



An investigation of microfinance institutions lending patterns in Zimbabwe

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Abstract

This research is an investigation into the extent to which Microfinance institutions are contributing through their lending patterns. Financial institutions spending patterns can be analyzed through their financial inclusions. This research study was guided by research objectives namely 1) to investigate the feasibility of integrating microfinance and mobile banking to accelerate financial inclusion, 2) to determine the extent of financial inclusion in geographically remote areas and 3) to establish necessary measures that will shift usage of microfinance funding from consumption to productive purpose. The target population for this study was comprised of 5 microfinance organizations namely Cover link microfinance, Get bucks microfinance, CBZ microfinance, Solid microfinance and Steward microfinance which had a total of 320 employees taken from their human resources offices in their head offices in Harare, Zimbabwe. The researcher adopted a sample of 120 employees which were attained through the use of Rao soft online sample size calculator. A stratified sampling was adopted to choose the sample from microfinance institutions in Zimbabwe. This research study revealed that there tend to be lacking feasibility of integrating microfinance and mobile banking to accelerate financial inclusion in Zimbabwe, financial inclusion has been adopted in geographically remote areas through mobile phones and financial deepening, measured by bank credit to the private sector, reduced corruption thereby acted as a measure that shifted usage of microfinance funding from consumption to productive purpose. It is recommended that Microfinance institutions should contribute to the Financial Inclusion Strategy in Zimbabwe.

Keywords: microfinance institutions lending patterns

Introduction

Microfinance is viewed to be a cure against poverty in the world (Ashraf, Karlan and Yin, 2010) ^[9]. According to Borges (2017) ^[15] in each country and region having diverse demographics, microfinance is being utilized to combat poverty. It is a quite recent concept in banking and financial sectors. Chakrabarty (2011) ^[17] noted that microfinance has evolved as an economic development approach intended to benefit low-income women and men. According to Demirgüç-Kunt and Klapper (2012) ^[22, 23] microfinance refers to the provision of financial services to low income clients, including the self-employed. In Zimbabwe, the microfinance act Chapter 24:03 defined a company as an organization which has been incorporated or registered under the companies act. Moreover the microfinance act Chapter 24:03 noted that corporate microfinance a partnership. Moreover credit-only microfinance business means the business of providing loans or other credit facilities to persons who, for the most part operate micro-, small or medium enterprises, individuals whose monthly income is below the poverty datum line or households whose combined monthly income does not exceed five times the poverty datum line, as fixed from time to time by the Zimbabwe National Statistics Agency in terms of the Census and Statistics Act (Chapter 10:29) (Act No. 1 of year 2007) and where any interest accruing from loans or credit facilities or to finance and extend the microfinance business. According to RBZ (2017) microfinance business means any person who carries on, who advertises or announces himself or herself or holds himself out in any way as carrying on, either or both of the following that is money lending business or credit only microfinance business or deposit-

taking microfinance business that is not conducted for the sole or exclusive benefit of the members of that business. Microfinance institution means a company whose microfinance business includes deposit-taking microfinance business.

Background to the study

According to Adam, Barb, Hollis and Jeniffer (2017) the unaccepted consequences of productivity and income levels of most developing countries remain issues of great concern. Aker and Mbiti (2010) ^[3] denoted that from the years 2012 up to 2014, a number of developing countries and their donor partners implemented the policy of subsidization of agricultural activities for small and low-income farmers as a means to boost productivity and income levels. Moreover Thouraya and Issa (2013) ^[37] noted that ever since the mid-2014s, such subsidization policies have been criticized for diverting the center of attention to focus exclusively on social needs, thus, proving financially unviable and unsustainable. As the need for an approach that would take both the market and the social contexts into consideration became fashionable and rewarding, new organizations, known as micro-finance institutions, began focusing on the activities of low-income farmers. Munyuki (2014) ^[34] postulated that micro-finance institutions switched focus from agricultural subsidies to target aid to the poor and help establish local institutions which became financially and operationally stable for such objectives. According to Microfinance Act a microfinance institution means a company whose microfinance business includes deposit-taking microfinance business.

Moreover the Microfinance act postulate that any microfinance business should be incorporated or registered under the companies act (Chapter 24:03) with the aim of providing loans or other credit facilities to persons who, for the most part operate micro, small or medium; or individuals whose monthly income is below the poverty datum line, as fixed from time to time by the Zimbabwean National Statistics Agency in terms of the Census and Statistics Act (Chapter 10:29) (Act No.1 of 2007).

Microfinance began in the 1970s when social entrepreneurs began lending money on a large scale to the working poor (Mago and Chitokwindo, 2014) [32]. In the context of this study, microfinance refers to any short-term financial services from registered microfinance institutions (MFIs) given to the public as a measure to stimulate their financial

position to bring economic freedom. According to Grameen and Bank (2017) microfinance institutions refer to organizations or systems that are registered and compliant with the responsible regulatory authorities in Zimbabwe. Mangudya (2015) noted that there were about 171 MFIs operating in the country as at December 2016 (ZAMFI, 2016) whilst others were still at various stages of regularizing their membership with ZAMFI. According to Mangudya (2015) the Zimbabwe microfinance sector has enjoyed a significant growth in terms of microfinance institutions since the adoption of the multicurrency regime in 2019 at an average of 32.61% in the five years to 2015 in spite of the constraints in the operating environment. This is depicted in the Figure 1.1 below.

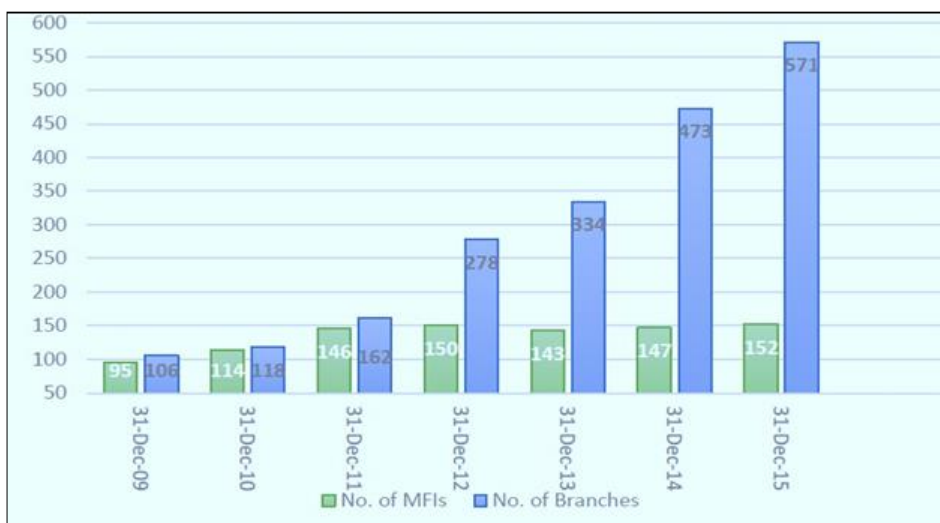


Fig1: Number of licensed MFIs from December 2009 to December 2015 Source: RBZ (2015)

According to RBZ (2015) the members that are affiliated to ZAMFI reported a cumulative value of loans disbursed in the year 2016 amounting to \$166 million, up from \$131.4 million reported for the previous year 2015 which represented an increase of 26.3%. In aggregate terms, the sector disbursed loans amounting to \$366.4 million over the three-year period of analysis (ZAMFI, 2016). In terms of outreach, the sector is reaching out to nearly 154 617 borrowers with the value of the outstanding loan book standing at \$83.3 million as of December 2016 (ZAMFI, 2016). This shows a positive growth rate of 10.9%, from \$75.1 million reported as at December 2015 as shown in Table 1.1 below.

Table 1: Microfinance lending activities

Indicator	December 2014	December 2015	December 2016
Cumulative loans disbursed	\$69.5m	\$131.4m	\$166m
% increase		89.1%	26.3%
Value of loans outstanding	\$44.9m	\$75.1m	\$83.3m
% increase		67.2%	10.9%

As at 31 March 2017, the total number of clients receiving financial services from MFIs affiliated to ZAMFI increased to 161 089 active clients, up from 154 617 reported in December 2016, a marginal increase by 6 472 clients (4.2%). The foregoing reveals some growth in terms of

clients as supported by Mangudya (2016) who coined a steady growth of microfinance institutions. According to Mangudya (2016) microfinance institutions essentially operate on a combination of financial products (micro-credit, micro-leasing, micro-insurance, micro-savings, and money transfers) targeting specific groups of customers. Recipients of the services generally are micro-businesses and economically active citizens who at the same time are poor, with incomes below the poverty line of \$1.25 per day. Such poor persons normally have limited access to standard financial credits and services provided by classical financial institutions and MFIs.

Fotabong (2012) noted that in Europe, Microcredit started at the end of the nineteenth century with the creation of the Raiffaisen example in Germany or the local case of mutual agricultural credit in France, and in Africa with the protective sackings, took truly its rise in the 1980s. From the evolution, the first experiments were by Mohammed Yunus in Bangladesh and the Grameen Bank in 1983. The Grameen Bank, launched in 1976 by Mohammed Yunus in Bangladesh, remained the first to have shifted focus from individual to group loans. Today, the Grameen Bank consists of more than 2.4 million clients. The scheme has contributed significantly to the Bangladesh economy as 48% of poor farmers have benefited from such agricultural credits. Global, regional and national-level policy makers are increasingly embracing financial inclusion as priority and key driver of economic growth. Over the years, the scope of financial inclusion has evolved from being mainly

confined to owning a bank account and simple savings products, to encompass remittances (payment services), affordable credit, savings, financial counselling and insurance. For financial inclusion to be meaningful, both individuals and businesses must be able to access useful and affordable financial products and services that meet their needs. These must also be delivered in a responsible and sustainable way. Unfortunately, a significant proportion of the world population still remains financially excluded and hence remained trapped in poverty. The banking industry has shown tremendous growth in volume and intricacy of transactions during the last few decades. Although there have been significant improvements in areas which relate to financial viability, profitability and competitiveness, there are concerns that MFIs have not been able to include vast segment of the population, especially the marginalized sections of the society, into the fold of basic banking services. A large percentage of the population remains poor, particularly in the developing world. (Zhang and Wong, 2014). According to Thouraya and Issa (2013)^[37] 74 percent of the world population is currently excluded from the formal banking sector and countries with a large proportion of financially excluded population from formal financial sector show high poverty ratios.

Global, regional and national-level policy makers are increasingly embracing financial inclusion strategy as an important priority for fostering socio-economic development. These policy makers recognise the strength of financial inclusion as a driver of economic growth. This realisation has culminated in the adoption of policies and measures aimed at growing global financial inclusion as a means of promoting world economic prosperity. The significance of financial inclusion in the economic development agenda has also been epitomized by the formation of microfinance organisations with specific focus on financial inclusion matters.

There is growing evidence that national financial inclusion strategies are now seen as essential by many countries, as they provide a clear national vision, a widely accepted strategic framework and a robust organizational structure to facilitate the development and implementation of coordinated and sound policy reforms (Warnock and Warnock, 2017). National financial inclusion strategies provide an important opportunity to introduce evidence based; prioritized, better resourced, and more comprehensive approach to expanding access and usage of financial services (Dornbush, Fisher and Startz, 2011)^[11]. Mazikana (2017) noted that a national strategy with clear goals and targets supports coordination among public and private sector stakeholders. RBZ (2017) also denotes that a national strategy with clear goals and targets provides an organizing framework for financial inclusion policies and regulations to be implemented. According to RBZ (2017) the development and implementation of the national financial inclusion strategy for Zimbabwe is aimed at ensuring the existence of an inclusive financial sector that broadens access to and use of financial services by all with the view of engendering social and economic development. The strategy defines the parameters for ongoing measurement and evaluation of the impact of specific actions and monitoring of progress over the implementation period. RBZ (2017) posits that the financial inclusion strategy proposes measures to address these challenges, create profitable and sustainable microfinance institutions,

facilitate the provision of client-centered and affordable financial services and fill the gaps between demand and supply for financial services, especially in the rural areas. With adequate and appropriate funding, microfinance institutions can be the main source of funding for the MSMEs that cannot access funding from the banking institutions due to lack of collateral usually demanded by the banks.

The RBZ (2017) noted that microfinance operations in Zimbabwe are currently skewed towards consumptive lending at the expense of productive sector financing, thus crowding out small and medium enterprises. 53, 30% of loans in Microfinance Institutions is still going towards consumptive lending which predominantly comprises of salary based loans. (The Herald, 20 May 2015). The high levels of consumptive lending have also precipitated household over-indebtedness. According to Fin Scope 2014 survey, Zimbabwe's financial inclusion is 77 percent, an increase from 60 percent in 2011 due to deeper penetration of mobile money. Microfinance institutions in Zimbabwe have been playing a pivotal role in financial inclusion strategy in Zimbabwe. However there has been scarce information of financial inclusion strategy by microfinance organizations.

Statement of the problem

Microfinance, the world over, assumes a fundamental role in promoting financial inclusion through availing credit, facilitating employment creation, and providing access to financial services to marginalised communities (Chibba, 2010)^[18]. The Reserve Bank has then again, noticed that microfinance operations in Zimbabwe are currently skewed towards consumptive lending at the expense of productive sector financing, thus crowding out small and medium enterprises (SMEs). This research therefore seeks to find out the microfinance institutions lending patterns in Zimbabwe.

Research objectives

The broad objective of this study is to investigate the extent to which Microfinance institutions are contributing to the Financial Inclusion Strategy in Zimbabwe. The specific objectives are:

- To investigate the feasibility of integrating microfinance and mobile banking to accelerate financial inclusion.
- To determine the extent of financial inclusion in geographically remote areas.
- To establish necessary measures that will shift usage of microfinance funding from consumption to productive purpose

Research questions

In achieving the above objectives, the study will focus on the following questions.

- Is it feasible to integrate microfinance and mobile banking to accelerate financial inclusion?
- To what extent can rural financial inclusion be achieved through microfinance?
- Which measures can be put in place to incorporate microfinance funding for productive purposes?

Significance of the study

The findings of this study will provide insights and contribute to practice, theory and policy in several ways.

Through the findings of this research study, microfinance institutions in Zimbabwe may understand and design suitable financial products and services for financial inclusion clientele. The findings of this research study informs microfinance organizations on how to utilize the prevailing competition in the process of bringing new financially included clients, leading to loan portfolio diversification and enhancing stability. The interaction of financial inclusion, operating environment and stability indicators is very insightful in pricing financial inclusion products. This ensures expected inflation is taken care of whilst taking advantage of economic growth as indicated by GDP to broaden financial inclusion.

Understanding the inter-linkages between financial inclusion, microfinance institution competitiveness and external operating environment (GDP and Inflation) and bank stability is important to policy makers. This research study will provide a relevant platform for the regulator the RBZ to design relevant programs to improve and stimulate the use of formal financial services among the low income segments within geographically remote areas which are often excluded from formal financial system. This becomes a point of reference when formulating relevant policies, rules and prudential guidelines that would guide the microfinance institutions in implementing microfinance availability, accessibility and usage strategies as well as maintaining sound financial stability in the finance industry. Generally, for policy makers, this research study intends to enhance efforts in planning and setting more flexible policies that may promote the implementation, expansion and use of financial services in order to reach out to a larger number of users, especially in the rural areas and geographically remote areas. Building data sets that benchmark countries would assist in focusing the attention of policymakers and allow them to track and evaluate efforts to broaden access and use of financial services.

The general public may gain more understanding about changes brought about increasing financial inclusion, operating environment as well as bank competitiveness on stability. The acquired knowledge from this current study may assist in choosing financial inclusion products and services. It may also assist the public in adopting right decisions on where to access funds basing on financial stability of microfinance institution. Competition helps customers to choose suitable products from range of varieties from different suppliers. GDP and Inflation will help the general public to choose well priced products as well as understanding the best time to be included according to economic and business growth cycles.

Lessons can be drawn that can benefit financial institutions that which are offering microfinance services and assist in improving outreach of financial services to the marginalized. The research will also attempt to bring a paradigm shift to people's perception about microfinance. There is a misconception about microfinance in Zimbabwe; that is, microfinance institutions are perceived to be loan sharks. This study may be relevant for policy makers in knowing the factors that need attention if the enterprises in Zimbabwe are to fulfil their important role in economic development. Academics may benefit from the findings of this research as it may bring new knowledge on financial inclusion strategy, an aspect that is currently shallowly published on.

Limitations of the study

While conducting the field research on financial inclusion strategy by MFIs, the following constraints affect the quality of this research study.

1. Time will be limited compared to research fulfillment hence the researcher will come up with a time table
2. It will be difficult to meet respondents timely as lack of motivation from respondents in responding to questionnaire on financial inclusion hence the researcher will schedule some appointments and motivate respondents to respond honestly in answering the questions.

Scope of the study

The study will be delimited to financial inclusion strategy by MFIs such as Coverlink. Microfinance pvt ltd in Harare, Zimbabwe. The study will be conducted at head-offices in Harare province of Zimbabwe. Since the study will be limited to Harare, Zimbabwe, the generalization of the results would be limited to the same populations in Zimbabwe's ten provinces. This study will be delimited to five objectives of the study and it will be confined for a period of the years 2014 up to 2022. The target population comprised managers and employees of MFIs.

Literature review

1. Theoretical framework

This section presents theories related to this current study

1.1 Economic theories of financial inclusion

According to Seman (2016) under economic theories, financial exclusion can be examined using both the neoclassical economic theory and new-Keynesian theory. Seman (2016) also noted that the former theory concentrates on economic agents and places the state in secondary role. The primary economic agents are firms and consumers whose behaviors are assumed to be rationally self-interested, well-informed and competitive. With these assumptions, it concludes that financial exclusion is the result of consumer choice and or mistaken government policy. As far as consumer choice is concerned, it is possible when they opt to use informal financial services instead of mainstream markets due to economic costs which lead to access limitations. It is also possible that government policy for example a usury ceiling creates distortions in credit markets that further lead to exclusion of disfavored segment.

New-Keynesian analysis emphasizes on the market distortions embedded in the micro economy, for instance information asymmetries. In relation to financial exclusion, it relates to the notion of credit constraints. Stiglitz and Weiss (2011) provide a compelling explanation on this issue by shedding lights on the effect of imperfect information about borrowers on credit exclusion, whereby creditors tend to depress interest rates and restrict credit in order to avoid risky borrowers. This alarming problem further reinforces income and asset inequality that is credit markets are no longer unified that is if they ever were, but instead are fragmented and diverse and financial exclusion grows as do the wealth or income and security or insecurity divides (Dymski, 2015).

1.2 Institutional theory

This theory rejects an analysis of financial exclusion which is based solely on consumer choice that is associated with neo-classical approach and serves a better picture of the structures and processes that are rooted in organizations, markets as well as policies (Buckland, 2012). Using this approach, a more complete understanding of financial inclusion can be gained through the role of institutional settings. Principally, institutional theory attempts to describe the deeper and more resilient aspects of how institutions are created, maintained, changed and dissolved (Scott, 2014).

This theory deals with the persistent influence of financial system on institutions. This includes the factors by which structures such as rules, routines and norms which guide social behavior that shaped financial inclusion. It is worth noted that the study of financial inclusion based on institutional theory involves general theory spanning economics, political science and sociology (Scott, 2011) rather than a theory which specific to finance particularly. Therefore, within the framework of institutional theory, this present study would argue that financial system is one of the factor associated with financial inclusion. Specifically, a particular financial system, which influenced by the institutional pillars that is regulatory or coercive, normative and mimetic factors as well as economic factor, has an essential role in shaping financial inclusion.

1.3 Financial intermediation theory

Mitchell (2010) conducted a study on financial intermediation theory and implications for the sources of value in structured finance markets. According to Mitchell (2010) structured finance instruments represent a form of securitization technology which can be defined by the characteristics of pooling of financial assets, delinking of the credit risk of the asset pool from the credit risk of the originating intermediary, and issuance of tranching liabilities backed by the asset pool.

Tranching effectively accomplishes a "slicing" of the loss distribution of the underlying asset pool. The paper reviewed the finance literature relating to security design and securitization, in order to identify the economic forces underlying the creation of SF instruments. A question addressed is under what circumstances one would expect to observe pooling alone (as with traditional securitization) versus pooling and tranching combined (as with structured finance). It is argued that asymmetric information problems between an originator and investors can lead to pooling of assets and tranching of associated liabilities, as opposed to pooling alone. The more acute the problem of adverse selection, the more likely is value to be created through issuance of tranching asset backed securities. Structured finance instruments also help to complete incomplete financial markets, and they may also appear in response to market segmentation.

Current financial intermediation theory builds on the notion that intermediaries serve to reduce transaction costs and informational asymmetries. As developments in information technology, deregulation, deepening of financial markets and so on it tend to reduce transaction costs and informational asymmetries, financial intermediation theory shall come to the conclusion that intermediation becomes useless. This contrasts with the practitioner's view of financial intermediation as a value-creating economic

process. It also conflicts with the continuing and increasing economic importance of financial intermediaries. From this paradox, we conclude that current financial intermediation theory fails to provide a satisfactory understanding of the existence of financial intermediaries.

The feasibility of integrating microfinance and mobile banking

Lee, Harindranath and Kim (2015) noted that it is important to integrate microfinance and mobile banking to accelerate financial inclusion. Cracknell (2014) posits that mobile banking is based on branchless banking to extend financial inclusion to financially underserved populations. Lee, Harindranath and Kim (2015) denotes that in both developed and developing countries, mobile banking is defined as an extension of banking and financial services onto mobile networks and devices. Hence, characteristics such as time and location independence and secured transactions, through the use of personal mobile phones to identify the account owner and confirm the transaction are some key features of mobile banking (Lee, Harindranath and Kim, 2015).

However, m-banking research has emerged as a relatively new but popular domain, so earlier studies have characterised it under the umbrella of electronic banking or e-banking (Cracknell, 2014). In simpler terms, m-banking constitutes financial transaction through personal mobile phones and enabled by wireless protocols (Cruz, *et al.*, 2010; Ndlovu and Ndlovu, 2013). Mobile banking is not only a natural evolution of internet banking, but also promises a digital alternative to other traditional bank channels that is ATMs, internet banking and physical branches by offering strategic and increased value for customers through ubiquitous access, convenience and mobility of accessing financial services (Puschel, Mazzon and Hernandez, 2010; Wessels and Drennan, 2010). These services cater for a full range of banking operations including information services that is checking account balance and financial transactions which are transferring money between accounts, paying bills, depositing savings, accessing credit and insurance via mobile devices for banked customers (Puschel, Mazzon and Hernandez, 2010; Cruz, *et al.*, 2010).

Integrating microfinance and mobile banking can be used to accelerate financial inclusion (Wessels and Drennan, 2010). Financial institutions or microfinance organizations may partner with mobile operators to deliver financial services via mobile technologies to increase financial access for unbanked communities (Ivatury and Mas, 2017; Demombynes and Thegya, 2012; Mas, 2012). Customer accounts are held at banks and are linked to mobile accounts on users' handsets (Donner and Tellez, 2017). Digital financial services as part of mobile banking are one key innovation that can foster wider inclusion (Beck *et al.*, 2015). Beck *et al* (2015) noted that it is becoming an emerging means of fostering inclusion among the poor and the small business borrowers. Mobile-based financial services also called mobile money services are a form of branchless microfinance services (Kpodar and Andrianaivo, 2011; Rasmussen, 2010). Kpodar and Andrianaivo (2011)^[7] recognise that mobile banking serves as one route towards financial inclusion, though for developed economies that may constitute an additional banking product.

The extent of financial inclusion in geographically remote areas

Financial inclusion leads to inclusive development of rural areas and bring their quality of life at par with the people of urban areas (Padma & Gopiseti, 2013). Factors such as economic status of the household, nonfarm employment, rural & area development, social security, level of education, asset holding, level of income, accessibility, culture and occupation status are the significant contributors to financial inclusion (Kuri & Laha, 2011; Ghatak, 2013 and Joseph, 2014). Ghatak (2013) revealed that accessibility to financial services is the most important and asset possessed by a person is the least important driver of financial inclusion. Kapoor & Singh (2014) highlighted that well-functioning financial system enables economically & socially excluded people to actively contribute to development and protect themselves against economic shocks. Inclusion in the financial services brings positive and significant changes in general and economic condition of people (Uma & Rupa, 2013) and brings economic prosperity to region or a state (Gupta *et al.*, 2014). There is positive correlation between sustainability of financial inclusion and rural dwellers which are the mainstream for economic growth in any country (Nwankwo & Nwankwo, 2014). Measures that will shift usage of microfinance funding from consumption to productive purpose

An analysis of 107 developing countries by Altunbaş and Thornton (2012) revealed that financial deepening, measured by bank credit to the private sector, reduced corruption thereby acted as a measure that shifted usage of microfinance funding from consumption to productive purpose. This, they argue, occurs when financial intermediaries monitor borrowers in a way that compels the latter to reduce discretionary expenditures leading to efficient allocation of resources. Corruption is found to be negatively associated with private credit (Detragiache, Gupta and Tressel, 2005).

Empirical studies

This section presents studies which have been conducted in relation to this current study on an investigation into the extent to which microfinance institutions are contributing to the financial inclusion strategy in Zimbabwe. These studies are classified as global perspective, African perspective and local perspective.

Global perspective

1. India

An analytical study of financial inclusion in north east India: special reference with Meghalaya (Shri. Aashish Vilas Bhave, 2017) Bhave (2017) conducted a study entitled an analytical study of financial inclusion in north East India: special reference with Meghalaya and noted that In India, efforts to provide thrift, credit and other financial services to poor by mainstream institutional players, such as banks, are being promoted for achieving the objective of financial inclusion. Towards this end, Self Help Groups (SHGs) organized around savings and credit activities of members, are growing at a phenomenal pace. The SHG bank linkage programme in India is considered to be a successful model to promote financial inclusion. However, recently there have been rising concerns about sustainability of the groups. Sustainability issues are reflected in dwindling membership, rising loan defaults, poor record keeping, limited credit

absorption capacity, and excessive reliance on promoting institutions and so on. This research was situated in context of the growing threat to sustainability of SHG bank linkage movement and dwells into exploring the issue of sustainability of SHGs in detail. With this background, the research addressed the following research problems. The first research problem studied two aspects of financial inclusion. In first aspect, the response of bankers towards various financial inclusion mechanisms was solicited by means of a survey of 91 bank managers. The results of responses indicated that SHGs are the preferred and most commonly used method of inclusion as against other methods of promoting inclusion. The second aspect of financial inclusion is analysed at the house hold level to empirically ascertain the factors that serve a spot entail drivers towards financial inclusion of households. 423 households from the least included region of India (north-eastern region) in Meghalaya were surveyed. Factors such as literacy, high income, proximity to bank, receiving government benefits, residing in plain areas and SHG membership are seen to have a favourable effect on the likelihood of household having a bank account.

2. England

Exploring the impacts of improved financial inclusion on the lives of disadvantaged people (Nicole Lederle, 2012). This research examined the consequences of gaining access to financial products and services and of becoming more capable of using these that is financial inclusion. In particular, the study aimed to investigate the key processes which promote financial inclusion and the wider consequences of becoming financially included for the individual concerned. This work was based on qualitative interviews with 41 users of third-sector organisation which play a significant role in the government's financial inclusion strategy. All agencies were involved in the promotion of financial inclusion, either through the provision of financial services, advice, or education. Respondents were drawn from seven out of 19 agencies which were initially interviewed in order to explore the field. The research also aimed to capture the longer term benefits of using financial inclusion initiatives and becoming financially included. This was achieved through the accomplishment of follow-up interviews with a subsample of 24 interviewees approximately one year after the first interview. The discussions with service users explored the experience of disadvantaged individuals in terms of financial exclusion prior to coming into contact with one of the participating agencies and how their life circumstances had changed following contact in an in-depth manner. The research provided the theoretical, empirical and political background for an understanding of the concept of exclusion from financial services, its consequences and what can be done to tackle the problem. The concluding section of the study reviewed the main findings in light of the research questions. It suggested the significance of financial inclusion in social inclusion processes, but also the limitations of the extent to which financial inclusion can radically change the life circumstances of individuals. This highlighted the need for policy makers to tackle both direct barriers of financial exclusion as well as its underlying causes such as low income.

3. Pakistan

Mobile banking for financial inclusion in Pakistan (Atika Ahmad Kemala, 2016)

Kemala (2016) noted that Whilst the digitisation of government-to-person (G2P) payments, or government social cash, is becoming increasingly significant for governments to advance financial inclusion in developing countries, the role of mobile banking that is m-banking to promote this agenda remains under researched. The extant literature available on m-banking was delimited to person-to-person (P2P) payments that examined m-banking through an economic or technological lens from providers' perspectives. Hence, in this study, Kemala (2016) have used the Duality of Technology (DoT) as a socio-technical lens to analyse m-banking innovation from both providers' and users' perspectives. The methodology used was a case study of the Benazir Income Support Programme (BISP) in Pakistan that disbursed G2P payments to poor women only. The study aimed to investigate the influence of the external and internal institutional forces on the social construction of m-banking, how m-banking enabled and or constrained programme managers and women beneficiaries, and the effects of m-banking on the institutional properties of poor households for structural transformation, or financial inclusion in BISP households in Pakistan. Primary data was collected from key participants located in the m-banking pilot sites of Islamabad and Rawalpindi in Pakistan. In total, 33 semi-structured interviews were conducted with BISP managers, women beneficiaries, bankers, mobile operator and international agency staff, and 2 focus groups were organised with women beneficiaries. Additionally, secondary data was drawn from company reports, official documents and formal and informal media sources. The qualitative data was thematically analysed, and the data collated from multiple sources and methods established the validity, credibility, trustworthiness and reliability of the conceptual outcomes in the case study.

The findings, interpreted through DoT, disclosed that m-banking was socially constructed to meet managerial objectives, and being socially-embedded in the BISP context, it was transformative in enabling managers to achieve transparency, visibility, security and efficiency in delivering G2P payments. From women beneficiaries' perspectives, m-banking provided flexibility and convenience to receive full payments, but embedded certain socioeconomic, technological and human constraints that restricted their access to and usage of financially inclusive services that limited financial inclusion. However, owing to women's empowerment and social change, social inclusion was perceived to be progressively transformative. Although the findings informed the DoT framework, Kemala (2016) concluded that the Information Communications and Technology for Development (ICT4D) discourse was deterministic for beneficiaries, unless combined with the Capabilities vision.

African perspective

1. Kenya

Financial inclusion and stability of commercial banks in Kenya (Salome, M Wongeli Musau, 2014)

Musau (2014) conducted a study on financial inclusion and stability of commercial banks in Kenya and noted that commercial banks remain the dominant channel of financial intermediation in emerging market economies such as

Kenya. After the global financial crisis of 2007-2009, policy makers, regulators and financial institutions heavily invested in reforms aimed at improving financial stability. At the same time, there has been global commitment to promoting greater financial inclusion. Consequently, commercial banks have addressed financial inclusion by designing new services and products targeting unbankable customers. However, despite these initiatives, some commercial banks have incurred stability related challenges in Kenya and thus some were put under receivership and others closed. It is therefore, important for financial institutions to understand the inter-linkages in advancing financial inclusion and financial stability. Therefore, this study set out to establish the effect of bank availability, bank accessibility and bank usage on stability of commercial banks in Kenya. The study further sought to determine the moderating effect of bank operating environment, and establish the mediating effect of bank competitiveness on the relationship between financial inclusion and financial stability of commercial banks in Kenya.

The study was anchored on financial intermediation theory supported by finance growth theory, asymmetry information theory and competitive-stability theory. Positivism philosophy, longitudinal and explanatory non-experimental research designs were used. The target population was all the 43 commercial banks in Kenya. The study used secondary data collected from annual reports of the Central Bank of Kenya (CBK); commercial banks audited published financial statements and annual data from the Kenta National Bureau of Statistics (KNBS) for the period between 2007 and 2015. Data was analysed using descriptive statistics and panel multiple regression analysis.

The results indicated that bank availability had a statistically significant effect on bank stability. Bank accessibility also had a significant effect on bank stability. However, it was found to have insignificant effect on liquidity risk. In addition, bank usage was also found to have a significant effect on bank stability. On operating environment, inflation rate was found to moderate the relationship between financial inclusion and bank stability.

The Gross Domestic Product growth rate moderated the relationship between financial inclusion and bank stability. Nevertheless, there was no moderation effect for insolvency risk which is a measure of stability. Bank competitiveness was found to partially mediate the relationship between financial inclusion and bank stability. However, there was no mediation for insolvency risk. The study thus concluded that financial inclusion influences stability. Further, increase in GDP growth rate encourages more financial inclusion. Moreover, banks that have developed competitive strategies are likely to be more stable. The study, therefore, recommends that managers of commercial banks should design strategies that enhance financial inclusion to many customers, develop strong and persuasive promotion of their products and provide financial literacy to the customers. This will enable the customers to appreciate and use the products and assist the banks to remain competitive in the market.

The regulator should strengthen the legal and regulatory framework to ensure that banks remain stable while accommodating financial inclusion. Bank managers should lobby the CBK to maintain a favourable environment hence form an all-inclusive and stable financial sector over time.

2. Uganda

Behavioural determinants of financial inclusion in Uganda (Rachel Mindra Katoroogo, 2016)

Katoroogo (2016) conducted a study on behavioural determinants of financial inclusion in Uganda and noted that financial inclusion seeks to overcome the friction that hinders markets from expanding access and use of formal financial products and services to a broad number of people. Despite the significant policy efforts and increased presence of formal financial service providers, the Ugandan economy still bears low levels of financial inclusion, especially in the rural areas (Katoroogo, 2016).

The finance growth and decision-behaviour theories substantiate the importance of understanding the psychological processes underlying observed individual judgments or choices regarding the use of formal financial services. Using Sen's capability approach, this study examined the personal and societal capabilities that influence financial inclusion of individual financial consumers. Specifically, this study assessed whether the capabilities an individual possessed actually contributed towards their likelihood of financial inclusion. The hypothesized study relationships with financial inclusion were realized, following a positivist and quantitative approach using a cross sectional research design.

The sample of 400 individuals to whom the survey questionnaire was delivered were drawn from two distinct regions of Central and Northern Uganda. The two regions represented varying levels of financial inclusion that is high inclusion (urban Central) and low inclusion (rural Northern). In this study, besides the traditional regression models, structural equation modelling using Analysis of Moments (AMOS), were used to establish the causal relationships between the hypothesized study variables. The study results revealed that financial self-efficacy, financial literacy, social networks and the interaction of the personal and societal capabilities significantly contributed to an individual's financial inclusion across the two regions. The results further revealed that the personal and societal capabilities independently, and when combined, contribute towards an individual's financial self-efficacy. Through an assessment of the mediation effect, this study demonstrated how financial self-efficacy can boost individuals to confidently undertake financial tasks and decisions and consequently, financial inclusion in relation to their capabilities, respectively.

The results provide support to Sen's capability theory as a tool for explaining financial inclusion from a demand side perspective within the Ugandan context.

3. Nigeria

A comparative analysis of financial inclusion: A study of Nigeria and the UK (Ibeachu E. Beck, Demirgüç-Kunt and Levine, 2010)^[12]

Beck, Demirgüç-Kunt and Levine (2010)^[12] conducted a study entitled a comparative analysis of financial inclusion: a study of Nigeria and the UK and noted that the study and survey of financial inclusion is useful for both policy makers and bank service providers to make strategic decisions. The research attempted to provide a snap shot of the extent of financial inclusion that is the level and expansion of access and capability of the Nigerian public in finance utilization. It identified the main types, causes and factors that motivate or hinder financial inclusion. The

research stated the drive of financial inclusion and bank outreaching as a strategic move of financial providers that is banks to seek out strategic customers. It showed financial inclusion as a growth strategy for banking institutions. It also assessed the capability of the Nigerian banking industry with the use of Porter's diamond model. This provided a plain look at the general strength of the industry. With the use of questionnaires administration and several other data collection methods, the research compared the results from Nigeria and the UK. This was to generally assess the expansion of financial inclusion of Nigerian economy.

4. Ghana

A trajectory of financial inclusion towards economic inclusion: empirical evidence from

LICs Ghana as a case (Francis Kwame Agyekum, 2017)

This study investigates the trajectory of financial inclusion towards economic inclusion in Ghana. The aim was to track the dynamisms and the conduits through which financial inclusion translates into an inclusive-economic system in a way that becomes pro-poor and growth engendering. Specifically, the study i) examines the role that regulatory and institutional factors play in the attainment of broader inclusion in lower-income countries (LICs), with Ghana as reference case; ii) examines the means by which technological deepening contributes to drive towards an inclusive financial system in Ghana; iii) identifies firm attributes that are most significantly predisposed to the risk of exclusion from the use of formal financial services; iv) ascertains the most efficient means through which financial inclusion can impact on economic growth in Ghana; and v) scientifically assesses the means through which financial inclusion translates into economic inclusion at the household level.

The *raison d'être* of financial intermediaries (FIs), is fundamental to our understanding of why financial exclusion exists and appears endemic in LICs. Past studies have failed to link the two. The complete understanding of why financial exclusion exists and appears dominant in LICs is embedded in the understanding of why financial intermediaries exist and operate. It becomes difficult to explain why exclusion exists if FIs are merely perceived as delegated monitors, risk managers and a coalition of information sharers. Profit-maximisation, which implies cost minimisation, suggests that intermediaries will refrain from serving those economic agents perceived to be associated with significant information asymmetry and transaction costs that characterise imperfect financial markets.

This research study, therefore, contributes to illuminating an understanding of why financial exclusion appears prevalent in LICs and demonstrates a means through which economic inclusion can emerge out of an inclusive financial system. Failure to establish these linkages tends to lead to financial policies that either lack theoretic groundings or miss the intended outcomes. Using multi-sourced datasets from reliable domains such as the World Bank (World Development Indicators, Gallup Poll Global Findex and Enterprise Surveys), World Governance Index, Transparency International, Heritage Foundation or Wall Street and the ICPSR (via Princeton University database) allows the underlying relationships to be investigated. The empirical investigations are based on the four key pillars or dimensions of financial inclusion that is impact, quality,

usage and access-IQUA. Econometric models are estimated using multiple regression analysis. Maximum likelihood estimation (MLE) process, Instrumental Variable Estimation (IVE) and Linear but semi-parametric models are employed in empirical estimations that lead to robust outcomes. The use of logistic regression, which is a family of binary models based on MLE process, underscores the concept of financial inclusion or exclusion itself being dichotomous in nature. That is, either an agent is included financially or otherwise.

Again, the adoption of the generalised method of moment (GMM) model which is part of the IV estimation process recognises the problem of endogeneity and simultaneity that often characterise household-level data on financial accessibility and its impact. The findings indicate that financial inclusion does not occur in a vacuum, and the impact of institutional and infrastructural factors on a broader inclusion is critical. The study identifies key institutional factors, such as national-level governance, corruption perceptions, economic freedom, and economic and technological deepening, as playing crucial roles. The findings further suggest that rule of law (which ensures contract enforceability), political stability, regulatory quality, voice and accountability, all significantly influence financial inclusion positively. The study finds a positive impact of technology on financial inclusion. Specifically, the use of modern technological amenities, such as mobile phone and internet, can offer digitalised-based, branchless financial services which help reduce both information asymmetry and transaction costs for providing financial services. The findings further suggest that nonbank-based digitalised-financial services (DFS) provision appears nondiscriminatory, compared with bank-based DFS. Again, the inclusion driven by bank-based DFS reduces over time, while nonbank-based DFS rises. This substitutability trend observed in this study defines the contemporaneous trade-off of bank-based DFS and nonbank-based DFS over time.

Identification of the firm-level characteristics that either contribute to, or reduce their predisposition to risk of being excluded from the use of financial services is one of the key objectives that motivated this study. Using a logistic regression model as a link function and with a rich dataset from the World Bank Enterprise Survey on Ghana, the results suggest that firm age, size, sector of operation and ownership of website are key determinants of financial inclusion. The likelihood of exclusion among firms reduces with website ownership that helps reduce information and transaction costs associated with lending to information-opaque sectors such as SMEs. Similarly, the findings suggest that the retailing, matured and high sales firms have a better chance of accessing lines of credit from financial intermediaries. Consistent with prior studies, risk of financial exclusion is found to be higher among SMEs than larger firms. Again, sole-proprietorship and partnership firms are found to have high-risk dispositions when it comes to credit constraints, compared with publicly listed companies. The study further reveals that certain key structural changes at national level that occurred specifically within the follow-up data collection period, account for the observed differences in the results of the two datasets used. The political change from the private sector-led administration that is baseline to the social democratic regime that is follow-up, the discovery of oil in commercial quantities and the eight-month post-election hearing by the

country's Supreme Court were identified as having played a part in exerting latent impacts on financial exclusion or inclusion, especially among SMEs. Using a quantile regression model, the study contributes significantly to our understanding on the role financial development, inclusion and structure play in economic growth of developing economies. The results suggest that the banks' growth-facilitating role is much stronger than that of the financial markets. Depth of financial inclusion that is provided by the amount of credit to the private sector, is found to be positively related to economic growth. This suggests that, for LICs, the growth-enhancing effect of finance thrives on the strength of financial institutions as it engenders wider inclusion.

The results further suggest that the impact of a financial inclusion programme at household level depends largely on the quality of the process leading to its implementation. It reveals that donor-funded programmes implemented via donor-agencies have more positive poverty-reducing impacts on the beneficiaries than those implemented by government agencies. These findings have policy ramifications for LICs aiming for a broader and more inclusive financial system. That technological infrastructure and amenities significantly influence financial inclusion, suggests that developing countries aiming to achieve a financially inclusive society must pay attention to these institutional contexts with more emphasis on technological infrastructure.

At the firm level, policy attention of donors, sector players and regulators needs to focus on the firm's attributes that are predisposed to their exclusion from the formal financial sector, while strengthening policies for those that are inclusive-inducing. Policy and capacity building on enterprise growth and sustainability will be strategic in targeting the inclusion inhibiting factors. Firm-level constraints that confront small, individually owned businesses when addressed will both ensure their inclusion in the formal financial system and, most importantly, their growth and sustainability. Tracking potential externalities that originate from structural changes and how that affects other sectors at the micro-level must not elude policy attention. This way, mitigation measures will be fashioned to address any negative confounders while any unintended gains are consolidated. For donor agencies, a clear signal is given: channel pro-growth and poverty-reducing financial inclusion funds through financial intermediaries where wider inclusion can be guaranteed.

The synergistic role of the implementation quality of a financial inclusion programme or policy is very important to ensure the desired impact at the household level. This is particularly important to the understanding of how access and utilisation, which define broader financial inclusion, would be incentivised. Policymakers, donors and researchers pursuing the agenda of financial inclusion need to pay attention to the wider institutional and environmental context within which broader inclusion is expected, as they do interactparipasu in creating a harmonized developmental trajectory. Poverty-reducing impacts of financial inclusion will then be guaranteed as financial inclusion translates into broader economic inclusion. This way, the trajectory of financial inclusion leading to economic inclusion is trackable to serves as a basis for inclusion policy formulation in LICs.

Methodology

According to Denzin and Lincoln (2015) a research methodology or strategy is determined by the nature of the research question and the subject being investigated. This chapter will present the research philosophy, research strategy, research design, the target population of the study, the sample size, the sampling method, research instruments, data collection procedure, data analysis and presentation methods, reliability and validity and ethical considerations. This chapter ends with a summary.

According to Saunders (2010), a research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. A research paradigm reflects the nature and approach taken when conducting research. Research philosophy relates to the development of knowledge and the nature of that knowledge (Saunders, Lewis & Thorrihill, 2010). This research study on an investigation into the extent to which Microfinance institutions are contributing to the financial inclusion strategy in Zimbabwe adopted positivism research philosophy. Positivism was adopted because events of interest are objective, external and independent of the researcher. According to Saunders (2010), positivism philosophy is adopted when working with observable social reality and that the end product of the research can be generalized in the form of law.

Mugenda & Mugenda (2013) defined a research strategy as the general plan of how the researcher will go about answering the research questions. Kothari (2013) went on to define a research strategy as a step by step plan of action that provides the researcher a sense of direction and purpose. There are three types of research strategies which are the quantitative strategy which involves the use of numerical data and computation tools to derive the results (Saunders *et al.*, 2016); the qualitative research strategy which addresses business objective through the use of techniques that allows the researcher to provide interpretations of phenomenon without depending on numerical measurements (Kothari, 2013) and mixed research strategies which encompasses the use of qualitative and quantitative strategies. This study adopted quantitative strategies due to its nature (financial) which is numerical.

Saunders (2010) explains that a research design as the overall plan that guides the researcher work. It directs the researcher on how to go about answering the research questions. A proper research design contains objectives, sources where data is collected from, expected constraints and ethical issues to be observed (Cresswell, 2013). Hence it assists the researcher in making informed decisions concerning the research methodology appropriate for the study. In this research study descriptive survey research design was adopted. This is because it gives the researcher an opportunity to capture a population characteristic and test different hypotheses (Mugenda & Mugenda, 2013).

Moreover, the researcher has no control of variables of the study in the sense of being able to manipulate them hence guarding against bias. Saunders (2010) noted that there are two types of descriptive research designs which could be used in a research which are longitudinal and cross sectional survey designs. Kumar (2014) posits that longitudinal survey design involves repeated observations of same variables over long periods of time. Meanwhile cross-sectional survey design involves data collected on the study

population at a single point in time (Cooper and Schindler, 2017). Longitudinal descriptive design was found more appropriate in this study; it allowed for time variation in gathering data for microfinance organizations in Zimbabwe for the period between 2015 up to 2017.

Summary and conclusions

This section presents conclusions of this research study on an investigation into the extent to which Microfinance institutions are contributing to the Financial Inclusion Strategy in Zimbabwe.

1. Feasibility of integrating microfinance and mobile banking

The first objective of the study was to investigate the feasibility of integrating microfinance and mobile banking to accelerate financial inclusion. The study established that Microfinance organizations has integrated microfinance and mobile banking so as to help clients easily access loans, since it is convenient, efficient and less costly. This integration has championed and eased the loan process in line with transformation values of innovation, and microfinance organizations are always working toward ensuring the technology which they have adopted which is for the benefit of clients. This research objective was partially achieved.

2. The extent of financial inclusion in geographically remote areas

The second objective of the study was to determine the extent of financial inclusion in geographically remote areas. The study established that microfinance organizations have taken financial inclusion to the rural areas. Since the study was looking at the reality of financial inclusion and its determinants at ground level, it was noted that microfinance organizations have taken financial inclusion to rural areas. It was also noted that a large selection of population in rural areas still remains outside the coverage of formal financial system where they do not have access to basic financial services such as savings account, credit, remittance and insurance. This research objective was achieved.

3. Measures to shift usage of microfinance funding to productive purpose

The third objective of this study was to establish necessary measures that will shift usage of microfinance funding from consumption to productive purpose. The study established that there are some measures which should be taken to shift the usage of microfinance funding from consumption to productive purpose. It was established that through education, people can learn to become more productive. People can learn to make better financial decision and can learn to focus better. The key is that people have to learn how their brain works. It was also established that people should maximize free money, pay less tax, use savings account and build a cushion. This research objective was achieved.

4. Implications for financial inclusion theory and knowledge

This study presented financial inclusion theory given that scientific research has given little attention towards Microfinance institutions contribution to the financial inclusion strategy frameworks globally. From a theoretical

point of view this research study is of interest as it enhances the understanding and use of financial inclusion frameworks globally and specifically to the developing countries where financial inclusion has not been spread to geographically remote areas.

5. Implications for policy and practice

For microfinance organizations there has been many identified reasons for slow progress of financial inclusions, and they are many which can be divided into technological and others. The technological issues like frequent machine breakdowns, frequent problems with connectivity, lack of uniform application of technology across banks hampers the seamless experience and impacts confidence of the customers in formal microfinance organizations.

Amongst non-technological reasons, important ones are lack of confidence in salesman-like BCs and their high attrition rate disrupting microfinance services, kiosks and ultra-small branches imposing restrictions on earnings and commission; and time taken. To achieve success in achieving financial inclusion, the government needs to consider out-of-the box ideas to make a difference. There is need to fix credibility. To address the issue of credibility, microfinance could take advantage of a wide network of post offices and fair price shops and provide banking counters for the unbanked population. Even multi-language ATMs with audio-video services could be considered.

Microfinance organizations should offer. Managers of microfinance organizations should encourage their organizations to offer diverse products to suit different sections. Zimbabwe being a diverse country with unique regional and occupational characteristics, and following different cropping pattern and income streams, it is necessary to have diverse products for its unbanked population. Thus, there is a need to have granular schemes, preferably different schemes for rural areas and urban areas. Further, distinct schemes can be made on the basis of nature of employment of people. For example, daily wage laborers can be allowed to make tiny deposits on daily basis.

Microfinance organizations should embark on innovations backed by financial literacy. To address the issue of seamless connectivity, upgrading the hand-held device so that it contains basic information in an offline mode and exploring satellite connectivity technology could be helpful. Technological innovations like integrated machine that has functionality of cash withdrawal and deposit and biometric identification of users, voice commands and narration for all facilities in multi-language format could help increase banking penetration.

Most important aspect of financial inclusion is financial literacy. There is lack of awareness, especially amongst people, both rural and urban about various schemes of financial inclusions. To increase awareness and interest in products offered under various schemes of FIs, increase in advertisement in local language, on radio and television, and in print media, with local icons and artistes as brand ambassadors of the campaign, could help in building public confidence. In this context, role of mobile phones and reach of mobile banking is immensely promising. Awareness of mobile banking is significantly low and there is reluctance, especially amongst rural people, probably because of low technological and financial literacy. The mobile phones could be used for targeted advertisement campaigns,

devised for mass media and locally effective media. Government agencies could actively participate in these campaigns, communicating mobile banking to be user friendly and safe.

Limitations and recommendations for future research

It should be noted that this research study has some limitations; nevertheless, it hoped that some limitations could suggest avenues for future research. Firstly, this research study results cannot be generalized to other industries within Zimbabwe as the research study focused on the microfinance industry. Future research should focus on other industries such as Insurance industry as well. This way, the performance of industries may be enhanced for improved contribution towards the economy. Future studies should consider financial inclusion at an international perspective.

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