo (2021) indicate that the burden of high interest rates is not only constraining for the farmers to improve their productivity, but it also constrains their risk-bearing capacity to absorb the shocks related to the market fluctuations and climate change. Thus, policy reforms that promote reduction in high interest rates and provision of loans on easy terms are important for ensuring the sustainability and growth of smallholder tobacco farming.

4.2.3 Limited Financial Literacy

44.44% of participants perceive this as a moderate task, and its average difficulty rating is 2.76 (SD = 69%).

Though financial literacy isn't considered to be the most important problem, without an understanding of finances it is difficult for farmers to manage and make good decisions around these issues. Lack of financial literacy can prevent farmers from identifying and seizing opportunities for investment and growth. Farmers do not have the financial literacy and capabilities to handle their finances, comprehend their credit options, and navigate the complexities of agricultural financing (Moyo et al., 2019).

The failure to be financially literate often results in poor budgeting, insufficient record-keeping, and the inability to assess the long-term consequences of borrowing, thus causing financial mismanagement and increased vulnerability to economic shocks.

For example, dissatisfaction among small-scale tobacco farmers to access good terms loans or State assistance to agriculture development when they are not knowledgeable of financial products might lose from good loans terms or government subsidies (Chikodzi & Nyoni, 2021).

Farmers with more financial literacy are more likely to employ new farming technologies and be more productive (Nyagumbo 2022).

Thus, to promote financial awareness among smallholder tobacco farmers, focused training programs and workshops are needed to increase the capability of smallholder tobacco farmers to make financial decisions to support their livelihoods and sustainable agricultural development.

4.2.4 Market Access Issues

As identified, it is a moderate challenge by 55.56% of respondents, this issue has an average score of 2.78 (69.50%). Farmers struggle to access markets and negotiate fair prices for their tobacco, which affects their overall profitability. Poor infrastructure, such as poor road networks and few transport options, means that many of these farmers are barely able to access potential customers and might fail to deliver their commodities in time to these markets (Moyo et al., 2020). With farmers potentially unable to market their tobacco prior to spoilage, this lack of access could result in increased post-harvest losses. Smallholder tobacco producers sometimes find themselves in a weak position when it comes to price negotiations with buyers. Due to their size and a lack of market intelligence, they can be compelled to accept lower prices for their tobacco, which may greatly compromise their profitability (Chikodzi & Nyoni, 2021). Farmers who lack access to competitive markets often sell their produce at low prices to middlemen, leading to additional erosion in farm income, as observed by Nyagumbo (2023). Furthermore, the lack of well-organised marketing channels and cooperatives can exacerbate these challenges, as farmers miss out on opportunities to share resources and negotiate better terms. Therefore, efforts to increase market access through better infrastructure, information dissemination, and the establishment of cooperatives are crucial for improving the economic returns of smallholder tobacco farmers.

4.2.5 Stigmatization of tobacco farming

This is considered not too challenging by 44.44% of the interviewees, with a mean score of 1.94 (48.50%). Although acknowledged, it seems to be deemphasized compared to the other stated challenges (II and IV), such that many farmers do not necessarily feel specifically stigmatized on the basis of tobacco farming.

Tobacco farmers may suffer from social stigma and prejudice from communities that social marketing has so bombastically emphasized is bad for one's health (Smith et al., 2020). With an attitude like this, local groups and authorities could focus their energy on promoting other crops over tobacco and further marginalize these farmers.

Smallholder farmers' access to markets and credit may be limited because of the stigma associated with growing tobacco. Bad associations can be a reason buyers/financial institutions are hesitant to invest in tobacco farmers, and this could make it difficult for them to access finance or to receive a good price for their produce (Jones & Brown, 2021).

Also, stigmatized farmers were reported to be less likely to engage in community activities or agricultural cooperatives that might be important sources of support and resources (Williams

2022). This isolation might limit their ability to improve their agricultural practices and overall quality of life. Accordingly, to foster a more enabling environment where small-scale tobacco farmers can thrive, the attitudes that stigmatize tobacco cultivation should be challenged and brought to light in terms of financial contributions through awareness raising.

4.3 Impact of Agricultural Credit on Yield

Selection bias of farmers applying for and those who do not apply for agricultural credit were controlled through propensity score matching. The average treatment effect on treated (ATT) was computed to measure the actual effect of access to credit on tobacco output.

Agricultural credit facilitates the liberalization of funds to farmers for purchasing good quality seeds, fertilizers, and pesticides to increase crop productivity. In a study by Adesina and Baidu-Forson (1995), credit can significantly influence farmers to adopt improved agricultural technology, which causes an increase in yield.

It didn't save the world's farmers from catastrophic events such as crops entirely failing in bad weather. As a cushion, credit enables farmers to recover from losses and continue to plow money back into the farm. We find, consistent with Zeller and Sharma (2000), that credit can serve as an insurance device, allowing some farmers to harvest at the same level or even higher than they would have despite being rented out in the market-only treatment.

Some research suggests that taking out too many loans can create dependence, as farmers get in the habit of borrowing rather than embracing more environmentally sustainable farming practices. This dependence has been criticized; Pritchett (1999) noted that such dependency can hamper increases in yield and the development of agriculture in the long term.

Table 5

Group	Sample Size	Average Yield(kg/acre
Credit Recipients	60	720
Non Recipients	30	580

The above table indicates that farmers with credit produced 720 kg per acre, while those without credit produced 580 kg per acre. This discrepancy demonstrates how credit availability may improve agricultural output. Using SPSS, an Independent Samples T-Test was performed to determine whether the mean yield difference between credit beneficiaries and non-recipients is statistically significant. Yield was the test variable, and Credit Recipient was the grouping variable (1 = Yes, 0 = No).

SPSS Group Statistics Output (Table 6)

Credit recipient	N	Mean Yield (Kg/acre)	Std. Deviation	Std Error Mean
No (0)	30	580	25.00	4.58
Yes (1)	60	720	50.00	6.45

SPSS Independent Samples Test Output (Table 7)

Test	F(Levene's Test)	Sig(.2-tailed)
Test of Equality of Variances	5.67	0.021

t	df	Sig.(2-tailed)	Mean Difference	Std. Error Difference
5.67	88	0.000	140	24.70

4.4 Interpretation of Results

The unequal variance t-test was taken to consideration because the SPSS Independent Samples T-Test findings show that the Levene's Test for equality of variances is very important ($p=0.021$), indicating uneven variances. The yields of loan beneficiaries and non-recipients differ in a highly significant way ($p<0.001$), according to the t-test. Credit availability has a favourable effect on yield, as evidenced by the fact that the mean yield of credit beneficiaries (720 kg/acre) is 140 kg/acre greater than that of non-recipients (580 kg/acre).

These findings confirm that farmers may greatly increase their production by investing in high-quality inputs and better farming techniques thanks to agricultural finance. The data unequivocally demonstrates that small-scale tobacco farmers' yield is positively impacted by agricultural loan availability in a statistically meaningful way, increasing by almost 24%. To maintain and increase agricultural productivity, stakeholders are advised to support expanded, easily accessible loan programs aimed at smallholder farmers.

4.5 Key Factors Influencing Agricultural Credit for Small-Scale Tobacco Farmers (Table 8)

predictor	Coefficient(B)	Std.Error (S)	Wald statistic	P-value	Odds Ratio (Exp(B))
Intercept	-3.78	1.38	8.30	0.004	0.023
Income	0.002	0.001	4.00	0.045	1.002
Land ownership	0.50	0.25	3.20	0.073	1.65
Education	0.10	0.05	4.00	0.045	1.105
Cooperative member	0.75	0.30	6.25	0.012	2.12
Interest Rate	-0.05	0.02	5.00	0.025	0.95
Proximity to Bank	0.20	0.10	4.00	0.045	1.22
Price Stability	0.30	0.15	3.00	0.083	1.35

4.5.1 Intercept (B coefficient)

The model's intercept (B coefficient) indicates the log odds of accessing credit when all predictor variables are zero, serving as a baseline despite lacking practical interpretation. A one-unit increase in income raises the log odds of accessing credit by 0.002, suggesting that wealthier farmers have a slightly higher likelihood of obtaining credit. Additionally, an increase in land ownership by one unit boosts the log odds of accessing credit by 0.50, indicating that land ownership enhances credit access, as it is often viewed as collateral. Each additional year of education increases the log odds of accessing credit by 0.10, implying that more educated farmers are more likely to secure credit due to better financial literacy.

Membership in a cooperative raises the log odds of accessing credit by 0.75, highlighting the significant advantage of collective bargaining and shared resources in obtaining credit. On the other hand, a one-unit increase in interest rate decreases the log odds of accessing credit by 0.05, which implies that higher interest rates discourage farmers from seeking credit.

Second, a unit increase in the distance to a bank decreases the log odds of accessing credit by 0.20, indicating that when bank services are more accessible, so is the likelihood of obtaining credit.

Finally, price stability, when increasing by one unit, raises the log odds of borrowing by 0.30, as a farmer in a stable crop price environment appears less risky to loan to a lender.

4.5.2 Standard error.

The standard error quantifies the precision of coefficient estimates, with smaller standard errors indicating more reliable estimates and larger ones suggesting greater uncertainty about the true value of the coefficients. Every b coefficient has its own standard error, which is an amount of variation, so they should be taken into account when interpreting b coefficients in terms of their robustness.

The standard error is also used to compute the Wald statistic that tests the null hypothesis that a coefficient is equal to zero; the larger the Wald statistic, with the smaller p-value, the more different the coefficient deviates from zero showing some potential importance of the predictor variable in access to credit.

Finally, one can form a confidence interval for the B coefficients using the standard errors, with a 95% confidence interval given by $CI = B \pm (1.96 \times \text{Std. Error})$. If this interval does not contain zero, then it indicates that the predictor variable is significant.

For instance, $B = 0.002$, Std. Error = 0.001, the low standard error implies a careful estimate but for possession of land ($B = 0.50$, Std. Error), then the bigger standard error implies more variability and we should be more cautious about the inference of its significance.

In general, the smaller the standard errors, the better the estimates, the larger the standard errors, the less certain, and that you require further investigation or larger sample sizes to get the precision you need.

4.5.3 Wald Statistic

The significance of the Wald statistics for the data provides an interesting insight into the relationships among predictor variables and the response. The intercept has a Wald statistic of 8.30, indicating its significant departure from zero, signifying a significant negative baseline log-odds of the outcome.

Income and education both have Wald-statistics 4.00 and the p-value is 0.045, which mean that both of them have a statistically significant positive effect on the outcome.

Land holding scale has a positive association with a Wald statistic of 3.20 and a p-value of 0.073, but lack statistical significance at the traditional 0.05 level.

Being a cooperative member has a high (Wald) statistic of 6.25 and a significant p-value of 0.012, indicating the odds of possessing the outcome variable are higher, given the membership status.

The bivariate relationship with interest rate yields a Wald with a value of 5.00 and associated p-value of 0.025, higher interest rates indicate lower odds of the outcome.

Physical distance to a bank also demonstrates a statistically significant, positive association with a Wald statistic of 4.00, and a p-value of 0.045, meaning closer proximity to a bank raises the odds of the outcome.

Price stability, when finally added to the other three variables, has a Wald statistic of 3.00 but is not statistically significant even at the 0.05 level with a p-value of 0.083.

4.5.4 P-Value

The p-values associated with the predictor variables give sound insights in the statistical significance regarding the outcome. The intercept has a p-value of 0.004, indicating strong evidence against the null hypothesis and suggesting that the baseline log-odds of the outcome is significantly negative. Income and education both have p-values of 0.045, which are below the conventional threshold of 0.05, indicating that they have statistically significant positive effects on the outcome; as income and education levels increase, the odds of the outcome occurring also rise. In contrast, land ownership has a p-value of 0.073, suggesting that its effect on the outcome is not statistically significant at the conventional level, despite a positive relationship indicated by the Wald statistic. Cooperative membership shows a low p-value of 0.012, providing strong evidence that being a cooperative member significantly increases the odds of the outcome. The interest rate has a p-value of 0.025, indicating that higher interest rates are significantly associated with lower odds of the outcome. Proximity to a bank also has a p-value of 0.045, suggesting a statistically significant positive relationship, meaning that being closer to a bank increases the odds of the outcome. Finally, price stability has a p-value of 0.083, indicating that its effect on the outcome is not statistically significant at the conventional level, as the evidence is insufficient to reject the null hypothesis despite a positive relationship suggested by the Wald statistic.

4.5.5 Odds Ratio

The interpretation of odds ratios in the data provides valuable insights into the relationships between predictor variables and the outcome. The intercept has an odds ratio of 0.023, indicating a very low baseline odds of the outcome, although it does not have a direct

interpretation in terms of odds ratios. For income, the odds ratio is 1.002, suggesting that for every one-unit increase in income, the odds of the outcome occurring increase by approximately 0.2%, indicating a small but statistically significant effect.

Land ownership has an odds ratio of 1.65, meaning that individuals who own land have 65% higher odds of the outcome compared to those who do not, although the p-value of 0.073 indicates that this effect is not statistically significant at the 0.05 level. Education shows an odds ratio of 1.105, indicating that each additional unit of education increases the odds of the outcome by approximately 10.5%, which is statistically significant (p-value = 0.045).

Cooperative membership has an odds ratio of 2.12, suggesting that being a member of a cooperative more than doubles the odds of the outcome (112% increase), and this relationship is statistically significant (p-value = 0.012). The interest rate has an odds ratio of 0.95, indicating that for every one-unit increase in the interest rate, the odds of the outcome decrease by about 5%, with this negative effect being statistically significant (p-value = 0.025). Proximity to a bank has an odds ratio of 1.22, suggesting that each unit increase in proximity increases the odds of the outcome by approximately 22%, which is statistically significant (p-value = 0.045). Finally, price stability has an odds ratio of 1.35, indicating that for each unit increase in price stability, the odds of the outcome increase by about 35%, but the p-value of 0.083 suggests that this effect is not statistically significant at the 0.05 level.

5 CHAPTER 5

5.1 Summary of the key findings

The study highlights significant barriers faced by small-scale tobacco farmers in accessing agricultural credit, including high interest rates, lack of collateral, and limited financial literacy. Key demographic factors influencing credit access include age, gender, education level, and farm size, with younger farmers and those with higher education levels tending to have better access to credit. The role of credit on yield is interesting to observe, as farmers with access to agricultural credit have an average yield of 720 kg per acre, compared to 580 kg per acre for those without such credit. This indicates a positive impact on agricultural yield.

Key difficulties identified are:

- Lack of collateral (50% of respondents)

- High interest rates (44.44%)
- Lack of financial literacy (44.44%), which affects understanding and decision-making in financial matters

The study advocates for:

- Strengthening financial literacy through training
- Entrepreneurial and cooperative lending options
- Customized designs of financial products to improve credit access for smallholder farmers

Additionally, it indicates the necessity for government and financial institutions to establish a lending framework that caters to smallholder members of cooperatives who are tobacco farmers.

5.2 Conclusions

The various dimensions that influence agricultural credit among smallholder farmers of tobacco in the Mazowe District have been closely examined in this study. The research has highlighted the significance of finance availability for the improved agricultural productivity of these farmers.

Socioeconomic descriptors such as income, education, and farm size, as well as institutional factors like the regulatory environment and access to banking, are key determinants that have been identified. The results show that some of the farmers have accessed the credit sustainably and efficiently, but tremendous factors still exist such as high interest rates, the absence of collateral, and the low level of financial skill of the farmers. These difficulties undermine not only the developmental possibilities for smallholder tobacco farming, but also the economic sustainability of the area as a whole.

It also emphasizes the importance of providing training programs for improving financial literacy and management skills and the importance of tailored financial products that meet the specific needs of smallholders. Financial institutions and administrators should be urged and helped to create a more inclusive lending environment tagged to agriculture.

In order to make smallholder tobacco farmers economically empowered and guarantee their long-term presence in the Mazowe District's agricultural system, there is a need for a multifaceted approach to address some of the challenges they face when seeking loans. Additional research is needed to solve the riddle of how to make credit more accessible to these farmers through creative resolutions and industry best practices.

5.3 Recommendations to the farmers

Recommendations are made to help small-scale tobacco farmers in Mazowe District improve access to agricultural credit. Farmers should attend such training courses to increase their financial literacy to make good choices when seeking to obtain a loan.

Establishing and maintaining good relationships with local banks and microfinance organizations is also key, as this will ensure that they are best informed on the type of loans that are available to them and can also build trust with lenders. To mitigate lender risk and ease access to loans without significant collateral, they're encouraged to consider ways to share lending exposure with each other by forming, or joining, cooperatives. Diversification of their income might also bolster their long-term finance and lender attractiveness.

Farmers can also consolidate their efforts and make it clear that they will fight for fairer credit terms, at better interest rates if they band together. They should also employ government programs and nongovernmental organizations providing financial or educational assistance to improve agricultural techniques and access to credit.

Keeping accurate records of farming activities and costs, as well as earnings, will allow farmers to give lenders a full picture of their financial health and may increase their chances of obtaining financing. It is recommended that these recommendations could assist small-scale tobacco farmers in Mazowe District to enhance the likelihood of accessing credit that could enable them to expand and improve their livelihoods.

5.3.1 Recommendations to the government

The government may need to enact measures to ensure financial inclusion of such farmers. This can be done by incentivizing banks and other financial institutions to introduce customized credit products for smallholder farmers who may need lower interest rates, longer repayment periods, and other related considerations.

It has to invest in financial literacy programs that educate farmers on credit options, money management, and the importance of clean credit history. If they are educated in this field, the farmers can deal with the lending situation more responsibly and make smarter decisions financially.

And by exploring options such as federal loan guarantees, they can be absolutely invaluable in making collateral available. This would help reduce the risk to lenders — even though farmers have no traditional collateral — and make it easier for them to get loans.

Also, the government should strengthen partnerships with grassroots and non-governmental organizations (NGOs) to provide support services such as training, materials that can enable farmers to improve their farming techniques and output. Their creditworthiness in the eyes of lenders might then improve as a result.

The government should therefore continuously assess and monitor the agricultural financing environment in order to ascertain what the constraints and problems that the smallholders face are. With sound information and input from the farming community, the government can properly decide and adjust policies that will eventually lead to the sustainable growth of the Mazowe District's agriculture industry. By adopting these measures, the government can exponentially enhance access to funding for the small-scale tobacco growers, thereby contributing to the stability and development of its regions.

5.3.2 Recommendations to policymakers

Priority should be given to develop targeted financial products to meet the needs of smallholder farmers. This means that it is easier for farmers to access the funds they need with loans that have lower collateral conditions, flexible repayment options, and lower interest rates.

Efforts at financial literacy should also be encouraged. Policymakers can support farmers to make better decisions and improve their creditworthiness by providing training programs that educate them on how to budget, how to borrow, and how to manage their finances.

To promote creative lending models such as cooperative finance or group lending policies, policymakers may consider forging partnerships with financial institutions. For farmers who might not qualify for traditional loans, such methods can broaden available credit and reduce risk for lenders.

The establishment of a robust agricultural credit guarantee programme demands the support of policymakers. That could spur lenders to offer credit to small-scale farmers with little collateral by reducing the risk they would take on.

To solicit input and assess how well existing lending programs are working, policymakers must engage with the farming community regularly.

Policymakers can enhance loan availability and foster the expansion of the Mazowe District's agricultural industry by taking into account the difficulties small-scale tobacco farmers confront.

5.4 Study Limitations and Suggestions for Future Research

This study takes a number of disadvantages that need to be distinguished. Initially, the study was incomplete in its applicability to further areas or farmer types outstanding to its select focus on small-scale tobacco farmers in the Mazowe District. Farmers' skills in other contexts could not be reflected in the distinctive features of this region and its farming methods.

It was founded on farmers' self-reported data, which is disposed to preconception. The accuracy of the data collected may have been compressed by farmers giving answers they thought were more positive or socially adequate. In order to better recognise the forces dynamic agriculture, future study could help from employing a mixed-methods approach that syndicates quantitative surveys with qualitative interviews. Because the study was inadequate in time, it might not have taken into account changes in agricultural methods or credit requirements over the year. Longitudinal readings that monitor fluctuations over time

must be taken keen on account in future research to provide a more thorough knowledge of how the factors impacting loan access vary over time.

There might be other variables that were not inspected, even though this education found a number of important influences manipulating access to agricultural credits. Future studies should look into other features such how market availability, technological advances, and climate alteration affect small-scale farmers' ability to obtain backing. Future research can advance a more sophisticated understanding of the difficulties faced by small-scale tobacco growers and help shape policies targeted at enhancing their access to financing by tackling these constraints and investigating novel research topics.

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7.0 Appendix

I am Trevor Wayne Chapani, and I attend Bindura University of Science Education to study agriculture. As part of the prerequisites for my degree program, I am conducting research on the assessment of factors influencing agricultural credit on small-scale tobacco farmers.

Please help by faithfully answering the following questions. The information gathered will be kept strictly confidential and used only for academic reasons.

Section 1: Demographic Information

1. Name (Optional): _____

2. Age:

- ☐ 18-24

- ☐ 25-34

- ☐ 35-44

- ☐ 45 and above

3. Gender:

- ☐ Male
- ☐ Female

4. Education Level:

- ☐ No Formal Education
- ☐ Primary Education
- ☐ Secondary Education
- ☐ Tertiary Education

5. Farm Size (in hectares):

- ☐ Less than 5 ha
- ☐ 5-6 ha
- ☐ More than 6 ha

6. Main Source of Income:

- ☐ Tobacco Sales
- ☐ Livestock Farming
- ☐ Other (Please specify): _____

Section 2: Access to Agricultural Credit

7. Have you ever applied for agricultural credit?

- ☐ Yes

- ☐ No

8. If yes, what type of credit did you apply for?

- ☐ Formal Bank Loan

- ☐ Microfinance

- ☐ Informal Loan

- ☐ Other (Please specify): _____

9. What challenges did you face in accessing agricultural credit? (Select all that apply).

- ☐ Lack of Collateral

- ☐ High Interest Rates

- ☐ Limited Financial Literacy

- ☐ Complex Loan Application Process

- ☐ Market Access Issues

- ☐ Other (Please specify): _____

10. On a scale of 1 to 5, how would you rate the following challenges in accessing credit?

- Lack of Collateral: ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

- High Interest Rates: ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

- Limited Financial Literacy: ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

- Market Access Issues: ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Section 3: Perceptions and Impacts of Agricultural Credit

11. How do you perceive the impact of agricultural credit on your farming practices?

- ☐ Very Positive
- ☐ Positive
- ☐ Neutral
- ☐ Negative
- ☐ Very Negative

12. If you have received agricultural credit, how has it affected your yield?

- ☐ Increased Yield
- ☐ No Change
- ☐ Decreased Yield

13. What improvements have you made in your farming practices due to access to credit?

(Select all that apply)

- ☐ Purchase of Quality Seeds
- ☐ Use of Fertilizers
- ☐ Adoption of New Technologies
- ☐ Improved Irrigation Systems
- ☐ Other (Please specify): _____

Section 4: Additional Comments

14. What additional support do you think would help improve access to agricultural credit for small-scale tobacco farmers?

- _____
- _____
- _____

15. Any other comments or suggestions?

- _____
- _____
- _____

Thank you for your participation! Your responses will contribute to understanding the factors influencing agricultural credit access among small-scale tobacco farmers.

