

INOFO POSITION PAPER

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Impact of Financial Illiteracy on Communities

As a small-scale farmer who must navigate the financial, social and regulatory landscape in order to derive a continuous household income from the farming activities, many facets have been explored and experienced in order to understand how to move the farm into a financially stable position. This position is for those that work the land whilst ensuring that the land regenerates to serve future generations and maintaining relationships throughout.

The facet of financial literacy and the financial relationship between all parties involved often results in the power struggle over the single resource of money without the full economic and financial relationship being understood, planned and acted upon with commitment.

Understanding and managing money is often left to others (often external to the production consumption community) to navigate thereby reducing “the voice” of the individual throughout the farming activities, including market access.

Financial illiteracy has some key issues:

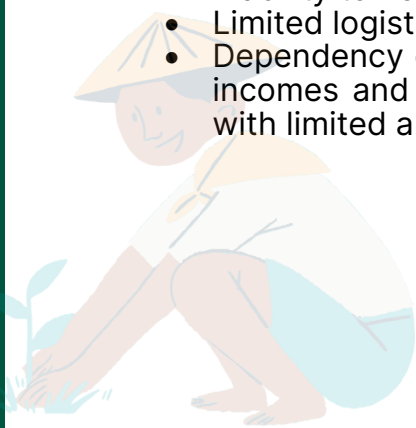
- Limited understanding of financial concepts (banking, money movement, debt, interest rates, assets, etc.).
- Inability to create and manage budgets from individual to organizational level.
- Difficulty in record-keeping and accounting.
- Limited access to financial services.

This results in financial stress and anxiety, high interest debt, insufficient savings leading to a lack of emergency funds and inability to maintain a budget due to daily crisis management. The power struggle over money eventuates in social dis-ease, e.g. violence, depressions, ill health, etc.

The importance of knowledge transfer in growing crops and our relationship to nature, markets, etc. is high on the agenda of individuals and farming community development. However, this learning does not necessarily integrate financial flows into the knowledge transfer processes but leaves it as a separate activity.

This separation of finances from production and market access results in:

- Limited market information (price trends, consumer demands, etc.).
- Inability to negotiate fair prices.
- Limited logistic support (transportation, storage, etc.).
- Dependency on intermediaries (middlemen, NGO's, which ultimately reduces incomes and profitability at farm level, increases debt and financial stress, with limited ability to invest in farm improvements or regeneration.





External support is continuously required to sustain the status quo. The question is “how to shift the needle” from sustainability to regenerating lands and communities?

The recognition for training in financial literacy is required from farmer to consumer which results in the understanding that a farmer is a consumer, not all consumers are producers, but all are dependent of the farm products for life.

By bridging the financial literacy gap, it will take the community to apply resources and seek support for:

- Training and education in supply chains (local markets and direct to consumer, first then leading to more complex supply chains).
- Access to financial services (micro finance, mobile banking, record keeping tools).
- Support in market access (e.g. transportation, storage, product communication).
- Accumulators in the local supply chain, e.g. farmer organizations, co-operatives, PGS groups to address challenges collaboratively.

Through linking activities of production, distribution, consumption and financial flow into our learning environments and growing necessary skills will result in better resilience for those that work the lands for our life as well as for all the hands that move our food from farm to fork having an informed financial position in relation to their work environments.

Working with nature for our food is a “high risk” environment if not planned, managed and supported by the community for the community. Transparency and understanding these flow dynamics will reduce the power struggle over money and its associated social diseases.

This is where INOFO, as a farmer organization, plays an important role in knowledge transfer between farmers on best practice. Financial literacy and applicable tools need to be supported and amplified to improve farmer resilience, decrease stress and ensure that our future generations have a future too.

