Extended Abstract
Please do not add your name or affiliation

Paper Title	**Financial literacy and inclusion for rural agrarian change and sustainable livelihood in Eastern Cape, South Africa**

Abstract prepared for presentation at the 97th Annual Conference of the Agricultural Economics Society, The University of Warwick, United Kingdom

27th – 29th March 2023

Abstract	***200 words max***
Finance and growth underpin the debate on the implication of financial literacy and financial inclusion for development among scholars. While financial inclusion and financial literacy are positioned as enablers of sustainable development, literature has failed to link the two with sustainable development, especially for rural agrarian dwellers in dire need of financial development attributes. Thus, this study applied the variance-based structural equation modelling to examine the implication of financial literacy and financial inclusion for the sustainable livelihoods of rural agrarian settlers in the Eastern Cape province of South Africa. Global scales were adapted and validated before administering to 283 farmers and subsistence businesses in the region. The results revealed that financial literacy positively and significantly influences financial inclusion (β=0,452) and the attainment of sustainable livelihood (β = 0.444). Financial inclusion partially mediates financial literacy influence on sustainable livelihoods (β = 0.253), as it directly explains the province's sustainable livelihoods (β = 0.114). The study's implication informs structured intervention for improving financial literacy to assist the target group with access to requisite funding, which could support their economic activities for a decent living.	

Keywords	financial literacy, financial inclusion, sustainable livelihoods, rural farmers, structural equation modelling.
JEL Code	Financial Economics see: www.aeaweb.org/jel/guide/jel.php?class=Q)

Introduction	***100 – 250 words***

Financial inclusion and financial literacy have emerged as priorities for policymakers toward poverty alleviation in several developing countries. Financial inclusion is antithetical to financial exclusion, which has perennially conditioned the poor to a life of perpetual poverty. Náñez Alonso et al. (2022) describes financial exclusion as a situation in which people do not have access to mainstream financial product and services such as bank accounts, credit cards and insurance policies, particularly home insurance and education loan. The effects of financial exclusion can include exclusion from other mainstream services, such as pension or saving schemes. They can also lead to debt and/or cut off from essential utilities.

There has been documentation of some successes of inclusive financial systems and their impact on sustainable development, especially in some parts of Asia (Garg & Agarwal, 2014). Grohmann et al. (2018) state that lack of financial inclusion is still a far-reaching problem in the bid for sustainable development. Hence, we investigated the implication of financial literacy and financial inclusion for the sustainable development of rural small farmers in the ECP-SA. The ECP-SA has a high number of poor rural populations that are predominantly rural agrarian and non-agrarian.

Methodology	100 – 250 words

A cross-sectional research design was considered appropriate for this study. A well-designed cross-sectional survey's advantage is the potential to support robust analysis (Rindfleisch et al., 2008). This assists in analysing the implications of financial literacy and financial inclusion for the sustainable livelihood of SFSB in the ECP-SA. The study was conducted using data from the agrarian areas of Grassland (Mthatha), Savana (East London) and Karoo (Queenstown), constituting the three agricultural areas within the province. The targeted samples are in the rural settlements of the areas where they conduct their subsistence businesses and farming. All the participants provided information based on their holding of either small farming activities or subsistent business.

The survey consisted of two parts. Given the emphasis on SFSB, the first part involved a business nature profile that gauges the size and scope of business dealing with farm size, enterprise type, business scale and revenue. The second part dealt with the three key concepts of the study. Two latent measures, financial skills, and knowledge, emerged for financial literacy, each coded with three questions, each considering the standard measures available in the literature. A similar scenario played out for financial inclusion and sustainable livelihoods. The former has three latent measures, access, quality, and welfare, each coded with four questions except for access, which has three questions. In the latter case, two latent factors, financial and social capital, arose from the list of factors traditionally considered in the literature and were coded with four questions each, respectively. The questions were accordingly ranked on a 5-point scale ('strongly disagree', 'disagree', 'neutral', 'agree', and 'strongly agree') ranging from 1-5 in that order. Participants were to indicate their responses to the various questions posed on the scale

Results	100 – 250 words

The result shows that financial literacy positively and significantly affects financial inclusion. More specifically, a 1% increase in financial literacy can potentially increase financial inclusion by approximately 45.2%. This result is consistent with the hypothesis of this study and the a priori expectation that the more financially skilful and/or knowledgeable an individual becomes, the better and should be able to access quality financial products. This study participants' education attainment seems to corroborate this result in the region, which may have been influenced by their literacy rate that could have driven their financial awareness. The second path of the model explored the relationship between financial literacy and the sustainable livelihood of the SFSB in the SA-EC province. The result of the relationship showed a significant and positive 0.444 coefficient, implying that a 1% change in financial literacy could increase sustainable livelihood by 44.4%.

Discussion and Conclusion	***100 – 250 words***

Theoretically, the results find consistency with the capability theory that envisages individuals' potential to participate in the financial systems is enhanced by their ability to develop their literacy on financial traits (Nussbaum & Sen, 1993). This study's findings also align with some empirical literature that has established a positive and significant relationship between financial literacy and financial inclusion (Koomson et al. (2020). The study found financial inclusion partially mediates financial literacy and sustainable livelihoods, the need to pursue such mediation left much to be desired, given the explanatory power of mediation.