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DEPARTMENT OF BANKING AND FINANCE

**AN EVALUATION OF THE ROLE OF MICROFINANCE INSTITUTION
PROGRAMS IN PROMOTING FINANCIAL INCLUSION IN ZIMBABWE: A CASE
STUDY OF FBC MICRO PLAN IN HARARE**

BY

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APPROVAL FORM

The undersigned affirms that they supervised the student on the dissertation entitled, ‘AN EVALUATION OF THE ROLE OF MICROFINANCE INSTITUTION PROGRAMS IN PROMOTING FINANCIAL INCLUSION IN ZIMBABWE’, CASE STUDY OF FBC MICROPLAN IN HARARE, submitted in partial fulfillment of the requirements of the Bachelor of Commerce in Banking and Finance (honors) Degree.

STUDENT

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SUPERVISOR

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DEDICATION

A special dedication to my parents and relatives for their unwavering support, love and constant encouragements, in reminding me to always believe in myself and above all to pray as well as trust in God.

THE ABSTRACT

This Dissertation explains Financial Inclusion as a continuous discovery and access to a wide range of financial services in a more convenient and affordable manner. The study presents an analysis to the contribution of Microfinance programs in promoting financial inclusion in Zimbabwe, the case study of FBC Micro Plan Harare in Zimbabwe. Since, it is more often that low income earner's groups are those ones that lack access to financial services; financial programs have emerged as a public policy instrument to promote financial inclusion in Zimbabwe. This Dissertation focuses on evaluating the contribution of microfinance programs in promoting financial inclusion in Zimbabwe. In the Dissertation the research questions were informed by relevant literature, with relation to microfinance and financial inclusion. The line of enquiries were done using Google questionnaires link via emails and WhatsApp platform as well as sending physical questionnaire to financial service provider or Microfinance institution called FBC Micro Plan, FBC Micro Plan clients and the marginalized group. This research administered **48** questionnaires to microfinance personnel, clients, potential customers and policy makers based in Harare, and **45** out of **48** questionnaires were returned with complete responses. The comments of service providers, clients and the financially excluded group were analyzed using descriptive statistics in form of SPSS data tables. The participants in this study **60%** were male and **40%** respectively were females. The research findings managed to explain **R^2 of 0.909** which means the factors cited in this study explained **90.9%** of the variations that are taking place on microfinance financial inclusion, the remaining percentage variation (**9.1%**) is explained by stochastic variables which the study did not capture. The results obtained from microfinance included the need for a wide range of financial services particularly savings as well as the enhancement to financial literacy. The research study passes concerns to this particular study by stretching into giving recommendation and areas for further research. This research study focuses its implications to Policy makers, financial service providers and the financially excluded.

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ABBREVIATIONS AND ACRONYMS

MFI	: Microfinance Institutions
RBZ	: Reserve Bank of Zimbabwe
SMEs	: Small and Medium Enterprises
Fintech	: Financial Technology
FI	: Financial Institutions
KYC	: Know Your Customer

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Microfinance is a credit provider for those clients which has failed to get access to bank loans due to failure of providing adequate requirements as instructed by the bank. As a result, this has stimulated the increase in the establishment of microfinance institutions in the finance sector. Poverty reduction has been a key objective of development policies and programs, including microfinance programs. At the same time, this provision of microcredit in form of loans to the low income earners has dominated the microfinance globally. Microfinance institutions have been viewed to possess the highest possibility of achieving financial inclusion. This chapter gives the background of study, the statement of the problem, research questions, objectives of the study, purpose of study, the delimitation of study, limitation of the study and summary.

1.1 Background to the study

For the last few decades, the banking industry has evolved tremendously with technological advancement which has brought about the improvement in the banking transactions. According to (Hulme and Mosley, 1996), poverty reduction has been a key objective of development policies and programs, including microfinance programs. There has been a greater improvement to areas relating to financial profitability, competitiveness and viability. Despite, concerns has been raised on the issue of banks who have failed to include the whole portion of population particularly in developing countries. The scope of financial inclusion goes beyond offering banking services only, stretching to other financial services like insurance, equity products and pension products.

The banking sector is classified in a number of categories as tabulated below in **fig 4.1** and each type of financial institution is essential in facilitating the financial flow of funds through its activities. Below shows the architecture of the Zimbabwean banking sector as published by the Reserve bank of Zimbabwe (RBZ) as at 31 March 2022.

Fig 1. The Architecture of the banking Sector

Type of institutions	Number
Commercial bank	13

Merchant bank	10
Building Society	5
Savings bank	1
Microfinance institutions	179

*Source: 31 March 2022 Bank Supervision Division Banking Sector-RBZ
(www.Rbz.Co.Zw>BLSS >2022)*

1.2 Statement of the problem

Globally, there has been a concern to financial exclusion of some portion of the population especially in developing countries like Zimbabwe as they try to eradicate poverty. The banking institutions are well known for providing financial services to customers including the provision of credit based loans. Due to the fact that banks have failed to provide services for the whole population emanating from their credit requirements regulatory restrictions for a client to qualify for a loan causing the marginalised group to suffer from financial exclusion. As a result, provision of microfinance programs was brought to attention as a public instrument to cater for the poor income groups lacking access to financial service so as to facilitating financial inclusion. . The RBZ noticed that microfinance operations in Zimbabwe are sharp-cornered in the provision of lending for the purpose of consumption at the cost of proving funding for productive sector, which resulted in crowding out of small and medium enterprises. Microfinance, globally has assumed the promotion of financial inclusion through offering credit based loans in providing access to the underserved population which in turn stimulates the creation of employment. Therefore, the research seeks to find the role played by microfinance programs in improving financial inclusion.

1.3 Purpose of the study

The aims of financial inclusion is to encourage sustainable development and create employment that is through the establishment of more financial institutions which seeks to include and provide services to a vast population especially to rural areas. The loophole of banks failure to serve the whole population stimulated the establishment of microfinance so as to cater for the people who have failed to qualify in accordance with the banking requirements in accessing loans. The goal of financial inclusion focused in making sure that

everyone is provided with full access to financial tools thereby eradicating high poverty levels and improving standards of living.

1.4 Research objectives

This study is guided by the following research objectives:

- i. To find the programs offered by Microfinance institutions and its effectiveness in promoting financial inclusion.
- ii. To determine the feasibility of accelerating financial inclusion through the integration of microfinance with mobile banking.
- iii. To find solution to facilitate the acceleration of financial inclusion.

1.5 Research Questions

This study is guided by the following research questions:

- i. What are the programs offered by Microfinance institutions and how effective are they in promoting financial inclusion?
- ii. Is the integration of mobile banking and microfinance feasible to improve financial inclusion?
- iii. What are the measures put forward to encourage the acceleration of financial inclusion?

1.6 Significant of study

To the university

The importance of the research to university is that it serves as an added value to the existing information in the library. The students will be provided with wide information and knowledge relating to this particular area of study as well as for reference purpose.

To the Microfinance institution

The output of the study helps in unpinning teachings which finance institution promote in serving the underserved and marginalized population areas. The study also helps in shifting the people perspectives in Zimbabwe about microfinance that is that, there are regarded as loan sharks.

To the Policy Makers

The importance of the research to regulatory authorities is that they facilitate in the improvement of financial services operations since they are responsible for making policies as well as standardizing microfinance operations in this country.

1.7 Assumptions

The researcher in the study assumed that all respondents will cooperate effectively in providing all necessary views, issues as well as opportunities required in carrying out the study. The researcher assumed that the data collected will be error free. The researcher also assumed that the methods to be used as a measure will portray accurate results.

1.8 Delimitation of the study

This research study aims at establishing the contribution of microfinance programs in promoting financial inclusion and did not look at the financial services provided. The research targeted those microfinance institutions located in Harare only. The researcher chose this course of study in curiosity of the topic and wanted to improve the professional standards by revealing certain findings.

1.9 Limitation of the study

Access to information

The limitation of this research study was access to information, in that most of the Microfinance institutions fear of breach of confidentiality such they are not willing to disclose their information. The research dealt with this challenge by working with the published annual and quarterly reports.

Lack of finance

Lack of funds to carry out the study for instance transport cost to extract information from marginalized people who do not have advanced resources like online platforms and as well as transaction costs for online questionnaires to microfinance institutions and clients so as to complete the study was also a limitation to the study.

Time

Another limitation encountered was the failure of the participants to attend to the questionnaire in time simply because of emergence meetings coming up such that they had to delay attending to the questionnaires first but rather attending those after they are done thus delaying the completion of the project.

1.10 Definition of key terms

Microfinance

Microfinance institution in accordance with Microfinance Act [chapter 24:29] means accompany whose microfinance business includes deposit-taking microfinance business.

Financial inclusion

Financial inclusion is concerned with making financial services accessible, affordable, and available to all economic participants, with a focus on the under privileged, small businesses and the destitute as explained by Sarma & Pais (2011).

1.11 Chapter Summary

This chapter highlighted the basic understanding of the study area in the introduction and showed the importance of carrying out the research and also the current nature of the financial sector of Zimbabwe. The chapter also stretched into discussing the background of study, research problem statement being the main agenda of carrying out this research and then proceeded to research questions, research objectives, research purpose, assumption, delimitation of study, limitation of study and finally the definition of key terms.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter looks at the review of literature in the study. It focuses on the theoretical framework adopted in the study, and dwells deeply into the various programs offered by microfinance institutions at a global, regional and national level. The chapter also looks into the integration of microfinance with mobile banking and looks at some of the advantages and disadvantages of this integration. In addition this section also constitutes of a section on the effectiveness of micro finance programs in achieving financial inclusion. It also contains information on the solutions to accelerate microfinance and the conceptual framework and also empirical framework of the study. The chapter concludes with the chapter summary.

2.1 Theoretical Framework

2.1.1 Financial liberalization theoretical front

The relationship between microfinance and financial inclusion can be clearly understood from a theoretical perspective by looking at the theoretical front of financial inclusion. Financial liberalization is the process of freeing up a nation's financial system, according to Odhiambo (2010). It can also be described as the process of letting the market decide who gets credit and at what interest rate. The neo Keynesian viewpoint, which maintained that interest rates should be kept low to promote capital expansion, predominated the literature on finance and growth prior to the 1960s. Ronald McKinnon and Edward Shaw posed a theoretical challenge to the prevailing position in 1973. They described the financial system of emerging markets as “controlled” or “financially repressed”. Their fundamental argument was that economic financial repression led to “distortions of financial prices, particularly interest rates and foreign exchange rates (Fry, 1995). The combination of high taxes, interest rate regulations, and government involvement in the credit-allocation process, in other words, results in financial repression and reduces the depth of the financial system as well as the efficiency with which savings are transferred (Sen and Vaidya, 1997).

2.1.2 Financial reform

Financial reform advocates contend that financial deregulation tends to increase domestic private savings to income ratios (Ghosh, 2013). Financial liberalisation generates significant

economic benefits due to more effective domestic saving mobilisations, financial depth and financial resources allocation. According to Ronald McKinnon and Edward Shaw, policies including low and controlled interest rates, selective credit management, and concessional lending practices, among others, resulted in pervasive financial repression in emerging nations. Inefficient resource allocation, increased market segmentation, and financial disintermediation in the banking sector are all effects of a financial market system that is under pressure (Macchiavello, 2017). The basic argument of McKinnon-Shaw thesis' is that low or negative real interest rates discourage savings, which reduces the amount of loanable capital in an economy.

Financial liberalisation's primary objective is to build a stronger, more dependable and more effective financial system that can support the growth of the private sector. Overall, financial liberalisation is expected to foster long term development and growth (Macchiavello, 2017). Financial liberalization allows emerging nations to lessen their over-dependence on foreign capital flows while boosting domestic growth and savings. Financial liberalization proponents assert that by utilizing a wide range of institutions, mechanisms, and goods, liberalized financial markets enable a more diversified and specialized intermediation between savers and borrowers.

Additionally, it allows money to flow more freely to where it may be invested most profitably, which is in assets with better risk-adjusted returns (Milana & Ashta 2020). Under financial liberalization, the "invisible hand" of the financial market is intended to function similarly to other markets by effectively matching supply and demand (Kaul, 1999). The "invisible hand," according to Kaul (1999), is able to determine who wants to save and/or lend, for what reasons, and who wants to borrow, and on what circumstances. Therefore, financial liberalization boosts savings, increases the effectiveness with which resources are distributed across various investment projects, and consequently, accelerates economic growth (Adeola & Evans 2017)

Financial liberalization, according to Odhiambo (2010), has eight main components, including the following: i) the removal of credit controls; ii) the deregulation of interest rates; iii) free entry into the banking sector; iv) bank autonomy; v) private ownership of banks; vi) the opening up of the domestic financial market to foreign capital flows; vii) the removal of exchange controls; and viii) the removal of any barriers to the entry of foreign banks. Governments, businesses, and regular people alike are becoming more and more persuaded of

the significance of financial inclusion and its contribution to national economic progress. However, according to Brown, Guin, & Kirschenmann, (2016), it is sometimes unclear and even confusing how financial inclusion may affect macroeconomic growth and inequality. Clarity regarding the connections between financial inclusion and economic growth and income distribution is crucial for formulating efficient public policies and putting strategies in place that will maximize social welfare for a nation's citizens, as well as for making the case that financial inclusion is desirable.

2.1.3 Dissatisfaction Theory of financial inclusion

This theory argues that the financial inclusion program should firstly be targeting on those people who were previously included but for some reasons or issues encountered and got dissatisfied and eventually left out the financial service sector. From this perspective, the theory stretches to emphasize the need of including first, only those members who previously have been their clients. The reasons which might have caused the client dissatisfaction include the client long hours of waiting in the queues to withdraw money, fraud, theft as well as taking long hours for a payment to clear. The advantage of the theory is that, it makes a big attempt to address the problem of voluntary financial inclusion. The theory makes it easy to point out those previously included into the formal financial sector from other financially excluded. Moreover, according to this theory no funds needed. What is only required is the necessary skills and abilities to persuade the members to come back and join the system. However, this theory does not account for other financially excluded.

2.1.4 Village banking model

Srinivas (2022) eluded that, in this model village banks are community-based credit and savings association. They typically consist of 25 to 50 low-income individuals who are seeking to improve their lives through self-employment activities. Initial loan capital for the village bank may come from an external source, but the members themselves run the bank: they choose their members, elect their own officers, establish their own by-laws, and distribute payment and savings. Their loans are backed, not by goods or property but by moral collateral: the promise that the group stands behind each individual loan. The village banking model closely related to the community banking and group model. This model is widely adopted and implemented by FINCA

2.2 Conceptual Framework

Financial inclusion

2.2.1 Overview of financial inclusion in Zimbabwe

The architecture of the financial services in Zimbabwe was structured to with a complement of 19 banking institutions which consisted of 13 commercial banks, 5 building societies and 1 savings bank (POSB). Since 2004, one institution has been under temporary judicial control and six have been placed under liquidation (Mago, 2013). People's faith and trust in the official financial system was severely damaged as a result of the government's efforts to promote financial inclusion. When banks and institution go through closure, sometimes depositor's money is never retrieved. This has been the case with those institutions under liquidation. This wipes away all the faith in the citizens of the country and hence defeats the purpose of financial inclusion.

Several programs to cement financial inclusion efforts have been implemented since the National Financial Inclusion Strategy (NFIS) was introduced in March 2016. The Ministry of Small-to-Medium Enterprises (MSMEs) under this overall strategy is focusing on product offering, product diversification, financial literacy, consumer protection, opening of low-cost bank accounts, microinsurance, and increased participation of lower income groups on the capital markets as these are the areas that the NFIS identifies as being of priority. The four pillars of Zimbabwe's NFIS are microfinance, financial innovation, financial literacy, and financial consumer protection (Mago, 2013).

However, the success of these pillars depends on a variety of factors, such as a favorable economic climate, institutional cooperation and political commitment, suitable infrastructure, data accessibility, and supportive legislative and regulatory frameworks (Makuyana, 2016). The increased accessibility of financial products is a sign of the progress made as a result of the NFIS activities. According to statistics on payment systems published by the central bank, Zimbabwe had a high rate of mobile phone penetration.

Fig.2.2.1 Banking sector performance report 2022

Type of Institution	Number
Commercial Banks	13
Building Societies	5
Savings Bank (POSB)	1
Total Banking Institutions	19
Other Operational Institutions Under the Supervision of Reserve Bank	
Credit-only-MFIs	179
Deposit-taking MFIs	8
Development Financial Institutions (SMEDCO, IDBZ, IDCZ and AFC Land & Development Bank)	4
Total Other Institutions	191
Total Number of Institutions	210

Source: Banking sector performance report 2022

The goal of the NFIS which ended in 2020 was to improve access to financial services of women. In Zimbabwe, women are largely excluded from official financial services, according to the NFIS 2016 report, while making up the majority (51.9%) of Zimbabwe's 13.1 million people (Makuyana, 2016). Since women make up the majority of Zimbabwe's population, the Fin scope Survey of 2012 also found that 57% of business owners were female. Therefore, without removing obstacles to women's access to financial services, financial inclusion in Zimbabwe cannot be realized (Mago & Chitokwindo, 2014). Seventy percent (70%) of Zimbabweans live in rural areas, according to the Fin scope Survey of 2014, while only 23% of rural residents have official banking accounts, compared to 46% of urban residents.

2.2.2 History of microfinance

Microfinance, according to Mader, (2016), is the process of proving financial services, including loans, insurance, and savings, to individuals with low income, including those who are self-reliant. Since the 1970s, microfinance has become widely accepted in both developed and developing countries as a means of advancing financial inclusion and growing microbusinesses (Mushtaq & Bruneau, 2019) The initial focus of microfinance was on giving low-income people microloans. According to Elzahi Saaid Ali, (2022), the breadth of microfinance activities has expanded to such an extend of including variety in financial services being provided to low-income groups, including loans, insurance, deposits, and remittances. The idea of microfinance enables those in developing nations who are most in need to receive financial services outside of the established banking sector.

Financial institutions that follow traditional methods of operating are hesitant to offer financial services to the impoverished because of failure in employing collateral arrangements to make up for the lack of client information and ensure good loan payback. If there is no available security, banks will not make loans. Mader & Morvant-Roux (2019) claimed Dr Muhammed Yunus as the founder of microfinance institution in 1983, that is the Grameen Bank and was one of the first and most victorious pioneers in this new paradigm. They engaged in cooperative lending with shared guarantees, which promoted rapid loan repayment. This made the Grameen Project viable.

Banks give underprivileged households in Bangladesh hundreds of thousands of microloans. Although this financing of those with limited access has been largely successful, by regarding microfinance as an important tool in the development machinery has often resulted in losing the actual course Sierra & Rodriguez-Conde (2021). In some areas, there has been success, but there have also been a number of failures, mostly as a result in failing to understand the strategic direction and context.

A variety of institutional structures, including individual moneylenders, credit unions, village banks, and financial cooperatives, as well as more formal organizations like state-owned banks for SMEs, are all part of the long history of microfinance. A range of actions must be taken so as to attain financial inclusion by providing microfinance. The objective has to do with identifying the impoverished and their requirements for microloans (Mader & Morvant-Roux 2019). Overall, it is essential to determine who should benefit from microfinance programs that are for the poor if the goal is to reduce poverty through the creation of micro-enterprises. What have donors done, and do the poor only require credit or do they also have other financial needs?

2.2.3 Microfinance Programs

Microfinance institutions are more developmental oriented providing credit to the marginalized on a more flexible basis. Microfinance institutions offer a number of programs and packages which help increase the financial inclusion goals of the government and most communities (Mader & Morvant-Roux 2019). One of the programs offered by the institutions includes group loans. These are given to groups and usually have a high amount. These loans target low income earning entrepreneurs with very small enterprises providing capital for their increase in operational capacity. The group members are the ones who provide

guarantee for each other. This is different with big financial institutions which require formal guarantors as well as collateral.

Another program offered by Microfinance institutions is agriculture loans. The clientele for the microfinance institutions are mostly rural or low earning and these are mainly involved in agriculture (Mago & Chitokwindo, 2014). The loans are used to purchase important inputs such as fertilisers, livestock and equipment which will be used to produce and when the produce is sold, the proceeds are used to repay the loan Elzahi Saaid Ali, (2022). In additions, microfinance institutions also offer insurance. Some of these institutions in a bid to cover the needs in the developing communities in which they work hence introduce packages like insurance. These includes credit, disability and funeral insurance that helps reduce the financial stress of meeting major and unexpected expenses that arises in the household.

In addition, some of the micro institutions offer money transfer services. The microfinances because of their presence in the communities unlike major banks take advantages of that money transfer services. More so, they also offer saving account services. Savings help clients build a cushion against hard times (Mader & Morvant-Roux 2019). They can also serve as a nest egg for education, medical care, major life milestones, old age, business expansion and other long-term goals.

2.2.4 Integration of microfinance with mobile banking

The collaboration of mobile communication technology and financial services has served as a stimulus for financial inclusion and made this possible. For instance, the 2014 Zimbabwe Consumer Survey (ZCS) report by FinScope shows that a growth in the use of mobile money platforms caused the proportion of adults accessing formal financial services to rise from 38% in 2011 to 69% in 2014. Furthermore, the data shows that from 40% in 2011 to 23% in 2014, the proportion of adults who are financially excluded declined. Such a rise in access to financial services spurs economic activity throughout the nation, including in disadvantaged areas, and gives it a boost for economic development. The combination of financial services and mobile technology made this possible. Technology and financial innovation in Zimbabwe have made it possible for remittances to flow smoothly, which is a key source of income, liquidity, capital, and investment for the nation.

Mobile financial and banking services offer great potential to improve financial inclusion of the poor through inclusive financial services, particularly digital payment services (Gutierrez and Singh, 2013). In combining financial institution and mobile phone service providers

allows more accessibility of financial services, meaning that, through their establishment at local retail outlets in those areas where there is no existence of banking branches and these areas could be the likes of Binga where other road and infrastructure network has not yet progressed such as of those in big cities.

In developing nations, particularly among the unbanked population, mobile remittance, microfinance, and micropayment services are likely to accelerate the rise of mobile banking. Shankar, (2013). Branchless banking, according to Hudon, Labie & Szafarz (2019), has a huge potential to provide access to financial services for the poor who are not currently served by typical bank branch networks. Additionally, mobile banking reduces the cost of delivery, which includes costs for users to travel and wait in line to receive services as well as costs for microfinance institutions to construct and maintain delivery channels. Financial services can now be accessed at neighbourhood retail establishments in places without bank branches thanks to the cooperation of mobile phone service providers and financial institutions.

Mobile money service providers can reduce the cost of carrying out a transaction and increase ability of accessing formal financial services for low-income and poor groups (Chakrabarti & Sanyal, 2016). In contrast to providing as an extra method of money access for people who already have bank accounts, some research have questioned the degree to which the use of mobile banking services are really being used by customers who previously did not have access to regulated bank services (Lopez & Winkler, 2018). Financial services are now available to people who were previously underserved thanks to mobile technology. In order to ensure that microfinance spreads in a sustainable way and continues to meet the needs of the unbanked, mobile service providers should collaborate (Hussaini & Chibuzo, 2018).

2.2.5 Effectiveness of microfinance programs in achieving financial inclusion

Microfinance has a significant impact on the country's development especially in the marginalized areas. It serves as a vaccine against poverty for those who reside in rural areas. Its goal is to support economically disadvantaged communities in achieving higher levels of wealth development and income security for both households and entire communities (Hussaini & Chibuzo, 2018).. The most important function of microfinance in India is to provide small business owners with access to money. As was already said, microfinance in India offers access to loans, and savings accounts.

By providing them with loans, the microfinance concept focuses on women as well. It serves as a tool for the empowerment of low-income women because as they gain independence, they can immediately improve the lives of their families and challenge all forms of gender inequality (Chakrabarti & Sanyal, 2016). The poor households in rural and urban areas, as well as women, are the main focus of microfinance. Regarding the minimum and maximum sums that can be loaned, the Reserve Bank of India does not impose any restrictions.

It is necessary to give the impoverished people credit for preserving the usual disparity between their income and expenses. Additionally, it is essential to the impoverished for income-generating activities like investing in small-scale self-employment projects like marginal farms. Because of resource constraints and the structure of formal credit organizations, their access to formal banking channels is limited. According to Hudon, Labie & Szafarz (2019) as a result of meeting the credit needs of the poor, microfinance institutions and self-help organizations in India are influencing other traditional banking channels. It has greatly improved the standard of living for the underprivileged.

Credit is important to the poor people for maintaining the common imbalance in between the income and their expenditure. Additionally, it is essential for the poor to engage in income-generating activities like purchasing marginal farms and other small-scale businesses. A lack of resources and the nature of formal credit institutions limit their access to conventional banking channels (Chakrabarti & Sanyal, 2016). Because they are supplying the need for credit to the poor in India, microfinance institutions and self-help groups are influencing other traditional banking channels. It has significantly improved the poor people's quality of life.

The informal sector is primarily targeted through microfinance. There is historical evidence that suggests microfinance has aided the economically disadvantaged in building workable enterprises, increasing income, and lessening their sensitivity to shocks from the outside world. Additionally, it has been a powerful tool for empowering the economically underprivileged groups, particularly women, to achieve economic independence and act as change agents (Barugahara, 2021). This money made from business operations goes toward increasing household income, business activity expansion, food security, children's education, healthcare, and other things.

Participating in microfinance programs has benefits such as easier access to improved nutrition, increased consumption, and smoothing of consumption. Here, stability is the

economic reward rather than money (Hudon, Labie & Szafarz 2019). The high payback rates are evidence of the satisfaction microcredits have brought. Therefore, microfinance almost always has a favorable overall impact. Consequently, microfinance has several benefits and is a crucial instrument in the fight to end the cycle of poverty.

2.6 Strategies that can be used to accelerate financial inclusion

2.6.1 Credit registry

Availability of comprehensive and simple credit information is a huge barrier to financial inclusion. Information on credit worthiness of borrowers is very critical for banks and MFIs. There is need for the central bank to come up with a registry that has the information of every borrower and their credit. The availability of credit information improves credit risk management processes of banks and MFIs and enable them to lower cost of credit for low risk clients as well as reduce incidences of over indebtedness, thus promoting financial inclusion. According to Barugahara, (2021), the availability of a credit registry also forces the borrower to try to have a clean credit trail which is important for future lending and this will also reduce defaulters thus decreasing lending risk. In a situation of reduced credit risk, MFIs will also reduce their stringent KYC requirement hence it will be easy for the rest of the people to get access to financial services.

2.6.2 Deposit taking microfinances

Legislation in the majority of the developing countries where MFIs are growing, inhibits deposit taking by MFIs as a security measure since they are deemed to be less proficient in handling people's deposits compared to commercial banks. In developed countries all the finance institutions are deposit taking and there are very few MFIs. Following the gazette of the Microfinance Act in 2013, there is provision for registration of deposit-taking microfinance institutions (microfinance banks). In January 2015, the Reserve Bank issued the first deposit-taking microfinance license (Barugahara, 2021). Microfinance institutions are expected to enhance provision of financial services to low income groups since they can now create money through deposits.

2.6.3 Mobile Banking

Mobile banking is one of the most successful solutions that can lead to increased financial inclusion in a country. In the developed countries like Canada, mobile and internet banking are actually the order of the day because of the development of their fintech industry which is efficient and more secure for handling large volumes of transactions (Mago & Chitokwindo,

2014). A perfect integration of the mobile industry and banking system is an easy avenue to financial inclusion. In Africa and Zimbabwe in particular, banks are increasingly using alternate channels of delivery. Zimbabwe has experienced phenomenal growth in the usage of mobile phones to access financial services. Mobile banking has created opportunities for every cellphone owner to access financial services

2.6.4 Simplified KYC

Know Your Customer (KYC) are mandatory requirements in most developing countries. These are mainly put in place to avoid defaulting from customers. By carrying out customer due diligence and identity verification, the risk of unwittingly working with people or organisations involved in illegal activity or money laundering are minimized (Makina, Chiwunze & Ndari, 2014). Stringent KYC's are key to some communities who might not have the required documents and requirements in place. This means that those without Identity cards and proof of residence or employment are not included simplified risk-based KYC requirements to facilitate opening of bank accounts by low income groups.

2.6.5 Point of Sales in supermarkets

There has been a sustainable growth witnessed we have witnessed in agent banking in the industry particularly in the use of Point of Sale devices which are located at local retail shops and other merchants as well as automated teller machines (ATMs) which allows a customers to access their bank accounts for transaction and payment services through the use of debit cards (Barugahara, 2021). The number of ATMs is even more than the number of branches. The inclusion of point of sale units in the supermarkets increases the access of the majority of the people to banking services as they do their day to day shopping.

2.7 Empirical Literature

Popper (1976) argued that theory should precede observation. In other words, information and findings recorded from past observations of financial inclusion practices helps in analyzing the gap of the study as well as other author's findings and improvements.

Financial inclusion as a national strategy

Sanderson (2018, p1) discovered that, in the investigation of the role of financial inclusion in the economic and financial discourse, where Zimbabwean government commissioned the national financial inclusion strategy. The main goal of the study concentrated on the determinants of financial inclusion in Zimbabwe. This study established that education, age,

financial literacy, internet connectivity and income are positively related to financial inclusion. Contrary, there is a negative relationship to financial inclusion between the documentation requirements for opening up bank accounts and the distance to the nearest point to financial inclusion. Mid-Term Monetary Policy statement issued on 11 August 2022, showed that an improvement has been made regarding financial inclusion strategy which was being run concurrently by the MSME and Consumer FinScope Survey. John P. Mangudya explained that the results for both surveys showed that notable progress has been made towards closing the financial exclusion gap among the vulnerable groups.

Impact of microfinance on poverty alleviation

Microfinance institution have provided products to assist in poverty, the problem the poor people who are located in rural and urban areas have not yet been reached and provided with financial services and also the fact that these services and products are expensive for them such that people are increasingly being sank in more poverty Chakatsva (2012) . Mustafa, Elsadig and Santhi (2019) carried out an investigation on the impact of microfinance programs on monetary poverty reduction. In their study they used the Foster, Geer and Thorbecke (FGT) model to evaluate the role of microfinance programmes in poverty reduction. As a way of gaining more insight to the impact of program, a preliminary analysis using the sample *t*-test was used to examine the difference in the welfare indicators for the sample of the control group and treatment group as well as that of the small loan group and micro loan group. The findings showed that the microfinance program provided by SMFIs has reduced the monetary poverty among the participants. The result also reviewed that the beneficiaries who had received a larger volume of loan size. The results demonstrated that poverty indices based on expenditures welfare indicates are for lower than those based on income for both groups.

Financial inclusion in geographical remote areas

Most rural household have no access to financial credit. According to Zimstat (2011:6) only 12 percent of rural adults have or use commercial banking products. In addition, Zimstat (2021:8) showed that 65 percent of Zimbabwe's population live in rural area and only 35 percent are settled in urban areas. According to Disha bhanot et al (2012) in the investigation to find the factors which are essential in determining the extend of financial inclusion in geographically remote areas. The factors contributing to financial inclusion were found using a logistic regression model. The results presented that the level of financial inclusion in

north-east India remains very low. Income, financial information from various channels and awareness of self-groups (SHGs), and education is influential factors leading to inclusion. Nearness to post office banks increases the likelihood of inclusion. Factors like area terrain and receipts of government benefit individually do not facilitate inclusion.

2.8 Microcredits as means of gaining access to financial services

Microcredits are short term loans provided by many kinds of financial institutions to those underserved people as a result of failing to meet with bank requirements to obtain access. These institutions are intermediaries dedicated to the reallocation of monetary means from agents with surplus funds to those in need of additional funds, Bystrom (2014, p.20). Nowadays, there are microfinance institutions providing microloans to Small and medium enterprises and by doing so SMEs business can boost ability to infrastructural development and employment creation thus improving living standards of people.

Financial inclusion through microcredit

As eluded by Islam et al (2015), through microcredit, many poor people are able to provide assets for themselves improve their consumptions and in most cases are able to mitigate the effect of household shocks. The international journal of entrepreneurship and innovation (2017), investigated of impact of microcredit on employment generation and financial inclusion which was carried forward using regression analysis as well as models like institutional theory. Findings suggested that for microcredit to have the desired impact on the MSEs in terms of generation of adequate employment there is the need for FNGOs to consider loan that have flexible repayment terms coupled with loan amount which meets the operational need of MSEs. In addition accessibility of microcredit should be improved as well as the cost of it.

Financial technology and financial inclusion

Financial technology is one of the financial improvements factored as a driving force for financial accessibility especially in developing countries' business. Billmartin (2020) carried out an investigation sought out to address the issue of financial technology and credit usage among small and medium enterprises in Kenya. In carrying out the study, three theories were used namely transaction cost theories, theory of reasoned action as well as the unified theory of acceptance and use of technology with the help of inferential statistics. The findings showed that credit requested from digital lenders affected credit usage significantly.

Furthermore, the number of branches against agents of FinTech available was found to be strong determinant of credit usage among SMEs operating in Kisumu CBD.

Mobile banking

Mobile banking has been defined by Tobbin, (2012:96) as the delivering of financial services via mobile devices such as mobile phone. (Singh and Srivastava, 2018) argued that mobile banking services have been considered to be the highest value-adding and important mobile ecommerce apps, thus banking has injected more resources to mobile banking and have regarded them to be one of their first top strategic priority. (Zhu et al, 2022) carried an investigation concerning existing technology designs, including mobile banking which were used by rural communities in China. The findings showed that interpersonal and mass communication channel have a greater influence than organizational communication channel. Mobile banking examination also reflected its essential in helping to reduce failure to the accessing of financial goods and financial infrastructure in rural areas. Mobile banking explains accounts accessing and information, completing payments and the provision of a reconciliation statement by customers using their smart phones rather than the use of papers to complete the transactions.

2.9 Research Gap

Despite the fact that, literature has brought about justice to the discussion of a lot of issues regarding financial inclusion in developing countries like Zimbabwe. Different authors have discussed and investigated variables relating to the research study but none have carried an investigation concerning this particular research on the contribution of financial programs in improving financial inclusion. Therefore this research study is of paramount importance in evaluating the degree of financial inclusion that can be achieved through microfinance programs as well as conforming reasons for financial exclusion together with providing policy makers to information that could be necessary in improving regulatory policies.

2.10 Chapter Summary

This chapter focused at the review of literature on the importance of MFIs on financial inclusion. The study contains literature on the various programs that are offered by the MFIs as well as the integration of the MFIs with mobile banking and its feasibility and impact on financial inclusion. The literature review section above also contains the various ways in which financial inclusion can be achieved as well as the history of MFIs and the concept of financial inclusion in depth.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter will concentrate on the research methodology used in assessing impact and effectiveness of Microfinance program in promoting financial inclusion. It will proceed into outlining the research design, population and sample, research instruments, data collection procedures and summary.

3.1 Research Philosophy

A research philosophy is a belief which support a certain way of how data should be gathered, analysed and used about a phenomenon. There are four main trends of philosophies used by authors in distinguishing and discussing namely positivist research philosophy, interpretivist research philosophy, pragmatist research philosophy and realistic research. Philosophical worldviews drawn in business study propose that the objectivism with a realistic approach is a foundation to academic research on financial inclusion, Sapre, (2016). In this research study, both the positivist and interceptive philosophy will be appropriate as the research requires the qualitative aspect through carrying out interview and questionnaires and the results obtained will then be useful in converting figures in quantitative model and hypothesis in evaluating financial inclusion. On the same note, qualitative and quantitative philosophical information is of importance in trying to arrive to decisions which will be used by different groups including policy makers and microfinance.

3.2 Research approach

A research approach is a plan and procedure that consist of the steps of road assumptions, to detailed methods of data collection, analysis and interpretation. Inductive research which is consistent with qualitative research was used in the study, as it focused on gaining an understanding of events that humans attach meaning to and a close understanding of the research context, as well as is more flexible in its structure to allow for emphasis on different aspects of the research in order to move away from generalization, and allow the researcher to be immersed in the research process. In addition, a deductive research approach in this research study as it focused in the examination of relationships between variables, highly

structured research as well as a selection of sample size that are sufficient in size in order to generalise conclusions.

3.3 Research strategy

According to Remenyi et al (2003), Research strategy provides the overall direction of the research including the process by which the research is conducted. On a similar note, Saunders et al (2009) explained that appropriate research strategy has to be selected based on the research questions and objectives the extend of existing knowledge on the subject area to be researched, the amount of time and resources available, and the philosophical underpinning of the researcher. There are many research strategies including quantitative and qualitative, descriptive, analytical and applied research strategy that are used in a research. In this research study, interpretivist or qualitative research strategy was used which going hand in hand with interviews, questionnaires and focus groups however specifically for this study questionnaires and interviews were used.

3.5 Research Design

Cooper and Schindler, (2003:146) defined research design as a plan for obtaining workable results from your research, on which you can base justifiable conclusions. In other words, a research design provides direction on how the project is going to be carried out. There are different types of research designs namely descriptive, explanatory, conclusive and casual research designs. Research design also should provide relevant information that would most and efficiently and effectively address the research questions. On the same note, Robson (2002) explained that descriptive research portrays an accurate profile of a person, events or situations. In this research study, a descriptive survey design was used and concentrated on achieving a full and correct description of circumstances with high accuracy. This research design was the most appropriate one since it is qualitative in nature and the objectives of the study is to establish the effectiveness of Microfinance programs in achieving financial inclusion. The good part of qualitative approach is also that researcher captures directly, experience and opinions of the service providers and clients. Quantitative approach is used to portray the data statistically since qualitative brings subjectivity as well as enhancing full understanding of the research study.

3.6 Target population and Sampling

According to Cooper and Schindler (2008), population refers to the collection of elements about which we wish to reference. Target population is the total focused number of people

that the sampling might be drawn on. In this research the target population was the Microfinance institution in Harare, the marginalized people as well as some clients.

3.6.1 Sampling

Sampling is a process whereby a researcher chooses his or her sample. The type of sampling used in the research study is a probability sampling specifically stratified sampling. Blumberg and Scooper, (2014) went on to explain that a census is feasible when the population is small and necessary when the elements are quite different from each other.

3.7 Stratified sampling

The stratified sampling is adopted when there are different types of groups of the population which are linked by interest to the population and study. In this case the area of passion was contributed by potential customers, Microfinance personnel, policy makers and clients.

3.7.1 Sample size

In trying to determine and reach into a justified sample size King (2010)'s view on O'Conor, (2011) was taken into consideration when he explained that if a target population is small then in that case a sample size of between 10 percent and 30 percent is a representative of the whole population. The researcher used 15 percent of sample size in accordance with King (2010).

Table 3.1 The Sample Composition

Group	Target population	Sample size	Sample as a %
Bank/Microfinance personnel	80	12	15
Microfinance clients	110	17	15
Marginalized clients	125	19	15

Source: Author

3.8 Source of Data

The source of the data refers to where the information is being taken from and there are two ways in which data can be collected that is the primary and secondary sources. In order to obtain full information the researcher used both primary and secondary data as explained below.

3.8.1 Primary Data

Primary data is the use of data obtained for the first time. Focus group and questionnaires can be used to collect data but in this research study the researcher used questionnaires and Interviews to obtain information. The benefit of using primary data is that the researcher is able to control quality of the data since it is taken from the sources. However, primary data can be time consuming since it involves the researcher having direct interaction with the respondents and primary data is costly to attain due transport cost incurred to reach the source.

3.8.2 Secondary Data

Secondary data is the information which was previously gathered and evaluated provided from other sources like Library textbooks, newspapers, internet and electronic journals. The researcher in carrying out the study made use of secondary data obtained from RBZ publications, monetary statements as well as articles

3.9 Research instrument

The research instrument which was used in carrying out this study to collect primary data was through the use of interviews and questionnaires. Interviews are regarded semi-structured and should have both open and closed ended questions. The questionnaires were administered and distributed electronically and physically to enhance effective retrieval of information from different groups and classes.

3.9.1 The Interviews

Face-face interviews are the most suitable research instrument used to carry out a research as they full access to non-verbal response which involves the use of facial expressions which helps the researcher to understand better. Interviews also enhance better clarity of information to the researcher since there is a room to ask questions with immediate responds thereby increasing accuracy of the information to be obtained.

The use of interviews gives clarification of information where the interviewee misunderstood the question asked by the researcher. There is more information obtained through face to face interaction and better understanding of facial expression of the researcher with the interviewee. Interview allows the researcher to ask more questions through interaction between the researcher and interviewee beyond the questions ones prepared. However, when carrying out an interview, Interviewee are not given enough time to research and respond to

what they are being asked but to go with the flow hence respondents may give incorrect information.

3.9.2 The Questionnaires

Questionnaire refers to the collection of questions which were carefully designed in the exact form to a group of individuals so as to obtain specific information relating to the researcher's area of interest. Questionnaires give the participants willingness to give all information because of anonymity and they are more objective since their responds are collected in a standardized manner. There is uniformity in the way the questions are asked as well comparable answers discovered. Additionally, questionnaires gives participants more time to go through the questions provided and understand them fully before providing answers. However, the clients may give incorrect information as a result of misinterpretation of the question since questionnaires are standardized and do not provide further clarity on questions.

3.10 Pilot study

A pilot study can be defined as a small study to test research protocols, data collection instruments, sample recruitment strategies, and other research techniques in preparation for a large study, Stewart, (2006:70-73). This study is considered to be one of the most important stages when carrying out a research. A pilot study is used to examine how feasible an approach which is intended to be used in large scale. The pilot study was used to test accuracy by ensuring that the entire questionnaire items related to the study were addressed fully and appropriately.

3.11 Data collection and Analysis

Data analysis is defined as a process of cleaning, transforming and modelling data to discover useful information for business decision making. In this research study, forty-eight questionnaires were sent to microfinance institutions, clients and the marginalized group via email WhatsApp platform and the questionnaire was created using the google form platform as well as physical questionnaire. Additionally, interviews were also carried out so as to collect more information from respondents so as to make research analysis more vibrant and outstanding. Data in this research study was presented through the use of pie charts, tables and graphs. Microsoft excel as well as SPSS was also used by enhancing the effectiveness of quantitative study together with descriptive statistics used to show the finding graphically. On the same note, according to Saunders, (2007) triangulation refers to the use of different data

collection techniques within one study to ensure that data is telling you what it actually should.

3.12 Research ethics: key consideration

Ethics also called moral philosophy, the discipline concerned with what is morally good and bad and morally right or wrong as eluded by Mayo, (2021). Research ethics is important in our daily life research endeavours and requires that researchers should protect the dignity of their subjects and publish well the information that is researched, Fouka & Mantzorou, (2011). In carrying out this research study ethical consideration involved following certain set of principles that supports the research practices and designs. In other words, this research is carried out in consideration of rights of participants and was achieved through asking for their voluntary participation.

3.13 Chapter Summary

This chapter has discussed on the research methodology used in the research study, the research design, population and sampling methods, research instruments and data presentation and analysis. The researcher will use both primary and secondary data to the target population. The next chapter will focus on data presentation analysis and discussion.

CHAPTER FIVE

DATA PRESENTATION, ANALYSIS AND DISCUSSION

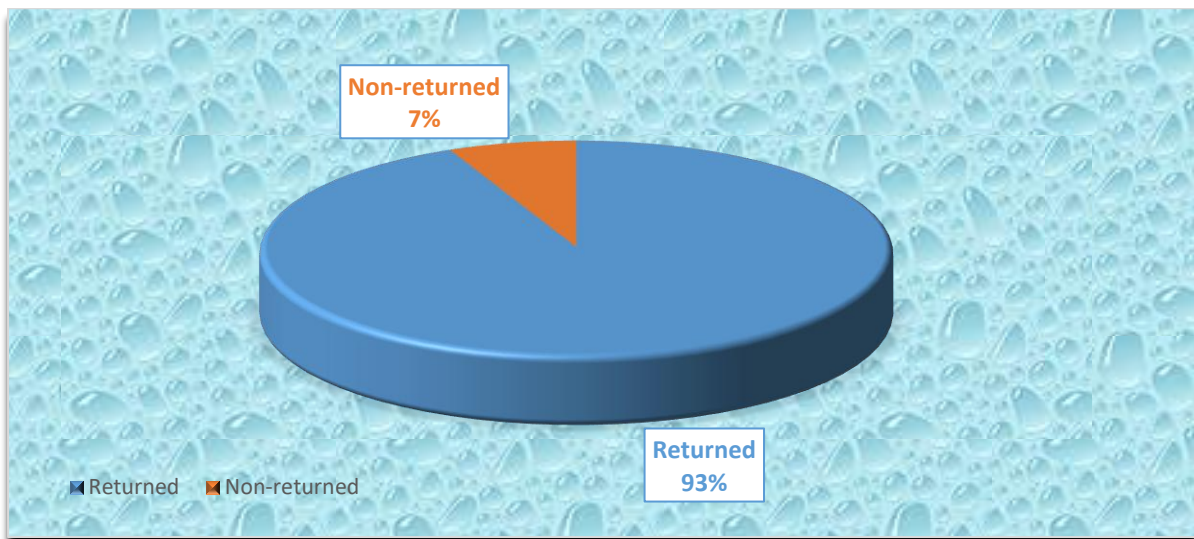
4.0 Introduction

The upcoming chapter explained the data presentation and interpretation of the findings as they relate to the guiding principle objectives of the study titled, “Assessing the impact and effectiveness of microfinance program in promoting financial inclusion for the period of 2019-2022”. This study’s findings were analysed with the aid of SPSS package and Microsoft Office. The findings on descriptive statistics are presented in frequency and percentages while regression analysis was used for inferential statistics. The researcher distributed **48** questionnaires to selected respondents and in-depth interviews were done on microfinance personnel, clients, potential customers and policy makers. From this data analysis, conclusions and recommendations were then drawn.

4.1 Response rate

This research administered **48** questionnaires to FBC Micro Plan microfinance personnel, FBC Micro Plan clients, potential customers and policy makers based in Harare, and **45** out of **48** questionnaires were returned with complete responses. Amongst **3** unaccounted questionnaires, only **1** was rejected on the basis of important omitted values of the questionnaire. Therefore, the overall response rate was **90.3% (45/48)** and this was regarded as a satisfactory for subsequent analysis to proceed with the research. In this context, the researcher continued with data analysis based on the response rate.

Figure 4.1 Questionnaire response rate



Source: Primary data (2021)

4.2 Respondents background data

This research's respondents' demographic background is presented on tables and figures. However, the researcher profiled research participant based on demographic characteristics as illustrated below:

Table 4.2 Background characteristics of Micro Plan employees

Characteristic		Frequency	Percentage
Gender of respondents	Male	24	60%
	Female	18	40%
	Total	45	100
Years of experience in using ICT systems	1 - 5	14	32%
	6 - 10	11	24%
	7 - 15	11	24%
	16 +	9	20%
	Total	45	100
Education Level	Dr Phil	2	4%
	Masters	11	24%
	Bachelor's Degree	18	40%
	HND	9	20%
	Diploma	5	12%

	Total	25	100
<i>Respective departments</i>	Loans & Credit control	7	16%
	Finance and Audit	14	32%
	Insurance	9	20%
	Human Resource Management	9	20%
	Sales and Marketing	5	12%
	Total	25	100

Source: Primary data (2021)

Table 4.2 above shows that of all the FBC Micro Plan participants in this study **60%** were male and **40%** respectively were females. It is evident that male employees dominated the research carried out. This implies that the microfinance industry in Harare, Zimbabwe is largely dominated by male employees.

The presented above descriptive statistics evidenced about **14** of **45** of respondents have worked for the FBC Micro Plan microfinance organisations for more than one year and less than five years presented by **32%**. The other **24%** of respondents have worked for the microfinance organisation for more than **11** and less than **10** year. About **24%** with frequency of **11** again of respondents have worked for the microfinance institutions for more than **7** and less than **15** years. The remaining **9** respondents have worked for the microfinance institutions for **16** and above years. This is evident that the study collected data from respondents with a better understanding of the microfinance organisational systems.

The research findings presented on **Table 4.2** illustrates Micro Plan respondents' level of education and only **2** of the respondents was a holder of a Doctorate represented by **4%** followed by a **24%** representing holders of Masters' degree with a frequency of **11**. A large proportion of the FBC Micro Plan respondents were holders of Bachelors' degree with a frequency of **18** and **40%** followed by holders of Higher National Diploma with a frequency of **9** represented by **20%**. The remaining **5** respondents participated were holders of Diploma represented by **12%**. This shows that the study captured data from the FBC Micro Plan respondents who have a better understanding of the problem under investigation.

More so, on respondents' background information the last segment of the questionnaire made respondents reflect their respective working departments and the findings shows that, a larger populace was from finance and audit with a frequency of **14** and **32%**. Respondents from FBC Micro Plan human resource management department had a frequency of **9** and corresponding **20%** followed by insurance department with **9** respondents and **20%** and insurance also had a frequency of **9** and corresponding **20%**. Sales and marketing department was represented by **5** respondents and **12%** and finally loans and credit control had **7** respondents representing **16%**. This is evident that the study managed to gather required information from participants who have an appreciation of the impact and effectiveness of Microfinance program in promoting financial inclusion.

4.3 Discussion of variables

4.3.1 What are the programs offered by Microfinance institutions and their effectiveness achieving financial inclusion?

In the quest to assess the impact and effectiveness of Microfinance program in promoting financial inclusion variations in FBC Micro Plan organisational performance, this study was guided by the main objective which sought to establish the programs offered by Microfinance institutions.

Table 4.3.1: The programs offered by Microfinance institutions

Components asked	S-Agree	Agree	Neutral	Disagree	S-Disagree
<i>Microfinance institutions are availing group loans.</i>	30 (66.7%)	10 (22.5%)	0 (0%)	3 (6.7%)	2 (4.4%)
<i>Microfinance institutions are providing individual business loans to entrepreneurs and SME's.</i>	30 (66.7%)	9 (20%)	0 (0%)	3 (6.7%)	3 (6.7%)
<i>Microfinance institutions are providing agriculture loans to local farmers.</i>	35 (77.8%)	4 (8.9%)	0 (0%)	2 (4.4%)	4 (8.9%)
<i>Microfinance institutions are reliable insurance service providers.</i>	32 (71.1%)	8 (17.8%)	0 (0%)	2 (4.4%)	3 (6.7%)

Source: Primary data (2021)

Table 4.3.1 above shows that the respondents were asked to rate the statements which the researcher later used in achieving the study's main objective. It is clear that 30 out of 45 FBC Micro Plan respondents which are far above half of the respondents presented by 66.7% strongly agree to the fact that, microfinance institutions are availing group loans. The other 10 respondents represented by 22.5% also agreed to the same statement and no response was obtained on neutral about this fact. While 6.7% representing 3 respondent disagree to the statement that microfinance institutions are availing group loans. The remaining 4.4% of the respondents with a frequency of 2 strongly disagree with this statement that, microfinance institutions are availing group loans. As per the research findings it is clear that an aggregated 89.2% of the respondents agree that, microfinance institutions are availing group loans.

Furthermore, from **Table 4.3.1** it shows that, 30 respondents which are far above half of the respondents presented by 66.7% strongly agree to the fact that, microfinance institutions are providing individual business loans to entrepreneurs and SME's. The other 9 respondents represented by 20% also agreed to the same statement and no response was obtained again on neutrality about this fact. The other 6.7% representing 3 respondents disagreed to the same statement that, microfinance institutions are providing individual business loans to entrepreneurs and SME's. The remaining 6.7% of the respondents with a frequency of 3 again strongly disagree with this statement as well. As per these research findings it is clear that an aggregated 86.7% of the respondents agree that, microfinance institutions are providing individual business loans to entrepreneurs and SME's.

This study asked the third component to respondents regarding their opinions on microfinance institutions providing agriculture loans to local farmers. About 35 participants representing 77.8% of the respondents strongly agree to the fact that microfinance institutions are providing agriculture loans to local farmers. Additionally, 8.9% of the respondents representing 4 participants also agree to this statement and no responses were obtained from both neutral and disagree. The remaining 6 respondents represented by 13.3% strongly disagree to the fact that, microfinance institutions are providing agriculture loans to local farmers. These research findings evidently shows that, majority of the respondents agree to the notion that microfinance institutions are providing agriculture loans to local farmers with an aggregated 86.7%.

As the fourth and final component on **Table 4.3** above it shows that, 32 out of 45 respondents which are far above half of the respondents presented by 71.1% strongly agree to the fact

that, Microfinance institutions are reliable insurance service providers. The other 8 respondents represented by 17.8% also agreed to the same statement and no response was obtained from neutral point of view. While 11.1% representing 5 respondents were disagreeing to the statement that microfinance institutions are reliable insurance service providers. There were no responses obtained from those sharing the opinion of strongly disagreeing with this statement. As per the research findings it is clear that an aggregated 88.9% of the respondents agree that, microfinance institutions are reliable insurance service providers.

4.3.2 To determine the feasibility of accelerating financial inclusion through the integration of microfinance with mobile banking.

Challenges identified		Frequency	Percentage
<i>There is positive relationship between financial inclusion and mobile banking.</i>	Strongly Agree	30	66.7%
	Agree	10	22.5%
	Neutral	0	0%
	Disagree	3	6.7%
	Strongly Disagree	2	4.4%
	Total	45	100
<i>Fostering a diversity of financial institutions may accelerating financial inclusion.</i>	Strongly Agree	35	77.8%
	Agree	4	8.9%
	Neutral	0	0%
	Disagree	2	4.4%
	Strongly Disagree	4	8.9%
	Total	45	100
<i>Facilitate the use of innovative technologies and entry of technology-driven, non-traditional institutions accelerates financial inclusion.</i>	Strongly Agree	32	71.1%
	Agree	8	17.8%
	Neutral	0	0%
	Disagree	2	4.4%
	Strongly Disagree	3	6.7%
	Total	45	100

Source: Primary data (2022)

Table 4.3.2 above shows that the respondents were asked to rate the statements which the researcher later used in achieving the study's main objective. It is clear that 30 out of 45 respondents which is far above half of the respondents presented by 66.7% strongly agree to

the fact that, there is positive relationship between financial inclusion and mobile banking. The other 10 respondents represented by 22.5% also agreed to the same statement and no response was obtained on neutral about this fact. On the other hand, 6.7% representing 3 respondents disagree to the statement that there is positive relationship between financial inclusion and mobile banking. The remaining 4.4% of the respondents with a frequency of 2 strongly disagree with this statement that, there is positive relationship between financial inclusion and mobile banking.

The study also cited employee computer illiterate as another challenge and respondents were asked to present their opinions. About 35 participants representing 77.8% of the respondents strongly agree to the fact that, fostering a diversity of financial institutions may accelerate financial inclusion. Additionally, 8.9% of the respondents representing 4 participants also agree to this statement and no responses were obtained from both neutral. Only 4.4% of the respondents disagree to the statement, fostering a diversity of financial institutions may accelerate financial inclusion. The remaining respondents represented by 8.9% strongly disagree to the fact that, fostering a diversity of financial institutions may accelerate financial inclusion.

Table 4.3.2 above shows that, 32 out of 45 respondents which is far above half of the respondents presented by 71.1% strongly agree to the fact that, facilitate the use of innovative technologies and entry of technology-driven, non-traditional institutions accelerates financial inclusion. The other 8 respondents represented by 17.8% also agreed to the same statement and no response was obtained from neutral point of view. While 4.4% representing 2 respondents were disagreeing to the statement that facilitating the use of innovative technologies and entry of technology-driven, non-traditional institutions accelerates financial inclusion. The remaining 3 respondents representing 6.7% strongly disagree to the fact that, facilitate the use of innovative technologies and entry of technology-driven, non-traditional institutions accelerates financial inclusion.

4.4 Correlation Analysis

Asteriou & Hall, (2007) defined Correlation matrix as a set of distinguished sub-sets of correlation coefficients that is found amongst numbers of variables. In order to assess whether there is a relationship between the study variables, inferential statistics namely Pearson's product moment correlation analysis was employed for the study variables

Table 4.4: Correlation of variables understudy

		<i>Financial Inclusion</i>	<i>Effective Co-ordination.</i>	<i>Providing Basic Bouquet of Financial Services.</i>	<i>Customer Protection and Grievance Redressal.</i>
	Pearson Correlation	1			
	Sig. (2-tailed)				
Universal Access to Financial Services.	Pearson Correlation	.913(*)	1		
	Sig. (2-tailed)	.000			
Effective Co-ordination.	Pearson Correlation	.892(*)	.927(*)	1	
	Sig. (2-tailed)	.003	.000		
Providing Basic Bouquet of Financial Services.	Pearson Correlation	.903(*)	.931(*)	.951(*)	1
	Sig. (2-tailed)	.000	.001	.005	
Customer Protection and Grievance Redressal.	Pearson Correlation	.911(*)	.916(*)	.929(*)	.922(*)
	Sig. (2-tailed)	.038	.000	.000	.000

Source: Primary data (2022) Correlation at 0.05 Sig level.

From **Table 4.4** above the method was also chosen because a rating scale was used in the questionnaire. From the correlation analysis, the study found that there is a strong positive relationship between financial inclusion and effective co-ordination, where the correlation coefficients was **0.892** and with p-value of **0.003**. The study also found that there is a strong positive relationship between financial inclusion and providing basic bouquet of financial

services with correlation coefficients of **0.951** and p-value of **0.005**. The study further established that there is a positive relationship between financial inclusion and customer protection and grievance redressal with a correlation coefficient of **0.922** and p-value of **0.000**. The study findings also shows that there is positive relationship between financial inclusion and providing basic bouquet of financial services (**0.931; p-value 0.001**), effective co-ordination and customer protection and grievance redressal (**0.916; p=.000**).

4.5 Regression analysis results

The study modelled a regression analysis using SPSS packages in order to ascertain if there is any relationship existing between the latent and dependent variables. Therefore, in this research context, co-efficient of determination explains the degree to which changes in the dependent variable can be explained by the change in the latent variables or the percentage of variation in the dependent variable.

Table 4.5 Summary of the research model adopted

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std Error of the Estimate</i>
1	0.957 ^a	0.915	0.909	0.55499

Source: Primary data (2022)

The four independent variables that were studied, explain **90.9%** of the financial inclusion variations in Zimbabwean Microfinances. This is clearly represented by an adjusted R-squared value on **Table 4.5** below. This hence means that other variables not studied in this research contribute only 9.1% in assessing impact and effectiveness of microfinance program in promoting financial inclusion.

4.5.1 Regression Co-efficient

When all independent variables are equal to zero the possible value of (y) is **5.053**. The data results analysed also portrayed that holding all other independent variables at zero, a unit increase in universal access to financial services will lead to a **0.162** increase in financial inclusion; this means that there is a significant relationship between universal access to financial services and financial inclusion. **P-value** of **0.030** and thus shows the relationship was significant. A unit increase in effective co-ordinations will lead to a **0.423** increase in financial inclusion this means there is a significant relationship between financial inclusion and customer protection and grievance redressal.

4.5.1 Regression Co-efficient

Model	Unstandardized Coefficients		Standardized T		Sig.
			Coefficients		
	B	Std. Error	Beta		
(Constant)	5.053	3.061	1.652		.104
Universal access to financial services	0.162	0.073	0.204	2.221	0.030
Effective co-ordinations	0.423	0.079	0.623	5.344	0.001
Basic bouquet of financial services.	0.208	0.058	0.375	3.063	0.003
Customer protection and grievance redressal.	0.173	0.039	0.472	5.328	.000

Source; Primary data (2022)

The **p-value** of **0.001** and thus the relationship is significant which means that a unit increase in basic bouquet of financial services will lead to a **0.208** increase in financial inclusion and this implies existence of a significant relationship. Lastly, a unit increase of customer protection and grievance redressal will lead to a **0.173** increase in financial inclusion also this means there is a significant relationship between financial inclusion and universal access to financial services. The **p-value** of **0.000** and thus the relationship is significant.

4.6 Chapter summary

This chapter focused on the analysis, presentation, interpretation and the discussion of the research findings. SPSS Package was used in data analysis, including the conducted regressions results which aid in the relationship testing between variables. Also, this section discussed the study outcomes in conjunction with past researches conducted.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This fragment of the study summarise, concludes and recommends the organisation in relation to the research topic titled, “Assessing the impact and effectiveness of Microfinance program in promoting financial inclusion”. Recommendations were made to both organisations that found this thesis applicable and to future researchers as well.

5.2 Summary of findings

This study entitled, “Assessing the impact and effectiveness of Microfinance program in promoting financial inclusion.” The study was guided by the research objectives including the main research objective which was to establish the programs offered by Microfinance institutions and effectiveness in promoting financial inclusion. The sample to this study comprised of **45** respondents which successfully responded to administered questionnaires.

In the analysis of data SPSS Package was used and research findings were presented through the use tables and figures. The research results was able to explain **R^2 of 0.909** which implied that the factors cited in the research study explained **90.9%** of the variations that are taking place on microfinance financial inclusion, the remaining percentage variation **(9.1%)** is

explained by stochastic variables which the study did not capture. This study's quadruples (**Beta, R-square value, T-value and P-values**) were the deciders for the researcher to accept objectives.

5.2.1 The programs offered by Microfinance institutions and its effectiveness in financial inclusion

The researcher analysed collected data using the SPSS Package with aid Microsoft Office package to present findings in statistical tables, graphs and charts. The main objective of this study sought to divulge the programs offered by Microfinance institutions. The objective was successfully achieved with approximately 89% of the entire respondents agreeing to the same fact that financial inclusion and its elements as the independent variable has an effect on the effectiveness of Microfinance program in promoting financial inclusion.

5.2.2 Is the integration of mobile banking and microfinance feasible to improve financial inclusion

Secondly, this objective of the study aimed at revealing if the integration of mobile banking and microfinance feasible to improve financial inclusion. As portrayed by the multiple regressions finding that was carried out above for this objective, there is positive relationship between financial inclusion and mobile banking this was found to be statistically significant at 5% with a standardised coefficient of **0.162**. This regression result is statistically justifiable to conclude the existence of positive relationship between tested variables. With regard to the results obtained, it is wise to conclude that this research objective was successfully achieved and it was statistically supported by the regression results above.

5.2.3 The solutions that can be implemented to facilitate the acceleration of financial inclusion

More so, from the multiple regression results that were obtained above for this objective, statistically evidenced that, there is relationship between universal access to financial services, effective co-ordinations, providing basic bouquet of financial services, customer protection and grievance redressal and financial inclusion as shown above. These variables were tested and found to be statistically significant at 5% with a standardised coefficient of **0.208**. Therefore there was a justified statistics to the regression result so as to conclude that, there's an impact and effectiveness of Microfinance program in promoting financial inclusion. Therefore, this research objective was successfully achieved and it was statistically supported by the multiple regression results of (**p<0,05; B =.208**).

5.3 Conclusions

The nitty-gritty of this study was to assess the impact and effectiveness of Microfinance program in promoting financial inclusion. In this context, the substantial role that microfinance capabilities play regarding the further enhancement of overall financial inclusion within the financial industry which has been illustrated by the research verdicts presented. Therefore, the study concludes that, financial inclusion capability dimensions such as universal access to financial services, effective co-ordinations, basic bouquet of financial services, customer protection and grievance redressal. The study conclude that the latent variable (financial inclusion) of the study substantially impact on facilitate the acceleration of financial inclusion.

The output portrayed from the results obtained shows a significant positive relationship between the entire tested financial inclusion and its elements which shows that, if financial inclusion is well implemented in microfinance industry they can experience extensive growth opportunities. On the other hand, this needs to be done on a wider scale especially with regards to integration of systems with other mobile banking, electronic financial services for easier data sharing and communication as well as effective co-ordinations. The research results also revealed that, lack of basic bouquet of financial services is hampering many microfinances from embracing financial inclusions.

Furthermore, based on the findings the study also concludes that, the feasibility of accelerating financial inclusion through the integration of microfinance with mobile banking is of utmost importance. The elements of this study objective revealed that, there is positive relationship between financial inclusion and mobile banking. The study also concludes that, fostering a diversity of financial institutions may accelerate financial inclusion within various microfinance institutions. Undoubtedly, facilitating the use of innovative technologies and entry of technology-driven, non-traditional institutions accelerates financial inclusion if well monitored.

It is apparent from the research verdicts that, the use of an effective universal access to financial services, effective co-ordination, providing basic bouquet of financial services and customer protection and grievance redressal are amongst extra-ordinarily obligatory elements of a successful financial inclusion capabilities that enhances the overall microfinance institution performance. Therefore, financial inclusion and its elements are prerequisite

variables of microfinance performance since both are positively related towards accelerating financial inclusion through the integration of microfinance with mobile banking.

5.4 Recommendations

In the context of the above presented research findings, following recommendations were proposed:

- i.** Firstly, this study recommends that Microfinances must be abreast with the rapid technological changes in order to remain competitive thereby using up-to-date ICT tools to ensure customers enjoy better services and also avoid security breaches. Also, the researcher recommends that for other firms in Microfinances industry in Zimbabwe to attain operational efficiency, they need upgrade existing ICT infrastructure as part of an internal system upgrade and embrace universal access to financial services as posited by Seth & Xiaofang, (2021).
- ii.** Secondly, the study also recommends that Microfinances should be engaged in state of the art technology to ensure effective co-ordinations. This will enhance an upper hand in the Microfinances, as it enables them to unlock better service delivery.
- iii.** Thirdly, the study also recommends that, Microfinances firms must continue to providing basic bouquet of financial services and expand their customer service delivery and information integration systems to keep serving their customers better and with ease hence increase customer satisfaction and market share.
- iv.** Fourthly, this study recommends that, microfinances should continue to ensure there is customer protection and grievance redressal motivate and increase the level of ICT usage, skills and knowledge of employees internally as well as to other firms that are yet to be computerized since the higher the level of ICT usage the higher the level of optimum and operational efficiency.
- v.** Finally, on a cautionary note, the study recommends for systematic and robust longitudinal studies to try and provide more insights on ICT capacity that Microfinances can exploit. This will be advantageous in the sense that, conducting longitudinal studies trigger its ability to show patterns of a variations over time which is a powerful way through which management can learn about the cause-effect relationship in understanding Microfinance institution performance gaps and variations.

5.5 Areas for further research

For the future research, this study recommends to carry out a study on the cost benefit analysis on ICT integration projects in Microfinance sector. This is important for policy makers and the general public in getting an indication on whether the projects are being implemented efficiently against the intended benefits and whether such projects are sustainable in the long run towards improving economic development. Furthermore, future research on the adoption of electronic technology, such as the internet of things, EDI, RFID, and block-chain, could be discussed in other business processes for better organization performance. Since the current study has managed to explain 90.9% of the variations within organisational performance, further research should be conducted to investigate the other variables and factors (9.1%) that influence organisational performance in financial service industry in Zimbabwe.

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QUESTIONNAIRE

APPENDIX 1

Questionnaire for Microfinance service provider

My name is Samantha Celia Ruturi, a final year student in B.com Banking and Finance Honors Degree at Bindura University of Science Education. I am carrying out a research on the role of Microfinance Institutions programs in promoting financial inclusion in partial fulfillment of Banking and Finance studies. I would much appreciate your valued time and effort in responding to this questionnaire and also assure you that your responses would be treated with privacy and only used for academic purposes only.

Please tick [✓] appropriate answers in the box provided and fill out your answer in the space provided

Name of Organization

.....

Number of customers being handled

.....

Nature of Customers

Urban ☐ Semi-urban ☐ Rural ☐

1. What is the type of customers that you serve?

Informal sector ☐ Formal sector ☐ Both ☐

2. Which programs do you offer?

Credit ☐ Insurance ☐ Savings ☐ Remittances ☐

3. Are there any programs you do not offer that clients ask for? If yes, what are the challenges preventing the launch of those programs

.....

4. How effective are the programs being provided by Microfinance?

Very effective ☐

Good ☐

Better ☐

Bad ☐

If bad, clarify which program is not
satisfactory.....

5. Which loans do you offer most?

Business loans ☐ Agriculture based loans ☐ credits based loans ☐ group loans ☐

6. Have you ever come across a situation where a financially excluded person could not
access microcredit?

Yes ☐

No ☐

7. If yes, how many times do you come across such scenarios?

Everyday ☐ Once a week ☐ once a month ☐ Once a year ☐

8. What are the reasons for that?

No proof of residence ☐

No proof of employment ☐

Does not have any economic activities ☐

If there are other reasons
specify.....

9. Are there any solutions that have been implemented so as to accommodate those who are
unbanked?

.....

SECTION B: MICROFINANCE PROGRAM OFFERED AND EFFECTIVENESS

Likert Scale: 1 = Strongly Agree (SA), 2 = Agree (A), 3 = Neutral (N), 4 = Disagree (D), 5 = Strongly Disagree (SD)

Variable	Coding	Questions	SA	A	N	D	SD
GROUP LOANS AVAILMENT AND EFFECTIVENESS	GLAE 1	I understand the meaning of group loan services.					
	GLAE 2	I am fully aware of how group loans programs operate.					
	GLAE 3	I am satisfied with group loans programs provided by FBC Micro Plan Microfinance					
	GLAE 4	I always receive updates regarding Group loans installments in time and in the most convenient manner from FBC Micro Plan Microfinance					
BUSINESS LOANS AVAILMENT AND EFFECTIVENESS	BLAE 1	I am satisfied with the business loan service provided by the FBC Micro Plan Microfinance					
	BLAE 2	FBC Micro Plan Microfinance business loans terms and conditions are easy to understand					
	BLAE 3	Payment plan for Micro Plan business loan is very affordable					

	BLAE 4	The Micro Plan performs electronic Banking service exactly as promised.					
AGRICULTURE LOANS TO LOCAL FARMERS AND EFFECTIVENESS	ALTFE 1	My bank account is protected by my User name and PIN is secure enough to protect my information online from being hacked by third parties.					
	ALTFE 2	FBC Micro Plan ensures that appropriate measures are in place to protect the data integrity of banking transactions, records and information.					
	ALTFE 3	I always receive helpful assistance when on Micro Plan Microfinance agricultural loans					
MICRO PLAN INSURANCE SERVICE RELIABILITY TO CUSTOMERS	ISRC 1	I am satisfied with insurance services offered by FBC Micro Plan Microfinance					
	ISRC 2	I always get electronic message for my e-banking account updates and follow-ups on pending installments					
	ISRC 3						

		My bank's e-platform has convenient Hours of operations.					
--	--	--	--	--	--	--	--

APPENDIX 2

QUESTIONNAIRE

Questionnaire for Microfinance Clients

My name is Samantha Celia Ruturi, a final year student in B.com Banking and Finance Honors Degree at Bindura University of Science Education. I am carrying out a research on the role of Microfinance Institutions programs in achieving financial inclusion in partial fulfillment of Banking and Finance studies. I would much appreciate your valued time and effort in responding to this questionnaire and also assure you that your responses would be treated with privacy and only used for academic purposes only.

Demographic Information

Please tick [✓] appropriate answer and fill out your answer in the space provided

Age:

18-30 ☐

30-45 ☐

above 45 ☐

Gender:

Male ☐ Female ☐

Level of education: None ☐ Secondary ☐ University 1st degree ☐

Primary ☐ College ☐ Post graduate ☐

Occupation.....

APPENDIX 3

INTERVIEW

1. What is your household monthly income?

Below \$500 ☐

\$500-\$1 000 ☐

Above \$1000 ☐

2. Which financial programs do you have access to?

Savings ☐ Insurance ☐ Credit ☐ Remittances ☐

3. Are there any products that your MFP is not offering which you might want to access? If yes, please specify.....

4. Do you access credit as an individual or as a group?

Individual ☐ Group ☐

5. Are there many microfinance institutions which you have done business with?

Yes No

6. If yes, how many microfinance institutions have you dealt with?

1 ☐ 2 ☐ 3 ☐ 4 ☐ above 4 ☐

7. What are your suggestions or recommendations to microfinance providers?

.....

.....

.....

QUESTIONNAIRE

APPENDIX 4

Questionnaire for Microfinance Public

My name is Samantha Celia Ruturi, a final year student in B.com Banking and Finance Honors Degree at Bindura University of Science Education. I am carrying out a research on the role of Microfinance Institutions programs in achieving financial inclusion in partial fulfillment of Banking and Finance studies. I would much appreciate your valued time and effort in responding to this questionnaire and also assure you that your responses would be treated with privacy and only used for academic purposes only.

SECTION A:

Demographic Information

Please tick [✓] appropriate answer

Age

18-30

30-45

Above 45

☐☐☐

Gender:

Male ☐

Female ☐

Level of Education

None ☐

Secondary ☐

University 1st degree ☐

Primary ☐

College ☐

Post graduate ☐

Occupation.....

Others

1. Have you come across any microfinance institutions around this area?

Yes ☐

No ☐

2. Have you ever tried accessing financial services?

Yes ☐

No ☐

3. What was the reason for being restricted from accessing financial services?

.....

.....

4. If you had the opportunity to access financial services, which products would you want to explore.

Saving ☐

Insurance ☐

Credit ☐

Remittances ☐

5. Do you understand how mobile banking operates?

Yes ☐

No ☐

6. Have you ever used mobile banking platforms before?

Yes ☐

No ☐