Financial inclusion of the informal sector as an enabler to economic growth in Zimbabwe

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

7 November 2016

Abstract

The macroeconomic environment in Zimbabwe transformed over the past decade with the formal business enterprises substituted by an expanding informal sector. Statistics from the Zimbabwe National Statistics Agency showed 94.5% of the employed population aged 15 years and above being employed in the informal sector.

Players in the informal sector often do not use formal banking channels and transact on a cash basis. Newspaper reports in Zimbabwe estimate the amount of cash circulating outside the formal banking channels to range between United States Dollar 3 billion and United States Dollar 7 billion. This could be more than the money in the formal banking system which was reported as United States Dollar 4.7 billion by the Reserve Bank of Zimbabwe in December 2015. Financial inclusion at its basic level is about having access to a bank account and Zimbabwe has a low index of financial inclusion score. The Researcher investigated how the banking sector in Zimbabwe had adapted to the change in the macro economic environment to attract informal sector participants to use the formal banking system. The purpose of the study was also to understand from representatives of the informal sector players the reasons for not preferring the formal banking system. The Researcher also investigated whether financial inclusion impacted economic growth. Semi structured interviews were carried out with bank executives and individuals from organisations that represent informal sector players.

The research results showed that the low level of financial inclusion was due to a lack of trust in the banking sector. In addition the growth of the informal sector was attributed to weak institutions in Zimbabwe. The Researcher concluded improving the role of institutions will curtail the growth of the informal sector and improve the banking public's trust of the banking sector enabling financial inclusion. This would arguably lead to economic growth in Zimbabwe as a result of improved liquidity sector and availability of credit at affordable interest rates from the banking sector.

Keywords

Financial Inclusion, Informal economy, Trust, Economic Growth, Zimbabwe

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1 INTRODUCTION TO RESEARCH PROBLEM

Estimates of money circulating in the informal sector in Zimbabwe range between US Dollar 3 billion to US Dollar 7 billion ("Cash crisis," 2016a), (Bernard Mpofu, 2015), (Zvamaida Murwira, 2014). This is in contrast to US Dollar 4.7 billion circulating in the formal banking system as reported by the Reserve Bank of Zimbabwe Governor in his Monetary Policy Statement (Mangudya, 2016). The exact amount of cash and size of the informal sector is unknown since it is generally an unregulated sector of the economy and therefore its impact on the Gross Domestic Product is difficult to quantify. Sarma (2008) gave Zimbabwe a score of 0.08 in the Index of Financial Inclusion which indicates that Zimbabwe is a low financial inclusion country. The Government of Zimbabwe launched the National Financial Inclusion Strategy in May 2016 in order to coordinate the various financial inclusion strategies being pursued in the country. The Researcher's objective was to research how cash circulating in the informal sector can be channelled into the formal banking system in order to enable inclusive growth. Harnessing the cash in the informal sector will also enable the growth of the Zimbabwean financial sector that is currently suffering from liquidity challenges ("Cash crisis," 2016b).

Demirgüç-Kunt (2014), states that "*access to finance plays a critical role in reducing poverty and promoting growth in all fundamental development theories*". Sarma and Pais (2011) define financial inclusion as "*a process that ensures the ease of access, availability and usage of the formal financial system for all members of the economy*". Financial inclusion facilitates the efficient allocation of resources and this will arguably result in a reduction in the cost of capital (Sarma and Pais, 2011). Kim (2016) argues financial inclusion is critical to society as being unbanked or financially excluded is not beneficial to the society. Financial exclusion or being unbanked arguably results in reduced investment by entrepreneurs due to failure to access credit at affordable rates of interest. Failure to access credit from the formal financial system will inevitably result in informal sector participants obtaining credit from informal sources at unfavourable interest rates thereby impacting on the growth potential of the informal business. The use of the formal financial system is therefore critical in enabling access to capital at affordable interest rates for both formal and informal sector participants thereby promoting economic growth.

Ferguson (2008) argues that poverty is as a result of a lack of financial institutions rather than financiers exploiting the poor. This is premised on the theory that where there are formal financial institutions, the public will have access to credit at affordable interest rates and there will be less exploitation of the poor by those who are more financially privileged. Borrowers will therefore have access to efficient credit systems and therefore escape from the jaws of loan sharks. The availability of robust and adequately capitalised financial institutions enables efficient allocation of resources where money flows from those with excess money to those in a deficit position through the availability of credit. However for this efficient allocation of resources to occur through the formal financial system, everyone should be financially included.

1.1 Overview of the Zimbabwean Financial Services Sector

The Zimbabwean financial services sector comprises mainly of the Insurance companies, banking houses, pension funds, development finance institutions, microfinance institutions and the capital markets namely the Zimbabwe Stock Exchange. The key player in driving financial inclusion is the banking sector as financial inclusion in broad terms involves access and usage of bank accounts (Sarma and Pais, 2011). Figure 1 below shows the number of players in the Zimbabwean banking sector as at 31 December 2015.

Figure 1: Architecture of the Banking Sector

Type of Institution	Number of Institutions
Commercial Banks	13
Merchant Banks	1
Building Societies	4
Savings Bank	1
Total Banking Institutions	**19**
Credit-only-MFIs	153
Deposit taking MFIs	2
Development Finance Institutions	2

Retrieved from: Zimbabwe National Financial Inclusion Strategy Document 2016-2020

The two Development Finance Institutions comprise of the Small and Medium Enterprise Development Corporation “SMEDCO” and the Infrastructural Development Bank of Zimbabwe “IDBZ”. These two development finance institutions fall under the auspices of the Reserve Bank of Zimbabwe (Reserve Bank of Zimbabwe, 2016). The role of SMEDCO in the Zimbabwean financial landscape is to provide finance and capacity building programmes to the small and medium size enterprises whilst the IDBZ is responsible for raising finance for infrastructure development projects (Reserve Bank of Zimbabwe, 2016).

The Microfinance Institutions, “MFIs” in Zimbabwe are primarily for issuing credit to the public with only two out of the one hundred and fifty five registered MFIs allowed to accept deposits from the public as shown in Figure 1 above. The MFIs are critical in providing bridging finance to the informal sector and the general public as they have less stringent credit granting requirements and no restrictions on the amount of money they can lend unlike formal banks. The MFI’s generally do not request for collateral security from borrowers and the loan tenures are flexible and tailor made to the borrower’s specific requirements. For instance MFI’s can grant loans with a tenure as low as 24 hours. The operations of registered MFIs are governed by law, however the rate of interest charged by the MFIs is generally higher than what can be obtained from the formal banking channels possibly as a reflection of the risk associated with the less stringent credit granting requirements.

The World Economic Forum “WEF” Global Competitiveness Report of 2014-2015 ranked Zimbabwe number 112 out of 144 countries surveyed in terms of financial market development. The same report considers financial market development an efficiency enhancer. Access to financing was ranked highest in terms of the most problematic factors for doing business in Zimbabwe. There is misalignment between the business sector’s appetite for credit and the availability of credit from the formal banking system as evidenced by access to finance being ranked as the most problematic factor for doing business in Zimbabwe. Access to finance is therefore a hindrance in driving the growth of enterprise from a Zimbabwean context and therefore impacting on the competitiveness of Zimbabwean businesses. It could be argued that this is because the economy has transformed into an informal economy and players in the informal sector are not using formal financial services for transacting. The lack of use of the formal banking system results in a cash economy where transactions are conducted on a cash basis with reduced cash circulation in the formal banking system.

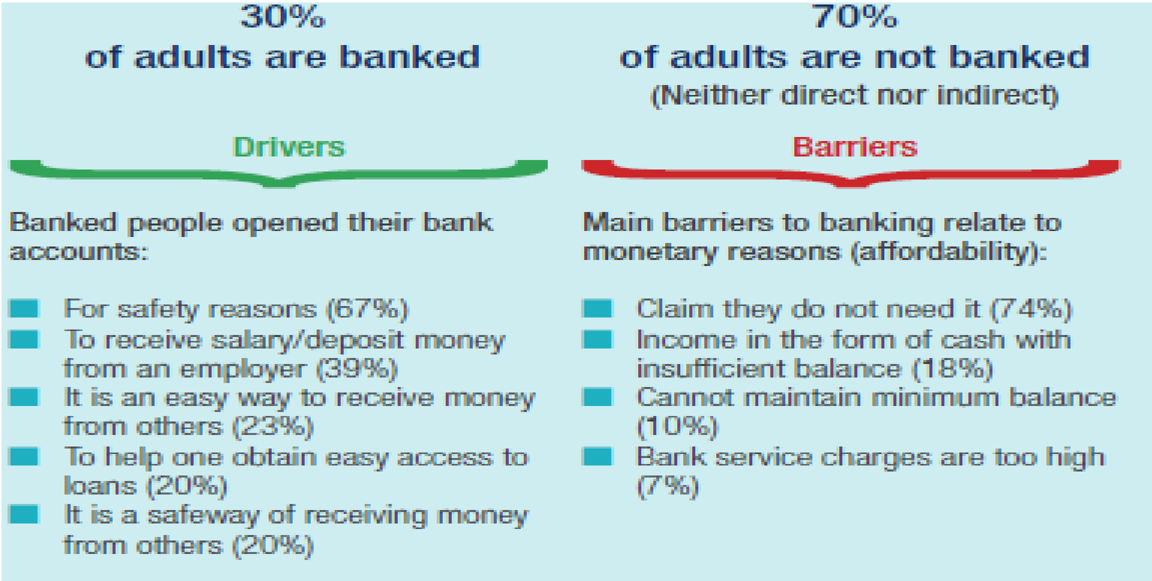
The WEF Global Competitiveness report ranked Zimbabwe 107 and 131 respectively in terms of availability and accessibility of financial services. Availability of financial services refers to the spread of banking channels for example bank branches and number of Automated Teller Machines per specified area. Accessibility of financial services on the other hand refers to the number of people with access to the banking system. Ease of access to loans, venture capital availability and soundness of banks were ranked 135,140 and 136 respectively in the same report. Ease of access to loans refers to the regulatory procedures required to access loans or once procedures have been completed and the facility approved, the ability to draw down the loan facility. The low ranking of Zimbabwe in terms of soundness of banks is indicative of the state of banking sector where there have been many cases of bank closures. The closure of banks has arguably resulted in the general public not trusting the financial services sector.

The Global Findex and the WEF Global Competitiveness rankings are indicative of the low level of financial sector development in Zimbabwe and financial inclusion can be a key component to driving this development.

1.2 Overview of financial inclusion in Zimbabwe

A Finscope consumer survey done in 2014 revealed that 30% of the Zimbabwean population aged 18 and above had a bank account (Finscope Consumer Survey, 2015). The main drivers to opening bank accounts identified by the survey were safety reasons and to receive or deposit money from the employer as stated by 67% and 39% of the respondents respectively. The survey also established that 74% of the respondents stated that they did not need a bank account. This essentially means the unbanked population did not identify benefits associated with having a bank account. The figure 2 below shows the drivers and barriers to banking in Zimbabwe as identified by the Finscope Consumer Survey (2015);

Figure 2: Drivers and Barriers to Banking in Zimbabwe



Source: Finscope Consumer Survey, (2015)

The following is a brief description of the main reasons identified above as being barriers to having a bank account;

- Lack of financial literacy or consumer knowledge to comprehend the benefits of having a bank account. This is evident as the main reason cited for not opening a bank account was, there was no need to open a bank account.

- Usage of cash with income being received on a cash basis rather than through the bank account. The majority of the economically active population is employed in the informal sector which is a sector that arguably transacts on a cash basis. The need to receive a salary in a formal bank account had been cited as the second most common reason to have a bank account (Finscope Consumer Survey, 2015)

- Affordability of banking products and services coupled with low levels of income was also identified as a hindrance to financial inclusion

- Accessibility to banking services was also highlighted as a hindrance. With 70% of the Zimbabwean population being resident in rural areas, this therefore requires the banking sector to come up with innovative ways to reach out to the unbanked population.

Though the Finscope Consumer Survey (2015) identified 30% of the adult population having a bank account, this was an improvement compared to the previous Finmark survey done in 2011 where 24% of the adult population had a bank account. The improvement in the number of people banked was attributed to increased usage of mobile banking platforms, debit card ownership and ATM cards usage.

1.3 Overview of financial inclusion in the Southern African Development Community

In 2011, the World Bank launched the Global Findex which it claimed was the world's most comprehensive set of data on how people save, borrow, make payments and manage risk. Dermirguc-Kunt, Klapper, Singe and Oudheusden (2015) stated that financial inclusion is critical in reducing poverty and achieving inclusive economic growth, which according to the authors can be achieved when all members of society can access credit at affordable interest rates from formal banking channels. Having a bank account is an important step towards financial inclusion and the table below derived from the Global Findex database (2014) Indicator Table ranks countries in the Southern African Development Community (SADC) on the level of account penetration of all adults. The table below indicates that 64% of the eleven SADC countries that participated in the survey had more than 50% of their population not having a bank account. This therefore shows the need for SADC countries to pursue financial inclusion as a national priority in order to reduce poverty whilst achieving inclusive economic growth.

Table 1: Account penetration of adults in the SADC Region (%)

RANKING	COUNTRY	ALL ADULTS
1	Mauritius	82%
2	South Africa	70%
3	Namibia	59%
4	Botswana	52%
5	Tanzania	40%
6	Zambia	36%

7	Zimbabwe	32%
8	Angola	29%
9	Malawi	18%
10	DRC	17%
11	Madagascar	9%

Source: Derived from the Global Findex Data Base 2014

The SADC region has fifteen countries. Mozambique, Lesotho, Swaziland and Seychelles were not included in the Indicator table of the Global Findex. Zimbabwe with 32% of adults having a bank account was ranked 7th in the SADC region. With more than half of the Zimbabwean adult population (68%) not having a bank account, this clearly indicates that the Zimbabwean economy is not financially inclusive and this is a deterrent to economic growth.

1.4 Financial Inclusion and the Informal Economy

The importance of financial inclusion is that it improves livelihoods, drives economic growth and industrialisation (Finmark Trust, 2016). Finmark Trust (2016) identified the following five factors that lead to an enhanced industrialisation as a result of financial inclusion;

- **Domestic Resource Mobilisation**- An all-inclusive financial system enables resources mobilisation as the population will be transacting through the formal banking system. The funds in the formal banking system can be used to then fund industrialisation efforts.

- **Agricultural Production and Agro processing**- Value addition of agricultural produce requires formal financial products as these can be tailor made to the sector requirements.

- **Strengthening Small and Medium Sized Enterprise "SMEs"-** As SMEs expand in size, they require credit from formal financial institutions for expansion.

Informal sources of funds usually cannot finance expansion projects and as such Financial Inclusion can provide an avenue for SME expansion

- **Information and Communication Technology "ICT"**- There is a relationship between financial inclusion and mobile phone technology. The growth of cellphone usage has enhanced financial inclusion through platforms such as mobile banking from banking sector initiatives and cellphone companies' initiatives like M'pesa in Kenya and Ecocash in Zimbabwe.

- **Skills development- Financial literacy drives financial inclusion**. A population that is financially literate can effectively use financial products to drive productivity.

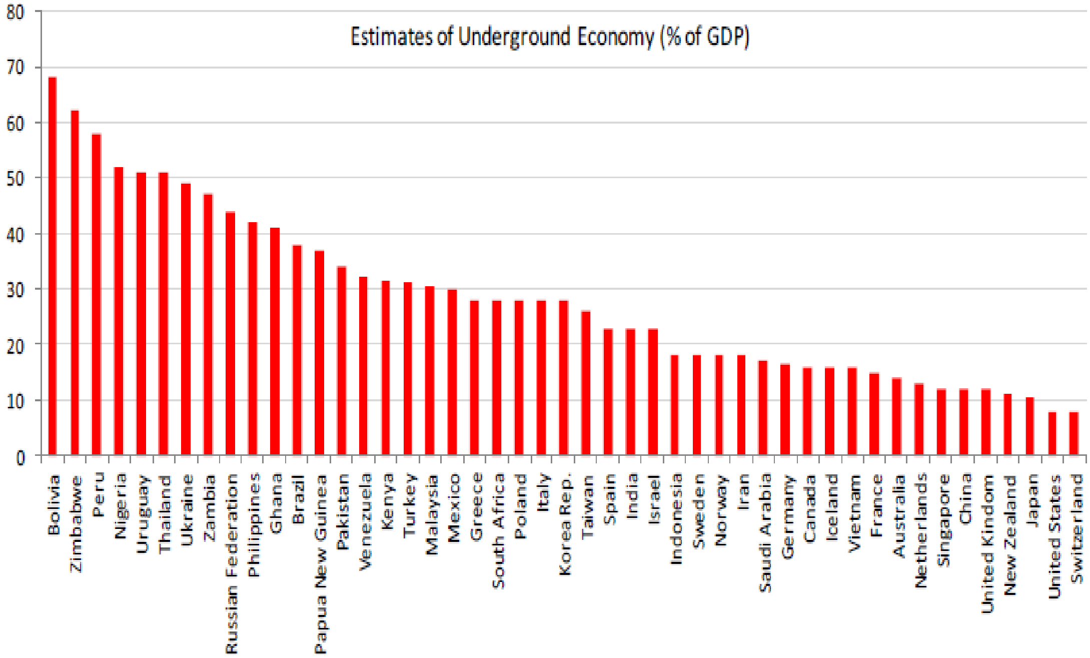
Sarma (2008) proposed an Index of Financial Inclusion (IFI) which is a comprehensive measure that can be used to measure the extent of financial inclusion across economies. The dimensions of financial inclusion that were used in coming up with the IFI were;

a) banking penetration measured by number of banking accounts per 1 000 people,
b) availability measured by the number of bank branches and number of ATMs per 100 000 people, and;
c) usage measured by the volume of credit plus deposit relative to Gross Development Product

The IFI scale ranges from 0 to 1 with countries having IFIs values between 0.5-1 being classified as high financial inclusion countries while those having scales of 0.3-0.5 medium financial inclusion countries and those below 0.3 classified as low financial inclusion countries. In a sample of 55 countries, Zimbabwe ranked number 48 with an IFI score of 0.08. Based on this score Zimbabwe was ranked as a low financial inclusion country.

According to Harnessing resources (2014), the Zimbabwean economy underwent significant transformation during the past decade with the formal sector being substituted by an expanding informal sector. The 2014 Labour Force Survey estimated that 94.5% of the employed population aged 15 years and above were employed in the informal sector (Labour Force Survey, 2015). This essentially means the bulk of the economically active population is operating in the informal sector and their contribution to the national purse may not be properly accounted for due to the difficulty of measuring the informal sector's contribution to Gross Domestic Product. This therefore brings into question how the banking system has adapted to the changed macroeconomic environment and how cash in the informal sector can be directed to the formal banking system. Figure 3 below shows that Zimbabwe is second to Bolivia in terms of the estimated size of the underground economy as a percentage of the Gross Domestic Product. This therefore makes the study of financial inclusion of the informal sector in Zimbabwe pertinent since the size of the informal sector is estimated to be at least 60% of the Gross Domestic Product.

Figure 3 Estimates of Underground Economy as a percentage of Gross Domestic Product



Retrieved from (Saville, 2015)

Cash holding can be used as a proxy indicator of a shadow economy with high or more cash holding being reflective of such, (Buehn & Schneider, 2012). Harnessing resources (2014) acknowledges that *"it is in the banking sector's long term interest to nurture clients with potential growth and develop financial products that have requisite features to attract funds circulating outside the banking system"*. The objectives of this research are;

- To establish reasons for the low level of financial inclusion from individuals representing informal sector participants and financial services executives in Zimbabwe;

- To investigate what caused the transformation of the Zimbabwean economy from being a formal sector driven to an informal sector driven economy;

- To obtain an understanding of the relationship between financial inclusion and economic growth in the Zimbabwean environment; and

- To investigate facilitating conditions necessary to enable cash circulating in the informal sector to be channelled to the formal banking sector thereby leading to inclusive economic growth in Zimbabwe

1.5 Importance of the research

Access to finance was identified as the most problematic factor of doing business in Zimbabwe, hence any measures implemented to improve access to finance will help in promoting the business climate in the country. This research is important for the business community as a high level of financial inclusion will increase the availability of credit from the formal financial sector at fair market rates of interest. The study is also important for the banking sector as it will come up with recommendations on how to better serve the informal sector and therefore adapt to the new economic system in which the majority of the population is employed in the informal sector. Furthermore, transferring funds circulating in the informal economy to the formal banking system will enable the banking sector play its resource allocation role potentially leading to expansion of informal business through access to credit at affordable interest rates.

The research is also important to the research community as financial inclusion is identified as one of the themes to focus on in order to reduce poverty and inequality in the developing world. It is also important as it adds to the literature on the finance growth nexus where various Economists have difference of opinion on whether financial sector development leads to economic growth or it is economic growth that leads to financial sector development.

The following Chapter will review literature on the theory of financial inclusion, the informal economy and the link between financial inclusion and economic growth.

2 LITERATURE REVIEW

2.1 Overview

The literature review section is split into three sections covering the research topic. Part one of the literature review focuses on the theory of financial inclusion. It provides a broader theoretical view of financial inclusion and the various lenses by which financial inclusion is viewed by different economic participants. In addition, it elaborates on reasons why certain sections of society are financially excluded. Literature on financial inclusion from different countries mainly in Asia and Africa was reviewed in order to put the theory of financial inclusion into context.

Part two of the literature review focuses on the informal economy. It defines the informal economy and discusses the various determinants of informality. Literature on the operations of the informal economy with a focus on the usage of cash is also reviewed in order to gain an understanding on whether the informal economy is financially included.

Part three of the literature review focuses on the linkage between financial inclusion and economic growth. Literature is reviewed on whether financial sector development as a result of financial inclusion leads to economic growth or economic growth leads to the growth of the financial sector.

The section is concluded through highlighting key elements derived from the literature review.

2.2 Financial Inclusion

Sarma and Pais (2011) defined financial inclusion as "a *process that ensures the ease of access, availability and usage of the formal financial system for all members of an economy*". The key terms pertinent in the definition of financial inclusion are access, availability and usage of the formal financial system. These are further espoused below;

- Access- refers to the number of people with access to the banking system, that is, the number of people with bank accounts. The measure of the number of people with bank accounts is known as the banking penetration rate.

- Availability- refers to the spread of the banking system. This can be measured by the number of bank outlets per 1000 people or through the number of Automated Teller Machines per 1000 people or the number or bank employees per bank customer (Sarma and Pais, 2011).
- Usage- refers to the number of bank transactions carried out by bank customers. This can be measured by the volume of credit or deposits to the country's Gross Domestic Product (Sarma and Pais, 2011).

Financial inclusion is a measure of the number of people who have bank accounts and effectively use the bank accounts. Financial inclusion therefore comprises of the financial services sector represented by the Banks and the general public. The general public comprises of formal businesses, informal sector players and individuals. In a nutshell, financial inclusion is about the provision of formal banking services to the entire population

An all-inclusive financial system enhances efficiency and productivity through providing an avenue for secure and safe saving practices and also the facilitation of a whole range of efficient financial services (Sarma and Pais, 2011). It also leads to an efficient allocation of resources thereby potentially reducing the cost of capital (Sarma, 2008). This would invariably make the formal banking system an attractive source of credit as compared to informal sources of credit whose cost are usually prohibitive. Prohibitive cost of capital and unavailability of credit is a hindrance to firm productivity leading to stagnation or complete collapse of business. According to Sarma (2008) the benefits of financial inclusion are allocation of resources and enabling availability of credit at favourable terms which are essential elements in driving economic growth. Financial inclusion therefore drives productivity as the funds in the formal banking system can be lent out to entities or individuals for productive purposes at a potentially lower cost of capital. It could be argued that an all-inclusive financial system can only be achieved when the entire society is financially literate.

According to Sarma and Pais (2011), financial inclusion was now a priority in many countries. This is evident in the Zimbabwean context as the Government of Zimbabwe launched the Zimbabwe National Financial Inclusion Strategy in May 2016 covering the period 2016 to 2020. The launch of the Strategy document highlights the priority that financial inclusion has from a policy perspective. The rationale for the strategy was to establish a framework for the coordination of financial inclusion strategies. The strategy document becomes a central reference point and guideline to financial service sector players who are pursuing financial inclusion strategies.

According to Allen, Demirgüç-Kunt, Klapper, Soledad and Peria (2016), the effectiveness of policies to promote financial inclusion depend on the characteristics of the individuals targeted for financial inclusion. This therefore means that financial inclusion policies promulgated by Governments should take into account the demographics of the country in order for them to be effective. For national financial inclusion strategies to be effective, research has to be carried out in order to identify barriers to financial inclusion in order to come up with effective measures that can address the barriers and therefore promote financial inclusion. A one size fits all policy may not achieve the required results.

In order to fully comprehend financial inclusion, it is imperative to understand the reasons why people are financially excluded or unbanked as addressing these reasons will promote financial inclusion (Bhanot, Bapat and Bera, 2012). Kim (2016) identified the following as reasons why certain members of the population are financially excluded;

- The unbanked are considered not having adequate income or are assessed as having a credit risk which the financial institution does not want to assume. From this perspective the unbanked are too risky or unsuitable and therefore ineligible for banking services. One can argue that this barrier assumes that the unbanked require banking services but are considered as being ineligible from the financial institution's perspective. Financial institutions will therefore not actively promote financial inclusion.

- Discrimination on social, ethnic or religious reasons. From this perspective, the unbanked are self-excluded from the banking system due to their personal convictions or beliefs.

- The unbanked are located in areas which are not commercially viable for banks to reach. Financial institutions will therefore not drive financial inclusion due to the costs associated with providing banking services in the non-commercially viable areas that impact on the bottom line of the financial institutions. It can be argued that while proximity has hampered the provision of banking services, the unbanked were desirous to be financially included.

- The cost of owning a bank account may be too high for the target population or the product offering may be inappropriate to the target population. Financial inclusion is hampered by the affordability of the services being offered by the financial institutions.

The barriers to financial inclusion identified above are mainly as a result of the role that financial institutions play in either promoting or impeding financial inclusion. The barriers are mainly focused on the role of financial institutions in financial inclusion rather than on the reasons for being unbanked from the perspective of those that do not have bank accounts. Distrust in banks was identified as a barrier to financial inclusion that is difficult to overcome (Allen et al., 2016). The lack of trust in banks emanates from cultural norms, economic crises and uncertainty for the future which makes the unbanked not have confidence in the banking system. This could arguably be one of the reasons why Zimbabwe has a low level of financial inclusion as Zimbabwe experienced hyperinflation before the adoption of the multi-currency system in 2009 and people generally lost their savings and pensions which were eroded in value as a result of the hyperinflationary environment.

Research Proposition: The low level of financial inclusion in Zimbabwe is as a result of a lack of trust in the banking system.

According to Fungacova and Weill (2015) the level of financial inclusion and formal savings in China was high compared to similar countries like Brazil, Russia, India and South Africa who make up the “BRICS” bloc. However borrowings from banks by Chinese individuals was low compared to other countries in the BRICS bloc. This was in contrast to large state owned enterprises which from the Study received the majority of the funds granted by the banks. Most Chinese individuals cited friends and relatives as their key sources of credit rather than the formal banking system (Fungacova and Weill, 2015). The study did not interrogate why Individuals preferred informal sources of credit to the formal sources of credit.

Fungacova and Weill (2015) argued that reliance on informal sources of credit could in the long run lead to stagnated economic growth. The lack of access to formal sources of credit will invariably lead to the expansion of a shadow banking system which can impact negatively on financial stability of an economy (Fungacova and Weill, 2015). What is pertinent from this study is that even though the level of banking penetration (number of individuals with bank accounts) may be high, credit may not be readily available to individuals from the formal banking system leading to individuals being reliant on alternative sources of credit. Whilst individuals relied on informal sources of credit, large state owned institutions were the biggest beneficiary in terms of credit from formal financial institutions. It can be argued that the high level of financial inclusion and savings culture enables the banking institutions to avail credit to the state owned enterprises at affordable rates and therefore enable economic growth through the expansion of the state owned enterprises.

Shadow banking is credit supplied by individuals outside the regular banking system (Duca, 2016). The growth of the shadow banking system can be attributed to the regulatory requirements placed by banking institutions on individuals which then makes it easier for individuals or entities to borrow from the informal banking system which has less stringent requirements since it is unregulated (Duca, 2016). Examples of regulatory requirements placed by banks on borrowers include collateral security in the form of brick and mortar, audited financial statements for businesses, guarantees from shareholders for corporates or the employer for those in formal employment and proof of residence for individuals seeking credit from banks. The banking system's requirements for opening bank accounts or granting credit therefore serve as a hindrance to financial inclusion as not all borrowers can satisfy banking sector requirements. The requirements are also tick box requirements which means that there is no flexibility in the bank's requirements meaning they cannot be tailor made to each individual borrower's requirements. The measures implemented by financial institutions are informed by International Anti Money Laundering Requirements which require stringent Know your Customer (KYC) procedures. The Researcher would argue that the stringent banking requirements are a barrier to financial inclusion and that banks need to adapt to the operating environment and be flexible in their banking arrangements.

Liu, Shao and Gao (2016) argued that the shadow banking system destabilises the formal financial system in the long run. The rate of interest charged by players in the shadow banking system is generally higher than rates in the formal banking system. Reasons for the high interest rate include the lack of regulation of the operations of the shadow banking system and the risk taken by the lenders since the lending requirements are less rigorous than those requested by formal financial institutions. Shadow banking channels however provide an avenue for credit to small and medium sized enterprises in the short term. The interim relief comes from the shadow banking institutions providing immediate credit without the vigorous due diligence processes carried out through the formal banking system. The shadow banking system also serves as a buffer to individuals and informal sector participants who are in need of a short term relief without necessarily having to justify what the funds are required for. As the level of the loan book increases in the shadow banking system this creates pressure on the formal banking system leading to financial instability. The pressure arises when the borrowers from the shadow bankers default on their obligations resulting in a domino effect across the whole financial system.

According to Gandhi (2013), the cost of financial exclusion is lack of opportunities to grow for both individuals and entities due to inadequate credit to drive required growth. Expansion of existing businesses to capture new opportunities requires capital. The capital can either be in the form of shareholder investments or credit granted through the formal banking system. Funds invested by shareholders can either be from bank borrowings or savings. Where the majority of the population do not use formal banking services, the banking institutions will not be able to offer credit to shareholders or businesses thereby impacting on the ability to raise additional capital. The failure by individuals or entities to take advantage of available opportunities as a result of absence of credit leads to an aggregate loss of output or welfare resulting in the country failing to meet its growth potential. Financial inclusion is therefore critical from both the social and economic perspective at both the country and regional level.

Demirgüç-Kunt (2014) argued that while issues of access to finance and financial inclusion were issues of policy concern to financial sector experts, there was disagreement on how to address financial inclusion and what policies were best to expand financial inclusion. The Researcher researched on measures that financial institutions are implementing in order to drive financial inclusion. The Researcher also bridged the discord between measures that address financial inclusion and policies pursued by financial institutions to expand financial inclusion.

According to Kumar (2013), the goal of financial inclusion could be met through banking sector initiatives cutting across the various age groups and gender through encouraging banking habits. This puts the onus on the banking sector to drive financial inclusion but does not interrogate the reasons for being unbanked from the perspective of those that are financially excluded. For instance, encouraging banking habits arguably will not yield the desired results of financial inclusion where the unbanked public has no trust in the banking system. Though access to financial institutions and banking services is one of the drivers of financial inclusion, the Global Findex data base (2014) argued that financial inclusion is focused on use but lack of use does not mean lack of access. This essentially means that having a banking account is only the beginning of financial inclusion. Achieving complete financial inclusion is through creating financial literacy and being able to receive advice from the banking sector to enable effective use of the bank account (Gandhi, 2013). Use of the bank account through savings, transacting through the bank account or obtaining credit for productive means at favourable interest rates is what then enables economic growth.

According to Wentzel, Diatha and Yadavalli (2016) the most basic form of formal financial inclusion is having access to a bank account. Wentzel et al., (2016) investigated causes of being unbanked at the bottom of the pyramid in South Africa and concluded that level of education was the most significant factor associated with being unbanked. This can be likened to the Zimbabwean scenario where the major reason identified for being unbanked was that there was no need to have a bank account (Finscope Consumer Survey, 2015). This is illustrative of lack of financial literacy to comprehend the benefits associated with having a bank account. Wentzel et al., (2016) therefore proposed teaching financial literacy and the role of banking early in the education curriculum in order to improve financial literacy levels and therefore improve the level of financial inclusion. The reason for proposing financial education early in the education curriculum was due to the number of dropouts as students progressed through the education system. Hence by incorporating financial education early in the student's education curriculum, the students will be able to comprehend the benefits of having a bank account early in their student lives even if they eventually drop out at a later stage.

According to Johnson and Nino-Zarazua (2011), employment or main source of income was a key factor associated with access to financial services and exclusion in Uganda and Kenya. This is similar to the Zimbabwean context where receiving a salary or deposit from an employer was cited as the second major reason for opening a bank account (Finscope Consumer Survey, 2015). Wentzel et al., (2016) identified primary source of income as the second most significant factor associated with being unbanked and that the highest level of those unbanked were employed in the informal sector. In Kenya and Uganda bank accounts were opened mainly to receive salaries and wages. However the cost of using the bank accounts and the minimum amounts required by the banks to be kept in the bank accounts were cited as deterrents by those who were unbanked.

The role of formal employment being the driving force to having a bank account or being financially included due to the need to receive a salary in a bank account is arguably a hindrance to financial inclusion in the Zimbabwean context as most of the economically active population is employed in the informal sector. By its nature the informal sector is unregulated and payment of salaries and wages to participants of the informal sector is done through direct cash payments rather than bank transfers. What is clear from the research carried out by Wentzel et al., (2016) and Johnson and Nino- Zarazua (2011) is that reasons for being unbanked differ on a per country basis and that measures to drive financial inclusion have to be country specific. This therefore means that National Financial Inclusion Strategies are not a one size fits all exercise but calls upon Governments to carry out individual country assessments to ascertain the possible barriers to financial inclusion before establishing the National Financial Inclusion Strategies.

According to Figart (2013), strong financial regulatory frameworks as well as efforts to improve financial education is an essential step towards financial inclusion. Institutions and efforts to improve financial literacy levels are therefore critical in enabling a strong financial regulatory framework. In addition, Figart (2013) argued financial inclusion should not place exclusive emphasis on mainstream banking institutions but should also focus on other alternative financial service providers such as the “stokvel” in South Africa. Cooperative banks as institutions were seen as being pertinent in promoting financial inclusion in India. The Grameen Bank innovation in India which involved the issuance of small amounts of collateral free loans to jointly liable group members is often cited as an example of a successful financial inclusion initiative (Bhanot et al., 2012). Cooperative and community schemes are therefore playing a role that mainstream banking institutions are not playing in communities. This therefore highlights the gap that banking institutions are not filling and the cooperative and community schemes have filled. This is also indicative of the role that alternative financial services are playing in bridging the gap created by formal financial institutions. It can be argued that banks can study and implement the models followed by the community in bridging the banking gap in order to attract the players into the formal banking system. This means banks do not have to reinvent the wheel but adopt what is working in the communities.

Stephen and Tom (2015) argued that few banks in India were involved in promoting financial inclusion citing high costs, improper payments and more time consumption amongst reasons for not being actively involved. Being cognisant of the reasons why few banks were involved in promoting financial inclusions, Stephen and Tom (2015) identified benefits of financial inclusion as efficient allocation of productive resources thereby potentially reducing the cost of capital, enhancing efficiency and welfare through provision of safe and secure avenues for savings. Stephen and Tom (2015) concluded that banks should perceive financial inclusion as a profitable business model rather than an obligation and should leverage technological advancements in order to lower transactional costs to drive financial inclusion. Banking institutions by the nature of their size can leverage information technology and offer solutions to the banking public that can drive financial inclusion. The increase in the use of mobile technology in Zimbabwe has provided a platform which banks can use to drive financial inclusion.

According to Kim (2016) literature on financial inclusion still lacks a broad measure of the level of financial inclusion in an economy. This is evident in the literature where the World Bank has developed the Global Findex Database and Sarma (2008) proposing the Index of Financial Inclusion. Both measures can be used to determine the level of financial inclusion but none of the methods can be identified as the definitive measure of financial inclusion. This therefore makes it difficult to measure the effect of initiatives in place to improve financial inclusion and to make cross country comparisons in order to come up with best practices to adopt in order to drive financial inclusion.

2.3 Informal (shadow) economy

Buehn and Schneider (2012) defined the shadow economy as "*all market based legal production of goods and services that are deliberately concealed from public authorities".* Farazi (2014) defined the shadow economy as "*market based production of goods and services, whether legal or illegal that escapes detection in the official estimates of GDP*". The two definitions differed fundamentally on whether the market based production of goods and services are legal or illegal but converge on the fact that the market production of goods and services are concealed from public authorities. This research paper will follow the definition by Buehn and Schneider (2012) of shadow economy and will therefore exclude illegal production of goods and services in assessing the informal economy. The term shadow economy will be used interchangeably with the term informal economy throughout the research paper. The shadow economy comprises of small and medium sized companies and individuals who do not pay taxes and social security contributions.

The concealment of the activities of the informal sector makes it difficult to measure its contribution to the Gross Domestic Product. Takala and Viren (2010) argued that there is no generally accepted methodology of measuring the size of the shadow economy. Despite there being no generally accepted method of quantifying the size of informal economy, an increase in the cash circulating outside the formal banking system is usually indicative of an informal economy. Ardizzi, Petraglia, Piacenza and Turati (2014) contended that there is a positive correlation between the use of cash and the size of the informal sector. Takala and Viren (2010) contended that the increase in the use of cash in the Eurozone could not be attributed merely to the growth of the shadow economy but rather other economic factors. Factors attributed to increase in cash holdings were lack of confidence in the banking system, low interest rates offered by the banking fraternity making cash an attractive asset, lack of access to other means of payment (financial inclusion), and increase in cross border trade and currency substitution of the Euro (Takala and Viren, 2010).

The lack of confidence in the banking sector being one of the reasons for the increase in cash usage cannot be discounted in the Zimbabwean context considering that the Zimbabwean population lost their savings and pensions when the Zimbabwean government implemented the multicurrency system in 2009 leading to a decline in the general population's confidence in the banking system. Furthermore, with Zimbabwe predominantly using the United States Dollar as the major currency of trade in the multi-currency system, the United States Dollar has become an attractive asset which people want to hold onto as it is stronger than all the other currencies in the basket of currencies used in Zimbabwe.

Despite Takala and Viren (2010) arguing that there is no generally accepted method of measuring the size of the shadow economy, Ardizzi et al., (2014) proposed a modified method on how the size of the shadow economy could be measured. Ardizzi et al., (2014) reinterpreted the Currency Demand Approach which they claimed was the most popular method used to estimate the size of the shadow economy among indirect macroeconomic approaches. The Currency Demand Approach was a two stage process which considered the econometric estimation of the aggregate money demand equation and computation of the shadow economy through the quantity theory of money (Ardizzi et al., 2014). Whilst the Currency Demand Approach considered the velocity of money, Ardizzi et al., (2014) measured the value of cash transactions through considering the amount of cash withdrawn from the bank relative to non-cash payments. Ardizzi et al.,

(2014) also controlled for the influence of illegal production in the value of cash payments. What is common in the modified model by Ardizzi et al., (2014) and the Currency Demand Approach is the significance that the level of cash holding is reflective of the size of the shadow economy.

According to Bose, Capasso and Worm (2012) there is a relationship between the credit market development and the size of the shadow economy. In addition they argued that the state of the banking sector was a determinant in the growth of the shadow economy. Bose et al., (2012) concluded "*that an improvement in the development of the banking sector is associated with a smaller shadow economy*". The argument by Bose at al., (2012) is pertinent to the study of financial inclusion of the informal sector as it brings into question the role of the banking sector in promoting the growth of the informal sector. This is premised on the fact that the banking sector is a source of credit at fair market related interest rates for anyone with access to a bank account and where credit is not readily available from the banking sector, this invariably encourages firms to search for credit from informal sources thereby leading to the growth of the informal economy.

Zimbabwe was ranked position 113 out of 144 nations in terms of the state of its institutions in the WEF Global Competitiveness Report. The report argues that the quality of institutions has a bearing on growth and competitiveness. Das and Quirk (2016) investigated the role that institutions play in fostering economic growth and concluded that market creating institutions had a significant impact in driving economic growth. The rationale for this conclusion is that where economic participants are assured on the safety of their investments and returns, they will be willing to invest more in their enterprises and therefore increase output. Das and Quirk (2016) defined market creating institutions as "*those that allow agents within an economy to interact, transact and produce goods and services in the knowledge that the economic profit from such activities will lie in their control*". Examples of market creating institutions is the legal system.

Bitzenis, Vlachos and Schneider (2016) argued that the growth of the informal sector in Greece was as a result of weak institutions and that the contraction of the shadow economy will only increase welfare only if it was absorbed into the official economy. In addition, Bitzenis et al., (2016) proposed that the successful transfer of the shadow economy into the official economy would potentially boost government revenue and provide relief to the Greek economy that was in a sovereign debt crisis. The transfer of funds from the informal economy to the formal banking system helps improve liquidity in the formal economy thereby enabling proper allocation of resources to productive sectors of the economy.

Dibben, Wood and Williams (2015) had an alternative view on what causes the growth of the informal economy and proposed that the growth of informal sector employment was a direct result of over regulation of the labour market thereby stifling economic activity. Dibben et al., (2015) further argued that people exit formal employment voluntarily to join informal employment due to greater autonomy, flexibility and freedom found in informal employment. In the Zimbabwean context, employment opportunities in the formal economy are limited due to business closures as a result of the Zimbabwean economic situation. This therefore leaves the informal sector as the major source of employment for anyone who cannot find employment in a formal job. Skilled personnel who would have had their employment contracts terminated due to businesses down scaling or shutting down will establish small and medium sized enterprises where they will apply skills attained during the period when they were formally employed.

The Researcher would argue that where the market creating institutions are not seen to be fair and there is inadequate assurance that investors will be able to control economic profits generated from their activities, there is capital flight leading to closure of formal businesses. Once formal businesses close shop, the skilled employees venture into the informal economy to earn a living leading to the growth of the informal economy. The Researcher would also therefore argue that in the Zimbabwe case, the growth of the informal sector was as a result of the absence of the rule of law and weak institutions which led to the collapse of the formal economy arguably leaving the informal sector as being the only available source of employment opportunities.

Research Proposition: The growth of the Zimbabwean informal sector is due to weak institutions and decline in the rule of law

Buehn and Schneider (2012) argued that firms operate in the shadow economy in order to avoid payment of taxes, social security contributions, having to meet certain legal requirements such as minimum wages and to avoid complying with certain administrative procedures. As can be seen from the various literature, there are a myriad of reasons why people venture into the informal sector which range from avoidance of legal obligations, inadequate rule of law and weak institutions to the need of flexibility that the informal employment guarantees. The Researcher would also argue in concurrence with Bitzenis et al., (2016) that transferring the cash circulating in the informal economy to the formal economy would improve liquidity of the banking sector leading to improved credit availability which is essential to drive economic growth.

According to Farazi (2014), informal activities are a major part of the overall economy in developing countries and therefore deserve attention. Figure 3 in Chapter 1 shows the shadow economy in Zimbabwe being at least 60% of the Gross Domestic Product. This can therefore be argued to be true in the Zimbabwean context where the majority of the economically active population is employed in the informal sector. This therefore requires a reorientation of the financial institutions to the prevailing macro-economic environment in order to adequately serve the informal sector.

Informal firms' use of bank financing is generally lower than registered firms (Farazi, 2014). This therefore means the informal sector players access financing arrangements from other sources other than the formal banking channels. The key deterrent to formalising for the informal sector participants was identified as taxation (Farazi, 2014). Taxation is avoided through concealment of activities by the informal sector participants. The informal sector players arguably do not open bank accounts for fear that they will be asked to regularise their tax affairs. Despite taxation being a deterrent to opening of bank accounts, informal sector participants acknowledged that the most important benefit of formalising would be easier access to finance (Farazi, 2014). The process of applying for loans, bank's requirements for collateral or security of the loan were cited as reasons why informal sector participants do not use bank financing (Farazi, 2014). Informal sector players would therefore source bridging finance from informal sources of finance since these generally have less stringent lending requirements. Whilst informal sector participants cite access to finance as the biggest hurdle in their operation, there is need to bridge the financial literacy level of the informal sector players to enable them to access bank finance and make sound financial arrangements. Furthermore the banking sector can arguably simplify the loan application process and explore innovative ways to guarantee the repayment of loans in order to improve financial inclusion.

2.4 Financial inclusion as an enabler to growth

Improvements in the financial services sector result in an efficient allocation of resources which leads to economic growth (Akinboade and Kinfack, 2014). Economic growth can be defined as an increase in real Gross Domestic Product. Growth in the financial services sector can arguably be achieved through increasing the deposit base as a result of financial inclusion initiatives. The economic growth is driven through the banking fraternity resource allocation role to productive sectors of the economy. This then helps the productive firms to diversify and improve productivity leading to economic growth. Economic growth depends on an effective and productive allocation of funds by the banking institutions (Sharma, 2016). Greater access to finance for lower income households and the Small and medium sized enterprises helps improve investment levels (Akinboade and Kinfack, 2014). The improved ability to make investments improves the livelihoods of the low income households and also the growth potential of the small and medium sized enterprises.

According to Kim (2016), financial inclusion has a positive effect on reducing income inequality and proposed that by driving down income inequality, this would drive economic growth. Income inequality refers to the extent that income is distributed unevenly in the economy. An all-inclusive financial system enables everyone to have access to formal credit which is generally more cost effective than credit granted in the informal economy. By having access to formal sources of credit, people can borrow for productive purposes and thereby increase their welfare leading to a reduction in income inequality. Kim (2016) concluded that reduction in income inequality through financial inclusion would lead to economic growth. The research will attempt to understand how financial inclusion is an enabler to economic growth.

Kim (2016) argued that little research had examined the direct influence of income inequality on economic growth using financial inclusion as an explanatory variable. The study by Kim focused on how improvements on financial inclusion results in a decrease in income inequality. By reducing the income inequality, financial inclusion indirectly resulted in economic growth. The Researcher will attempt to add to theory on the impact of financial inclusion on economic growth.

Pradhan, Arvin, Norman, and Nishigaki (2014) argued that it was still an open question whether banking sector development enhanced economic growth or whether it was economic growth that drove the development of the banking sector. The argument by Pradhan et al., (2014) is akin to the argument of what comes first between the chicken and the egg. However this argument is valid in that understanding the relationship between the banking sector and economic growth will enable Authorities to channel scarce resources where there is the most benefit. Proponents of the first hypothesis argued that banking sector development induced economic growth through directly facilitating and increasing savings thereby creating capital formation and thereby enabling economic growth. The second hypothesis is based on the ideology that as the economy grows, additional banking products and services emerge in response to demand for banking services. According to Pradhan et al., (2014), countries that implemented sound macroeconomic policies and established a well-developed banking sector would experience a sustainably higher economic growth. Gandhi (2013) stated that there is enough empirical evidence that countries with a large proportion of the population excluded from the formal financial system showed higher levels of poverty and higher inequality. The proposition by Gandhi (2013) supports the argument by Kim (2016) that driving financial inclusion will reduce income inequality leading to economic growth. The Researcher therefore proposes that it is imperative to grow the banking sector through promotion of financial inclusion in order to enable inclusive economic growth that will reduce the poverty levels in Zimbabwe.

Research Proposition: Financial inclusion of the informal sector participants will enable economic growth

According to Levine (1997), there is disparity in opinion among Economists regards the role of financial systems being drivers of economic growth. Levine (1997) cited opinions from various Authors who argued for and against the finance- growth nexus. A review of the different interpretations showed Authors who were against the view that economic growth was driven by the financial system based their view on that economic development drove demand of certain financial products and that the financial sector therefore responded to the demands of the economic demands. Based on this view, economic growth drove financial sector development and not financial sector development driving economic growth. Sharma (2016) called this the Demand Following Hypothesis where economic growth leads to an improvement in financial infrastructure and banking services.

Levine (1997) being cognisant of the different opinions researched on the quantitative importance of the financial system in economic growth and concluded that there was adequate evidence to suggest a positive relationship between financial sector development and economic growth. Levine (1997) went on further propose that there was adequate evidence to conclude that the level of financial development was a good predictor of the future rate of economic growth, capital accumulation and technological change. Economic growth driven by the financial infrastructure and banking services was termed Supply Leading Hypothesis by (Sharma, 2016). According to Levine (1997), there was adequate evidence to discount the theory that financial sector development was driven by economic growth. The arguments presented by Levine are critical to this research as the Researcher believes that financial inclusion of the informal sector will result in an improvement in the number of people accessing financial products and services therefore driving development of the financial sector leading to economic growth. As people using the formal banking services increase, the amount of cash circulating in the formal banking system increases thereby improving the amount available to be lent out by the banking sector. The Researcher proposes that improving the level of financial inclusion of players in the informal sector would lead to financial sector development which in turn will drive economic growth.

Sharma (2016) argued on the role that financial inclusion played in building a foundation for India's financial infrastructure thereby driving economic growth and development. The study showed that better economic development and growth was driven by the number of deposit and loan accounts. At a basic level, financial inclusion is about increasing the number of people with bank accounts. This therefore means that banking penetration is an important element in driving economic growth. Zimbabwe has a banking penetration rate of 30% which means there is room to improve the banking penetration rate and improve the level of financial inclusion. Sharma (2016) further proposed that information dissemination and financial literacy are key to a sustainable financial system and economic growth. This is pertinent as being financially literate enables one to make informed financial decisions that can fuel economic growth. However it should be noted that in the long run the link between the deepening of the banking system as a result of financial inclusion and economic growth may weaken due to unproductive lending practices which can spark inflationary pressures in the economy (Sharma, 2016), (Rousseau and Wachtel, 2011). A credit boom weakens the banking system and brings about inflationary pressures.

The granting of credit by the banking sector should be to productive sectors of the economy in order to enable economic growth as credit growth in the finance growth nexus is identified as the biggest predictor of financial instability (Breitenlechner, Gachter and Sindermann, 2015). To ensure that lending practices followed by banks results in productive lending, banking regulation and supervision is therefore key (Demetriades and Rousseau, 2016). Rousseau and Wachtel (2011) argued that the basic relationship between finance and growth will not be achieved where the legal and supervisory institutions are not well developed. Banking regulation and supervision therefore calls on the need of regulatory oversight and observation of banking practices or rules in order to drive good banking practise. The oversight role of legal and supervisory institutions will only be effective when there is adequate rule of law and a strong institutional framework. Compliance of the banking sector is arguably achieved when pronouncements by the legal and supervisory institutions are enforceable at law. The finance growth nexus is applicable in periods when economies are not in a financial crisis. However in periods of financial crisis the finance growth nexus is found to not be true (Rousseau and Wachtel, 2011). Economic growth is therefore achieved through an efficient allocation of credit to productive sectors of the economy which then spurns more output thereby leading to growth of real Gross Domestic Product.

2.5 Conclusion

Financial inclusion is about having a bank account and effectively using the bank account. Reasons for not having a bank account vary from lack of trust in the financial sector to lack of financial knowledge to comprehend the benefits of having a bank account. Literature on financial inclusion largely focuses on the role of the financial services sector in driving financial inclusion.

The Zimbabwean economy is arguably an informal sector driven economy. Growth of the informal sector can be attributed to weak institutions or people voluntarily leaving formal employment and joining the informal sector amongst other factors. Takala and Viren (2010) argue that there is no generally accepted method of measuring the size of the informal economy. This therefore makes it difficult to measure the contribution of the informal economy to Gross Development Product. The informal economy is associated with cash holding as most transactions in the informal economy are done on a cash basis.

Levine (1997) argues there is disagreement between economists whether financial sector development leads to economic growth or it is economic growth that leads to financial sector development. Whilst Levine (1997) argues on the relationship between financial sector development and economic growth, Sharma (2016) gave an insight on the role that financial inclusion in India played in improving the financial infrastructure thereby driving economic growth. Financial inclusion leads to financial sector development and the researcher therefore proposes that financial inclusion of the informal sector in Zimbabwe will enable economic growth.

3 RESEARCH PROPOSITIONS

Creswell, Hanson, Clark and Morales (2007) argued that research questions inform the approach or design used in qualitative research to collect and analyse the data. The following research propositions will therefore guide the Researcher in coming up with a suitable research methodology for the research;

3.1 Research proposition 1

The low level of financial inclusion in Zimbabwe is as a result of a lack of trust in the banking system

3.2 Research proposition 2

The growth of the Zimbabwean informal sector is due to weak institutions and decline in the rule of law

3.3 Research proposition 3

Financial inclusion of informal sector participants will enable economic growth both at a micro and macroeconomic level.

At a microeconomic level, informal sector participants will access finance from the formal banking systems at interest rates lower than those prevailing in the informal sector leading to improved profitability.

At a macroeconomic level, the financial services sector will benefit from the increase in the money supply, leading to economic growth as a result of access to affordable credit.

4. RESEARCH METHODOLOGY

4.1 Introduction

This chapter outlines the research methodology used in the gathering of data and the methodology used to analyse the data. The literature review section analysed literature on financial inclusion, the informal sector and how financial inclusion can lead to economic growth and the Researcher came up with research propositions based on the literature. Semi structured interviews were carried out with banking sector executives and individuals from organisations that represent informal sector players to ascertain the validity of the research propositions.

4.2 Research Design

According to Saunders and Lewis (2012) there are three different types of studies used in carrying out research. These are briefly explained below;

- Exploratory studies - this suits well to new phenomena or topics that the Researcher does not fully understand. Exploratory studies may be likened to exploration of new areas.

- Descriptive studies - these studies are a description of events or a narration of what would have occurred but does not answer the question why the event occurred.

- Explanatory studies - explanatory studies look for an explanation about what would have occurred through discovery of causal relationships between key variables.

The Researcher conducted an exploratory study on financial inclusion of the informal sector as an enabler to economic growth. Exploratory studies are suitable for a qualitative approach to research and therefore a qualitative approach was followed. The study of financial inclusion has grown in recent years and the Zimbabwean economy has transformed to a predominantly informal sector driven economy. This macroeconomic shift is relatively new and it is not easy to quantify the amount of money circulating outside the formal banking system or the size of the informal economy. The change in the macroeconomic environment presents a new paradigm that the banking sector and the government is still trying to get into grips with hence the launch of the Zimbabwe

National Financial Inclusion Strategy in 2016. An exploratory study was therefore selected as this is a relatively new phenomenon in Zimbabwe and therefore further investigation was required in order to get an insight into this phenomenon.

The Researcher's philosophy was pragmatism. Saunders and Lewis (2012) defined pragmatism as, *"a research philosophy which argues that the most important determinant of the research philosophy adopted are the research questions and objectives"* (p.107). The research approach followed was qualitative and the researcher was guided by the research propositions and objectives. The researcher conducted the semi structured interviews with the interviewees in their social environment and the questions were guided by the research objectives and propositions.

A deduction approach was followed in carrying out the research. Saunders and Lewis (2012) defined deduction as *"a research approach which involves the testing of a theoretical proposition by using a research strategy designed for the purpose of its testing"* (p.108). The research propositions were derived from the literature review and the deduction approach was used to test the theory. The theory regarding financial inclusion, the informal sector and how financial inclusion of the informal sector can drive economic growth was clarified through the deduction approach.

The research strategy used by the Researcher was the case study approach. The case study was on financial inclusion of the informal sector resident in the Zimbabwean economy. Saunders and Lewis (2012) argued that the case study approach was more appropriate for answering the question why. Creswell et al., (2007) are in concurrence as they also argued that case study research builds an in depth, contextual understanding of the case. By focusing on the Zimbabwean economy, the Researcher was able to contextualise on the Zimbabwean macro-economic situation which is not necessarily replicated in other economic environments. This was pertinent as the Researcher sought to probe why the estimated amount of money circulating in the informal sector was not channelled to the formal banking systems and how the banking sector can develop programmes to encourage informal sector players to use formal banking channels.

4.3 Population

In order to understand how financial inclusion of the informal sector could enable the growth of the Zimbabwean economy, the researcher sought interviews with individuals from organisations that represent informal sector players and banking executives responsible for promoting financial inclusion in the various banks in Zimbabwe. The research population for this study therefore comprised of individuals from organisations representing players in the informal sector, banking sector executives who are responsible for driving financial inclusion and executives in financial institutions that promoted financial inclusion.

4.4 Sampling

4.4.1 Sampling technique

The Researcher used non probability sampling techniques in conducting the research. Saunders and Lewis (2012) defined non probability sampling as "*a variety of sampling techniques for selecting a sample when you do not have a complete list of the population*" (p. 134). There is no database for informal sector players and the various organisations representing informal sector employees are not adequately documented or formalised as there are not properly regulated. As a result of the fragmented nature of the informal sector bodies, there was no sampling frame. In the absence of a sampling frame, non-probability sampling techniques were therefore found to be suitable for this research.

The non-probability sampling technique that the Researcher used was purposive sampling for banking executive involved in pursuing financial inclusion strategies for the different banks. The Researcher's philosophy was pragmatism and in that regard, purposive sampling techniques enabled the Researcher to choose participants who were able to respond on the research propositions and therefore meet the research objectives.

Due to the fragmented nature of the organisations that represent informal sector participants, the Researcher used snowball sampling techniques to identify organisations that represented informal sector participants. The researcher requested the respondent to refer the researcher to other organisations that represented informal sector participants. Snowball sampling is a type of non-probability sampling in which, after the first sample member, subsequent members are identified by earlier members (Saunders and Lewis, 2012). The researcher was unable to identify other bodies representing informal sector players due to their unregulated nature.

The interviews were carried out with respondents based in Harare, Zimbabwe. The interviews with the banking sector executives would be applicable to the rest of

Zimbabwe as financial inclusion strategies are set at the bank's head offices which are all located in Harare. Due to the fragmented nature of the informal sector, the perceptions of the individuals representing informal sector organisations may not be representative of all the informal sector players.

4.4.2 Sample size

As highlighted in the research design, a qualitative research design was followed in order to explore the research topic in depth. Semi structured interviews were carried out in order to fully comprehend the research topic. The Researcher expected to carry out between eight to fifteen interviews comprising of bank executives focused on financial inclusion and individuals representing informal sector participants. This was because the population was heterogeneous as the two categories represented different interests. The final sample size was nine comprising of five commercial bank executives, one Building Society executive, one financial institution executive and two executives of organisations that represent informal sector participants. While the Researcher would have preferred to interview more banking sector executives, the researcher found out that data saturation had been reached with the banking sector executives. Saunders and Lewis (2012) defined data saturation as "*the stage where additional data collection provides few if any new insights into the research question and objectives*" (p. 158). This is essentially when each next interview provides less insight into the research propositions. At this juncture, data saturation would have been reached. For the individuals representing informal sector participants, the respondents could not recommend other individuals to interview who represented informal sector players. This typified the structure of the informal sector which is very much fragmented. Interview responses from the two individuals representing informal sector players were almost identical and this indicated to the Researcher that data saturation may have been reached.

Table 2 below provides an outline of the respondents interviewed and their respective roles within their organisations.

Table 2: Overview of research respondents

Respondent	**Roles and responsibilities**
Respondent 1	Executive at a commercial bank who is pursuing PhD studies focused on financial inclusion in Zimbabwe. The respondent is responsible for development of financial inclusion programmes for the bank.
Respondent 2	Executive at a Building Society. The Building Society also offers commercial banking services and has the widest branch network in Zimbabwe's financial services sector. The Executive is responsible for managing the bank's branches in three of Zimbabwe's provinces.
Respondent 3	Senior Manager at a Commercial Bank. The Senior Manager manages the portfolio of small and medium sized businesses. These include formal and informal businesses that access the bank's product offerings.
Respondent 4	An Executive at the only savings bank in Zimbabwe. The savings bank can be argued to be the pioneers of Agency Banking Services as their banking halls are used to offer a myriad of services including insurance services. The Executive holds a Doctorate and is responsible for spearheading the financial inclusion strategy for the Savings Bank.

Respondent 5	An Executive at one of the largest foreign owned banks in Zimbabwe. The Executive heads the Small and Medium Sized Division of the bank and is responsible for developing financial products and services that attract small and medium sized enterprises to use formal banking services.
Respondent 6	The Respondent is the Secretary General of a business member organisation that represents micro to small sized enterprises. As the Secretary General, the respondent is responsible for setting strategic foresight and policies for the organisation. The organisation represents traders and agro producers to name a few. The strategic intent of the organisation is to transform informal organisations to formal business. Owns several informal businesses.
Respondent 7	A senior Manager at arguably Zimbabwe's biggest commercial bank. The Respondent is responsible for driving financial inclusion strategies for the bank and is also involved in the financial literacy programme carried out by the bank.
Respondent 8	An executive at arguably the biggest financial institution group in Zimbabwe. The financial institution comprises a Building Society, Insurance Company and an Investment Banking Arm. The Executive is responsible for driving

	financial inclusion strategies across all the different businesses across the financial institution. Financial inclusion strategies are cross sold in the Group.
Respondent 9	The respondent is the Secretary General of an organisation representing informal sector participants. The organisation was the brain child of the Ministry of Small and Medium Sized Enterprises hence it is quasi government. It represents informal sector and small and medium sized enterprises that spans across the entire economic spectrum. Serves as a Director and Shareholder in various small and medium sized enterprises.

4.5 Research instrument and measurement

The Researcher conducted semi structured interviews with the research participants. Saunders & Lewis (2012) defined semi-structured interviews as "*a method of data collection in which the interviewer asks about a set of themes using some predetermined questions, but varies the order in which the themes are covered and questions asked"* (p. 151). The key themes that the Researcher focused on were reasons for the low level of financial inclusion and what could be done to improve financial inclusion, role of institutions in driving growth of the informal sector and the banking sector's role in promoting financial inclusion. The research is exploratory in nature and semi structured interviews enabled the Researcher to vary the questions depending on the responses received from the participants. This enabled the Researcher to probe deeper into responses from the research participants. Semi structured interviews also enabled the Researcher to ask additional questions to clarify what the participants would have said.

The Researcher conducted a total of nine interviews with banking experts and individuals from organisations representing informal sector participants. Each interview was typically half an hour long and all the interviews were carried out at the Respondent's place of work. The interview schedule is attached as Appendix 1 and this was used to guide the Researcher on the themes to focus on and also to give context to the interview questions. The interviews themselves were discussions based to enable dialogue between the Researcher and the respondents. This enabled the Researcher to probe further where new dimensions or themes emerged during the interview.

All the interviews, with consent from the research participants, were audio recorded. This improves the data integrity as the Researcher was able to play back the audio recordings to distil pertinent issues that arose during the interviews. The audio recordings also serve as a record of the interviews undertaken thereby enabling a backup of all interviews done.

4.6 Unit of Analysis

The unit of analysis used in the research is the perception of bankers involved in financial inclusion strategies and individuals representing organisations of informal sector players on the financial inclusion of informal sector players. Various propositions regarding financial inclusion and the informal sector were introduced to the research respondents in order to ascertain the respondents' views on whether financial inclusion of the informal sector players would enable economic growth in Zimbabwe.

4.7 Data analysis

The audio recordings were transcribed and analysed using Atlas ti, a software used to analyse qualitative data. Key themes from the semi structured interviews were coded and analysed to find common threads from the interview data and the key themes. The results of the data analysis was used to confirm or dispel the research propositions.

4.8 Research ethics

The respondents were requested to sign letters of consent before the interviews were undertaken. An illustration of the letter of consent is attached as Appendix 2. The letter of consent provided a brief overview of the research topic and the expected duration of the interview. The letter of consent also expressly stated that participation in the interview was voluntary and that respondents had the option to withdraw from the interview at any time without any penalty being incurred. The respondents were also informed that all data would be kept confidential. The respondents will therefore not be referred to by name throughout the research report.

4.9 Research Results

The research results are presented in Chapter 5 of this report. The research result have incorporated some elements of the literature review in order to provide banking sector players and researchers alike with context and also models on how the informal sector players can be financially included.

4.10 Research limitations

The following aspects were identified as limitations to the research methodology;

The informal sector is an unregulated sector of the economy. This made it difficult to assess the span of control of the organisations representing informal sector participants on the informal sector players themselves. This in turn makes it difficult to conclude how representative the perceptions of the interview respondents is to the rest of the informal sector players.

Interviews were done with individuals representing informal sector players based in Harare. Their perception on financial inclusion of the informal sector may not be reflective of the perceptions of individuals representing informal sector players who are based outside Harare.

The snow balling sampling methodology used to identify individuals from organisations that represent informal sector players may also introduce bias in the research respondents. The researcher was referred to the next respondent by the previous respondent which created a risk of self-interest bias. This was counted through also using purposive sampling techniques.

There is no standard measure of quantifying the level of financial inclusion. This makes it difficult to then make cross country comparisons in order to identify the best method of promoting financial inclusion based on experiences from other countries.

The Researcher used the definition of shadow economy proposed by Buehn and Schneider (2012) which excludes illegally produced goods and services from the definition of the shadow economy. The Researcher could not validate whether the members of the organisations representing the informal sector were not involved in the illegal production of goods and services.

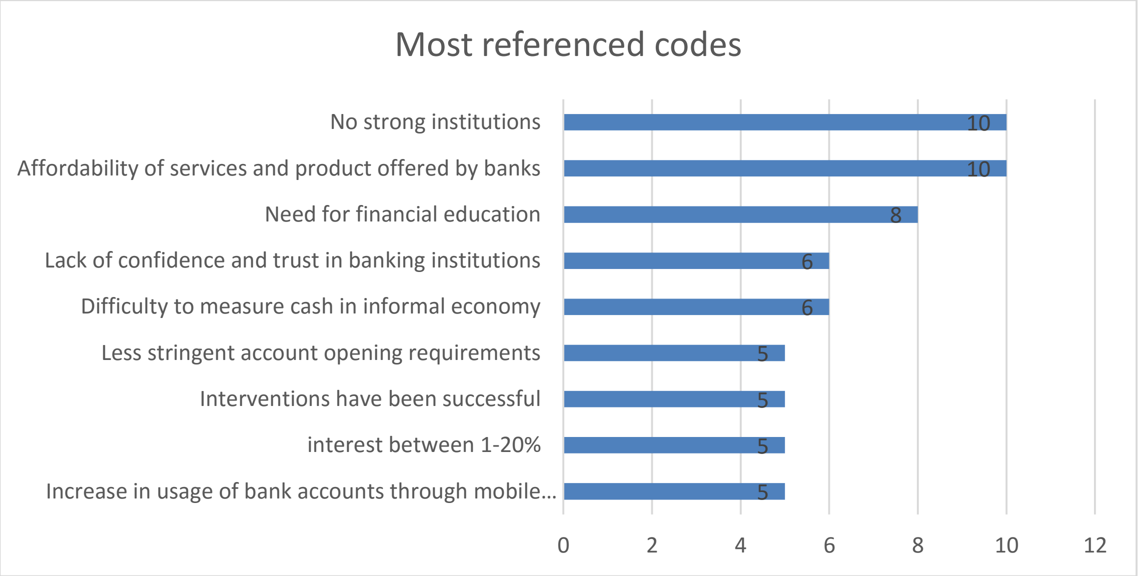
A case study approach on the Zimbabwean economy was used in carrying out the research. The findings from the research may not be applicable to other countries in a similar context to Zimbabwe. Saunders and Lewis (2012) contend that critics of the case study approach argue that findings from one case or a small number of cases is no basis for placing faith in the findings.

5. RESULTS

5.1 Introduction

This chapter analyses the results obtained from the interviews that were conducted during the research project. The first part of the Chapter will give a brief overview of the respondents and their roles and responsibilities in the various organisations they represent. An analysis of the results of the interviews in relation to the research propositions will then follow with key emerging themes from the interviews being highlighted. Table three below shows the most commonly referenced codes derived from the research results;

Table 3: Most commonly referenced codes



5.2 Respondents in brief

While the researcher was able to interview two individuals from organisations representing informal sector players, the researcher could not quantify the span of influence of the organisations across informal sector players due to the unregulated nature of the informal sector. The seven respondents interviewed from the banking sector were individuals who held positions of responsibility and influence within the banking spectrum and their responsibilities included spear heading the financial inclusion agenda in the banks. Table two in section 4.4.2 provides a brief description of the respondents and the roles they play in the various organisations. The identity of the respondents was kept confidential as outlined in the Interview consent form.

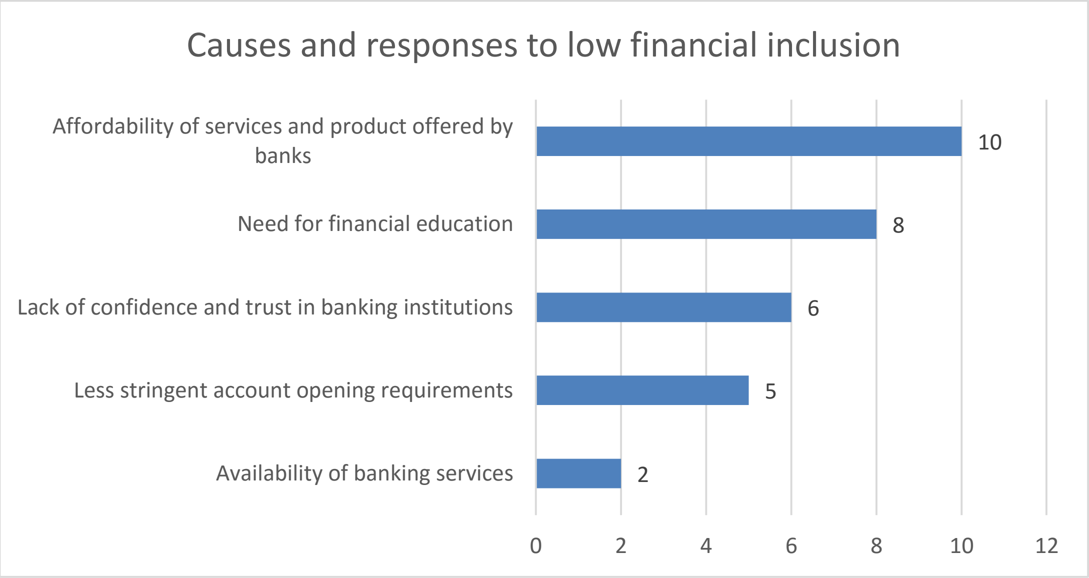
5.3 Research Proposition 1 – *Relationship between financial inclusion and trust*

The low level of financial inclusion in Zimbabwe is as a result of a lack of trust in the banking system.

The low level of financial inclusion in Zimbabwe is evidenced by the percentage of the adult population who do not have bank accounts as highlighted in Chapter 1 and the level of cash estimated to be in the informal sector. Whilst it is difficult to quantify the amount of cash in the informal sector, it is estimated that cash in the informal sector could be more than what is in the formal banking system.

In order to fully comprehend financial inclusion, it is imperative to understand the reasons why certain sections of society are financially excluded (Bhanot et al., 2016). The research proposition attributed the low level of financial inclusion to lack of trust in the banking system. The table below shows the financial inclusion co-occurrence table;

Table 4: Causes and responses to low financial inclusion



The following questions were therefore asked to the respondents in order to prove whether the research proposition was valid.

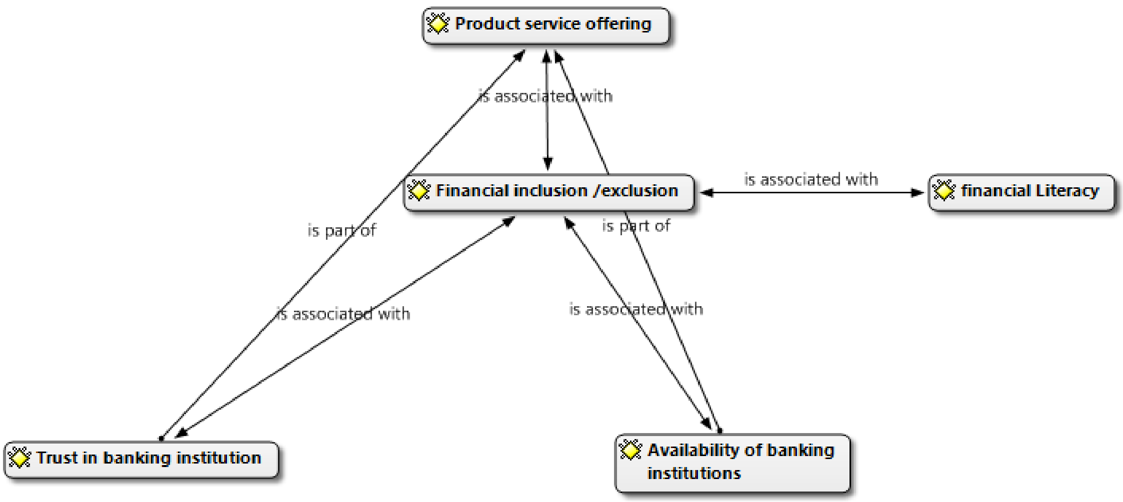
- What do you think are the reasons the country has a low level of financial inclusion?
- What is your opinion regarding the estimates of the money circulating in the informal economy compared to the money in the formal economy?
- What measures do you think financial institutions can implement in order to attract players in the informal sector to use the formal banking systems?

These questions will be explored further in the section below

5.3.1 Reasons for low financial inclusion

Figure four below shows the various reasons cited by the respondents as the reason for the low level of financial inclusion;

Figure 4: Reasons cited for low level of financial inclusion



5.3.1.1 Trust

Distrust in banks was identified as a barrier to financial inclusion that is difficult to overcome (Allen et al., 2016). The lack of trust and confidence in the banking system arose from Zimbabwe's history of bank closures and the hyperinflation period where people lost their savings due to hyperinflation and the adoption of the multi-currency system without compensation for the defunct Zimbabwe dollar.

Respondents six and nine from organisations that represented players in the informal sector attributed the low level of financial inclusion to a lack of trust and confidence between the public and the banking sector.

Respondent six highlighted that the lack of trust and confidence in the banking sector arose from the previous bank closures which made people feel cheated when they did not recover their funds.

Respondent six stated the following;

> "*Right, and prior to that, we have had a series of some bank closures, where you would just wake up one day and a bank is no more and then there are people that led many people to lose their trust in the financial house" (R6)*

Respondent nine supported the notion that there was no trust between the public and the government due to lost savings when the country transitioned from the Zimbabwe dollar to the multicurrency system stating the following;

> *"There is no trust, even communication is very important, that we are failing to make this, that is why we are transitioning, the transition comes from where we are to this point, so there were supposed to address – the addressing of issues is the main challenge, so there is no trust between the business community and the government". (R9)*

Respondent nine further asserts that the citizens felt cheated and therefore this led to the people not trusting financial institutions;

> "*So there are some informal traders or business community who thought that the government is cheating the business community even the citizens, because they were supposed to address issues of how are they going to refund the money". (R9)*

Some of the banking sector executives shared the sentiment that the low level of financial inclusion can be attributed to the lack of trust and confidence in the banking sector. Respondent one commented;

> *"I think for me I would probably outline and say there are three main reasons that I see, the low confidence by the banking public in the financial institutions or*

banking sector. You would recall that because of hyperinflation people lost a lot of money when banks operating in the hyperinflation environment were instructed through the Reserve Bank to remove zeros from the currency that represented a loss of value for people".(R1)

Respondent seven concurred with the sentiment on trust stating;

"So I think that has been one limitation and then post the 2008 / 2009 era there were trust issues between banks and the consumers, given the events that took place in 2009, so that as well has been one of the major limitations in terms of the financial inclusion". (R7)

Respondent eight attributed the low level of financial inclusion entirely to the lack of trust stating;

"I think firstly there are trust issues because of the financial crisis that we faced some years ago which saw the closure of banks and other financial institutions". (R8)

Whilst the lack of trust and confidence in the banking system was highlighted as a major reason for the low level of financial inclusion, there were also other reasons identified by the banking executives as causes of the low level of financial inclusion.

5.3.1.2 Availability of banking institutions

The availability of banking facilities was also highlighted as a reason for the low level of financial inclusion with Respondent one stating;

"*The other issue to talk about which the banks can do is to promote accessibility, rolling out outlets or having channels that may not require as much investments" (R1).*

Respondent five seconded the notion that the availability of banking facilities was a hindrance to the financial inclusion objective stating;

"The reasons for low levels of financial inclusion, it comes out from the fact that the financial sector itself is not amenable to be able to include all the bankable population out there for the simple reason that there are no structures that accommodate people in rural areas or in far remote areas". (R5)

5.3.1.3 Product/ Service offering

The service offerings by the banks were highlighted as an impediment to financial inclusion of certain sectors of the population. Respondent one explained;

> *"There has been significant increase in the number of products that rely on technology whereas certain of those technology the uptake is not as high in certain areas especially in the rural areas or even in the urban areas but in the poor sections of the urban areas for example the delivery of financial products through mobile phones some of the products have been done where people would require smartphones and yet the majority of the people penetration of smart phones is yet to be high enough. Most of the people still have the basic feature phones which may not allow everyone to have access to those products. The design of financial products for me has not been capturing the unique needs of those that are financial excluded at the moment" (R1)*

Respondent three argued on the adaptation of the banking sector to the change in the macroeconomic environment which is now informal;

> "*First of all it is the setup of our economy which was basically driven by corporate structures and I think the paradigm shift that has happened from the economy that is driven by large corporates to the economy that is driven by small scale and informal sectors has happened so fast and I think in that aspect also banks have not really been able to also adapt to changes in that environment" (R3)*

Respondent seven highlighted the low usage of Information Communication Technology to drive financial inclusion.

> *"Innovation as well, use of information technology to provide financial services has been another factor which has counted for low levels of financial inclusion. We have seen gradually, we are improving on that, but traditionally we have not exploited, banks have not exploited this platform as much as they should" (R7)*

5.3.1.4 Financial literacy

Respondent two proposed that the low level of financial inclusion was due to the lack of financial knowledge on the benefits of having a bank account;

> *"The thinking is coming from a historical background where the majority of Zimbabweans, the understanding was for you to own a bank account it was expensive, it is for the elite and obviously there are certain costs that are involved in owing a bank account, this has resulted in traditional culture that has been prevalent in the society at the same time lack of understanding of how banks and other institutions can assist an individual to grow" (R2)*

Respondent six whilst attributing the low level of financial inclusion to lack of trust in the banking institutions was also of the view that lack of financial education was a determinant of low financial inclusion.

> *"So it is the financial education itself within the depositor himself; myself as a depositor. Do I have adequate knowledge to understand if I save, what are the benefits or merits which go around the financial savings so all those factors, you will find that at the end of the day, a person will say, why should I save". (R6)*

Respondent six summarised what can be done to drive financial inclusion of the informal sector players whilst highlighting the reason for low financial inclusion;

> *"there is need for trust, there is need for education, the capacity. There is also need to decongest the mental focus of an individual to understand that my savings is also to do with the economic growth, but now this comes to say do I see that value at the end of the day, because if I don't see that value, why should I save" (R6)*

5.3.2 Cash and the informal sector

Most of the research respondents indicated that it was difficult to quantify the amount of cash circulating in the informal sector but were of the opinion that the amount of cash was significant relative to the cash within the formal banking system. Respondent one contended;

> "*The level of money that is circulating outside formal channels is significantly high" (R1)*

However Respondent one also highlighted the difficulty in quantifying the amount and the difficulty in comparing the two variables;

"*I know it is very difficult the informal sector is very difficult to measure" (R1)*

"I think it is tricky to take a particular position in that you are comparing two sectors where the other one you already have measurement instruments. You can measure money in circulation by levels of deposits in the financial institutions but certainly you are right to say the reports are estimating what's happening in there so you also need rules on how you are estimating what they are using" (R1)

Respondent seven also highlighted the difficulty of quantifying the amount of money circulating in the informal economy;

"the challenge has always been how you quantify the amount of money in circulation in the informal economy" (R7)

Despite being cognisant of the difficulties associated with measuring the amount of cash circulating in the informal economy, Respondent seven was still of the view that the amount was significant;

"Yes, there is still a huge amount of money which is circulating in the informal economy" (R7)

Respondent four was also of the opinion that the cash in the informal sector was substantial but also highlighted the challenges in measuring it;

"Ok it's difficult to come up with an accurate figure right, but there is a likelihood that there is a substantial sum of money circulating in the informal sector mostly down to the informal sector obviously does not want to pay taxes, they want to evade bank charges, they want to evade withdrawal limits, you know cash shortages and also queueing at the banks, however, given that scenario, there is a tendency of exaggeration by the media of what is actually circulating in the informal sector" (R4)

Respondent three's opinion on the level of cash circulating in the informal economy was informed by the value of the transaction being done through the popular mobile money platform, Eco cash stating;

"being driven by informal sector and there is much more money circulating I think that can also be proven by the amount of volumes that eco cash is pushing which

also try to give us an indicative figure of how much is circulating in the informal sector" (R3)

Respondent five on the other hand argued;

"*I wouldn't say the money circulating in informal economy is more than the formal, but it is significant, because you find that the formal economy is still functioning, so I wouldn't want to think it's actually more than the formal" (R5)*

Respondent two however disputed that the level of cash circulating within the informal economy was significant relative to the cash in the formal economy. The respondent argued that had the level of cash in the informal economy been significant, then this would have been evident through informal sector growth leading to a positive Gross Domestic Product as the formal economy is the market for the informal sector players.

"There is no science behind these estimates, its people just assuming that there is so much money moving in the informal economy. If there was that much money moving in the informal economy you will see real growth in that informal economy which will translate to positive GDP for this economy in essence because whatever happens all small traders at the end of the day for them to grow they have to deal with individuals that already big enough to take up certain products that they offer in the market and most of these firms obviously will be formalised and all that so we are thinking behind the fact that there is a lot of money in the informal economy relative to the formal economy from my view point I don't think it's feasible because the main driver of the informal economy is the formal economy" (R2)

5.3.3 Measures to attract informal sector players

Respondents were asked on measures that the banking sector can implement to attract informal sector players to use the formal financial system;

Respondent three recommended less stringent account opening requirements;

"I think they should try and relax the conditions of opening an account and also try and do away with the punitive measures and come up with the products that are customized to accommodate this target market" (R3)

Respondent seven concurred and also recommended less stringent account opening requirements and low cost of services;

> *"I think there is the cost of financial services; it's looking at the delivery channels and see how best to avail these services at a cost that the informal sector can afford" (R7)*

> *"..and then the other thing is that the requirements on opening an account, the KYC in which case we only require one's ID and $5 to open an account" (R7)*

Respondent eight proposed improving availability of financial services;

> *"One issue that the market has raised is accessibility, people don't want to travel for kilometres to go and bank the little money that they are making so accessibility is very critical for the banking sector is going to achieve in that space" (R8)*

Respondent four recommended a cocktail of measures to be implemented in order to attract the financially excluded;

> "*there is need to leverage on technology, you see we are working hand in hand with mobile phone operators, right, disbursements of loans, can be done through mobile money, and withdrawal of salaries through mobile money platforms so banks need to have strong relationships with these mobile operators" (R4)*

> *"you also need to promote group lending, self-help groups, most residents in rural areas, most people in rural areas they have got little resources to save, but they will still need funding to fund their projects, so if you mobilise them into groups through perhaps, their District officials, Provincial officials, they can either save or you can lend them as a group to fund their projects" (R4)*

> *"There is also need to promote financial education to children whilst they are still young so that they have got a savings culture" (R4)*

Respondent five on the other hand recommended a review of regulations targeted at the informal sector and also the account opening requirements;

> "*Ok, for the financial institutions, I think when you look at the reasons as to why there is not much attraction for the informal sector to bring money in the formal*

sector is because of the regulations which are set and I would just want to give an example on the taxation side" (R5)

"there is also need to reduce the vigorous requests for one to open an account so that at least they will be able to have bank accounts so that they will be able to bring money into the formal sector" (R5)

Respondent 2 without offering recommendations on how to attract the informal sector highlighted barriers to financial inclusion;

"It's an issue of cost how much will it cost me to keep my money in the bank, how much will it earn in terms of interest those are the questions that are asked, you going to come through the bank and I need financing, what do I need to bring, how easy are the requirements for me to get a loan" (R2)

"For instance the banks can say you are going to have light know your client, less requirements with regards to certain functions so that people can come to the banks but the challenge now is most of these excluded individuals they don't even meet the basic requirements that are needed" (R2)

Whilst the bank executives focused on the cost and account opening requirements as measures to be implemented in order to attract informal sector players to use the formal banking system, Respondent nine from an organisation representing informal sector players recommended an inclusive approach to planning by banks stating;

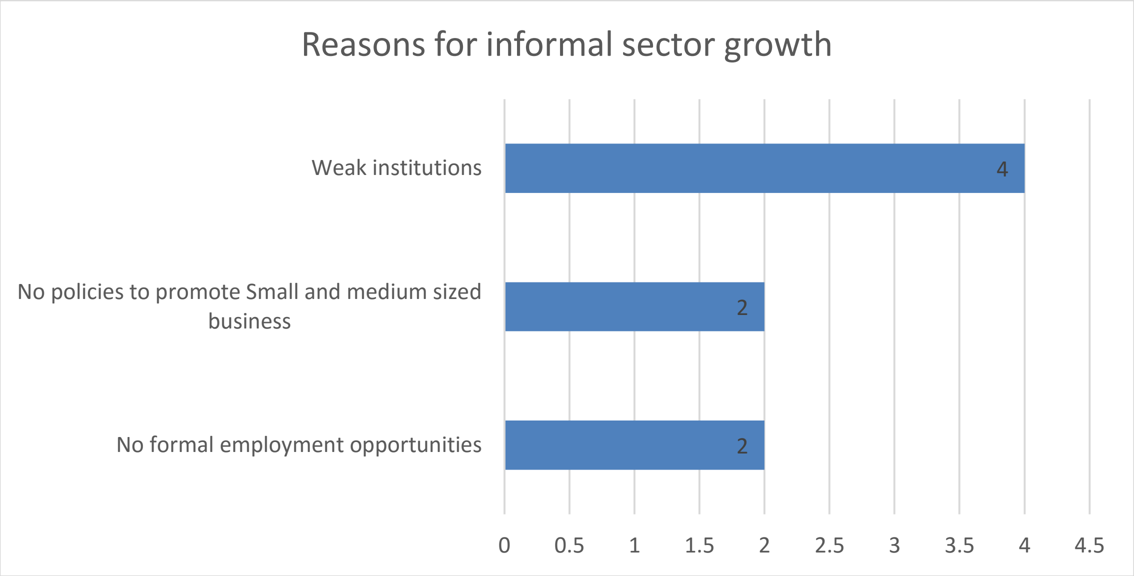
"You know, according to this issue of the inclusion, the involvement, working or planning for SMEs without SMEs is not for SMEs. So the issue of planning, banks or financial institutions, they should have to plan together with the citizens and the business community rather than planning and then bring their plans to us so we should start an inclusive planning so that we can have financial inclusion" (R9)

5.4 Research Proposition 2- *Institutions and informal sector growth*

The growth of the Zimbabwean informal sector is due to weak institutions and decline in the rule of law.

Reasons attributed to the growth of the informal economy are varied as highlighted in Section 2.3 of the literature review. Despite the various reasons attributed for the growth of the informal sector, the Researcher proposed that the growth of the informal sector in Zimbabwe can be greatly attributed to weak institutions and a general decline in the rule of law. The growth of the informal sector in Greece was attributed to weak institutions and the absence of the rule of law (Bitzenis et al., 2016). The table below summarises respondents' views on the causes of informal sector growth;

Table 5: Reasons for informal sector growth



The following questions were asked to the research respondents to prove or disprove the research proposition;

- What is your view regarding the state of institutions in Zimbabwe?
- What is your opinion regarding the notion that the growth of the informal sector in Zimbabwe was driven by the weak institutions and lack of rule of law?

5.4.1 State of institutions

Some of the research respondents were of the view that the state of Zimbabwe's institutions were weak and gave examples that highlighted the state of Zimbabwe's institutions.

Respondent one supported the argument by Bitzenis et al., (2016) stating;

> "*If you look at certain institutions that were set up it could be your anti-corruption and if what we read in the papers is what we go by it then does not support a*

view that we have strong institutions that can inspire confidence to say if this happens someone has recourse" (R1).

Respondent two was also of the view that institutions in Zimbabwe were weak stating;

"My view is that our institutions are weak" (R2)

Respondent three linked the state of the institutions with the growth objective arguing that;

"*I think the current state of institutions in Zimbabwe is really negative when it comes to trying to promote growth" (R3)*

Respondent four on the other hand attributed the state of the institutions to the political environment which has impacted on the ability of the legal fraternity to carry out its mandate. Respondent four stated;

"Well, the state of institutions has not really been favourable, the state has had its own challenges, due to, you know, political instability and the State has not been able to carry out, fully carry out its mandate, like attracting investments, building up on its own infrastructure to make the business environment conducive, and I would also say regarding the Courts of Law, the Judiciary System tends to be like, overwhelmed with cases, like litigation cases take a long time to resolve, there are so many disputes, Constitutional amendments, harmonisation of laws which still have to be resolved, so that sort of derails the work of the Judicial system because some of the laws have not been fully harmonised" (R4)

Having ascertained the respondent's view of the state of institutions the researcher then sought to prove or disprove the research proposition.

5.4.2 Weak institutions and informal sector growth

The view that the growth of the informal sector was as a result of the weak institutions was supported by the majority of the respondents.

Respondent one argued;

"Certainly if you look at the legal space i think you will agree with me that there are significant events that took place if you look at the land revolution and at some point the rolling out of indigenisation act, it painted a picture where people could break existing laws to achieve desired ends" (R1)

Respondent one further states;

"Yes there are certain comprises on quality consistency and all that but my view is I agree that the absence of strong institution that would have guaranteed the existence of formal sector gave rise the emergence of informal sector" (R1)

Respondent two concurred stating;

"It's very true that growth of the informal sector was actually driven by weak institutions and lack of rule of law" (R2)

"But in Zimbabwe instance now it's a multitude of factors where you have weak institutions there is no rule of law, there is lack of corporate governance. So all of will also lead to growth of the informal sector because some companies have closed as a result of the banks not being able to perform" (R2)

Whilst Respondent two concurred that the growth of the informal sector was driven by weak institutions, the respondent also argued that the state of the banking sector was a determinant in the growth of the informal sector stating;

"If the banking sector is weak then the informal sector will grow." (R2)

Respondent three was affirmative on the proposition stating;

"I actually think that it's true because if you look at it the sprouting of the informal sector" (R3)

Respondent nine also attributed the shift from being a formal economy to an informal sector based economy to the rule of law.

"earlier on I was mentioning that the economy has moved from formality to informality, what causes that; the rule of law" (R9)

Respondent four affirmed the proposition on the role that the state of institutions play in promoting the growth of the informal sector but also highlighted the role that the government has played leading to the growth of the informal sector.

> *"Yes, generally because of the drawbacks experienced by government and the economy as a whole, it led to unemployment, so as a result people have to find ways of surviving, so they end up doing their own informal businesses just to survive. So in a way yes, it has led to creation of the informal sector because of their surviving strategies being implemented by people, there is no guarantee of employment anymore". (R4).*

Respondent four, whilst affirming the proposition, also had the view that the informal sector in Zimbabwe is growing out of necessity of survival. The lack of employment opportunities in the formal economy has left the informal sector as the only plausible avenue to generate income through informal employment or enterprise. This view was supported by Respondent seven who argued;

> *"it's a function of many things, one is the formal sector which provides formal employment …has it been, because even when the institutions and the rule of law is solid, but where you find that opportunities for formal employment are limited, people will always find ways to survive, so it's a function of many things and it's difficult to underline it, attribute it to one particular area, one has to have a global view of the circumstances obtaining in the country as to really pin out" (R7)*

The closure of formal businesses being a contributory factor to the growth of the informal sector was also highlighted by Respondent eight.

> *"For Zimbabwe, I think the main reason is the closure of formal businesses, and it has been due to the downsizing in most of the formal businesses. What this has done is you find that there a lot of very skilled people in the environment, but they cannot find jobs. So they go out, start producing, which is what they were doing in the formal businesses in the first place, so yes it has been an issue because of the closure of companies, but what we then need to do is to capacitate these people not to just be producers but to be business people" (R8).*

5.5 Research proposition 3 - *Financial inclusion and economic growth*

Financial inclusion of informal sector participants will enable economic growth.

Financial inclusion in India played a role in building India's financial infrastructure thereby driving economic growth and development (Sharma, 2016). By improving financial inclusion of informal sector players, the cash circulating in the informal sector will be channelled to the formal banking system thereby improving the liquidity of banks. The banks will therefore be able to play an intermediary role of resource allocation to the productive sectors of the economy. Informal sector participants will borrow from the formal sector at lower interest rates compared to informal sources of credit. This will enable the informal players to increase productivity. The following questions were therefore posed to the research respondents in order to prove the research proposition;

- What is your view regarding the proposition that financial inclusion leads to economic growth?
- What do you think is the source of credit for informal sector players and what rate do you think they borrow at?

5.5.1 Financial inclusion and economic growth

Respondent four supported the proposition that financial inclusion leads to economic growth and explained how financial inclusion will lead to economic growth. Respondent four argued;

> *"financial inclusion does lead to economic growth more individuals get access to funding for business expansion, which of course, creates employment which leads to increased levels of disposable income and then the increase in income lead to an increase in expenditure, then the aggregate demand also increases, so the overall economic activity is improving. Then savings mobilisation, because if you are including everyone in the financial services centre, if you are mobilising funds, it is believed that funds are always hidden somewhere, the dollars are hidden somewhere in Zimbabwe, so if you target those hidden dollars and mobilise them you can effectively use that for capital for …which is necessary to boost economic activity and, yes financial inclusion really does that to economic growth; tap into all that money and use it". (R4)*

Respondent one shared the same sentiment and stated;

> "*Finance is a resource that facilitates production and whenever there is production there is tangible growth so financial inclusion promotes production and trade. it promotes activities that generate money and economic growth is a rise in your gross domestic product and certainly when financial resources are made available it supports those economic that gives rise to production and growth in domestic assets" (R1).*

Financial inclusion results in improved productivity through the availing of credit facilities to improve productivity levels. The improved productivity levels in turn result in improved tax revenues for the government. Respondent three highlighted how financial inclusion drives economic growth as follows;

> "*Because of financial inclusion you find that there is growth in terms of revenue, productivity and tax flow for the government" (R3)*

5.5.2 Interest rate from informal sources of credit compared to banks

The researcher sought to identify the sources of credit for informal sector players and the rate of interest they are charged. The interest rate from informal sources was compared to the rate of interest charged for unsecured lending by the banks. Availability of credit at affordable rates of interest impacts on competitiveness. Informal sector players generally borrow from informal sources at interest rates which are arguably higher than what is available from the formal banking system.

Respondent six stated;

> "*I think, many now, you would find that they are….I wouldn't want to call them loan sharks, but those are the kind of the guys who are there. Let me talk of the sector which I work with largely, the cross border traders, you find that the wont just go to a loan shark, they need $300 and is given , (s)he pays it back in about 2/3weeks' time as either $400" (R6)*

Respondent nine also concurred on the sources of credit and stated;

> *"It is not an option to go to other micro finance institutions, which are hammering 55% - 155% interest" (R9)*

> *"Well and without option, to go to micro finance and other 'zvimbadzo' (loan sharks)" (R9)*

When asked on the rate of interest charged by the loan sharks, Respondent nine replied;

> *"100% - 130% per annum, because if you are charging at least 15% per month so just calculate 15% per month" (R9)*

The bankers also shared a similar sentiment on the source of credit of informal sector players and the rate of interest they borrow at. Respondent one stated;

> *"At the moment depending on the source, the sources could be your micro financial institutions and loan sharks and also the rotating savings club, they pool resources together and then they take turns to borrow from their contributions" (R1)*

On the rate of interest, Respondent one replied;

> *"The micro finance institutions I think some of them are going as high as 20% per month" (R1)*

Respondent two commented on the rate of interest charged by micro finance institutions as;

> *"Interest rates range between 10% and 15% per month. If you go to any other MFI's they are charging as much as 8% per annum. The registered micro finance institutions they charge 8% per month" (R2)*

Respondent seven also highlighted the rate of interest that informal sector participants borrow at and their sources of credit;

> *"Informal sector participants, say micro finance institutions, they also borrow from banks, which then speaks to the ultimate rate that they charge to their clients, and then two, they are looking at individuals with capital at their disposal which they are willing to lend, but only for a specific return, so for such individuals, they are looking at returns above a return they will get by depositing their funds with the bank" (R7)*

> *"I think on average, you are looking at anything between 15-20% per month, from the informal sector. I think those are the average rates that you would find there" (R7)*

Respondent four stated;

> *"Yes informal sector participants' source of funds it can be their own little savings, it can be from relatives, friends, it can be from loan sharks and, but a more formal way, it can be from Micro Finance Institutions and in a small way from banks, banks are also participating in their own way but from the Micro Finance Institutions, for instance the rate of interest is almost 20% per month – ranges from 10% - 20% per month, from the bank's side it's from 15%-18%, sometimes 22% at most, per annum" (R4)*

The rate of interest charged by the micro finance institutions and loan sharks are generally higher than the rate of interest charged by financial institutions for unsecured lending;

Respondent one stated the following regards interest charged by banks;

> "*We use 15% per annum. Most of the banks have been encouraged by the Reserve Bank to get 15%. It's just too much" (R1)*

Respondent two however highlighted that the rate of interest was dependent on the risk rating of the borrower by the bank;

> *"This is depending on the risk rating of the individual. Because everyone has got their own risk category associated with. In instances there is a lower risk of rate let's say they rate at 10% per annum. But in other instances most situations are hovering between 18% no one is allowed to exceed 18% per annum for formalised financial institutions like your banks but for MFI they can charge as much as they want. The maximum is 18% per annum" (R2)*

Respondent seven commented on the risk appetite of banks stating;

> "*The formal banking systems have always tried to avoid unsecured lending, however, there are other forms of security that they have looked at, e.g., I talked about the group lending, and the value chain financing for the rural folks at which*

point the interest rates are 18% per annum so those are the isolated cases where we talk of unsecured lending from a traditional point of view and the interest rate there being 18% per annum" (R7)

5.6 Emerging themes

5.6.1 Use of mobile technology

Proponents of financial inclusion argue that achieving complete financial inclusion is about effective usage of bank accounts. The emergence of mobile banking platforms has provided an avenue to enable effective usage of bank accounts through the integration of the banking system to the mobile phone.

Respondent two put this into perspective when asked on what the banking sector is doing to encourage effective usage of bank accounts.

> *"All institutions are now going on the mobile platforms and the moment someone goes on a mobile platform or when there is a system integration between your bank and a service provider like Econet the chances are people are now forced to use both platforms to carry out the day to day transactions, which means there is increase in usage on your mobile wallet and your bank account where you can actually have the ability to do bank wallet transfer account to bank transfers" (R2)*

Respondent four concurred on the role that mobile technology has played in encouraging usage of bank accounts

> "*Well, first of all if you want credit, credit is only granted to an account holder so you have to utilise your account in order to access credit, you may even need to operate an account for 3 months/6months for you to get credit, then we were forced to introduce the technologically advanced products linking ourselves with the mobile banking operators, you can conduct your banking over the phone, tasks, you can,…you don't need to go to the bank to get a bank statement, account balance enquiry, you can transfer funds to another account, you can pay your bills, like DSTV, electricity bills, rates using your accounts" (R4)*

Respondent three stated;

> *"If you look at what is happening now every bank is actually moving towards the issue of mobile banking, internet banking and I think that is what people are actually doing because they are actually moving away from the old banking system that you don't have to necessarily have to go to a physical banking hall. This creation of banking halls is a measure that the various financial institutions are taking so that people make use of their accounts and also the integration of banking system with other convenient solutions like the mobile money, you find that most of the bankers are now linking to the eco cash accounts so that people can really transact with convenience" (R3)*

Respondent five on the other hand argued on the uniqueness of the Zimbabwe situation where usage of bank accounts is arguably high due to the liquidity challenges being faced by banks.

> *"Usage of bank accounts, I think in our economy it's bit different, or it's a bit complex, because the usage of bank accounts is big, because I think it's the nature of our economy whereby you know there is restriction of cash….in that if there was no cash restriction it actually means that one may use their account probably in a fortnight or so, but because there is that restriction, bank accounts are used on a daily basis. So, I think in our case, it's a bit different because of the current operating environment we are in" (R5)*

6. DISCUSSION OF RESULTS

6.1 Introduction

This chapter discusses the results presented in Chapter five in relation to the literature review done in Chapter two and the research propositions outlined in Chapter three. The chapter will also put into context the results from the research findings with the theory on financial inclusion, the informal sector and economic growth. The Chapter will be structured in line with the research propositions allowing the Researcher to focus on whether the propositions were proven or not. The Chapter will be concluded with a proposed model for driving financial inclusion of the informal sector.

6.2 Low financial inclusion and trust

Low level of financial inclusion is characterised by a significant percentage of the population not having a bank account. This can arguably result in a significant amount of cash circulating outside the formal banking system as the unbanked population will be transacting outside the formal banking platforms and on a cash basis. The use of cash will debatably be compounded when the majority of the population is employed in the informal sector or involved in informal enterprise. In Zimbabwe it was estimated that 94.5% of the employed population aged fifteen years and above were employed in the informal sector (Labour Force Survey, 2015). The age range in informal employment comprises the majority of the population who are economically active. Zimbabwe can therefore be argued to be an informal sector driven economy.

Zimbabwe in the past decade was undergoing a period of hyperinflation resulting in the local Zimbabwe dollar being redundant and replaced by a basket of multi currencies in early 2009. The period of hyperinflation and the replacement of the Zimbabwe dollar with the multi-currency system resulted in the majority of the population losing value of their savings.

According to Bhanot et al., (2012) it is imperative to understand the reasons why people are financially excluded or unbanked in order to come up with measures to promote financial inclusion. Kim (2016) identified four major reasons why certain members of the population are financially excluded. These main reasons which are explained in Chapter two are summarised below;

- The unbanked are considered unbankable by financial institutions as they do not have adequate income or are considered a high lending risk
- People are financially excluded due to discrimination, ethnic or religious reasons
- The unbanked are stationed where it is considered to be not commercially viable to serve by the financial institutions
- The price of financial services may be prohibitive for the unbanked or the product and service offerings by the banks may not meet the needs or requirements of the unbanked population.

The four factors identified by Kim (2016) arguably are focused on the role the banking sector plays in deterring financial inclusion. Allen et al., (2016) identified distrust in banks as a barrier to financial inclusion that is difficult to overcome. Trust being an obstacle to financial inclusion is focused on the unbanked or financially excluded being voluntarily excluded as they do not have trust in the banking system. This lack of trust emanates from cultural norms, experiences of economic crises and uncertainty for the future which makes certain sectors of the population avoid the formal banking system. Takala and Viren (2010) argued that the increase in cash usage in the Eurozone could not be attributed merely to the growth of the shadow economy but rather other economic factors like low confidence in the banking system and low interest rates thereby making cash an attractive asset.

Proposition: *The low level of financial inclusion in Zimbabwe is as a result of a lack of trust in the banking system*

6.2.1 Trust in the banking system

Most of the respondents identified lack of trust in the Zimbabwean banking system as the major reason why the country has a low level of financial inclusion. Respondent six identified the several instances of bank closures as a reason people lost trust in the banking system. The closure of banks that occurred during and post the hyperinflation period resulted in people losing money that was in their bank accounts with little recourse.

Respondent nine on the other hand attributed the lack of trust in the banking system to the general lack of trust between the citizens of the country and their government. Respondent nine argued that there was inadequate communication when the government made the Zimbabwean dollar defunct and there has been no communication on how the citizens were going to be compensated for the Zimbabwean dollars in their bank accounts at the time of conversion to the multi-currency system.

Whilst Respondent two and nine represented informal sector players and largely attributed the low level of financial inclusion to lack of trust, the banking sector executives were also cognisant that Zimbabweans arguably had no trust in the banking system.

Respondent one, seven and eight all attributed the low level of financial inclusion to lack of trust in the banking system as a result of the loss in value witnessed by the banking public in the period of hyperinflation and when the country converted to a multi- currency system. Respondent eight summarised it as;

> *"I think firstly there are trust issues because of the financial crisis that we faced some years ago which saw the closure of banks and other financial institutions".*

The representatives of the informal sector players largely identified the lack of trust in banking as the reason of low financial inclusion whilst bankers also attributed the low level financial inclusion to other factors. These are discussed in the section below.

6.2.2 Availability of banking services

The banking executives also identified the availability of banking facilities as a hindrance to financial inclusion. This is pertinent in the Zimbabwean context where the majority of the population are resident in rural areas where there is inadequate infrastructure to support banking services. The banks will therefore find it not commercially viable to offer banking services in these areas.

Respondent five stated that the financial services sector was not amenable to include the entire banked population due to the absence of structures in the rural or remote areas. Commercial reasons from the banking sector's perspective therefore becomes a hindrance to financial inclusion. Respondent one on the other hand proposed the rolling out of infrastructure that required minimal investment in order to address the issue of availability of banking services.

6.2.3 Product/ Service offering

The products and services offered by the banking sector were identified by the bankers as a hindrance to financial inclusion. The banks had been traditionally structured to serve the formal businesses as formal businesses were more prevalent than the informal sector. However with the transformation of the Zimbabwean economy into a predominantly informal sector driven economy, the banking sector has been slow to adopt to this transformation.

Respondent three stated;

> *"First of all it is the setup of our economy which was basically driven by corporate structures and I think the paradigm shift that has happened from the economy that is driven by large corporates to the economy that is driven by small scale and informal sectors has happened so fast and I think in that aspect also banks have not really been able to also adapt to changes in that environment" (R3)*

The bankers also attributed the low level of financial inclusion to the failure of banks to leverage information communication technology to drive financial inclusion. Respondent seven argued that banks had not fully exploited technology to drive financial inclusion for instance use of mobile technology. Whilst Respondent seven argued on exploiting technology to drive financial inclusion, Respondent one argued that the unbanked were excluded as they did not have gadgets that could support the solutions currently being offered by banks through use of mobile technology. Respondent one therefore attributed the low level of financial inclusion to the design of products that do not meet the needs of those financially excluded.

6.2.4 Financial literacy

Lack of financial knowledge was also identified as a barrier to financial inclusion. Wentzel et al., (2016) identified that the level of education was the most significant factor associated with not having a bank account at the bottom of the pyramid in South Africa. This arguably suggests that the higher the level of education attained the more one is prone to have a bank account. Incorporating financial literacy early in the education system will debatably instil banking habits in the population.

Respondent two argued that due to historical reasons, most people associated banking with the elite and lacked knowledge on the benefits of having a bank account. This has therefore resulted in the culture of not having bank accounts and transacting on a cash basis.

Respondent six summarised the effect of lack of financial education on financial inclusion as follows;

> *"So it is the financial education itself within the depositor himself; myself as a depositor. Do I have adequate knowledge to understand if I save, what are the benefits or merits which go around the financial savings so all those factors, you will find that at the end of the day, a person will say, why should I save". (R6)*

6.2.5 Cash in the informal economy

Takala and Viren (2010) argued that there was no generally accepted methodology to measure the size of the shadow economy. The modified currency demand approach proposed by Ardizii et al., (2014) showed how the level of cash holding in the informal economy is reflective of the size of the shadow economy. The low level of financial inclusion in Zimbabwe will debatably be reflected by the level of cash holding in the informal economy. Several newspaper reports in Zimbabwe estimate that the cash circulating within the informal economy could be more than cash circulating in the banking system.

Most respondents acknowledged that it is difficult to measure the amount of cash in the informal economy but acknowledged that there was a significant amount of cash circulating in the informal economy relative to cash circulating in the formal banking system.

Respondents one, four and seven stated that it was difficult to quantify the amount of cash in the informal sector but also argued that the cash was significantly high. While Respondent four acknowledged the level of cash was substantial, the respondent called for caution to be exercised in reading the estimates being published by the media. What is evident from the research results is that, there has been no scientific measure carried out to quantify the amount of cash circulating in the informal sector but there is a general belief that the level of cash is significantly high. This is also supported by the low financial inclusion numbers and the statistics of people employed in the informal sector.

Respondent two however expressed reservations on the amount of cash estimated to be in the informal sector. Respondent two argued that the informal sector was dependent on the formal sector for expansion and as such any growth in the informal sector would inadvertently flow to the formal economy. The formal sector provided the scale that could absorb the cash in the informal economy. Respondent two therefore argued;

> *"There is no science behind these estimates, its people just assuming that there is so much money moving in the informal economy. If there was that much money moving in the informal economy you will see real growth in that informal economy which will translate to positive GDP for this economy in essence because whatever happens all small traders at the end of the day for them to grow they have to deal with individuals that already big enough to take up certain products that they offer in the market and most of these firms obviously will be formalised and all that so we are thinking behind the fact that there is a lot of money in the informal economy relative to the formal economy from my view point I don't think it's feasible because the main driver of the informal economy is the formal economy" (R2)*

6.2.6 Initiatives to improve bank penetration

According to Kumar (2013), the goal of financial inclusion could be met through banking sector initiatives which encouraged banking habits. This proposal put the onus on the banking system to come up with initiatives that would lead to the unbanked being financially included. Initiatives promulgated by the banking sector to drive financial inclusion are subject to commercial considerations. The banking sector will pursue initiatives that result in a financial return to the banks. Gandhi (2013) argued that creating financial literacy to enable the banking public make effective usage of bank accounts is crucial to achieving complete financial inclusion.

The research proposition argued that the low level of financial inclusion was due to lack of trust in the banking system and most of the research respondents identified trust as a hindrance to financial inclusion. The researcher then sought to find out what initiatives could be implemented in order to promote financial inclusion.

Most of the research respondents identified the provision of affordable banking services and less stringent account opening requirements as key interventions to improve banking penetration. The initiatives identified by most respondents were focused on the banking products but none of the initiatives arguably addressed how trust could be developed between the public and the banking sector. This resonates the argument by Allen at al., (2016) that distrust in banks was a barrier to financial inclusion that is difficult to overcome.

Respondents two, three, five and seven proposed the relaxation of account opening requirements in order to attract informal sector players to open bank accounts. Respondent eight proposed improving availability of banking services whilst respondent four proposed a cocktail of measures which included improving financial education initiatives to improve financial literacy.

Whilst the banking sector initiatives focused on the products and services which banks can use to attract informal sector players to banking, Respondent nine had a different view and advocated for an inclusive approach to address the low level of financial inclusion. Respondent nine argued that banking sector initiatives that do not involve players in the informal sector during the planning phase may be unsuccessful as they may not address the concerns of the informal sector. Respondent nine stated;

> *"You know, according to this issue of the inclusion, the involvement, working or planning for SMEs without SMEs is not for SMEs. So the issue of planning, banks or financial institutions, they should have to plan together with the citizens and the business community rather than planning and they bring their plans to us so we should start an inclusive planning so that we can have financial inclusion" (R9)*

6.3 Institutions

According to Bitzenis et al., (2016), the growth of the shadow economy in Greece was as a result of weak institutions. Dibben et al., (2015) on the other hand attributed the growth of informal employment to over regulation of the labour market which stifles economic activity leading to people voluntarily leaving formal employment to join the informal sector. The Researcher argues that the proposition by Dibben et al., (2015) is not applicable in the Zimbabwean scenario as employment opportunities in the formal sector are not available due to company closures and that the informal sector is the only sector that is still vibrant and employing.

Das and Quirk (2016) argued that market creating institutions have a significant impact in fostering economic growth. The term market creating institutions has been defined in Chapter 2 Section 2.3.

> ***Proposition;*** *the growth of the Zimbabwean informal sector is due to weak institutions and decline in the rule of law.*

6.3.1 State of Institutions

Most of the respondents were of the opinion that Zimbabwe's institutions were weak. The land reform programme was identified as an example to illustrate the weakness of Zimbabwe's institutions. Furthermore respondents highlighted the backlog in clearing court cases and aligning laws to the new Zimbabwean constitution as examples of the weakness of Zimbabwe's institutions.

Respondent three argued that the state of institutions were weak and this hindered economic growth. Respondent three stated;

> *"I think the current state of institutions in Zimbabwe is really negative when it comes to trying to promote growth" (R3)*

Respondent three's view that the state of institutions has a negative effect in promoting growth is synonymous with Das and Quirk's (2016) view that the state of market creating institutions have a bearing on promoting economic growth. The closure of formal business is indicative of an economy that is not growing. Whilst informal economies are prevalent in most developing countries, the shift from formal business to an informal sector led economy in Zimbabwe was arguably driven by the weak state of Zimbabwe's institutions. Having identified the state of institutions the researcher enquired whether the state of institutions resulted in the shift to an informal sector led economy.

6.3.2 Institutions and the growth of the informal economy

Most of the research respondents argued that the weak institutions contributed to the growth of the informal sector. Other respondents attributed the growth of the informal sector to the closure of formal business leaving skilled people with no option but to use their skills for survival through setting up informal businesses.

Respondent two argued that where institutions are weak, there will be no corporate governance which will lead to businesses collapsing. Respondent two stated;

> *"It's very true that growth of the informal sector was actually driven by weak institutions and lack of rule of law" (R2)*

> *"But in Zimbabwe's instance now it's a multitude of factors where you have weak institutions there is no rule of law, there is lack of corporate governance. So all of this will also lead to growth of the informal sector because some companies have closed as a result of the banks not being able to perform" (R2)*

Respondent one put it into perspective that weak institutions resulted in the demise of the formal sector leading to the sprouting of the informal sector. Strong institutions protect the business environment thereby promoting private enterprise. When the investing public are assured of the safety of their economic returns, they tend to invest more in their enterprises. Respondent one argued;

> *"Yes there are certain comprises on quality consistency and all that but my view is I agree that the absence of strong institution that would have guaranteed the existence of formal sector gave rise the emergence of informal sector" (R1)*

Respondent four, seven and eight attributed the growth of the informal sector to lack of opportunities for formal employment due to company closures. They argued that the lack of opportunities in formal employment resulted in people seeking means of survival in the informal sector. The respondents did not interrogate reasons that led to the company closures.

Respondent four argued;

> *"Yes, generally because of the drawbacks experienced by government and the economy as a whole, it led to unemployment, so as a result people have to find ways of surviving, so they end up doing their own informal businesses just to survive. So in a way yes, it has led to creation of the informal sector because of their surviving strategies being implemented by people, there is no guarantee of employment anymore". (R4).*

Respondent seven argued that the growth of the informal sector was a function of many factors and could not be pinned to one specific factor. However the respondent largely attributed it to the collapse of the formal sector arguing;

> *"it's a function of many things, one is the formal sector which provides formal employment …has it been, because even when the institutions and the rule of law is solid, but where you find that opportunities for formal employment are limited, people will always find ways to survive, so it's a function of many things and it's difficult to underline it, attribute it to one particular area, one has to have a global view of the circumstances obtaining in the country as to really pin out" (R7)*

Respondent eight on the other hand largely attributed the growth of the informal economy to the collapse of the formal sector.

The respondents have a varied view on the reasons that led to the growth of the informal economy. Whilst most of the respondents attributed it to the weak state of Zimbabwe's institutions that are meant to protect private enterprise, other respondents attributed it to the collapse of the formal businesses. The researcher is cognisant that the informal sector has been growing due to people losing jobs as a result of company closures and the unavailability of formal jobs. Recently there has been demonstrations by graduates who have had to venture into informal employment due to failure to get jobs in formal businesses. Whilst this might be the case, the Researcher would argue that the collapse of formal enterprise was due to weak institutions which did not protect property rights during the land reform exercise. This arguably resulted in capital flight leading to business closures and inadvertently the growth of the informal sector.

6.4 Financial inclusion, informal sector and economic growth

The role of the banking sector is to play an intermediary role between those with excess capital and those who have less. Sharma (2016) contended that economic growth depends on an effective and productive allocation of funds by the banking sector. By driving financial inclusion, it can be argued this would result in an increase in cash circulating in the formal banking sector leading to improvement in the resource allocation role of the banking sector. Akinboade and Kinfack (2014) argued that greater access to finance for lower income households and Small and Medium Sized enterprises helps improve investment levels whilst Sarma (2008) claimed that an all-inclusive financial system leads to an efficient allocation of resources thereby potentially reducing the cost of capital. The formal banking sector provides lending at regulated interest rates compared to informal sources of funds which are unregulated. According to Fungacova and Weill (2016), constrained access to formal sources of credit leads to the growth of a shadow banking system which in the long run leads to stagnated economic growth.

Most of the respondents argued that it was difficult to quantify the amount of cash in the informal economy but admitted that the amount of cash circulating outside the formal banking system is substantially high. The research objective was therefore to identify how the cash circulating in the informal economy may be harnessed by the banking sector in order for the banking sector to play its intermediary role and effectively allocate the funds to productive sectors of the economy. The informal sector players by being financially included would have greater access to credit thereby improving productivity leading to an increase in the Gross Domestic Product.

> ***Proposition:*** *Financial inclusion of the Zimbabwean informal sector will enable economic growth both at a micro and macroeconomic level*

6.4.1 Cost of finance

Most respondents highlighted that the source of funds for most informal sector players were Micro Finance Institutions, Loan Sharks, friends and family. Whilst the operations of micro finance institutions are regulated, the rate of interest they charge is unregulated. The rate of interest charged by micro finance institutions was estimated at 15% to 20% per month. The banking sector on the other hand charged interest at a rate of 15% to 18% per annum.

Respondent six stated that the sources of credit for informal sector players were micro finance institutions and loan sharks;

> *"I think, many now, you would find that they are….I wouldn't want to call them loan sharks, but those are the kind of the guys who are there. Let me talk of the sector which I work with largely, the cross border traders, you find that the wont just go to a loan shark, they need $300 and is given , (s)he pays it back in about 2/3weeks' time as either $400"* (R6)

When enquired on the rate of interest, Respondent nine stated;

> *"100% - 130% per annum, because if you are charging at least 15% per month so just calculate 15% per month" (R9)*

The banking sector executives were also in agreement with the rate of interest charged to informal sector players;

> *"Informal sector participants, say micro finance institutions, they also borrow from banks, which then speaks to the ultimate rate that they charge to their clients, and then two, they are looking at individuals with capital at their disposal which they are willing to lend, but only for a specific return, so for such individuals, they are looking at returns above a return they will get by depositing their funds with the bank" (R7)*

> *I think on average, you are looking at anything between 15-20% per month, from the informal sector. I think those are the average rates that you would find there (R7)*

The argument above by Respondent seven that Micro finance institutions borrow from banks and then on lend to informal sector players highlights the risk appetite of the different financial service sector players. The banks are willing to take risk with the micro finance institutions and not the informal sector players. The micro finance institutions on the other hand are willing to take risk on the informal sector players at a premium. However the ultimate risk can be argued falls ultimately with the banks since should the informal sector player fail to service their debt with the micro finance institutions this can have a domino effect on the whole financial system. The domino effect on default resonates with the argument by Fungacova and Weill (2016) that constrained access to credit leads to the growth of the shadow banking system which in the long run leads to stagnated economic growth.

Respondent four concurred with Respondent seven on the rate of interest charged by micro finance institutions stating;

> *Yes informal sector participants' source of funds it can be their own little savings, it can be from relatives, friends, it can be from loan sharks and, but a more formal way, it can be from Micro Finance Institutions and in a small way from banks, banks are also participating in their own way but from the Micro Finance Institutions, for instance the rate of interest is almost 20% per month – ranges*

from 10% - 20% per month, from the banks side it's from 15%-18%, sometimes 22% at most, per annum" (R4)

The rate of interest charged to informal sector players is higher than what is available from the formal banking institutions. This arguably makes the informal sector uncompetitive and therefore hinders growth of informal sector players. Most of the respondents were in agreement that the rate of interest charged by banks was between 15% and 18% per annum. Whilst banks charge interest on a per annum basis micro finance institutions and loan sharks charge interest on a per month basis. This is arguably a reflection of the tenor of funds borrowed.

6.4.2 Financial inclusion and economic growth

Most respondents were in concurrence with the proposition that financial inclusion of the informal sector would lead to economic growth.

Respondent four explained how financial inclusion leads to economic growth stating;

"financial inclusion does lead to economic growth more individuals get access to funding for business expansion, which of course, creates employment which leads to increased levels of disposable income and then the increase in income lead to an increase in expenditure, then the aggregate demand also increases, so the overall economic activity is improving. Then savings mobilisation, because if you are including everyone in the financial services centre, if you are mobilising funds, it is believed that funds are always hidden somewhere, the dollars are hidden somewhere in Zimbabwe, so if you target those hidden dollars and mobilise them you can effectively use that for capital for …which is necessary to boost economic activity and, yes financial inclusion really does that to economic growth; tap into all that money and use it". (R4)

Respondent four argues that by financially including the informal sector, the banking sector is able to have more funds to fund business expansion. This invariably leads to improved productivity resulting in increased aggregate demand thereby leading to an increase in Gross Domestic Product.

The argument espoused by Respondent four is supported by Respondent one who argues;

> "*Finance is a resource that facilitates production and whenever there is production there is tangible growth so financial inclusion promotes production and trade. it promotes activities that generate money and economic growth is a rise in your Gross Domestic Product and certainly when financial resources are made available it supports those economic that gives rise to production and growth in domestic assets" (R1)*

As highlighted in Section 6.4.1, the informal sector is currently borrowing at interest rates of between 15% to 20% per month from micro finance institutions and loan sharks. By having access to credit from formal sources of credit, the informal sector players will be able to borrow at interest rates of between 15% to 18% per annum which is significantly lower than what they are currently borrowing at. The low rate of interest will make the informal sector businesses more competitive and improve their productivity levels.

Economic growth is measured through changes in Gross Domestic Product which is a measure of the nation's output and the net of its exports and imports. By increasing output, this results in a positive impact on the Gross Domestic Product.

6.5 Financial Inclusion Model

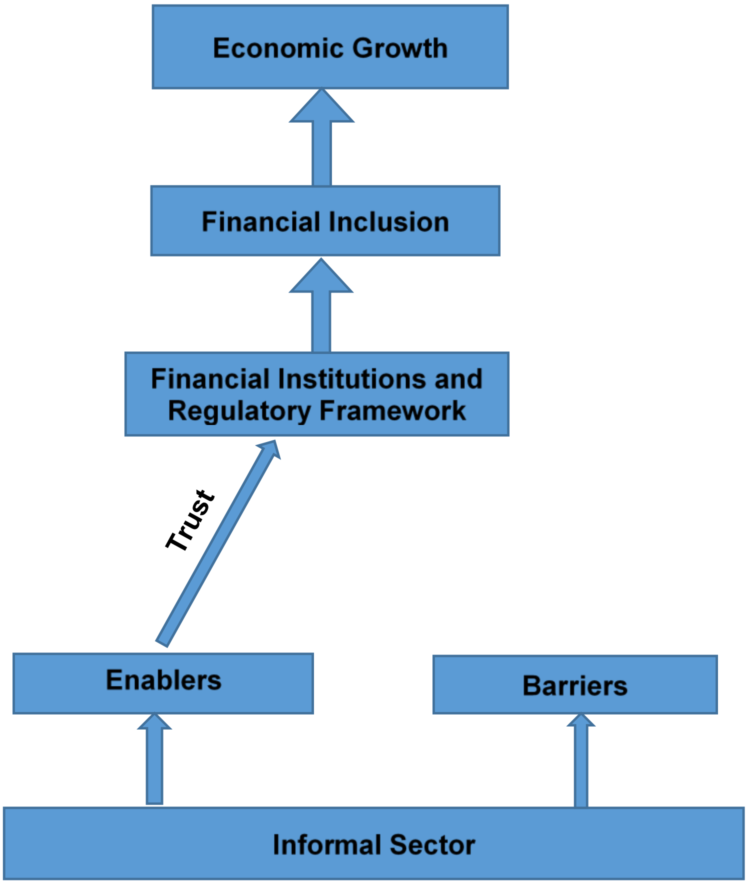
6.5.1 Introduction

The discussion on the results of the research has resulted in the construction of a model that can be followed in order to improve financial inclusion of the informal sector leading to the growth of the Zimbabwean economy. The main reason cited for the low level of financial inclusion by both the bank executives and the individuals representing informal sector players was the lack of trust in the banking sector. While most respondents cited trust as a key impediment to financial inclusion, recommendations offered to enhance financial inclusion focused only on the bouquet of services the banks could offer rather than how to build trust between the banking sector and the banking public.

6.5.2 The model

The financial inclusion model assumes that for any banking initiative to be successful in driving financial inclusion, the banking public needs to have trust in the banking system and the country's institutions. This therefore requires a self-introspection from both the banking sector and the regulators. The figure below is a diagrammatic presentation of financial inclusion model.

Figure 5- Financial inclusion Model



The objective of the research was to investigate how economic growth can be enabled in Zimbabwe using financial inclusion of the informal sector as an explanatory variable. According to Allen et al., (2016) distrust in banks is a barrier to financial inclusion that is difficult to overcome. The low level of trust in the Zimbabwean banking system could be attributed to the economic crisis as a result of hyperinflation and the change to the multicurrency system which resulted in the abandoning of the Zimbabwe dollar leading to loss of savings by the banking public. Initiatives proposed by the banking sector included improving the availability of banking services, reducing account opening requirements, improving the service offering and the financial knowledge of the unbanked. Whilst these initiatives can improve financial inclusion, they can only achieve complete financial inclusion if the banking public has trust in the banking system.

Trust in the banking sector can be achieved through strengthening the oversight role of the market creating institutions. This therefore calls upon the Government to strengthen the role of the central bank as it plays an oversight role on the financial services sector and the legal system so that it is impartial and the public views it as impartial. Institutions like the Deposit Protection Corporation have to be capacitated to enable them to be able to reimburse the banking public in the unfortunate event of a bank failure. By strengthening the Institutional role, the Government will also be stemming the growth of the informal sector. The research respondents attributed the growth of the informal sector to weak institutions and the absence of the rule of law. The model therefore focuses on the institutional role enabling trust in the banking system leading to complete financial inclusion. All the initiatives pursued to enable financial inclusion become surrogate to the trust element.

7. CONCLUSION

7.1 Introduction

This chapter summarises the main findings from the research and will include recommendations to stakeholders on how to drive financial inclusion of the informal sector in Zimbabwe. It will also highlight areas of future research to scholars in the field of financial inclusion and the informal sector. The chapter will also highlight areas for improvement to banking sector executives regarding initiatives to drive financial inclusion.

7.2 Research background and objectives

The Zimbabwean economy has transformed in the recent past to an informal sector driven economy with the majority of the economically active population employed in the informal sector (Harnessing Resources, 2014). Zimbabwe has also been identified as a low financial inclusion country with only 30% of the adult population having a bank account (Finscope Consumer Survey, 2015). Newspaper reports estimate that the amount of money circulating in the informal sector could be more than the amount of money circulating in the banking system. This has prompted the researcher to investigate how money circulating in the informal economy can be channelled into the banking system in order to enable economic growth.

The research objectives were therefore to understand from informal sector players the reasons for not using the formal financial system, initiatives pursued by the formal financial services sector to encourage financial inclusion and to understand how financial inclusion drives economic growth.

7.3 Principal findings

The majority of the respondents identified trust in the banking system as the reason for low financial inclusion in Zimbabwe. Informal sector participants do not bank money for fear of losing their money through bank closures. The lack of trust was traced to the period of hyperinflation where the public lost savings through the effects of hyperinflation and bank closures. The lack of trust in the banking sector can also be attributed to the adoption of the multi-currency system in 2009. The Zimbabwe dollar was officially made redundant in 2009 and the country began to use a basket of currencies as the official currency. The basket of currencies comprised the United States Dollar, British Pound, South African Rand, Botswana Pula and the Euro. The citizens of Zimbabwe were not compensated for the Zimbabwean Dollars in their bank accounts and pension savings were wiped out at the time of conversion to the basket of currencies.

Whilst lack of trust was identified as the reason for low financial inclusion, other respondents attributed the low level of financial inclusion to lack of financial knowledge, availability of banking institutions and inappropriate products and services to the unbanked population.

On enquiry of initiatives to drive financial inclusion of informal sector players, most of the respondents focused on having less stringent account opening requirements, affordable banking services and leveraging information technology to drive financial inclusion. The various initiatives to drive financial inclusion echoes Demirgüç-Kunt’s (2014) argument that there is disagreement on how to address financial inclusion and policies to pursue in order to improve financial inclusion. The initiatives focused on the bouquet of services and products that the banking sector can offer without tackling the elephant in the room, the lack of trust in the banking system. This resonates with Allen et al., (2016) who argued that distrust in banks is the most difficult barrier to overcome in order to drive financial inclusion. Compensation to the banking public for savings and pensions lost on conversion to the multi-currency system and strengthening of institutions responsible for the banking sector can arguably help improve the public’s trust in the banking sector. Figart (2013) argued that strong financial regulatory frameworks and financial education efforts were essential elements in promoting financial inclusion.

Most respondents were of the opinion that Zimbabwe’s institutions were weak. It could be argued that the weak institutions contributed to the lack of trust of the banking system. Institutions are responsible for providing regulatory oversight to banks. Without adequate oversight on banking operations, this can lead to a lack of trust in the banking sector. There was however no consensus on whether the growth of the Zimbabwean informal sector could be sorely attributed to weak institutions. Bitzenis et al., (2016) argued that the growth of the informal sector in Greece was due to weak institutions and inadequate rule of law. Whilst most of the respondents attributed the growth of the informal sector to weak institutions a sizeable number attributed informal sector growth to the collapse of formal businesses. The low employment opportunities in formal business set ups results in people seeking employment in the informal sector or people setting up private informal enterprises in order to earn a living. Skilled people who would have lost employment due to company closures would also venture into private enterprise in the informal sector in order to earn income.

Finance was identified as a key driver to economic growth. Informal sector players were borrowing at interest rates ranging from 15% to 20% per month whilst the rate of unsecured lending from the banking sector ranged from 15% to 18% per annum. Duca (2016) argued that regulatory requirements by banking institutions on borrowers made it easier for individuals to borrow from informal sources of credit that have less stringent requirements on lending money. Bank account opening requirements were identified as a hindrance to financial inclusion by some of the research respondents. The source of credit for informal sector players therefore comprised of micro finance institutions and loan sharks ostensibly due to less stringent borrowing requirements compared to the formal banking system. Micro finance institutions would borrow from the banking sector and on lend to the informal sector players. Liu et al., (2016) argued that the shadow banking system destabilises the formal banking system in the long run.

Most respondents were in agreement that financial inclusion of the informal sector would lead to economic growth in Zimbabwe and agreed that the amount of money circulating in the informal sector was significant relative to the amount circulating in the formal banking system. By harnessing the cash in the informal sector through financial inclusion, the amount of money in the formal sector would arguably increase thereby improving the availability of credit to productive sectors of the economy. The respondents argued that with an increase in the availability of credit and favourable interest rates, productivity will increase leading to growth of the Gross Domestic Product. Gandhi (2013) argued that the cost of financial exclusion was lack of opportunities to grow due to lack of credit to drive required growth. This debatably confirms that access to credit is a key enabler to drive growth. The key finding was that financial inclusion of informal sector players would arguably lead to economic growth.

7.4 Recommendations

7.4.1 Management

It is imperative that banking sector executives engage informal sector players when developing products targeted at informal sector players. This enables the target informal sector players to associate with the initiatives that would have been implemented by the bankers. One of the research respondents from organisations representing informal sector players put this into perspective by arguing that planning for small medium sized enterprises without involving the small medium sized enterprise will not yield the intended results.

Banking sector executives have to engage the banking public and develop trust with the banking public. The banking public requires assurance that they will be to access cash in their bank accounts when they require it. Without this trust being developed, financial inclusion will become a fallacy.

The banking sector should leverage the growth of mobile phone technology. Cellphone banking has provided an opportunity to improve financial inclusion as the mobile phone technology provides a platform that can interface with banking systems. This will help improve availability of banking services.

7.4.2 Government and Regulators

The institutions in Zimbabwe need to be strengthened and capacitated to play their role of enabling private enterprise to flourish. The perception that institutions in Zimbabwe are weak is a deterrent to potential investors and discourages capital flow into the country. The growth of the informal sector is a sign of a failing economy and the government should strengthen the role of institutions in order to curb the growth of the informal sector. Furthermore the Government should encourage informal sector players to formalise their operations through offering incentives.

7.5 Limitations of the research

The researcher only managed to interview two individuals from organisations that represented informal sector players based in Harare. The Researcher could not vouch that the informal sector players they represented were not involved in the illegal production of goods and services. The definition of informal sector used in this research report excluded the informal sector involved in the illegal production of goods and services. Furthermore the Researcher could not verify whether their views were representative of the views of the entire informal sector in the country.

The researcher did not use econometric techniques to highlight how financial inclusion can impact on the growth of Gross Domestic Product. Econometric techniques would have yielded more conclusive evidence on the impact of financial inclusion in driving economic growth.

7.5 Suggestions for future research

The advent of mobile technology provides an avenue which can be utilised to drive financial inclusion. Research on the effect of mobile technology on financial inclusion needs to be carried out. Platforms such as Eco cash in Zimbabwe and Mpesa in Kenya provide useful examples of how mobile phone technology can impact on financial inclusion.

Most literature reviewed on financial inclusion focused on what banks can do to drive financial inclusion. However there was minimal literature available on financial inclusion from the view of the unbanked. Research on financial exclusion from both the banking sector's perspective and the perspective of those financially excluded can result in finding a common ground for interventions.

Kim (2016) argued that there is little research focusing on the effect of financial inclusion being an explanatory variable for reducing income inequality. This therefore presents a potential area of research as most developing countries are pursuing policies that will address income inequality levels.

Whilst distrust on banks was cited as a barrier to financial inclusion that was difficult to overcome, most literature reviewed by the Researcher did not identify trust as barrier to financial inclusion. Research on the effect of bank closures on trust can provide a useful insight to economies like Zimbabwe which have experienced bank closures.

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9 APPENDICES

9.1 Appendix 1 - Interview Questions

1. Zimbabwe was ranked number 48 out of a sample of 55 countries in a study on financial inclusion carried out by (Sarma 2008) with an Index of Financial Inclusion score of 0.08. The index of financial inclusion ranks countries with a score below 0.3 as low financial inclusion countries. This low financial inclusion score is supported by the Global Financial Index 2014 study which showed Zimbabwe having 32% of its adults without a bank account.

   What do you think are the reasons the country has a low level of financial inclusion?

   What do you think is the role of the banking sector in driving financial inclusion?

   How do you propose that banks can drive financial inclusion?

2. Several newspapers report that the amount of money circulating in the informal economy is more than what is in the formal banking system.

   What is your opinion regarding the estimates of the money circulating in the informal economy compared to the money in the formal economy?

   What measures do you think financial institutions can implement in order to attract players in the informal sector to use the formal banking system?

3. The Zimbabwean economy has transformed in the past decade with the formal economy being replaced with a growing informal economy with the 2014 Labour Force Survey estimating that 94.5% of the currently employed population aged 15 years and above considered to be in informal employment?

   How has the banking sector adapted to the transformation in the operating environment?

   Please tell me about the products and services within your organisation that are targeted to the growing informal sector?

   Have the products aimed at the growing informal sector been successful?

4. Studies in Greece by Bitzenis et al., (2016) attributed the growth of the shadow economy to weak institutions and inadequate rule of law. Das & Quirk (2016) identify market creating institutions like the Courts of Law as having a significant impact in driving economic growth. Zimbabwe was ranked number 113 out of 144 nations in terms of the state of its institutions by the Global Competitiveness Report.

   What is you view regarding the state of institutions in Zimbabwe?

   What is your opinion regarding the notion that the growth of the informal sector in Zimbabwe was driven by the weak institutions and lack of rule of law?

5. Studies show that constrained access to credit contributes to the growth of a shadow banking system which can lead to financial instability.

   What measures can be implemented to address the growth of the shadow banking system?

   How do you thinks banks can improve access to credit and therefore counter the growth of shadow banking?

6. What is the source of credit for informal sector participants and what is the rate of interest they borrow funds at?

   What is the interest rate for unsecured lending from the formal banking system?

7. Studies have shown that financial inclusion is not about having a bank account but rather usage and ability to get credit for productive purposes.

   May you please comment on measures being undertaken by financial institutions to encourage effective usage of bank accounts?

   Is the banking sector playing a role in improving financial literacy of informal sector participants?

   May you provide examples of measures taken to improve financial literacy of informal sector participants?

8. What is your view regarding the proposition that financial inclusion leads to economic growth?

9. Bose, Capasso & Worm (2012) argued that the state of the banking sector was a determinant in the growth of the informal sector.

   What is your comment regarding the above proposition?

   What in your view leads to the growth of the informal sector?

9.2 Appendix 2 - Letter of Consent

Dear Participant,

I am conducting research on financial inclusion of the informal sector as an enabler to growth in Zimbabwe, and am trying to find out how money circulating outside the formal banking system can be channelled into the formal banking system in order to drive economic growth. Our interview is expected to last an hour and will help us understand how financial inclusion of players in the informal sector can enable the growth of the Zimbabwean economy. It will also enable us to understand what motivates people to participate in the informal sector and reasons for their financial exclusion from the formal banking system. Your participation is voluntary and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact my supervisor or me. Our details are provided below

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Phone : +263773435518	Phone : + 27828287091

Participant's Name (please print) ______________________

Participant's Signature ______________________________ Date _____________

Researcher's Signature _____________________________ Date _____________

9.3 Appendix 3- List of codes

Cash and the informal sector

Causes of informal sector not using banks

How to improve financial inclusion

Products that can be used to promote informal sector

Promoting informal sector to use formal banking

9.4 Appendix 4- Ethical clearance letter

Dear Mr Humphrey Shumba

Protocol Number: **Temp2016-01693**

Title: **Financial inclusion of the informal sector as an enabler to economic growth in Zimbabwe**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker