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FINANCIAL INCLUSION IN ZIMBABWE POST HYPER INFLATIONARY PERIOD: BARRIERS AND EFFECTS ON SOCIETAL LIVELIHOODS, A QUALITATIVE APPROACH. A CASE OF MATEBELELAND NORTH

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ABSTRACT

Financial inclusion is the availability and accessibility of affordable financial services to the general population of a country. This phenomenon is very important in modern development agenda as it is one of the key pillars of sustainable development. Financial exclusion is rampant in Zimbabwe especially after the hyper-inflationary and unemployment periods. Compared to other regions in Zimbabwe, Matebeleland North is the region which has the highest number of adults that are financially excluded as well as being one of the least developed regions in the country. Using primary data, the research has found that exclusion is due to number of factors which includes, high bank charges, high interest rate, unavailability of financial services infrastructure and financial illiteracy *inter alia*. The problem can be reduced by employing a number of policy options such as, reduction in interest rate, financial literacy education, customized security for loans and financial services infrastructure development. The accessibility of financial services is likely to improve the livelihood and development of rural populace.

Keywords: Financial Inclusion, Microfinance, Households, Small and Medium Enterprises (SMEs), Financial Exclusion, Sustainable development

INTRODUCTION

There are currently economic pressures to improve and to come up with policies that would foster development, economic growth and thus job creation if the economies are to reach sustainable development. These policy objectives are made hard to achieve as the Zimbabwean economy is currently faced with liquidity crunch with majority of banks being reluctant to extent credit to the Small, Micro and Medium Enterprises (SMMEs) and the low income individuals for various reasons which include among others the high default rate by the said groups, lack of security and the inability to afford the cost of borrowing.

While financial exclusion though traditionally perceived as a bi-product of malfunctioning and troubled economies such as Zimbabwe, it is no longer something that the policy makers can afford to ignore, but should considered to be an essential part of the overall macroeconomic policy to achieve sustainable development agenda. Financial inclusion should be pursued with all energy if the economy is to realize inclusive sustainable development and growth. *E*xacerbating the issue is the fact that Africa has got the youngest and largest population where 90 % of the population is under 25 years coupled with youth unemployment. Overall, challenges in Africa include skills shortage, government capacity, political risks, financing and regulation which are not user friendly. Economies that have high unemployment rates encounter financial exclusion, a phenomenon that retards economic growth and development. Worldwide financial inclusion is topping on the agenda of inclusive growth and sustainable development (World Bank, 2015). The G20 established a Financial Inclusion Expert Group (FIEG) which is mandated to spearhead the means to reach out to the households, (SMMEs) and all the disadvantaged in the society with the aim of achieving sustainable development in a society. In most developing countries, many people are financially excluded to an extent that 'table banking' that is informal banking is now prevalent as a way to access finance to people who lack formal employment and are willing to venture into business. This has resulted in stifled growth of the economy as well as widening financial gap between the rich and the disadvantaged in the society. This is because most of the financial systems are not well functioning and established.

A well-established financial system should be able to serve its vital purpose such as offering savings, credit, payment and risk management products without price and other non-financial barriers. The access to financial services in most developing countries has a gender bias. (Demirguc-Kunt, 2012) revealed that in developing countries there is a gender gap of 6-9% in terms of access to financial services which suggests a higher financial exclusion for women as compared to their male counter parts. 46% of many have basic banking account as compared to 37% of women. The basic banking account is considered to be the basic measure of financial inclusion (Thouraya, 2013; Warnock et.al, 2008*)* and is agued to open the avenues to other financial products. Financial inclusion is better explained when we consider financial exclusion as well. The low rate of basic banking account access implies that there is a challenge of huge financial exclusion of the disadvantaged in the society. Financial exclusion is defined best as the inability to access safe and fair financial services and products by a certain group of the society at a low cost, at an appropriate time and environment from the mainstream financial services providers such as the commercial banks (Gurumuthy, 2014).

It should be noted that it is very expensive for both households and firms to operate their daily budgets without access to main stream financial services. In ability to access main stream financial services can lead to social exclusion especially for rural communities who has very limited access to the much needed financial services. Individuals and firm may find it very complicated to manage their cash flows when they are excluded from the formal and mainstream financial sector. This is because exclusion means that the firms especially the Small Micro and Medium Enterprises (who are on the receiving end) have to deal entirely in cash and this may result in their cash flows being irregular, thereby affecting the growth potential of the business. For individuals, they might find it difficult to improve their consumption patterns and their welfare as all their transactions are conducted in cash which is not readily available, leading to welfare deterioration. The inability to access financial services from the main stream financial services sector may result to poor financial planning and security as the excluded individual have no access to savings opportunities which limit the option for individuals to provide for themselves in their old age.

Lack of a formal savings account may drive the community to resolve to informal means of savings which are not secure and properly regulated. Informal savings rob the community the opportunity to benefit from the interest from savings from the mainstream and also the tax benefits that accrue as a result of participating in the formal financial market. The economy is also robbed of the much needed funds to finance investment which is the key driver of economic growth and development, (Hannig & Jansen, 2010). Providing funding (through pulling together financial resources mobilised from the community) to investors promote expansion and innovation thereby promoting sustainable development. Financially excluded people get exposed to very high interest charged by informal lenders and this worsens their plight and chocks potential investment as their inability to secure and service the loans increases owing to high interest rates that are required to pay from the informal sector (Mago & Chitokwindo, 2014).

The highlighted negative implications of financial exclusion means that it should be of serious concern to policy makers to make all the effort to ensure financial inclusion is an integral part of the overall macroeconomic policy. This would accord the low income (bottom low of the society) an opportunity to enjoy the benefits of being part of the main stream financial services sector at the same time promoting sustainable development. This would also facilitate transfers at low cost and the access to credit that would help cash flow management. The economy would grow as the greater financial resources become available transparently for efficient and effective intermediation and allocation to the productive sectors of the economy thus promoting economic development and growth (World Bank, 2015).

This research establishes the barriers to financial inclusion and come up with the policy options that might be implemented to ensure that all the citizens of Zimbabwe partake of the services offered by the financial services providers thereby promoting inclusive growth.

PROBLEM STATEMENT

Research by (Reserve Bank of Zimbabwe (RBZ), 2006) and (Finscope, 2011) revealed that the majority of Zimbabweans especially in the rural areas have no access to financial services and this situation has since worsened owing to the economic crisis, high unemployment and poverty levels. In the Monetary Policy Statements, 2014, the governor of the Reserve Bank of Zimbabwe acknowledges the need to embrace financial inclusion as aid to development. However, the Reserve Bank governor has been limiting financial inclusion to Small Micro and Medium Enterprises (SMMEs). This means that only those that have business are to be included in financial inclusion. Apart from limiting financial inclusion to SMMEs, the monetary policy does not stipulate exactly how the SMMEs can be included in the main stream financial services sectors. The governor merely encouraged the financial services institutions to embrace the SMMEs but with no clear cut policy which might imply lack of commitment to financial inclusion by the Reserve Bank of Zimbabwe.

The limitation of financial inclusion to SMME by RBZ does not address the elements of inclusive growth and sustainable development through financial inclusion. The responsibility of financial inclusion is indirectly left with the Micro Finance Institutions (MFIs) as suggested by the objectives of the National Microfinance Policy of 2008 yet for financial inclusion to be achieved all the players in the financial services sector should play a role. Most MFIs offer just credit facilities and no other supporting services and yet the definition of financial inclusion involve more than a bank account or access to credit. Services such as risk transfer and cover are not offered by MFIs yet are very important aspects of financial inclusion.

It is in light of this omission that the paper is aimed at finding better financial inclusion strategies that involves all the sectors of the economy with the view to promote economic growth and improved livelihood of the general populace. Failure to integrate the less fortunate in the society can result in reliance of informal sources of credit which are very expensive and further worsens the plight of the less fortunate in the economy. This results in limited access to investment opportunities which can retard the level of investment (development) in an economy as most money is kept in informal channels such as table banking. Failure to access financial services has also resulted in the disadvantaged being risk averse individuals because of the non-availability of risk transfer facilities. This has resulted in these individuals failing to grab opportunities because of fear of losing since they have nowhere to fall back on. With access to all the financial services, the disadvantaged with the appropriate knowledge and information might benefit and thereby boosting their wellbeing as well as promoting economic growth and sustainable development.

OBJECTIVES OF THE STUDY

Financial inclusion is a relatively a new macroeconomic issues especially with the developing countries. Many governments, Zimbabwe included are not very clear on how the concept can be integrated into the main macroeconomic policy. This has resulted in most policy makers in developing countries avoiding the concept as it involves the private sector which is purely driven by the profit motive. The paper aims to unveil such fears and suggest policy interventions to ensure equitable access to financial services by all.

The primary objective of the study is;

- Identify the barriers to financial inclusion
- Suggesting ways to remedying these barriers.
- Coming up with possible policy formulations to improve financial inclusion by the financial services institutions.

SIGNIFICANCE OF THE STUDY

Not much research has been carried out in Zimbabwe on the barriers of financial inclusion on development and the livelihood of the general populace. Researches that have been done on financial inclusion so far concentrate on mobile banking and financial inclusion by commercial banks by (Chikoko L& Mangwengweza, 2012; Mago et al, 2014). These researches limit financial inclusion to commercial banks and mobile phone service providers. (Matambanadzo, Bhiri & Makunike, 2013) concentrated on the challenges that are faced by micro finance institutions in providing the financial services to the poor. This just like the Monetary Policy Statement (RBZ, 2014) leaves the responsibility of financial inclusion to MFIs which makes it difficult to reach out to the bottom poor in the society given the capital base of the MFIs and the demands of the financially excluded individuals. The paper is expanding the concept of financial inclusion to all the players in the financial services sectors such as insurance companies, building societies and cooperatives as well as RBZ. The study is also significant in coming up with policies that would help the RBZ with a comprehensive financial inclusion policy which covers all the players in the financial sector and how it can be implemented so as to realize inclusive growth thereby improving the livelihood of the general populace through sustainable development.

Scope of the study

The study focuses on the financial services sectors in Zimbabwe. This sector comprises of commercial banks, building societies, insurance companies and other players in the financial sectors such as the microfinance institutions. Other than the financial services sector, the study is also focused on the disadvantaged in the society such as the low income earners, Small, Micro and Medium Enterprises (SMME) in Matebeleland North. The study focused on these groups for they are the ones that usually and are normally excluded in the financial sector owing to terms and conditions such as contract enforcement costs, lack of collateral security, income levels vis a vie the minimum credit and premium installments and documentation in some cases. The study was carried out in the Matebeleland North (rural) region with the intention of improving access and usage of financial services as the province has shown to have the least inclusion rate in Zimbabwe.

Background to the study

In Zimbabwe, the concept of financial inclusion is currently viewed by the majority as having a basic bank account. This view have been cemented by the behavior of most financial institutions who are reluctant to provide other financial services to the general populace owing to a number of factors which include high default rates as the economic crisis deepens especially the liquidity crisis/ crunch which has crippled a number of organizations as the aggregate demand dwindles.

Currently, Zimbabwe is lagging behind in as far as financial inclusion is concerned. Currently about 76% of the Zimbabwean adults are formally unbanked which is ranked among the highest percentage in the world (Government of Zimbabwe, 2014). An adult population is defined as an individual who is 18 years and above as per the Constitution of Zimbabwe. This percentage is a cause of concern and drastic measures need to be taken to ensure the accessibility of the financial services by the unemployed and disadvantaged in society especially in the rural areas so as to promote development in these areas. According to (Finscope, 2011) consumer survey, the position of financial inclusion is as shown on table 1.

Table 1: Financial inclusion position

Description	**Percentage of adult**
No basic bank account	40
Bank account	24
Non formal products	14
Use of informal services	22

Of the 76 % Zimbabwe adults who are not formally included in the financial sector, the majority are in the rural areas with Matabeleland North topping the list with about 60% of the adults who are financially excluded as shown on the table 3 below. Generally, it can be concluded that the rural areas have the highest number of financially excluded individuals. This could be attributed to low levels of income or culture as well as beliefs on saving their wealth in other forms such as cattle (other forms of money). High poverty level exacerbated by financial illiteracy extenuates financial exclusion. Harare and Bulawayo urban areas have the lowest percentages of the adults who are financially excluded because these are commercial places where most people have some level of income and they are financially literate. This is also because most of the financial institutional are concentrated in the cities which makes it easier for individuals in Harare and Bulawayo to have access to the financial services (see table 2).

Table 2: Financial exclusion by province

Province	**%age adult excluded**
Matebeleland North	60
Mashonaland Central	58
Mashonaland East	53
Matebeleland South	50
Manicaland	46
Mashonaland West	42
Masvingo	39
Midlands	37
Bulawayo	20
Harare	17

Source: (Finscope Consumer Survey, 2011)

The current status of Zimbabwe's financial sector does not seem to be promoting financial inclusion. This is worsened by deepening economic crisis with a formal unemployment increasing daily with more than 5000, employees having lost their jobs in the month of August (Zimbabwe Congress of Trade Unions, August 2015) and high default rates of loaned funds.

Currently, the economy has 20 operating banks with an ATM density of 7:100,000 as of 2014, 147 microfinance institutions and these are concentrated in urban areas (RBZ, 2015). This implies that the geographical reach of commercial banks and other financial institutions limits the access to financial services for those in less developed areas mainly rural areas. Many of the individuals who are finding it harder to access financial services are small farmers, women, self-employed, pensioners and the unemployed. (Mataruka, 2015) argued that these are excluded because of the terms and conditions of access to the financial services imposed by the financial services sectors. These groups are left out for they do not meet the requirements set such as evidence of source of income.

Compared to other countries, the financial sector in Zimbabwe is lagging behind in embracing the concept of financial inclusion. Zimbabwe has a penetration index of 0.08, availability index of 0.07, usage index of 0.18, and financial inclusion index of 0.096 and is ranked on number 41 among the developing countries, (Mandira, 2010). This has been necessitated by the negative development in the financial sector which has seen most of the banks failing to survive and thus closing down on their operations. Other than the reluctance by the financial institutions to extend their products beyond a basic bank account, the public has lost confidence in the banking sector owing the closure of many banks and the failure by the financial services users to recover their financial investments which include their previous deposits. This has resulted in voluntary financial exclusion and very few individual people are willing to have basic bank accounts (Government of Zimbabwe , 2014).

(Dermirguc & Klapper, 2012) found that of the few individuals who have bank accounts, 55% of the accounts are only to receive remittances either from Diaspora or salaries for those who are working with big companies or state owned enterprises. This also applies to mobile money such as Eco-cash in Zimbabwe where individuals use mobile money for funds transfer and payment of bills with very little or no utilization of savings and credit facilities offered. This is explained by the behavioral theory whereby many people in Zimbabwe are not comfortable with the financial institutions due to their past experience. In the 2014 monetary policy statement, the governor of the RBZ mentioned the need for financial inclusion by the financial sector. This might mean that banks should start viewing financial inclusion as opportunity for business growth, but the question to be asked is how this can be done without negatively impacting on the business interests of the financial service sector.

Financial Inclusion is currently driven through the Micro Finance Institutions (MFIs). In 2008, the Reserve bank of Zimbabwe came up with the National Microfinance Policy with the sole mandate to;

- To promote the development of the robust financial sector
- To promote synergy and main streaming of the informal sector in the national formal financial system
- To enhance service delivery by MFIs to economically active poor people and the SMEs and

- Rural transformation.

The policy makes it optional for the commercial banks and other players in the financial services sectors to be actively involved in financial inclusion. This alone means that currently there is no comprehensive policy to ensure active participation by the financial services players except the MFIs.

POSB (Post Office Savings Bank) is currently found in many parts of Zimbabwe so as to encourage individuals to be part of the formal financial sector. This has not achieved much because most branches are mainly concentrated in urban areas. Prior to economic challenges, commercial banks have taken an initiative to improve access through ATM and shared infrastructures such as Point of Sale (POS), ZimSwitch and VISA. These initiatives were meant to increase access to financial services. With the economic down turn, this access is now limited as many ATMs in the peri-urban areas are not operational and some of the banks are not available on the shared infrastructure such as ZimSwitch. This brought in a renewed challenge to the 'access' specified in the MFI.

The advent of mobile banking was meant to remedy and to widen financial inclusion. With increased mobile tele-density, there is a general expectation of increased access to financial services. The mobile banking services utilized is mainly money transfers which mean the banks have lost the transactional part of their financial services to financial innovation. The money transfer services offered by mobile banking, do not provide access to loanable funds which stifles development where formal financial instructions are not present.

Since 2011 mobile banking is currently leading in the provision of financial services to the poor especially in the rural areas. The services are however mainly restricted to remittances that is, for sending and receiving money and not provision of sizeable funds that can be invested so as to promote sustainable development. These services are currently provided by the mobile phone service providers which are Ecocash by Econet, One Wallet by Netone and TeleCash by Telecel. The savings drive has not yet been highly utilized in rural areas due to low levels of income. To provide access to credit EcoCash, has recently availed a credit facility up to a maximum of USD500.00 which is repaid in a period of 30 days at 5% interest rate. This is a move to have the disadvantaged have access to credit.

However the challenge could be on the repayment period as most of the people are earning far much below USD 500.00 per month and the amount is too small to embark on meaningful investment. This could further worsen the financial position of the disadvantaged as the payment terms only promote those individuals who are already enjoying the financial services products benefits. It is not clear on the options that can be implemented to ensure that the people of Matebeleland North are financially included, thus the need to come up with holistic policies which will ensure the inclusion of the disadvantaged in the society.

Affordability barriers have forced individuals to use the informal means of saving where individuals create local clubs such the savings clubs, table banking societies and also the burial societies. The informal savings and credit advances are used only for family and not for business purposes. This means that the there is no production of real output. Again these clubs are very risk as they are no risk mitigating measures to ensure safety and security of the club funds.

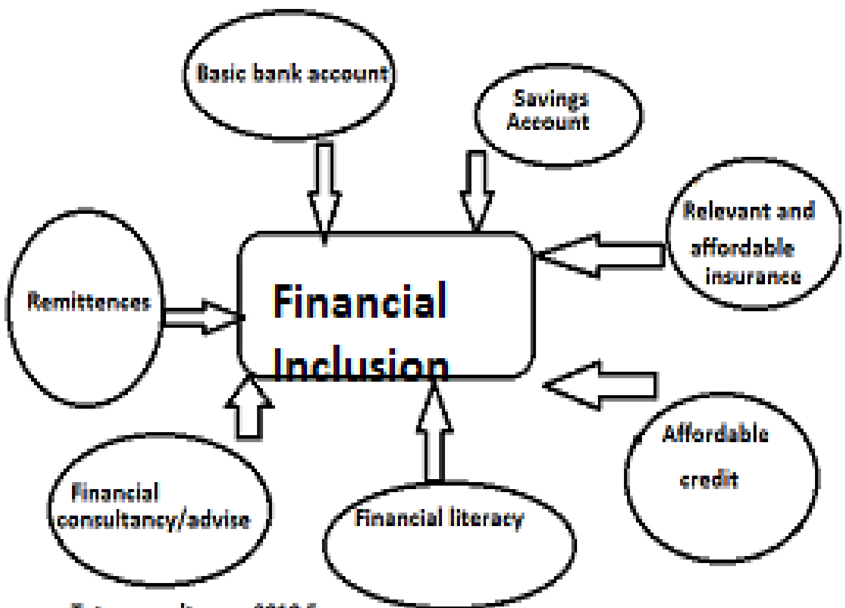
However, it should be noted that financial inclusion require proper guidelines and regulations and as well as financial education for the intended beneficiaries. This is because if not properly regulated, the intended beneficiaries might end being heavily indebted thus worsening their situation than before the financial inclusion drive (Minakshi , 2009). Repayments rates may drop significantly and plunge the financial sector into a crisis thereby reversing the indented objectives of inclusive economic growth and sustainable development. If the financial sectors plunges into a crisis, it may lead the a general economic crisis with reduced production, owing to liquidity crisis, high unemployment rates among other macroeconomic problems (Campell, 2006).Thus financial inclusion needs to be careful implemented with all the checks and balances in place given the possible accrued benefits to the economy such as sustainable development.

LITERATURE REVIEW

Financial inclusion is defined as the availability, accessibility and timely delivery of a range of financial services to the less fortunate in the community (Minakshi, 2009). Financial inclusion does not only involve the possession of a bank account but is measured by the breadth and depth and of financial services. The extent of coverage or the outreach of the financial services providers, the type of products, conditions of accessing and the timely delivery of such services are the major factors to consider if financial inclusion is to be correctly defined and assessed.

The definition of financial inclusion is summarized below using the modified (Tata Consultancy, 2010) chart figure 1

Figure 1: Definition of financial inclusion



Financial inclusion takes three basic dimensions which were identified by (Thouraya T, 2013) as

- Access is the physical proximity and the affordability of financial services by the less fortunate in the society.
- Usage is the actual utilization of the provided financial services by the targeted group which include the frequency and the time frame
- Quality is the provision of products which are customized to meet the requirements and needs of different population segments by income.

Financial inclusion mainly expands the activities of the financial system to the disadvantaged. This is in agreement with (Escobar, 1995), who maintains that more grassroots bottom-up approaches are capable of empowering communities according to their needs over and above the intended goals because of the greater responsibility and involvement rendered to the bottom poor. This is meant to improve the disadvantaged to higher levels so as to improve their livelihood and thus promoting economic growth. Individuals or institutions who cannot access the financial services products are said to be financially excluded thus financial exclusion. The problem of financial exclusion is rampant in most developing countries where more than 10% of the adults only have a basic bank account without having access to other financial services, yet in developed countries only 2% have a basic banking account, which means that people in developed countries are financially included and have access to a wider range of financial services (Cole, 2011). Account penetration also differs between developed and developing countries. Middle East and Africa have the lowest penetration rate. Sub-Saharan Africa's access to credit is about 24% while North Africa and Middle East have a rate 18%. These variations are explained by the differences in gross domestic products (Beck, Bermirguc & Martnez, 2011). However, culture and societal beliefs are also important in the behavior of individuals with regard to their participation in the financial market as identifiedby (Matarukwa, 2015) to be a key link between economic opportunities and economic outcome. This is explained by the investment theories which link credit availability and its access to increased economic growth through the link between gross domestic product and the investment. These theories postulate that holding other things constant, if economic beings can have credit availed to them, then they are likely to use the credit facility to invest, thus boosting economic growth and development.

Other than the link between investment and access to credit, savings theories explain the linkage between savings and investment. This means that there should be a striking balance between, savings and investments and this balance is achieved by coming up with an interest rate that would promote both savings and investment to promote economic activities thus sustainable economic growth. Economic theory postulates that if savings are not backed by some level of investment it would cripple the economy given that savings are a leakage in the circular flow of income. If the saved money is brought back into the production sector of the economy then there won't be any growth realized thus the need to emphasis both savings and access to credit as financial services sector products in order to realize the economic benefits of financial inclusion. This means that for the economy to realise sustainable development, there is need to have a balanced flow of savings and investment which can be improved by including those who are financially excluded.

Financial inclusion has a number of benefits that include; the promotion of efficient allocation of productive resources, sustainable development, reduction of the exploitation of the bottom low in the society, meeting the unique needs of the individuals at affordable rates such as increased consumption of goods and services which then boost the welfare of the bottom low in the society (Campell, 2006). (Blanchart, 2009; Dornbush, Fisher & Startz, 2011) link the national income to the marginal propensity to consume where they explain that high marginal propensity to consume result in higher national income multiplier.

Comparing the low income earners and high income earners' marginal propensity to consumer, (Blanchart, 2009 ; Dornbush et al, 2011) argue that low income earners have a higher marginal propensity to consumer which implies that if they have access to credit to supplement their consumption, this would increase the size of the national income multiplier, with increased consumption. The ‘psychological rule of thumb’ suggests that a high marginal propensity to consume would result to high Gross Domestic Product (GDP). This means increased demand for goods and services where the industries respond to increased demand by increasing supply, thus bringing in more people to savings and credit access may promote economic growth and sustainable development. This is because access to credit increases the income of consumers of which Keynesian economists relate consumption to income, thus as income increases consumption is argued to increase and investment as it response to increased demand thereby promoting development of the economy and the society at large.

Savings are linked to investment. If the bottom low which is the majority (more than 65% of the population) in most developing countries (World Bank, 2015) is included in owning a basic savings account, this would improve the liquidity available to financial institutions for an onward transmission to the players in the real economy, thereby promoting economic growth and development.

In most developing countries financial inclusion is hampered by factors such as high cost of financial service, stringent bank account opening requirements that need formal employment, poor financial literacy, and poor infrastructure especially in rural areas. Missing documents and distance are also cited by (Munyanyi, 2014) as some of the factors that cause the bottom low to be excluded from the financial services sector.

(World Bank, 2015), highlighted that poverty can result to individuals failing to take advantages of the initiatives by the state and non state actors in promoting financial inclusion among the bottom low. This is because poor people may feel incompetent and disrespected with no hope of seeing their lives improving. This kind of thinking sort of prevent them from taking advantages of the opportunities that might arise in the market, thus they are financially exclude because of the deficit of aspirations. Cognitive theories attach the financial exclusion of the bottom low to low levels of aspirations which are as a result of capacity blunting due to poverty.

Liquidity constraint and myopia may hamper the participation of the disadvantaged in the society. Liquid constraint exists when an individual cannot open a basic bank account, or get credit from the financial institution because they have no definite expectations about their future income and how they will repay the advance. It can also because of the uncertainty of the future income to service the bank account.

Uncertainty theories suggest that where individuals are not certain about the expected results, they tend to shy away from participating (David, 1989) in the financial market especially if they are not clear of the definite outcome of their decisions and the possible return on their savings. Economic theory suggests that the natural way to raise savings and to encourage individuals to save is to raise the return on savings. This is possible if the real interest is above the rate of inflation. This would encourage the economic agents to defer their consumption and save in the formal market and this would make available funds for investment and in turn promote economic development and growth.

METHODOLOGY

The study assesses the level of access and use of financial services by the bottom low in a rural area of Matebeleland North, Zimbabwe. Data was obtained from both secondary and primary sources. The secondary data was obtained from financial services institutions such as;

- Insurance companies to establish the type of insurance policies and the premiums paid per policy. This is required to assess its accommodation of the less fortunate in the society.
- Commercial banks, to assess the number of banked individuals, minimum requirements to have a bank account, bank charges, interest charges on savings and overdrawn accounts, minimum balances to open an account. Also the

interest on investment was be obtained from the commercial banks. The number of banked individuals is important for a bank account is considered to be the basic entry to the financial market services.

- Building societies, to obtain the various types of mortgages available to various income levels, the mortgage repayment period, the mortgage rate and the minimum deposit as well as the general conditions for one to access the mortgage.
- The central bank which is the Reserve Bank of Zimbabwe (RBZ), to ascertain the availability of financial inclusion policy, and the analysis of the banking and insurance policies of Zimbabwe.
- Micro Finance Institutions to establish their catchment area and how they ensure a level ground for all the individuals interested in their services

Primary data was obtained from the;

- Households where the percentage of individuals with bank accounts was obtained. The research also obtained information on household income levels, financial services products that are available to them and are utilized by the households, the alternatives available to the households, reasons for being excluded and challenges faced by household in an effort to access financial services institutions products.
- SMME, the research established the challenges faced when accessing financial services and their knowledge of the financial services products in the market.

Questionnaires, observations and interviews were used to collect the primary data. For the society, the questionnaire was designed in the language that is best understood by the respondents. The objects were assembled into clusters thus cluster random sampling was used. This is because the population for the research was heterogeneous. This was because the data was collected from different groups and each group had a peculiar characteristic which was used to identify the members of the cluster. These clusters were commercial banks insurance companies (four sampled), micro finance institutions, the central bank, mobile phone operators (three sampled), SMMEs (forty sampled) and residence (hundred and fifty sampled). After grouping the data into clusters, a random sampling technique was used especially when collecting data from the residents. This was done to avoid researcher bias. Simple substitution method was used in an event where the identified sample object could not be interviewed for various reasons.

For the banks operating in Matebeleland North excluding Victoria Falls, there was no sampling done since the population was small manageable thus only two commercial banks, thus the data was collected from the population. This also applied to the Microfinance institutions that are operating in the region.

DATA PROCESSING

The data was processed using descriptive statistics which involve the usage of simple tables, graphs and charts for the data were purely qualitative. Fundamental variables such as cost of banking, interest on savings, interest on loans, premiums, distance from the service center, education, levels, gender, landownership, income levels, culture and personal attributes were evaluated using statistical tools highlighted above.

RESEARCH FINDINGS

The research found various reasons why the majority of the people in Matebeleland North are financially excluded that can be classified under various forms from self to institutional exclusion.

Banking Service

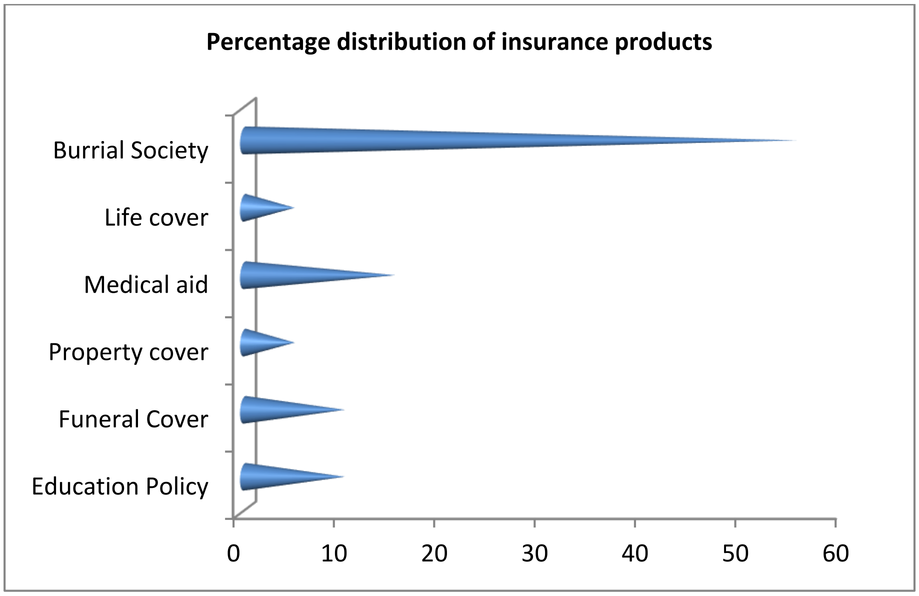
About 86% of the respondents indicated that they do not have a bank account because there are no benefits in putting money in the bank. Owing to high bank charges, they expressed concern over their bank balances that decrease over time due to high bank charges and very low interest rates on savings which ranges from 0-2 % per annum. 14% of those who have bank accounts such as public servants and the local authorities' employees hold them so as to receive their salaries through the bank. Individuals who work for small companies such as the informal sector and grocer shops indicated that they received their paycheck in a sealed envelope instead. This has transformed the bank into money transfer agents which reduces the probability of the banks accumulating savings to finance the much needed investment to achieve sustainable development.

About 60% of those who do not have bank accounts indicated that they do not have them because the banks are too far from their place of residence. The transport cost of accessing the banking services surpasses the money they would wish to deposit and that is the reason why they do not have bank accounts.

Knowledge of financial products (Insurance)

15% of the interviewed people expressed awareness and consciousness of the financial services that are offered by the financial institutions. 85% indicated that they have never heard about the financial services especially the insurance services. Of the 15% who are aware of insurance services, only 40% have the insurance policies and the distribution is as shown on figure 2.

Figure 2: Knowledge of insurance



From figure 2, it can be concluded that the society is not aware of the services offered by the financial services, so they opt to group themselves and provide the much needed services in other different forms such as “motshelo” "table banking" and various societies that would assist the villagers when in financial need. This has negatively impacted on the development of Matebeleland North as these are not credible sources of loanable funds that may be used to promote sustainable development in the region. For a life cover, 40% expressed gratitude in securing their future by investing in cattle and other livestock as dictated by their culture. 60% indicated that they do not need any insurance as their children will look after them when they are old and whenever the need arises, thus the reasons why most of the respondents are reluctant to know and also consider the insurance services offered by the financial institutions. The reasons for not utilising insurance services may cause one to pose a question on sustainability of such a "insurance" because there is no guarantee that the children will be there to assist in times of need, thus the need to educate the society on sustainable insurance policies.

Of the 10% with the funeral cover, 95 % are civil servants. The funeral cover is viewed as being against their culture for it is not accepted culturally for one to prepare for their own burial, thus socio-cultural beliefs hinders participation and inclusion of the bottom low into the formal financial sector as well as sustainable development.

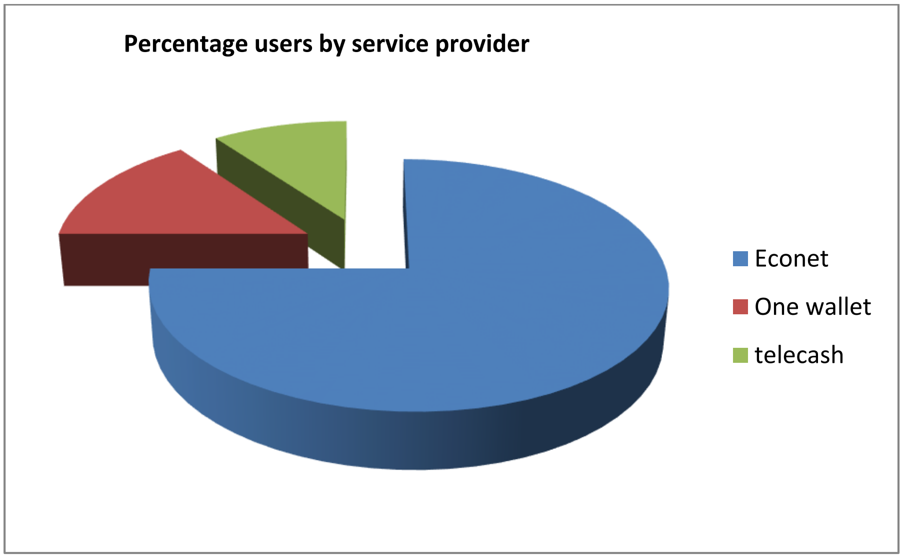
Medical Aid

Only 15% of the respondents indicated that they have medical aid. Of the 85% who do not have medical aid 75% indicated that they cannot afford the premium contribution required by the medical aid societies. 25% expressed displeasure on the services offered by the medical aid societies. They registered concerns over the short falls and the situations where they are required to pay for the medical services cash in advance. This has resulted in many people being excluded from such financial services as they accuse the medical aid societies of being dishonest and defrauding them of their hard earned cash, thus opted not to use the facility.

Mobile money financial services

The mobile money financial services proved to be very popular with the respondents, though the most popular service is the mobile money transfer and Ecocash being the leading service utilized by the people as shown on figure 3 below;

Figure 3: mobile money transfer services



The Ecocash services are very popular with the respondents. Of the Ecocash services, money transfer is used by 96% of the respondents, only 4% use the Ecosave and no one is currently utilizing the Ecosure facility. Ecosave is more trusted than an ordinary bank saving account. This is because the public have the conception that Ecosave is dissociated from the formal banking sector where most people lost their monies as a result of economic slump which later resulted in the adoption of multi-currency region. The adoption of the multi-currency resulted in many people losing out their Zimbabwe dollar denominated accounts and thus losing their monies in the banks. This call for a serious and massive "campaign" to educate the general populace of the benefits of utilising the banking sector as their savings provide the much needed financial resources to realise sustainable development in the region.

Other mobile money transfer services are not very popular because of the challenges they face such as connectivity issues, and this has rendered them non-existing in the region with Nettcash being the lowest with a 0% percent usage rate.

Availability of financial services infrastructure

Desktop analysis shows that excluding, Victoria Falls, Matebeleland North is serviced only by two banks namely Post Office Savings Bank and the Agribank. Other than the two banks, there are only three micro finance institutions. Most insurance companies provide their service either from Bulawayo or Victoria Falls. This has resulted in the financial exclusion of most of the adult population in Matebeleland. This hinders access to financial services by the residence. The two financial institutions that are operating are very far from the people and this has resulted in the residents finally excluding themselves.

Access to finance

The research found that most of the people in Matebeleland North have got limited access to finance for their consumption and investment. This is because of the high lending rates which are an average of 20% per year. High lending rates have continuously resulted in the people of Mateleland North continuously excluded and the region being marginalised in terms of development and growth, thus leading to poor livelihoods of the Matabeleland North people. Some people are excluded because of the language (English rather than Ndebele) that is used by financial institutions as well as the terms and conditions of accessing the finance. In some instances, the financial service providers require proof of income and also security which cannot be afforded by the majority of the Matebeleland North. The stringent conditions set by the financial institutions hampers the access to financial services by the bottom low in the society. This has resulted to people failing to grow and even start businesses as they do not have access to finance.

Gender

The research reveals the existence of gender gap in accessing the financial services. A gender gap of 12 % was found where only 35% of the women in the province have access to financial services and compared to 47% of their male counterparts. This is because high proportion of women in the region works in non productive and non income generating jobs such caring for the children and family subsistence farms. This is dictated by socio-cultural norms thereby making it difficult if not impossible for women to balance family responsibilities and income generating activities which would enable the women to be partakers of the financial inclusion initiative by the state and non state actors.

Most women (95%) do not own land and as such they lack security required to access credit to better them and enjoy the benefits of being financially included. Gender gap is deep structural problem which is engraved deeply in the socio-cultural set up and this need to be addressed if the economy is to achieve sustainable development. More women should be taken on board financial inclusion to achieve inclusive growth (World Bank, 2015). Countries with low gender balance are generally known to have low development (Ibid, 2015)

Mortgages

Financial institutions such as building societies sited business logic as the reason for stabling and issuing mortgages. It was found that there are no financial institutions that are offering the mortgage loans. This is because of the inability by the residents to command demand as their incomes are generally low, This has resulted in poor housing standards which implies low levels of development. Those whose income can meet the minimum mortgage requirements, they are finding it difficult to raise the required deposit to access the services, thus the financial institutions offers prohibitive conditions that makes it difficult for the bottom low in the society to be financially included.

RECOMMENDATION

From research findings above, it can be noted that there is need to consider a range of options to ensure that the people of Matebeleland are financially included. Some of the recommendations are;

- Financial services infrastructure development as the region has only two banks (Excluding Victoria Fall) and need for more.
- There is need for financial institutions to vigorously market their products as most people confessed ignorance of the financial services products such the insurance policies.
- There is need to revisit the bank charges as well as the interest rate on savings. This would help the depositors to have a positive interest which would encourage people to deposit their money with the bank, thus having a basic bank account.
- There is need for the government to come with concessions that would help to include the people of Matebeleland in accessing loans. The nature of security might be varied such as accepting their livestock as the form of security for the loans.
- There is need to educate people on financial literacy as most people indicated that they are not financially literate. This programme on financial literacy can be introduced from as early as the primary school levels. Financial literacy education would help the community to appreciate and utilize the services of financial institutions.
- There is need for the government to consider special concessions such tax holidays for the banks that would have opened branches in the rural areas. This would reduce the cost of operating a financial institution in rural areas, thereby encouraging access to financial services.
- There is need to craft a gender policy that mandate chiefs in rural areas to equally recognize women when allocating land so that the women can also have access to income generating resources.
- There is need to encourage women to move from reproductive labour to productive labour so that they can meet some of the conditions set by financial institution to access credit and own a basic bank account.
- Improvement in rural infrastructure such as the availability of electricity, telecommunication connectivity and the general connectivity through the provision and construction of rural road network would go a long way in enhancing financial inclusion.
- Rural development would attract the financial services sector to the less developed areas, such the rival of the growth point models which have seem most under developed areas, diversifying from agriculture to non agriculture activities which would require finance from the main stream banking and financial sectors.

CONCLUSION

Given the fact that the Zimbabwean economy is experiencing a down turn of all major macroeconomic indicators, currently with very high formal unemployment levels, it can be noted that financial inclusion is a must do concept for the economy to realize inclusive growth and sustainable development. Currently more that 60% of employment is from the informal sector which mainly comprised of SMMEs, to achieve sustainable development, there is a greater need to extent all the financial services to the bottom low in the society. Once there are ways to integrate the disadvantaged in the main stream financial services, most of the components of the aggregate demand are likely to improve and the economy will achieve sustainable development as dictated by the Sustainable Development Goals (World Bank 2015). This is because financial inclusion stimulates formal savings and formal investment thus promoting economic growth and development. The consumption levels will improve as households will be having access to finance. Investment is likely to improve as people will be willing to take risk as they are covered by insurances and they pledge other forms of collateral to cover default risks. Although people are skeptical about mortgage finance, access to housing through mortgage finance would improve the social wellbeing of individuals. This is because mortgage finance has spillover effects on the overall economy. As companies do respond to changes in demand, employment creation is made possible and this further creates sustainable links to economic growth and development. Thus financial inclusion drive might foster the development of the Zimbabwean economy given that more than 60% of the companies are SMMEs (Government of Zimbabwe, 2014).

Financial inclusion, especially having a basic bank account such as savings which is cheap to maintain given the generally low income levels in the rural areas, would go a long way promoting investment in Matebeleland North. Given the theoretical and empirical link between savings and investment, it means that high savings triggers investment thereby promoting sustainable development and the growth of the local economy and local consumption improves as people will be benefit from interest on their savings.

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