An Evaluation of the Task of the Task of Microfinance Institutions in Achieving Financial Inclusion in Zimbabwe a Case Study of Selected Microfinance Institutions in Mutare

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ABSTRACT

This research explored the evaluation of the task of microfinance institutions in achieving financial inclusion in Zimbabwe, with regard to selected microfinance institutions. The issue at hand was that microfinance institutions are not promoting financial inclusion in the marginalized areas of Zimbabwe, thus, pouring the country in a sorry state, in relation to large masses of individuals who cannot access financial services formally. The primary goal was to investigate the role played by microfinance institutions in promoting financial inclusion campaign in the rural areas of Zimbabwe, taking into account their geographical expansion and increase in funding levels to marginalized individuals and small to medium enterprises. A stratified sampling approach was incorporated, where microfinance institutions were divided into strata based on their similar characteristics, and ten microfinance institutions operating in Mutare were selected. A sample size of 15 respondents, constituting of microfinance institutions' management was determined from the whole population. Data was collected through physical distribution of questionnaires and conduct of interviews at the selected microfinance institutions' branches. Rigid data analysis techniques were provided by IBM Statistics Version 20, guaranteeing the precision and dependability of the findings. The intercorrelation between financial inclusion and various dependent variables denoted in the findings was thoroughly conducted and interpreted. Tables, graphs and charts were also incorporated with regard to the presentation and evaluation of the findings. The results show that the microfinance sector is enhancing financial inclusion in Zimbabwe, despite the various challenges it encounters. The selected microfinance institutions ' management also denoted that the microfinance sector is expanding its financial inclusion campaign geographically, as well as increasing funding for marginalized individuals and small to medium enterprises. The surveyed microfinance institutions also denoted having programs to intensify and thrust implement financial inclusion campaign across the country. Furthermore, they also agreed that the government of Zimbabwe is creating a viable and ideal environment for microfinance institutions to operate swiftly with regard to expanding their financial inclusion campaign. Results also show that higher educated, formally employed individuals, males, the young population and urban residents are more likely to be incorporated as clients by microfinance service providers, thus, leaving rural and marginalized communities out of the financial inclusion picture. In conclusion of the research, microfinance institutions are thoroughly expanding and intensifying their financial inclusion efforts in rural areas, owing to their geographical expansion and increase in funding levels for the marginalized individuals and small to medium enterprises.

INTRODUCTION

In many developing nations, access to financial services remains a privilege rather than a universal right. This disparity is especially pronounced in Zimbabwe, where a significant portion of the population lacks access to formal banking and financial services. Financial exclusion, which limits opportunities and deepens poverty cycles affects an estimated one-third of adults globally with developing nations like Zimbabwe facing even greater challenges in bridging this gap, (Chaora, 2022).The absence of financial access, particularly for marginalized and lowincome groups often leads to dependence on informal networks where credit may come with exorbitant interest rates and limited protections further hampering financial stability and security, Chivasa et al (2022).According to Nyagadza (2019), the World Bank defines financial inclusion as the absence of non-

price barriers in the use of financial services. It further states that the less privileged and small entrepreneurs have to rely on informal sources to invest in because of their availability and easy accessibility but, at a much greater interest burden. As a means to counter this challenge, microfinance institutions (MFIs) have emerged as a critical tool to advance financial inclusion by offering essential services such as small loans, remittances, and micro-insurance to underserved populations who might otherwise lack access to traditional banking.UK Aid (2020) states that microfinance refers to the financial services that are made available for poor and low income clients. This chapter gave background of the study, statement of the problem, objectives of the study, research questions, significance of the study, delimitations of the study, limitations of the study, assumptions of the study and summary.

BACKGROUND OF THE STUDY

Financial Inclusion Worldwide:

Over the past few decades, the banking industry has experienced remarkable growth both in terms of volume and complexity of transactions. While there have been notable advancements in financial sustainability, profitability and market competitiveness, concerns persist regarding the industry‟s ability to extend basic banking services to a large portion of the population. Specifically, many marginalized and underserved communities remain excluded from accessing essential financial services.

According to the Global Financial Development Report (2014) financial inclusion, typically defined as the proportion of individuals and firms that use financial services has become a subject of considerable interest among policy makers, researchers and other stakeholders. In international forums such as the Group of Twenty (G-20), financial inclusion has moved up the reform agenda. At the country level about two-thirds of regulatory and supervisory agencies are now charged with enhancing financial inclusion. Half the world‟s adult population, about more than 2.5 billion people does not have an account at a formal financial institution. Financial inclusion is a widespread conundrum across the world, hence;

- According to Brachert (2016) 138.6 million Europeans are financially excluded, with more financial exclusion occurring in Greece, Cyprus, Poland and Slovakia (Coffinet et al, 2017).
- According to Boelman et al (2016) this withstanding in the U.K, 12million Britons lack access to affordable credit and two million do not have access to a bank account, (Hadjimichael et al, 2017).
- According to the Council of Economic Advisers Issue Brief (2016) in 2013 93% of U.S households had a bank account up from 86% in 1989.Among households with a bank account a full 20% were categorized as under banked in 2013.

Financial exclusion is viewed from a different perspective worldwide; hence, merely not having a bank account is not a sufficient indicator of financial exclusion. According to the Mann (2019) European Commission defines financial exclusion as a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong. Thus, across the world regardless of the nature and definition of considered by respective nations financial exclusion does exist in one form or the other.

Financial Inclusion in Zimbabwe:

According to the Reserve Bank of Zimbabwe (2016), financial inclusion is defined as the effective use of a wide range of quality, affordable and accessible financial services provided fairly and transparently through formal or regulated entities to all Zimbabweans. Chikweche et al (2020) states that Zimbabwe has been part of the Alliance for Financial Inclusion since 2012, a network of policy-making bodies and central from over 80 emerging and developing market economies. This network gives Zimbabwe access to the latest policies and programs related to financial inclusion. The Government Of Zimbabwe, through the Reserve Bank Of Zimbabwe has been the principal custodian of the National Financial Inclusion Strategy, which commenced with the

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introduction of a 4-year National Financial Inclusion Strategy(NFIS) in 2016.Hence, as far as enhancing financial inclusion is concerned Zimbabwe has already undertook a major thrust in this campaign.

Reserve Bank Of Zimbabwe- Zimbabwe National Financial Inclusion Journey 2016-2020(2022), states that during the first phase of the NFIS 1, the country realized increased access to financial products and services by various target segments including Women, Micro, Small and Medium Enterprises(MSMEs), rural and smallholder farmers, the youth and people with disabilities. The nominal value of loans availed to MSMEs, women and the youth by banking and deposit taking microfinance institutions increased from USD$131.69, USD$277.30 and USD$58.41 million dollars as at 31 December 2016 to USD$2.89 , USD$1.18 and USD$964.86million dollars as at 30 June 2020.

As a result of the National Financial Inclusion Strategy 1 undertaken by the Reserve Bank Of Zimbabwe in 2016, The Making Access Possible Study By Acacia highlights that Zimbabwe has achieved the target set out in the 2016 Financial Inclusion Strategy(NFIS 2016-2020) due to increased proportion of banked adults to at least 60% and access to affordable and appropriate financial services to 90% based on mobile money penetration (Acacia)2020.Acacia(2020) states that the advent of mobile money has improved access to financial services for consumers in both rural and urban areas. Thus, due to vibrant efforts of the Reserve Bank of Zimbabwe to expand financial access strand across the country, financial inclusion expanded geographically to include formerly marginalized communities in the financial inclusion pool. Increased financing for individuals and small businesses has also been realized, overall enhancing the financial access strand across the various segments of the Zimbabwean society.

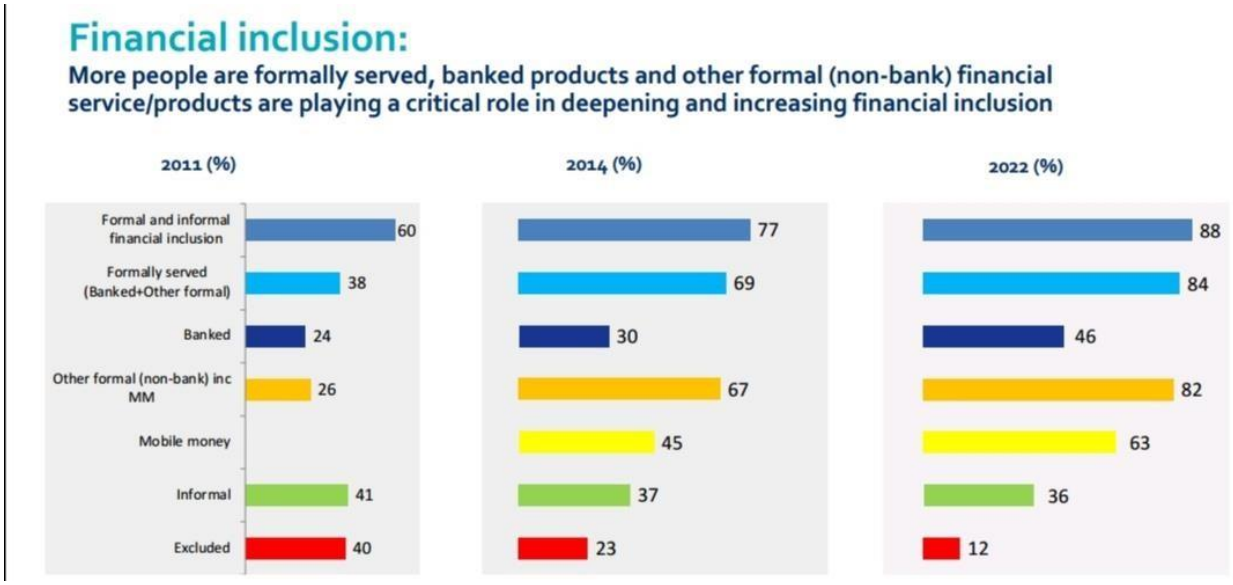


Figure 1.1: Financial Inclusion Expansion from 2011 to 2022 in Zimbabwe.

Source: Fin scope 2022 Zimbabwe Consumer Survey

Microfinance and Financial Inclusion:

According to National Financial Microfinance Policy (2022) microfinance is generally defined as the provision of a range of financial services including savings, small loans, insurance and money transfer services to marginalized members of the population and SMEs that do not have access to finance from formal financial institutions. World Economic Forum (2024) states that microfinance institutions emerged as a potential tool to fight poverty rising to firm with the awarding of the Nobel Peace Prize to Mohammad Yunus and Gramen Bank. Microfinance is a type of financial service that opens the door to full-fledged banking services for individuals and small businesses who may not have access to traditional banks. It is offered by a range of different types of service providers.

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The term is often used more narrowly to refer to loans and other services from providers that identify themselves as microfinance institutions. These institutions often deliver very small loans to unsalaried borrowers, taking little or no collateral. Over the last 30 years, new methods have been developed to do this pioneered by Muhammad Younis‟ Grameen Bank. According to Yoshino et al (2016) in Zimbabwe, microfinance institutions play an indispensable role by reaching out to those in rural and low-income urban areas, many of whom are excluded from mainstream financial services due to geographical and socioeconomic barriers.

Hence, due to the inability of the commercial banking sector to financially include the marginalized population of the society, microfinance institutions are now playing that key role particularly in developing countries such as Zimbabwe. Their minimum and less demanding requirements have also enhanced their feasibility in offering affordable finance to the most underprivileged groups of the society.

In Zimbabwe, microfinance institutions launched by the government such as Zimbabwe

Women‟s Microfinance Bank and Empower Bank are playing a key role in expanding financial inclusion geographically, increasing financing for individuals and small businesses and providing affordable finance to marginalized and rural communities of the country. According to

Women‟s Financial Inclusion, Digital Financial Services and COVID-19 Policy Response: Case of Zimbabwe (2020), the ZWMB was launched in 2018, and is primary cliental are women. In partnership with the Zimbabwe Post Office (ZIMPOST), ZWMB agencies also reach rural areas. By September 2021, 870000 projects have reportedly been funded similar to all loans to individual women by non-deposit taking MFIs in 2020.

Thus, microfinance institutions are playing a vital role in expanding financial inclusion owing to the inability of the mainstream banking sector to reach rural and marginalized communities financially.

Problem statement

Microfinance institutions (MFIs), which are intended to serve as a bridge for those who lack access to traditional banking services, have predominantly concentrated their operations in urban areas of Zimbabwe, leaving rural populations underserved. This urban-centric approach means that the individuals and small enterprises in rural regions, which often need financial services the most struggle to access financial resources formally. Furthermore, while MFIs aim to extend financing to those excluded by banks, many individuals and micro to medium enterprises still lack the funding needed to improve their livelihoods and pursue economic opportunities level of geographical outreach by microfinance institutions in Zimbabwe is very poor, and the level/extent to which financial inclusion is being driven by microfinance institutions is negatively alarming.

According to Masiyandima et al (2017), it is alleged that financial inclusion in urban areas is approximately eighty-nine percent against sixty-two percent of the rural households in Zimbabwe. Financial exclusion forces rural and low-income individuals to rely on informal and often predatory lending sources, leading to limited economic resilience. Poverty experienced in Zimbabwe is associated with financial exclusion (Mago et al, 2014).Without access to affordable credit and financial services, these communities face challenges in investing in agriculture, small businesses or education thereby perpetuating cycles of poverty. Additionally, the uneven reach of MFIs contributes to economic inequality as urban areas benefit more readily from MFI funding, leaving rural areas with limited financial support and opportunities for development.

According to Mutambanadzo et al (2017), microfinance tends to thrive in developing countries where there is high unemployment and poverty as people seek to engage in informal sector activities. This is not the case with Zimbabwe where MFIs are facing challenges in providing financial services. Hence, the current inability of microfinance institutions to promote financial inclusion vibrantly, geographically expand their outreach to rural areas and limited funding increment for individuals and small to medium individuals increase poverty and financial exclusion among the majority of Zimbabweans. According to Danga et al (2020), financial inclusion promotes the allocation of savings efficiently thereby, promoting investment and the overall growth of the economy.

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The Government of Zimbabwe, through the Reserve Bank of Zimbabwe launched the National Financial Inclusion Strategy (NFIS) in 2016, intending to address these issues by increasing access to financial services for all Zimbabweans including women, youth, and those with disabilities. According to the National Financial Inclusion Strategy 1(2021), Zimbabwe registered significant progress on the access strand, with 83% of adults now formally served, up from 18% in 2012.However, financial inclusion remains limited especially in rural areas and many individuals are still excluded from formal financial services.

Research Questions

1. Are microfinance institutions achieving rural financial inclusion?

2. Are microfinance institutions achieving increase in funds provision to include small to Medium Enterprises.

3. What measures are and can the Government of Zimbabwe put in place to enhance success of microfinance institutions in achieving finance inclusion.

4. Are microfinance institutions the key to achieving financial inclusion in Zimbabwe?

Objectives

1. To evaluate the role of microfinance institutions (MFIs) in promoting financial inclusion in Zimbabwe, with a particular focus on their efforts to serve financially excluded populations and expand their reach to rural areas.

1. To evaluate the geographical distribution of microfinance services and analyze the level of outreach to rural communities in Zimbabwe.

3. To assess the extent to which microfinance institutions are increasing funding for individuals and small enterprises excluded from traditional banking services.

Significance of the study

To The Academia

The study added up to the existing body of literature on financial inclusion and the microfinance industry in Zimbabwe. It provided empirical evidence and theoretical insights that can inform future research.

To Microfinance Institutions

The study helped microfinance institutions understood their impact on financial inclusion, allowing them to refine their strategies to better serve underserved populations, particularly, with regard to Zimbabwean context. Hence, the study offered practical recommendations that microfinance institutions can adopt to enhance their services and outreach geographically, and also increasing funding for individuals and small businesses.

To Policy Makers

The study informed Zimbabwean government‟s policies aimed at enhancing financial inclusion, particularly, the National Financial Inclusion Strategy II.Furthermore, insights from my study helped the government of Zimbabwe understand the role of microfinance institutions in the broader financial ecosystem, facilitating better regulatory frameworks, aimed at promoting financial inclusion in the country.

To Manicaland State University of Applied Sciences

The study enhanced the university‟s reputation as a center for impactful research, particularly in socio-economic issues relevant to Zimbabwe. Furthermore, it can also serve as a valuable resource for current and future students, stimulating interest in research related to microfinance institutions and financial inclusion.

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Delimitations of the study

This study focused specifically on the role of selected microfinance institutions (MFIs) in advancing financial inclusion within Zimbabwe. It examined the extent to which these institutions provide financial access to those excluded from traditional banking, with particular attention to marginalized and rural communities. The study was confined to the Zimbabwean context and did not extend to microfinance institutions operating in other countries. Additionally, while the research assessed microfinance institutions‟ activities and outreach, it did not delve into other financial inclusion initiatives such as digital finance or programs led by nongovernmental organizations. This delimitation ensured the scope remains centered on evaluating the specific contributions and challenges of microfinance institutions in Zimbabwe.

Limitations of the study

The study was limited to a sample of microfinance institutions within Zimbabwe, which may affect the generalizability of findings. As only selected institutions were analyzed, the conclusions did not represent the practices and impacts of all microfinance institutions in the country. Moreover, with respect to data limitations especially regarding the latest financial and outreach records of the selected microfinance institutions, it could have impacted the depth of the analysis. Limited access to comprehensive data on rural penetration and customer demographics may have restricted the precision of certain findings. In addition to that, given the constraints of time and resources this study may not have been able to cover a longitudinal analysis of microfinance impact over extended periods. This limitation affected the ability to observe longterm trends in financial inclusion linked to microfinance practices.Lastly, this study was conducted in a volatile economic environment, where factors such as inflation and currency instability in Zimbabwe may influence microfinance institutions‟ operations independently of their financial inclusion objectives. These external conditions may have limited the reliability of conclusions regarding the sustainability and impact of microfinance institution.

Definition of Terms

Microfinance institution-An entity tasked with provision of a range of financial services, including savings, small loans, insurance and money transfer services to marginalized members of the population and SMEs that do not have access to finance from formal financial institutions.

Financial Inclusion-The effective and informed use of a wide range of quality, affordable and accessible financial services by all groups of people on a sustainable basis, also provided in a fair and transparent manner through regulated entities.

Financial exclusion-Difficulties in accessing a wide range of quality, affordable and accessible financial services by some groups who are often marginalized, hence, there is unfair and unsustainable provision financial services.

MSMEs-Enterprises that are classified with regard to their size, hence, they are sub-scale to midsized businesses typically measured by number of employees, annual turnover or total assets.

Assumptions

This study operated on several key assumptions that, while not verified within the scope of this research form the foundation of the inquiry into the role of microfinance institutions (MFIs) in achieving financial inclusion in Zimbabwe. First, it assumes that the selected microfinance institutions had reliable and accessible data on their funding practices, outreach programs, and client demographics, especially regarding rural and marginalized communities. It is also assumed that these microfinance institutions operated with a commitment to financial inclusion as a core objective, consistent with the Zimbabwean government's efforts to improve financial inclusion, and that they actively sought to bridge gaps left by traditional banks in providing services to underserved populations.

Additionally, the study assumed that economic factors, such as inflation and currency stability, while impacting microfinance operations, did not entirely obscure or negate the intended financial inclusion efforts of microfinance institutions. Lastly, it assumed that participants and respondents in this study provided honest and

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accurate information, enabling a realistic evaluation of microfinance institutions' contributions to financial inclusion. These assumptions supported the study‟s analysis, though minimizing them as much as possible would strengthen the research findings.

Summary

This chapter gave an insight on the global state of financial inclusion, microfinance institutions and their thrust in expanding financial inclusion, importance of conducting this research, as well as financial inclusion status of Zimbabwe. This chapter covered an insight to the background of study, statement of the problem, objectives of the study, research questions, limitations, delimitations, and significance of the study, assumptions and definition of key terms. The next chapter concerns literature review.

LITERATURE REVIEW

Introduction

This chapter offers a thorough evaluation of previous researches conducted by others in the relevant field. The primary goals of the literature review are to present and analyze the existing body of knowledge pertaining to the topic and to identify a gap in the literature that this research intends to address. It is crucial for the researcher to show an understanding of the current knowledge landscape, its limitations, and how the present study integrates into this broader context. Rather than duplicating efforts, reviewing existing literature allows us to gauge the extent and depth of current knowledge and pinpoint areas that require further investigation, thereby contributing to the overall body of knowledge.

The literature review lays the groundwork for conducting research and validates the existence of the research problem, as well as the rationale for the proposed study (Paré et al, 2015). Consequently, the literature review has helped the researcher refine this study by highlighting what has already been accomplished. This chapter is structured as follows, overview of microfinance institutions, overview of financial inclusion, underpinning theories, challenges on the part of microfinance institutions and individuals in achieving finance inclusion in Zimbabwe, government efforts in promoting financial inclusion in Zimbabwe through microfinance firms , the extent to which microfinance institutions have achieved financial inclusion thus far as well as geographically. Financial inclusion drives by microfinance institutions, that is, Zimbabwe Women Microfinance Bank and Empower Bank are also included in the chapter and summary.

Overview of Micro-Finance Institutions

According to Chikwira et al (2022) microfinance is generally defined as the provision of a range of financial services including savings, small loans, insurance, and money transfer services to marginalized members of the population and small to medium enterprises that do not have access to finance from formal institutions. Microfinance institutions are designed to provide small businesses and entrepreneur‟s access to capital. Hence, it is a platform that businesses and individuals can use to source financing for their capitalization. It can also incorporated as a vehicle that can be tailor made to suit poorly economically active people (Grassner et al,2019).Micro-finance institutions undertake a pivotal role in the economies by availing small packages that suit every economically active person (Zainul et al, 2019).Thereafter, microfinance has become an essential tool for financial inclusion in many parts of the world and is found among the institutions which provide different financial services to the poor, who are out of the conventional banking system, particularly in developing countries Bent(2019). More than one billion people around the world still have no access to bank accounts Microfinance institutions are working to cut this number down, and broaden access to life-changing financing and other financial tools (World Economic Forum)2024.

The researcher noted that microfinance concerns provision of financial services to the marginalized groups however, it is not merely a comprehensive ecosystem of financial services aimed at empowering economically marginalized individuals and small enterprises. This ecosystem not only includes traditional offerings like savings and loans but also encompasses innovative financial products designed to enhance financial literacy, promotion of entrepreneurship, and fostering of sustainable economic development.

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The essence of microfinance lies in its adaptability to various socio-economic contexts, allowing it to serve as a vehicle for financial inclusion that addresses specific community needs, such as poverty alleviation, gender equality, and technological advancement. By focusing on the unique challenges faced by the unbanked and under banked populations, microfinance institutions can create tailored solutions that not only provide access to capital but also contribute to broader developmental goals.

In this light, microfinance is not merely about providing financial services, hence it is about creating pathways for economic empowerment and social uplift, ensuring that marginalized groups can participate fully in the economy and improve their quality of life. This redefined perspective emphasizes the transformative potential of microfinance as a tool for achieving sustainable development objectives.

Financial Inclusion

Financial inclusion refers to the effective use of a wide range of quality, affordable and accessible financial services provided fairly and transparently through formal, regulated entities by all Zimbabwean (RBZ) 2016.According to Mashizha et al(2024) Zimbabwe implemented the first phase of the financial inclusion strategy from 2016 to 2020 and significant improvements in financial inclusion were noted. The second phase of National Financial Inclusion Strategy II was developed, with financial innovation being indicated as one of its pillars. Masiyandima et al (2017) states that the Zimbabwean government has the view that usage of financial services must be taken as a way of life for all people including the youth, women, disabled, small business owners, small holder farmers and many other groups of people marginally excluded from the use of formal financial services.

The other principle of financial inclusion in Zimbabwe is the provision of quality financial products, suitable for people's needs to improve their welfare(Reserve Bank Of Zimbabwe) 2016.According to Makina et al(2014), for there to be inclusive development in an economy, there should be inclusive financial systems that ensure accessibility, availability and usage of formal financial services that ensure accessibility, availability and usage of formal financial services to the entire population. Sonkar et al (2020) states that financial inclusion has topped the agendas of countries globally after it emerged as a key enabler of wealth creation, poverty reduction and consequently economic growth. The Global Findex Database Of 2021 indicates that there has been a rise in financial inclusion, with twenty-six percent of the adult population owning a bank account.

The researcher emphasized that financial inclusion encompasses effective use of quality, inclusive and affordable financial products to all sections of the society. However, it also involves a holistic framework aimed at ensuring equitable access to a comprehensive suite of financial services that empower individuals and communities. This framework not only focuses on access but, also emphasizes the effective use of these services to foster economic participation and improve quality of life.

In this context, financial inclusion is not merely about providing financial products, it is about creating an inclusive financial ecosystem that addresses the unique needs of diverse groups, including youth, women, disabled individuals, small business owners, and smallholder farmers. The emphasis on quality financial products tailored to the specific needs of these groups is crucial for enhancing their welfare and promoting sustainable development.

Moreover, financial inclusion should be viewed as a dynamic process that evolves with technological advancements and innovative financial solutions. As highlighted by the **Dependent Variable Independent Variable**

With regard to the conceptual framework above, the independent variable is financial inclusion, thus, encompassing increased access to financial products by the undeserving population and funding for excluded population. The dependent variable being microfinance institutions, encompass financial products being provided by the microfinance service providers, geographical distribution of the microfinance institutions and government efforts in promoting microfinance sector in achieving financial inclusion.

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Theoretical Framework

This section explores the existing literature on the role of microfinance institutions in promoting financial inclusion in the country, drawing from the various insights of various scholars and researchers. By synthesizing prior studies, the aim is to highlight thrust and robust campaign which can be incorporated by microfinance institutions to enhance their outreach and effectiveness. Thus, this literature review provides a deep overview of how microfinance service providers can contribute to bridging the financial gap in undeserved and marginalized communities across Zimbabwe.

The role of microfinance service providers in promoting financial inclusion is further examined thorough through the lens of the Financial Intermediation Theory, Pecking Order Theory, Institutional Theory and the Agency Theory. Each of the theories provides a unique relation with microfinance institutions, with regard to their thrust campaign in promoting financial inclusion.

Financial Intermediation Theory

The theory explores how institutions like banks facilitate the flow of money between savers and borrowers, reducing transaction costs and informational asymmetries. It posts that the intermediaries are available due to their ability to streamline financial transactions and provide information that would be difficult or costly for individual savers and borrowers to obtain directly.

With regard to the microfinance institutions in achieving financial inclusion taking into account reduction of information asymmetry, microfinance institutions gather information about their clients(the informal and unbanked), improving credit access for these previously excluded financially. Furthermore, deposit taking microfinance institutions collect small savings from undeserved communities and redirect these funds as microloans, fulfilling their intermediary role.

The Institutional Theory

The theory focuses on how organizational behavior is shaped by the institutional environment, including norms, rules, cultural beliefs and regulatory frameworks. According to Simo et al (2022), the theory can be applied to shape MFIs, informal and formal organizational isomorphism influences the application of rules and MFI operations.Magali (2023) states that his study reveals that most microfinance scholars agreed that the institutional theory variables of normative, regulatory and cultural cognitive isomorphism are essential for promoting MFI variables but few scholars disagreed.

With respect to its application and link to how microfinance institutions can expand their financial inclusion drive, microfinance service providers operate within financial regulatory environment and adopt practices to comply, improving client trust and financial inclusion. Furthermore, with respect to coercive and normative pressures denoted by the theory, coercive and normative forces from the government push microfinance service providers to expand their services to marginalized areas.

Pecking Order Theory

The theory was developed by Myers and Majluf in 1979 and explains how organizations prioritize their sources of financing, preferring internal funds first, then debt and finally equity due to asymmetric information and cost of external financing. With respect to the context of micro financing, low-income individuals follow a pecking order, hence, use personal savings first, borrow from informal networks next and only turn to microfinance institutions when necessary. Hence, microfinance service providers can understand the above client financing behavior, design more accessible and less expensive financial products.

Agency Theory

It was developed by Jensen and Mecklin (1976) and explores the relationship between principals (owners) and agents (managers), focusing on conflicts of interest that arise when agents do not fully act in the principal‟s interest. It emphasizes information asymmetry and incentive alignment. With respect to its application in the

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microfinance sector‟s ability to promote financial inclusion, microfinance institutions being agents for social impact and the government (principal) expect microfinance service providers to promote financial inclusion. Hence, the theory tasks the microfinance sector to balance profit motives with social objectives.

Empirical Framework

Microfinance institutions in promoting achievement of financial inclusion in Zimbabwe Individuals hindrance of promotion of financial inclusion by microfinance institutions.

According to Nyakwawa (2022), financial illiteracy can result in activities that make the population vulnerable to severe financial crises that may be triggered by very small events. Financial illiteracy in Zimbabwe is widespread among the general population and particularly acute among specific demographic groups, such as women, youth, farm laborers of foreign origin, and those with low educational accomplishment. To be able to maintain financial inclusion at a certain level and grow the numbers, there is need for comprehensive awareness programs to educate the population so they can move from the ordinary cash in, send money and cash out transactions. In order to impact lives, digital financial services should now move from concentrating on the number of active accounts, to how people are using mobile financial services. Society should be allowed to learn, or be taught about bill payments, merchant payments and most importantly savings and insurance, that is, micro savings and micro insurance all supported on a mobile money platform, Nyakwawa (2022).

Nyakwawa (2022) states that most of financial information in Zimbabwe is educating the population on how to borrow to start a business or to smoothen cash flows. It is teaching customers how to borrow to finance recurrent consumption, thus people are borrowing from the future to finance current consumption. Government, non-governmental organizations, donor agencies should come in to help teach and educate the population responsible financial lessons. Financial education can even be introduced to schools and taught at a tender age. Financial literacy will act as bridge from mere financial inclusion to sustainable financial inclusion. The poor need to learn to live within their means. The extras that they get should be saved either as a group of individually for future use. Personal financial education is critical to achieving sustainable financial inclusion; impact the bottom of the pyramid in Zimbabwe to bring financial independence at the bottom of the pyramid in the long run. As part of the broader solution to the national concern on financial inclusion as advocated by the Reserve Bank of Zimbabwe , personal financial education is necessary as a catalyst to financial inclusion and a bridge from financial inclusion to sustainable financial inclusion, Nyakwawa(2022.

However, the author showed limited focus on the digital divide and access to technology. The author contemplated that mobile financial services, for example, mobile money platforms are key to improving financial inclusion and literacy. However, it does not address the digital divide and access to technology, which could be a major barrier to financial inclusion for many people, particularly in rural or economically marginalized areas of Zimbabwe. Hence, the rural population cannot engage in micro-savings, as suggested by the author due to poor network coverage and poor telecommunications infrastructure in the rural areas of Zimbabwe. Furthermore, the author failed to note that some micro-finance institutions in Zimbabwe do not have the financial capacity to invest in mobile money and digital platforms where the rural population which is far from the urban areas in which most microfinance institutions operate in can engage in accessing financial services provided by these micro-finance institutions.

Moreover, the author failed to note that capitalism is the main factor which drives the microfinance institutions in disseminating financial literacy to the rural and marginalized communities of the country. Thus, due to little or no gain likely to be obtained from imparting the financial education to the rural population, there is severe reluctance by the microfinance service providers to impart this knowledge. Microfinance institutions partnering with the government to disseminate this financial education to these rural communities are driven by profit, hence, there is not much to gain from undertaking such a venture in rural areas. As a result, financial illiteracy will continue to haunt these rural communities, hence, limiting the efforts being undertaken by the microfinance institutions in achieving financial inclusion in Zimbabwe.

According to Baragahara (2021), lack of formal identification documents prevents individuals from seeking formal financial services. A proper ID and proof of residence are required before an individual can open a bank

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account. Reserve Bank of Zimbabwe (2016) concurs that failure to meet the minimum account opening requirements is among the key elements hindering inclusive finance in Zimbabwe.

Challenges caused by microfinance institutions limiting financial inclusion.

According to Mutambanadzo et al (2013), most of the MFIs are using personal funds and donor funds as a method of funding their business, with 37, 5% of the respondents stating personal funds and 12, 5% of the respondents stating loans from commercial banks and foreign financing respectively. The other challenge identified in this research was competition from commercial banks and other financial institution. Approximately, 50% of the MFIs attributed that their main competition rivalry are other MFIs 31,2% say that competition comes from commercial banks and 18,8% of MFIs are facing competition from other financial institutions, Mutambanadzo et al (2013).

Mutambanadzo et al (2013) states that competition from commercial banks to a larger extent narrows the clientele base of MFIs and to a smaller extent it forces MFIs to offer new product design. Poor management skill is also another challenge which MFIs are facing in their business. From the research it was noted that 50% of MFIs use personal relationships 43, 8% use academic qualifications and 6, 2 % use a recruitment policy as a rationale for recruiting their management personnel. This can compromise decision making. Poor management skills compromises financial performance in most of the MFIs and it also affects decision making. Most of the MFIs in this research do not carry external body inspections and this could compromise their efficiency and corporate governance.

It was established that 56,2% of the MFIs are family owned and 43,8% are partnerships and in most of the MFIs (75%) the owners are also the directors , this again can compromise good corporate governance, Mutambanadzo et al(2013).Most of the MFIs are facing challenges in acquiring an effective management information system (MIS). The research established that 56, 2% of the MFIs are using excel spreadsheets and 18, 2% are using manual/paper based systems and 25.6% are using simple packages such as loan performer.

Mutrambanadzo et al(2013) states that the major challenge in acquiring effective MIS is the inflexible of available packages to accommodate the highly complicated MFIs business operations. It can be concluded from the research that the lack of funding is by far the biggest obstacle of MFIs growth in Zimbabwe. The researchers also concluded that competition, to a larger extent, is coming from other MFIs. However competition from commercial banks has both positive and negative effects to the performance of MFIs. Competition from banks improves efficiency and it forces MFIs to offer new product designs. On the other hand it narrows clientele base and increases loan default. Poor management skills have compromised financial performance of MFIs as it has led to poor decision making. There is no board independency in MFIs and this lowers the financial performance of MFIs.Most of MFIs are facing challenges in acquiring effective MIS. They are thus relying on excel sheets and manual entries which cannot be effectively manipulated to produce various reports such as debtor age analysis, excess reports and past due reports. This has resulted in poor monitoring of borrowers and high levels of bad debts, Mutambanadzo et al (2013).

The author's research on the challenges facing microfinance institutions in achieving financial inclusion lacked focus on financially excluded populations. The research primarily discussed the operational challenges of MFIs without delving into how these challenges specifically affect their ability to serve financially excluded populations in Zimbabwe. Hence, the author focused on the general challenges hindering the efficiency of the microfinances' operations and not how these challenges limit their ability to serve financially excluded populations. Thus, while the author mentioned competition and funding issues, the research should have explored how these factors impact the outreach to marginalized groups, particularly in rural areas.

Furthermore, the author did not focus thoroughly on the impact of management skills on financial inclusion. While the research highlighted poor management skills as a challenge for MFIs, it did not connect this issue to the broader implications for financial inclusion. The author did not elaborate how the poor management can lead to inefficiencies that may hinder MFIs from effectively reaching and serving financially excluded populations, increase their level of outreach to improve their geographical foothold across Zimbabwe, particularly in rural areas, as well as formulating strategies to increase funding for individuals and small enterprises.

Lastly, the author did not deeply contemplate on the role of corporate governance and its impact on financial inclusion. The author‟s research gave an overview of issues related to corporate governance, such as family ownership and lack of board independence, as challenges hindering efficiency of microfinance institutions' operations, but did not discuss how these governance structures impact the financial performance of MFIs with regard to their ability in promoting financial inclusion.

According to the Reserve Bank of Zimbabwe (2016), lack of trust/confidence in the financial system is hindering many Zimbabweans from being financially included. Baragahara (2021) states that despite the promotion of financial inclusion through mobile money platforms, there is a lack of confidence in these platforms among the people due to security and reliability reasons. Also, Zimbabwe's financial sector is fragile and characterized by multiple bank closures. Zimbabwe is a fragile economy where incomes are low and sometimes irregular and this hinders financial inclusion. Moreover, the already dire economic situation is exorbitantly soaring inflation.

Baragahara (2021), states that with this kind of environment very few individuals and businesses seek financial services to save or invest and likewise due to high risk of default, very few financial institutions are willing to loosen up on credit provision. The high transaction costs of bank or mobile money financial services are also discouraging a number of Zimbabweans from up taking formal financial services. Moreover, the interest earned on savings through financial institutions is very little usually completely eroded by transactional fees. For this reason, individuals and small to medium enterprises (SMEs) avoid formal financial services. Both banks and microfinance institutions are opportunistic with high cost structures, Baragahara (2021).

However, while the author highlighted there is a low uptake of formal financial services due to high transaction costs and low-interest rates on savings, the research did not address how microfinance institutions are adapting their products/services to meet the financial needs of marginalized and financially excluded populations, particularly the rural population which cannot easily cope with the high transaction costs and low-interest savings rates. The author should also have mentioned alternative services which microfinance institutions can provide to cater for the unique challenges being faced by the groups mentioned above, with the key research gap in the author's position being her lack of exploration of how microfinance institutions are designing products to meet the financial needs of the financially excluded populations.

For example; how can microfinance institutions offer microloans with lower interest rates or customized savings products for the rural dwellers?

With regard to noting this, the microfinance institutions would also be increasing funding for small to medium enterprises and marginalized individuals particularly the rural population, through provision of alternative products/services for these marginalized groups.

The author mentioned the fragility of Zimbabwe's financial sector and its negative impact on financial inclusion. However, the author did not consider the role of the Zimbabwe‟s financial regulatory authorities in shaping the operations of microfinance institutions, which is critical in their campaign of expanding financial inclusion mainly with respect to geographical outreach to rural and marginalized communities. The impact of the government's policies, Reserve Bank of Zimbabwe's regulations and incentives for microfinance institutions which would otherwise reduce the fragility of Zimbabwe's financial sector have not been considered by the author, as these might result in more establishment of various microfinance institutions across the country, more funding being availed to individuals and smaller enterprises through government's disbursement of incentives to them and overall increasing the levels of financial inclusion in Zimbabwe.

Thus, the research gap worth noting being that, the author gave little attention to the influence of government policies or Reserve Bank of Zimbabwe's guidelines on the financial inclusion efforts of microfinance institutions.

Lastly, the author touched on the lack of confidence in mobile money platforms by the Zimbabwean population but, did not explore the how digital financial services have to a greater extent transformed microfinance operations in Zimbabwe. Rise of mobile money platforms being incorporated by microfinance institutions in countries with massive financial exclusion like Zimbabwe have become a crucial tool for financial inclusion. The author did not elaborate on how microfinance institutions are utilizing these platforms to expand their

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outreach geographically, increasing their funding for marginalized individuals and smaller enterprises via mobile loans and overall increasing financial inclusion levels in the country.

According to Chaora (2022), other reasons mentioned as significant for not having bank account include charges being too high and the perception by many founders that there are not enough security protocols to safeguard their money in the bank. Micro-enterprises also gave the reasons that the bank account opening process takes too long and they do not have sufficient documentation to meet KYC requirements. When asked about the reasons for not making loan applications, 36% said that loan services were not available from the bank. Other founders noted that they did not have sufficient information on how to make the application, whilst 11% had insufficient documentation, 6% had not collateral or were weary of high interest rates associated with loans in Zimbabwe. Those who indicated other as a reason expressed their fear of inflation and lack of trust in the system as prominent reasons. Many referred to loan applications as an impossible process perhaps demonstrating the limited trust that small enterprises have in the financial services sector in this regard, Chaora (2022).

Additionally, existing financial products are rigid. There is need to include flexibility in the design of financial products. The banking infrastructure is ill-equipped to respond to the changes that have taken place within the economy. Chaora (2022) states that financial inclusion (bank access, mobile money access, compliance and use of financial products and services) is at its lowest in Masvingo and Midlands provinces. The exclusion of these areas point to low levels of education on available financial products and services or the fact that current products and services are in a good fit for these communities. Generally, financial service firms do not have adequate presence in rural areas, and this could potentially explain the reasons why many entrepreneurs use informal channels of banking. Limited financial knowledge makes individuals more prone to financial error and losses, Chaora (2022).

The author primarily examined the challenges posed by the traditional banking sector but, did not adequately consider the role that microfinance institutions play in mitigating these challenges. While the author's study highlighted the barriers to accessing formal banking services, the research failed to analyses how microfinance institutions, as alternative financial service providers are addressing or could address these barriers. Microfinance institutions are designed to serve financially excluded populations, particularly in rural areas where traditional banks have minimum presence. Hence, as far as financial inclusion is concerned, they have a broader role to play as compared to traditional banks, thus, underscoring a major research gap with regard to the author's research.

Moreover, while the author acknowledged that micro-enterprises struggle with issues such as lack of collateral, high interest rates, and insufficient knowledge on loan application processes the study did not investigate how microfinance institutions are helping to overcome these challenges by offering alternative financial products tailored for small businesses and lowincome individuals, thereby, increasing funding in this regard for those who are excluded from the mainstream and traditional banking system.

This dissertation aims to fill this gap by assessing whether microfinance institutions are effectively increasing access to credit for individuals and small enterprises that are otherwise excluded from mainstream financial services.

In addition to that, there is lack of consideration for MFI-specific financial products in the author's research, and their suitability for financially excluded groups. Whilst the author contemplated on the rigidity of existing financial products, the study did not specifically evaluate the financial products offered by microfinance institutions and whether they are designed to meet the needs of excluded populations. It remains unclear whether microfinance institutions are innovating their services to be more accessible, flexible, and inclusive to serve the marginalized population of the country.

Lastly, the author failed to contemplate on the role of government and its mainstream institutions in disseminating financial knowledge to marginalized populations in the rural areas, as this increase overall confidence in the financial services sector of the country, resulting in increased securing of funds from the various financial institutions(microfinance institutions) thereby, reducing financial exclusion in the country.

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Government efforts in promoting financial inclusion through microfinance firms:

According to Reserve Bank of Zimbabwe-Zimbabwe National Financial Inclusion Journey (2016-2020), the Government Of Zimbabwe launched the National Financial Inclusion Strategy

(NFIS 1), officially launched in March 2016 by the Minister Of Finance And Economic Development. The launch represented a major milestone in the efforts to establish an inclusive financial system that facilitates the participation of previously unbanked and undeserved Zimbabweans in economic activities. Since the launch of NFIS, there has been notable progress in the implementation of financial inclusion initiatives largely propelled by new technologies and communications infrastructure. In August 2016, Zimbabwe also made financial inclusion commitments under the Alliance for Financial Inclusion (AFI) Maya Declaration. Zimbabwe committed to one of the following policy areas, National Financial Inclusion Strategy. The NFIS has significantly contributed to the transformation of the financial inclusion landscape in Zimbabwe.

During the first phase of the NFIS, the country has realized increased access to financial products and services by various target segments including Women, Micro, Small and Medium Enterprises (MSMEs), Rural and Smallholder Farmers, The Youth and People With Disabilities.

Reserve Bank Of Zimbabwe-Zimbabwe National Financial Inclusion Journey(2016-2020) states that he nominal value of loans availed to MSMEs, women and the youth by banking and deposittaking microfinance institutions increased from US$131.69, US$277.30 and US$58.41 million dollars as at 31 December 2016 to US$2.89, US$1.18 billion and US$964.86 million dollars as at 30 June 2020.During the first phase of NFIS, the Reserve Bank Of Zimbabwe established empowerment funds as seed funding to stimulate and complement banks‟ productive lending to target segments such as women, the youth and MSMEs, Reserve Bank Of Zimbabwe-Zimbabwe National Financial Inclusion Journey(2016-2020).

The RBZ‟s financial inclusion efforts have been largely geared towards ensuring and enabling regulatory environment that allows a variety of players new and existing, to viably serve the diverse needs of the under-served and undeserved segments which include, micro-entrepreneurs, women, the youth and rural smallholder farmers. Under the Financial Inclusion Coordination and Collaboration, the NFIS Thematic Working Groups included Microfinance Advisory Council responsible for promoting development of innovative products, delivery channels and capacity building in the microfinance sector, and positive contribution of microfinance to financial inclusivity, Reserve Bank of Zimbabwe-Zimbabwe National Financial Inclusion Journey (20162020).

However, the National Financial Inclusion Strategy, spearheaded by the Reserve Bank of Zimbabwe lacked specific focus on microfinance institutions' role in financial inclusion to some extent. Although the Microfinance Advisory Council was established under the scheme meant to promote rapid financial inclusivity among the marginalized population of Zimbabwe, the NFIS 1 report primarily discusses financial inclusion from a broad regulatory perspective, highlighting government and central bank initiatives. It also focused on the commercial banking sector, the youth, small to medium enterprises and women. However, it does not deeply analyze the role of microfinance institutions as independent financial intermediaries in promoting financial inclusion.

Moreover, the report produced by the Reserve Bank of Zimbabwe concerning the achievements of the National Financial Inclusion Strategy 1 did not include any notion of funding to microfinance institutions; creation of the Microfinance Advisory Council is the only major achievement concerning microfinance empowerment by the government. Microfinance institutions spearhead financial inclusion more as compared to the mainstream banking sector, due to their favorable regulations. Thus, no funds were disbursed to the various microfinance institutions across the country, hence, also limiting expansion of these micro-finance institutions geographically particularly to rural areas, thus, limiting financial services provision to the rural and marginalized population. The increase in funds underscored in the National Financial Inclusion Strategy 1 report were limited to those who are in some way financially included already, and excluded those completely out of the financial services spectrum.

In addition to that, there is limited analysis of geographical outreach and rural penetration in the National Financial Inclusion Strategy 1 report by the Reserve Bank of Zimbabwe. Thus, the NFIS report acknowledges

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efforts to improve financial access for rural smallholder farmers but, lacked a detailed evaluation of how microfinance institutions are distributed geographically and their outreach to rural communities as this highlight the most disadvantaged and marginalized populations of Zimbabwe currently.

There is no data on:

*The specific distribution of microfinance institutions across rural areas, to highlight the most financially excluded populations.

*The challenges microfinance institutions face in expanding their services to remote communities.

*Whether microfinance products are truly accessible to rural populations or if certain areas remain underserved despite national financial inclusion efforts. Truly accessible financial products help in increasing funding to individuals and small businesses in financially excluded areas of Zimbabwe.

Lastly, there is lack of detailed assessment of funding for financially excluded groups. The NFIS 1 report presented aggregated statistics on loan disbursements to MSMEs, women, and the youth but did not:

*Disaggregate microfinance-specific funding data from broader banking sector contributions.

*Analyze whether these loans have reached the most vulnerable and financially excluded individuals or just a subset of MSMEs with existing financial access. Thus, this is very important as no major achievements might have been met at all, as the National Financial Inclusion Strategy 1 may have focused disbursement of funds to already capacitated groups.

According to Mataruka (2015), the Reserve Bank has adopted a bank-led model to financial inclusion. It has tried to create an enabling environment that facilitates competition and fosters financial innovation. Given that one of the barriers to financial inclusion is unavailability of comprehensive credit information on credit worthiness of potential borrowers for both banks and MFIs, the Reserve Bank of Zimbabwe is in the process of establishing a Credit Registry. The RBZ also gazette the Microfinance Act in 2013, creating provision for registration of deposit taking microfinance institutions. The Reserve Bank also issued simplified risk-based KYC requirements to facilitate opening of bank accounts by low income groups, Mataruka (2015).

However, with regard to simplification of risk-based KYC requirements to facilitate opening of low income bank accounts, the author failed to contemplate on the efficiency of the scheme as some individuals in marginalized and rural parts of Zimbabwe cannot meet the requirements, even if they are less demanded than the former. Additionally, the simplification of the KYC requirements might hinder the efficient assessment of the credit worthiness and other aspects of these financially excluded individuals wishing to dive into the financial inclusion pool resulting in defaulting of loans by incompetent and ineffectively assessed customers.

Moreover, the author highlighted the establishment of a credit registry and simplified KYC requirements but, failed to contemplate on the actual funding levels and support provided by MFIs to individuals and smaller enterprises. Hence, even with establishment of a credit registry for microfinance institutions and simplified KYC requirements, there is no comment on the funding levels of these micro-finance institutions thus, low funding hinder the efficiency of the microfinance firms in expanding their customer base to marginalized areas of the country and also the extent to which microfinance institutions are promoting financial inclusion in Zimbabwe.

The extent to which microfinance institutions have achieved financial inclusion in Zimbabwe.

According to the Reserve Bank of Zimbabwe (2023), the microfinance sector has steadily grown during the nine months ended 30 September 2023, as indicated by the key performance indicators (KPIs) which reflect notable growth in total assets, loans and advances, total deposits, and aggregate equity. The total microfinance sector loans were $476.79 billion as at 30 September 2023, up from $418.37 billion as at 30 June 2023. The notable growth was attributed to increased demand for loans by micro, small-to-medium enterprises as well as low-income households seeking to supplement their disposable incomes. The number of active loan clients declined by 13.29% from 298,023 to 258,414 during the quarter under review, while the number of female borrowers

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also declining by 11.44% from 137,063 to 121,384 over the same period. Loans to female borrowers of $147.80 billion as at 30 September 2023 represents a 6.44% decline from $157.32 billion in the previous quarter.

Reserve Bank of Zimbabwe (2023), states that microfinance institutions continued to be a major conduit for access to financial resources by the marginalized households and micro, small and medium enterprises (MSMEs) during the quarter under review. The microfinance industry registered a 13.96% increase in total loans over the quarter from $418.37 billion as at 30 June 2023 to $476.79 billion as at 30 September 2023. The notable growth was attributed to increased demand for loans by MSMEs as well as low-income households seeking to supplement their disposable incomes. The average loan size per borrower marginally increased from $1.40 million as at 30 June 2023 to $1.85 million as at 30 September 2023.During the period under review, the credit-only microfinance sub-sector registered a 7.35% increase in total loans from $350.76 billion as at 30 June 2023, to $376.53 billion as at 30 September 2023, Reserve Bank Of Zimbabwe (2023).

The DTMFI sub-sector recorded a 46.24% increase in total loans and advances from $68.56 billion as at 30 June 2023 to $100.26 billion as at 30 September 2023. The DTMFI subsector loans accounted for 21.03% of the total microfinance industry loan portfolio of $476.79 billion and represented a 16.16% increase from the previous quarter. Significant improvement was registered in access to credit during the quarter ended 30 September 2023 as women, youth and MSMEs recorded an increase in access to credit from $19.63 billion, $14.65 billion and $24.68 billion as at 30 June 2023, to $378.71 billion, $278.49 billion and $326.97 billion as at 30 September 2023 in real terms, respectively. However, the proportion of loans to women, youth and MSMEs to total banking sector loans of 4.48%, 3.29% and 3.87% respectively, remains low, underscoring the need for more collaboration from various stakeholders to enhance usage of financial products and services, Reserve Bank of Zimbabwe (2023).

However, the Reserve Bank of Zimbabwe's report denoted limited consideration of financially excluded populations. The report acknowledged that microfinance institutions have facilitated access to financial resources for marginalized households and micro and small to medium enterprises. However, it did not provide an in-depth analysis of how effective these institutions have been in reaching the completely unbanked population particularly in rural areas where financial exclusion is most pronounced Hence, with regard to the period under review, the microfinance institutions disbursed large sums of funds to individuals and small to medium enterprises but, since financial inclusion levels in rural areas remain high as of 2023, sluggish performance was realized in the microfinance sector's campaign in expanding their activities geographically(to include marginalized and rural populations) and incorporate the unbanked masses of the rural areas, to include them in the financial inclusion pool.

***Key missing aspects include:**

*The percentage of newly banked individuals as a result of microfinance improved performance.

*The role of MFIs in providing financial literacy and support services to those with no prior access to credit.

*The barriers preventing certain demographics from accessing MFI services despite the sector‟s growth.

*The total microfinance sector loans were $ZWL476.76 billion dollars as at 30 September 2023, as shown below in Table 2.1.

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Table 2: Microfinance Industry Selected Key Performance Indicators

Indicator	Sept 2022	Dec 2022	Mar 2023	June 2023	Sept 2023
Total Loans ($bn)	31.81	46.01	64.46	418.37	476.79
Total Assets ($bn)	54.81	82.13	124.16	790.51	866.15
Total Equity ($bn)	22.36	35.91	45.26	301.14	337.18
Net Profit ($bn)	9.70	12.10	12.73	156.95	157.14
Total Deposits ($bn)	3.40	6.31	9.58	53.84	61.52
Average Operational Self-Sufficiency (OSS)	210.18%	167.51%	183.52%	195.80%	209.50%
Portfolio at Risk (PaR>30 days) *	9.99%	10.95%	9.37%	7.20%	11.42%
Number of Outstanding Loans	264,691	306,366	302,634	342,634	309,648
Number of Active Loan Clients	285,634	328,678	286,792	298,023	258,414
Number of Female Borrowers	124,216	145,788	131,351	137,063	121,384
Loans to Female Borrowers ($bn)	10.96	28.70	22.65	157.32	147.80
Number of Branches	936	1,264	849	887	1,063

Table 2.1: Microfinance Industry selected Key Performance Indicators.

Source: Reserve Bank of Zimbabwe, Microfinance Quarterly Industry Report as at 30 September 2023, p5

Lastly, the report denoted insufficient analysis of microfinance‟s impact on small enterprises and alternative funding for the excluded.

The RBZ report primarily provides aggregate loan growth statistics but did not: *Differentiate between first-time borrowers and repeat clients. Thus, the new customer base in the period under consideration might be very much small as compared to the already existing clients.

*Assess whether MFIs are offering sustainable financing solutions that lead to long-term business growth. Hence, the loans disbursed by the microfinance institutions might have come with high interest rates, disrupting the sustainability of small to medium enterprises, and also removing the marginalized rural population from the financial inclusion pool.

*Examine the affordability and repayment success of MFI loans among financially excluded groups. Thus, as much as the increase in disbursement of loans to the individuals and small to medium enterprises might have increased financial inclusion levels, high interest rates on some of the loans might result in defaulting by some customers, resulting in their removal from the financial inclusion spectrum.

According to the National Financial Inclusion Strategy 1(2016-2020), the business of microfinance is by nature targeted at low income households and micro, small and medium enterprises (bottom of the pyramid). Accordingly, microfinance is highly relevant to the Zimbabwean macroeconomic context where the majority of the population falls in the low income segment. Within the microfinance sector, Savings and Credit Cooperative Societies (SACCOs) play a key role in poverty alleviation and building inclusive financial systems through

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provision of financial services to the poor in many countries and reach more customers than other microfinance institutions.

National Financial Inclusion Strategy 1(2016-2020) states that SACCOs subsector has great potential to mobilize lower denominated deposits that are ordinarily not accepted by formal banking institutions. SACCOs can be an important tool of mobilizing funds that are circulating in the informal sector.SACCOs can also be a mechanism for expanding financial inclusion among the rural and disadvantaged communities, the youth and women. Further, Rotating Savings and Credit Associations (ROSCAs) also known as „Rounds" or Mukando have become popular and have provided convenient ways of saving and credit provision. An appropriate regulatory framework for the SACCOs and ROSCAs will facilitate their maximum contribution to the financial inclusion objective.

However, the report denoted insufficient analysis of the accessibility of microfinance loans for financially excluded groups. The report failed to note that the 'Rotating Savings and Credit Cooperative Societies(SACCOs) are informal, risky and might result in huge debts for the marginalized and rural populations, who cannot cope up with the exorbitant interest rates attached to them. Hence, although the' SACCOs' involve less time-consuming and non-stringent regulations the report failed to note their informality, often attached with 'bogus' provision of the funds. Hence, this in affordability still leaves much of the rural and marginalized communities outside of the financial inclusion pool and no realization of increased funding to individuals and small enterprises.

According to Kueredza(2024), his research on the impact of microfinance institutions lending on SMEs lending in Zimbabwe, according to Table 2.1 below, the mean and standard deviation are (M=1.723, SD=1.112); microfinance institutions lending patterns in Zimbabwe. The mean and standard deviation were (M = 1.331429, SD = 1.107006) and (M = 1.965714, SD =

1.120676), respectively. This suggests that respondents agree that, items given in the table reflect the impact of microfinance institutions lending on SME growth in Zimbabwe. From the questionnaires, 69% strongly agreed and 13.8% agreed that MFIs assist small businesses to grow and be agile during hard times hence cope up. However, from the 8 interviews carried out on MFIs, the results show that MFIs take into consideration the risk factors when charging interests rates to different clients. For instance, respondent 4 in the interview said "MFIs lower interest rates to the poor compared to the rich", and respondent 6 said "MFIs provide credit and lending services e.g. small loans". Additionally, responses from the four (4) interviews carried out on Regulators show that MFIs are significantly contributing to individual growth of SME borrowers. MFIs take into consideration the risk factors when charging interests rates to different clients, Kueredza (2024).

For instance, respondent 3 in the interview said "MFIs are contributing positively to individual growth of SME borrowers". Respondent four (4) said "MFIs are significantly contributing to the growth of individual SME borrowers". These results were consistent with Mamo (2022), Farirai (2022) who found that MFIs provide skills of managing business in addition to microfinance lending to increase productivity of small businesses and the poor to use borrowed funds properly and successfully. MFIs offer financial as well as non-financial services.MFIs provides investment decisions (capital), business management in general, and risk management, according to Mazikana (2019). In good times, they also assist families or small businesses in prospering. In crisis times, they assist SMEs in coping and rebuilding, Kueredza (2024).

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Table 1.
MFI lending and SME growth

Item code	Item code	Item description	Mean score	Mean Response	Std. Deviation
Item code					
Mean Response					
B1	MFIs assist families and small businesses prosper in good times, and they help SMEs cope and rebuild in bad times.	1.722857	Agree	1.109448	
B2	MFIs provide financial and non-financial services	1.877143	Agree	1.108386	
B3	MFIsprovide credit and lending services e.g small loans	1.710602	Agree	1.107006	
B4	MFIs provide business skills such as savings mobilization and micro enterprise investment training	1.734286	Agree	1.107836	
B5	MFIs provide payment facilities, remittances or insurances	1.851429	Agree	1.110706	
B6	MFIs make capital investment decisions, manage general business, and manage risk.	1.697143	Agree	1.110968	
B7	Majority of SMEs in rural areas are cut-off completely from microfinance lending	1.902857	Agree	1.112341	
B8	The interest rates are determined on individual clients	1.765714	Agree	1.11143	
B9	MFIs put a small margin above the bank rate	1.531429	Dis-agree	1.115	
B10	MFIs lower interest rates to the poor compared to the rich	1.331429	Dis-agree	1.116649	

Table 2.2: MFI Lending and SME Growth.

Source: Kueredza, 2024, p65

However, the author lacked focus on financially excluded populations and rural outreach. A key limitation of Kueredza‟s study is that it focused primarily on SMEs that already have access to microfinance services, rather than on individuals and businesses that remain financially excluded.

* While the study provides evidence that MFIs contribute to SME growth, it does not address:

*Whether MFIs are expanding their services to rural areas and marginalized communities where financial exclusion is more prevalent. Thus, the research by Kueredza denoted that microfinance institutions have a positive lending to small to medium enterprises in Zimbabwe but, did not contemplate on their efforts to serve the financially excluded populations in the rural areas and expanding geographically to include new members in the financial inclusion pool.

*The barriers preventing financially excluded populations from accessing microfinance services, such as high-interest rates, lack of collateral, or lack of awareness of financial products. Hence, the research focused on already financially included individuals and small to medium enterprises. Although increase in funding to individuals and small to medium enterprises was denoted in his research, the author failed to incorporate strategies which can be adopted to include those financially excluded into the financial inclusion pool, thereby, expanding geographically into marginalized areas and financially including rural and marginalized communities.

According to Fin scope Zimbabwe 2022 Consumer Survey, formal financial inclusion has expanded significantly over the past decade (11years). From 38%) in 2011 to 69% in 2014 and now at 84% in 2022. This results in financial inclusion dropping to 12% in 2022 from 40% in 2011.Significant progress in reducing financial inclusion rural/urban gap (17% gap in 2014; this is down to 10% in 2022). Microfinance institutions classified as other formal (non-bank), drove financial inclusion in the period under review (from 0.4% in 2014 to 2% in 2022), in overall comparison to other financial inclusion drivers. Consumption of microfinance institutions products increased from 26% in 2011 to 82% in 2022. With regard to rural financial inclusion, there was an

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increase in the usage of microfinance products (from 29% in 2014 to 34% in 2022).This is depicted in the figure below.

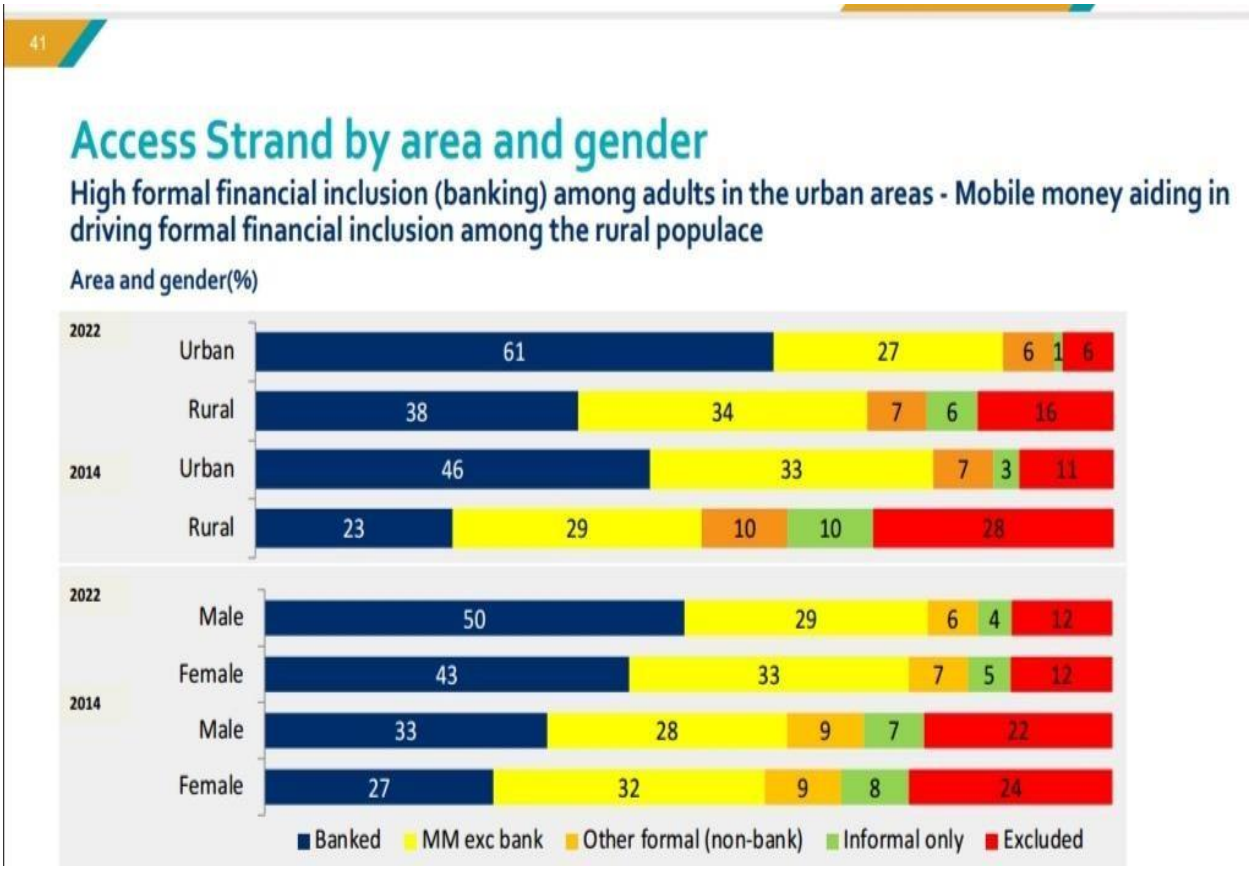


Figure 2.2: Financial Inclusion Access by Area in Zimbabwe.

Source: Fin scope 2022 Zimbabwe Consumer Survey, p41.

Thus, although microfinance institutions played a vital role in driving financial inclusion in the country, from 2011 to 2022, the report failed to note their participation is very insignificant as compared to other drivers of financial inclusion. The report should also have contemplated on the reasons behind this as it shows that most individuals and small to medium enterprises have more confidence in other financial institutions, as compared to microfinance institutions.

Lastly, the Fin scope Zimbabwe 2022 Consumer Survey depicted limited assessment of microfinance outreach to financially excluded populations.

While the report stated that financial exclusion has declined from 40% in 2011 to 12% in 2022, it did not:

*Assess whether microfinance institutions are making efforts to expand their services to rural areas, or marginalized groups who may still face financial exclusion despite overall improvements in financial inclusion. Hence, despite the financial inclusion drive by these microfinance institutions, the rural population remains massively financially excluded as compared to the urban population, hence, the Fin scope Zimbabwe 2022 Consumer Survey should have commented on strategies being adopted by the microfinance institutions to expand their financial inclusion campaign as much as possible to the rural areas, as this would ensure robust geographical coverage of microfinance activity across the country and increase in funding to marginalized individuals and small to medium enterprises.

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Microfinance firms and increase in their geographical coverage to promote robust financial inclusion.

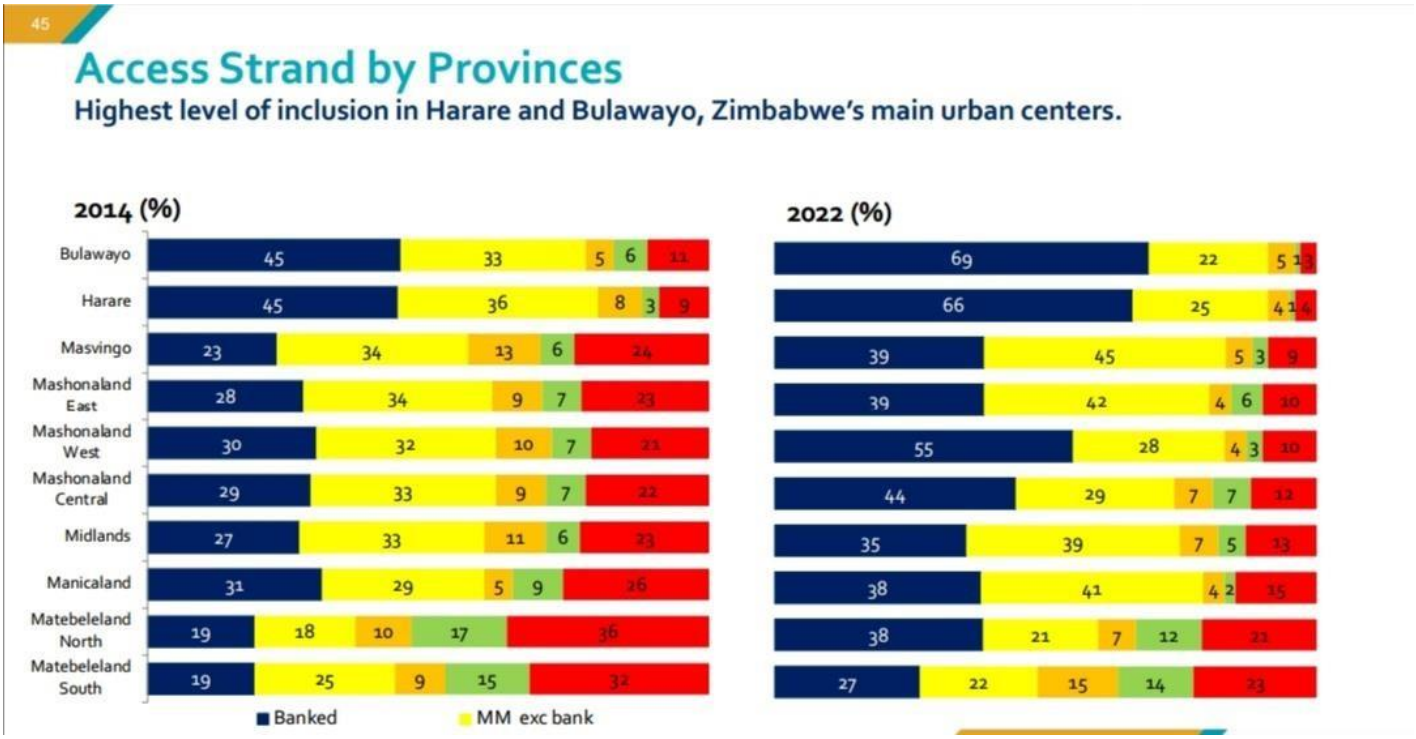


Table 2.3: Financial Inclusion Access Strand by Provinces

Source: Fin scope Zimbabwe 2022 Consumer Survey, p45

According to Mataruka (2015), in addition, as at 31 December 2014 there were 147 microfinance institutions with 473 branches serving 205282 clients with 257542 loan accounts throughout the country. This was an improvement from 334 branches that served 150188 clients with 162221 loan accounts in December 2013.Despite the geographical and functional reach of commercial banks and microfinance institutions in Zimbabwe, large numbers of people remain financially excluded. Small farmers, small scale enterprises, women, the self-employed, unemployed and pensioners remain excluded from the opportunities and services provided by the formal financial sector.

However, Mataruka did not contemplate on the reasons why massive population of Zimbabwe remain financially excluded, despite the robust growth geographically to reach financially excluded individuals in the rural areas of Zimbabwe.

***Hence,**

***There is lack of analysis on why financial exclusion persists despite MFI expansion:**

Mataruka acknowledged that many groups remain financially excluded despite the presence of MFIs but, did not explore the reasons behind this continued exclusion.

Key unanswered questions include:

***What barriers prevent small farmers, small-scale enterprises, and vulnerable groups from accessing MFI services?**

Thus, this depicted that microfinance institutions are not providing financial products tailored for the marginalized and poor rural communities of Zimbabwe. Hence, in order to ensure that their growth comes with financial inclusion the author should have provided strategies that microfinance institutions could incorporate, so that their growth geographically ensure financial inclusion and increase in funding for the marginalized rural population of the country.

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***Are high-interest rates, collateral requirements, or financial literacy issues contributing to exclusion?**

Hence, the author should have commented on the financial literacy impartment and emphasis on low interest rates to encourage incorporation of the rural masses in the financial inclusion pool.

***Are the financial products offered by MFIs suitable for the needs of rural and marginalized communities?**

Thus, even with their geographical reach, Mataruka should have contemplated on the financial products being provided by the microfinance institutions, leading to financial exclusion and the financial products they may offer to ensure that their geographical expansion comes about with financial inclusion.

According to the Reserve Bank of Zimbabwe (2023), the total number of branches in the microfinance sector increased over the quarter from 887 as at 30 June 2023, to 1,063 as at 30 September 2023. The increase was due to branch network expansion by some institutions and an increase in the number of registered microfinance institutions during the review period.

Thus, owing to the expansion of the microfinance institutions geographically, the Reserve Bank of Zimbabwe should have further contemplated on whether the branch network increased in urban areas or the rural areas. Hence, since microfinance institutions are profit making enterprises, they seek to make maximum profits by expanding their branches in urban areas more than in rural areas. Hence, the Reserve Bank of Zimbabwe should clarify on the expansion of the microfinance institutions so that it benefits also the rural and marginalized communities.

*Thus, even with their geographical expansion, microfinance institutions should provide the right financial products to the rural and marginalized communities of Zimbabwe, to ensure that their geographical expansion results in financial inclusion also.

*Hence, microfinance institutions have geographically expanded since the financial inclusion drive was adopted by the Zimbabwean government robustly but, it should also come with providing the rural population products tailored for them.

Selected state microfinance institutions' financial inclusion drives.

Zimbabwe Women's Microfinance Bank (ZWMB) financial inclusion efforts:

According to Women‟s Financial Inclusion, Digital Financial Services and COVID-19 Policy Response: Case of Zimbabwe (2021), the ZWMB was launched in 2018, and its primary clientele are women. In partnership with the Zimbabwe Post office (ZIMPOST), ZWMB agencies also reach rural areas. The bank‟s products and services include financing small-scale farmers, and providing group savings accounts and savings accounts for registered small businesses. By September 2021, 870000 projects have been reportedly been funded, similar to all loans to individual women by non-deposit taking MFIs in 2020.In the first half of 2021, some 7000 loans for ZWL$60 million were disbursed.

However, while ZWMB‟s focus on women is noted, the researcher did not specify how ZWMB targets the most vulnerable groups of women within the broader population. Its establishment aims to empower the broad spectrum of women with funding, even those already financially included. Thus, the researcher should have contemplated on the extent to which the most financially excluded women especially those in the rural areas have been reached by the microfinance bank, so as to serve the marginalized, rural population and also expand the overall financial inclusion drive. It is also important to evaluate whether the bank‟s programs reach the deeply marginalized individuals within the population or whether certain women and small businesses are excluded due to economic or social barriers. Thus, although the researcher noted the financial inclusion campaign incorporated by the microfinance bank, the research should also have gone further to include the financial products being offered by the bank and their suitability, so as to satisfy and financially include the most financially excluded rural woman population.

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Empower Bank financial inclusion drive

According to Women‟s Financial Inclusion, Digital Financial Services and COVID-19 Policy Response: Case of Zimbabwe (2021), in 2019, Empower Bank, another state bank was launched as a deposit taking bank targeting youth. The bank was part of the government‟s broader effort to promote financial inclusion and provide banking services to underrepresented groups. Empower Bank provides micro-loans and savings products with lower interest rates compared to traditional commercial banks, making them more accessible to small enterprises and individuals with limited financial resources.

While the researcher commented on Empower Bank's low interest rates and targeting the youth population, no contemplation was induced on the efforts to target the rural youth population. Thus, the researcher should have also commented on the financial products being offered by the microfinance institution meant to draw as much rural youth population as possible, into the financial inclusion pool. Expansion of its branch network to rural areas should also have been included by the researcher. Thus, as much as Empower Bank targets the youth population, the researcher should have elaborated more on the efforts the bank is undertaking to expand geographically into rural areas offering financial products tailored for the rural youth population.

Financial inclusion overview in developed countries.

According to FIC (2015), financial inclusion or exclusion can be measured across various dimensions, from income and employment to access to current accounts and pensions, and from financial well-being to problem debt.

The United Kingdom.

According to Atkinson et al (2024), latest data shows that 5% of UK households have no current account. Just 3% of UK households hold a basic bank account (DWP) 2023.MaPS (2023) states that access to affordable credit remains a challenge. Barriers include having no credit record or a record with very limited information and seeking unprofitable low-value loans, as well as already having a high level of borrowing. More than 9million adults were declined credit in the 12months from April 2022.According to Boelman et al(2016), this withstanding, in the UK, 12 million Britons lack access to affordable credit, and two million do not have access to a bank account (Hadjimichael et al,2017). According to the House of Lords (2017), furthermore, 14% of Britons are financially excluded and 1, 25 million are considered destitute.

Hence, although financial inclusion is being looked upon from a dimension of access to affordable credit, access to loans and having financial literacy, in the developed world, the researcher failed to take into account the mere access to a bank account by individuals in the developed world, which aligns with the universal accredited definition of financial inclusion by global reputable bodies such as the International Monetary Fund and the World Bank. Henceforth, there is a sharp contrast in the definition of financial inclusion in the developed world and in countries such as Zimbabwe.

Financial exclusion arising from geographical differences in the United Kingdom.

According to JRF (2024), there are regional differences in financial inclusion across the UK, with variations depending on the measure used. Recent data from DWP reported by Joseph Rowntree Foundation shows that across the UK, people living in the West Midlands have the highest likelihood of living in poverty (27%), and those in Northern Ireland have the lowest (16%).Evans et al (2014), states that research from October 2023 finds that 82% of adults in Northern Ireland and 81% in Greater London reported financial stress, compared with 62% of adults in Wales and 69% in Scotland (Bogle, 2023). Wales has the highest percentage experiencing financial difficulties at 21%, (Evans et al, 2024).

Reasons for financial exclusion in the United Kingdom:

Credit and Debt

According to MaPS (2023), more than 9million adults were declined credit in the 12months from April 2022, and 4% were turned away by at least three providers.FCI (2021) states that access to affordable credit remains a

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challenge for many people. According to Experion (2018), some people find it difficult to access mainstream credit because they do not appear on credit records or their record contains very limited information.

Overview of financial inclusion in the United States.

According to the Council Of Economic Advisers Issue Brief(2016), in 2013, 93% of US households hold a bank account, up from 86% in 1989.Among households with a bank account, a full 20% were categorized as under banked in 2013.Financial inclusion has also increased across all geographies, while the South still lags other regions, the difference has diminished.

Overview of financial inclusion in Europe.

According to Mann (2019), financial exclusion also exists in Europe with devastating effects. The European Commission defines financial exclusion as a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal life in the society in which they belong. Brachert (2016), states that 138.6 million Europeans are financially excluded, with more financial exclusion occurring in Greece, Cyprus, Poland and Slovakia.

However, the researcher defined financial inclusion from a perspective of accessing financial products in the mainstream market, being appropriate for having a normal life. Thus, this is different from the dimension in which financial inclusion is perpetuated by the world at large, which contemplates on having access to affordable financial products, also having an effect on reducing poverty, thereby, inducing a research gap which needs to be explored further on financial inclusion overview in the developed and developing worlds.

Solutions being undertaken to address financial exclusion in the developed world.

According to Mann (2019), governments can use legislation to ensure fair lending. For example, in the UK, the Financial Conduct Authority (FCA) is given the responsibility for the oversight of financial institutions. In the USA, banks are legally required to publish their lending decisions. This allows for public scrutiny of their lending activity and incentivizes lending across the social spectrum to avoid accusations of 'redlining". Redlining is where banks lend only to the most profitable segments of the market to the detriment of the rest of the community due to subjective lending decisions that are based on postcode rather than objective abilities to repay.

Governments can also setup interest-free loans for those on low-incomes, Mann (2019).

The Budgeting Loan in the UK exemplifies this. According to European Microfinance Network (2015), governments might also work in partnership with the third sector to underwrite loans. This has been done in France to good effect by Caisses d'Epargne, who are a regional cooperative bank, and the French government.Caisses d'Epargne created Darcours Confrance, which is a personal lending microfinance organisation.They are partnered with the National Public Guarantee Fund which was setup by the French government to underwrite the risk.

Are microfinance institutions enabling financial inclusion in the developed world?

According to a research conducted by Mann(2019), to explore whether microfinance in the UK expended financial and social inclusion, the results of the investigation shows that microfinance provided by HH does increase financial and social inclusion by providing affordable microfinance in a flexible way which removes worry and anxiety. Participants reported improved financial capacity as a result of microfinance use and improved savings of the structure of HH's associated savings scheme. According to Hadjimichael et al (2017), community development financial institutions (CDFIs) in the UK provide personal lending microfinance as a not-forprofit alternative to HSTC (high cost short term credit), in order to provide responsibly and affordable credit at a lower cost. In 2017, 22million pounds were lent to 55348 individuals.

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Research Gap:

The literature primarily examined the role of microfinance institutions in financial inclusion, assessing their impact and the challenges they face. While existing research has explored financial inclusion broadly, there has been limited focus on whether microfinance institutions are effectively increasing access to credit and financial services for the most excluded populations, particularly in rural areas. A major gap identified is the lack of research on how microfinance institutions design financial products to meet the needs of marginalized groups. While previous studies highlight microfinance's role in financial inclusion, they often focus on operational challenges rather than the effectiveness of microfinance institutions in reaching financially excluded populations. Additionally, little attention has been given to how government policies and regulatory frameworks influence microfinance institutions' ability to expand financial inclusion.

This research, therefore, defines financial inclusion as the sustainable and continuous access to a range of financial services tailored to the needs of excluded populations. The study will assess how microfinance institutions are addressing financial exclusion, particularly in rural Zimbabwe, and whether their services are truly accessible and affordable to the most marginalized communities.

Chapter Summary.

The literature review covered key areas, including an overview of microfinance institutions, financial inclusion, challenges faced by both individuals and microfinance institutions in achieving financial inclusion, government efforts to promote financial inclusion through microfinance firms, the conceptual framework, studies from developed countries and the extent to which microfinance institutions have expanded their geographical outreach. The next chapter describes the research framework and methodology of the study.

RESEARCH METHODOLOGY

Introduction

This chapter focuses on the methodology used by the research in conducting the study. It provides a detailed description and elaboration of the research design, research instruments, population and sample, plan for data analysis and ethical considerations taken into account with respect to the research.

Research Design

According to Ansari (2022), research design is a wide framework that explains the total plan of performing research work. It designate objectives, data accumulation and method of analysis, hours of work, price, duty, conclusion and actions.Neelam(2020) identified eleven types of research designs namely pure, applied, descriptive, analytical, fundamental, conceptual, empirical, longitudinal, laboratory, exploratory and conclusion-based research designs.

Descriptive Research Design

Sirisilla (2023), states that descriptive research design involves observing and collecting data on a given topic without attempting to infer cause-and-effect relationships. It provides a comprehensive and accurate picture of the population or phenomenon being studied .For this research, a descriptive research design was adopted. Descriptive research is straightforward to replicate, making it a reliable way to gather and compare information from multiple sources.Ansuri et al(2022), states that clearly, it helps to answer questions about what, when, where and how, about research problem, rather than why. This research design facilitated the systematic collection of data from the selected research sample, followed by the application of various analytical tools to conduct a comprehensive examination of the primary data.

Research Instruments

Research instruments are tools or techniques used by researchers to collect measure and analyze data. These instruments are critical for gathering reliable and valid information, and they can vary depending on the type of

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research being conducted. The structured questionnaire and interview were used to collect primary data in this research. Questionnaires were personally administered, as well as distributed physically at the selected microfinance institutions‟ branches.

Interviews were conducted with the selected microfinance institutions‟ management.

The Questionnaire

David (2025) refers to questionnaires as web-based surveys that contain a series of questions asked with the intent of gathering information from respondents. The research adopted the questionnaire as it is a simple and straight forward tool that collects answers in the most flexible way. Closed and open ended questions are used in the questionnaire.

Advantages

- Respondents provide more honest responses as the questionnaire ensures anonymity.
- They are a tool to get bias-free information and data from respondents as the same number of questions with the same options are asked of them.
- Open-ended questions allow respondents to express their feelings freely. In this way, the research‟s accuracy is enhanced.
- They are a very inexpensive way of collecting data and information from respondents.

Disadvantages

- Closed-ended questionnaires restrict respondents from articulating their own opinions. They have to choose answers from a given set of options. Hence, the research cannot get information about the actual opinion or idea of the respondent.
- Respondents may give shallow information due to lack of time or interest. The data may lead to imprecise results.

Interviews

An interview depicts a qualitative data collection method where the researcher asks participants questions to gather information, insights and opinions on a specific topic. Face to face interviews are the most ideal as they allow for the collection of rich data, through non-verbal cues such as facial expressions. Thus, the approach ensures quick responses and necessitating thrust assessment and examination. Interviews also present the opportunity for the respondents to seek clarification on questions, resulting in enhanced accuracy and reliability of the data collected. In this research, interviews were undertaken with the management of the selected microfinance institutions.

Advantages

- Interviews offer flexibility and adaptability during the discussion sessions.
- Enable capturing of non-verbal cues through facial expression.
- Enable thorough clarification and probe for further details.

Disadvantages

 Ample time to respond to questions thoroughly may not be available for the interviewee.

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Validity and Reliability

The research carefully considered the concepts of validity and reliability during the development of search engines. According to Canroll (2023), reliability in research is a concept describing how reproducible or replicable a study is. In general, if a study can be repeated and the same results are found, the study is considered reliable. To ensure the reliability of the data the questionnaires underwent pilot testing. The interviews were also pilot tested. Henceforth, it helped identify ambiguities and conflicting items which were not relevant to the study‟s objectives. Canroll (2023), states that validity in research is an evaluation of how accurate the study is.It describes the extent to which the study actually measures what it intends to measure. Thus, the validity of the questionnaires was ensured by constructing them in direct alignment with the research questions, ensuring that they accurately measured the intended variables.

Population and Sample

Research Population

According to Ahmad (2023), in research, the population refers to the entire group of individuals, objects or events that share a common characteristic and are the focus of the study.Sileyew (2020), states that it represents the complete set of elements that the researcher aims to study and draw conclusions about. In this research, the population includes 10 microfinance service providers, encompassing 15 respondents.

Research Sample

Ahmad et al (2023) states that in research, a sample refers to a subset of the population that is selected for study purposes. According to Bhardwaj (2019), the sample represents a smaller, manageable group that researchers use to make inferences and draw conclusions about the entire population. The advantage of using a sample is that it allows researchers to study a smaller group, while still making reasonable assumptions about the larger population, Andrade (2020).However, a sample that is not a representative of the population may not give a true picture of the population and therefore, may not be reliable. This research therefore incorporated stratified sampling method. This is because the target population constituted of 15 microfinance bank management.

Sampling Procedure

Stratified Sampling

Stratified sampling involves dividing the population into subpopulations that may differ in important ways. Hence, it is applied when the population constitutes of different subgroups, which are of interest. Thus, this sampling method allows for the drawing of more precise conclusions by ensuring that every subgroup is properly represented in the sample. This research adopted stratified sampling, despite the population of interest being made up of microfinance banks‟ personnel only.

Sample Size

Sample size refers to the number of participants or observations included in a study. A wellcalculated sample size ensures statistical validity, reducing bias, while maximizing precision.

This sample is collected from the microfinance institutions‟ personnel and is considered representative of the population for that specific study.

Table 3.1: Sample Composition

GROUP	TARGET POPULATION	SAMPLE SIZE	SAMPLE AS A %
MICROFINANCE BANK PERSONNEL	15	15	100

Source: Author

Plans for Data Analysis

Data analysis involves examining, transforming and modeling data to discover useful information, draw conclusions and support decision-making. It involves applying statistical, mathematical or logical techniques to interpret the data. In this research, the data was presented in tables, graphs and pie charts.

Ethical Considerations

According to Bhandari (2024), ethical considerations in research are a set of principles that guide your research designs and practices. Sue et al (2023) states that ethics matter in research. Hence, ethical considerations in this research focused on respecting the privacy and ensuring the confidentiality of the data participants provided. Participation was entirely voluntary, and special care was taken to protect individuals with reduced autonomy. The research was designed to avoid any harm to participants, with the aim of generating positive outcomes for them. Participants were also fully informed about the purpose of the study and the reasons for its conduct.

Summary

This chapter has looked into and thoroughly elaborated on the research design, research instruments, population and sample, plan for data analysis and ethical considerations. The next chapter presents and analyses the data that was collected using the research instruments as discussed above.

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

Introduction

Chapter 3 presented the methodological framework used to examine the role of microfinance institutions in promoting financial inclusion in Zimbabwe, focusing on selected microfinance institutions in Mutare. This chapter employed various tools, including tables, charts, and graphs, to display and analyze the collected data gathered from the microfinance service providers, on the task of microfinance institutions in in promoting financial inclusion in Zimbabwe. The study offers comprehensive insights into the data gathered by integrating results generated through SPSS software. Each visual aid is accompanied by commentary highlighting significant trends and patterns, with relation to financial inclusion campaign by microfinance enterprises in the country, contributing to a comprehensive understanding of how microfinance institutions contribute to financial inclusion in Zimbabwe.

Response rate

Table 4.1 Response rate

	Frequency	Percentage
Respondents	15	100%
Non-Respondents	Nil	0%
Distributed	15	100%

Source: Author

A total of fifteen questionnaires were distributed to microfinance service providers, and all were completed and returned, resulting in a 100% response rate. This high level of participation is attributed to the assurance of anonymity provided to the respondents. The design and phrasing of the questions ensured that no responses could be traced back to individual participants, which encouraged openness and honesty. As a result, respondents felt comfortable and confident in providing the necessary information without fear of identification or repercussion.

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Additionally, interviews conducted with microfinance service providers‟ management were also undertaken successfully with a full response rate of 100%. This success was due to clear communication of the research objectives and a strong emphasis on confidentiality. Participants were reassured that their identities and responses would remain private, which fostered trust and willingness to engage fully in the research process.

Demographic distribution

Age

The age range of the microfinance clients served by the microfinance institutions under review is shown below in Table 4.2 and Figure 4.1 respectively. Table 4.2 depicts the descriptive statistics in relation to the age range of the microfinance clients served by the microfinance service providers under review.

Table 4.2:Age range of microfinance clients denoted by microfinance institutions under review

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	and	5	50.0	50.0	50.0
	26-35		3	30.0	30.0	80.0
	36-45		1	10.0	10.0	90.0
	46					
	Above		1	10.0	10.0	100.0
	Total		10	100.0	100.0	

Source: Primary Data

Table 4.3: Descriptive statistics with regard to the age range of the microfinance institutions under review

		N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Age range microfinance denoted microfinance institutions review Valid N	of clients by under	10 10	3	1	4	1.80	1.033	1.067

With regard to the above descriptive statistics results generated using SPSS software, the mean of 1.80 depicts that most microfinance clients under review serve younger clients, notably the eighteen to thirty-five age ranges. Furthermore, with regard to standard deviation, it shows how much the values deviate from the mean(1.80).The standard deviation of 1.033 means that on average, age group ranges incorporated differ from the mean by one age group. Hence, this shows moderate variability. Some of the institutions under review focus on older clients(36-45 and 46 and Above) but the majority serve younger groups of clients(18-25 and 26-35).Thus, the spread is not too wide, indicating a slight concentration upon the younger age categories.

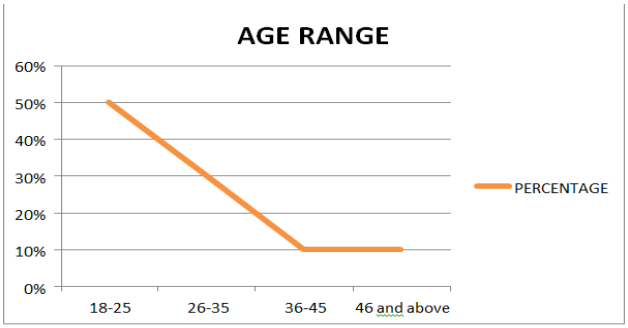


Figure 4.1: Age Range

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Five out of ten microfinance institutions denoted that the typical age range of their clients falls between eighteen and twenty-five years, whilst the three indicated that their clients are generally between twenty-six and thirty-five years. The remaining two noted that their microfinance clients‟ age range follows the thirty-six to forty-five and forty-six and above age ranges respectively. Hence this trend suggests that the majority of microfinance clients among the institutions surveyed are youths and individuals within the most economically active age group.

Thus, microfinance institutions are more willing to provide their services to the above mentioned age groups, leaving those within the age groups of thirty-six to forty-five and above forty-six mostly unbanked and financially excluded. This corroborate the findings of Fin Scope Zimbabwe(2022), which stated that the financial exclusion level for the eighteen to thirty-five age group was fourteen percent whilst that four the sixty-five years and above was nineteen percent. This is also in line with the results of Barugahara (2021) on financial exclusion, who emphasized that the marginal effect of age squared is negative, implying that the elderly are less likely to own an account.

Gender

The gender of microfinance clients being served by the microfinance institutions under review is shown below in Table 4.4 and Figure 4.2.Table 4.5 depicts the descriptive statistics in relation to the gender of the microfinance clients provided by the microfinance institutions under review.

Table 4.4: Microfinance clients' gender denoted by the microfinance service providers under review.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	7	70.0	70.0	70.0
	Female	3	30.0	30.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 4.5:Descriptive statistics with regard to the microfinance clients' gender denoted by microfinance institutions under review

	N	Range	Minimu m	Maximu m	Mean	Std. Deviation	Variance
Microfinance clients‟ gender denoted by the microfinance service providers under review	10	1	1	2	1.30	0.483	0.233
Valid N	10						

Source: Primary Data

With regard to the mean of the microfinance clients‟ gender, a mean of 1.39 indicates that most microfinance institutions under review are closer to male cliental base, following coding the data as 1 for male and 2 for female in SPSS software. In relation to the standard deviation, a standard deviation of 0.483 indicates moderate variability in gender distribution. This means that there is 70 some diversity but it is still male dominated. Lastly, with respect to the variance of 0.233, both genders are represented but there is a skew towards males.

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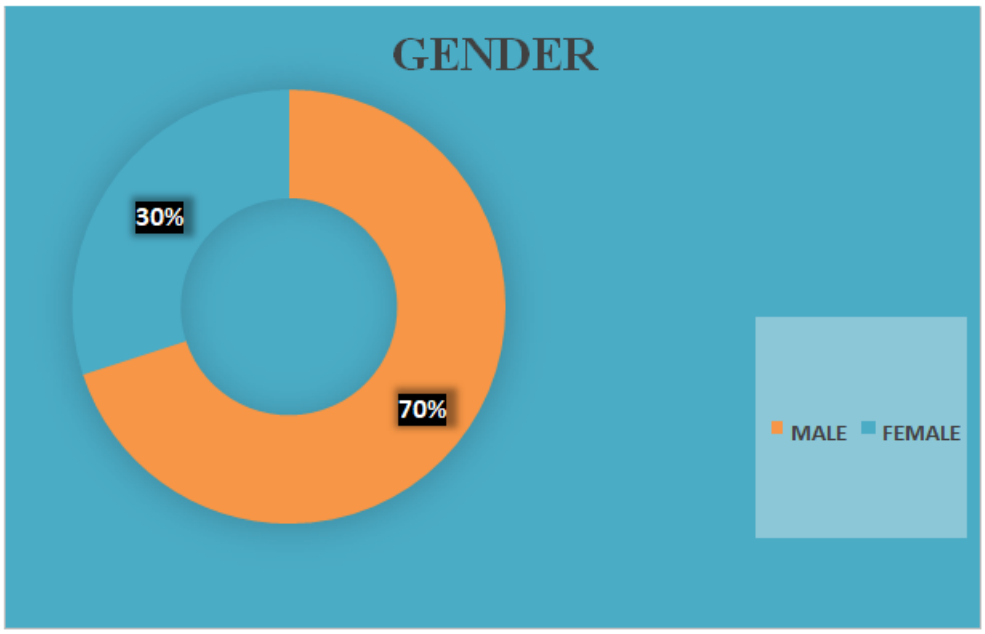


Figure 4.2 Gender

Source: Primary Data

As shown in Table 4.4 and pie chart above, among the ten microfinance service providers surveyed, the average proportion of male clients is seventy percent whilst, female clients account for thirty percent. This suggests that women remain more financially excluded compared to males. Microfinance service providers acknowledge that their outreach to women, particularly those without prior access to formal financial services is limited. Thus, one possible reason is that, in many households, men are regarded as the primary breadwinners and heads of households, therefore, tend to borrow on behalf of the entire family. As a result, women may see little need to apply for microloans individually

Additionally, a significant number of women are either unemployed or not actively engaged in income generating activities, which limit both their demand for and eligibility to access microfinance services. Henceforth, this highlights a gender gap in financial inclusion that requires targeted strategies to address. This conforms to Mandengenda et al (2022), findings on women‟s financial exclusion in Zimbabwe, emphasizing that women‟s financial inclusion is impacted by existing patriarchal gender systems that are deeply hierarchical and provide privileges for males over their female counterparts. Mandengenda et al (2022) also noted that some women did not access financial stimulus packages from finance institutions whilst some of the measures the issue of collateral for women which was and remains the biggest barrier to women‟s financial inclusion.

Education

The education levels of the microfinance clients being served by the microfinance institutions under review is shown below in Table 4.6 and Figure 4.3.table 4.7 depicts the descriptive statistics with regard to the education levels of the microfinance clients served by the microfinance service providers under review.

Table 4.6:Education levels for the microfinance clients for the microfinance service providers under review

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tertiary	7	70.0	70.0	70.0
	Secondary	2	20.0	20.0	90.0
	Primary	1	10.0	10.0	100.0

	Total	10	100.0	100.0	

Source: Primary Data

Table 4.7: Descriptive statistics with regard to education levels of the microfinance clients served by the microfinance service providers under review.

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Education levels for the microfinance clients for the microfinance service providers under review Valid N	10 10	2	1	3	1.40	0.699	0.489

Source: Primary Data

With regard to Table 4.7 above, a mean of 1.40 suggests that education level is closer to tertiary, as the SPSS codes were; tertiary-1, secondary-2, primary-3.This confirms that the majority of microfinance clients served by the microfinance institutions under review have tertiary education. With regard to the standard deviation of 0.699, it is moderate indicating that while most clients are highly educated, there is a noticeable spread among the three education categories. Lastly, the variance of 0.489 confers moderate variance (close to 0.5) reinforcing the idea that while tertiary education dominates, secondary and primary levels are still present, contributing to some variability.

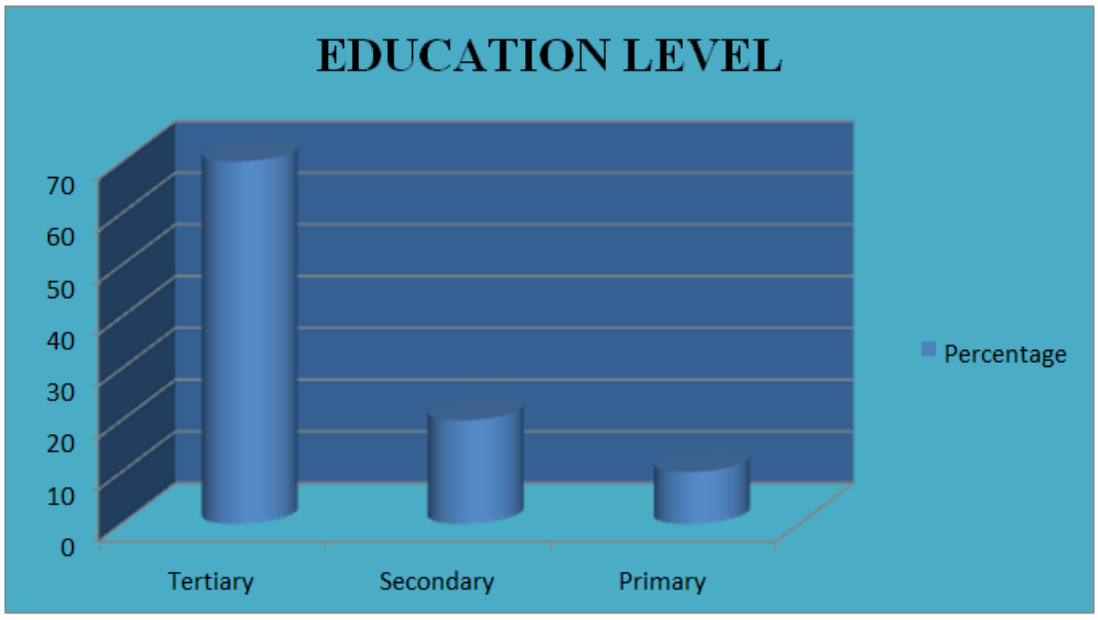


Figure 4.3 Education Level

Source: Primary Data

Among the microfinance service providers under review, the average distribution of clients by educational attainment, with respect to the data collected and presented in Table 4.6 and Figure

above is as follows:

- Seventy percent possess tertiary level qualifications.

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- Twenty percent have completed secondary education.
- Ten percent hold only primary education credentials.

Thus, the majority of clients served by the microfinance institutions are not only literate but, also highly educated. A significant proportion has attained tertiary-level education, indicating a strong academic background among the client base. Only a minority, specifically thirty percent, have secondary and primary education as their highest level of educational attainment. This trend suggests that microfinance institutions are primarily reaching individuals with relatively advanced educational levels.

Hence, this also suggests a strong correlation between educational attainment and financial literacy, thereby, financial inclusion. The fact that most clients of the surveyed microfinance institutions hold tertiary education qualifications indicate that individuals with higher levels of education are more likely to access and utilize microfinance services. Thus, conversely, those who are financially excluded tend to lack adequate financial literacy and have a weak academic background. This financial exclusion may stem from either lack of awareness on the existence of microfinance institutions or limited understanding on the role they play in promoting financial inclusion. This is also in agreement with the findings of Barugahara et al (202) who stated that the probability of being financially included is also found to increase with one‟s level of education. According to Fin Scope Zimbabwe (2022), the financial exclusion levels for those with secondary and higher education is seven percent and twenty-one percent for those with primary education and none at all.

Income

The income earned by microfinance clients being served by the microfinance service providers under review is shown below in Table 4.8 and Figure 4.4.Descriptive statistics related to the income earned by the microfinance clients is shown in Table4.9.

Table 4.8: Income earned by microfinance clients for the microfinance service providers under review

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below $USD200	2	20.0	20.0	20.0
	$USD200-$USD500	6	60.0	60.0	80.0
	$USD500$USD1000	1	10.0	10.0	90.0
	Above $USD1000	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 4.9:Descriptive statistics with regard to income earned by microfinance clients being served by the microfinance institutions under review

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Income earned by microfinance clients for the microfinance service providers under review Valid N	10 10	3.00	1.00	4.00	2.1000	0.87560	0.767

Source: Primary Data

With regard to the mean of 2.1000 generated by the SPSS software regarding microfinance clients‟ income denoted by microfinance institutions under review, it les slightly above category 2 of the income range($USD200-$USD500).Hence, this aligns closely with sixty percent of the clients being in the noted income bracket. Furthermore, a standard deviation of 0.87560 indicates moderate dispersion in income levels. It shows that while many clients are in the $USD200$USD500 category, there is a noticeable portion earning both below and above this range.

Lastly, the variance of 0.767 depicts a variation in income but, which is not extremely wide.

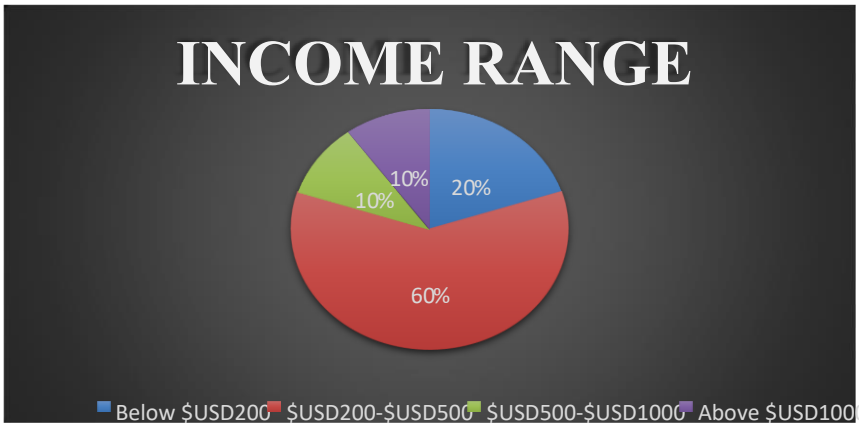


Figure 4.4 Income

Source: Primary Data

Among the ten microfinance institutions surveyed, the income distribution of their clients reflects a clear concentration within the lower to middle income brackets. On the average, twenty percent of the microfinance clients earn less than $USD200 per month, while the majority, being sixty percent are under the $USD200-$USD500 income range. Clients earning between $USD500-$USD1000 constitute ten percent, whilst those earning an income of above $USD1000 per month also account for ten percent. This distribution highlights that microfinance service providers predominantly prefer individuals with modest income level.

Thus, individuals with no income source are likely to be financially excluded, particularly those living in the rural areas. This is also congruent with the findings of Barugahara (2021) in which the author contemplated that being employed increases the likelihood that one will have an account.

Locality of clients

The locality of microfinance clients being served by the microfinance institutions under review is shown below in Table 4.10 and Figure 4.5.Table 4.11 depicts the descriptive statistics with regard to the microfinance clients being served by the microfinance institutions under review.

Table 4.10: Microfinance clients' area of residence for the microfinance service providers under review

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	6	60.0	60.0	60.0
	Rural	3	30.0	30.0	90.0
	Peri-urban	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 4.11: Descriptive statistics With regard to locality of microfinance clients being served by the microfinance institutions under review.

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Microfinance clients‟ area of residence for the microfinance service providers under review Valid N	10 10	2.00	1.00	3.00	1.5000	0.70711	0.500

Source: Primary Data

With regard with the descriptive statistics in the table above, the mean of 1.5000 depicts that clients fall between urban (coded category 1in SPSS) and rural (coded category 2 in SPSS) on average. The mean shows a slight skew towards urban clients, confirming them as the majority of the cliental base for the microfinance institutions under review. Furthermore, the standard deviation of 0.70711 reflects moderate variability in locality data. It suggests while many clients reside in urban areas, a noticeable presence in rural and peri-urban areas is there, contributing to dispersion. Lastly, the variance of 0.5000 depicts that there is some diversity in client locality, although not extreme.



Figure 4.5 Localities of clients

Source: Primary Data

Among the ten microfinance institutions under consideration on average, sixty percent of their clients reside in urban areas, thirty percent reside in rural areas and ten reside in peri-urban areas. Although microfinance institutions generally serve urban dwellers, since the inception of the National Financial Inclusion Strategy 1 implemented by the government in 2016, many of them began incorporating rural residents in their client base, mainly due to stimulus packages provided by the government aimed at promoting financial inclusion in rural areas. Thus, this also explains why there are a considerable percentage of rural dwellers for the microfinance institutions surveyed. This is also in harmony with Reserve Bank of Zimbabwe (2023), which stipulated that the total number of branches in the microfinance sector increased over the quarter from 887 as at 30 June 2023 to 1063 as at 30 September 2023.The increase was due to branch network expansion by some institutions.

Thus, the rural population incorporated by microfinance institutions has increased robustly in recent years. Subject to Reserve Bank of Zimbabwe (2023) report, a government owned bank, Zimbabwe‟s Women‟s

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Microfinance Bank partners with the Zimbabwe Post Office (Impost), to reach rural areas. By September 2021, 187000 projects have been reportedly funded by the microfinance bank.

Hence, this highlights expansion of the rural client base of the microfinance sector in Zimbabwe, as well as giving detailed explanations on the quite considerable client base incorporated by the microfinance institutions under survey.

Clientele and product portfolio of microfinance institutions

Type of microfinance clients served

Table 4.12 Microfinance clients served by the microfinance service providers with regard to their employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Formal	8	80.0	80.0	80.0
	Informa	2	20.0	20.0	100.0
	l	10	100.0	100.0	
	Total				

Source: Primary Data

Table 4.13: Descriptive statistics regarding microfinance clients' employment criteria for the microfinance institutions under review.

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Average proportion of microfinance clients served by the microfinance service providers with regard to their employment Valid N	10 10	1	1	2	1.20	0.422	0.178

Source: Primary Data

With regard to the mean of 1.20 in the table above, it resembles closeness to the formal sector confirming that most clients being served are formally employed. The slight shift from 1.00 shows that there is some representation from the informal sector but, being minimal. Furthermore, the standard deviation of 0.422 indicates that most data points are clustered around the mean, resembling that very few microfinance institutions serve the informal sector clients. Lastly, the variance of 0.178 perpetuates that most microfinance institutions under review serve the formal sector clients. Thus, there is very little variation that implies a relatively homogeneous cliental base in terms of employment.

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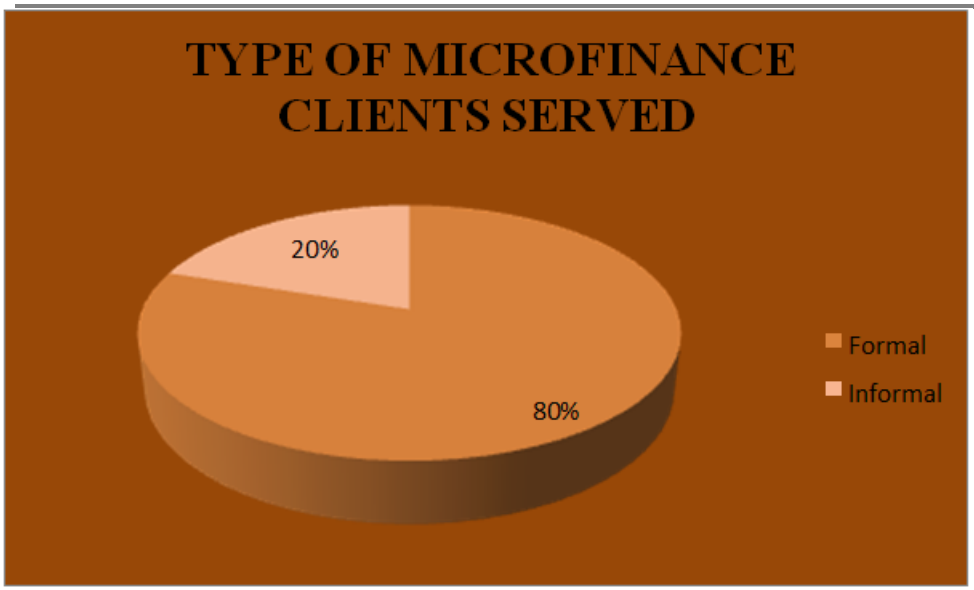


Figure 4.6 Type of microfinance clients s erved

Source: Primary Data

For the ten microfinance institutions surveyed, an eighty - percent of their clients were from the formal sector whilst, only twenty percent were from the informal sector. This suggests that the majority of microfinance institutions prioritize serving clients who are salaried employees, primarily from the formal sector.

Thus, one possible reason for this preference is the lower risk of loan default associated with formally employed individuals who typically have stable and predictable income streams. Many microfinance institutions specialize in payday loans designed to be repaid on specific dates aligned with salary payments. Consequently, formal sector clients have clearly defined pay circles, present a more reliable repayment profile compared to the informal sector ones whose earnings are often irregular and less predictable.

Hence, informal sector individuals are more prone to financial exclusion compared to their formal sector counterparts; therefore, leading to high financial exclusion levels in the rural areas as many individuals are incorporated in the informal sector. This is also within the framework of Mbira et al(2016) stated that the microfinance sector has become a major conduit for the provision of financial services to the poor and the informal business sector who are shunned by the conventional banking system on the basis of being high risk. With sustained rise in unemployment grappling the nation, many people find themselves unable to access the formal banking system whose services have mainly become salary based. In step with Fin Scope Zimbabwe (2022), there was no financial exclusion in the public sector of the government which is formal whilst, that for the informal sector was eighteen percent.

Hence, this concludes the major reason for high financial exclusion levels among the informal sector individuals mainly residing in rural areas, as compared to formal sector individuals and therefore, microfinance service providers are less willing to provide their services to them.

Range of products provided by the microfinance institutions

Among the ten microfinance institutions surveyed, eighty percent of their products consisted of microloans, whilst insurance and remittances accounted for ten percent respectively. Therefore, the product offerings of the microfinance service providers under review were limited to microloans (credit), insurance and remittances, with none offering savings products. Table 4.14 and Figure 4.7 show the range of products being provided by the microfinance institutions under review. Table 4.15 depicts descriptive statistics regarding the range of products being offered by the microfinance institutions under review.

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Table 4.14: Range of products provided by the microfinance institutions under review

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Microloans	8	80.0	80.0	80.0
	Insurance	1	10.0	10.0	90.0
	Remittances	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 4.15: Descriptive statistics regarding range of products being provided by the microfinance institutions under review.

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Range of products provided by the microfinance institutions under review	10	2	1	3	1.30	0.675	0.456
Valid N	10						

Source: Primary Data

With regard to the mean of 1.30, this indicates that the dominant product being offered is microloans, as it was coded 1 in SPSS data analysis but, there is some representation of other products, that is, insurance and remittances. In respect of the standard deviation of 0.675, it depicts some diversity in product offerings, though not widespread. It reflects that most microfinance institutions under review cluster around microloans, with a few outliers offering insurance or remittance services. Lastly, the variance of 0.456 depicts a relatively low variance, confirming that the product offerings are not highly dispersed, thus, the surveyed microfinance institutions mostly stick to core products like microloans.

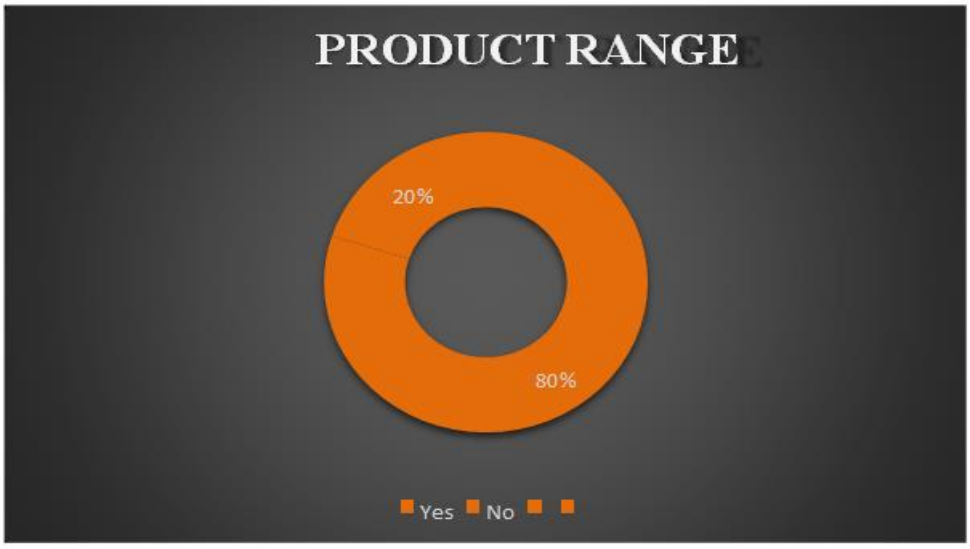


Figure 4. 7 Range of products provided by microfinance institutions

Source: Primary Data

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Challenges faced by MFIs in reaching rural areas

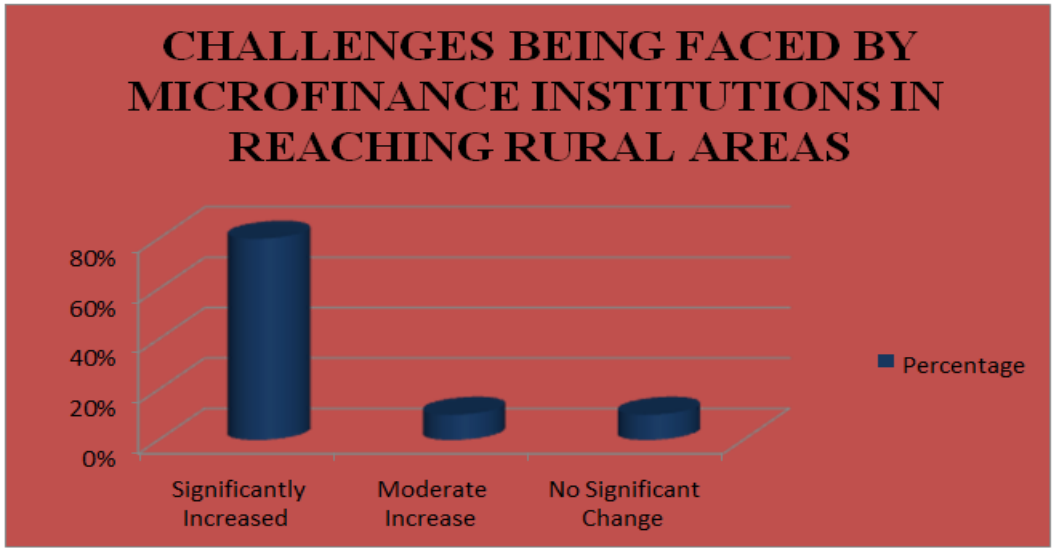


Figure 4.12 Challenges being faced by microfinance institutions in reaching rural areas

Source: Primary Data

Six microfinance institutions identified undercapitalization as the primary challenge in advancing their financial inclusion efforts in rural areas. Three institutions cited high operational costs as the main barrier to expanding their outreach, whilst the remaining institution mentioned other reasons for not establishing a branch in rural areas. This is in consistent with the findings of Mbayisa(2023) stated that eighty-five percent of microfinance institutions relied on personal source of funds while only fifteen percent had access to foreign aid. Hence, microfinance firms‟ ability to expand robustly into rural areas is hindered by lack of access to substantial capital, also negatively affecting their financial inclusion drive. Furthermore, this is also in harmony with Dube et al (2015) who concluded that microfinance firms have failed because they are undercapitalized. Lack of capital has been highlighted as a key factor that hinders the performance of microfinance institutions.

Analysis of the research objectives and research questions with regard to the findings

Rate at which microfinance institutions are promoting financial inclusion in Zimbabwe

The rate at which financial inclusion is being promoted by microfinance institutions under review is shown in Table 4.16 and Figure 4.8 below. Table 4.17 depicts the descriptive statistics for the rate at which the microfinance institutions surveyed are promoting financial inclusion.

Table 4.16:Rate at which microfinance institutions are promoting financial inclusion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very	7	70.0	70.0	70.0
	effective	2	20.0	20.0	90.0
	Effective	1	10.0	10.0	100.0
	Neutral	10	100.0	100.0	
	Total				

Source: Primary Data

Table 4.17: Descriptive statistics regarding the rate which microfinance institutions under review are promoting financial inclusion

		N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Rate at microfinance institutions promoting inclusion Valid N	which are financial	10 10	2	1	3	1.40	0.699	0.489

Source: Primary Data

With regard to the mean of 1.40 obtained in the table above, it is close to 1 coding in SPSS (very effective financial inclusion campaign).This suggests that most microfinance institutions under review undertake thrust efforts to promote financial inclusion, and their campaign is highly successful. Furthermore, the standard deviation of 0.699 shows that whilst most microfinance institutions denoted their financial inclusion campaigns as very effective, the moderate standard deviation depicts that there is some variation, hence, a few of the institutions under review consider their impact to be only effective or even neutral. Lastly, the variance of 0.489 is moderate, confirming some disparity in the effectiveness of the financial inclusion campaign incorporated by the surveyed microfinance institutions.

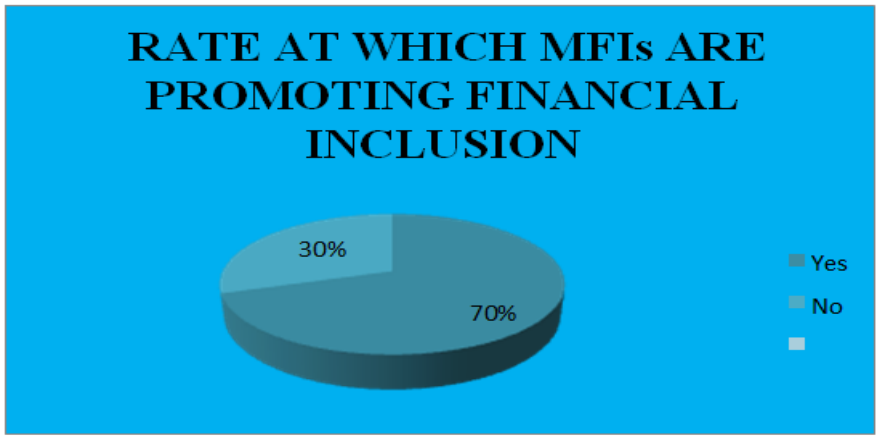


Figure 4.8 Rate at which microfinance institutions are promoting financial inclusion

Source: Primary Data

Out of the ten microfinance service providers interviewed, seven rated their financial inclusion campaigns as very effective; two described them as effective, while the remaining one rated the campaign as neutral. This indicates that microfinance institutions are generally promoting financial inclusion effectively in rural areas.

This also falls in step with the findings of Fin Scope Zimbabwe (2022), which show a reduction in financial exclusion levels in the most remote provinces of Zimbabwe. The financial exclusion levels of the marginalized provinces of Matabeleland South and North dropped from thirty-two to twenty-three percent and thirty-six to twenty-one percent respectively from 2014 to 2022, thus, underscoring a sharp drop in financial exclusion levels in marginalized areas of Zimbabwe; hence, part of the financial inclusion campaign is rooted from microfinance institutions.

Microfinance institutions' programs targeted at tackling financial exclusion

Microfinance institutions‟ programs aimed at tackling financial exclusion‟s data is shown in Table 4.18 and Figure 4.9.Table 4.19 shows the descriptive statistics regarding the microfinance institutions‟ programs aimed at tackling financial exclusion.

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Table 4.18 Microfinance institutions' programs aimed at tackling financial exclusion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	8	80.0	80.0	80.0
	No	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Source: Primary Data

Table 4.19: Descriptive statistics regarding the surveyed microfinance institutions' programs aimed at tackling financial exclusion.

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Microfinance institutions' programs aimed at tackling financial exclusion	10	1	1	2	1.20	0.422	0.178
Valid N	10						

Source: Primary Data

With regard to the mean of 1.20 obtained in the table above, it indicates that most of the microfinance institutions surveyed has programs aimed at tackling financial exclusion. Since the mean is closer to 1(Being coed Yes in SPSS), this reflects a strong inclination towards implementing targeted financial inclusion programs that promote access to financial services to undeserved groups. Furthermore, the standard deviation of 0.422 signifies a low standard deviation, showing that the responses obtained from the institutions are tightly clustered. This confirms consistency in the approach across the surveyed microfinance institutions‟ commitment to financial inclusion. Lastly, the variance of 0.178 is low and supports the interpretation of minimal variability in the responses, indicating agreement among the surveyed microfinance institutions about having programs aimed at tackling financial exclusion.

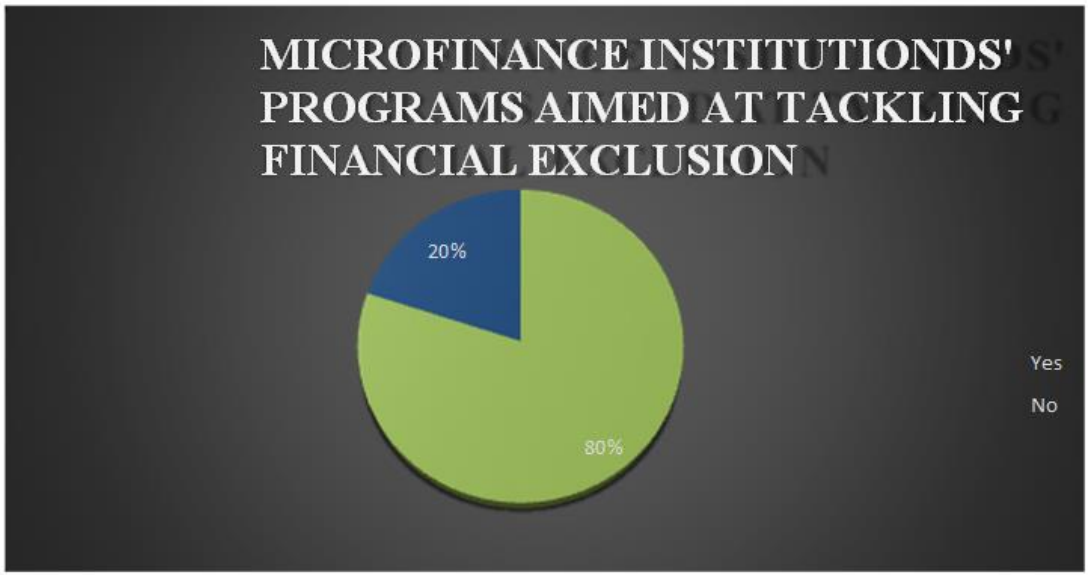


Figure 4.9 Microfinance institutions' programs aimed at tackling financial exclusion

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Source: Primary Data

Eight out of ten microfinance service providers indicated that they have specific programs aimed at addressing financial exclusion, while the remaining two reported having no such initiatives. This suggests that the majority of microfinance institutions in Zimbabwe are actively developing concrete strategies to combat financial exclusion, particularly among the rural population. This also goes along with the findings of the Alliance for Financial Inclusion (2023) which stated that the ZWMB was launched in 2018, and its primary cliental is women. By September 2021, 870000 projects have reportedly been funded, similar to all loans to individual women by nondeposit taking microfinance institutions in 2020.

Thus, this shows that many microfinance institutions in Zimbabwe are developing, incorporating and implementing solid financial inclusion campaigns.

Microfinance institutions which have expanded to rural areas in the last five years

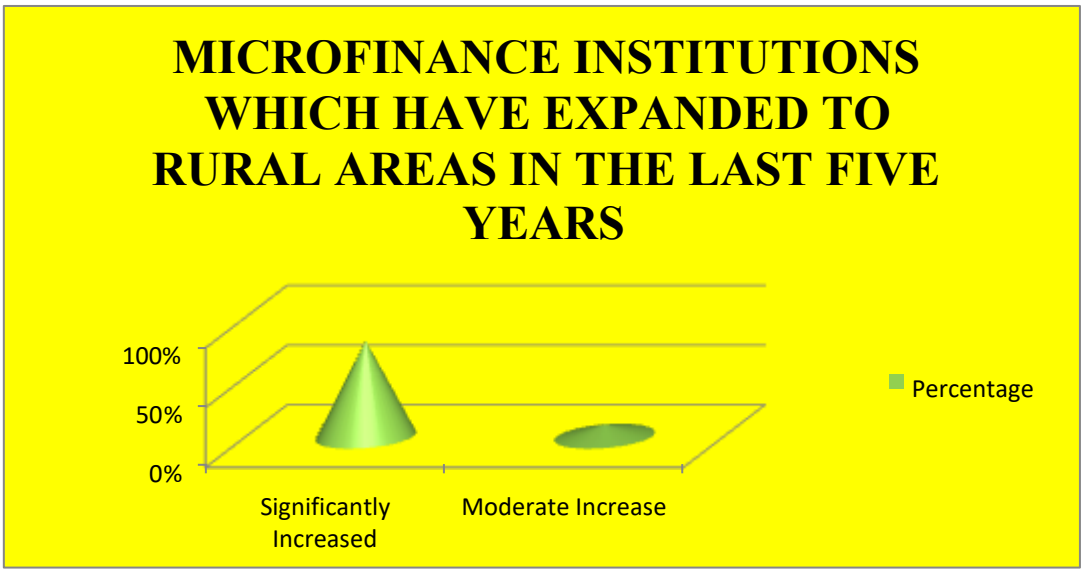


Figure 4.10 Microfinance institutions which have expanded to rural areas in the last five years

Source: Primary Data

Seven out of ten microfinance institutions reported that they have expanded their operations into rural areas over the past five years, whilst the remaining three noted that they did not expand their outreach to rural areas in the last five years. This expansion initiative mainly involved educating the rural population on financial inclusion through the dissemination of financial literacy and providing microloans aimed at supporting micro-projects to help sustain their livelihoods.

This is also in tandem with Alliance for Financial Inclusion (2023) which stated that the ZWMB was launched in 2018 and its primary cliental is women. In partnership with the Zimbabwe Post Office (ZIMPOST), ZWMB agencies also reach rural areas. Furthermore, it also coincides with Chapbook et al (2022) stated that in Zimbabwe, MFIs have shown healthy growth in terms of number of institutions, their branches and assets.

Microfinance institutions are promoting financial inclusion in Zimbabwe and are expanding to rural areas

ased on the data collected from the selected microfinance institutions, seventy percent of the microfinance institutions have expanded into rural areas within the past five years. Additionally, eighty percent reported having specific programs targeted at addressing financial exclusion. Moreover, seventy percent described their financial inclusion initiatives as very effective, whilst twenty percent rated them as effective. Lastly, thirty percent of the microfinance clients served by the surveyed microfinance service providers reside in rural areas,

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a noteworthy development considering the historically high levels of financial exclusion among rural populations in Zimbabwe over the past decade.

Hence, this shows that microfinance institutions are driving financial inclusion in the country, as well as expanding to rural areas, as provided by the data collected from the microfinance service providers. According to the Financial Inclusion Bulletin (2022), a number of financial literacy awareness campaigns were undertaken to increase the level of awareness of financial products and services. These programs included the Global Money Week (GMW) celebrations, financial literacy programs in schools and colleges and participation in women group meetings on financial inclusion and presentations at MSME conferences. Financial inclusion for the rural communities improved from sixty-two percent in 2014 to seventy-nine percent in 2022.Financial inclusion by geographical area indicated that most of the country‟s provinces have made significant progress on the access strand.

Mhlanga (2021) stated that in Zimbabwe at the moment, it is estimated that almost seventy-six percent of Zimbabwean adults are not formally banked which is one of the highest figures in the world over. It was highlighted that seventy-six percent of adults who are not formally (financially) active in the financial sector are people living in the rural areas. Mhlanga (2020). Thus, although this is partially true, financial inclusion has improved and increased robustly in Zimbabwe, in particular the rural areas. The Financial Inclusion Bulletin(2022) states that Sutton Financial Services disbursed 300 new loans to smallholder sugarcane farmers in Chiredzi who are excluded in the mainstream banking due to lack of the requisite collateral required by conventional providers of financial services. Hence, through thrust financial inclusion campaigns being undertaken by various microfinance institutions across the country, microfinance institutions are promoting financial inclusion in Zimbabwe and also expanding to rural areas.

Microfinance institutions are expanding geographically

Based on the data collected from the surveyed microfinance institutions, seven out of ten reported having expanded their operations into rural areas. This clearly indicates a trend of microfinance institutions extending their services to undeserved rural communities of Zimbabwe.

This also conforms to the findings of Fin Scope Zimbabwe(2022) which show a decline in the financial exclusion levels in the rural areas, that is, from twenty-eight percent in 2014 to six percent in 2022.According to Reserve Bank Of Zimbabwe(2023) the total number of branches in the microfinance sector increased over the quarter from 887 as at 30 June 2023 to 1063 as at 30 September 2023.The increase was due to branch network expansion by some institutions and an increase in the number of microfinance institutions during the review period. Furthermore, the financial exclusion levels for the remote provinces of Matabeleland North and Matabeleland South provinces declined from thirty-six percent in 2014 to twenty-one percent in 2022 for Matabeleland North and from thirty-two percent in 2014 to twenty-three percent for Matabeleland South province (Fin Scope Zimbabwe)2022.

This is also in congruent with the Financial Inclusion Bulletin (2022) which stated that Micro Plan Financial Services (Pvt) Ltd is conscious of the need to ensure that the rural population has access to financial services and to this end, is expanding its well-crafted agency model to all major growth points to provide service to rural clients. Hence, although Zimbabwe does still high financial exclusion levels as compared to other countries, microfinance service providers are undertaking thrust financial inclusion campaigns to reduce this gap. With respect to the findings of the various authors and of the data collected, microfinance institutions are indeed expanding their outreach geographically across rural areas of Zimbabwe.

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Funding increase to SMEs and unbanked individuals

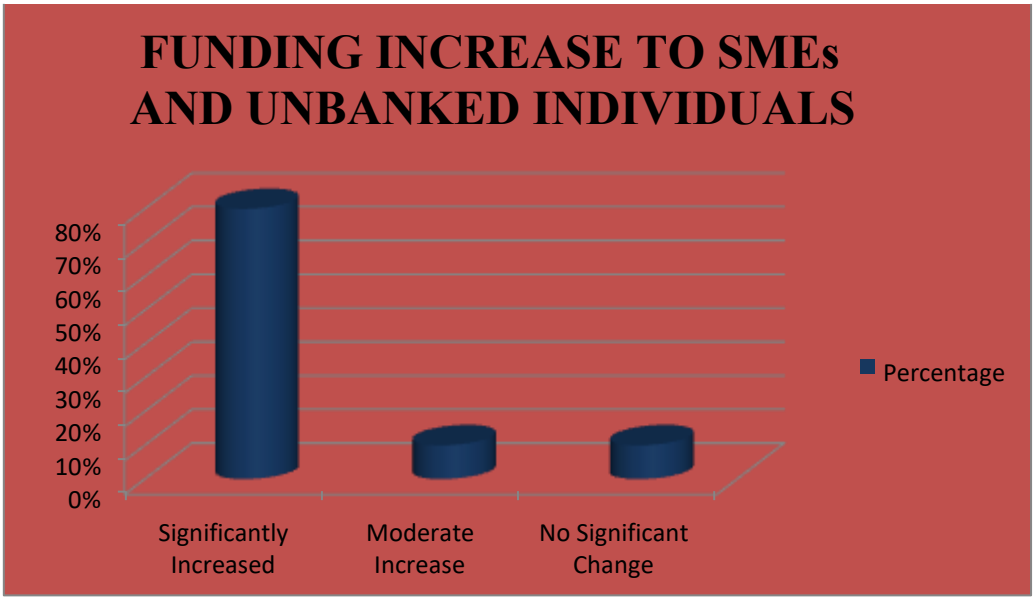


Figure 4.13 Funding increase to SMEs and unbanked individuals

Source: Primary Data

With respect to the surveyed microfinance institutions, eight reported a significant rise in loan disbursements to small and medium enterprises (SMEs) excluded from the traditional banking services. One institution indicated a moderate increase while the other reported no notable change.

Hence, this is in line with the findings of Reserve Bank Of Zimbabwe(2023) which stated that the microfinance industry registered a 13.96% increase in total loans over the quarter from $ZWL418.37 billion dollars as at 30 June 2023 to $ZWL476.79 billion dollars as at 30 September 2023.The average loan size per borrower marginally increased from $ZWL1.4 million as at 30 June 2023 to $ZWL1.85 million as at 30 September 2023.The number of loans disbursed to MSMEs increased from 13461 in September 2022 to 94670 in September 2023.The nominal value of these loans increased from $ZWL39.9 million dollars in September 2022 to $ZWL387.1 million dollars as at 30 September 2023, (Reserve Bank Of Zimbabwe)2023.

Therefore, microfinance institutions are increasing their funding levels to marginalized individuals and small to medium enterprises excluded from the mainstream financial services sector.

Microfinance institutions are increasing funding to financially marginalized individuals and small to medium enterprises

With regard to the data collected from the surveyed microfinance institutions, eight microfinance service providers reported a significant increase in loan disbursements to small to medium enterprises excluded from the traditional banking services, as well as marginalized individuals. One institution noted moderate increase while the remaining one indicated no significant change.

Thus, this corresponds to the findings of Reserve Bank Of Zimbabwe(2023) which stated that the microfinance industry registered a 13.96% increase in total loans over the quarter from $ZWL418.37 billion dollars as at 30 June 2023 to $ZWL476.79 billion dollars as at 30 September 2023.The average loan size per borrower marginally increased from $ZWL1.4 million as at 30 June 2023 to $ZWL1.85 million as at 30 September 2023.The number of loans disbursed to MSMEs increased from 13461 in September 2022 to 94670 in September 2023.The nominal value of these loans increased from $ZWL39.9 million dollars in September 2022 to

$ZWL387.1 million dollars as at 30 September 2023, (Reserve Bank Of Zimbabwe) 2023.Financial Inclusion Bulletin (2022) states that Virl Microfinance disbursed working capital loans to small holder farmers.

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Hence, this contemplates increase in funding by microfinance institutions in the country to small to medium enterprises and marginalized individuals excluded from the mainstream banking sector. Thus, with regard to the data collected from the surveyed microfinance institutions and various authors‟ findings, microfinance institutions are indeed increasing funding to financially marginalized individuals and small to medium enterprises.

The Government of Zimbabwe is taking up measures to enhance success of microfinance institutions in achieving financial inclusion

Regarding the government‟s efforts in promoting financial inclusion through microfinance institutions in Zimbabwe, two of the surveyed institutions highlighted the implementation of the National Financial Inclusion Strategies 1 and 2 as a key initiative. Additionally, two institutions pointed to the relaxation of Know Your Customer (KYC) requirements as a major government driven enabler of financial inclusion. Three institutions cited the establishment of state owned microfinance banks, Empower Bank and Zimbabwe Women‟s Microfinance Bank (ZWMB) as significant steps. The remaining three institutions mentioned partnership with the Ministry Of Finance as a strategic move by the government to support microfinance institutions in addressing financial inclusion in the country.

This also agrees with Financial Inclusion Bulletin (2022) which states that the Reserve Bank Of Zimbabwe has taken a strategic approach to economic development by championing the development of the National Financial Inclusion Strategy 2, which brings together diverse stakeholders including financial sector regulators, financial service providers in the banking and pensions, capital markets, development institutions, mobile network operators and government ministries. To coordinate financial inclusion efforts and facilitate full participation of various stakeholders in the financial inclusion activities, ten thematic working groups have been established to spearhead targeted action plans to ensure not only access to but increased usage of a wider array of financial services among the marginalized and target groups, Financial Inclusion Bulletin (2022).

Thus, implementation of the National Financial Inclusion Strategy 2 by the government is enhancing performance of microfinance institutions in tackling financial exclusion across the country‟s marginalized areas. Furthermore, the surveyed microfinance institutions‟ responses also goes along with the findings of Barugahara(2021) stated that the simplified KYC requirements for low income groups and the financial inclusion strategy commissioned by the Reserve Bank Of Zimbabwe are hoped to promote financial inclusion. Hence, a lot of marginalized individuals living in the rural areas of the country are being financially included, owing to the simplified KYC requirements.

With regard to the establishment of the Zimbabwe Women‟s Microfinance Bank (ZWMB), Alliance for Financial Inclusion (2022) states that the ZWMB was launched in 2018 and its primary cliental are women. In partnership with the Zimbabwe Post Office (ZIMPOST), ZWMB agencies also reach rural areas. By September 2021, 870000 projects have been reportedly been funded. Thus, establishment of the microfinance bank has helped fuel the financial inclusion fire across the rural areas of Zimbabwe.

Hence, although financial exclusion levels across Zimbabwe are still quite significant, the government has done substantial efforts in reducing financial exclusion across the remote and marginalized areas of Zimbabwe through partnership with several microfinance institutions across the country and enacting regulations favoring the financial inclusion drive expansion.

Therefore, the Government of Zimbabwe is taking up measures to promote financial inclusion across the country through robustly assisting the microfinance institutions.

Microfinance institutions are the key to achieving financial inclusion in Zimbabwe

Out of the ten microfinance institutions surveyed, eight strongly agreed that microfinance institutions are essential to achieving financial inclusion in Zimbabwe whilst the remaining two agree to this view. This consensus aligns with the positive responses reported by these institutions, including expanding their

geographical outreach across Zimbabwe, increasing funding too small to medium enterprises and marginalized rural population, and also maintaining a substantial proportion of their client base in rural areas.

This is also evidenced by the findings of the Reserve Bank Of Zimbabwe (2023) which stated that the total microfinance sector loans were $ZWL476.79 billion dollars as at 30 September 2023, up from $ZWL418.37 billion dollars as at 30 June 2023.This notable growth was attributed to increased demand for loans by micro, small to medium enterprises as well as low income households seeking to supplement their disposable incomes. The total number of branches in the microfinance sector increased over the quarter from 887 as at 30 June 2023 to 1063 as at 30 September 2023.The increase was due to branch network expansion by some institutions and an increase in the number of registered microfinance institutions during the review period, RBZ (2023).The financial inclusion levels for the most remote provinces in the country also improved, with respect to thrust financial inclusion campaigns by microfinance institutions.

According to Fin Scope (2022) the financial exclusion level for the rural populace in Zimbabwe decreased from twenty-eight percent in 2014 to sixteen percent in 2022.The financial exclusion level for the most remote and financially marginalized provinces of Matabeleland North and South decreased from thirty-six and thirty-two percent in 2014 to twenty-one and twenty-three percent in 2022.

Thus, microfinance institutions are achieving financial inclusion robustly across many dimensions, that is, expansion of their outreach geographically, increasing funds provision for marginalized small to medium enterprises and individuals and also increasing and incorporating various financial inclusion campaigns across the marginalized areas of the country.

Hence, microfinance institutions are indeed the key to achieving financial inclusion in Zimbabwe.

Inter-correlation of items

The inter-correlation of items reflects the relationship between each independent variable and the dependent variable focusing on the direction, strength (magnitude) and statistical significance of these relationships. Spearman‟s rho correlation test was applied.

Table 4.20 Inter-correlation of items

			Financial inclusion	Gender	Income	Age	Education Level	Product range	Locality	Type of microfinance clients served
Spearman‟s rho	Financial inclusion	Correlation Coeffic ient Sig.(2tailed) N	1.000 10	0.986** 0.000 10	0.724* 0.018 10	0.802** 0.005 10	1.000** 10	0.818** 0.004 10	-0.077 0.832 10	0.807** 0.005 10
	Gender	Correla tion Coeffic ient Sig.(2tailed) N	0.986** 0.000 10	1.000 10	0.687* 0.028 10	0.781** 0.008 10	0.986** 0.000 10	0.759* 0.011 10	-0.217 0.546 10	0.764* 0.010 10

	Income	0.724*	0.687	1.00	0.77	0.72	0.792*	0.00	0.787	
	N	0.018 10	* 0.028 10	0 10	9* 0.00 8 10	4* 0.01 8 10	* 0.006 10	0 1.00 0 10	** 0.007 10	
	Age	Correla tion Coeffic ient Sig(2- tailed) N	0.802 ** 0.005 10	0.78 1** 0.00 8 10	0.77 9** 0.00 8 10	1.00 0 10	0.802* * 0.005 10	0.75 8* 0.01 1 10	-0.203 0.575 10	0.753* 0.012 10
	Educatio n	Correla tion Coeffic ient Sig(2- tailed) N	1.000 ** 10	0.98 6** 0.00 0 10	0.72 4* 0.01 8 10	0.80 2* 0.00 5 10	1.000 10	0.81 8** 0.00 4 10	- 0.077 0.832 10	0.807** 0.005 10
	Range Of Products	Correla tion Coeffic ient Sig(2- tailed) N	0.818 ** 0.004 10	0.75 9* 0.01 1 10	0.79 2** 0.00 6 10	0.75 8* 0.01 1 10	0.818* * 0.004 10	1.00 0 10	0.178 0.622 10	0.994** 0.000 10
	Locality	Correla tion	-0.77	- 0.21	0.00 0	- 0.20	-0.077	0.17 8	1.000	0.100
		Coeffic ient Sig(2- tailed) N	0.832 10	7 0.54 6 10	1.00 0 10	3 0.57 5 10	0.832 10	0.62 2 10	10	0.784 10
	Type Of Microfin ance Clients	Correla tion Coeffic ient Sig.(2tailed) N	0.807 ** 0.005 10	0.76 4* 0.01 0 10	0.78 7** 0.00 7 10	0.75 3* 0.01 2 10	0.807* 0.005 10	0.99 4* 0.00 0 10	0.100 0.784 10	1.000 10

Correlation is significant at the 0.01 level (2-tailed) Correlation is significant at the 0.05 level (2-tailed)

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Interpretation of the results:

Gender of microfinance clients

The Correlation Coefficient is 0.986 and Sig. (2-tailed) of 0.000 was obtained. This contemplates a very strong relationship between gender of microfinance clients and financial inclusion, with regard to the microfinance service providers under review. The significance value (p=0.000) is below 0.05, indicating the correlation is statistically significant.

Income range of clients

The Correlation Coefficient of 0.724 and Sig. (2-tailed) of 0.018 were obtained, thus, resembling a strong positive correlation between income and financial inclusion, and the result is also statistically significant, with regard to the microfinance service providers under review.

Age

A Correlation Coefficient of 0.802 and Sig. (2-tailed) of 0.005 was obtained, hence, contemplating existence of a strong positive relationship between age and financial inclusion.

The result is significant ($p<0.05$).

Education

A Correlation Coefficient of 1.000 and Sig. (2-tailed) of 0.000 were obtained, suggesting a perfect positive correlation. It is also statistically significant.

Range of products

A Correlation Coefficient of 0.759 and Sig. (2-tailed) of 0.011 were obtained, resembling a strong and significant relationship between product range and financial inclusion.

Type of microfinance clients

A Correlation Coefficient of 0.872 and Sig. (2-tailed) of 0.002 were obtained, resembling a very strong and statistically significant positive correlation.

Direction and magnitude

For all the independent variables tested for correlation with financial inclusion using the Spearman‟s rho method, a positive direction was obtained. The magnitude was also strong for all the variables.

Chapter Summary

This chapter presented and analyzed the data collected from the surveyed microfinance institutions with respect to their role in promoting financial inclusion in Zimbabwe. The following chapter is dedicated to summary, conclusions and recommendations.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The previous chapter provided a detailed and comprehensive analysis of the data gathered from the surveyed microfinance service providers in relation to the evaluation of the task of microfinance institutions in achieving financial inclusion in Zimbabwe. With regard to interpreting the numerical data obtained through questionnaires and interviews with the surveyed microfinance institutions‟ management, a quantitative approach was applied using statistical analysis. The findings revealed a significant level of geographic outreach to rural and

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marginalized areas by the microfinance institutions under review and robust financial inclusion campaign with regard to serving financially populations residing in rural areas.

This chapter builds upon the findings obtained in the preceding chapter by discussing their broader implications, with respect to the role of the microfinance sector in enhancing financial inclusion in Zimbabwe to the undeserving and marginalized groups. It also outlines potential policy recommendations rooted from the research insights and also proposes areas for further academic inquiry.

Summary of major findings

The study findings with regard to the preceding chapter clearly demonstrates that the microfinance sector in Zimbabwe is playing an active and strategic role in promoting financial inclusion, with a strong emphasis on extending outreach to rural communities. This commitment is evidenced by seventy percent of the surveyed microfinance institutions indicating that they have dedicated programs specifically aimed at addressing financial exclusion. Additionally, seventy percent of these institutions rated their financial inclusion initiatives as highly effective.

Further supporting promotion of financial inclusion by microfinance institutions in the country, a significant proportion of the surveyed microfinance service providers, seventy percent in particular, confirmed that they have expanded their operations into rural areas to better serve previously underserved populations. Moreover, eighty percent of the surveyed institutions reported an increase in credit disbursements targeted at marginalized individuals and small to medium enterprises.

Evaluation of the role of microfinance institutions in promoting financial inclusion in Zimbabwe

With regard to the role of microfinance institutions in expanding the financial inclusion campaign in Zimbabwe, particularly in scaling up their outreach to the marginalized areas of Zimbabwe, seventy percent of the surveyed microfinance service providers have expanded to rural areas within the last five years. Furthermore, eighty percent of the microfinance institutions under review reported having specific programs targeted at addressing financial exclusion, hence, aimed at incorporating financially excluded individuals, especially those residing in rural and marginalized areas of Zimbabwe.

Lastly, thirty percent of the microfinance clients served by the surveyed microfinance institutions reside in rural areas, hence, signifying a noteworthy development considering the historically high levels of financial exclusion among the rural population of Zimbabwe over the past decade.

Evaluation of the geographical distribution of microfinance institutions and analysis of their level of outreach to rural communities in Zimbabwe

With regard to the data collected from the surveyed microfinance institutions, seven out of ten reported having expanded their operations to rural areas. This clearly indicates a trend of the microfinance sector extending their services to underserved populations and rural communities of Zimbabwe. Furthermore, with respect to strengthening their outreach level to the rural populace of Zimbabwe, eighty percent of the surveyed microfinance institutions reported having specific programs targeted at addressing financial exclusion in rural areas, thus, signifying expansion of their heightened outreach level to undeserved rural communities in the country.

Assessment of the extent to which microfinance institutions are increasing funding for individuals and small enterprises excluded from traditional banking services

With respect to the extent to which the microfinance sector is increasing funding for individuals and small enterprises excluded from the traditional banking services, eighty percent of the surveyed microfinance service providers reported a significant increase in loan disbursements too small to medium enterprises excluded from the traditional banking services, as well as marginalized individuals.

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Achievement of rural financial inclusion by microfinance institutions

With respect to whether microfinance institutions are achieving rural financial inclusion in Zimbabwe, seventy percent of the surveyed microfinance institutions reported having expanded into rural areas within the past five years. Additionally, eighty percent of the microfinance service providers under review denoted having specific programs targeted at addressing financial exclusion, particularly with relation to incorporating the rural population into the mainstream financial services. Lastly, thirty percent of the microfinance clients served by the surveyed microfinance service providers reside in rural areas, signifying a noteworthy development considering the historically high levels of financial exclusion among the rural population in Zimbabwe over the past decade.

Measures being put in place by the Government of Zimbabwe to enhance success of microfinance institutions in achieving financial inclusion

With regard to the efforts and measures being undertaken by the Government Of Zimbabwe to strengthen the success of microfinance institutions in achieving financial inclusion, two of the surveyed microfinance institutions highlighted the implementation of the National Financial Inclusion Strategies 1 and 2 as key initiatives in scaling up ability of microfinance institutions in undertaking thrust financial inclusion campaigns. Additionally, two of the surveyed microfinance institutions pointed out the relaxation of Know Your Customer (KYC) requirements as a major government driven enabler in financial inclusion drive being incorporated by microfinance institutions.

Furthermore, three microfinance institutions cited establishment of state owned microfinance institutions, Empower Bank and Zimbabwe Women‟s Microfinance Bank (ZWMB) as significant steps. The remaining three institutions mentioned partnership with the Ministry Of Finance as a strategic move by the government to support microfinance institutions in addressing financial exclusion in the country as a bold step in enabling microfinance institutions in achieving financial inclusion.

Microfinance institutions are the key to achieving financial inclusion in Zimbabwe

With regard to the achievement of financial inclusion in Zimbabwe, all the surveyed microfinance institutions denoted that the microfinance sector is key to achievement of financial inclusion in the country, thus, with eight of them strongly agreeing to this notion.

Conclusion

In conclusion of the research, with regard to the findings obtained from the surveyed microfinance institutions, the microfinance sector in Zimbabwe is actively promoting financial inclusion in the country particularly with respect to incorporating the marginalized population with access to financial services. However, factors like a sharp contrast in education levels between rural and urban populations, in favor of the urban dwellers, the bulk of the rural population being incorporated in the informal sector and having lower incomes compared to their urban counterparts are deterring the microfinance sector in the country from strengthening its financial inclusion campaign in rural areas. Furthermore, microfinance institutions in the country are also expanding their outreach geographically, as well as increasing loan disbursements to undeserving and marginalized individuals and small to medium enterprises.

Recommendations

With regard to improving the ability of microfinance institutions in achieving financial inclusion, particularly with respect to reaching marginalized and rural area, the microfinance sector may partner with international donors, development agencies and other investors to access long-term financing, in order to counter the undercapitalization hindrance. Hence, sufficient funds enable microfinance service providers to expand their geographical outreach and incorporate the marginalized population into the mainstream and formal financial system. Furthermore, microfinance institutions can also expand their product range to better suit the needs of the rural and marginalized population, for example, provision of microloans and agro-finance products which

financially include rural and marginalized individuals, as well as sustaining their livelihoods. Additionally, microfinance service providers can also use agent banking models to extend their outreach to rural areas without setting up expensive branches.

On top of that, microfinance institutions can also collaborate with the Government of Zimbabwe, taking into account the National Financial Inclusion Strategy 2, in disseminating financial literacy to undeserving individuals in rural areas so as to intensify their awareness on financial inclusion. Lastly, microfinance institutions in the country can elect a committee to oversee the implementation of the National Financial Inclusion Strategy 2 as it aligns with increasing financial inclusion efforts in the country, particularly in areas, geographical expansion to rural areas and increase in loan disbursements to undeserving and marginalized small to medium enterprises and individuals.

Suggestions for further studies

Further research might focus on a comparative analysis across provinces in Zimbabwe, hence, the role and performance of microfinance institutions in promoting financial inclusion across the ten provinces of Zimbabwe. Thus, this thoroughly examines the major reasons behind the remote provinces of Zimbabwe failing to achieve financial inclusion thoroughly and measures which can be put in place to expand financial inclusion to these remote provinces of the country.

Summary

Chapter five presents a detailed analysis on an evaluation of the task of microfinance institutions in achieving financial inclusion in Zimbabwe. The results show that microfinance institutions are achieving financial inclusion in the country, particularly with regard to incorporating the financially excluded rural and marginalized individuals in the formal financial stream. Furthermore, the results also show that microfinance institutions are expanding geographically and extending their outreach to rural areas, as well as increasing funding for the marginalized and financially undeserving individuals and small to medium enterprises. The Government of Zimbabwe is scaling up efforts to create an ideal environment for the microfinance sector to enhance its financial inclusion campaign. Lastly, the chapter also strengthens the notion that the microfinance sector is the ideal candidate for promoting financial inclusion in Zimbabwe.

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APPENDICES

APPENDIX A: Research letter from university

MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES Stair Guthrie Road P. Bag 7001

Mutare **Mutare**

Zimbabwe

Department Of Applied Accounting Scienecs

To whom it may concern

From: Researcher

Ref: Data collection permission

I am conducting a research on an evaluation of the task of microfinance institutions in achieving financial inclusion in Zimbabwe. A case study of selected microfinance institutions from 2024-2026 and have based my research on your organization as a pivotal financial inclusion conduit in Zimbabwe.

All data collected will be used for academic purposes only

Your cooperation is greatly appreciated

For any further clarification, do not hesitate to contact my supervisor Mr. L Mudzengerere

Contact Number +263775621579

Email:liberty.mudzengerere@staff.msuas.ac.zw

Yours Sincerely

Researcher

Signature……. Contact Number +263775621579

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APPENDIX B

Research Project Questionnaire

Research Topic: An evaluation of the task of microfinance institutions in achieving financial inclusion in Zimbabwe. A case study of selected microfinance institutions.

Dear Participant,

I am conducting a research on the role of microfinance institutions in achieving financial inclusion in Zimbabwe as part of the requirements for the completion of my studies. I kindly request your participation in this study by taking your valued time respond to this questionnaire. Your insights and experiences are highly valuable and will contribute significantly to the success of this research. Be assured that all information will be treated with utmost confidentiality and will be used solely for academic purposes.

Section A: Background of Microfinance Clients and the Microfinance Service Provider.

Name of Microfinance Institution.....

Number of clients handled .....

Demographic Information:

1. What is the typical age range of your clients?

   18-25 ☐ 26-35 ☐ 36-45 ☐ 46 and above ☐

2. What is the gender distribution of your clients?

   Male ☐ Female ☐

3. What is the primary area of residence of your clients?

   Urban ☐ Peri-Urban ☐ Rural ☐

4. What is the highest level of education attained by most of your clients?

   None ☐ Primary ☐ Secondary ☐ Tertiary ☐

5. What are the common employment categories of your clients?

   Formal ☐ Informal ☐ Other ☐

6. What is the average monthly income of your clients?(United States Dollars)

Below $200 ☐ $200-$500 ☐ $500-$1000 ☐ above $1000 ☐

Section B: Financial Inclusion, Role and Reach of Microfinance Institutions.

7. How would you rate your institution‟s role in promoting financial inclusion in Zimbabwe?

Very Effective ☐ Effective ☐ Neutral ☐ Ineffective ☐

8. Does your institution have specific programs to target financially excluded populations?

Yes ☐ No ☐

9. What proportion of your client base resides in rural areas?

0-25% ☐ 26-50% ☐ 51-75% ☐ 76-100% ☐

10. What challenges do you face in reaching rural communities?

High operational costs ☐ Undercapitalization ☐ Other

11. What types of financial services do you offer?

☐ Savings ☐ Insurance ☐ ☐ Microloans ☐ Remittances

12. Has your microfinance institution expanded its reach to rural areas in the last 5 years?

Yes ☐ No ☐

13. Has your funding or loan volume to SMEs and unbanked individuals increased over the past 3 years?

☐ 14. Yes No ☐

Section C: Microfinance Financial Inclusion, Funding Increase And Government Drive In Financial Inclusion.

15. Do you believe MFIs are effectively achieving rural financial inclusion in Zimbabwe?

Yes ☐ No ☐

16. To what extent have MFIs increased funds provision to SMEs and marginalized rural population?

17. Significantly ☐ Moderately Increased ☐ Increased Decreased

No Significant Change ☐

18. What measures has the Government Of Zimbabwe implemented to support MFIs in driving financial inclusion?.....
.....

19. What additional support can the Government Of Zimbabwe put in place to enhance MFIs‟ role in achieving financial inclusion in Zimbabwe?.....

.....

.....

20. Do you believe microfinance institutions are the key to achieving financial inclusion in Zimbabwe?

Strongly ☐ Agree ☐ Disagree ☐ Agree Strongly Disagree ☐

APPENDIX C

Research Project Interview Guide

Research Topic: An evaluation of the task of microfinance institutions in achieving financial inclusion in Zimbabwe. A case study of selected microfinance institutions.

1. What client segments do you primarily serve?
2. In your view, how has your institution contributed to promoting financial inclusion in Zimbabwe?
3. What specific services or programs does your institution offer to financially excluded populations?
4. How do you ensure these services are accessible and beneficial to low-income or marginalized groups?
5. What percentage of your clients would you estimate are located in rural areas?
6. What challenges do you face in expanding services to rural or remote communities?
7. Are there any notable efforts you have implemented in rural outreach?
8. Has your funding or loan volume to SMEs and marginalized individuals increased in recent years?
9. Are MFIs in Zimbabwe, including your own, achieving meaningful rural financial inclusion?
10. What policies or measures has the Government of Zimbabwe implemented to support MFIs, with respect to financial inclusion?

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11. What additional steps should the government take to improve the sector‟s impact on financial inclusion?

12. In your opinion, are microfinance institutions the key driver of financial inclusion in Zimbabwe?