BINDURA UNIVERSITY OF SCIENCE EDUCATION



THE IMPACT OF THE RBZ'S NFIS ON THE ACCESSIBILITY OF FINANCIAL SERVICES BY SPECIAL INTEREST GROUPS IN MARGINALIZED AREAS: THE CASE OF MSMES IN NYANGA DISTRICT.

BY

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APPROVAL FORM

The undersigned certify that they have read and recommended to Bindura University of Science Education for acceptance of a project entitled **"**The impact of the RBZ's NFIS on the accessibility of financial services by special interest groups in marginalized areas: the case of MSMES in Nyanga District**"** submitted by **Kege Saul Clemance** in partial fulfillment of requirements of the Degree of Masters In Business Leadership Graduate School of Business Management.

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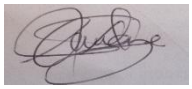
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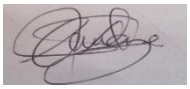
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DECLARATION

I, Kege Saul Clemance, do hereby declare that this dissertation is a result of my own investigation and research, except to the extent indicated in the Acknowledgements, Bibliography and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.



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DEDICATION

This work in every sense of it is dedicated to my lovely wife **Kudzaishe C Kege.** My Beloved!!!!! you have always been a pillar of strength and a source of inspiration. It is because of you that I have endured to walk to the finishing line, this long and soul draining academic journey. To my lovely daughter Elyanah Akudzweishe Kege may you succeed and be blessed in every aspect of your life.

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I wish to thank my wife, Kudzaishe, for the motivation, inspiration. My workmates at ZB bank Nyanga branch who assisted with data collection in particular Mr. Kazingizi, I salute you. The Nyanga Rural District Liaison officer for small businesses and informal traders Mr. K Zenda, I appreciate your support as well in data collection. Special mention also goes to Mr. Matinha, Dr. Ndaimani and Dr. Satambara for their guidance and assistance.

My respondents are an integral part of this work; they sacrificed their time to attend to my questionnaires and interview, some engaged without prior notice, many thanks to them. Lecturers at Bindura School of Business Management at Bindura University of Science Education your have surely added value into my academic prowess and my personal growth and understanding, I appreciate you.

ABSTRACT

The study investigated the impact of the RBZ's NFIS on the accessibility of financial services by special interest groups in marginalized areas focusing on MSMES in Nyanga District. The overall objective of the study was to establish the impact brought by the introduction of the NFIS in 2016, focusing on special interest groups in marginalized groups. The main hypothesis of the study stated that "NFIS has no impact on the accessibility of financial services by MSMEs in marginalized communities. In an endeavor to measure the stated hypothesis, the study adopted a pragmatic research philosophy. A stratified random sampling technique was used to draw a sample size of 623 respondent comprising MSMEs in Nyanga District and a purposive sampling technique was employed to draw respondents for interview. Data was collected through a partly self-administered questionnaire which was hand distributed to sampled MSMEs and hand collected questionnaire for data analysis. Four MSMEs in Agriculture and one Senior representative of MWAGCD were interviewed. A Statistical Package for Social Scientists (SPSS) version 20.6 was employed to analyze the gathered quantitative data. The analyzed data was presented graphically, using histograms, pie charts and statistical tables. The major finding of the study affirmed no positive impact of the NFIS on the accessibility of financial services by MSMEs. However, the findings indicated that although the positive impact was not available, the aspects regarded as challenge in accessing financial services varied greatly with significantly a huge number of respondents confirming availability of the these challenges. Poor financial literacy, infrequent use of financial services and unavailability of the financial services was evident at high level of significance. The findings are very important to the policy makers, financial sector, NGOs, the WBG, special interest group and academic. The theoretical contributions of the study were that it has established need to adopt two stance of policies (market developing and market enabling) relating to the financial possibility frontier in economy where two extreme status of affairs existed. This aspect was missing from the reviewed literature. The major recommendations to the regulatory and policy makers was adoption of a rigorous implementation strategy, incorporating the percepts of VUCA view of the world in crafting policies, considering premising financial inclusion on digital platforms. To the financial services providers major recommendations included enhanced risk management approach into blue oceans (MSMEs) so as to tap sustainably into this market, customer oriented problem solving approach, promoting financial education and awareness to customers, employing systems thinking in the service designs and also intensification of adverting and market visibility. The study also provided recommendation to the NGOs, WBG and special interest groups. The study concluded by proffering suggestions for furthers studies.

Keywords: RBZ, VUCA, NGOs, MSMEs, Nyanga District

Table of Contents

APPROVAL FORM ii
RELEASE FORM iii
DECLARATION iv
DEDICATION v
ACKNOWLEDGEMENT vi
ABSTRACT vii
LIST OF TABLES xii
LIST OF FIGURES xiii
CHAPTER ONE 1
INTRODUCTION AND BACKGROUND 1
1.1. Introduction 1
1.2. Background of the study 2
1.3. Statement of the research problem 5
1.4. Research objectives 6
1.4.2. Sub-objectives 6
1.5. Research questions 6
1.5.2. Sub-research questions 6
1.6. Hypothesis 6
1.7. Research assumptions 6
1.8. Justification of the research 7
1.8.1. Policy makers and vision 2030 7
1.8.2. Financial Service providers 7
1.8.3. Special interest groups 8
1.8.4. NGOs 8
1.8.5. The World Bank 8
1.8.6. Academic and the researcher 8
1.9. Studies of financial inclusion in Zimbabwe and the research gap 9
1.10. Limitations of the study 10
1.11. Organisation of the study 11
1.12. Chapter Summary 12
2.0 LITERATURE REVIEW 13
2.1 Introduction 13

2.2. The theoretical framework 14
2.3. Defining Zimbabwe financial inclusion 18
2.4. National Financial Inclusion Strategy 20
2.6. Financial exclusion 23
2.7. Special interest groups 24
2.8. Status of financial inclusion in Zimbabwe before the 2016 NFIS 27
2.9 Understanding financial deepening, financial development and financial inclusion 28
2.10. Pillars of financial Inclusion 29
2.11. Making Access Possible 29
2.12. Financial Inclusion and the Islamic banking system: The qualitative empirical evidence 31
2.13. Financial Inclusion and sustainability 32
2.14. The future of financial inclusion: Digital financial inclusion 34
2.15. Empirical evidence review on countries that have Digital financial Inclusion strategy as key driver to financial inclusion 35
2.15.1. Empirical Evidence on the India Stack: A Multi-Stakeholder Approach to Digital Financial Inclusion 36
2.16. Empirical evidence for studies on financial inclusion in Zimbabwe 38
2.17. Factors that matter for Financial Inclusion strategy implementation 39
2.18. Arguments for and against financial inclusion 40
2.18.1. Arguments for financial inclusion 40
2.18.2. Arguments against financial inclusion 41
2.19. Qualitative empirical evidence on Opportunities and obstacles for financial Inclusion 41
2.20. Empirical evidence on measuring of financial Inclusion 43
2.21. Conceptual framework 46
2.22. Chapter summary 47
CHAPTER THREE 48
RESEARCH METHODOLOGY 48
3.1 Introduction 48
3.2. The research onion 49
3.2.1 The research design 50
3.2.2 Research philosophy 51
3.2.3 The research approach 52
3.2.4 Research Strategy 52
3.2.5. Choices of methods and time horizons 53

3.2.6 Techniques and procedures 53
3.3 Target Population 54
3.4 Sampling and sampling procedure 55
3.4.1. Purposive Sampling 56
3.4.2 Stratified sampling 56
3.4.3. Sample size determination 57
3.4.4. Sampling procedure 57
3.5. Research instruments 58
3.5.1. Questionnaire 59
3.5.2. Personal Interviews 59
3.6 Pilot Study 59
3.7. Validity and Reliability 60
3.7.1. Reliability 60
3.7.1.1 Stability 61
3.7.1.2. Internal consistency reliability 61
3.7.2. Validity 61
3.7.2.1. Content validity 62
3.7.2.2. Internal and external validity 62
3.8. Data Collection Methods 62
3.9 Data analysis and presentation 63
3.10 Ethical considerations 64
3.11 Chapter summary 64
CHAPTER FOUR 65
PRESENTATION OF THE RESEARCH FINDINGS AND DISCUSSION 65
4.1 Introduction 65
4.2 The questionnaire response rate 66
4.3 The reliability of the questionnaire 67
4.5 The Demographic profile of the respondents 67
4.5.1 Distribution of respondents by sex 67
4.5.2 The age distribution of the respondents 68
4.5.3 The educational distribution of the respondents 69
4.6. To find out financial services that are readily available to MSMEs 71
4.7. To establish the level of usage of financial services by MSMEs 75

4.8. To ascertain the level of financial literacy of MSMEs 79
4.9. To establish the challenges which are being faced by MSMEs in accessing financial services 84
4.10. Chapter summary 87
CHAPTER FIVE 88
RESEARCH CONCLUSIONS AND RECOMMENDATIONS 88
5.1. Introduction 88
5.2. To find out financial services that are readily available to MSMEs 88
5.3. To establish the level of usage of financial services by MSMEs 89
5.4. To ascertain the level of financial literacy of MSMEs 89
5.5. To establish challenges which are being faced by MSMEs in accessing financial services 90
5.6. Recommendations 91
5.6.1. Policy makers and regulators 91
5.6.2 Implementation strategy 91
5.6.3. Making national strategy in a VUCA environment 93
5.6.4. Pursuing Digital financial inclusion 93
5.7. Financial service providers 94
5.7.2. Risk management on Blues Oceans (MSMEs) 94
5.7.3 Customer oriented approach in solving problems 95
5.7.4. Financial education and financial literacy 95
5.7.6. Service Design and Operation Lifecycle 95
5.7.7. Systems thinking in the design of services 96
5.7.8. Advertising, brand awareness and market visibility 98
5.8 NGOs 98
5.9. The World Bank 98
5.10. The theoretical contributions of the study 99
5.11. Recommendations for future research 99
5.12. Reflection of the main hypothesis 99
5.13. Chapter Summary and Research Conclusion 100
REFERENCES LIST 102

LIST OF TABLES

DESCRIPTION PAGE

Table 1-1 Demand side data on financial inclusion in Africa as at 2013…..... 2

Table 1-2 Summary table of MSMEs in Nyanga District 5

Table 2-1Financial inclusion stakeholders in Zimbabwe 21

Table 2-2Classification of MSMEs by number of full time employees..... 24

Table 2-3Pillars of financial inclusion and their purpose..... 29

Table 2-4 The summary of high level principles for digital financial inclusion..... 34

Table 2-5 Opportunities and obstacles for financial inclusion..... 43

Table 2-6 Core set indicators and sub indicators of measuring financial inclusion… 46

Table 2-7 Different variables used by different researchers to measure financial inclusion.....46

Table 3-1 Sampling frame and sampled individuals for different categories..... 58

Table 4-1 The response rate…..... 67

Table 4-2 Reliability of findings 67

Table 4-3 Gender distribution of respondents..... 68

Table 4-4 Financial services that are readily available to MSMEs descriptive statistics..... 71

Table 4-5 Use of financial services and products through a formal financial institution in a typical month descriptive statics 76

Table 4-6 Use of financial services and products through a formal financial institution over the last 12 months descriptive statics.....78

Table 4-7 Knowledge of financial services descriptive statistics..... 80

Table 4-8 Challenges being faced by MSMEs in accessing financial services 84

Table 4-9 Challenges being faced by MSMEs in accessing financial services descriptive statistics…..... 86

LIST OF FIGURES

DESCRIPTION PAGE

Figure 2-1 Stylized financial possibility frontier… 14

Figure 2-2: Determinants of global financial inclusion..... 23

Figure 2-3 Borrowing mechanism of SMEs (to those who borrow)…..... 27

Figure 2-4 The conceptual framework 47

Figure 3-1 Research Onion 50

Figure 3-2 Illustration of general, target and accessible population for the qualification… 55

Figure 4-1 The educational distribution of the respondents…..... 69

Figure 4-2 The education distribution of the respondents 70

Figure 4-3 Availability of services to MSMEs expressed as a percentage.....73

Figure 4-4 Frequency of use of financial products or services through a formal financial institution in a typical month… 74

Figure 4-5 Frequency of use of financial products or services through a formal financial institution for the past 12 months 77

Figure 4-6 Frequency of the knowledge of financial services… 82

Figure 5-1 Strategy implementation typology… 92

Figure 5-2 Ways of thinking about design and services…..... 97

LIST OF APPENDICES

DESCRIPTION **PAGE**

APPENDIX 1: Cover letter and questionnaire..... 113

APPENDIX 2: Interview Guide for MSMEs in Agriculture sector..... 118

APPENDIX 3: Interview Guide for Senior representative of MWAGCD in Nyanga 120

APPENDIX 4: Letter of Consent…..... 123

LIST OF ACRONOMIES

AFI	Alliance for Financial Inclusion
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machines
CGAP	Consultative Group to Assist the Poor
DTAs	Digital transaction accounts

EIB	European Investment Bank
G20	Group of Twenty
GDP	Gross Domestic Product
GPFI	Global Partnership for Financial Inclusion
MNO	Mobile Network Operator
MSME	Micro Small and Medium Enterprises
MWAGCD	Ministry of Women Affairs, Gender and Community Development
NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organization
POS	Point of Sale
RBZ	Reserve Bank of Zimbabwe
SME	Small and Medium Enterprises
SMEDCO	Small and Medium Enterprises Development Cooperation
USD/$	United States dollars
WBG	World Bank Group

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1. Introduction

Well-developed and functioning financial systems provide a fundamental purpose; they present savings, payment, credit, and risk management products to individuals with a wide array of needs. Inclusive financial systems pertain to basically allowing broad access to financial services, without price or non-price obstacles to their use. Financial inclusion is especially likely to benefit disadvantaged groups and the poor people in general since absence of inclusive financial systems means that poor people must rely on their personal limited savings for their education or to become entrepreneurs and also micro, small and medium enterprises (MSMEs) must depend on their limited earnings for them to pursue promising growth opportunities. This implies that increasing financial inclusion is now regarded as one of the principal development challenges for the economy to achieve financial depth and breadth required to sustain economic activities. Financial inclusion is not a new concept especially in developed economies. However in African economies, the concept has recently received more attention with Zimbabwe formalizing its targets of financial inclusion in 2016 through the National Financial Inclusion Strategy (NFIS). The formulation of this financial inclusion strategy insinuated that Zimbabwe has seen the significance of financial inclusion strategies in various developed countries. Although a plethora of studies about financial inclusion in Zimbabwe has been done, the impact of the 2016 NFIS has not yet been explored. As such, this study was designed to determine the impact of the NFIS on the accessibility of financial services by MSMEs focusing on Nyanga area.

This chapter introduces the study setting out the background, the statement of the problem whilst bringing out the objectives and major research questions to be answered through this research. The study hypothesis, justification and highlight of the research gap are also presented in this chapter.

1.2. Background of the study

Financial inclusion has turn out to be an increasingly important concern for a vast number of countries worldwide. In the same vein, a fast-growing literature has emerged to examine its measurement; determinants, and impacts, governments have made promoting it as a priority.
Taking for example, the World Bank's 2014 Global Financial Development Report (GFDR), dedicated to financial inclusion, reports that more than two-thirds of regulatory and supervisory agencies have been tasked with encouraging financial inclusion, and above 50 countries have set formal targets. In 2013, the World Bank President announced a global target of universal financial access by 2020. In line with the world vision, Zimbabwe must also achieve its targets on financial inclusion and this study will reveal the progress reached so far particularly on MSMEs sector in Nyanga District in order to gain some learning points and prescribe recommendations with respect to the effectiveness of financial inclusion strategy from the demand side perspective.

Further to the global stance by the World Bank with regards to financial inclusion, Africa in particular has witnessed vast researches aimed at both the demand and supply perspective of financial inclusion; however of interest to the researcher is the demand side perspective. These vast studies on financial inclusion in Africa indicate that it is a phenomenon that Zimbabwe cannot afford to ignore. The table below shows studies that were conducted in Africa as at 2013.

Table 1-1 Demand side data on financial inclusion in Africa as at 2013

Survey	Sampling unit	Africa coverage	Focus
Global Findex	Individuals	42 African countries	Access and usage
Finscope	Individuals	15 Sub Saharan Africa	Use & perceptions of services
Financial Diaries	Households and individuals	SA & Kenya	In-depth analysis of financial portfolios and behaviors of low income people
World bank living measurement Survey	Households	Côted'Ivoire, Ghana, Malawi, Morocco Nigeria, South Africa, Tanzania	Income, housing, migration, and use of financial services
K2World Bank Enterprise Surveys	Representative sample of firms	38 African countries	Access to finance, corruption, performance, competition, and More
OECD Financial Literacy Pilot	Individuals	South Africa	Financial literacy and capabilityacross different cultural environments

Source**:** *Africa Development Bank (2013)*

In addition, the increasing concerns on financial inclusion are necessary considering the possible "cost in foregone economic growth when the volume of financial services in a country does not reach a sufficiently large share of the population" (Barajas *et al* (2013)), as cited in Naceur *et al*, 2015, p.4). To support the need for financial inclusion initiatives a research by Bhattacharaya and Wolde (2010) found that inadequate access to credit has been undermining growth in Middle East and North Africa (MENA) countries compared to the rest of the world.

In order to provide further outlook on financial inclusion, postulation by Demirguc *et al* (2012) is key, it reflected that based on household survey information in the Global Findex database, spanning 149 countries and more than 124,000 individuals, it is estimated that more than half of the world's adult population does not have an account with a formal financial institution; a non-negligible proportion of these might be without such an account by choice. As an example in the research, about 30 percent of these unbanked cited lack of sufficient funds as the sole reason why they did not have a formal account, 23 percent mentioned the fact that someone else in the household had an account and therefore they did not need one, and about 5 percent cited religious reasons for not having a formal account. This overview denotes the selective nature of financial service provision in the world which culminates into some individuals making a choice not to have access to financial services.

National Financial Inclusion Strategy (NFIS) in Zimbabwe

In Zimbabwe, the Ministry of finance through the RBZ in 2016 formulated a documented strategy for financial inclusion, NFIS 2016. The vision under this strategy is to have an inclusive financial system that is responsive to the needs of all Zimbabweans and a mission to facilitate access to usage of quality and affordable financial services by all Zimbabweans. The two broad goals of the National Financial Inclusion Strategy were cited as follows:

i. To increase the overall level of access to inexpensive and appropriate formal financial services within the country from 69% in 2014 to at least 90% by 2020.
ii. To increase the fraction of banked adults from 30% in 2014 to no less than 60% by 2020.

Although the strategy focuses on enhancing financial inclusion for all Zimbabwean adults, the strategy also recognizes the needs of special interest groups, which are women, youth, Micro Small and Medium Enterprises, the rural and the small scale agricultural communities. In addition, the strategy aimed at achieving the targeted stage of financial inclusion in a sustainable manner (NIFS 2016). In this regard, this study will focus on MSMEs since it is very important in the strategy due to its contribution to the country's economic development. According to the NIFS (2016), the MSME sector is playing a significant function in economic expansion in Zimbabwe contributing to job creation, and poverty alleviation. To further show the importance of MSMEs, the SME Finscope Survey of 2012 noted that MSMEs in Zimbabwe employ approximately 5.7 million people, the majority of whom are women. In addition, it is estimated that the MSME sector is contributing more than 50% of the country's gross domestic product. The researcher believes that if there is significant progress of financial inclusion strategy initiatives on this group surely the general populace will be far more ahead and also success points can be replicated for adoption to other special groups that may be lagging behind.

The Nyanga District

Nyanga district is in Manicaland province and has a total population of 125 688 (Zimstats 2012), it is made up of mainly rural business centers and the main business centers includes Nyatate, Mapako, London Stores, Bende, Ruwangwe, Nyamaropa, Tombo 1, Tombo 2, Juliasdale, Troutbeck, Nyafaru, Avilla, Sedze, Nyajezi and Fombe. In these rural communal areas about 83 MSMEs are general dealers (NRDC 2019). These communities around Nyanga survive on small scale farming and these are about 433 registered with the ministry agriculture, (Ministry of Women Affairs, Gender and Community Development 2019). Major crops include tomatoes, potatoes, beans, tabbasco Chilli, Onions and Garlic. The Nyanga business centre represents a semi-urban part of Nyanga district where most MSMEs activities are pronounced and the rural areas have a total number of 623 small and medium businesses are operating in the centre (NRDC 2019). The researcher stayed in Nyanga for the past five years and has passively observed that there is stagnation in the output growth of these MSMEs and small scale farmers; this might be attributed to the lack of appropriate structures financially to enable scalability of the various economic activities. Therefore this status on MSMEs prompted the researcher to develop interest in

establishing the extent to which the financial inclusion strategy has impacted on the MSMEs' access and usage of financial services in this area.

Table 1-2: Summary table of MSMEs in Nyanga District

Category of MSMEs	Number of MSMEs per category
Flea Markets	197
Groceries	83
Fashion Retail	31
Hotel and Catering	27
Artisans	46
Manufacturing	13
Agriculture	433
Green Market	162
Cottage Industry	64
Total	**1056**

Sources: *(NRDC Database (2019), Ministry of Women Affairs, Gender and Community Development, Nyanga database (2019))*

1.3. Statement of the research problem

In the Zimbabwean Economy access to financial services is highly selective, the finscope survey of 2014 research by Finmark Trust showed that 23% of Zimbabweans are financially excluded and only 69% are formally served, this indicates fractures in our financial provision systems. In 2012, this same survey found out that there were 2,8million MSMEs operating 3,4 million small businesses however 85% were unregistered implying that they are not be able to access formal financial services, this state of affairs denotes a serious problem of high selective access to financial services across the country. This is very worrying especially considering that the same survey concluded that MSMEs contribute above 50% of the country's gross domestic product. The tendency of MSMEs operating without proper registration is even more prevalent in marginalised areas which further exacerbate their inability to access formal financial services. In addition, it is extremely difficult for MSMEs to financially upscale their business operations or make wise financial decisions in their businesses as witnessed by the stagnation or non expansion by small businesses especially in and around Nyanga areas which indicate gaps in their financial inclusivity. Despite the existence of financial institutions, NGOs and parastatals (e.g. SMEDCO) which are pro financing of MSMEs, the marginalized areas continue to exude signs of financial exclusion. This challenge of selective financial service provision has prompted the interest by the researcher to establish the impact of the market enabling policy (NFIS of 2016) on the accessibility of financial services by the MSMEs in Nyanga district.

1.4. Research objectives

To determine the impact of the NFIS on the accessibility of financial services by MSMEs in a marginalised area of Nyanga

1.4.2. Sub-objectives

a. To find out financial services that are readily available to MSMEs
b. To establish the level of usage of financial services by MSMEs
c. To ascertain the level of financial literacy of MSMEs
d. To establish challenges which are being faced by MSMEs in accessing financial services

1.5. Research questions

What is the impact of the NFIS on accessibility of financial services by MSMEs in Nyanga?

1.5.2. Sub-research questions

a. Which financial services are readily available to MSMEs?
b. What is the level of usage of financial services by MSMEs?
c. What is the level of financial literacy on MSMEs?
d. What are the challenges being faced by MSMEs in accessing financial services?

1.6. Hypothesis

H_0: There is no impact of the NFIS on accessibility of financial services by MSMEs in marginalised areas

H_1: There is an impact of NFIS on accessibility of financial services by MSMEs in marginalised areas.

1.7. Research assumptions

a. There is high financial exclusion rate to MSMEs especially in small towns and rural business centers.

b. The respondents will provide honest expressions of their knowledge and will present reliable and correct information as perceived by the researcher.
c. The researcher will have enough resources to carry out and complete the study in the specified period.
d. All responses of questionnaires and interviews from the sample population would be reliable and can be used to represent the whole population.

1.8. Justification of the research

Undertaking this study is supported by benefits it will provide to various stakeholders:

1.8.1. Policy makers and vision 2030

The government set out the NFIS in order to improve financial accessibility and usage among other agendas. In line with the Zimbabwe vision 2030 of achieving an upper-middle income economy by 2030, one of the major thrusts is "the Ease of Doing Business". The Ease of doing business is among the broad measures being implemented in order to advance the administrative and legislative environment that promote both local and foreign investors. The NFIS fits perfectly well in this strategy thrust since it directly to a larger extent promote easy of doing business to our MSMES. This study will act as a yardstick to measure progress with regards to this initiative. If there is significant improvement and the strategy is progressing as per plan there will be need to reinforce the current operational strategy. However if there is no much positive impact of the strategy on the accessibility there might need to relook into the enablers and operational dynamics of the NFIS and align them with the needs for the special interest groups to achieve desired results by 2020.

1.8.2. Financial Service providers

Banks, microfinance firms, insurance companies and other financial institutions are solely into the business of providing financial services and this can be an opportunity to rethink on the strategies to tap into the neglected market. The research will enlighten them on the need by these special interest groups especially MSMEs so that they can tailor make existing product offering to suit and cater for these special clusters.

1.8.3. Special interest groups

Collation of views from special interest groups will assist policy makers, financial service providers and other stakeholders to understand the needs and expectations of the special interest groups from their viewpoint. This will allow further refinement of strategies, policies and products to meet their particular needs.

1.8.4. NGOs

Non-governmental Organisations for example UKaid, United Nations, Bill and Melinda Gates foundation specialise with special interest groups in alleviating poverty and the research will assist in identifying some gaps which might be still available with regards to accessibility of the financial service so that they can also further intervene.

1.8.5. The World Bank

As highlighted earlier, in 2013, the World Bank President announced a global target of universal financial access by 2020. Using this report they will be able to assess mileage that Zimbabwe has gained since the promulgation of the National financial inclusion strategy.

1.8.6. Academic and the researcher

The research will bring more insight to the body of knowledge on understanding the factors that are contributing to financial accessibility to special interest groups and proffer possible solution to enhance more accessibility and or creating a composite framework for adoption by the financial sector to guarantee effective implementation of financial inclusion strategies. In addition the research can prompt further research of other determinants affecting the financial accessibility in Zimbabwe. The research will also result in greater understanding on the financial service provision and the opportunities that are available in the financial market by the researcher while appreciating the use of national policies in economic development and sustainability.

1.9. Studies of financial inclusion in Zimbabwe and the research gap

In Zimbabwe, financial inclusion research and data have been in many reports and studies which include, but are not limited to national surveys, Finmark Trust's finscope surveys, financial sector regulators (Reserve bank of Zimbabwe, Insurance and Pension Funds Commission, Securities Exchange Commission, Government Ministries and Departments), other strategic partners such as World Bank Global Financial Index and IMF Financial Access Surveys. Studies include the one conducted by Chivasa and Simbanegavi (2016), Levin (2012), Chitokwindo *et al* (2014) among others and none of these concentrated on a particular cluster (MSMEs) in Nyanga District.

Chivasa and Simbanegavi (2016), illustrated that while financial exclusion though traditionally perceived as a bi-product of malfunctioning and distressed economies such as Zimbabwe, it is no longer something that the policy makers can afford to ignore, but should be considered to be an indispensable part of the overall macroeconomic policy to achieve sustainable development agenda. They added that, financial inclusion should be pursued with all vigor if the economy is to realize inclusive sustainable development and growth. Aggravating 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. The two conducted research on financial inclusion in Zimbabwe post hyper inflationary period focusing on barriers and effects on societal livelihoods, a case of Matebeleland North. However, this research was done before the NFIS of 2016 and was only confined to Matebeleland North; therefore the researcher felt the need to ascertain the level of improvement in Nyanga after the strategy formulation.

The work of Levin (2012) mainly focused on the change of the financial landscape which was brought about by Ecocash that is mobile money for the unbanked. It concluded that mobile money has immensely positively impacted on the Zimbabwean payment system providing access to financial services for the unbanked. This research again was prior the NFIS and also looked at one contributor to financial inclusion which financial innovation (mobile money).

In another study, Marime and Chakazamba (2016) sought to explore the chief reasons as to why the urban poor are financially excluded notwithstanding their proximity to key financial institutions. According to their findings, it shows that lack of a saving culture, self-exclusion,

financial literacy, high bank charges, structural changes in the labor market, and stringent account opening requirements coupled with strict risk assessment criteria and low disposable income as prescribed by service providers were the main reasons for the poor urbanites to be financially excluded. These above highlighted issues validates and supports the introduction of the NFIS, however in order to see the progress made on the NFIS specifically to MSMEs this research must be carried out and work as a reference point in line with intended goal.

Chitokwindo *et al* (2014) provided an overview of Zimbabwean financial inclusion using existing literature, driven by an exploratory approach. Their research indicated that mobile banking has come as a catalyst for financial inclusion, business development and poverty reduction. It showed that most of the people in the rural areas do not have bank accounts; hence they are excluded from the formal financial mainstream. Products such as Ecocash, NetCash and Telecash were cited to be improving the access to financial services to the previously marginalized groups. Their study was purely qualitative and did not sort to get the financial inclusion overview from the consumer perspective. In general, most of these researches focused on the supply side rather that the demand side of financial inclusion with the exception of the Finscore surveys providing a quantitative demand side data. In addition, these researches did not focus on the contribution of the 2016 strategy towards achieving the 2020 target since they were done before 2016 hence the need to carry out this study.

Ngwenya *et al* (2018) assessed the informal trader's perceptions of the post-multicurrency regime financial inclusion confidence challenges in Zimbabwe. The research concluded that there is still a challenge of confidence in the country's financial system. Though this research was post NFIS it only concentrated on the effects of confidence to financial inclusion and was confined to informal traders in Avondale (urban) area which presents the research gap on the geographical research set up.

1.10. Limitations of the study

This research is going to be conducted in Nyanga district and focussing on the demand side alone. In addition, the research will focus only on MSMEs in the special interest groups category. The research did not seek to differentiate MSMEs operating in Nyanga semi urban and those in rural

centres. However the research findings can be generalised to the whole population and also results from this special group can provide overall picture of how the financial inclusion initiatives have been adopted and impacted on financial services accessibility.

1.11. Organisation of the study

This study consists of five chapters:

1.11.1. Chapter one

This chapter has outlined the research problem and its setting. In particular, the chapter presented the background to the study and the statement of the problem. In this chapter included also are the research objectives, the research questions, assumptions, justification as well as the hypotheses of the study. This chapter is essential to the study in that it has laid the foundation upon which the entire study is built.

1.11.2 Chapter two

The second chapter extensively reviewed literature on financial inclusion. The sources of literature included reviewed journals, published books, magazines, organization databases and scholarly papers. In this chapter, various debates and arguments concerning the issues under discussion will be compared, contrasted and critiqued.

1.11.3. Chapter three

This third chapter will focus on the methodological aspects of the study. The chapter will principally present the, research philosophy, research strategy, research design, sampling design, data collection and the subsequent management of collected data.

1.11.4. Chapter four

The research findings, presentation and their meaning to evaluated work shall be dealt with in this chapter. The chapter will basically provide basis for conclusions and recommendation in chapter five.

1.11.5 Chapter five

This is the last chapter and it will sum up the entire study by presenting the conclusions and recommendations.

1.12. Chapter Summary

This chapter has introduced the study by presenting the research problem and its setting. This was done through highlighting the background to the study, statement of the research problem, objectives, research question, significance of the study and its justification also indicating how the research is going to be organized. The background revealed that the financial inclusion concept is not isolated to Zimbabwe as it has audience in many African countries and the world at large through the World Bank. The chapter also dwelt on discussing the research problem and how it can negatively contribute to poor economic development whilst briefly highlighting statically about the extent of the problem through some previous studies of financial inclusion in Zimbabwe. Research objectives were spelt out in the form of the main and sub-objectives and these were matched with the research questions which the study seek to answer. The justification of the study showed that although studies have been done on financial inclusion, not much research attention has been given to the impact of the national financial inclusion strategy on MSMEs. The chapter is very essential to the study in that it has set the stage upon which the entire research will take off. The subsequent chapter will extensively review literature related to financial inclusion, comparing with other countries, analyzing the future of financial inclusion and critically evaluating various notions about financial inclusion.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

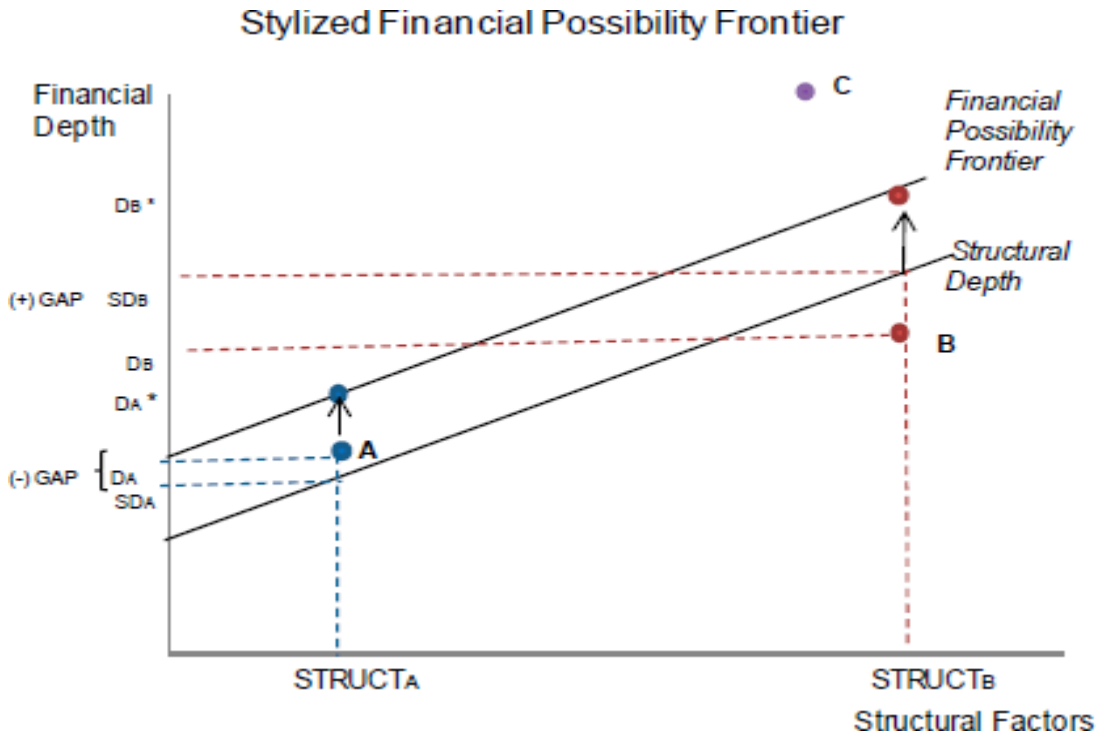
This chapter reviews literature on financial inclusion strategy and its impact on the accessibility of financial services by the special interest groups in particular the MSMEs. Literature review according to Prutina (2015) is very pertinent in academic writing because it lays a solid foundation for the research phenomena, and it also set the tone for the discussion of findings, conclusions, and recommendations. This chapter begins by highlighting the theoretical underpinning of financial inclusion strategy that is the financial possibility frontier. Defining the concept of financial inclusion (Zimbabwean and global perspective) and the underlying principles will follow. The NFIS and its stakeholders will be explained also specifically showing the importance of the Maya Declaration and showing the reason for identification of special interest groups in financial inclusion strategy. Financial exclusion will be briefly discussed. The literature on the definition and importance of MSMEs will be appraised. The chapter then goes on to review literature that connects financial deepening, financial development and financial inclusion. Pillars of financial Inclusion are going to be briefly highlighted. In addition, it will touch on the concept of making access possible which is a diagnostic tool and basis for financial inclusion road maps for many countries. A comparative analysis of financial Inclusion and the Islamic banking system was analysed to provide us with understanding on the effects financial inclusion to unique and specific economic regions. The link between financial Inclusion and sustainability will be covered, also narrowing it down to the African context. Furthermore, the literature dwells on the future of financial inclusion that is the digital financial inclusion and India offers best example called the India Stack: A Multi-Stakeholder Approach to Digital Financial Inclusion. Arguments for and against financial inclusion, opportunities and obstacles will be discussed. The chapter will then reflect on the measurement of financial inclusion and conclude by presenting the conceptual framework deduced from reviewed literature.

2.2. The theoretical framework

The study is premised on the financial possibility theory. Beck and Feyen (2013), building on previous work by Beck and de la Torre (2007) and Barajas *et al*. (2012), introduced the concept of the possibility frontier, which is the constrained best possible of financial development in an economy, as a diagnostic instrument to assess the gap between actual provision of financial services and demand from the real sector and identification of bottlenecks that prevent further financial deepening of financial institutions and markets, on one hand, and mitigate risks of overheating in banking or capital markets, on the other hand.

In their paper they focused on policies, incentives, and government interventions that can explain cross-country variation in financial sector development. In order to enhance understanding of the variation, they introduced the concept of a possibility frontier, which can be based on aggregate as well as on micro-level considerations. The frontier denotes the constrained optimum of financial depth or the share of population that can be commercially served in a sustainable manner, given structural country characteristics, technological constraints, and long-term policy choices. The frontier concept allows distinguishing between demand- and supply-side constraints and a classification of policies according to whether they aim at shifting the frontier outwards, moving closer to the frontier or at preventing the financial system from moving beyond the frontier to an unsustainable point, which ultimately will end in fragility. Illustration is as below:

Figure 2-1 Stylized financial possibility frontier



Source*: Beck and Feyen (2013).*

2.2.1. Explaining the frontier

Country A, a small low-income country with a greatly dispersed population (depicted as $STRUCT_A$) would be anticipated to have a slighter level of inclusion than Country B, a large high-income country with concentrated urban population (depicted as $STRUCT_B$). However, pro-finance policies and improved enabling environment can drive Country A to break through its structural constraints to register DA level of inclusion (DA> SDA). On the converse, country B, despite the fact that it has a higher level of access than country A it may underperform as compared to countries with similar structural characteristics (DB < $STRUCT_B$). As a result, well-thought out pro-finance policies and superior enabling environment can compel access upward for African countries with mixed structural characteristics, to ultimately reach a maximum sustainable level(Evans & Adeoye 2016).

2.2.2. Using the frontier to define policy options for financial sector deepening: Beck and Feyen (2013),

Identifying a country's position relative to the financial possibility frontier is an initial step towards defining a satisfactory policy mix to attain an optimum, long-term sustainable level of financial sector development. Three sets of policies that are applicable, firstly to push the frontier outwards (market-developing policies); secondly push the system towards the frontier (market-enabling policies) and lastly prevent the financial system from moving beyond the frontier (market-harnessing policies). All these policy areas focus on overcoming market frictions and market failures and aim at better functioning markets. They are in contrast to market-replacing policies that seek to substitute market with government mechanisms.

2.2.3. Market-developing policies

These policies aim at pushing out the financial possibility frontier. Such reforms include, for instance, legal (even constitutional) alterations and substantial upgrading of macroeconomic (particularly fiscal) operations. According to Boyd, Levine and Smith (2001) as cited in Beck and Feyen (2013) cross-country comparisons suggest that macroeconomic stability is critical for financial deepening. Constraints imposed by market size can be partly prevailed over through regional integration and foreign bank entry, although risks have to be carefully managed, as evidenced by the global financial crisis. An extensive literature has shown that strengthening informational and contractual frameworks (e.g., building or upgrading of credit registries, collateral, risk insurance, financing models) and providing supporting market infrastructure can help to push out the frontier (Djankov, McLiesh and Shleifer, 2007, among others). Beck and Feyen (2013) stressed that, these market-developing policies are long-term in nature, as they do not only engage deep and often drawn-out political processes, but their benefits also materialize over a longer horizon.

2.2.4. Market-enabling policies

These policies help drive a financial system closer to the frontier, and include more short- to medium-term policy and regulatory reforms (Beck and Feyen 2013), financial inclusion strategies are the main tools used to foster these policies. For instance, policies aimed at fostering greater competition can result in efficiency gains, as illustrated, by the recent vigorous expansion of profitable micro-and consumer lending across many developing countries. Such policies can also include removing regulatory impediments. For example, deposit mobilization and credit expansion

in transition economies only took off when disinflation became entrenched (IMF, 2012). Enabling policies are not just limited to allowing new entry and facilitating greater contestability, but also include "activist" competition policies, such as opening up infrastructures (e.g., payment systems and credit registries) to a broader set of institutions, or forcing institutions to share platforms and infrastructure. Beyond targeting competition, market-enabling policies can address hindrances such as coordination failures, first mover disincentives, and obstacles to risk distribution and sharing in financial markets. While these government interventions can be diverse, they tend to share a common feature in terms of creating incentives for private lenders and investors to step in, without unduly shifting risks and costs to the government (e.g., providing partial credit guarantee schemes and establishing joint platforms).

2.2.5 Market-harnessing or market-stabilizing policies

A final set of policies seek to prevent the financial system from moving beyond the frontier (i.e. the sustainable long-term equilibrium.). This set of market-harnessing or market-stabilizing policies include risk supervision and management, and consist of the regulatory and supervisory framework, macro-economic and macro-prudential management. These include improving regulatory frameworks to mitigate risks branching from increased competition from new non-bank providers of financial services, carefully standardizing the pace of financial liberalization to the prudential oversight capacity, and crafting cross-border regulatory frameworks to mitigate risks stemming from enlarged international financial integration. Such policies are also important on the user.

IMF, (2012), provided examples, for instance the development of the government bond market in Mexico was encouraged by the exclusion of compulsory lending to the government by banks.

It is evident from the theoretical view discussed above that the Zimbabwean NFIS 2016 is a strategy which was motivated mainly by the market enabling policies approach of the financial possibility frontier since it seeks enhance financial usage and access of financial services. Using this approach, the government is able to push financial performance to its optimal level, which is on the frontier.

2.3. Defining Zimbabwe financial inclusion

In the context of Zimbabwe, financial inclusion is defined as the effective use of a wide range of quality, affordable & accessible financial services, provided in a fair and transparent manner through formal / regulated entities, by all Zimbabweans. According to the NFIS (2016) this entails access to and usage of a wide spectrum of products and services provided by various players in the financial services sector, including banking, insurance, pension, capital markets, microfinance, developmental financial institutions and payment systems. The comprehensive motivation for the National Financial Inclusion Strategy is to enable in-depth analysis of barriers to financial inclusion and identification and implementation of coordinated strategies during the Strategy period of 2016 - 2020. The NFIS seeks to tackle the broad barriers to financial inclusion through implementation of key priority measures with the view to reducing the level of financial exclusion.

In line with financial inclusion vision, the NFIS is very important for the establishment of a framework for the co-ordination of financial inclusion initiatives; identification of priority action points; identification of key stakeholders; provides a monitoring & evaluation framework for the attainment of financial inclusion goals and also provides a basis for ongoing engagement on financial inclusion matters by key stakeholders (Zimbabwe NFIS 2016).

The Zimbabwean NFIS 2016 provide principles underlying the definition of Financial Inclusion in Zimbabwe which are summarized as below:

2.3.1. Effective Use

It is expected that the successful implementation of the financial inclusion strategy will result in the use of financial services being a part of the day to day living of Zimbabweans. The use of formal financial products should not be considered the preserve of a few but a way of life for all. Usage of financial products can be measured by the regularity, frequency and sustainability over time. Effective usage of financial service is underscored by Faye & Triki (2013) who alluded that a more complete understanding of financial inclusion should speak to how frequently clients use products, if the products are effectively meeting their needs, and if they are better off as a result. Therefore, in defining and measuring usage and quality adding up to simple access would be very useful for a comprehensive perspective and analytical purposes.

2.3.2. Wide Range of Products & Services

Financial inclusion as defined in this strategy covers a wide spectrum of financial products and services, including banking, insurance, pensions, remittances, credit and investment products, which when used is likely going to improve the welfare of consumers.

2.3.3. Quality

The financial services afforded to the Zimbabwean population must be appropriate for their requirements and needs. Providing quality financial products guarantees that the products have a positive impact on the welfare of users. This is supported by AFI (2010), which indicated that quality provides a measure of the relevance of the financial service or product on the lifestyle needs of the consumer also encompassing the experience of the consumer, confirmed in attitudes and opinions towards the currently available products.

2.3.4. Accessibility

Financial service delivery channels must available with no restriction and should be within the proximity of intended beneficiaries so as to promote regular use of the same. The Oxford dictionary also defined accessibility with reference to the feature that increase usability to the users that are disadvantaged, in this case the MSMEs. The strategy when successful addresses accessibility of financial products and services to the majority of the population including the special interest groups.

2.3.5. Fairness and Transparency

The strategy seeks to make sure that the marginalized sections of the Zimbabwean population get access to suitable products and services devoid of being subject to exploitation. This stimulates trust in the products in the long run. The strategy also addresses issues pertaining to consumer protection and customer education with the aim of empowering consumers.

2.3.6. Formal / Regulated Entities

The focus of the strategy is to make official the provision of financial services to the marginalized population in Zimbabwe. This reduces exploitation of low income groups by informal service providers while promoting stability of the financial system. Financial inclusion also helps to

administer money laundering risks by ensuring that the bulk of transactions are conducted through the formal financial system which permits more effective monitoring.

2.3.7. Sustainability

Achieving financial sustainability implies reducing transaction costs, offering enhanced products and services that meet client needs, and finding innovative ways to reach the unbanked.

2.4. National Financial Inclusion Strategy

According to the AFI (2018), a national financial inclusion strategy (NFIS) is a comprehensive public document that unveils a strategy developed at the national level to methodically accelerate the level of financial inclusion. It is developed through an extensive consultative process connecting, among others, public and private sector stakeholders concerned in financial sector development (World Bank 2012). Basically, a NFIS will include an analysis of the current status of, and constraints on financial inclusion in the country, provide a measurable financial inclusion goal, proposal on how to reach the goal and by when, and measurement framework of the progress and achievements of the NFIS. NFISs is described as roadmaps of actions, agreed and defined at the national or sub-national level, which stakeholders follow to achieve financial inclusion objectives, these road maps support thematic strategies and action plans (Mckinsey, 2011).

2.4.1 Stakeholders of the National Inclusion strategy

The Nigerian NFIS (2018) presents a summarized category of stakeholders involved in the financial inclusion strategies as providers, enablers, supporting institutions and consumers. Providers comprise of institutions that provide financial products and services, as well as their partner infrastructure and technology. Enablers are regulators and public institutions responsible for setting regulations and policies on financial inclusion. Supporting institutions: consist of institutions that enhance and support a nation's efforts to achieve the national financial inclusion goals. Lastly, consumers are users of financial services, the target adult population in the country, including Micro Small and Medium Enterprises (MSMEs), Farmers, Artisans and all economically lively people particularly those in the informal sector. In Zimbabwe however the stakeholders are separated and their roles clearly laid out as per table below.

Table 2-1: Financial inclusion stakeholders in Zimbabwe

Categories	Institutions	Main tasks
Secretariat Reserve Bank of	Reserve Bank of Zimbabwe – Bank Supervision	RBZ to spearhead the development of the NFIS.,Store information on Financial Inclusion database in Zimbabwe and global trends in Financial Inclusion, Coordinate data collection from regulators and other institutions, Consolidation of information to enable comprehensive monitoring, Track and monitor progress on Financial Inclusion targets, Prompt aggregation of data received from regulators, Follow-up and close monitoring to ensure that each regulator delivers accurate data when due, Develop content for Financial Inclusion Committee meetings, Circulate minutes and reports and monitor the fulfilment of action items.
Regulatory Authorities	Reserve Bank of Zimbabwe, Insurance and Pensions Commission, Securities & Exchange Commission of Zimbabwe, Deposit Protection Corporation, Postal & Telecommunication Regulatory Authority of Zimbabwe	Create an enabling environment for competition between operators in each sector whilst protecting consumer interests, Ensure that regulatory and supervisory frameworks that support Financial Inclusion initiatives are in place, Improve the legal, regulatory and supervision framework of institutions under jurisdiction, Creation of an institutional framework with clear lines of accountability and co-ordination within itself; and also encourage consultation across multiple stakeholders, Provide advice to various government ministries on technical issues to support financial inclusion initiatives,Ensure implementation of a comprehensive and coordinated approach to financial consumer protection.
Government Ministries	Ministry of Finance & Economic Development,	Cultivate a broad-based government commitment to financial inclusion.
	Ministry of Information, Communication Technology, Postal and Courier Services	Promote technological and institutional innovation as a means to expand financial system access and usage.
	Ministry of Agriculture, Mechanisation and Irrigation Development	Facilitate implementation of agriculture related policies and initiatives
	Ministry of Lands & Rural Resettlement	Facilitate implementation of rural development policies
	Ministry of Primary & Secondary Education; Ministry of Higher and Tertiary Education, Science and Technology	Implement policy to engender financial literacy and financial capability programs amongst the citizenry. This includes ensuring schools and college curricula incorporates financial literacy programs, Collaborate in the implementation of financial education activities
	Ministry of Small & Medium Enterprises and Cooperatives Development, Ministry of Women Affairs, Gender & Community Development, Ministry of Youth	• Promote use of formal banking services by members. • Promote empowerment of women and other marginalized groups
	Zimbabwe National Statistics Agency (ZIMSTAT), Zimbabwe Economic and Policy Research Unit, Consumer Council of Zimbabwe, Small and Medium Enterprises Development Corporation	Provide up to statistics on financial inclusion, Provide statistic on demographic trends, Crafting economic policies and provide researches in financial inclusion issues, Providing consumer education in financial inclusion issues, Provide up to date data on individual and SME borrowers, Provide training on financial literacy issues
Financial Institutions	Financial Sector Institutions	Overcoming geographical gap through provision of innovative and low cost financial services delivery channels.
Telecommunications Companies	Mobile Network Operators	
Development partners, and consulting Agencies	Finmark Trust, Alliance for Financial Inclusion,World Vision, World Bank, DFID USAID, Making Finance Work for Africa FinMark Trust, Zimbabwe Microfinance Fund, Zimbabwe Agricultural Development Trust, GIZ, HIVOS	Provision of technical and financial support, Coordinate with each other and also with Government in the support offered, Provide technical and financial assistance for the implementation of the financial inclusion strategy, Monitor the implementation of the Financial Inclusion Strategy , Facilitate peer learning on financial inclusion, Provide a knowledge base for financial inclusion, Conduct surveys and provide data on financial inclusion
Associations and Networks	Bankers Association of Zimbabwe Zimbabwe Association of Microfinance Institutions, Association of Investment Managers of Zimbabwe, Association of Stockbrokers, Insurance Council of Zimbabwe, Zimbabwe Insurance Brokers Association, Zimbabwe Association of Funeral Assurers, National Association of Savings & Credit Unions of Zimbabwe, Zimbabwe Association of Pension Funds	• Represent members' ideas on financial inclusion issues. • Ensure transmission of information between members of Associations and the regulatory authorities.

Source: *Zimbabwe NFIS (2016)*

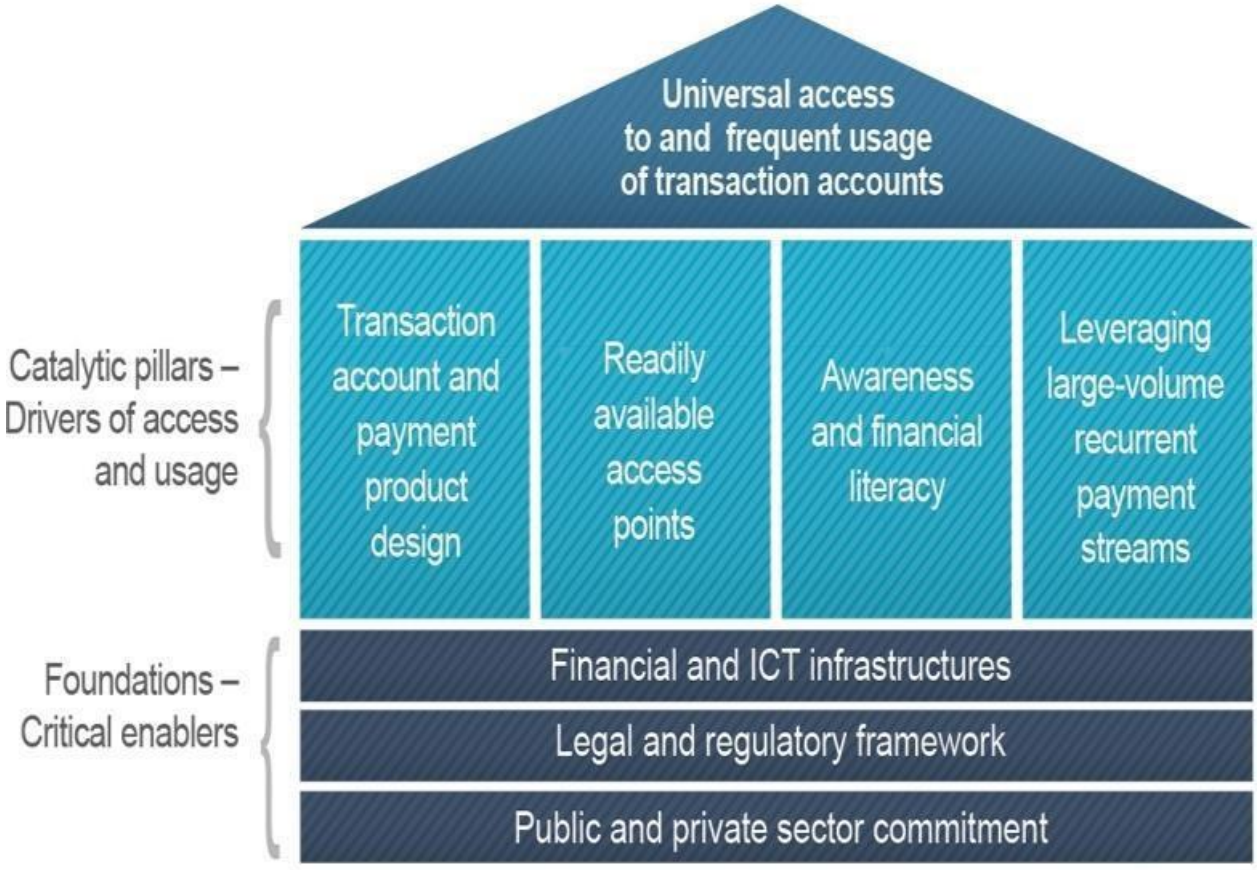
2.5 Maya Declaration

AFI (2012) describes the Maya Declaration as the first global and measurable set of pledges by developing and emerging country policy makers to release the economic and social potential of the 2.5 billion poorest people with a way of greater financial inclusion. The main aims of declaration includes, creation of an enabling atmosphere to connect new technology that enlarge access to and lower the costs of financial services, implementation of a framework that advances synergies in financial inclusion with integrity and stability, Integration of consumer protection and empowerment as a key support of financial inclusion and utilization of data for informed policymaking and tracking results.

2.5.1 The Determinants of global financial inclusion

The World Bank (2012) has categorized three significant foundations for financial inclusion, that is, private and public sector commitment, a conducive legal and regulatory framework and sufficient financial information and communications technology (ICT) infrastructure. These critical foundations would then create a base for vital drivers of access and usage, that is, a wide range of financial products and services, access points, awareness and financial literacy and leveraging large-volume recurrent payment streams. This can be illustrated diagrammatically as below:

Figure 2-2: Determinants of global financial inclusion



Source: *CGAP/World Bank. Financial Inclusion (2012)*

2.6. Financial exclusion

Mukherjee (2015), defined financial exclusion by highlighting its five forms, (condition, price, access, marketing, self). Condition exclusion is when exclusion happens due to circumstances that are unsuitable for some people e.g requirements for loan application. Price exclusion relates to the exclusion that happens due to exorbitant prices of financial products. Access exclusion is where sections of population are excluded from the financial structure due to the procedure of risk management of the financial system and or remoteness. Marketing exclusion is when exclusion arises due to targeted marketing and sales of financial products. Mukherjee (2015), further explained that self-exclusion takes place when certain groups of citizens exclude themselves from the formal financial system owing to various reasons e.g fear of refusal, religion or psychological barriers. Literature has established that whilst there is involuntary financial self-exclusion, there

is, as well, voluntary financial exclusion (de Koker & Jentzsch 2011). The voluntarily self-excluded refuse to use financial services for the reason that they are not in need for them or for cultural or religious reasons (Beck, Demirgüç-Kunt and Honohan, 2009). The willingly excluded lacks trust in the financial system (Dittus and Klein, 2011) or faces barriers such as affordability, inappropriate product design and inability to meet eligibility criteria.

2.7. Special interest groups

The Zimbabwe NFIS (2016) highlighted that the approach focuses on improving financial inclusion for all Zimbabwean adults, and also recognizes the needs of special interest groups, that is women, youth, MSMEs, the rural and the small scale agricultural communities. Social norms and prejudices still anchored in societies which restrict women's financial inclusion, employment and resources, and thus hinder their economic empowerment opportunities (Boukhali, 2018). The UN Youth (2017) also identified youth as special interest groups since they are often excluded from access to formal financial services. Reasons include legal restrictions, high transaction costs and negative stereotypes about youth. Ibor et al (2017) identified MSMEs as special interest group; they indicated that with regards to credit, MSMEs are limited when compared to loans granted to larger firms. The reason is that, MSMEs are strongly restricted in accessing the capital that they require to grow and expand, with nearly half of MSMEs in developing countries indicating access to finance as a major constraint. The argument for including rural as special groups is supported by Matunhu & Mago (2013), who concluded that in Africa, rural areas suffer from financial exclusion and it is vindicated by very little or non-existence of rural banking facilities or any financial institution.

2.7.1 Defining Micro, Small and Medium Enterprises

The definition is derived from the Small and Medium Enterprises Act (Chapter24:12). According to the act, an MSME is a legal business entity defined by the following variables, autonomy not subsidiary branch or associate of a large business organization, number of permanent workers, capitalization excluding fixed assets, turnover, economic sector and registration and/or licensing. For this research the MSMEs are going to be selected based on autonomy and classification according to fixed number of employees as per table below:

Table 2-2: Classification of MSMEs by number of full time employees

Sector or Subsector of economy	Size or Class	Maximum total number of full time paid workers
Arts, Entertainment, Culture, Education and Sport	Medium Small Micro	75 30 5
Mining and Quarrying	Medium Small Micro	75 40 5
Manufacturing	Medium Small Micro	75 40 5
Construction	Medium Small Micro	75 40 5
Energy	Medium Small Micro	75 40 5
Financial Services	Medium Small Micro	75 30 5
Transport	Medium Small Micro	75 40 5
Retail	Medium Small Micro	75 30 5
Tourism & Hospitality	Medium Small Micro	75 30 5
Services	Medium Small Micro	75 30 5

Extracted from: *National Micro, Small and Medium Enterprises Policy Framework (2014 -2018) document*

2.7.2. Nature of MSMEs with respect to access to finance

Nemoto and Yoshino, (2019), provided a comprehensive analysis on the nature of MSMEs, they concluded that providing financial services to SMEs normally involves greater costs and higher risks as weighed against serving other types of enterprises. Small businesses have a low base of assets that can be pledged as collateral, inconsistence sources of revenue, and limited liquidity and these factors increase credit risk. Looking from it from a cost perspective, commercial loan provision involves significant operational costs with respect to loan origination, regulatory compliance, customer acquisition, due diligence, document processing and credit risk analysis. In addition, since MSMEs are regarded as high risk, loan servicing brings additional costs. The borrowing amount differ per type of client, MSMEs borrow small amounts of money hence lenders may find such loans less profitable, despite charging higher interest to account for greater credit

risk. For banks and other financial institutions to benefit out of these small loans they rely on economies of scale lending to large number of customers. Further to these problems is the fact of MSMEs having "thin file", this means that have limited to no credit histories. Naturally, many SMEs will be first time borrowers, they will have never received funding from the formal financial system due to early speculative stage characteristic or due to limited collateral to back bank loans. In this regards many developing countries like Zimbabwe, lacks vigorous credit rating systems and even firms with some good credit history may not be eligible for loans. This limited availability of conventional data for credit risk assessment affect banks' lending decisions, in turn lead to higher interest rates for SMEs or limiting financing outright.

2.7.3. Importance of MSMEs in Socio-economic development

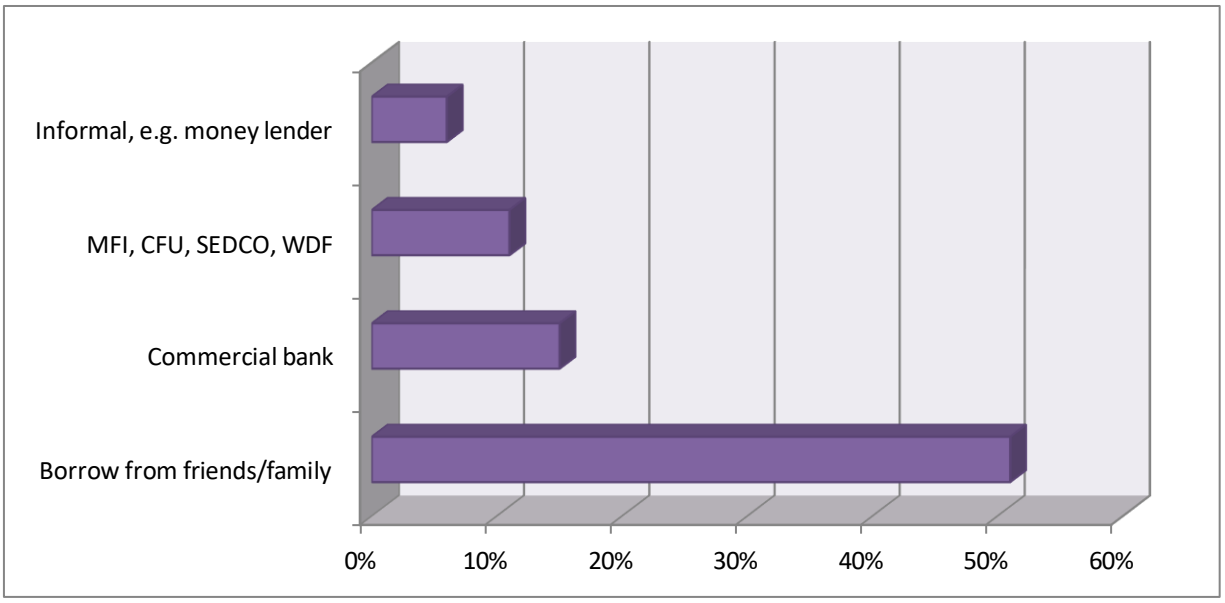
In both developed and developing countries MSMEs proves to be the major contributor to the employment and economic development at large. In UK according to the report by EY in 2018, UK SMEs are a large and growing market with turnover of £1.9tn and account for approximately 99% of private companies. SMEs are the lifeblood of the UK economy. Despite the financial crisis, the total number of SMEs has grown over the previous decade. They have been instrumental to job creation, with approximately 16.1mn employees in 2017, representing 60% of all private sector employment. The importance of MSMEs is supported by, Nemoto and Yoshino, (2019), who indicated that they play a fundamental role as a driving force in economies around the world, especially in developing and emerging markets. MSMEs in the ASEAN region are estimated to comprise more than 98% of the total number of enterprises, and they contribute to around 40% of gross domestic product. As a recommendation, they submitted that in order to augment productivity and ensure sustainable growth in Asia, making available smooth financing for MSMEs is of critical importance. Another research by World bank group (2018), reflected that MSMEs) account for over 90% of firms worldwide. A joint IFC and McKinsey study in 2010 estimated the total number of formal and informal MSMEs globally at 420-510 million, with the majority of firms365-445 million located in developing economies. The study concluded that SMEs play a critical role in the global economy through contributing significantly to employment and generating the majority of jobs in developing economies. MSMEs are also found to be substantial contributors to overall value added in these economies. Recognizing the significance of MSMEs, the World Bank Group's SME finance portfolio includes almost $4.8 billion in active

lending, with 61 lending projects in 47 economies worldwide as of January 2018 (World Bank 2018).

2.8. Status of financial inclusion in Zimbabwe before the 2016 NFIS

Finscope, (2012), provides that the Zimbabwean SME sector employs about 5.7 million people significantly reducing poverty and ensuring access to basic goods and services to the marginalized. The bulk of the entrepreneurs leading/managing the SMEs are males and, given the extraordinary unemployment rate in Zimbabwe, their motive to embark on business activities has been driven mostly by the need for survival and the upkeep of families (Finscope, 2012). It is key to provide financial support to this sector however about 43% of the owners of SMEs are financially excluded, i.e. they do not use any financial products or services. This translates to about 1.2 million people financially excluded. About 50% of the SMEs use informal mechanisms to manage their operations. A mere 18% of the SMEs are formally served by the financial sector and only 14% are banked. The Finscope (2012) study further indicate that SMEs tend to use credit obtained from family and friends, while 65% of SMEs preferred to keep the money at home, which further explains the relationship gap between SMEs and the financial sector. In this regard, informal moneylenders capitalize on this situation and charge exorbitant interest rates because they know SMEs are unwilling to transact with financial institutions (Finscope, 2012). On borrowing mechanisms, of those who borrow (15%), about (51%) borrow from friends and family. A quarter of MSME owners who borrow obtained loan(s) from a bank (15%) and only 6% borrow from informal mechanisms such as money lenders.

Figure 2-3 Borrowing mechanisms (of those who borrow) MSMEs in 2012.



Source: *Finscope (2012)*

The graph confirms that the majority of SMEs borrow largely from their friends and family members. This scenario reveals limited access to financial services and products that is high level of financial exclusion.

2.9 Understanding financial deepening, financial development and financial inclusion

Beck (2013), provided gripping definitions and link between these three concepts. Beck referred to financial development as a broad concept denoting the availability of a wide array of financial services to households, enterprises and government, provided efficiently and sustainably by a large number of different providers in a variety of competitive and contestable markets. Financial deepening on the other hand is the process that leads to financial development. There are several terms that denote specific dimensions of financial development, these include:

(i) Financial depth, which refers to the quantity of financial transactions in an economy,

(ii) Financial breadth, which refers to the mixture or diversity of providers and segments of the financial system, including banks, capital markets and contractual savings institutions, and

(iii) Financial inclusion refers to access to and use of financial services by a large share of the household and enterprise population in a society including the special interest groups.

2.10. Pillars of financial Inclusion

The Zimbabwe NFIS (2016) designed four main pillars that financial inclusion will revolve around, namely financial capability, financial innovation, financial consumer protection and microfinance. These can be summarized in the table below:

Table 2-3: Pillars of financial inclusion and their purpose

Pillar	Purpose
Financial innovation	Seeks to advance access to financial services by leveraging on advancements in information technology and building suitable financial products for varied financial customers.
Financial literacy	To address financial literacy deficiency in the country, through financial education programs that will allow consumers to acquire knowledge, skills, attitude and behavior to be conscious of financial opportunities, make informed choices and take effective action to improve their welfare.
Consumer protection	To promote consumer confidence in the financial system through product pricing transparency, limiting exploitation of consumers by service providers particularly the low-income households.
Microfinance	Provision of financial services to low income households and micro, small and medium enterprises which are affected by reasonably higher levels of financial exclusion. The NFIS seeks to implement measures to improve the performance of the microfinance sector to enhance its contribution towards financial inclusion objectives.

Source*: Zimbabwe NFIS (2016)*

2.11. Making Access Possible

Financial inclusion is a fairly new concept in macroeconomic focus, hence the first Making Access Possible (MAP) Diagnostic was developed in Myanmar in 2014, it was based on the 2013 FinScope demand survey. This marked the subsequent development of a Financial Inclusion Roadmap which has been partially implemented over the past three years (2016–2018). Given the fast-changing rate of Myanmar's financial markets, the limited life of demand-side data, and the need to fine-tune the focus of national financial inclusion activities, a 2018 MAP study was undertaken to update the financial inclusion priorities and generate a revised Roadmap.

The MAP 2018 applies the first diagnostic report as the starting point for hypotheses and looks at key alterations and market developments. It provides insights into the improvement attained in financial inclusion over the past five years. The 2018 MAP helped to improve the focus and relevance of Financial Inclusion (FI) interventions carried out on the basis of the 2014 Myanmar MAP Diagnostic Report, to ensure maximum impact. The contemporary substantiation which arised from the 2018 Diagnostic will serve as the foundation for an updated Roadmap, and

reassessment to set renewed targets for the years ahead, with an updated Roadmap document, the Myanmar Roadmap, 2018–2022.

In each country in which MAP works, the Financial Inclusion Roadmap is based on the MAP Diagnostic, which collates and synthesizes detailed demand-side data (on how financial services are used), supply side information (on products and financial service providers) and regulatory information, to present a rich picture of the country's financial sector dynamics, achievements, gaps, constraints and opportunities. This picture is used to identify where the most feasible and potentially effective reforms and interventions can take place to improve financial access. In Zimbabwe the concept was also adopted in 2016, where the MAP methodology and process has been developed jointly by United Nations Capital Development Fund (UNCDF), FinMark Trust (FMT) and the Centre for Financial Regulation and Inclusion (Cenfri) to foster inclusive financial sector growth.

2.11.1. Promoting financial inclusion

Literature has identified numerous factors that promote financial inclusion crosswise countries.

Firstly there are structural factors, which primarily determine the costs or expenses of providing financial services to the population. As an example, a geographically small country with its residents concerted in a few urban centers will find it much less costly to extend financial services to the whole population than a big country with a dispersed population; thus financial inclusion will naturally tend to be higher in the former. Secondly there are policy-related factors, these have been found to be relevant in creating an enabling environment for financial inclusion and this is the main motivation for the crafting of the 2016 NFIS in Zimbabwe.

Inessa and Martínez-Pería (2012) show that bank competition is linked to greater financial inclusion; everything being equal, in countries with more competitive banking systems a greater share of firms has access to a loan, overdraft, or bank credit lines at competitive rates. Competition can bring about innovative banking, Inessa, Pería, and Singh (2013) find that the innovative introduction of movable collateral registries increases firms' use of credit and reduces the degree to which firms consider access to finance to be an obstacle to their growth prospects.

As a third factor for promotion of financial inclusion, non policy characteristics, these are also relevant: for example, for sub-Saharan Africa, Aga and Martinez Pería (2014) show that inflows of international remittances play a part as well; remittance-recipient households are more likely to have a bank account.

2.12. Financial Inclusion and the Islamic banking system: The qualitative empirical evidence

Naceur *et al* (2015) studied 57 countries and wrote a compelling research on financial inclusion on Islamic baking. Islamic banking, can be defined as non-interest banking, it is a system governed by the doctrine of Islamic or Sharia law and Islamic economics. Their paper provided the empirical results for a possible link between the presence and activity of Islamic banking and financial inclusion, across a wide array of measures of both. Firstly they specifically explored the IMF's FAS and the World Bank's Findex and Enterprise Survey to examine the extent to which Islamic banking development is related to trends in supply-side and user-side measures of financial inclusion in Muslim countries. According to findings, it presents a mixed picture of Islamic banking and financial inclusion, the first pass of the data suggested that, though physical access to financial services has increased more rapidly in OIC (Organization of Islamic Cooperation) countries, it seemed to be the case that OIC countries in recent years are still less financially inclusive than the rest of the world, in part because of religious self-exclusion. Conversely, the Islamic banking OIC countries seemed to have slightly higher levels of inclusion, signifying that religious self-exclusion had been mitigated to some extent.

In addition, they conducted two types of tests, one to assess whether the different supplier-side and user-side measures of financial inclusion are correlated using different measures of Islamic banking, and the other to assess to what extent this relationship holds once structural determinants of financial inclusion are fully accounted for. The research found out that, after accounting for country income per capita, the lower financial inclusion for OIC countries remained significant, but it was no longer the case that the Islamic banking subgroup outperformed the other OIC countries. Furthermore, they found some evidence that Islamic banking presence and activity were associated with better inclusion with regard to bank credit by households and by firms as a means to finance investment. Finally, they found no significant impact of Islamic banking; nor did they find significant differences between OIC countries and others. Thus, they found weak and tentative evidence of Islamic banking's positive impact on some types of inclusion.

The work of Naceur *et al* (2015) proposed several recommendations for enhancing the contribution of Islamic finance to financial inclusion. Specifically, they proposed changes to the operating model of Islamic banks that may improve inclusion. Additionally, the potential improvement of Islamic microfinance could be explored, as well as the establishment of Islamic equity funds for SMEs and the institutionalization of Islamic redistributive mechanisms. Finally, enhancing financial infrastructure, introducing new competition in the banking system, improving the quality of credit information, and enhancing the efficiency of the legal system will help promote financial inclusion. This indicative of the fact that there is still more work to be done for achieving a financially inclusive environment since the financial sector with Islamic banks also reveals the traits of financial exclusiveness similar to economies with conventional.

2.13. Financial Inclusion and sustainability

As indicated by, Baldassarre *et al* (2017), in recent times, the need for sustainability has led to the development of various innovative sustainable business approaches. To be more specific, the subject of sustainability has been viewed from the social perspective, the technological perspective, and the organizational perspective. Furthermore, eight archetypes have been categorized into three sustainable dimensions: technological, social and organizational dimensions. (Bocken *et al*, 2014). Yip and Bocken, (2018) described technological sustainability as the process of adopting innovative actions that efficiently utilize energy in the maximization of materials while social sustainability focuses on striking a balance between the attainment of basic needs and not dilapidating the environment . Organizational sustainability highlight the need for firms to be more concerned and committed to the future welfare of the organization's environment while chasing their present goals.

Weber (2005) indicated that sustainability can be seen as a strategy needed to steer values, which has also been considered to be the desire of clients. This implies that there is need for improvement in the sustainable performance of financial institutions. In the quest to have more sustainable approaches it has led to the improvement of microfinance institutions which are established for the purpose of improving social performance. This drive to improve social performance is however contrary to the conventional motives of most financial firms which is maximizing profits, but has become a valuable mechanism in the attainment of social and financial performance (Daher and Le Saout, 2013).

Furthermore, in order to improve sustainable performance it requires inculcating sustainability in the guidelines of financial firms not only locally but also internationally, (Oyegunle and Weber 2015). The crafting of the NFIS in 2016 is in line with the need for sustainable financial performance. In the international scene, the call for an improvement in sustainable performance has led to the development and adoption of a sustainable developmental goal (agenda 2030) by the member states of the United Nations that has the main aim of attaining social and economic growth as well as to ensure global partnership (United Nations 2015). This initiative has been supported by powerful regional financial regulatory bodies such as the EIB through the establishment of the "sustainable awareness bond", which is aimed at also encouraging sustainable businesses and is in tune with the goals of agenda 2030.

Banks are a major component of financial markets, subsequently on financial inclusion therefore the role of banks in the economy calls for a greater sustainable approach to be adopted by firms in the industry. GABV (2012), supported that, sustainable banking can be seen as a process of make use of financial products and services in creating a prosperous environment. Financial inclusion is a perfect strategy to be adopted by the any nation to support banking sustainability.

2.13.1. Financial Sustainability in an African context

The aspect of banking sustainability has been appreciated and adopted by few countries in African judging with the statistics of unbanked adults in the recent study by Kariuki (2015). Kenya is one of the African countries that have gained considerable mileage with regards to financial development. In order to emulate developments in Kenya, Zimbabwe in the quest to foster financial inclusion and enhancing sustainability many lessons can be drawn from the Kenya Bankers Association (KBA) as they seek to tackle their financial sustainability.

The financial sector in Kenya is bank-led which explains why the banking sub-sector is leading the current efforts towards sustainable finance. Nowadays, Kenyan banks like most banks are not only doing traditional commercial banking. Almost all top commercial banks have departments dealing with investment, microfinance, custodial services, insurance, private equity ventures and also engagement with the capital markets to raise long term funding.

The Kenyian Bankers Association adopted the definition of sustainable banking by, IFC (2014), which described it as a business strategy that balances economic, social and environmental issues

in business which is similar to previously discussed definitions. Sustainability banking integrates social and environmental considerations in lending decisions, ensures good governance, transparency and integrity; also promoting environmental protection; embeds resource efficiency and brings about financial inclusion by supporting small and medium enterprises. The KBA research paper by Kariuki (2015), proposed the adoption of a hybrid approach in implementing sustainable banking in Kenya. The model would harness the positive attributes of market-driven and compliance approaches to regulation. Such a model could have voluntary codes and guidelines developed by the industry, and a regulator to enforce and ensure compliance with those guidelines. In Zimbabwe, the adoption of such models can also enhance the financial inclusion strategy and move towards a sustainable financial system.

2.14. The future of financial inclusion: Digital financial inclusion

The GPFI (2017), published a report on the emerging policy approaches on digital financial inclusion providing insights and recommendations in view of the increasing pace and complexity of innovation and adoption of digital technologies in the financial sector, this means that policymaker and regulator approaches must also evolve and be tailored to country contexts.

In 2016, the G20's Global Partnership for Financial Inclusion (GPFI) published High Level Principles for Digital Financial Inclusion (HLPs) which was aimed to catalyze government actions to drive financial inclusion through a focus on digital technologies. Different countries are implementing measures in line with the HLPs with examples to cited below.

Table 2-4 The summary of High Level Principles for Digital Financial Inclusion

High Level Principles	Summary Purpose
Principle 1	Promote a Digital Approach to Financial Inclusion: Promote digital financial services as a priority to drive development of inclusive financial systems, including through coordinated, monitored, and evaluated national strategies and action plans.

Principle 2.	Balance Innovation and Risk to Achieve Digital Financial Inclusion: Balance promoting innovation to achieve digital financial inclusion with identifying, assessing, monitoring and managing new risks.
Principle 3	Provide an Enabling and Proportionate Legal and Regulatory Framework for Digital Financial Inclusion: Provide an enabling and proportionate legal and regulatory framework for digital financial inclusion, taking into account relevant G20 and international standard setting body standards and guidance.
Principle 4	Expand the Digital Financial Services Infrastructure Ecosystem: Expand the digital financial services ecosystem—including financial and information and communications technology infrastructure—for the safe, reliable and low-cost provision of digital financial services to all relevant geographical areas, especially underserved rural areas.
Principle 5.	Establish Responsible Digital Financial Practices to Protect Consumers: Establish a comprehensive approach to consumer and data protection that focuses on issues of specific relevance to digital financial services.
Principle 6	Strengthen Digital and Financial Literacy and Awareness: Support and evaluate programs that enhance digital and financial literacy in light of the unique characteristics, advantages, and risks of digital financial services and channels.
Principle 7	Facilitate Customer Identification for Digital Financial Services: Facilitate access to digital financial services by developing, or encouraging the development of, customer identity systems, products and services that are accessible, affordable, and verifiable and accommodate multiple needs and risk levels for a risk-based approach to customer due diligence.
Principle 8	Track Digital Financial Inclusion Progress: Track progress on digital financial inclusion through a comprehensive and robust data measurement and evaluation system.

Source: GPFI (2017)

2.15. Empirical evidence review on countries that have Digital financial Inclusion strategy as key driver to financial inclusion

A below highlight on the digital financial inclusion strategy and the selected countries provide a perfect comparison on the different approaches being employed by different countries in establishing their financial inclusion strategy. The selected countries are among those that are reconsidered to have outstanding strategies on financial inclusion according to the GPFI.

According to Pakistan National Financial Inclusion Strategy (2015), Pakistan initiated its NFIS in 2015 with the vision to ensure individuals and firms can access and use a range of excellence payments, savings, credit and insurance services which meet their needs with dignity and fairness. The NFIS emphasizes the need to include DTAs which are branchless banking accounts. In particular, the Pakistan NFIS framework for action highlights DTAs as a key driver for financial inclusion, and explicitly summarizes actions for enlarging access to DTAs and expanding the scale and viability of DTAs through digitizing government payments.

The 2014 Tanzania National Financial Inclusion Strategy included digitalization, as center enablers for financial inclusion. It emphasized the need for a "robust e-payments platform" as well as a "robust electronic information infrastructure for individual and business profiles, credit history

and collateral." Related actions to building these enablers included building regulations for mobile financial services, rallying behind market efforts for achieving payments interoperability, and employing risk-based customer due diligence (CDD) among other actions.

In the Philippines, Philippines National Financial Inclusion Strategy established in 2015 also takes note of the function of technology and other innovations in accommodating the financially excluded. Their NFIS also includes as a regulatory strategy, promoting interoperability in technology-based solutions.

In China, the plan for encouraging the crafting of Financial Inclusion launched at the end of 2015 outlines an ambitious agenda for advancing the availability, uptake, and quality of financial products and services, with a clear focus on digital technology. It supports digital innovations in financial products and service, the usage of new technology in financial institutions, and using internet as a key tool for achieving accessibility and affordability of financial services (Advancing Financial Inclusion in China –Five Year Plan 2016-2020).

According to Mexico National Financial Inclusion Policy (2016), Mexico had its National Financial Inclusion Policy approved by the National Financial Inclusion Council in June 2016. One of its major objectives is to exploit technology to connect low-income individuals to the financial system through a regulatory structure that allows innovation and fosters dependability and stability of the financial system. In this respect, the Policy defines a set of guidelines aimed at using technological innovations to promote financial inclusion, including, among others, a thorough revision and updating of the existing regulatory framework to permit the entrance of new finance providers and the provision of financial services through new channels, the encouragement of mechanisms that lessen usage of cash and increase usage of digital financial products and services, and nurturing interconnectivity of digital financial services.

2.15.1. Empirical Evidence on the India Stack: A Multi-Stakeholder Approach to Digital Financial Inclusion

As postulated by Chatterjee S (2016), India is the best country that reaches across all the HLPs. As part of the "Digital India Programme," which was formally launched in July 2015, the Government of India embarked on numerous initiatives aimed at increasing the digital economy, including facilitating digital financial inclusion. While the India Stack is itself an innovative display place approach that can extensively expand access to digital financial services, it builds on

the initiatives undertaken by several Government departments, as well as by other public authorities and non-government stakeholders. Initiatives undertaken by the Government and other public authorities are summarized in the following paragraphs.

In 2009, the Unique Identification Authority of India (UIDAI) launched the Aadhaar ID scheme, which has provided a unique biometric identity to over 1 billion people. The ID scheme captures biometric information from individuals, including iris scans and thumbprints, and issues a unique 12-digit ID number to every individual. The UIDAI has also developed an e-KYC platform based on the Aadhaar ID database; DPFI (2017). In 2014, the Government launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, to afford basic bank accounts to all Indians above the age of 10 years, this was mainly for the disbursement of welfare benefits, but also to assist access to a broader range of financial services. By February 2017, the PMJDY scheme had registered 273.9 million bank accounts.

In 2016, the National e-Governance Commission, under the Ministry of Electronics and Information Technology, launched the Digital Locker (DigiLocker) platform to facilitate digital issuance and verification of documents . Also in 2016, the Ministry of Finance issued a Cabinet Note to provide guidelines for the promotion of card and digital payments, as well as to coordinate various Government initiatives aimed at encouraging digital transactions (Government of India Ministry of Finance Department of Economic Affairs Currency & Coinage Division (2016)

A recent publication by Cook and Raman (2019) highlighted that non-government initiatives that also have supported the development of the India Stack, and have contributed to digital financial inclusion, and examples are; The National Payments Corporation of India (NPCI) launched the Aadhaar Payments Bridge and Aadhaar Enabled Payments System in 2011, which uses the Aadhaar ID as a central key for electronically channeling Government benefits and subsidies. The coordinated cross-government approach taken to developing the foundations of the India Stack has not only resulted in a significant increase in the number of individuals with access to digital transaction accounts and other financial services as indicated above, but it has also enabled the Government to digitize the delivery of subsidies and social welfare payments, resulting in estimated savings of close to Rs 50 billion (USD 750 million) as of December 2016.

2.16. Empirical evidence for studies on financial inclusion in Zimbabwe

Financial inclusion in recent years has attracted and is attracting interest globally and also in Zimbabwe due to the benefits that accrue to the economic eco-system if everyone is financially included, this prompted various researchers to focus on this research area. Below, the researcher provides an overview on some of the researches that were conducted in Zimbabwe on financial inclusion so as to appreciate the insights that these researchers provided with regards to the state of financial inclusion in Zimbabwe.

The work of Levin (2012) is noted as one of the early researches on financial inclusion in Zimbabwe, it mainly focused on the change of the financial landscape which was brought about by Ecocash that is mobile money for the unbanked. The research concluded that mobile money has immensely positively impacted on the Zimbabwean payment system providing access to financial services for the unbanked. In a similar research though it differed on the approach and the area of research that was covered, Chitokwindo *et al* (2014), provided an overview of Zimbabwean financial inclusion using existing literature, driven by an exploratory approach. Their research indicated that mobile banking has come as a catalyst for financial inclusion, business development and poverty reduction. It showed that most of the people in the rural areas do not have bank accounts; hence they are excluded from the formal financial mainstream. Products such as Ecocash, NetCash and Telecash were cited to be improving the access to financial services to the previously marginalized groups. Mobile money was also highlighted by Mangwndeza and Chikoko (2012) as a major diver of financial inclusion; however their research shown that foreign owned commercial banks in Zimbabwe were not doing much as compared to the locally owned commercial banks in promoting mobile banking. Makoni (2014), conducted a research in Matebeleland North and noted some positive attributes of the Zimbabwean rural population with regards to financial inclusion. In their study, it was found that the rural population is in fact mainly bankable. However, because of inadequate essential infrastructure in the rural areas, it did not make business logic for recognized banks to service that population.

Chivasa and Simbanegavi (2016), conducted a study on financial inclusion in Zimbabwe focusing on post hyper inflationary period the barriers and effects on societal livelihoods in Matebeleland North. They recorded some interesting findings, using primary data, their 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 among other things. Another study in the same year had quite a number of similar conclusions about the causes for financial exclusion, in their research Marime and Chakazamba (2016) sought to explore the chief reasons as to why the urban poor are financially excluded notwithstanding their proximity to key financial institutions. According to their findings, it shows that lack of a saving culture, self-exclusion, financial literacy, high bank charges, structural changes in the labor market, and stringent account opening requirements coupled with strict risk assessment criteria and low disposable income as prescribed by service providers were the main reasons for the poor urbanites to be financially excluded.

Most researches were conducted prior NFIS of 2016 and mainly concentrated on mobile banking and the rural, after NFIS of 2016 the researcher encountered the work of Gambe and Sandada (2018), Ngwenya *et al* (2018) and Sakarombe (2018). Ngwenya *et al* (2018) assessed the informal trader's perceptions of the post-multicurrency regime financial inclusion confidence challenges in Zimbabwe. The research concluded that there is still a challenge of confidence in the country's financial system. Lack of confidence will result in self exclusion or voluntary exclusion from the financial system. Sakarombe (2018), using the Generalized Method of Moments (GMM) approach to analyze the effect of financial inclusion on the stability of the banking system found out that financial inclusion can enhance stability in the banking sector. This entails an affirmative and holistic approach towards implementation of the NFIS agenda 2016-2020 to attain the best from all financially excluded individuals especially MSMEs. Specifically concentrating on MSMEs, Gambe and Sandada (2018), conducted a research in Mashonaland east to determine the effectiveness of financial inclusion strategies. Their survey randomly selected 118 Micro, Small to Medium enterprises owners/managers and their conclusion was that the National Micro finance Policy, Post Office Savings Bank loans, mobile financial services have statistically significant effects on financial inclusion while Agency Banking, Shared Infrastructure Network, and Insurance provisions exhibited negative effects on financial inclusion.

2.17. Factors that matter for Financial Inclusion strategy implementation

Ramasubbian (2012) conducted a research to establish the most important factors in opinion of customers about the financial service. The study found out that "access to financial services" with four variables (quick access to your deposit/loan application, money transaction and handling

processes, availability of ATM for money usage, understanding the technological procedures of bill payment) as the major factor. In addition "flexible terms on savings & deposits" with three variables (minimum deposit, the cost of deposit and liquidating it and also the interest rate on deposit) is significant. Flexibility of terms of borrowing this include borrowing amount, interest on loan and additional loan availability is another factor. Apart from these, another key factor is access to information about various services. Access to information also relates to the concepts of Information asymmetry as postulated by Spread (2015), where he highlighted that service providers withhold some information about the characteristics of products in light of its risk while customers on the other hand do not disclose their ills on borrowing attitude and this always widen the gap between the financial service providers and the customers. Financial market imperfections, such as information asymmetries and transaction costs, create barriers to financial access for the majority of SMEs (Hanifa 2016). Lastly another key factor is "Responsibility" which involves queries resolutions, attitude of the bank employees, and also social responsibility. Another study by Kaur (2017) on socio-economic indicators represented by literacy rate, proportion of working population , degree of urbanization and the gross domestic product (GDP), using Pearson Correlation test found out that except for proportion of working population, the level of financial inclusion is significantly positively related to the other three independent variables.

2.18. Arguments for and against financial inclusion

2.18.1. Arguments for financial inclusion

Financial Inclusion results in bank stability due to the fact that more banking customers will increase the banks deposit base. Banks uses customers' deposits to create assets (loans) through lending money, thus money creation. Khan (2011) actually explains three ways in which improved financial inclusion can increase financial stability. The first way, is diversification of bank assets (loans) due to increase in lending to smaller firms who has the ability to reduce concentration risk. Secondly is through the improved size and stability of deposit base as a result of increased number of smaller savers. This in turn reduces banks over reliance on 'non-core' financing which can be subjected to volatility in times of crises. Finally, financial inclusion can augment transmission of monetary policy and this transmission in turn contributes to higher financial stability. The argument for bank stability being necessitated by financial inclusion is also supported by the research by Sakarombe (2018). Using the Generalised Method of Moments (GMM) approach to

analyse the effect of financial inclusion on the stability of the banking system, Sakarombe (2018) found out that financial inclusion can enhance stability in the banking sector.

According to Cull *et al* (2012), greater financial inclusion, through providing individuals, households, and small firms with larger access to financial risk-managing apparatus can improve resilience and stability of the real economy and therefore also the financial system that serves it. This argument implies that the whole economy will become risk sensitive and able to hedge against toxic assets and or investments. In order to achieve this sustainable financial inclusion, it requires a systemic effort which leverages technology, workable business models and suitable regulatory structure cohesively.

2.18.2. Arguments against financial inclusion

Financial inclusion, however does not always lead to financial stability in the economy. Policy makers have habitually endorsed marketing to disadvantaged consumers with no adequate security leading to creation of subprime borrowers in a bid attain financial inclusion. Mukherjee and Mallik (2015) supported this reasoning, articulating that, with hindsight, it seems clear that over-extension of credit has the probability to affect the quality or value of the credit range of banks and financial institutions having sown the seeds of financial fragility, and eventually of financial instability. The situation may be further motivated by regulatory or governmental leniency which has the potential to vitiate the credit culture amongst the target group. If greater financial access results in rapid credit growth or the expansion of relatively unregulated parts of the financial system, it may expose banks to financial risks as appropriate support capacity may be unavailable for the new level of operations and outreach (Nwanko and Nwanko, 2014).

2.19. Qualitative empirical evidence on Opportunities and obstacles for financial Inclusion

Financial inclusion presents vast of opportunities in an economy which when sustained can result in creation of a well developed financial system and a stable economy at large. However, there are various obstacles that are available which prevent proper implementation of various financial inclusion initiatives. In order to successfully pursue the financial inclusion strategies attain desired goals there is need to focus on reducing obstacles whilst building on opportunities to create a suitable environment for financial inclusion. A comprehensive summary of opportunities and obstacles was presented by Gardeva & Rhyne (2011) in the CFI supported survey. In this survey

they asked respondents to select the ten items in each list that they believed to be the most important opportunities or obstacles to achieving full financial inclusion. The lists were resultant of internal brainstorming by the staff of CFI's Financial Inclusion 2020 project based on the key building blocks required to achieve the vision of financial inclusion, and also vetted by a number of experts.

Table 2-5: Opportunities and Obstacles for financial Inclusion

Opportunity	Obstacle
• Financial education	• Limited financial literacy
• Expanding the range of products	• Limited institutional capacity among MFIs
• Credit bureaus	• Microfinance's single-product approach
• Mobile (phone) banking	• Limited understanding of client need
• Client protection regulation	• Political interference
• Capacity building for microfinance institutions	• Lack of credit bureaus
• Full-inclusion financial institutions	• Product cost-structures
• Improved regulation and supervision of Microfinance	• Inadequate regulatory framework for MFIs
• Correspondent/Agent banking	• Insufficient infrastructure
• Improved demand-side information	• Inadequate client protection

- Strengthening financial infrastructure for electronic (non-cash) transactions
- Reaching out to new client groups
- Competition
- Prudential regulation and supervision (in general)
- National identification documentation
- Mobile (branch) banking
- Village savings and loan associations/self-help groups
- Expansion and improvement of microfinance associations
- Microfinance transformation
- Building investor markets
- Commercial bank downscaling
- Collateral and secured transactions reform
- Self-regulation
- Matched savings and/or cash transfer schemes
- Non-traditional providers
- Linking government transfers to deposit accounts
- Product bundling and cross-selling
- Mandates to provide no-frills bank accounts
- State bank reform
- Directed credit/service mandates
- Poor business practices
- Costs of building/operating branches
- Weak legal infrastructure
- Lack of network cooperation
- Limited know-how of mainstream providers
- Appropriate funding
- Unsustainable growth
- Commercially oriented entrants
- Non-business-friendly environment
- Regulation that lags technology
- Financial regulatory priorities
- Lack of demographic information on the excluded
- Impact of financial inclusion
- Documentation requirements
- Lack of interest by providers and policymakers
- Weak industry voice
- Public mistrust of financial institutions
- Client risk
- Negative press image
- Transient, migrant, displaced populations

Adopted from: Gardeva & Rhyne (2011)

2.20. Empirical evidence on measuring of financial Inclusion

In order accurately determine the impact of NFIS the researcher is going to measure the level financial inclusion relating to quantitative and qualitative support of findings. Financial inclusion measurement is found in many literatures, Masiyandima *et al* (2017), indicated that it can be measured in terms of an adult individual having access to and use of financial services and products available when an individual has an active deposit or loan account with a bank, or micro finance institution, cooperative or savings club or mobile money service providers. The AFI (2013), after noticing variations in the measurement of financial inclusion established "core set" indicators address the need for consistent financial inclusion data across countries and researches. The "Core Set" is a limited set of quantitative indicators that capture the state of financial inclusion in a country. The key dimensions of the core set indicators are usage and access. In this regard, the AFI (2013) defined these indicators as follows; access indicator as the ability to use the services and products offered by formal financial institutions and determining levels of access may require identifying and analyzing potential barriers to opening and using a bank account, such as cost or physical proximity of bank service points. Usage described as the depth or extent of financial services and product use and determining usage requires getting together details such as the regularity, frequency and duration of use over time.

In their policy paper for regulators of 2010, the AFI included an important aspect of quality in the measurement. According to AFI (2010), quality measures the relevance of a financial service or product to the lifestyle needs of the consumer. Quality includes consumer experience which is demonstrated in attitudes and opinions towards the products currently available to them. The measure of quality can therefore be used to estimate the nature and depth of the connection between the financial service provider and the consumer and also highlighting the choices available and levels of understanding by the consumer of those choices and their implications.

The demand side research approach is more inclined to the usage though it can encompass access and quality aspects. The core set of Global Findex indicators addresses five basic dimensions of the use of financial services on the individual level: accounts, savings, borrowing, payment patterns, and insurance. Usage of financial services is defined as the levels and patterns of the use of various products used by different groups such as the poor, youth, women, MSMEs (Demirguc-Kunt and Klapper. 2012). A selected core set of indicators and sub-indicators of financial inclusion based on the Global Findex database include demand side approach can be indicated in the table below:

Table 2-6: Core set of indicators and sub-indicators of financial inclusion

Category	Indicator	Sub-indicator
Use of bank accounts	Percentage of adults with an account at a formal financial institution	Purpose of accounts personal or business) • Frequency of transactions (deposits and withdrawals) • Mode of access (such as ATM, bank branch, retail store or bank agent)
Savings	Percentage of adults who saved • within the past 12 months using a formal financial institution	Percentage of adults who saved within the past 12 months using an informal savings club or a person outside the family • Percentage of adults who otherwise

		saved (e.g. in their home) within the past 12 months
Borrowing	Percentage of adults who borrowed within the past 12 months from formal financial institution • Percentage of adults with an outstanding loan to purchase a home or an apartment	Percentage of adults who borrowed a within the past 12 months from informal sources (including family and friends)
Payments	Percentage of adults who used a formal account to receive wages or government payments within the 12 months • Percentage of adults who used a formal account to receive or send money to family members living elsewhere within the past 12 months	Percentage of adults who used a mobile phone to pay bills or send or receive money within the past past 12 months
Insurance	Percentage of adults who personally purchased private health insurance Percentage of adults who work in farming, forestry or fishing and personally paid for crop, rainfall or livestock insurance	

Source: *The Global Findex (Demirguc-Kunt and Klapper. 2012).*

Various literature has been provided on financial inclusion measurement and it can be safely be concluded that there is no one best way or best variables that can be used to provide ultimate measurement criteria. Different researchers used different indicators and variables in measuring the level of financial inclusion. The researcher reviewed different literature and summarized the measurement variables of financial inclusion used as follows:

Table 2-7: Different variable used by different researchers to measure financial inclusion

Author (s)	Used variables or indicators
Demirguc-Kunt and Klapper (2012)	Account ownership Borrowings Use of credit cards Saving behavior
Kuri and Laha (2011)	Number of ATMs Total amount of bank credit Total amount of bank deposit and Socio-economic factors Amount of bank accounts Number of branches

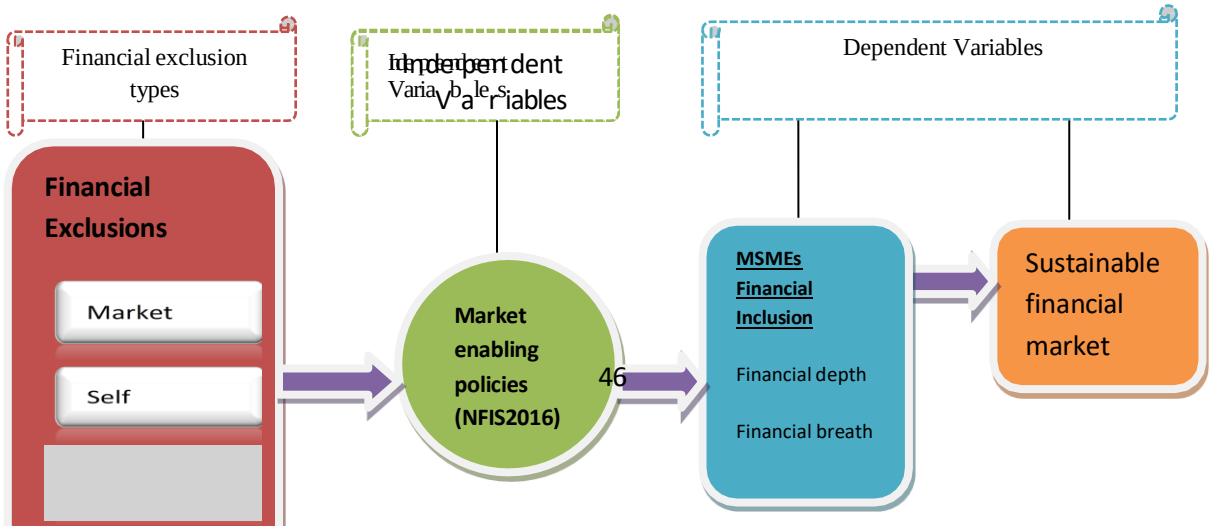
Kendall et al, (2010)	Loans Banking infrastructure (e,g. branches and ATMs) Financial services usage Per capita income Numbers and volume of deposits accounts
Fungacova and Weill (2015)	Formal savings Formal credit Formal account
Efobi et al, (2014)	Use of bank services Use of the account to save and Frequency of bank withdrawals
Allen et al, (2012)	Ownership of an account Use of the account to save Frequent use of the account (defined as three or more withdrawals per month)

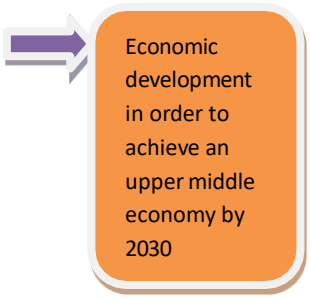
Source: *Researcher (2019)*

2.21. Conceptual framework

After reviewing various literatures and theory supporting financial inclusion strategy the researcher developed a conceptual framework. This conceptual framework denotes the financial exclusion forms as prevailing unwanted state which needs to be dealt with using the market enabling policies (independent variable) as prescribed by the financial possibility frontier to yield financial inclusion and subsequently attain sustainable financial markets and economic development (dependant variables). Illustration is as follows:

Figure 2-4 The Conceptual frame work





Source: *Researcher (2020)*

Financial exclusion types

Theory has indentified various types of financial exclusion faced by MSMEs which can also be the major reasons for their exclusion. These exclusions therefore require a formal strategy (NFIS) to eliminate them so as to promote a financially inclusive financial sector.

Independent variables

The NFIS as underpinned by the market enabling policies in the financial possibility theory represent the independent variable. The outline of the strategy on the MSMEs is that when effectively implemented can lead to a financially included economy culminating to economic growth and financial sustainability.

Dependent variables

In order to come up with balanced economic, social and environmental issues in business there is need for sustainability approaches in the financial sector. In this regard, financial markets practices need to integrate social and environmental considerations in lending, insurance, investing decisions, ensures good governance, transparency and integrity; also promoting environmental protection and resource efficiency. Financial inclusion (depth and breadth of financial services) of MSMEs is a result of proper implementation of the NFIS and it positively contribute to financial market sustainability and economic development.

2.22. Chapter summary

The above reviewed literature clearly depicts the importance of financial inclusion globally and locally especially inclusion of the MSMEs which significantly contribute to the GDP and

employment creation for many. Furthermore, the literature clearly illustrate the need to involve comprehensive policies and strategies in order to make several financially excluded groups to access and use quality financial services. Moreover, it brought to light how other economies are approaching or dealing with the concept of financial inclusion with some practices reflecting a perfect example for the future of financial inclusion which is digital financial inclusion. Pros and cons, challenges, obstacles, opportunities and key factors for financial inclusion implementation were highlighted and discussed. Several researches and studies on Zimbabwe financial inclusions were done before however, they never sought to establish the impact of the 2016 NFIS to the financial inclusion status of MSMEs in marginalised areas. In developing the conceptual framework the researcher believes that a robust policy supported by legal and structural factors coupled with financial education can lead to universal financial inclusion which will positively contribute to sustainable economic growth and sound financial markets.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In the preceding chapter, literature reviewed helped the study define and identify issues regarding financial inclusion and exclusions among MSMEs and factors that are pertinent to understand financial inclusion from the Zimbabwean and International perspective whilst setting the tone for the research. This chapter provides a detailed account on the research methodology used by the researcher. Included in the chapter as the basis of systematic research is the research onion followed by selecting preferred aspects as outlined in the research onion, which are the research

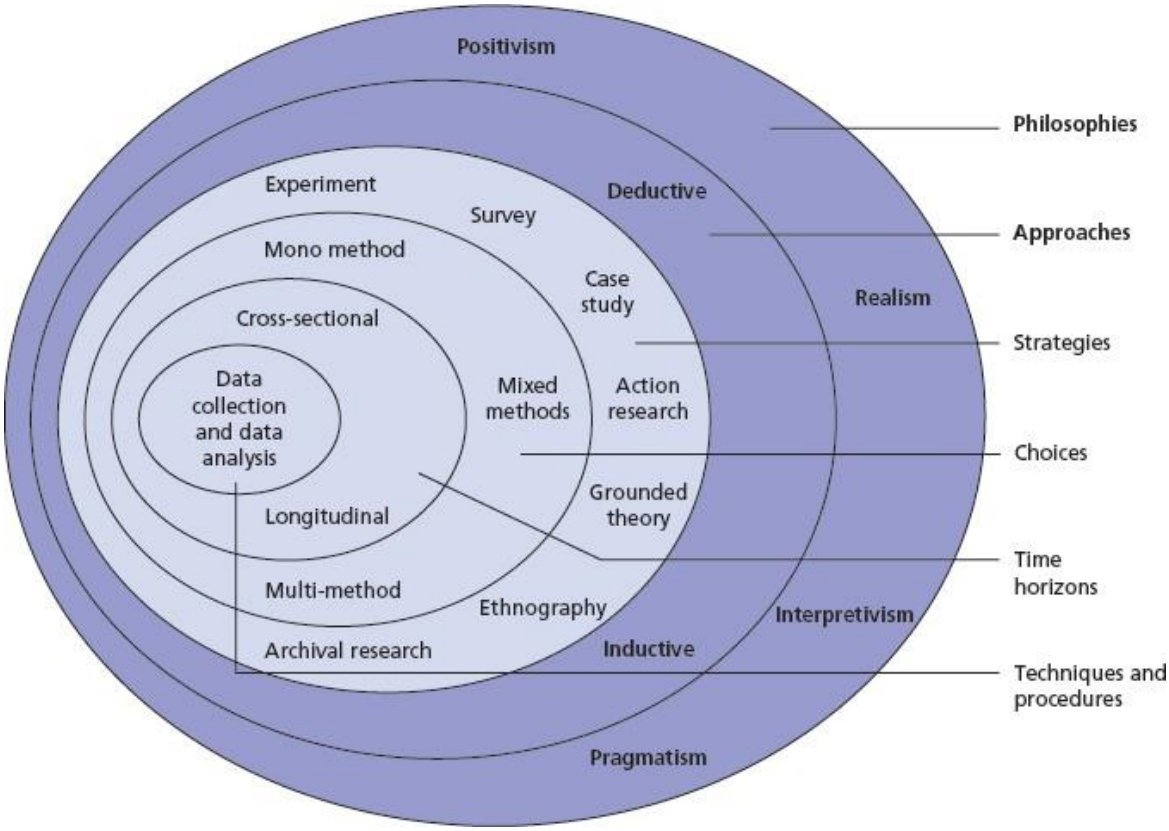
philosophy, research approach, research strategy, choices of research methods, time horizon of the study and techniques and procedures.

Igwenagu (2016), described methodology as the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Typically, it encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques. This is in line with Rajasekar *et al* (2013) who postulated that, research methodology is a systematic way to solve a problem. It is described as a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. In other words it can be defined as the study of methods by which knowledge is gained and it aims to give the work plan of research. The research methodology selected for this study enabled the researcher to achieve the study's main objective to determining the impact of the NFIS on the accessibility of financial services. The research methodology answered the research question on NFIS's impact to the financial services accessibility.

3.2. The research onion

One of the best ways of research methodology construction is based on theoretical concept of "research onion" proposed by Saunders *et al.* (2009). The research onion provides a rather exhausting description of the main layers or stages which are to be accomplished in order to formulate an effective methodology (Raithatha, 2017 as cited in Melnikovas 2018). The research onion consists of six main layers as shown in the diagram below:

Figure 3-1: Research onion



Source*: Saunders et al (2009)*

3.2.1 The research design

The research design as postulated by Bryman and Bell (2012) is referred to as a grand plan that lays down the roadmap for the whole research process. It is the basis upon which the entire research process takes off. The research design combines all the aspects of the research process in order to find holistic answers to the research questions unambiguously. Kothari (2010) argues that research designs normally fall into basic three categories which are exploratory, descriptive and experimental, although some have tried to categorise it differently. Exploratory designs are basically associated with the development and formulation of an operational hypothesis, descriptive designs are preoccupied with telling or describing the frequency of the occurrence of a variable. Experimental designs on the contrary are focused with hypothesis testing and also establishing causal relations between variables.

The selection of a research design according to Dina (2012) is premised on the worldview of the researchers. Since this research enquiry is bent on establishing how financial inclusion strategy has impacted the access and use of financial services by MSMEs, the world view of the researcher is that there is a casual relationship between financial inclusion strategy and accessibility of financial services. In this regard, the researcher's preference is the experimental research design. The implication of an experimental research design is that it permits the study to test theory against the hypothesis which stated that financial inclusion strategy has no impact on financial services accessibility. The experimental design aimed the actions of the study at collecting data that either support and or refute the stated hypothesis.

3.2.2 Research philosophy

As influenced by the philosophical opinions underpinning knowledge development, this study takes up a pragmatic standpoint. Research philosophy forms a basis of the research by description of ontology – nature of reality, epistemology – nature, sources of knowledge or facts and axiology – values, beliefs and ethics of the research. This research gathered quantitative data to ascertain the impacted of the NFIS and the qualitative data supported the figure and also provided opinions, emotions, insights and reflections by respondents on financial service accessibility. Williman (2011), indicated that there are different ways of going about conducting research and this depends on your assumptions about what actually exists in reality and what we can know (metaphysics) and how we can acquire knowledge (epistemology), as highlighted earlier the research assumed pragmatism. Pragmatism argues that the most essential determinant of the research philosophy adopted is the research question therefore one approach may be 'better' than the other for answering particular questions hence it is congruent with the mixed quantitative and qualitative approach. Creswell (2003) also indicated that pragmatism has an intuitive appeal, this means that it gives permission to study areas that are of interest, embracing methods that are appropriate and using findings in a positive manner in harmony with the value system held by the researcher. Pragmatism allowed the researcher to study the impact of the NFIS to the special group (MSMEs), the group is the future of our economy and is already contributing immensely to our GDP. Embracing both quantitative and qualitative data enabled comprehensive interpretation of the level of impact brought about the NFIS to the accessibility of financial services.

3.2.3 The research approach

Research approaches according to Saunders *et al*. (2009) can either be deductive (quantitative) or inductive (qualitative) or both, and they generally specifies overall direction on how the actual research will be conducted so that the research questions could be answered. Melnikovas (2018), argued that methodological choice determines the use of quantitative and qualitative methods or various mixtures of both. To understand the distinctions between qualitative and quantitative methodologies we refer to Cooper and Schindler (2014), they postulated that quantitative research attempts precise measurement of something and in business research, quantitative methodologies usually determine consumer behavior, knowledge, opinions, or attitudes. Brierley, J.A. (2017) argued that quantitative and qualitative research connects theory to data using deduction and induction respectively, the pragmatic approach, like critical realism, relies on abduction to move back and forth between deduction and induction. This research sought to determine how much financial inclusion strategy has impacted financial accessibility, extend of financial services knowledge and usage by MSMEs, available financial services and also challenges being faced by these MSMEs, therefore abduction approach was appropriate. The abduction approach enabled the study to empirically test the hypothesis which predicted that there is no impact of financial inclusion strategy on accessibility of financial services by MSMEs and also explain and analyze the challenges and knowledge of this special interest group with regards to financial services.

3.2.4 Research Strategy

Research strategy relates to collection and analysis of data: experiment, survey, archival research, case study, ethnography, action research, grounded theory, narrative inquiry are possible strategies. This study made use of a survey and case study as the research strategies. The purpose of survey research is to collect primary data—data gathered and assembled specifically for the project at hand. Sample survey, emphasizes that the purpose of contacting respondents is to obtain a representative sample, or subset, of the target population in this case the representative sample of different sectors of MSMEs in Nyanga. Using surveys typically, we attempt to describe what is happening or to learn the reasons for a particular business activity. Surveys provide a quick, inexpensive, efficient, and accurate means of assessing information about a population (Zikmund et al 2010). This strategy was appropriate in view of limited resources and time in conducting the study. Khotari (2004) indicated that in the case of a survey, data can be collected by any one or more of the following ways, observations, personal interviews, telephone interviews, mailing of

schedules and schedules. On the other hand, case studies tend to focus on small samples and are intended to examine a real life phenomenon, not to make statistical inferences in relation to the wider population and this is supported by Taherdoost (2016). The case study was applied in collecting and analyzing data from MSMEs in Agriculture. This was mainly due to the fact that they are scattered all over Nyanga District and due to resources and time restriction it was not possible to consider everyone in the sample. The researcher purposively selected teachers who are also into small scale farming for interviews.

3.2.5. Choices of methods and time horizons

The research follows a pragmatism philosophy and abductive reasoning was applied throughout the research process. The suitable research strategy as highlighted above is the use of surveys and case study hence it is appropriate to pursue a mixed method. Time horizons defines the time frame for the research, cross-sectional or short term study, involves collection of data at a specific point of time whilst longitudinal basically entails collection of data repeatedly over a long period of time in order to compare data (Saunders et al 2009). The research was only interested in determining the impact of NFIS to financial service availability using the prevailing conditions of the MSMEs hence it falls under the cross sectional time horizon.

3.2.6 Techniques and procedures

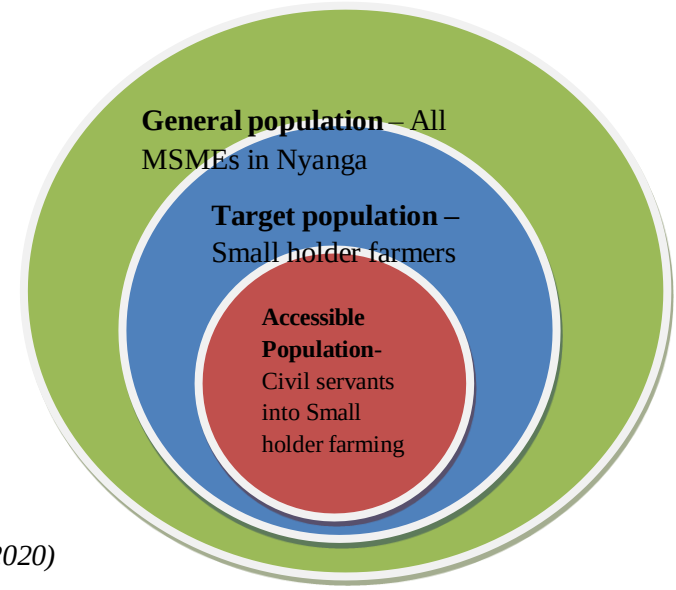
Melnikovas (2018) highlighted that research techniques and procedures include data collection and analysis implying the use of primary/ secondary data, choosing sample groups, developing questionnaire content, preparing interviews, etc. As previously discussed, the research is going to use questionnaires and personal interviews. Through personal interviews, the researcher followed a rigid procedure and sought to have answers to a set of pre-conceived questions. Interviews were conducted to the MSMEs (teachers) in the agriculture sector and one senior leader at the Ministry of Women Affairs, Gender and Community Development in Nyanga. Questionnaires were self administered to randomly selected MSMEs in different sectors of economic production. To improve on the collection rate the research engaged the Nyanga Rural District Council Liaison Officer for small business and informal traders Mr. Keneth Zenda in the distribution and collection of questionnaires.

3.3 Target Population

Population consisted of all micro, small and medium enterprises that are in the Nyanga district and it is from this population that the sample will be drawn. For quantitative data collection methods the researcher targeted business into retail, butchery, flea markets, artisanal mining, hospitality and all are part of the target and accessible population and for qualitative data the researcher targeted MSMEs in agriculture. Thos view to the population was supported by Meslin (2012), who postulated that a population is made up of specified aggregations of study objects from which the researcher intends and wants to collect data from. In this study, the researcher distinguished general population, target population and accessible population so as to apply accordingly the appropriate research tools. Asiahah et al (2017), supported the distinguishing of population, according to their study, the hierarchical arrangement of the general, target and accessible populations is a perfect way of making a fairly large study population practical especially for qualitative sampling. The researcher using this viewpoint was able to stipulate these three types of population not only for drawing samples and for the function of generalizing study results, but in order to screen large populations to come up with the best and most suitable and convenient group of participants.

In view of the schedule and the interest by the researcher to assess the impact of financial inclusion it is essential for the researcher to draw the most appropriate sample from the population. The most appropriate sample represents persons with both the ability and opportunity to supply the most precise and accurate information or data. A proper classification or specification of the population is important because it also guides others in assessing the credibility or reliability of the sample, sampling technique(s) or even outcomes of the research (Asiamah et al 2017).

Figure 3-2: Illustration of general, target and accessible population for the qualitative approach



Source: *Researcher (2020)*

Banerjee & Chaudhury (2010) defined general population as the whole group about which some information is required to be determined, in addition, participants must have at least a single attribute of interest in common. Target population is basically identifying population that does not violate the research objective. In a qualitative inquisition, establishment of the target population takes into account the fact that focus is on participants who can best share experiences and thoughts so as to address the qualitative research objective (Asiamah et al 2017). Asiamah et al (2017) also defined members of the accessible population as individuals who are qualified to take part in the study and willing to participate or would be available at the time of data collection and the group is much smaller than the population.

3.4 Sampling and sampling procedure

Two sampling strategies used in this research were purposive (qualitative) and stratified (quantitative) sampling. The fundamental idea of sampling is that by choosing some of the elements in a population, we may depict conclusions about the entire population. Probability and non-probability are basically two types of sampling. Williman (2011), defined probability sampling as the one with a selection procedure that aim to guarantee that each element (group, person, class, type etc.) has an equal opportunity of being selected and that every possible combination of the elements also has an equal chance of being selected. Cooper and Schindler

(2014), asserted that, non-probability sampling is arbitrary and subjective and when we choose subjectively, we usually do so with a pattern or scheme in mind (e.g., only talking with young people or only talking with women). Each member of the population does not have a known and equal chance of being included.

3.4.1. Purposive Sampling

Etikan et al (2016), argued that purposive sampling is the deliberate choice of a participant due to the qualities the participant possesses, the researcher was interested in educated individuals who are able to understand their financial needs, assertive and are able to reflect on issues from a general small scale farming perspective. Purposive sampling is non probabilistic and the researcher decides what needs to be known hence sets out to find people who can and are willing to provide the information by virtue of knowledge or experience. In addition, this entails identifying and selecting individuals proficient and well-informed with a phenomenon of interest. Availability and willingness to participate, ability to communicate experiences and opinions is important for the consideration on whether to include individuals in the sample. Since the researcher intends to link the sample to the set objectives, purposive sampling technique was be adopted. Adoption of purposive sampling was also supported by Palys (2008), who indicated that purposive sampling signifies that one sees sampling as a series of strategic choices. In particular as highlighted before, paradigmatic (exemplar for a certain class) case sampling was applied on sampling MSMEs in agriculture and these were teachers by profession.

3.4.2 Stratified sampling

The researcher established the sampling frame from the database obtained from the ministry of Ministry of Women Affairs, Gender and Community Development and the Nyanga rural district council. Different strata were identified according to the sector in which the MSMEs belong that is manufacturing, cottage industry, flea markets, retail groceries, green market, artisan, hotel and catering. Individuals from these strata were randomly selected to complete questionnaires. The selection criteria was influenced by Onwuegbuzie & Collins (2007) who indicated that stratified sampling is where the sampling frame is divided into sub-sections consisting of groups that are somewhat homogeneous with respect to one or more characteristics, after this sub-division simple random sampling is used from each stratum to select participant. Using simple random sampling all members in the population have an equal chance of being chosen in the sample (Cooper and

Schindler, 2014). Yu (2007) added that simple random sample selection can be attained in several which include drawing names or numbers out of a box or by using a computer program to generate a sample using random numbers. The researcher made use of numbers allocated to MSMEs by the NRDC to draw the sample.

3.4.3. Sample size determination

The study assumed and applied Yamane's 1967 formulae, which Israel (2002) also presented for sample size determination to obtain an indication of the least number of participants that can be included in our sample for quantitative data. Determining the suitable sample size is very crucial since it is not feasible to study the whole population because of financial and logistical reasons. On one hand, very large samples are cost and time consuming whilst on the other hand very small samples also have a danger of generating imprecise results. The most important variables that are vital in sample size determination according to Marczyk, DeMatteo and Festinger (2012) are the population size, confidence level and the margin of error.

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = sample size

N = Population size

e = Level of precision

Given the fact that the study utilized a total population of 623 MSMEs in Nyanga at the alpha level of 0.05, the application of the formulae resulted in a total sample size of 244 respondents.

3.4.4. Sampling procedure

This research involves collecting data on attributes more than one that is MSMEs in different production sectors. In this regard, deVaus (2002) argued that for such a multi-purpose survey the researcher should decide the sample size on the basis of those attributes or variables in the sample that are likely to have the greatest variability.

The research used Saunders et al (2009) formula in determining the sample size in each category as follows.

$$n=p\%xq\%(\frac{z}{e\%})^2$$

where

n is the minimum sample size required

p% is the proportion belonging to the specified category

q% is the proportion not belonging to the specified category

z is the *z* value corresponding to the level of confidence required

e% is the margin of error required.

Table 3-1: Sampling frame and sampled individuals for different categories

Category of MSMEs	Number of MSMEs per category	Sampled MSMEs
Flea Markets	197	77
Groceries	83	33
Fashion Retail	31	12
Hotel and Catering	27	11
Artisans	46	18
Manufacturing	13	5
Green Market	162	63
Cottage Industry	64	25
Total	623	244

Source: *Researcher (2020)*

3.5. Research instruments

In order to confine the awareness of the respondents, a questionnaire was designed with relevant and concise questions. Due care was applied to avoid more than 12 minutes filling in the questionnaire. The questions in the questionnaires were of a structured design to make sure research objectives were achieved. The questionnaires were administered to 244 respondents. This study assumed the abductive approach hence used both questionnaires (quantitative) and interviews (qualitative). Questionnaire is one of the oldest research instrument, invented by Sir Francis Galton, a British anthropologist, explorer and statistician in late 1800. A questionnaire is basically a list of mimeographed or printed questions that is completed by or for a respondent to

give his opinion and it is the main means of collecting quantitative primary data (Roopa and Rami 2012).

3.5.1. Questionnaire

The researcher modified the questionnaire used by Demirguc-Kunt and Klapper (2016), Vetriselvi (2015). In modifying the adopted research tool, firstly it was re-worded for the individual questions to be in line with the objectives of the current study. Major issues that were flagged on the conceptual framework presented in chapter one also had a crucial role in determining the individual items or questions included in the questionnaire.

The second step was realigning the developed objects to the crucial thematic issues highlighted in the literature review. Thirdly, grouping the individual items into four categories as per the four research objectives was done. This resulted in a questionnaire which had five sections, section A, the demographic profile of the respondents, section B measured financial services that are readily available to MSMEs. The level of usage of these financial services by MSMEs was measure in section C, whilst section D measured extend of knowledge financial services by MSMEs. Section E covered the challenges being face by MSMEs in accessing financial services.

3.5.2. Personal Interviews

Face to face interviews gave the researcher an opportunity to assess verbal and non-verbal communication (Williams, 2011) and observed the actions and expressions during discussion a various topics on financial inclusion. An interview is a two-way conversation between a skilled interviewer (researcher) and a participant and the researcher takes down the response (Cooper and Schindler 2014, Creswell, 2009). In addition they produced immediate responses at a high response rate. Clarity of responses was also obtained which augmented the quantitative finding in line with the triangulation strategy. In this study, interviews were conducted to the MSMEs in the agricultural sector and also a leader of Ministry of Women Affairs, Gender and Community Development in Nyanga.

3.6 Pilot Study

Dikko (2016) defined pilot study as a mini version of a research or a trial run conducted in preparation of the full scale study and it is conducted specifically to pre-test a research instrument. It is useful in both quantitative and qualitative research.

In this research, the questionnaire (5 point Likert Scale and other scales) that was developed was pilot tested on 10 MSMEs drawn from different business sectors. The main purpose of this pilot testing was to establish if each particular Likert item was properly interpreted by the respondents, also to establish if the sequencing of the questions and the Likert scale was not vague. The pilot testing was premised on Alavi and Carlson (2010) who advised that questionnaires must be pre-tested to eliminate problems of biased responses which can then be noticed and rectified prior to the actual study. The pilot test was examined and the results revealed that there was design issues coupled with understandability of some question, a few duplications of Likert items were also noted and all these were reworded and rectified.

Two participants were chosen to pilot the interview and provided feedback on its relevance, length, possibilities of bias and layout. The interviews time ranged between approximately 30 and 38 minutes which was well under the recommendation by (Jacob & Furgerson, 2012), that is should not exceed 90 minutes. The objective of the pilot study was to check the appropriateness of the questions and also to present researcher with some early suggestions with regards to the viability of the research. In addition, it facilitated researcher to attain experience in conducting in-depth, structured interviews and also to build bond with the informants. Significantly, the pilot study helped the researcher to acquire skills in interviewing and flow of conversation. The data obtained from pilot study was not included in the research findings but was very useful modifying the interview guide.

3.7. Validity and Reliability

Layman researchers use these terms interchangeably but in reality the mean and measure different constructs in research. Validity and reliability are key constructs that determine the strength of the research tools used as outlined below.

3.7.1. Reliability

Reliability deals with consistency, replicability and dependability of research findings (Hayashi et al 2019). Haradhan (2017) indicated that there are two types of reliability which are Stability and Internal consistency reliability. Statistically the Cronbach Alpha was obtained using SPSS to ascertain the reliability of the questionnaire.

3.7.1.1 Stability

Zohrabi (2013) suggested three techniques to ensure reliability which are audit trail, investigator or researcher's position and triangulation. To ensure dependability using the researcher's position, all research stages and process were explicitly explained including the rationale and design of the study. In addition using audit trail was achieved through providing details of how data was collected and analysed.

Replicability can be termed external reliability (Zohrabi 2013) when an independent researcher is to carry the same study they should be able to reproduce similar result to the original findings. To guarantee external reliability as informed by Zohrabi (2013) the researcher did the following; Carefully chose informants and described them fully, clarified social status of participants, explained fully the premise or foundation of the study and exhaustive explanation of the method of data collection.

3.7.1.2. Internal consistency reliability

Consistency on the other hand is attained through internal reliability, that is, extend at which the way data being collected is actually collected, analyzed and interpreted in a consistent manner (Haradhan 2017). To ensure internal reliability four strategies are available according to Zohrabi (2013) low interference descriptors, multiple researches, peer examination and mechanically record data. In this regard, the researcher opted to mechanically record data using questionnaire and recordings such that same information is asked to all respondents and analysis is based on these instruments which can be kept for further use.

3.7.2. Validity

Saunders et al. (2009) defined validity in straightforward terms as the degree to which a measuring device measures what it is intended to measure. Zohrabi (2013) alluded that validity falls under four main categories which are internal validity, external validity, utility criterion and content validity. On utility criterion, Zohrabi (2013) outlined that it is basically the degree of usefulness the research findings have to various stakeholders. To ensure utility criterion validity, the study

endeavor to generate comprehensive enough information (through use of both quantitative and qualitative data) which is useful to all stakeholders.

3.7.2.1. Content validity

Yaghmal (2003) indicated that content validity is a measure of appropriateness of sampling and content sphere of items in a questionnaire. It is used to measure the variables of interest. Zohrabi (2013), supported the above notion by indicating that it deals with adequacy in measurement of elements like, skills, behavior. It is also known as: intrinsic validity, content related validity, representative validity, relevance validity and logical or sampling validity (Yaghmal 2003). In order to ensure content validity, the research instruments were reviewed by 3 experts (one research, one in financial markets, one in SMEs) and based on these experts comments some unclear and obscure questions were revised and complex items reworked.

3.7.2.2. Internal and external validity

Internal validity is concerned with the congruency of the research findings with reality. Six methods are recommended by Merrian (1998) as cited by Zohrabi (2013) which are long-term observation at research site, triangulation, member checks, peer examinations, participatory or collaborating models of research and researcher's bias. In this research, to guarantee internal validity the researcher uses triangulation method. Nobble and Simith (2015), triangulation helps to produce comprehensive set of findings. Using triangulation, the researcher collected data using questionnaires and interviews. External validity pertains to generalisability of the research findings to the contexts or subjects. The research design used in this study incorporating the quantitative and qualitative data from the respondents (MSMEs) in Nyanga allows the finding to be generalized to all other marginalized communities.

3.8. Data Collection Methods

According to Ghauri and Gronhaug (2012) data collection is a systematic approach of gathering and measuring unrefined data from the sampled participants for the purpose of answering and evaluating research questions. Creswell (2014) also supported the above highlighting that data collection is the procedure of gathering and measuring data on targeted research variables in an established systematic fashion which enables answering of pertinent questions and evaluation

outcomes. The study planned to generate primary data by use of quantitative method (surveys) attached with the longitudinal study (the literature review) and qualitative method (personal interviews); in order to provide a balance between accuracy and depth in the data (Creswell, 2014). Quantitative method produces quantitative data. Quantitative data refers to data that is mainly numbers, the information that is collected as can be translated into numbers and can then be displayed and analyzed mathematically (Osang et al 2013). Qualitative methods on the other hand generate qualitative data. Qualitative data is mainly words, sounds or Images. Unlike figures or "hard data", qualitative information is termed "soft," meaning it cannot always be reduced to something definite. (Osang et al 2013).

3.9 Data analysis and presentation

Data analysis involves reducing accumulated data to a convenient size, developing summaries, establishing patterns, and applying statistical techniques. Scaled answers on questionnaires and experimental instruments frequently require the analyst to derive various functions, as well as to explore relationships among variables (Cooper and Schindler 2014). Saunders et al. (2009) share the same sentiments by highlighting is as a systematic process of condensing, recapping and evaluating raw data with the rational of generating knowledge that answers the research questions. Alavi and Carlson (2010) asserted that the selection of data analysis technique is motivated by the research methodology adopted. In this regard, studies that assume a deductive methodology have a well-built preference towards quantitative data analysis procedure, whilst inductive study studies are inclined to qualitative analysis techniques.

Since this study is following the abductive research approach, both qualitative and quantitative data analysis was involved. Data collected was analyzed using Statistical Package for Social Sciences (SPSS Version 20.6) programme. The study favored SPSS over other data analysis techniques because of its heftiness in screening and providing information for further analysis, and also due to the wide range of presentation options. In addition, SPSS allowed the analyzed data to be outlined in statistical tables, pie charts, line graphs, bar graphs and histograms. Elementary statistical inferential techniques obtained using SPSS were applied such as standard deviation, frequency tables, mean, variance and other descriptive statistics showing the main constraints to the impact of financial inclusion strategy.

3.10 Ethical considerations

Fouka & Mantzorou (2011) defined ethics as a system of principles which is able to critically change previous considerations on choices and actions. They further explained that ethics is the deals with the dynamics of making a decision pertaining to what is right and wrong. Ethical consideration in research is the as the cornerstone of enforcing responsible behaviour of researchers and or scientists in researches that involve human subjects, making sure that no harm is exposed to participants and stakeholders are not misled in decision making based on the research (Resnik 2011).

In order to stand with the above stated ethical considerations, the researcher firstly sought for a written introductory letter of recommendation from the BUSE to ensure the authenticity of the researcher to the respondents. On the sampled participants, the researcher explained to them the purpose and implications of the study also assuring them that participation is voluntary and are able to abort at any time as they wish. In addition respondents were assured of their confidentiality and anonymity, thus they were not asked to write names of the questionnaire. Informed consent was obtained and for those who were not willing they were immediately dropped and replaced with those willing to participate. Data collection began in earnest after all the requisite ethical considerations had been satisfied. Throughout the research, the research remained objective, was thorough during all stages, avoided plagiarism and was honesty and truthful.

3.11 Chapter summary

This chapter has discussed and presented the research methodological foundations supporting the study. Of major importance to the study were concepts of the research design, the research philosophy, and the research methods. The data collection instruments or tools and their significance to the answering of research question were expansively detailed in this chapter. Data collection and analysis is pivotal to any study since it is the channel for obtaining and reviewing of the useful information which answers research questions and fulfill the research objectives. Before engaging in the actual research the chapter highlighted the prerequisite step of pilot study which helped in achieving valid, reliable and quality research findings. Lastly the chapter underscored the need for taking into account ethical considerations in the data collection and the whole research process.

CHAPTER FOUR

PRESENTATION OF THE RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study which investigated the impact of the NFIS on the accessibility of financial services by MSMEs in Nyanga. The analysed data were collected through structured interviews and questionnaire administered to MSMEs in Nyanga district. The Statistical Package for Social Sciences (SPSS) version 20.6 was employed to analyse the questionnaire collected data. The results analysis included the following statistical computations Chi-square, P-value (significance), the mean, Standard Deviations and Standard Errors. The study began by establishing a hypothesis about the population and then extracted a sample from the population in order to test the hypothesis. Lee, In & Lee (2015), alluded that in research, the extracted sample

will take a normal distribution when the sampling process was conducted through an appropriate random method with a sufficient sample size, which is the case in this study as highlighted in Chapter 3 and this allowed use of descriptive statistics (mean, standard deviation and standard error) in the analyzing the findings. The analysed findings were presented in five sections as per the research instruments which were utilised. Section A, profiled the demographic characteristics of the respondents whilst the section B, presented the level of availability of financial services and section C depicts the extent of usage of financial services by respondents. The knowledge or level of financial literacy was presented on section D and the challenges being faced by MSMEs in accessing financial services was presented in section C. Interview responses were structured in a similar manner with the questionnaire where responses from interviewees were confirming scenario from quantitative data and allowed respondents to express their thoughts and feelings with regards to financial services accessibility.

4.2 The questionnaire response rate

The researcher hand distributed a total of 244 questionnaires to the respondents and 206 were returned. The researcher managed to hand collect all the distributed questionnaires for data analysis, thus translating to 84.4% response rate as indicated in table 4.1

Table 4-1: The response rate

Categories of respondents	Questionnaires Distributed	Questionnaires Returned
Flea Markets	**77**	**66**
Groceries	**33**	**27**
Fashion Retail	**12**	**11**
Hotel and Catering	**11**	**10**
Artisans	**18**	**16**
Manufacturing	**5**	**3**
Green Market	**63**	**49**
Cottage Industry	**25**	**24**
Total	**244**	**206**

Source: *Research (2020)*

The 84.4% (206) response rate depicted in Table 4-1 chronicles the effectiveness of hand distribution method of questionnaires. This is in line with the thinking of Saunders et al. (2009) who averred that the hand distribution of questionnaires is synonymous with a high response rate.

4.3 The reliability of the questionnaire

A pilot study was conducted to establish the consistency of the research tool that was utilised to gather data and the reliability of the findings. According to Saunders et al. (2009) Cronbach's Alpha is the recommended measure for establishing reliability of the findings and the acceptable minimum statistic is 0.7. The SPSS computation of the pilot study findings gave a Cronbach Alpha of 0.724 and Cronbach's Alpha Based on standardised items of 0.827 as presented in table below:

Table 4-2: Reliability of findings

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.724	.827	74

Source: *Researcher (2020)*

From the analysis above, the questionnaire had 74 variables, and from these, the alpha statistic computed was 0.724. The latter being greater than the minimum acceptable 0.7, we therefore conclude that the research instrument used for this study was reliable.

4.5 The Demographic profile of the respondents

The demographic profile of the respondents was measured in terms of sex, age, educational achievements as well as length of service. The findings were as follows:

4.5.1 Distribution of respondents by sex

The gender distribution of the respondents is presented in table 4.3

Table 4-3 Gender distribution of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	96	46.6	46.6	46.6
	Female	109	52.9	52.9	99.5

	Not known	1	.5	.5	100.0
	Total	206	100.0	100.0	

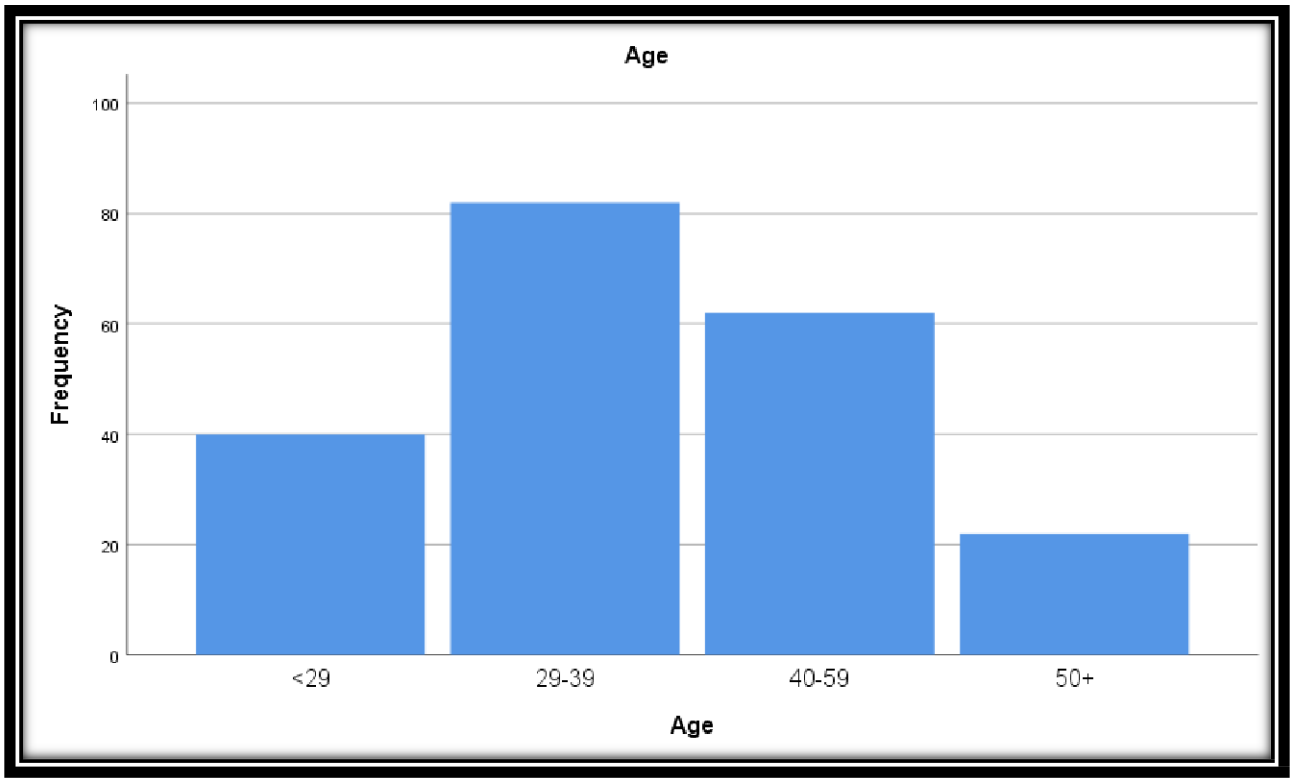
Source: *Researcher (2020)*

The findings presented in Table 4.3 depicts that the majority (53%) of the respondents who participated in the study were females compared to 47% who were males. This shows the societal index of the gender where in the adult population the females dominate, hence a true reflection. This also is enhanced by that most males have out-migrated to other countries such as Mozambique and South Africain search of greener pastures. Women left behind augment remittances by engaging in MSMEs activities. The distribution in Table 4-3 can also be alluded to that most males dominate the formal sector and generally are impatient hence engaging in slow income earning activities cannot be ideal for them.

4.5.2 The age distribution of the respondents

The age distribution of the respondents in summarised in figure 4-1.

Figure 4-1 The age distribution of the respondents



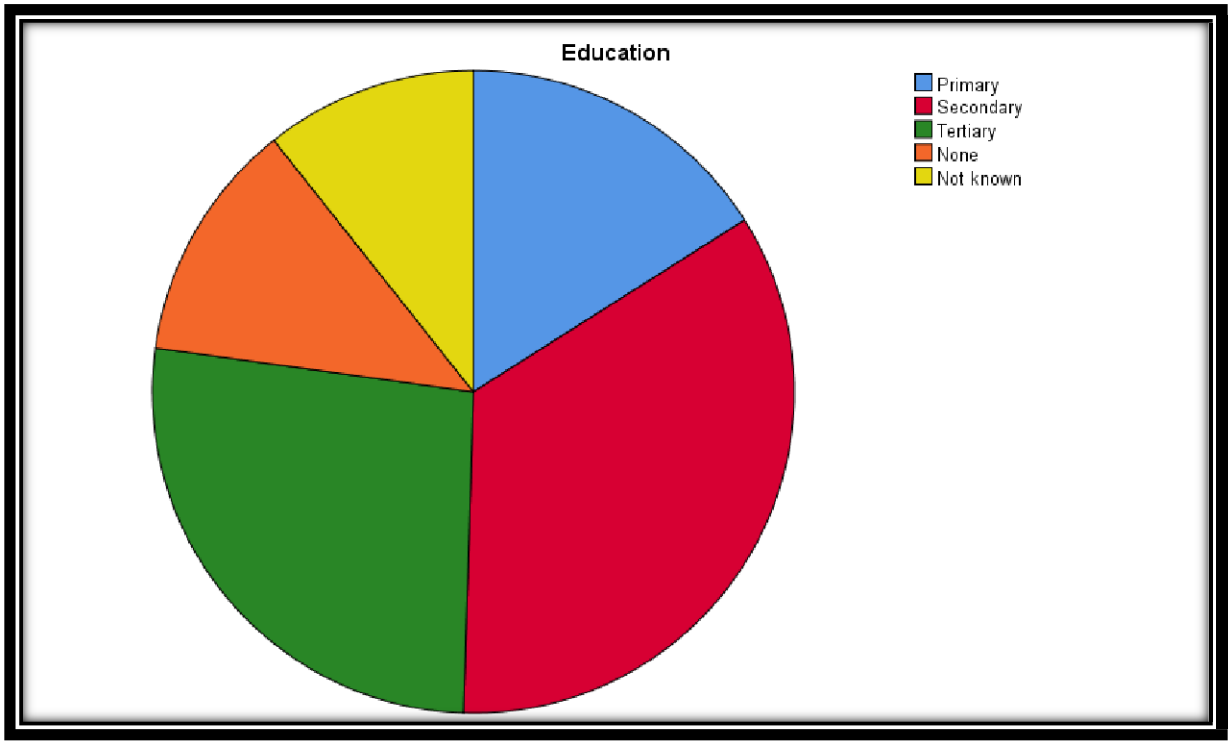
Source: *Researcher (2020)*

Figure 4-1 depicts the age distribution of the respondents. A composite breakdown of the statistic presented reveals that the majority of the respondents were in the 29 to 39 years age group, with least number coming from the 50 and above age group. The below 29 years respondents were half of the 29 to 39. The above results can be credited to that the dominant age group is comprised of fresh college and school graduates. In addition, it is in correlation with the qualifications of the respondents shown in Figure 4-2, where a significant proportion have at least secondary qualifications and also including a tertiary qualification. The 50 and above age group have the least due to that they have retired and due to the significant erosion of pension funds they engage in extra income generating activities, but most of them would just retire home. The 29 to about 45 year olds really are the economically active and prime and adventurous hence they take up these activities this explains their dominance in the research.

4.5.3 The educational distribution of the respondents

The education distribution of the respondents is summarized in Figure 4.2

Figure 4-2The educational distribution of the respondents



		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	33	16.0	16.0	16.0
	Secondary	71	34.5	34.5	50.5
	Tertiary	55	26.7	26.7	77.2
	None	25	12.1	12.1	89.3
	Not known	22	10.7	10.7	100.0
	Total	206	100.0	100.0	

Source: *Researcher (2020)*

The results shows that a significant number of respondents are literate since 77.2% indicated that they attained formal education (tertiary, secondary and primary) and only 22.8 did not have formal education and in most cases the researcher assisted completion of questionnaire to improve the response rate. The 77.2 percentage of literate respondents assisted in the reduction of bias of responses due to lack of knowledge on the subject matter. It can be observed from Figure 4-2 that almost 80 percent of the respondents were literate as they have attested to have basic primary education. 34.5% of the respondents had attained secondary education, with a meagre 12.1% having not attended any school and relatively the same number also not knowing any of their academic background. The observations above can be alluded to the fact that there are inroads

made in the education sector in the country, this also saw an upward trend in the number of schools especially primary schools hence there are more people with primary education and the number declining as it reflects a direct proportion with the number of schools. As the level increases the number of institutions decline hence there is a decrease in the number of respondents with a tertiary qualification. This trend can also be attributed to the religious and cultural origins of the respondents where, some families and religions (mapositori) will quickly introduce their children to these entrepreneurship skills at an early age hence they forego secondary and tertiary education.

4.6. To find out financial services that are readily available to MSMEs

The study examined the availability of financial services after the incorporation national financial inclusion strategy. A five-likert question on availability was used where the level of availability was determined by the number of products or services that are easily accessible to an individual, scores to the responses were as follow: Not available = 1Very low =2, Low=3, High =4 and Very High =5. The mean, standard deviation and standard error was computed using SPSS and findings are shown on Table 4-4 below.

Table 4-4 financial services that are readily available to MSMEs descriptive statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Business bank acc	206	2.5485	.08609	1.23568
ATM	206	2.9951	.47711	6.84782
POS machine	205	2.3854	.07521	1.07684
Mobile banking	206	2.3544	.07833	1.12430
Mobile money transfer	206	3.0097	.09610	1.37925
Internet banking	206	3.2379	.66607	9.55991
Bulk salary	206	2.3592	.06518	.93553
Employees bank acc	206	3.2184	.66657	9.56701
Safe custody	205	1.7756	1.91766	7.45671
Fixed term deposit	205	2.9612	.47459	6.81164
Overdrafts or loans	206	3.3561	.66771	9.56018
Invoice discounting	206	2.4272	.66438	9.53566
Zero balance	206	2.4709	.07174	1.02962
Vehicle insurance	206	3.2136	.66663	9.56788
Property insurance	206	2.2767	.07463	1.07119
Life insurance	206	2.5194	.07958	1.14215
Medical insurance	206	2.9126	.08574	1.23056
Valid N (listwise)	204			

Source: *Researcher (2020)*

The above Table 4-4 indicates that top five products or services that are fairly available to MSMEs are loans and overdrafts (mean =3.3561, SD=9.96), Employees bank account (mean=3.2184, SD=9.567), Internet Banking (mean=3.2379, SD=9.55), Mobile money transfers (mean=3.4272; SD=9.5357), and motor vehicle insurance (mean 3.2136; SD=9.5679). Levin (2012), also

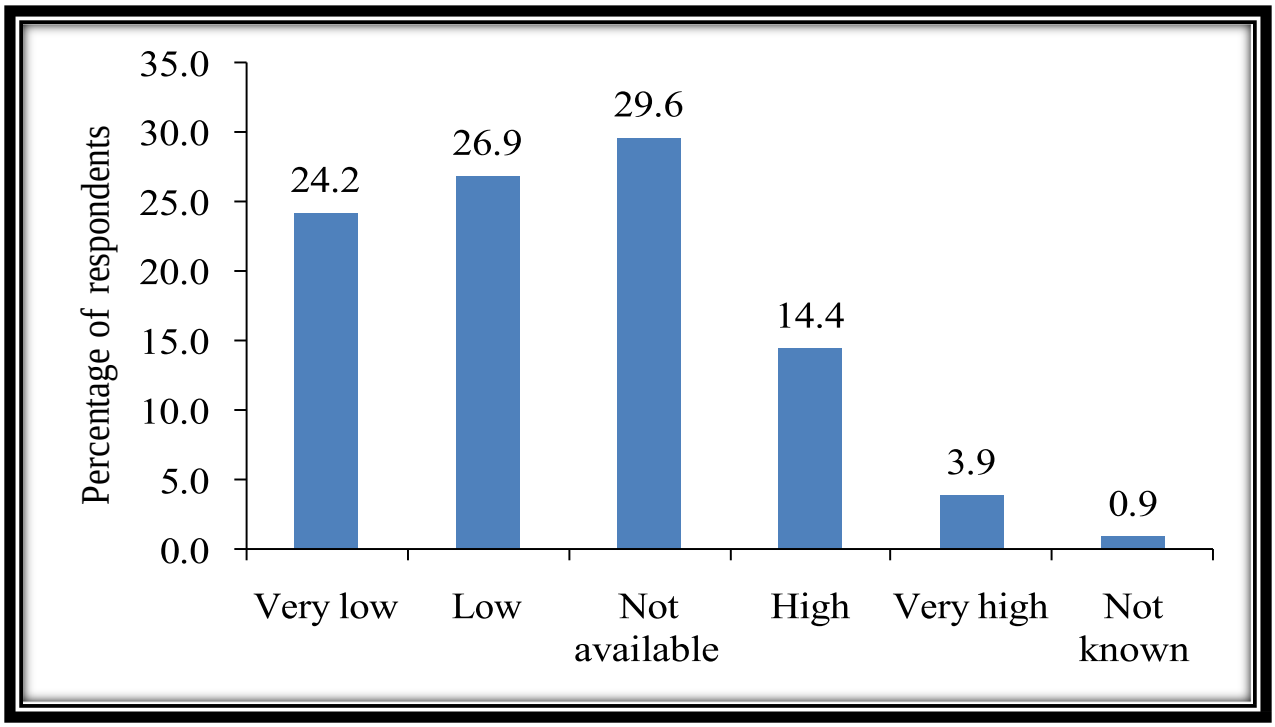
supported the positive impact fostered by ecocash in financial inclusion for the unbanked. Further analysis indicate that these products or service availability have got higher standard deviations reflecting greater dispersion around the mean, which in turn shows some huge disparity in the availability of these financial service. An explanation to this result can be attributed to the fact that MSMEs that are within Nyanga urban might view these financial products as readily available whilst those in rural areas view the same products as unavailable.

The result also shows that some of the products popularity varies significantly also due to lack of outreach services by financial institutions around, mostly including those that are in Nyanga town excluding those in the peripheral areas, hence this widespread standard deviation. Also with the various educational qualifications of respondents evidenced in Figure 4.2, the products are not curtailed to suit everyone well. It appears products and services being offered tend to leave knowledge gaps amongst other entrepreneurs, hence evidenced by the high mean and the very large standard deviation. Safe custody service is the least available service (mean=1.7756 and SD= 7.4), however the responses were fairly dispersed around the mean since the standard deviation is fairly high. Overall scrutiny on this objective shows that respondents indicate very limited availability (not available, low and very) of financial services with an average mean of all responses at 2.77, this situation still exist as confirmed by Chitokwindo *et al* (2014). Chitokwindo *et al* (2014) concluded that the rural population is excluded from the mainstream formal financial sector, in this regard this can be as a result of various reasons ranging from knowledge of the products to distance to access the products available.

It is also evident that there is a negative correlation between distance from the main center, Nyanga Town, and the use or access to the products, mainly because of distance hampering information dissemination through the snowball effect and also costs of travelling to and from banks continuously, this outcome points to the lack of impact of strategies to enhance financial inclusion. Bonga and Mlambo (2016), in their research also confirmed that, there is no serious competition to attract funds (making products available) from the remote areas as such tying together funds from the unbanked sector will continue a problem unless a radical approach is adopted to rectify this anomaly. This scenario can also be cemented by the findings that most of the rural populace lack knowledge on financial services and also they need the products explained in their own

understanding and level of educational background. It is also evidenced in the research that, most of the respondents do not literally take their small entities as serious business entities, thus this contributes much to varying acceptance and use of the available financial services. The average standard error of 0.4067 is low which indicates that the sample has a high level of accuracy in depicting the population mean.

Figure 4-3: Availability of financial services to MSMES expressed as a percentage



Source: *Researcher (2020)*

The number of respondents who indicated that availability of financial services was limited (very low, low and not available) were significantly more than those who indicated that they were available (χ^2 = 72.96, df=1, p=0.000) (Figure 4.3). Combined, about 80.7% of the respondents felt that availability of financial services was limited whilst only 18.3% confirmed that financial services are readily available. A p-value of less than 0.05 indicates significant difference in the proportion of respondents who felt that availability of financial services was limited and those who felt that they are adequate this shows that there is high unavailability of financial services. This

general feeling among respondents is possibly explained further using data gathered from interviews.

The study found out that unavailability of financial services is contributed by a plethora of factors which include the bureaucracy and cumbersome paperwork discouraging and tend to be costly for an MSME who is actually trying to find his foot. There is what also many respondents termed "Hararerisation" in reference to that even signed and done in Nyanga approval always has to be done in Harare, thus making most of these products unavailable. It is also evident in the research that there are few banking institutions in the area, thus many people will just ignore those that they perceived costly. The smaller percentage that were fully behind the availability of the financial products and services are probably the town entrepreneurs who also had tertiary education and also having access to current affairs, in the form of newspapers and other media such as radios and TVs, which most of the rural persons didn't have access, hence the above results, some actually highlighted that, they get to know about some of these products way after they have been taken off the market.

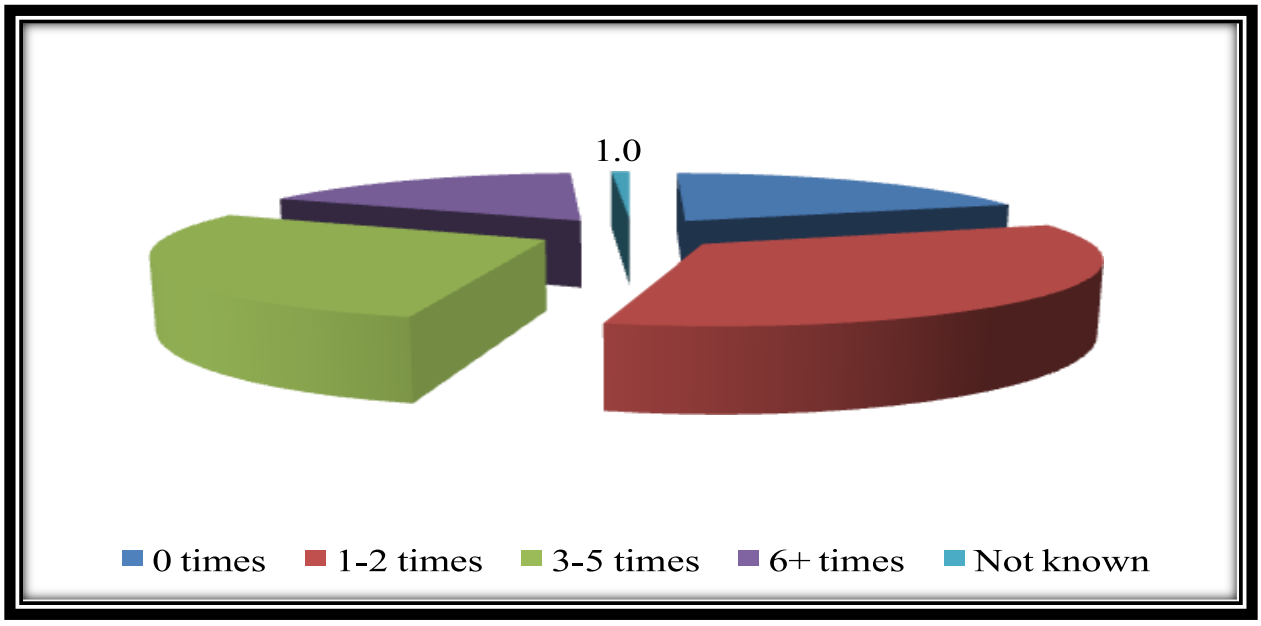
Interviewed respondents apart from confirming the unavailability of financial service they indicated that those products and service that are available do not suit their need, in fact all indicated that they were not satisfied with financial services that they are receiving as MSMEs. Respondents were asked on their preferred products and highlighted that they require the following:

a. Command agriculture that is liberalized such that one is able to take the farming loan from preferred institution.
b. Loans that cover not only for inputs but the whole mechanization, one of the respondents had this to say ; "*….i know institutions that can assist me with a loan but the loans are not sustainable and requires me to be repaying every month which is strenuous and sometimes inconveniencing. The ideal situation is to get a loan that can buy me irrigation equipment and repaying affordably for a longer period and that will surely enable me to grow as a small scale farmer…*"
c. Agriculture related insurance products to cover livestock, crop etc.

4.7. To establish the level of usage of financial services by MSMEs

Significantly more respondents (χ^2 = 19.72, df=1, p=0.000) used financial services less than five times (Figure 4.4). Results illustrate that 81.9% of the respondents used financial services <5 times whilst the remaining 18.1% frequently used financial services six times or more. A significant proportion of respondents (20.1%) did not use financial services at all in a typical month. Those that used the financial services were mainly aimed at servicing their short term needs rather than long term. The research further found out that the prevailing inflationary environment and the de-dollarisation and re-dollarisation matrix bringing a lot of sceptism into the use of the available financial products and services, with a lot of uncertainty even on the customers patterns and behaviour, hence the low to no usage on average, for the financial products.

Figure 4-4: Frequency of use of financial products or services through a formal financial institution in a typical month, expressed as a percentage



Source: *Researcher (2020)*

The findings shown could also be highly attributed to the fact that business hours of banks and those of MSMEs tend to clash, since most of these operate on a sole trader basis it means closing shop to attend to bank business or service provider. This is also attributed to the large usage of mobile banking services as there are flexible and convenient, albeit the cash challenges. So,

visiting a bank at least six times a month doesn't really make economic sense as it can directly lead to revenue losses through downtime. Also, the slow service and queuing associated with many banks does contribute significantly to the results shown in Figure 4:4.

Table 4-5 Use of financial products or services through a formal financial institution in a typical month, descriptive statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Bank acc	205	2.2732	.05759	.82457
Mobile banking	205	2.6537	.47638	6.82068
Mobile money transfer	205	3.3561	.06049	.86604
ATM	205	2.8341	.47572	6.81131
POS machine	205	1.9951	.06542	.93671
Valid N (listwise)	205			

Source: *Researcher (2020)*

To further support the data presented in Figure 4-4, Table 4-5 of descriptive statics indicates that on all product or service line the mean usage of financial services is 2.62 that less than 3 times a month. This points to the fact that for those MSMEs that have access to financial services they are not frequently using them. The average standard error of responses is low (0.2271) reflecting high accuracy of the sample responses in representing the population. Mobile banking and ATMs had high standard deviations 6.8207 and 6.81131 respectively the possible explanation is on including the MSMEs in Nyanga urban and those in the rural areas.

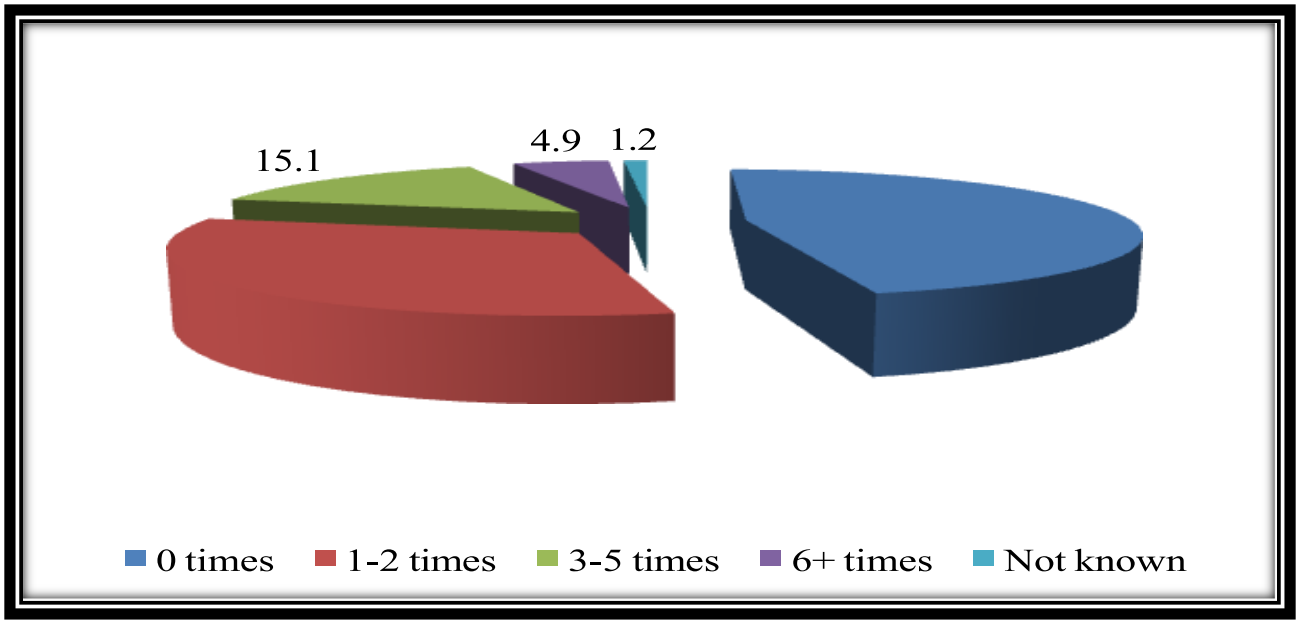
The high standard deviation shows that there is high dispersion within the respondents in the use of ATMs and Mobile Banking. ATM services are almost abandoned and have not been really opened up for some time, except for one or so banks. Payments have been taken over by mobile money transfer and POS Machines, besides the convenience they bring to these MSMEs they are also easily available, instant and also allow transactions to be done regardless of distance barriers. Using mobile banking the research found out that some payments are done by relatives in cities as far as Harare. In addition to that, mobile money transactions are easy to set up or open such accounts, however POS Machines aren't easily accessible although once available their usage is

very high also aided by the cash challenges and that it gives some MSMEs a competitive advantage. Due to these advantages, MSMEs are prompted to open bank accounts as a means to access POS Machines and other associated services.

4.7.2 Usage of financial services in 12 months

Within a twelve months period, significantly more respondents (χ^2 = 159.13, df=1, p=0.000) used financial services <5 times (Figure 4.3). Of all the 206 respondents, ~95% used financial services <5 times whilst ~5% used financial services six times or more.

Figure 4-5: Frequency of use of financial products or services through a formal financial institution over the last 12 months, expressed as a percentage



Source: *Researcher (2020)*

Almost half of the respondents have neither used nor accessed financial services from a formal institution and only slightly above a third used only one to two times with only a meagre 5 percent got assistance on at least six times in a twelve-month period. Most of the respondents got assistance through their own "money clubs" and associations their form to pool financial resources, whilst a significant other got financial assistance from friends and relatives especially those in the "diaspora" Finscope survey (2012) also confirmed the same scenario. The few that frequently get

are those that have employed a significant number of employees and also have created good relations with banks through great historical background and not new customers. Another hinderance highlighted is that of getting the first formal assistance, but once you get past that huddle. It's all smooth sailing, hence this is the reason why some actually can get monthly support from the institutions. On the other hand, these formal set up require proper registration and legal documents, which are not characteristic of most of these MSMEs, thus they will not even get assistance.

Table 4-6 Use of financial products or services through a formal financial institution over the last 12 months, descriptive statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Employee bank acc	205	2.1024	.06612	.94674
Internet banking	205	2.8390	.67151	9.61455
Safe custody	205	1.3927	.87301	12.49965
Fixed time deposit	205	1.5317	.67278	9.63273
Overdrafts & loans	204	2.3431	.48007	6.85673
Invoice discounting	205	2.3756	.67337	9.64113
Zero balance acc	204	1.9608	.48127	6.87384
Vehicle insurance	205	1.8683	.05162	.73912
Property insurance	205	1.7073	.05754	.82379
Life insurance	205	1.9220	.06683	.95679
Medical insurance	205	2.1415	.06203	.88810
Salary payments	205	2.3073	.18320	2.62309
Valid N (listwise)	203			

Source: *Researcher (2020)*

In a typical year, as shown by the average of the means (2.266) on all products it depict that MSMEs used financial services less than 3 times which reveals very minimal use of the financial services and safe custody is the least used with mean of 1.53 and standard deviation of 12.45. The average standard error of 0.3616 is low which allows inference to the population with high confidence level. High standard deviations were recorded on products such as Internet banking, safe custody, fixed time deposit, overdrafts/loans, invoice discounting and salary payments depicting the divide of respondents into two sharply contrasting groups with regards to those services. Whilst on all Insurance products the responds are very close to the mean showing uniformity responses though usage is not that frequent, average mean of 1.9 that is less than 2 times the whole year.

Generally, the results show serious lack of use of financial service, this is similar outcome in most African countries for example in Mozambique a research was conducted and it has been observed that houses, land, and businesses were supplied as security and that banks require MSMEs to provide collateral security in order to reduce moral hazard (Osano and Languitone, 2016) . Collateral produces disincentive to the MSMEs to acquire bank financing and that result in MSMEs being discriminated by banks due to high risks in lending to them and they remain excluded financially.

Lack of confidence in financial reforms policies in the country is a plausible explanation to the low level of usage of financial services, this position was the case of research by Ngwenya et al (2018), on informal sector financial services usage. The issue of confidence is widespread as most were concerned by the various charges and the processing time that these institutions and banks charge and take, respectively. In addition, the prevailing inflation environment is not kind if the financial support takes ages to process, thus most MSMEs questioning the intentions of these services, because in the end they burden entrepreneurs in paying without the intended objectives attained.

Those interviewed confirmed that they are not utilizing and fully using financial services that are available to them. Major concern on non usage was that they are not able to withdraw their funds once deposited and most potato farmers indicating that they are selling their farm produce in USD so they keep the USD to take advantage of the 3-tier pricing system when they prepare for the next farming season. Furthermore, respondents indicated that non usage is a way of escaping hefty charge by financial service provider especially after introduction of the 2% tax on all transfers. The non-usage is also resultant of the low financial literacy on the part of the respondents, as evidenced in their highest qualifications as shown by Figure 4-2. The majority have just basic education, which does not count much to financial literacy.

4.8. To ascertain the level of financial literacy of MSMEs

The study examined the level of financial literacy on MSMEs after the MFIS, the 5-likert scale inquiry sought to solicit for the variety of products or service known by respondents, (No Information =1, Very Low = 2, Low = 3, High = 4, Very high = 5).

Table 4-7 Knowledge of financial services descriptive statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Types of overdrafts & loans	202	2.3564	.08398	1.19355
Types of accounts for saving	204	2.3088	.08362	1.19429
Interest on deposits	204	2.3431	.07862	1.12294
Internet banking services	204	2.5147	.08178	1.16804
Salaries bulk payments	204	2.5588	.07490	1.06972
Motor vehicle insurance	204	2.3873	.08574	1.22456
Property insurance	204	2.4853	.08665	1.23766
Medical insurance	204	2.7696	.08738	1.24800
Life insurance	204	2.9363	.08848	1.26369
Valid N (listwise)	202			

Source: *Researcher (2020)*

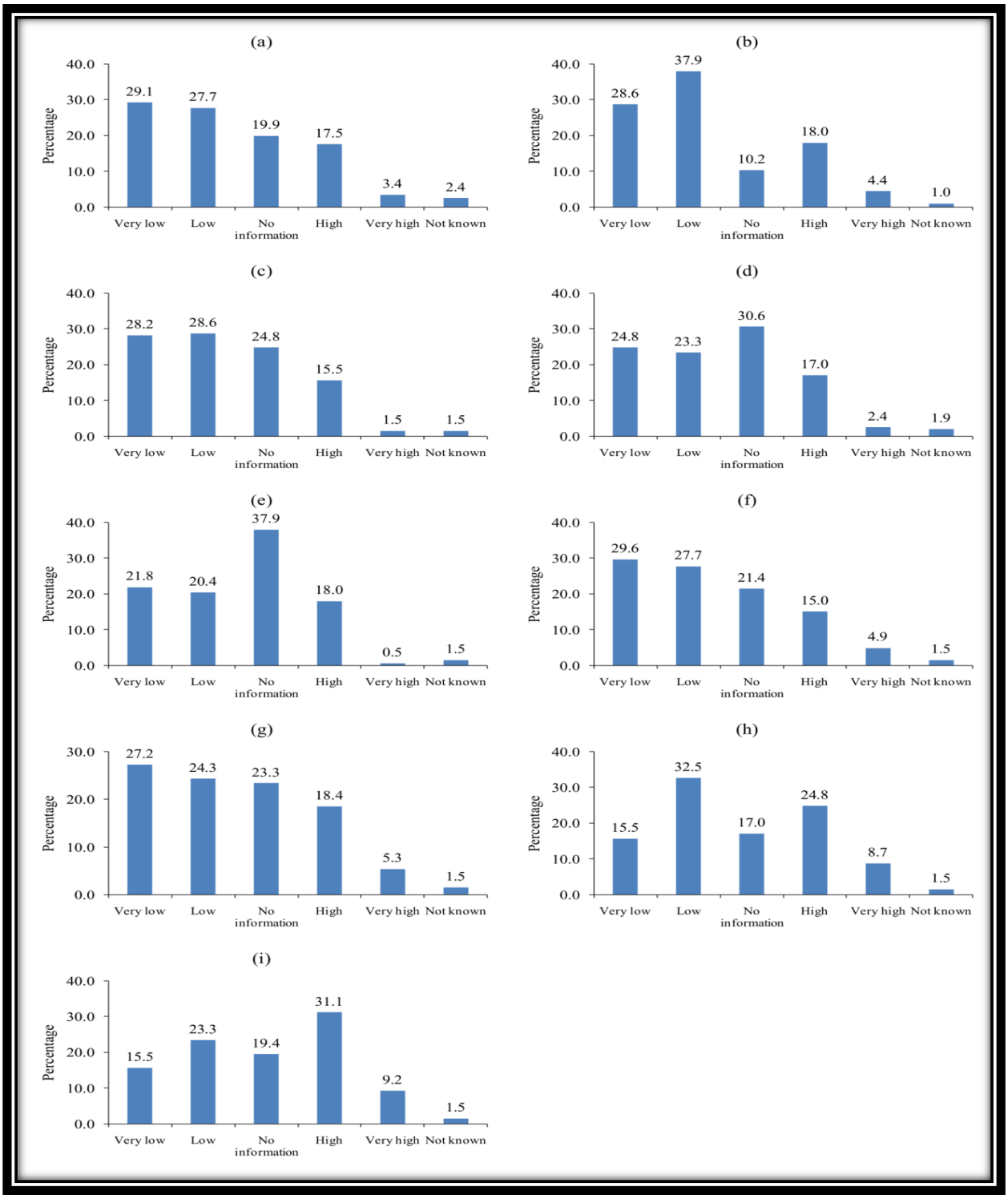
The respondents depicted the lack of financial knowledge (mean of 2.5178, no information, very low and low information) on the basic financial services which they are supposed to be using frequently. Respondents have shown that they appreciate life insurance products and services (mean 2.93; SD 1.2637) more than all other listed financial services, this can as a result of vigorous marketing by funeral services companies (e.g. Nyaradzo Funeral Services, Moonlight) and their suitability of their products to all segments of the market. On the other hand, they indicated the least knowledge is on accounts for savings (mean 2.3088; SD 1.1936). Results confirmed the uniformity of responses across all products with all deviation from the mean (standard deviation) less than 1.30. Average standard error on the means of the samples is 0.0836 which very low and this supports that the sample adequately and accurately represents the behavior of the population. Lack of financial literacy is a major factor contributing to financial self-exclusion this was also confirmed in the findings of Marime and Chakazamba (2016), Inganga et al (2014).

For small holder farmer lack of knowledge through experience or interaction with extension officers affect the uptake of financial products reducing their level of financial inclusion (Masara and Dube 2017). The research cements these assertions as most respondents were particular about the pamphlets and other financial awareness material is in English languages, which they argued with their educational qualifications, fail to really comprehend and understand the jargon, thus fostering to lack of financial literacy and financial self-exclusion. The traditional, social and religious beliefs also contribute significantly to this lack of financial literacy as they play a strong role in the business set up as most of these MSMEs. In most cases business is thrusted upon the

family fiber, thus it's the traditional financial methods being passed on for generations and this creates a blinkered financial knowledge, with the educated ones weaning themselves from traditional family or religious practices.

The graphs in the Figure 4-6 below shows a pictorial view of the level of knowledge which reveal that a significant number (74.22%) of respondents do not have knowledge (low, very low and no information) about the financial services and products. Bulk salary payments shows highest percentage of respondents followed by internet banking with no information about it, 37.9% and 30.6% respectively. On the other hand life assurance has the highest number of respondents who are knowledgeable about the product 31.1%.

Figure 4-6 Frequency of the knowledge of financial services



Source: *Researcher (2020)*

Level of literacy for (a) Types of overdrafts and loans, (b)Types of accounts for saving, (c) Interest on deposits, (d) Internet banking services, (e) Salaries bulk payments, (f) Motor vehicle insurance, (g) Property Insurance, (h) Medical Insurance, and (i) Life insurance

Respondents who were interviewed confessed little knowledge about financial services meant for the MSMEs. Out of the 12 listed products all respondents indicated that they knew an average of 7 products/services in detail. However, when further asked on the advantages, disadvantages, varieties and types of the products/services they were not able to clearly outline them. Knowledge on Life Insurance and Medical insurance was highest amongst all the products. Meanwhile, there was little to no knowledge on other critical financial products, such as overdraft loans and types of account saving, as evidenced by findings on Figure 4-6.

The findings show that Insurance products are popular amongst the respondents despite them not having a direct impact on MSMEs business growth and development. This is also alluded to that the cultural belief ties more value to life insurance and health, thus the popularity of companies such as Nyaradzo and Moonlight. Also, the other financial products lag behind these, due to that issues of health and funerals are in the public domain more than the other financial services, for instance when one is sick or when there is a funeral it is easily publicly consumed than one having a bank account or salaries bulk services, because of the discreet nature of information and also cultural beliefs. The findings can also be tied to the gender revelations where females dominate the respondents, the females are known for their motherly care, which will emphasise more on health and life insurance products, thus the outputs can have a positive relationship, while knowledge on real financial products lags behind. Internet banking is the least known due to the network challenges, unreliable network connection and high internet costs, hence most people would not even bother getting the know of this product. Most respondents don’t have gadgets, for instance, phones and laptops that connects to the internet, neither do banks offer these in their banking halls, thus it is deemed costly.

4.9. To establish the challenges which are being faced by MSMEs in accessing financial services

The research probed on the challenges faced by the MSMEs on a 5 point Likert scale (Strongly Disagree=1; Disagree =2; Neutral =3; Agree =4; Strongly Agree = 5) and the responses were computed to establish the percentage of respondents, the mean values and standard deviations as shown on table 4-8 and 4-9 respectively

Table 4-8: Challenges faced by MSMEs in accessing financial services (numbers indicate percentage of respondents)

Reason	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Not known
A bank account is costly to open (opening deposit requirement)	6.8	13.6	14.6	37.4	25.2	2.4
An account is costly to maintain (account service fees)	2.4	28.6	17.0	38.8	12.1	1.0
Bank accounts are not designed for the small business	9.2	39.8	16.5	26.2	6.8	1.5
Too many account opening requirements	3.9	25.2	23.3	34.0	11.7	1.9
Takes a lot of time in the banking halls	6.3	23.3	29.6	31.6	6.8	2.4
High cost of living can afford one to have extra for depositing to the bank in order to save	4.4	29.6	24.3	27.2	13.1	1.5
Money in the savings account does not earn interest	4.9	12.1	22.8	42.7	14.6	2.9
System downtime delays transferring my money to suppliers	1.5	15.0	25.2	41.7	14.1	2.4
Banks are not interested in small deposits that we earn	10.2	29.1	21.4	24.8	13.1	1.5
Loan processing fee is too high	2.9	11.2	18.0	40.3	25.2	2.4
Interest on loans charged by financial institutions is too high	1.9	9.7	16.0	45.6	24.8	1.9
Takes too long to for loans to be approved	6.3	13.1	21.4	32.5	24.8	1.9
Financial institutions put too much emphasis on security	5.3	19.9	23.8	26.7	22.8	1.5
Financial institutions do not have suitable loans for MSMEs	9.2	15.5	16.0	34.0	23.8	1.5
High premiums on insurance are charged	3.4	13.6	19.4	35.9	25.7	1.9
Difficult to process insurance claim	5.3	11.7	21.8	34.0	26.2	1.0
No specific insurance product is suitable MSMEs	8.7	22.8	19.4	28.2	19.9	1.0
The terms and conditions for insurance are not clear	8.7	14.1	18.4	28.2	27.7	2.9

Source: *Researcher (2020)*

The table above indicate that the highest number of respondents (39.8%) disagree with the fact that bank accounts are not designed for MSMEs. In fact, some interviewed respondents argued that financial institutions are developing products in the offices without consulting end users. In his response, one of the respondent put it this way, "…*financial institutions do not engage us in proper research of our needs, they should come up with the product that is appropriate to our needs especially on loans and insurance products*…". On all challenges the responses point to the five major challenges as follows, high interest rate on loans (70.4%), followed by high loan processing fee (65,5%), then costly account opening (62.6%) whilst, high insurance premiums and

difficulties in processing claims had 61.6% and 60.2% respectively. Overall assessment of the responses indicated that 52.6% of respondents confirmed the availability of listed challenges whilst only 24.95 % do not seem to categorize items on the list as challenges and 20.49% neither confirmed nor disagreed the position maybe due to the fact that they do not use or did not attempt to use the formal financial service.

The interviewed respondents to a larger extend cited the availability of above challenges and added some more which they felt are more vital mainly with regards to MSMEs into farming business. Interviewees indicated the following as some of the challenges:

a. Poor timing on some services especially Command agricultural loans being availed after the first rains.
b. Cash shortages and withdrawal limits.
c. Inflexibility of group lending adopted by some financial institutions.
d. Loan tenure and repayment structure which does take into cognizance of the framing season
e. Lack of products designed tailor made for farmers for example livestock insurance, crop (hail or drought) insurance.
f. Over emphasis on tangible security on borrowing, *"…..if insurance companies were able to insure my livestock it was also going to be able to be considered as part of security, because not every small farmer has managed to build a house in town with title deeds*"
g. Products are not easily available there are no options in Nyanga, two if not one financial institution seem to support small holder farmer.
h. Lack of transparency by service providers on the cost and charges of the products.

Table 4-9 Challenges faced by MSMEs in accessing financial services descriptive statistics

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Bank acc is costly to open	202	4.0941	.47971	6.81789
Account is costly to maintain	204	3.2990	.07625	1.08904
Acc are not designed for small businesses	204	3.2843	.47814	6.82920
Too many account opening requirements	204	4.1863	.66648	9.51921
Takes a lot of time in the banking halls	203	4.0394	.67047	9.55279
High cost of living	204	3.6225	.47638	6.80406
Money in the savings acc does not earn interest	204	5.3873	.93204	13.31217
System downtime delays	204	4.9363	.80937	11.56012
Banks are not interested in small deposits	204	3.4853	.47823	6.83044
Loan processing fee too high	204	5.1569	.80801	11.54067
Interest on loan too high	204	4.7647	.66167	6.45060
Takes too long for loans to be approved	204	4.5098	.66506	9.49902
Financial institutions put much emphasis on security	204	3.8922	.47597	6.79816
No suitable loans for MSMES	204	3.9510	.47657	6.80680
High premiums on insurance charged	204	4.6176	.66367	9.47909
Difficult to process insurance claim	204	3.6471	.08053	1.15026
Unsuitable insurance products for MSMES	204	3.2794	.08860	1.26544
Terms and conditions for insurance not clear	202	4.4802	.67275	9.56164
Valid N (listwise)	199			

Source: *Researcher (2020)*

Mean and standard deviation of responses results suggest that lack of interests in the bank accounts (mean 5.3873; SD 13.31217), very high loan processing fee (mean 5.1569; SD 11.54067), high interest rate on loan (mean 4.7647; SD 6.45060), system downtime delays (mean 4.9363; SD 11.56012), and high premium charged on insurance (mean 4.6176; SD 9.47909) are the top ranked challenges faced by MSMEs. However used in conjunction with table 4-8 the descriptive stats confirms the ranking of the percentage of responses indicated above since some standard deviations from the mean are high showing high polarized responses. The results on Table 4-9 also reveals that respondents do categorize that the following as significant challenges in accessing financial services, account maintenance costs (mean 3.2990; SD 1.08904), suitably designed accounts for MSMEs (mean 3.2843; SD 6.8292) and unsuitable insurance products for MSMEs (mean 3.294, SD 1.26). The overall interpretation and analysis of results in the two tables are similar in that responses shows and agrees that above listed items are indeed challenges for MSMEs in accessing financial services with an average mean response of 4.1463 and average standard error of 0.5367. The stand error of 0.5367 is low hence the sample accurately depicts the behavior of the population.

4.10. Chapter summary

The chapter presented and analyzed data from the research findings. The first part presented the demographic set up of the respondents and also highlight on the response rate. Data was presented and analyzed under the four main research objectives. SPSS version 20.6 was applied in the analysis of the presented data. The chapter also linked the results with researches that were done elsewhere in Zimbabwe and Africa. Both quantitative and qualitative data were presented and analyzed in this chapter where qualitative data was strong in supporting the quantitative data.

CHAPTER FIVE

RESEARCH CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The impact of the NFIS was examined based on four basic indicators which the researcher selected after consulting various studies on financial inclusion which were done before. The four indictors used are availability of financial services, usage of financial services, financial literacy and the challenges MSMEs are facing in accessing financial services. The objectives were relating to the broad objectives of the NFIS of achieving overall level of access to inexpensive and appropriate formal financial services within the country from 69% in 2014 to at least 90% by 2020 and increasing the fraction of banked adults from 30% in 2014 to no less than 60% by 2020. The results and analysis thereof indicate that marginalized communities like Nyanga are largely financially excluded hence insignificant impact of the NFIS is evident based on these research findings. Applying the financial possibility frontier theory of financial inclusion Zimbabwe marginalized communities requires both market developing policies and market enabling polices (NFIS) to enhance financial inclusion. In addition periodic reviews at both the demand side and supply side factors in the policies is required in order to adopt structural and operational modalities which foster demand and usage of affordable financial services.

5.2. To find out financial services that are readily available to MSMEs

The findings answered the objective of financial service availability as an indicator to the impact of NFIS. The significance of financial service availability in the determination of the impact of a NFIS is imperative, it reflects on how easily customers (MSMEs) can access the services. The financial services availability is limited to MSMEs with respondents (80.1%) significantly attesting to that at $\chi^2 = 72.96$, df=1 and p=0.000. The scenario is a result of low branch network by financial service providers to marginalised areas as noted by also noted by Tsikirayi, Makoni and Matiza (2013). The branch network of financial service providers especially insurance

providers are located in Harare, the capital city, and in a few major town and it makes it difficult for MSMEs to access services.

5.3. To establish the level of usage of financial services by MSMEs

Basing on the analysis of the findings from the primary and secondary data sources, the study concludes that usage of financial service is occasional. In order to accordingly assess this objective the products and service were examined in deferent time zones (in a month and in a year) this based on the type of product and pattern of nature of use. On the basic financial products which can be used almost daily (bank account, mobile banking, ecocash, telecash, onewallet, ATM card and POS machine) the study concludes on low usage at high significance at $\chi^2 = 19.72$, df=1, p=0.000, that 81.8% respondents used financial services less than 5 times and only 17.2% used financial services more than 6 times in a typical month. In addition, on other products which are expected to be used at least once a month the study concludes low levels of usage at high significance $\chi^2 = 159.13$, df=1, p=0.000, that ~95% used the services less than 5 times whilst only ~5% used financial services more than 6 times in a typical year. Studies in the region also found similar results on non usage of financial service with Osano and Languitone (2016) concluding that MSMEs in Mozambique face impediments in using financial services due to banking systems and regulatory structure and proposed that they should be sensitized about funding programs and financial schemes provided by the government and private sector and that public and private sectors must put in place funding programs and financial schemes to assist MSMEs which also hold water to the Zimbabwean scenario of MSMEs. In Zimbabwe however the exacerbate factor for non usage according to the observation and findings is the preference of physical cash usage especially USD due to its ability to store value and enable importation of some required inputs. These findings also point greatly to the lack of confidence by MSMEs with the Zimbabwe financial system.

5.4. To ascertain the level of financial literacy of MSMEs

The findings on this objectives indicated and concluded that there is very low financial literacy levels amongst MSMEs in Nyanga with only 27.75% of respondents confirming that they know

above 4 types or varieties of basic financial products/services whilst 74.22% know less than 3 types or varieties of products and services. Without adequate financial literacy the NFIS will not have an impact on overall financial inclusion of this sector. Inganga W B et al (2014), in their study also concluded that limited financial literacy serves as a more significant obstacle to demand than the high fixed cost issue associated with formal financial services and especially traditional banking and insurance services such that if an individual is unfamiliar with a product/ service they will have no cause to demand for it. The World Bank (2009) also indicated that financial literacy is considered an important accessory for enabling financial inclusion, financial development and therefore leading to financial stability in the economy. Financial literacy is vital for promoting access to finance through creating incentives and environments that encourage preferred financial behaviors such as saving, budgeting, or using credit wisely. In another study by Murendo and Mutsonziwa (2016) it also confirmed the importance of financial literacy on financial inclusion efforts, they concluded that it increases the probability to save by 17 and 15% points for female and male individuals respectively. It positively influence both informal and formal savings decisions. In this study, financial literacy in viewed as a pillar according to the reviewed literature on the Zimbabwe NFIS and it shows that this pillar is not supportive enough since the financial knowledge by the MSMEs is limited.

5.5. To establish challenges which are being faced by MSMEs in accessing financial services

Although there was a mixed feeling about the challenges being faced with a high average standard deviation of 7.94, the average mean of all responses of 4.1463 concludes that more respondents (52.68) agree that the listed items are indeed challenges being faced by MSMEs in accessing financial services compared to 24.95 who did not agree. A significant number of respondents 20.49 were neutral and observation as connected to other responses most of these individuals do not use the financial services. Other challenges that interviewed respondents highlighted are also macro-economic related, which included lack of consumer protection laws that enforce standard of behavior amongst financial service providers, erosion of savings due to inflationary pressure on our Zimbabwean currency, the lack of transparency on service related charges by financial institution and provision of services which does not suit the needs of the MSMEs. Findings on this objective again indicate low impact of the NFIS on accessibility of financial services since service provision where it is available it is either expensive or inappropriate.

5.6. Recommendations

5.6.1. Policy makers and regulators

There is need to relook into the enablers and operational dynamics of the NFIS and align them with the needs for the special interest groups to achieve desired results. Reforms to legal and regulatory frameworks can create space for innovation that supports greater financial inclusion for MSMEs. The existing legal and regulatory constraints are affecting the delivery of financial services hence lack of enabling regulations must be addressed. Ideally, the development of the financial systems must positively affect MSMEs as such a better understanding of the levers to use to expand MSMEs' financial inclusion would allow policies and regulatory frameworks to be fine-tuned.

The Central Bank of Zimbabwe can take on a promotional role in its support for the creation of rural community Banks which are capitalized by local communities, with a high share of MSMEs ownership. The regulators should also encourage the development of flexible microfinance products, improving the provision of long-term contractual micro-credits, micro insurance and micro-savings.

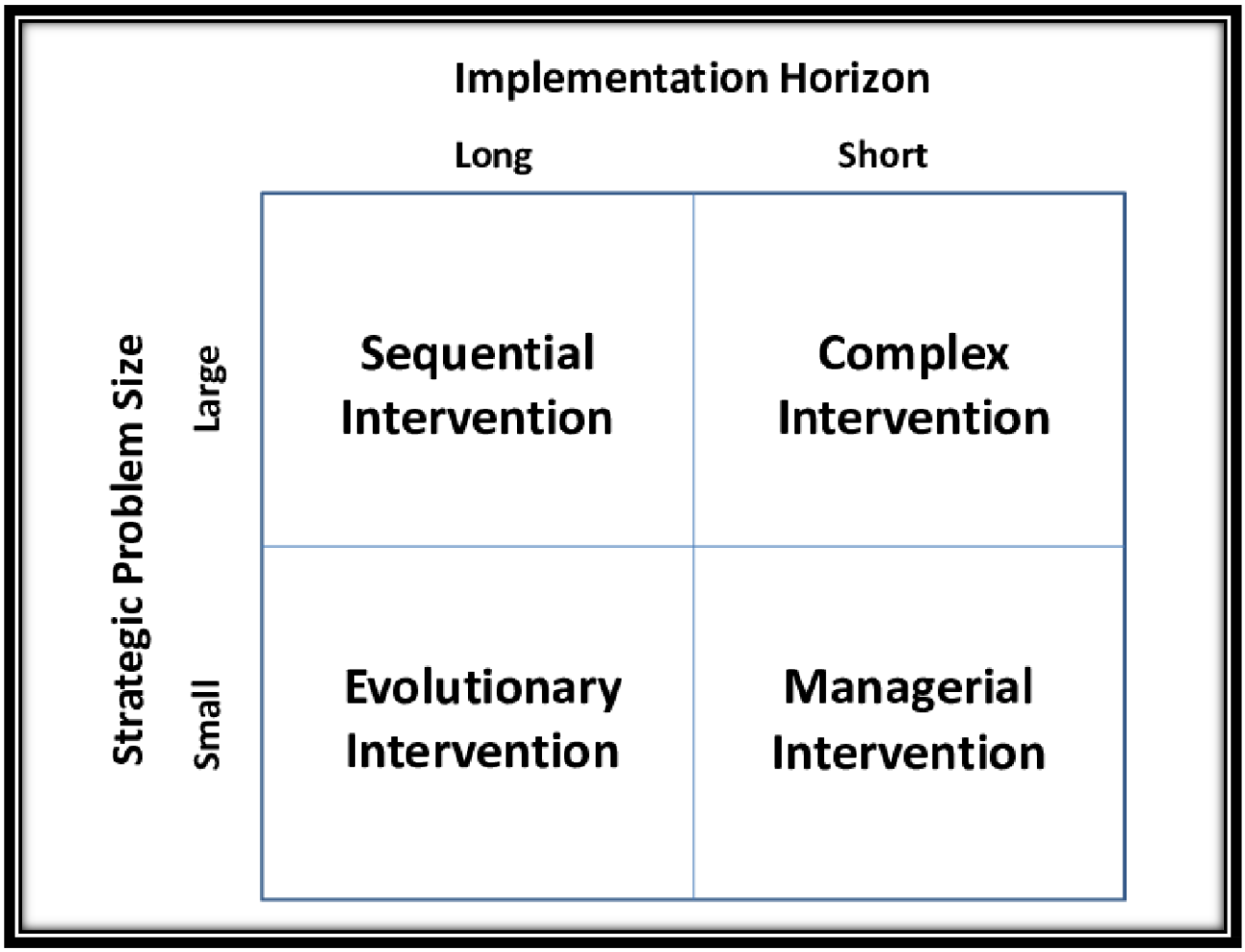
The Reserve Bank can also introduce regulations to allow off-site ATMs and to amplify ATM deployment in rural areas. Incentives must be put into place, including measures for greater interconnectivity, to increase the use of point of sale devices that is Telecash, Ecocash and OneMoney can be linked to Zimswitch and also on POS machines. This initiative will promote the interoperability of payment systems

5.6.2 Implementation strategy

Formulating strategies is complicated but executing them is much harder, due to many factors that affect the strategy implementation (Oskooee 2017). While there is no much literature on the key concepts of national strategy implementation, this recommendation is based on the organizational typology of strategy implementation coined by Hrebiniak and Joyce in 1984, and refined by Oskooee (2017).

Given the size of our financial exclusion problem and our lack of adequate resource the NFIS implementation is supposed to be viewed and pursued under the Sequential Intervention quadrant since the magnitude of the problem is huge and requires longer time to solve (Figure 5.1).

Figure 5-1 Strategy implementation typology



Source: *Oskooee (2017)*

The authorities are supposed to;

a. Adopt a multi-stakeholder approach - Implementation involves numerous components of the model, implying multi-stakeholder approach in the implementation of the NFIS that constant engagements especially key players on the demand side as well as the supply side
b. Deal with the complex nature of the structures in the financial sector so as to improve coordination and information sharing in addressing financial exclusions.

c. Successful implementation requires special attention to the relationships between components (financial institutions, MSMEs) as well as the relationships within them.

5.6.3. Making national strategy in a VUCA environment

We are living in a VUCA world, an environment marked by volatility, uncertainty, complexity and ambiguity. Volatility relates to abrupt, excessive and multi-layered fluctuations in economy, geopolitics, socio-politics and indicates the complexity of identifying and describing changes in a patterns. When the economy is volatile the predictability becomes uncertain and this makes forecasting extremely complex and decision making challenging. The ambiguity of the atmosphere is the consequence of all the above features. The policy makers are recommended to adopt the VUCA action framework as proposed by Johansen (2007). The action framework calls for VUCA approach which represents Vision, Understanding, Clarity and Agility in the formulation and implementation of national strategies. Using vision, the authorities should not only forecast the future, but rather create future through action. Understanding becomes very vital; it entails openness; accountability; setting margins through unambiguous expectations and objectives; enthusiasm to tackle tough issues; paying attention and relational skills; routine communication with the marginalized communities to check on progress of implementation. Clarity it is more about direction, rather than about the end point, and it incurs "great flexibility about the detail" Hollingworth (2016). In this regard the authorities must be willing and have patience to gain new information with regards to major issues contributing to continuous financial exclusion to MSMEs. Agility when it comes strategy implementation, if the NFIS is not providing expected results flexibility in a swift manner is required.

5.6.4. Pursuing Digital financial inclusion

The GPFI (2017) indicated that policymaker and regulator approaches must also evolve and be tailored to country contexts as they pursue digital financial inclusion. The major recommendation is the need for proactive leadership and political will must be cross-cutting to be regarded as success factors to be included is the integration and coordination across national authorities, that is, central banks, Ministries of Finance, and other regulators, and also social welfare agencies that interact with traditionally unbanked beneficiaries, MSMEs in marginalized communities included.

If interoperability is promoted, open technology platforms for digital financial services becomes available, establishment of a broad-based ecosystem for private and Government entities is easy and will enable to better reach consumers and ultimately improve their financial lives. Examples in the reviewed literature are the, The India Stack: A Multi-Stakeholder Approach to Digital Financial Inclusion, Tanzania National Financial Inclusion Strategy which included digitalization, as center enablers for financial inclusion, and many other countries as reviewed in the literature.

5.7. Financial service providers

The results from this research show that banks, microfinance firms, insurance companies and other financial institutions need to tap into the MSMEs cluster market which is currently neglected. Overall recommendation is that, financial service providers in Zimbabwe must adopt the Blue ocean strategies and capitalise on the lack of financial services accessibility to MSMEs. Blue Ocean strategy is a market-creating strategy Kim, W. C., & Mauborgne, R. (2015), it relates to undefined market space, demand creation, opportunity for highly profitable growth, most are created from within red oceans by expanding existing industry boundaries, rules of game waiting to be set and competition is irrelevant.

5.7.2. Risk management on Blues Oceans (MSMEs)

In order to tap into the MSMEs market the financial institutions must be prepared to manage the risks involved which includes search risk, planning risk, scale risk and business model risk. These risks presents the probability of incurring losses when searching for appropriate products, planning entrance strategies, ascertaining suitable scale of operation and developing proper business model which suits MSMEs. In essence financial institutions must adopt the Enterprise Risk Management approach (ERM), ERM attempts to capture and decrease the effects of modern day's business uncertainty and complexity by providing a broad structure for managing risks. It is within ERM that financial service providers will fully employ risk management in business model innovation. Risk management in the framework of business model innovation is "terra incognita" – unexplored territory (Taran, 2011) and requires specialized identification, analysis, evaluation and treating of risks.

5.7.3 Customer oriented approach in solving problems

Financial service providers need to understand the lives of MSMEs who are most of them poor. As supported by CGAP (2013), gaining insights into the intricate financial lives of the poor is imperative. In addition, this knowledge and understanding must be translated to client needs and behavior in order to produce better products, new products, policy approaches and delivery models that work better for them. An example of successful business models in promoting financial inclusion was cited by CGAP in their 2013 annual repot which revealed that, other new champions outside mobile phone operators are emerging, such as retailers working with banks. The OXXO in Mexico is a perfect example; it has above 10,000 small convenience stores around the country, translating to 7.5 million customer transactions per day. Their customer stand is made up of nearly 40 percent of low-income households. An intriguing development occurred when one of the Mexican Banks, Bancomer struck an arrangement with OXXO, Bancomer's amount of access points in the community enlarged fivefold overnight.

5.7.4. Financial education and financial literacy

Financial literacy and financial education programs for MSMEs are a vital investment in MSMEs' financial inclusion. Financial institutions must consider education and awareness as part of their corporate social responsibility initiative. This initiate is important it encourages the uptake of any financial service or product and also improve confidence in using financial services especially digital financial services.

5.7.6. Service Design and Operation Lifecycle

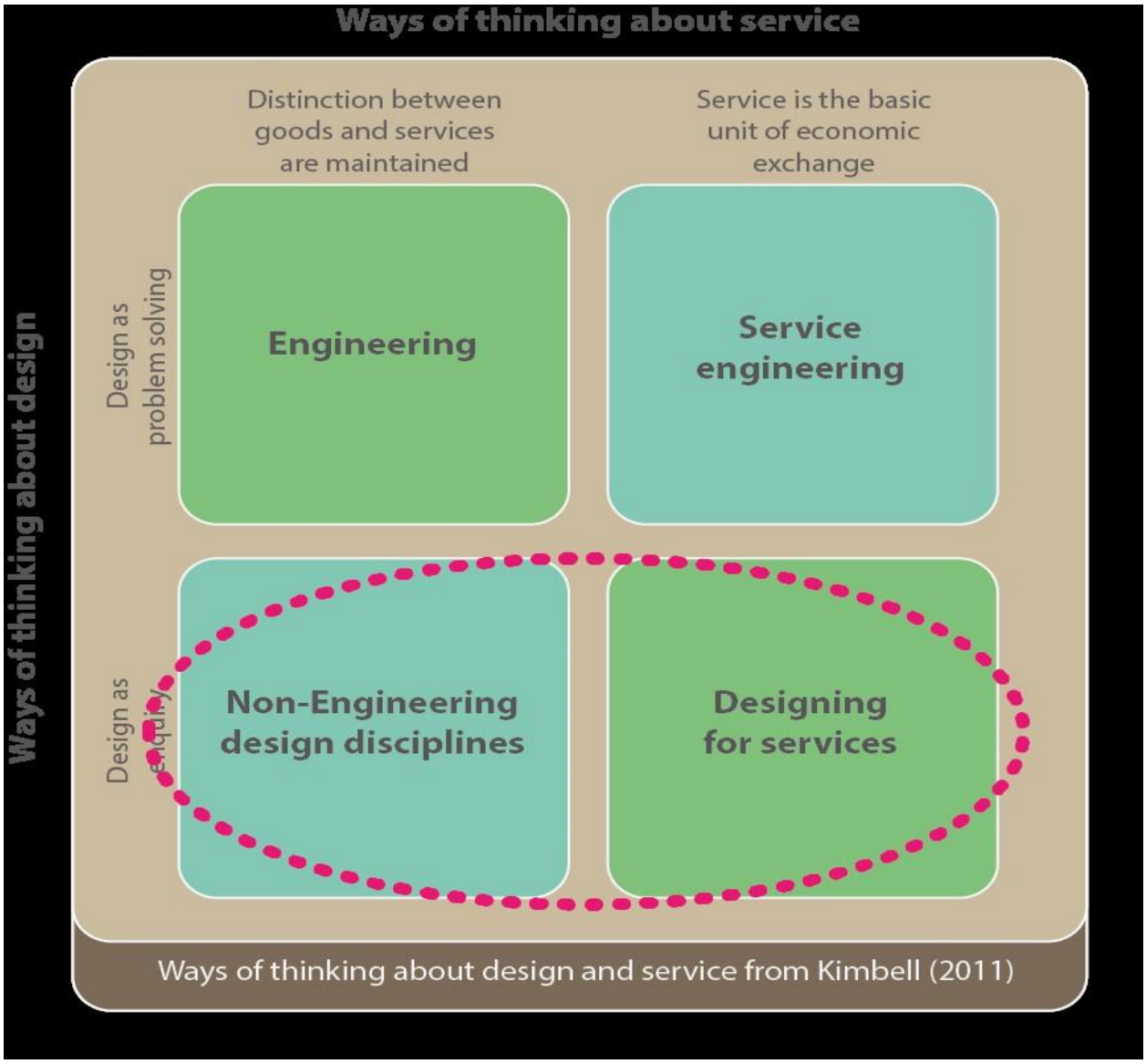
In designing services Zimbabwean financial institutions need to adopt the global service life cycle. As eluded by Katzan (2011) global service lifecycle provides the operational context for service design and this will assist financial institutions to come up with the best services suitable for the MSMEs in their various forms. Some pertinent issues in the services lifecycle are service commitment, service production, service availability, service delivery, service analysis and service termination. On service commitment, financial institutions must make formal agreement to provide a MSMEs specific service to the RBZ who in turn can provide proper administrative control over the service environment. With regards to service production, financial institutions must actually provide these specialized services, provide the adequate infrastructure, enable availability and embark on quality management checks to ensure MSMEs are properly served. In addition, services

must be made available and delivered to appropriate customers. Service analysis is very critical, it enables financial institutions to monitor ongoing service delivery and where value is no longer being realized service should be terminated and new service put in place.

5.7.7. Systems thinking in the design of services

Zimbabwe financial institutions must think of services as systems, and designing systems of services may offer scope for a service designer, the implementation of systems thinking seems to become important for the practice of service design (Rodriguez & Peralta 2014).

Figure 5-2 Ways of thinking about design and service



The above diagram depicts the way Zimbabwe financial services should think when designing service for MSMEs and any other services in general. The reality is that services often involve complex interactions linking users, service providers and other stakeholders. Additionally, they mediate the exchange of information and goods among people. With this understanding that services are complex and multifaceted phenomena such that financial institutions are supposed to be thorough in developing MSMEs products and services which connect the environment, sphere of influence, risks involved, tools and artifact that are used by the targeted clientele, collaborations of various stakeholders (value chain financing of smallholder farmers) and creating value for all involved parties.

5.7.8. Advertising, brand awareness and market visibility

"Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers about the products and brands they sell. In a sense, marketing communications represent the voice of the company and its brands. They are a means by which the firm can establish a dialogue and build relationships with consumers (Seturi 2017p 425)". In this regard financial institutions in Zimbabwe must make effort to embark on vigorous and consistent marketing gestures toward MSMEs especially those in the marginalized communities in order to create a profitable relationship with customers. In addition as supported by, Kotler & Keller, (2012, p. 124), "..customers are the only reason you build factories, hire employees, schedule meetings, lay fiber-optic lines, or engage in any business activity", in the same vein financial institutions should realize the importance of MSMEs as future profitable businesses and heavily invest in creating the buyer-orientated marketing strategy which produce best product offering.

5.8 NGOs

There are various Non-governmental Organisations for example UKaid, United Nations, Bill & Melinda Gates foundation which specialise with special interest groups in alleviating poverty and promoting participation in the financial sector. The results from this research depicts that there is still a huge gap in terms inclusivity of financial services to the marginalised communities and more funding must be channelled to this vision.

In addition some NGOs microfinance institutions (MFIs) can be transformed into fully regulated banks and focus on MSMEs financial service provision. This initiative is feasible, CGAP (2013) cited an example, in Kenya where Equity Bank is such a bank and today accounts for half of all deposit accounts in the country. Also in Cambodia, 60 percent of all the deposit accounts in the economy are with Acleda Bank and this is a transformed MFI.

5.9. The World Bank

The World Bank has a global target of universal financial access by 2020. Using the results from this research which shows very low levels of financial inclusion to marginalized areas of Zimbabwe there is need to conduct research in various African countries to find out the status such that implementation strategies can be relooked into to foster achievement of the global target.

5.10. The theoretical contributions of the study

The study contributed significantly to the existing body of knowledge. It concluded that for a country like Zimbabwe where there is vast differences in the economic set up (rural and urban areas) to have a huge positive impact of the NFIS on financial accessibility for the MSMEs in marginalized communities there is need to adopt double barreled policies (market developing policies and market enabling policies). The study also affirms various study findings that is in Africa, there is still a huge challenge on financial service accessibility despite national efforts to regularize the abnormality.

5.11. Recommendations for future research

The study provided overwhelming evidence that there has not been an improvement in financial services accessibility to MSMEs in marginalized communities. This scenario provides a perfect platform for in-depth research on the barriers to access of financial service among MSMEs in marginalized communities (rural and urban centers). The intention of the NFIS is to achieve high levels of financial inclusion to both urban and marginalized populations hence to make the strategy a success an in-depth research can be conducted on the supply side, demand side and regulatory factors which are standing in as hindrances to achieve high levels of financial inclusion.

In addition, the research also sets the tone for an exploratory research to establish the possibility of including financial literacy in the Zimbabwean secondary school curriculum. The research will unlock more value in the Zimbabwean education system with regards to financial knowledge ultimately resulting to improved financial inclusion.

5.12. Reflection of the main hypothesis

The null hypothesis stated that there is no impact of NFIS on accessibility of financial services by MSMEs in marginalised areas whilst the alternative hypothesis there is an impact of NFIS on accessibility of financial services by MSMEs in marginalised areas. The hypothesis was evaluated under four objectives to make an informed conclusion after research findings.

The two broad goals of the National Financial Inclusion Strategy were cited as follows; to increase the overall level of access to inexpensive and appropriate formal financial services within the

country from 69% in 2014 to at least 90% by 2020 and to increase the fraction of banked adults from 30% in 2014 to no less than 60% by 2020.

Synopsis of findings on the four objectives in view of the hypothesis

- Significantly (χ^2 = 72.96, df=1, p=0.000) more (80.7%) of the respondents felt that availability of financial services was limited
- Significantly (χ^2 = 159.13, df=1, p=0.000) more (~81.9%) of the respondents used financial services infrequently in a typical year.
- 74.22% of respondents reflected low levels of information at a mean of 2.5178 and SD 1.191.
- 52.68% agreed to existence of challenges against 24.95% who did not agree at an average mean of all responses of 4.1463 and standard deviation of 7.94

Measuring the broad goals of NFIS against the findings, the study accepts Null Hypothesis that is; in Zimbabwe (Nyanga) there is no positive impact of the NFIS on accessibility of financial services by MSMEs.

5.13. Chapter Summary and Research Conclusion

This chapter dealt with research summarizing the conclusions and proffering a vast number of recommendations in order to ensure that the NFIS have a positive noticeable impact on financial inclusion. The chapter went on to highlight on the contribution of the study to the existing body of knowledge and also recommending areas of future studies that will enhance the financial inclusion status of the country especial on special interest groups.

Based on the research findings and analyzed data the overall conclusion of the study therefore is that there is no impact of the 2016 NFIS on accessibility of financial services by MSMEs in marginalised areas thus accepting the null hypothesis. The standard error on all responses for the four objectives was low hence the results and conclusion closely depicts the characteristics of the population. In order to achieve the 2030 vision of becoming an upper middle economy this status of affairs with regards to financial inclusion must be corrected urgently to capture the untapped funds since MSMEs are contributing more than 50% of Zimbabwean GDP (Finscope 2012). If the MSMEs are all captured into the financial system policy making will be done with a certain level

of accuracy and also there will be minimised leakages in revenue collection. Most importantly national strategies should take into account the existence of two distinct economic set ups, the urban and the marginalised.

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APPENDICES

APPENDIX 1

Questionnaire

My name is **Saul Clemance Kege** a postgraduate student at Bindura University of Science Education pursuing a **Master's Degree in Business Leadership.** In partial fulfillment of the degree program, I am required to carry out a research project and I will be researching on the

impact of financial inclusion strategy on the accessibility of financial services by the marginalized communities in focusing on MSMEs in Nyanga district, Manicaland, Zimbabwe. I am therefore kindly asking and will be glad to receive your assistance through responding to this questionnaire. Utmost confidentiality will be treated to the responses provided and they will be used solely for academic purposes.

Your name or identity is not required.

SECTION A

PERSONAL INFORMATION

1.1. Gender

Male ☐ female ☐

1.2 Age of respondent

<29 years ☐ 29-39yrs ☐ 40-59yrs ☐ >59yrs ☐

1.3 Highest level of Academic Qualification.

Primary level ☐ Secondary level ☐ Tertiary level ☐ Other ☐

1.4 Type of business and years of operation/experience.

What type of business are you in?	Kindly tick	0-5 years	6-10years	>10years
Flea Markets				
Groceries				
Fashion Retail				
Hotel and Catering				
Artisans				
Manufacturing				
Agriculture				
Green Market				

Cottage Industry				
Any other (specify)				

SECTION B

FINANCIAL SERVICES READILY AVAILABLE TO MSMES

Please ***Tick*** in the appropriate box

Q1	**Kindly indicate number or types of products/services types that are readily available or easily accessible to you**	**Not available 0**	**Very Low 1-2**	**Low 2-3**	**High 4-5**	**Very high 6+**
1.1	Business bank account					
1.2	ATM/Bank card on individual or company account					
1.3	POS machines					
1.4	Mobile banking					
1.5	Mobile money transfers- ecocash/telecash/onewallet					
1.6	Internet banking					
1.7	Bulk salary payments					
1.8	Employees bank account					
1.9	Safe custody (safe keeping of items with the bank)					
1.10	Time or fixed term deposit					
1.11	Overdrafts and loans					
1.12	Invoice discounting					
1.13	Zero balance accounts					
1.14	Vehicle insurance					
1.15	Property insurance					

1.16	Life insurance					
1.17	Medical Insurance					

Other:……

…

SECTION C

USAGE OF FINANCIAL SERVICES BY MSMES

Q-1	**In a typical month, kindly indicate how often do you use the following financial products or services through a formal financial institution**	**0**	**1-2 times**	**3-5 times**	6+ times
1.1	Bank account (for deposits, payments, investing etc)				
1.2	Mobile banking				
1.3	Mobile money transfers-ecocash/telecash/onewallet				
1.4	ATM/Bank card on individual account				
1.5	POS machine				

Q -2	**Kindly indicate how often did you use the following financial p roducts or services in the past 12 months from a formal financial institution**	**0**	**1-2 times**	**3-5 times**	**6+ times**
2.1	Employees bank accounts				
2.2	Internet banking				
2.3	Safe custody (safe keeping of items with the bank)				
2.4	Time or fixed term deposit				
2.5	Overdrafts and loans				
2.6	Invoice discounting				
2.7	Zero balance accounts				
2.8	Vehicle insurance				
2.9	Property insurance				

2.10	Life insurance				
2.11	Medical Insurance				
2.12	Salary payments				

SECTION D

KNOWLEDGE OF FINANCIAL SERVICES BY MSMES

Q -1	**How much information about the following do you have?** *(Types or varieties of product or service that you know)*	**No Information 0**	**Very Low 1-2**	**Low 3-4**	**High 4-5**	**Very High 6+**
1.1	Overdrafts and loans					
1.2	Accounts for saving					
1.3	Interest on deposits					
1.4	Internet banking services					
1.5	Salaries bulk payments					
1.6	Motor vehicle insurance					
1.7	Property Insurance					
1.8	Medical Insurance					
1.9	Life insurance					

SECTION E

CHALLENGES BEING FACED BY MSMES IN ACCESSING FINANCIAL SERVICES

Kindly indicate how much you agree with the following statements with regards to financial services, using the scale below

SDA- Strongly disagree, DA- Disagree, N-neutral, A-Agree, SA-Strongly Agree

Q 1.	**For the following reasons, I am not interested in using financial products/services**	**SDA 1**	**DA 2**	**N 3**	**A 4**	**SA 5**

1.1	A bank account is costly to open (opening deposit requirement)					
1.2	An account is costly to maintain (account service fees)					
1.3	Bank accounts are not designed for the small business					
1.4	Too many account opening requirements					
1.5	Takes a lot of time in the banking halls					
1.6	High cost of living can afford one to have extra for depositing to the bank in order to save					
1.7	Money in the savings account does not earn interest					
1.8	System downtime delays transferring my money to suppliers					
1.9	Banks are not interested in small deposits that we earn					
1.10	Loan processing fee is too high					
1.11	Interest on loans charged by financial institutions is too high					
1.12	Takes too long to for loans to be approved					
1.13	Financial institutions put too much emphasis on security					
1.14	Financial institutions do not have suitable loans for MSMEs					
1.15	High premiums on insurance are charged					
1.16	Difficult to process insurance claim					
1.17	No specific insurance product is suitable to MSMEs					
1.18	The terms and conditions for insurance are not clear					

Thank you very much for your responses

APPENDIX 2

INTERVIEW GUIDE

Interview Guide for MSMES in the Agricultural Sector

Date:…….

Duration:……

Section A

Interviewee Background Information

Academic Qualifications:……...

Years of experience:……

Period of service in the current business**:…….....**

Interview Questions:

Section B.

1. Which financial services that involve money lenders, banks, insurance, or any financial service provider are you using?..... ... ……..
2. Do you feel satisfied about how these financial services are delivered to you?..... .....
3. Do you have financial services that you want or are interested in apart from the ones that are readily available to you? …… ……

Section C

1. Do you feel that you are fully utilizing financial services that are at your disposal? …… …… In your view, are there any improvements with regards to financial service provision since 2016? …… ……

2. Is there anything that you thing can be done to promote usage of financial services?

……

……

Section D

1. Which financial services or products that are meant for MSMEs are you familiar with? *Bank account, ……..Savings…….. (fxd term deposit) ……..Loans and Overdrafts……..ATM cards ……Salary bulk payments… Internet banking……..Mobiles banking. Motor vehicle insurance .....Property Insurance…… Medical Insurance……..life insurance ..... safe custody*…… ……

……..

2. Can you briefly comment on the types of financial services that you know highlighting their advantages and disadvantages to you……..

……

……

Section E

1. What are major challenges faced in accessing financial services? …….

……

……

2. From a MSMEs perspective how can these challenges be solved?.....

……

……

3. Would you recommend a colleague to use formal financial service channels?, Why?.....

……

Thank you very much for your responses

APPENDIX 3

INTERVIEW GUIDE

Interview Guide for Senior representative of MWAGCD in Nyanga

Date:…….

Duration:……

Section A

Interviewee Background Information

Academic Qualifications:……...

Years of experience:……

Period of service in the current business**:…….....**

Interview Questions:

Section B.

4. Which financial services that involve money lenders, banks, insurance, or any financial service provider are MSMEs in Nyanga mostly using ?..... ... ……..
5. In your view are the MSMEs satisfied about how these financial services are delivered to them ....
6. As a ministry do you have financial services that you want or are interested in apart from the ones that are readily available to the MSMEs? …… …… ……

Section C

3. Do you feel MSMEs are fully utilizing financial services that are at their disposal? …… …… In your view, are there any improvements with regards to financial service provision since

to MSMEs 2016? …… …… …… …… ……
…… ……

4. Is there anything that you thing can be done to promote usage of financial services by MSMEs?

……
……

Section D

3. Which financial services or products that are meant for MSMEs are you familiar with? *Bank account, ……Savings……. (fxd term deposit) ……Loans and Overdrafts……..ATM cards ……Salary bulk payments… Internet banking……Mobiles banking. Motor vehicle insurance.....Property Insurance…… Medical Insurance……..life insurance ..... safe custody*…….

……
……..

4. Can you briefly comment on the types of financial services that you know highlighting their advantages and disadvantages to you……..

……
……

Section E

4. What are major challenges faced by MSMEs in accessing financial services?

……
……
……

5. From a MSMEs perspective how can these challenges be solved?.....

……
……

6. Would you recommend MSMEs starting business to use formal financial service channels?, Why?..... …… ……
…… ……

Thank you very much for your responses

APPENDIX 4

TO WHOM IT MAY CONCERN

REQUEST TO CARRY OUT A RESEARCH: SAUL CLEMANCE KEGE: REG. NO. B1849958 : PART 2.2 MBL STUDENT

The letter serves to confirm that Mr. S. C. Kege is an MBL student at Bindura University of Science Education.

He is now studying the final stage of the MBL Programme which requires him to carry out a research. The topic of this research is "***The impact of RBZ's NFIS on the accessibility of financial services by special interest groups in marginalized areas: the case of MSMEs in Nyanga District."***

Please give him the assistance he may require.

For more details please do not to contact us.

Yours faithfully

DR. D. MARAVANYIKA

COORDINATOR