

**THE ADOPTION OF MULTICURRENCY SYSTEM A PANACEA TO URBAN DWELLERS' SOCIO-ECONOMIC CHALLENGES? PERCEPTIONS OF HIGH DENSITY SUBURBS' RESIDENTS IN GWERU, ZIMBABWE**

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**ABSTRACT**

Zimbabwe experienced a crippling hyperinflationary economic environment, which created a nation of poverty-stricken billionaires over the past decade until it adopted the multicurrency system (MCS) in January 2009. The paper explores on the impact of the change in monetary regime on socio-economic conditions of urban dwellers, given their overreliance on the market economy and vulnerability to its fluctuations. Questionnaires, semi-structured interviews, and participatory observations were used targeting household heads, school heads, and sister in charge of the local clinic. The research found that although the multicurrency system has generally improved the quality of life for the majority of people, they still remain in poverty if one considers the quality of life indicators, like the national poverty datum line. There was great change in nature and patterns of sources of income, particularly for informal traders, a sector which had become the backbone of almost all households' income in pre-MCS era. MCS brought with it the inherent problem of inadequacy and, in some cases, unavailability of smaller denominations. The government must adopt a single currency to avoid exchange rate problems, as well as reduce shortages of smaller denominations.

Keywords: Dollarization, socio-economic indicators, urban people

**INTRODUCTION**

Money, in its different forms, has existed since prehistoric times. It fulfills an essential role in the development of societies since it is a tool used to facilitate trade in all global economies. In Zimbabwe, the economy has been crumbling on a very fast rate with inflation rising from 55,8 percent in year 2000, 228 percent in year 2003, 622 percent in year 2004, 6,723 percent in year 2007, and to 231 million percent in year 2008 (Jayne, Chisvo, Rukuni and Masanganise, 2006; Central Statistical Office, 2009). This has made the Zimbabwean Dollar a valueless tool, unreliable for trade (Zimbabwe Independent, 2009). Evidence shows that the country's Gross Domestic Product declined by approximately 40 percent between 1999 and 2007 and a subsequent slump of 14 percent in 2008 (Solidarity Peace Trust Report, 2007; The Financial Gazette, 2009).

The effectiveness of money comes from a set of economic policies by the government and will depend on the dynamism and efficiency of the productive sectors, the business environment, as well as specific political realities of a country (Pascal, et al., 1998). Various explanations have been enlisted to account for the catastrophic economic meltdown in Zimbabwe. These include poor implementation of the Economic Structural Adjustment Program (ESAP), lack of funding from the International

Monetary Fund (IMF) and the World Bank, lack of support from bilateral and multilateral donors due to economic sanctions, the country's failure to keep up with debt payment, the contentious Fast Track Land Reform Program, political crisis, high HIV and AIDS prevalence, subsequent failure of government policies, such as price controls, and chronic shortage of foreign currency (Jayne, et al., 2006; Zimbabwe Position Paper, 2008; Reserve Bank of Zimbabwe, 2005; Solidarity Peace Trust Report, 2007; USAID, 2007).

Depending on the analysis of each school of thought, these factors were said to be separately, jointly, or cascadingly responsible for food insecurity, closure of industry, decreased imports, ballooning external debts, unemployment, collapse of education and health systems, increased sprouting of the informal sector, increase in prices of basic commodities, and energy and water cuts in urban, as well as rural Zimbabwe over the past decade (Tagwireyi, 2006; Muza, 2009; Solidarity Peace Trust Report, 2007; The Zimbabwe Times, 2009; USAID, 2007). These changes made the lives of urban people presumed to be at the hub of economic development worse off. For instance, an estimated 64.2 percent of urban residents could not meet a minimum caloric requirement of 2,100 Kcal/person/day (Zimbabwe National Vulnerability Assessment, 2003). Unemployment was hovering around 80 percent in 2007 (Solidarity Peace Trust Report, 2007), meaning that most urban people, who mainly rely on formal employment, had their purchasing power heavily eroded.

Zimbabwe's poor economic performance was not a new phenomenon in the global village. At different times, economies in the developing countries, worldwide, have been experiencing negative economic growth due to hyperinflationary environments as a result of different factors at play (Berg & Borezenstein, 2000). In order to improve their economies, some of the nations, officially or unofficially, adopted dual currency systems, multicurrency systems, and/or currency substitutions with the US dollar. Ecuador, El Salvador, Panama, Puerto Rico, and Mozambique are some of the nations that adopted a change of currency systems (Schuler, 2001).

In January 2009, the Zimbabwean government also adopted a multicurrency system (MCS) in order to bring its ruined economy back to viability levels. Under the new monetary system, the government made a provision for the use of any foreign currency available for any transaction. However, the new monetary transformation is popularly known as dollarization, since the US dollar is the *de jure* currency for government budgetary purpose. *De jure* dollarization means the adoption of the US dollar by the government legislation as a legal currency of a country (Dean & Hira, 2004). Schuler (2002) also defined dollarization as “any case where a country has no locally issued currency and officially uses a foreign currency instead; the currency need not be the U.S. dollar.” Therefore, in this research, the terms dollarization and MCS will be used interchangeably.

The question which has been posed in different circles of the Zimbabwean society is: in what ways and to what extent has the adoption of multicurrency system affected human livelihoods? Some authorities in government, in particular ZANU PF, are campaigning for the return of the Zimbabwe dollar, claiming that use of foreign currency has negatively impacted most people's livelihood as the cost of living is rising. This position is pressed for notwithstanding the fact that inflation has been falling concomitantly since the introduction of the MCS (Madzimore, 2009; The Zimbabwe Times, 2009). The other reason

pursued against dollarization is lack of currency sovereignty, as there is no central bank for independent monetary policy to moderate recession as the recipient country's economy is regulated by that of the United States of America (Berg and Borezenstein, 2000, a view held by most critics of dollarization at global scale.

Yang (2000) further noted that dollarization may have negative impacts on the overall macroeconomy of the recipient country due to the differences in macroeconomic policies and as the recipient country loses economic sovereignty. In Mozambique, the new monetary system has benefited formally employed people, resulting in the urban majority remaining poor and resorting to informal activities (Schuler, 2009; World Bank, 2000). However, in Ecuador, Panama, El Salvador, and Mozambique, inception of dollarization is highly credited for higher Foreign Direct Investment (FDI) inflows, decreased transaction costs in international trade, price stability, and higher economic growth rate (Schuler, 2009; Beckerman and Solimano, 2002). In light of these situational outcomes, this paper calls for an investigation into how the new monetary regime in Zimbabwe has impacted on the lives of low income urbanites in its first year (2009) of implementation.

## **METHODS AND MATERIALS**

### **Study Area**

Senga and Nehosho are located in Ward 5 on the southeastern part of the city of Gweru (Figure 1). Gweru is the third largest city of Zimbabwe and is the provincial capital of Midlands Province. Gweru is located about 275 km from Harare and 164 km from Bulawayo. The city was founded by Dr. Leander Starr Jameson in 1894 (Viriri, 2007). Gweru is regarded as Zimbabwe's main road and railway central junction, networking all major national cities and, most importantly, connecting the country to all its neighboring countries. Senga consists of two sections, that is, Senga Area 1 and Senga Area 2. Senga and Nehosho have a total of 1,987 houses, of which 900 are found in Senga and 1,087 in Nehosho. The average size of stands is 300 and 150 square meters for Senga and Nehosho, respectively. The main source of potable water in Senga and Nehosho is municipal supplied piped water. Senga has education facilities, which includes two primary schools and one secondary school. There is also a polyclinic in Senga. This is the study area's only health facility (CSO, 2002). The average household size in both residential areas is 4.14 persons per household (CSO, 2002). Senga and Nehosho also house students from Midland State University (MSU), which is located about 3 km from the two high density suburbs. Viriri (2007) observed that during the MSU semester periods, the persons per household in the residential areas increases from 4.14 to about 15 persons per house.

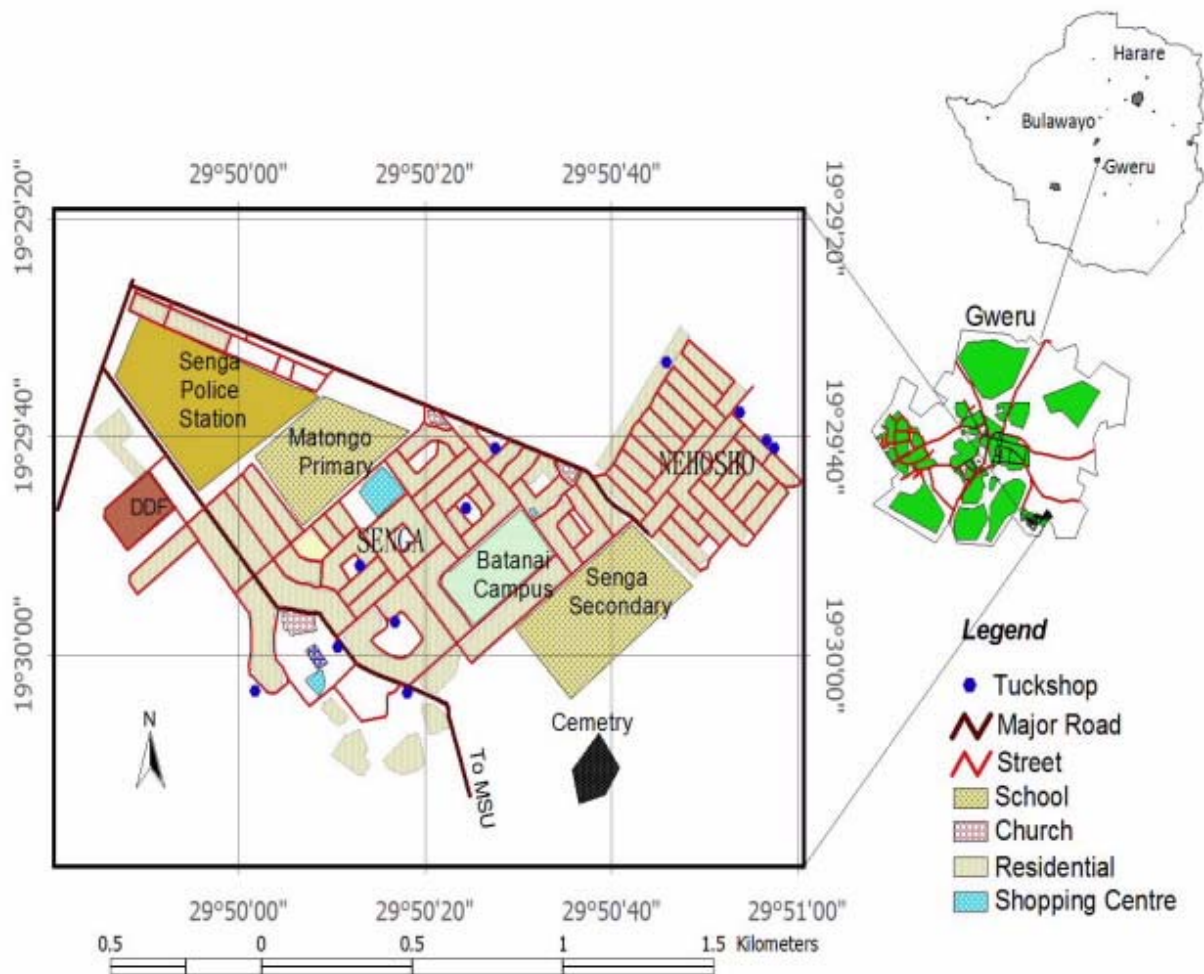


Figure 1: Study Area Map  
 (Source: Produced by authors using GIS software)

#### Data collection and analysis

A case study approach was used with Senga and Nehosho high density residential suburbs of Gweru urban as the area of study. The rationale for the selection of the study area is that it is composed of very old suburbs, like Senga 1, established in 1967, and new suburbs, like Senga 2 and Nehosho, established in 1986 and 2000, respectively. These suburbs represent a wide array of people with different demographic characteristics. Moreover, the area represents people of diverse socio-cultural backgrounds, mainly *shonas*, *ndebeles*, and some foreigners, mainly of Malawi origin. These tribes represent a cross section of the characteristic population found in different towns and cities of Zimbabwe.

Data collection methods employed in this research included interviews, questionnaires, and participatory observations. Three semi structured interviews were done with two school heads and a Sister in Charge at the local Polyclinic. The purpose of the interviews was to acquire detailed information about the performance of these crucial sectors (education and health), which

had collapsed during the pre-multicurrency system era. Questionnaires were targeted to household heads assumed to have concrete information on daily survival activities of their households. Information solicited for included income levels, assets, food access, and availability, as well as affordability of monthly rentals and rates, since the inception of multicurrency system. Challenges, as well as adopted and adapted coping strategies, were also solicited for.

A pilot survey was conducted in order to ascertain the feasibility of designed questionnaires. Basing on a total of 1,987 houses registered with the local authority, 200 respondents, which constitute slightly over 10 percent of all residential households in both Senga and Nehosho, were randomly selected to respond to questionnaires. The 10% sample size is believed to be free from errors in classification, more representative of the population, and is free from bias and prejudice (Nyariki, 2009). The researchers stayed and participated in almost all social activities in the area of study in order to have an in depth understanding of how people were coping under the new monetary regime. This was achieved easily since one of the researchers resides in the study area.

## **RESULTS AND DISCUSSION**

### **Demographic characteristics of respondents**

Males and females constitute thirty-seven percent and sixty-three percent of the respondents, respectively. This is attributed to male absenteeism during daytime as they will be involved in different income generating activities or working in diaspora. Moreover, most women are culturally confined to household chores. Fifty-seven percent of respondents were above 46 years of age since Senga 1 suburb accommodates the oldest residential area in the city. Women above 60 years, constituting nine percent of the respondents, had at most primary education. This is because they could not advance to higher levels of education due to culturally influenced early marriages, perceived minor role of women in household development, cultural oppression of women in the pre-independence era, and disruptions by 1966-1979 liberation struggle in Zimbabwe. However, ninety-one percent of respondents reached the secondary education level due to the government's post-independence socialist policy of "growth with equity", which encouraged free and affordable education for all people irrespective of gender, age, or race.

## **ECONOMIC INDICATORS**

### **Income source and levels**

Figure 2 shows variations in levels of income in the pre and post MCS period. Income figures depicted for pre-multicurrency period are for the year 2008 only as socio-economic conditions of that period made the government to change the monetary system. The increase to eighty-seven percent of households in 2009, with monthly earnings of above US \$100, is mainly determined by the respondents' major source of income. Sixty-six percent of the residents are landowners and their income is generated through leasing rooms to Midlands State University (MSU) students for monthly rentals between US \$30 and US \$35 per head. On average, each room accommodates three students and this translates to an average monthly income between US \$90 and US \$105 per room. Before multicurrency system, students' monthly rentals, per head, ranged between US \$10 and US \$15. This accounts for why nearly a third of households' monthly earnings were below US \$100 in pre-MCS era.

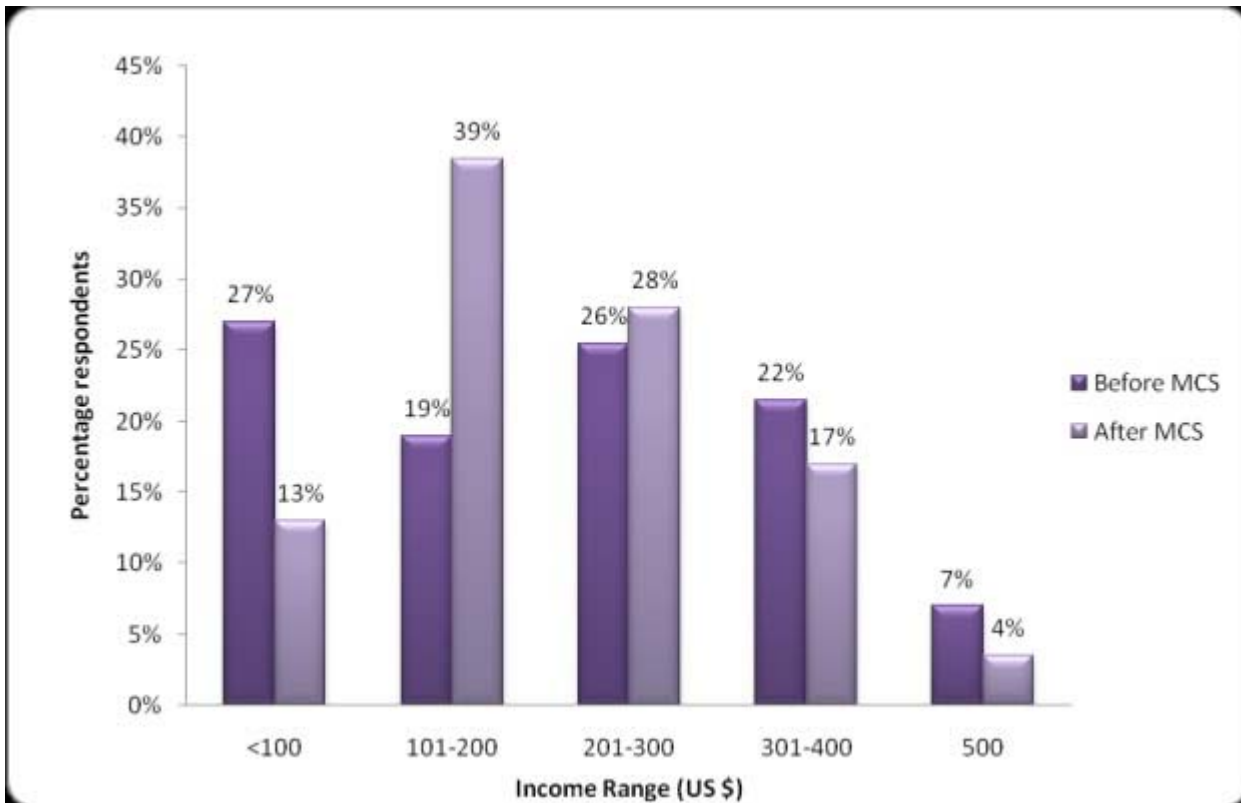


Figure 2: Household Income Level per month Before and After the Multicurrency System (Source: Fieldwork data)

Moreover, MSU students provide a large market for informal activities, such as green grocery, since an estimated 7,000 students reside in the suburbs each semester (Viriri, 2007). On the other hand, the number of households with monthly earnings of above US \$500 dropped by three percent, from seven percent to four percent. The Consumer Council of Zimbabwe also unveiled that in March 2009, the Poverty Datum Line (PDL) was US \$552.00 (The Financial Gazette, 2009). This indicates that life was difficult and unbearable for most households, considering that most workers had no salaries but were only given allowances. For civil servants, these allowances were fixed at US \$100 up to September 2009, when they were raised to an average of US \$140. Most private companies remain closed due to political uncertainty, which made investors skeptical. Lack of industrial capacity utilization was also due to the change over from local to foreign currency use. Most companies lacked and still lack the foreign currency liquidity to pay workers, procure raw materials, and replace or rehabilitate dilapidated equipment. Some companies, especially in the banking sector, started to retrench workers as it was easier to transact with foreign currency, since volume of amounts of money being handled became low. Given, the above PDL, it means more than ninety-six percent of Senga and Nehosho residents were poor because they earned below US \$500.

Increased levels of poverty were mainly attributed to the collapse of the informal market, especially foreign currency dealings, which earned people unrealistic profits. Sixty percent of the respondents were involved in informal employment in the year 2008 and forty-nine percent of these were in foreign currency dealings. Only two percent of the respondents are still engaged in foreign currency dealings since MCS. The first reason for this trend is that commercial banks are now offering

competitive exchange rates due to liberalization of the foreign currency trading market. Secondly, there was a decrease in customers as all money in circulation is now foreign currency and changing it from one currency to another is no longer exorbitantly profitable as before. Another reason for general decrease of people's participation in informal sector from sixty percent to twenty-two percent was a quick restoration of the retail sector with the food market being flooded with relatively cheap imported goods and later local products as price controls were scrapped. Forty-six percent of respondents are now formally employed, compared to nine percent in year 2008. Since salaries are now offered in foreign currency, although low, they are relatively stable, hence people could budget and save.

This research revealed an increase in the number of cross border traders from thirty-nine percent to forty-one percent since the inception of MCS. Therefore, MCS did not put a halt to cross border trading. Instead, it led to a shift in the range of products, from low order to high order goods. 2008 was dominated by the selling of basic consumables as food, but 2009 shifted to the purchasing of luxury commodities, such as cars, beds, electrical gadgets, among others, since currency stability allowed for savings. Moreover, there was a sharp decline in amounts and value of remittances as a basis of people's welfare. The number of households relying on remittances declined by nearly half, from thirty-one percent to sixteen percent, over the first year of currency reform. This was partly attributed to the global economic recession resulting in financial incapacitation of people in the diaspora to fend for their relatives back home. Secondly, the value of foreign currency was heavily eroded through disbandment of the black market where it used to gain unrealistic value. For instance, the value of US \$10 in 2008 was more than US \$45 after MCS, in terms of purchasing power. It could pay for all monthly rentals, such as telephone, water, and electricity bills.

Other sources of income were specified as selling dry maize from farms, peanut butter projects, selling fresh and dried fish, gardening (vegetables and onions for sale), hair plaiting, selling kitchen-cleaning detergent (scouring powder), sewing, tuck shops, poultry projects, and car and cellphone sales and accessories. Both working and non-working women and housewives confirmed that having 'home-street markets' is a significant source of income in their households. More than twenty percent of women indicated that they have these home-based micro markets for selling fruits, vegetables, eggs, sweets, and snacks. Pensioners now earn, on a monthly basis, between US \$20 and US \$50 from both private and public sectors. During pre-MCS, their income dropped to an insignificant amount (less than US\$0.01 per month). It is now worthwhile to work as maids, gardeners, and do piece jobs because all jobs are now paid in foreign currency.

#### Household income expenditure

Since dollarization, utility bills swallowed at least US \$65 of each household's monthly income. Moreover, high bills have seen 5 percent of households, owing at least US \$500 to both Zimbabwe Electricity Supply Authority (ZESA) and the landline telephone provider, Telone. 6.5 percent of respondents indicated that the electricity has been disconnected for nonpayment. Before MCS, a household used to fork out an equivalent of US \$10 for all utility bills. Since the introduction of MCS, utility bills constitute more than fifty percent of salary expenditure for formally employed people, considering that the government (being the major employer) was paying an allowance of US \$100 until September 2009. Water supply has marginally improved, although the electricity supply remains erratic with long hours of load shedding amid reports that the

country is exporting to Namibia to meet energy bilateral agreement requirements. Therefore, utility bills consume the bulk of the household budget compared to food products.

Food access and consumption improved as money's buying power improved because of a more realistic pricing regime. Food scarcity, before MCS, had resulted in high expenditure as people could spend an equivalent of more than US \$100 per month at black market rates. For example, 12.5 kg of mealie-meal as a local staple food used to cost ZAR 100, or US \$12, before MCS, but it is now costs US \$5 or less. In comparison, the post-MCS period resulted in sixty-four percent of households, with a monthly monetary expenditure of food between US\$40 and US\$70. Retail shops in the study area are now well stocked with a wide range of both imported and locally produced food products. Improvement in food stocks and supply was also due to extended relaxed import regulations, which allowed for free importation of basic food stuff. Competition has resulted in low prices for various food products, sometimes identical to those obtaining in other countries in the region. For example, a standard loaf of bread is sold at US \$1, which is equivalent to R8 in South Africa. Research confirmed that seventy percent of households now consume at least three meals per day, composed of different essential nutrients. This is a remarkable improvement to only forty-two percent who consumed at most one decent meal before MCS. For example, meat, which almost disappeared on the market, resurfaced at relatively affordable prices of US \$3.50 per kg after adoption of MCS.

## **SOCIAL INDICATORS**

### Education provision

Dollarization resulted in all schools in the study area reopening after a lengthy period of several disruptions on the school curricula, due to striking teachers, resigning staff, or staff simply opting to stay at home due to low remuneration. This is evidenced by the fact that at both Senga and Matongo Primary Schools, last year's attendance registers and payment records were erratically updated. This shows a loss of education time for pupils of school going age. Seventy-eight percent of households confirmed that although fees were affordable in the pre-MCS period, they were insignificantly contributing towards school development operations, such as purchasing of teaching material, infrastructure refurbishment, and new projects due to the hyperinflationary environment, which quickly and gradually eroded the institutions' budget. However, fees were affordable due to money "*burning*", whereby residents were realizing daily-adjusted high exchange rates for small sums of USD.

The inception of MCS resulted in the introduction of tuition and ancillary fees for primary schools, ranging between US \$20 and US \$30, secondary school US \$65 and at least US \$300 for tertiary institutions, per term. In examination classes, students were supposed to fork out an additional US \$10 and US \$15 per subject for ordinary and advanced levels examination fees, respectively. This translated to US \$80 for an average of 8 ordinary level subjects for examination fees, alone. The introduction of MCS has seen 78 percent of parents and guardians' capacity to pay for the education of their children being compounded due to the scarce and elusive nature of the USD. This has resulted in some pupils dropping out of school, a feature which was uncommon in the pre-MCS era. At Senga primary school, the enrollment has declined by more than twenty percent since the introduction of the MCS. Poor circulation of foreign currency is attributed to limited production in agricultural and manufacturing sectors, which are the pillars of Zimbabwe's economy.



Meanwhile, intervention by the government resulted in laxity on fees payment regulations as schools were directed to recover fees arrears through debt collectors whilst pupils were in class. This was a paradigm shift from the pre-MCS fees policy, which emphasized on paying first before the service was rendered. However, the post-MCS government fees position left eighty-eight percent of parents and guardians skeptical as they feared to lose their hard earned valuables, as newly instituted debt collectors charged double the debt for services rendered. On the other hand, only twelve percent of respondents indicated that they are not facing problems in fees payments as they have the liquidity muscle. Learning is now taking place in schools for pupils whose parents are comfortable with the new existing fees payment plan.

#### Health Delivery System

Adoption of MCS has resulted in an improvement in the health delivery system. The pre-MCS period was characterized by medical staff exodus and a severe shortage of drugs. At the local polyclinic, three of the five nurses manning the clinic resigned for greener pastures in neighboring countries as salary and conditions of service prevailing were uncondusive. One respondent preferred to call clinics and hospitals in the pre-MCS period 'death camps' since patients were merely admitted to die out of their homes. In 2009, the introduction of MCS resulted in donors pouring in resources for medical staff, monetary incentives, and drugs, which were sold to patients at subsidized prices. For instance, at Senga polyclinic, the admission fee is now pegged at US \$1 and US \$1.50 for children and adults, respectively. A full course of any medication is now US \$1. In appreciation of the positive change, twenty-eight percent of the respondents concluded that MCS has been beneficial to health delivery system. However, seventy-two percent of respondents indicated that the specialist services, such as surgical and radiography, are still expensive and beyond the reach of the majority. For example, giving birth through cesarean section costs US \$1,500.

#### Public Transport and Communication

The transport sector was not spared by the economic meltdown as fuel became scarce. Commuter omnibuses were charging Zimbabwe dollar (Z\$) equivalent to US \$1 for one way trips to or from town as a measure to cushion themselves from hyperinflation. The fares charged became unaffordable to people as they were increasing daily and could swipe out each individual's daily bank withdrawal. People had to resort to walking to town for work or services provisions. Inception of MCS resulted in a trip being charged US \$0.50 as fuel and spare parts became available on the market. The only challenge is non-availability of coins for change. Transporters developed a token system whereby each ticket issued as change has a value of US \$0.50. Tokens were restricted to commuters plying the same route so that they would reconcile their books at the end of each business day and pay what they owe each other. This was done to guard against fraud and cheating from members of the public.

However, people were complaining that some commuters were inconveniencing them by not accepting some tokens as they claim not to be aware of the source of issue. This means the public was being prejudiced of their hard earned cash, a scenario which was not known during the Z\$ era. Former foreign currency dealers were now using their cars for illegal commuting, competing with conventional operators. This posed another challenge in that tickets issued by illegal transporters could not be

used in commuter omnibuses, a situation which complicates passengers' flexibility in movement. Seventy percent of respondents acknowledged that despite the coin change problem, the tickets are sometimes too small, torn, and difficult to keep.

Communication is now expensive with a landline or mobile call of less than one minute costing U \$0.20 to US \$0.30, depending on the service provider. Fifty-two percent of respondents indicated that the social and economic networking has been compromised in the process as they cannot afford charges for airtime. On a positive note, however, high tariffs decongested mobile communication networks as low tariffs in pre-MCS allowed people to spend unnecessarily long hours on their phones. MCS also resulted in expansion of service provision by mobile service providers resulting in eighty-seven percent of respondents each owning a cell phone, compared to forty-three percent before MCS.

#### Public entertainment

In 2008, Senga Shopping Center was almost dormant and dysfunctional with shops, bottle stores, and bars being deserted as liquor consumers could not afford high prices that were charged. 2009 has seen the rejuvenation of the shopping center. This is evidenced by large groups of people witnessed on daily braais and increased number of caterers whose clientele base is sustained by liquor consumers and passers-by. Consumption of fast foods has significantly increased. Less than five percent of respondents could afford food from fast food outlets, such as Chicken Inn, Pizza Inn, Waldorf, Dutch Oven, and Food Express, but the number increased to seventeen percent. To some degree, this is evidence that life is improving for urban dwellers.

#### Strategies to cope with changes brought by the dollarization

Music pirating has suddenly become a thriving sector, with six percent of respondents getting a livelihood from this sector, as each musical or video compact disc costs US \$1, compared to at least US \$5 in officially licensed outlets. Demand in music and video devices emanated from an increased number of people buying entertainment gadgets, such as televisions, digital video decoders (DVDs), and an increase in the number of people in search of cheaper entertainment devices. Post-MCS has not also stopped emigration of economically active labor force to neighboring countries. It has witnessed movement of five percent of household heads, especially male former foreign currency dealers. Their migrations were in response to non-viability of the sector and were shy to sink from their previous flamboyant lifestyles.

People are also surviving from illegal cell phones and accessories sales. Eight percent of respondents are involved in this form of trade. Volume of trade and profits were, however, low in early months of MCS as people were prioritizing purchase of food products. However, decrease in prices for cell phone lines to as low as US \$5 resulted in most people buying cell phone products. Illegal drug selling, such as *marijuana*, has cropped up with two percent of respondents earning profits of at least US \$150 per week. This has been enabled by a large market provided by MSU students when the university is open. To some extent, MCS has seen an increase in illegal activities as people strive to earn valuable foreign currency for survival.

### Challenges associated with use of multiple currencies

There is scarcity of foreign currency, especially for people who are not formally employed and not in business ventures. This is a result of low investment in small business enterprises by banks as consumer loans obtained are low, with a 3-month repayment period, and interest rates are as high as 18 percent per annum. Therefore, it has been difficult for most people to start their own cash generating projects as available amounts of foreign currency in the country dictate national fiscal policy or pace of economic recovery. Secondly, there is absence of low dominations, especially coins, for USD which has flooded the market. Seventy percent of respondents highlighted that they are compelled to buy unbudgeted products, such as sweets, candles, and biscuits, among others, as change for unavailable coins. The situation is even more complex in service institutions, like health, as there is nothing to exchange for and, instead, people leave their monies where coins are required. A good example is the local clinic where a notice has been put for adult patients, who are charged US \$1.50, to bring the actual sum. This has resulted in clients in need of services losing in the process if they do not have coins, as they will pay US \$2. Despite communication by the US embassy that US currency at least 50 percent intact should be allowed for transactions, the business community still rejects notes that are torn or defaced. The fear is that the money can be rejected elsewhere, resulting in a loss on the part of the trader, unlike during the Z\$ era where it was returned to Reserve Bank of Zimbabwe through banks at face value.

Respondents complained about exchange rates used by most retailers in response to inflation of foreign currency of different countries as they normally confuse and prejudice clients, especially where prices are marked in South African rands (ZAR). This was acknowledged by Schuler (2005) when he said, “*exchange rate arrangements frequently neglect exchange controls .....*” In Zimbabwe, there is no uniformity in exchange rates as they are self tailor made. For example, if a trader’s exchange rate of US \$1 is equivalent to ZAR 8, if a client has US\$ 10 and wants to buy a product which costs ZAR 50, the money is changed to ZAR 80 before any transaction is made and changes the given amount to ZAR 30 after the transaction. Instead, retailers should deduct an equivalent of ZAR 50 from US \$10, which is US \$6 and client remains with US \$4. Accumulative loss for high value transactions is high if one buys large quantities in both USD and ZAR at different outlets. In some transactions, the exchange rate is as low as US \$1 and is equivalent to ZAR10. This implies that if one wants to use his or her change from a shop with a high exchange rate in a shop with low exchange rate, the person would have lost US \$1 in the process.

### Conclusion and recommendations

Change, by its nature, has both gains and losses. Whilst MCS appears to have transformed the livelihoods of urban dwellers, on average, income levels reflect that majority of people that are still trapped in abject poverty as they live below the PDL of US \$500. Sources of income for the majority of people who are not formally employed increasingly shrunk, hence an increase in criminal activities as people fight for survival. However, goods and services provision drastically improved, although with some hiccups as cash flow in the domestic economy remains low due to political uncertainty scaring investors away and macroeconomic policies largely at the mercy of the foreign economies’ performance. Overall, MCS has improved the lives, compared to pre-MCS, although adoption of a single currency will lessen the exchange rate challenges. The responsible

government authority, in this case the Ministry of Education, must remove debt collectors in fees recovery as their service charges surpass initial debt, resulting in overburdening of already poor households, hence an increase in school drop outs.

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