The Effectiveness of Selected Financial Inclusion Strategies: Evidence a Developing Country

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Abstract: Objectives: The study sought to establish the effectiveness of financial inclusion strategies namely National Micro finance Policy, Post Office Savings Bank loans, mobile financial services, Agency Banking, Shared Infrastructure Network, Insurance policy provisions. The study builds on previous work that has identified financial inclusion strategies but have not established their effectiveness. A Hypothetico-deductive approach was used to survey randomly selected 118 Micro, Small to Medium enterprises owners/managers in Zimbabwe. National Micro finance Policy, Post Office Savings Bank loans, mobile financial services have statistically significant effects on financial inclusion. Agency Banking, Shared Infrastructure Network, and Insurance provisions exhibited negative effects on financial inclusion. The results of the study provide inform financial services sector managers, policy makers as well as academics that National Micro finance Policy, Post Office Savings Bank loans, mobile financial services are statistically significant factors that influence financial inclusion. The results help them to effectively implement the strategies to ensure increased levels of financial inclusion. The majority of studies have only established financial inclusion strategies but have not gone further to establish the effectiveness of such strategies. The current study closed the gap by identifying the impact of each strategy.

Keywords: National micro finance policy; Mobile financial services; Agency banking; Shared infrastructure network; Insurance policy provisions

JEL Classification: G2; M2

1. Introduction

There is a consensus among stakeholders driving the financial agenda in Zimbabwe that broadening access to and usage of financial services not only stimulates financial savings and investment but it also increases the level of loanable funds. A well-developed financial system which includes everyone reduces information and transaction costs, influences savings rates, investment decisions, technological

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innovations and long run growth rates. (Beck et al., 2009) The Zimbabwe National Financial Inclusion Strategy of 2016 to 2020 maintains that financial inclusion ensures sustainable positive impact on people's lives through reduction of poverty, inequalities, and promotion of economic growth, while mitigating systematic risk and maintaining financial stability. Zimbabwe has, in the past, instituted a number of initiatives to broaden access to financial services. Notwithstanding the strides made in the pursuit of an inclusive financial sector, gaps still exist in the level of access to, usage and quality of financial products and services, as well as the impact on the lives of those consuming the products and services. The gaps are particularly pronounced among special groups such as Micro, Small and Medium Enterprises (MSMEs), women, youth, rural population and the small scale agricultural sector thus as stated in the Zimbabwe National Financial Inclusion Strategy (NFIS); (2016-2020). In that vein, globally it is estimated that about 2.9 billion people are excluded from access to financial services. (World Bank, United Nations 2006) According to the Report of the Committee on Financial Inclusion (2008) in India, 73% of farmers are financially excluded and 560 million people in India are also financially excluded which correlated with 41.6% (457 million people) of the population that lives below the poverty line. In Zimbabwe, Scope (2014) reveals that the level of financial inclusion is skewed in favour the urban population (89%) as opposed to the rural population (62%) despite 67% of Zimbabwe's population residing in rural areas.

Countries have taken varied measures to promote financial inclusion. Gupte Venkataramani and Gupta (2012) report that in the United States, the Community Reinvestment Act (1997) has stipulated that banks should offer credit to all people regardless of their income statuses. In France, the law on exclusion (1998) ensures that everyone has right to have a bank account. In 2004, South Africa established a low cost bank account called "Mzansi" to cater for the financially excluded people. The United Kingdom constituted the Financial Inclusion Task Force had been in 2005 in order to addressing issues of financial inclusion. Brazil has gained 8 million new customers with three years due to its financial inclusion policy that requires that out of the 45% sight deposits that a state bank is mandated to hold with the central bank, it is encouraged to use 2% for micro loans at an interest of 24 to 48%. Kenya came up with a Micro Finance Act in 2006 to provide an impetus to financial inclusion. In China seven domestic micro credit corporations were established. In Zimbabwe, the Reserve Bank of Zimbabwe through its National Financial Inclusion Strategy has instituted various financial inclusion strategies. However, the effectiveness of these strategies is not clear. It is against this backdrop that the current study sought to establish how effective have been financial inclusion strategies namely the National Micro finance Policy, Post Office Savings Bank loans, mobile financial services, Agency Banking, Shared Infrastructure Network, and Insurance provisions in ensuring financial inclusion.

The findings of this study will be important to policy makers in Zimbabwe in the formulation of macroeconomic policies. More specifically, the findings of this study will be valuable to the Treasury, Insurance and Pensions Commissions, Deposit Protection Corporation, Securities and Exchange Commission of Zimbabwe, Reserve Bank of Zimbabwe- (Bank Supervision) in their evaluation of policies affecting financial inclusion strategies in Zimbabwe. This study will also be important to financial institution managers giving more insights on the factors that encourage financial inclusion strategies thus increase their market share and financial performance. The level of financial inclusion in Zimbabwe has been low with the number of banks increasing. By understanding the matrix in financial inclusion, managers will be in a better position to understand what strategies they need to implement to promote financial inclusion in order to enhance the growth of the financially excluded sectors.

This article proceeds as follows. In Section 2, the methodology is detailed before results are presented in Section 3, Section 4 offers discussion and policy implications, and Section 5 presents conclusions.

2. Methodology

A positivist, quantitative approach was employed as it sought to quantify the effectiveness of financial inclusion strategies in stimulating financial inclusion. Stratified random sampling was adopted to sample 153 MSMEs owner/managers operating in Mashonaland East Province. The enterprises were stratified into seven categories depending on their economic activities. The strata included Agriculture, Construction, Manufacturing, Motor Trade and Repair Services, Mining, Finance/Business Services and Wholesale and Retail Services. Data were collected over a period of five months. The questions were indicated on a 5-point Likert-type scale anchored by 1= strongly disagree, 2= disagree, 3= undecided, 4= agree, and 5= strongly agree). The Likert-type summated scales were selected as they are extensively used in situations where it is possible to compare respondents' scores in some defined sample. Of the 153 questionnaires, 118 were returned, yielding a 77% response rate.

To establish content validity, the questionnaire was refined through a pretesting process that involved consulting two academic experts and managers in the financial sector. The pilot study was also carried out to test the correctness of the questionnaire as well as exploring the appropriateness of the questions in the target population. The overall Cronbach's Alpha coefficient was 0.885 for 36 items and this proved that the scale met the internal consistency threshold of 0.7. (Bryman & Bell, 2015)

3. Results

To ascertain the effectiveness of each the financial inclusion strategies, multiple regression analysis was carried out. Table 1 shows the model summary results.

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.749	.561	.533	.42370

Predictors: Shared Infrastructure, mobile financial service, NMP, POSB, Agency Banking, low cost savings account, bank insurance provisions. The adjusted R2 value of 0.533 indicates that NMP, POSB, Agency banking, mobile financial services, Shared Infrastructure Network, low cost savings account as well bank insurance provisions explain about 53% of the variance in MSME growth. The regression model was confirmed through the use of the ANOVA analysis and the results are presented in the Table 2 below.

Table 2. ANOVA test results

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	25.266	7	3.609	20.106	.000
	Residual	19.747	110	.180		
	Total	45.013	117			

a. Dependent Variable: Financial inclusion.

b. Predictors: Shared Infrastructure, mobile financial service, NMP, POSB, Agency Banking, low cost savings account, bank insurance provisions.

With the p-value of 0.000 and F-value of 20.106 shown in Table 2; it can be observed that the model consisting of independent variables namely Shared Infrastructure, mobile financial service, NMP, POSB low cost savings, Agency Banking, bank insurance provisions is significant/fit to estimate financial inclusion. The corresponding regression coefficients from the analysis are presented in the Table 3.

Table 3. Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-6.830	1.444		-4.731	.000
	NMP	.952	.151	.850	10.379	.000
	POSB	.883	.099	.387	4.900	.000
	Mobile financial service	.684	.235	.234	2.905	.000
	Shared Infrastructure	.358	.081	-.399	-4.398	.000
	Agency Banking	.097	.168	-.049	-.576	.000
	Bank insurance provisions	.036	.115	-.023	-.315	.000

Dependent Variable: Financial inclusion

Considering the standardized coefficients that have been concerted to comparable units, the results in Table 3 show that NMP (β =.850), POSB (β = 0.387), and mobile financial services (β =0.234), have a positive and statistically significant effect on financial inclusion as their p values are all less than 0.05. However, shared infrastructure (β = -0.399), agency banking (β = -0.049), and bank insurance provisions (β = -0.023) have exhibited statistically significant negative effects.

4. Discussion of Results

This study advances our understanding of the effectiveness of the adopted financial inclusion strategies in promoting financial inclusion in Zimbabwe. From this study, NMP, POSB cost savings accounts, and mobile financial services emerged as significant strategies that influence the financial inclusion. This shows that policy makers may continue investing in these strategies to increase financial inclusion in the country. Of interest to note is that of all the significant strategies, National Microfinance Policy (β = 0.850) emerged as the most effective strategy thereby providing evidence that the more the country invests in Micro financing, there more are people financially included. Dev (2006) agree that micro financing helps to improve financial inclusion. The idea is further corroborated by Ghosh (2013) whose study of microfinance in India concluded that microfinance is a very effective means to ensure financial inclusion and its effectiveness can be further enhanced if it is regulated and subsidized. The Post Office Savings Bank products also showed a positive effect (β = 0.387) and this shows that POSB products such as Pensioners' Guarantor Plan has promoted a funeral assurance cover and loans to the low income earners; POSB Agricultural loan product has promoted access of credit facilities for farmers and POSB Cellphone banking has promoted banking services without visiting the bank. Farmers, Pensioners and other clients can now access their bank accounts without visiting the bank. The mobile financial services strategy (β =0.234) also showed a positive effect on financial inclusion. This shows that mobile financial services such as the Eco Cash platform has increased access to financial products by integrating bank systems with its mobile money transfer platform, Eco Save Product has promoted savings on the Eco Cash savings account to its subscribers and Eco Cash integration with banks has allowed clients to access their bank accounts through the vast network of eco cash agents. Agent banking and mobile financial services have been highly successful in advancing financial inclusion as they have reduced the costs of carrying out financial transactions, have simplified account opening. (Hannig & Jansen, 2010) The authors proceed to state that these innovative options have improved the financial system outreach and increased the number of users of such innovations. Demirgüç-Kunt, Klapper, Singer and Van Oudheusden (2015) maintain that in Sub-Saharan Africa, mobile money is increasingly being used as a strategy for financial inclusion as it provides convenient and affordable financial services. It also reaches out the unbanked customers such as women, poor people, young people and people who are rural based. The results therefore mean that the National Microfinance Policy, POSB cost savings accounts, and mobile financial services are effective strategies in financial inclusion. Together with other interventions, the Reserve Bank of Zimbabwe can make use of these strategies to reduce financial exclusion in the country.

5. Limitations and Directions for Future Research Avenues

The research was geographically limited to MSMEs in Mashonaland East and a relatively small sample from the SMEDCO database was used. The quantitative study made use of structured questionnaires to collect data and therefore missed in depth information that could have been gotten if in depth interviews had been used. qualitative managers of MSMEs could have also given an in-depth information with regards to the effectiveness of financial inclusion strategies as interviews allows the interviewer to probe deeper and get all the hidden information. Findings of this study developed our understanding of the effectiveness of financial inclusion strategies. Similar researches can be conducted in other provinces within the specific sectors so as to be able to establish if there will be similar results so that this can be generalized to the whole country. A qualitative research can also be done to qualitatively measure the effectiveness of aforementioned strategies.

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