# Impact of Financial Inclusion on Financial Sustainability of Banking Institutions in Zimbabwe: A Comprehensive Research Agenda (2016-2023)

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**Abstract**

The objective of this research was to evaluate the influence of financial inclusion on financial sustainability of the banking sector in Zimbabwe between 2016 and 2023. The motivation behind this study stemmed from the recognition that for many years a significant number of individuals and informal businesses in Zimbabwe were not formally onboarded in the country's banking system. Zimbabwe has a considerable population that remains unbanked, including individuals, informal sector workers, and small businesses operating primarily in the informal economy. Consequently, these individuals have been lacking access to sources of finance such as credit lines, loans, and insurance, as well as convenient payment methods, especially digital payment solutions. Nonetheless, limited financial inclusion has not only adversely impacted the underserved or unbanked populations, but also the business operations of financial institutions including banks. Therefore, this study focused on assessing the impact of financial inclusion initiatives on the banking sector in order to determine the extent to which financial inclusion improves financial sustainability of banking institutions. The research employed an explanatory research design and collected primary data through a structured questionnaire method from a sample of 60 bank employees who were selected from the customer service departments of 15 banking institutions in Zimbabwe. Based on the findings of the study, it was concluded that implementing the financial inclusion initiative improved financial business performance of banking institutions in terms of improving financial availability and accessibility by both banks and their clientele. The study recommends the development of customized financial products and services that would enable greater participation of the financially-excluded populations in order to increase financial sustainability of banking and other financial institutions.

Keywords: Financial System, Automated Teller Machine, Point of Sale, Financial Institution

## Introduction

Zimbabwe's financial sector consists of various stakeholders including institutions that provide a plethora of financial services and products to a diverse customer base. Among them are microfinance institutions (MFIs), capital markets, insurance companies, money markets, and pension funds. In its Banking Sector Report for the Quarter Ended 31 March 2024, the Reserve Bank of Zimbabwe (RBZ) notes that as of March 31, 2024, the total number of financial institutions was 270, including 19 banking institutions; 247 MFIs, and four development financial institutions (RBZ, 2024). Generally, the financial services sector in Zimbabwe has made significant progress, establishing a favorable environment for the development and availability of a broader range of financial products and services. As a result, new products have been made, while existing ones have been adapted. These advancements have also played an essential role in terms of promoting financial inclusion through extending access to financial products and services to individuals and businesses that were previously excluded.

*Financial inclusion* is defined as the effort of making affordable and appropriate financial services accessible to individuals and businesses, particularly those in underserved and marginalised communities. It is widely recognized as a crucial factor in steering development and economic growth, especially in Global South countries. It plays a significant role in the reduction of poverty levels, promoting entrepreneurship, and fostering overall economic progress. The primary objective of financial inclusion in Zimbabwe was to provide financial services to a substantial portion of the financially marginalised population.

*Financial sustainability* refers to the ability of an organization, community or individual to maintain financial health over a long period of time. In the context of the banking sector, it refers to banking institutions' ability to maintain profitability and stability over the long-term while effectively managing risk. Nonetheless, while the primary objective of financial inclusion in Zimbabwe was to provide financial services to a substantial portion of the financially-marginalised population, its impact on the banking sector has not received much attention. Instead, most existing studies have tended to focus on the impact of financial inclusion on the historically financially-excluded groups such as informal traders, the youth, women and rural communities. Thus, this study aimed to address this literature gap by evaluating the impact of financial inclusion on the banking sector. Therefore, this papet provides a brief background about the study, its objectives and research questions, hypotheses, significance, and limitations.

## Background of the Study

The financial system comprises five essential components: (1) money as a medium of exchange, (2) financial instruments for payments, (3) financial markets for trading the financial instruments, (4) financial institutions connecting lenders and borrowers, and (4) central banks regulating the money supply (Agarwal, 2022). When Zimbabwe gained its independence in 1980, it had a fairly simple banking and financial market consisting of four commercial banks and four merchant banks all of which were foreign-owned (Foya & Changunda, 2019). In 1991, the government introduced the Economic and Structural Adjustment Programme (ESAP), which involved financial reforms through liberalization and deregulation (Nhavira, Mudzonga, & Mugocha, 2014). This led to an increase in banking institutions from 23 in 1993 to 41 by 2003 before the sector started collapsing such that by 2022 the total number of operating banks was 19 (Nyakurukwa & Seetharam, 2022). The RBZ is the sole regulator of the banking sector in Zimbabwe through various legislation addressing issues like interest rates, finance charges, debt restructuring, late fees, delinquency charges, data protection, and consumer rights (Mjungwa, 2019). While the banking sector globally has made several efforts to increase access to financial services for low-income individuals, around two billion adults have remained unbanked. In Zimbabwe, mistrust in the financial system was fueled by the 2007-2008 economic crisis when individuals lost their life savings deposited in financial institutions. According to the World Bank's Global Findex database, only 24% of adults in Zimbabwe have a bank account, which is one of the requirements for credit reporting. Formal credit consumption for the adult population increased marginally from 13% in 2014 to 15% in 2022 as low- and irregular-income profiles continued to be a major barrier to accessing credit for the majority of the adult population (Alliance for Financial Inclusion, 2022).

Credit consumption slightly declined by 3% points from 42% in 2014 to 39% in 2022, driven by a drop in borrowing from friends and families and farmers and Micro, Small, and Medium Enterprises (MSMEs) are the most credit-constrained economic agents (FinScope, 2022). The analysis of credit uptake across various livelihoods reveals that individuals who were formally employed were more likely to obtain credit from banks due to their stable and predictable incomes compared to those that were not formally employed. Thus, the low and inconsistent incomes of a significant portion of the adult population not formally employed pose a barrier to their eligibility for formal credit. The majority of SMEs, women and youth (most are informal) are largely financially excluded and the proportion of loans to these vulnerable groups as a percentage of total banking sector loans remains low at 7% for women, 2.07% for the youth, and 5.54% for MSMEs (FinMark Trust, 2020).

Table 1: Financial Inclusion in Zimbabwe

| Landscape Products | | 2014 % | 2022 % |
|---|---|---|---|
| Credit | Formal | 13 | 15 |
| | Informal | 9 | 9 |
| | Family and friends | 30 | 28 |
| | Not borrowing | 58 | 61 |
| Insurance | Formal | 26 | 22 |
| | Informal | 8 | 8 |
| | Not insured | 70 | 72 |
| Savings | Formal | 12 | 20 |
| | Informal | 20 | 23 |
| | At home | 23 | 19 |
| | Not saving | 53 | 64 |
| Remittances | Formal | 48 | 31 |
| | Informal | 10 | 4 |
| | Family/Friends | 11 | 4 |
| | Not remitting | 42 | 62 |

Source: FinScope (2022, 2).

Nonetheless, while a lot has been published regarding the extent and scope of financial inclusion or exclusion in Zimbabwe and the impact on the vulnerable groups, there seems to be a scarcity of studies on the impact of financial inclusion or lack of it on the financial sector, especially banking institutions in Zimbabwe. This therefore provides the foundation of the problem which this study aimed to address.

## Problem Statement, Research Objectives, Research Questions, and Hypotheses

In Zimbabwe financial institutions—especially banks—have experienced several economic challenges as a result of low uptake of financial products and services, particularly by the traditionally unbanked populations. Low financial inclusion emerged as one of the factors behind sustainability challenges that have been adversely affecting the banking sector, leading to the closure of some banks due to liquidity challenges (RBZ, 2011). Additionally, due to low financial inclusion, banks have also faced challenges such as undercapitalization, limited customer base, reduced deposit levels, higher operational costs, missed opportunities, and the inability to innovate (Kondongwe, 2015). Nevertheless, in an effort to enhance financial inclusion, the government and other financial institutions under the auspices of the RBZ, introduced several initiatives including promoting mobile banking, enhanced financial literacy, increasing MFI banking and digital financial service expansion, etc. (Chivasa & Simbanegavi, 2016). Yet, there seems to be limited literature on how financial inclusion has transformed or impacted the financial institutions, especially the banking sector. Therefore, this research aimed to evaluate the influence of increased financial inclusion on financial sustainability of the banking sector.

Table 2: Supply-side Financial Inclusion Indicators

| Indicator | Dec 2016 | Dec 2017 | Dec 2018 | Dec 2019 | Dec 2020 | Dec 2021 | June 2022 |
|---|---|---|---|---|---|---|---|
| Number of Loan to MSMEs | 15,747 | 8,873 | 14,265 | 15,530 | 11,452 | 35,224 | 37,590 |
| Nominal Value of loans to MSMEs (ZW$ Million) | 131.69 | 146.22 | 169.96 | 462.98 | 3,013.85 | 10,280.77 | 34,021.15 |
| Inflation-adjusted-Value of loans to MSMEs (ZW$ Million) | 132.93 | 141.33 | 119.61 | 167.95 | 671.85 | 6,395.99 | 9,531.34 |
| Average loans to MSMEs as % of total bank loans | 3.57 | 3.75 | 3.94 | 3.92 | 3.66 | 3.90 | 5.54 |
| Number of Loans to Women | 109,149 | 116,331 | 191,822 | 249,742 | 157,332 | 173,810 | 189,861 |
| Nominal Value of Loans to Women (ZW$ Million) | 277.30 | 310.78 | 432.36 | 586.74 | 3,280.61 | 14,666.06 | 42,972.89 |
| Inflation-adjusted-Value of loans to Women (ZW$ Million) | 279.90 | 300.39 | 304.29 | 212.85 | 731.32 | 9,124.09 | 12,039.25 |
| Average loans to women as a % of total bank loans | 7.52 | 7.96 | 10.57 | 15.59 | 3.98 | 5.57 | 7.00 |
| Number of Loans to Youth | 38,400 | 61,529 | 69,421 | 189,658 | 71,832 | 75,188 | 85,562 |
| Nominal Value of Loans to Youth (ZW$ Million) | 58.41 | 138.93 | 104.43 | 188.71 | 1,947.52 | 6,249.97 | 12,717.06 |
| Inflation-adjusted-Value of loans to Youth (ZW$ Million) | 58.96 | 134.28 | 73.50 | 68.46 | 434.14 | 3,888.25 | 3,562.80 |
| Average loans to the youth as a % of total bank loans | 1.58 | 3.56 | 2.55 | 6.09 | 2.36 | 2.37 | 2.07 |
| Total number of Active Bank Accounts (Million) | 1.49 | 3.07 | 6.73 | 7.62 | 8.64 | 8.17 | 6.95 |
| Number of Low Cost Bank Accounts (Million) | 1.20 | 3.02 | 4.67 | 4.97 | 5.85 | 4.78 | 4.22 |

Source: RBZ (2022b, 31)

The overall goal of the study was to evaluate the impact of financial inclusion on financial sustainability of banking institutions in Zimbabwe. To achieve this, the following specific objectives had to be addressed: (a) to explore the impact of financial inclusion on financial accessibility among banking institutions in Zimbabwe, (b) to assess the effectiveness of financial inclusion on financial availability among banking institutions in Zimbabwe and (c) to evaluate the impact of financial inclusion on financial stability of banking institutions in Zimbabwe. In relation to the above stated objectives, the study thus aimed to answer the following trhree research questions: (1) What has been the impact of financial inclusion on financial accessibility among banking institutions in Zimbabwe? (2) What has been the effect of financial inclusion on financial availability among banking institutions in Zimbabwe? (3) What has been the impact of financial inclusion on financial stability among banking institutions in Zimbabwe?

Also, based on literature review discoveries, three hypotheses are suggested for testing in order to better grasp the relationship between financial inclusion and financial sustainability in the financial sector. These hypotheses propose particular connections between financial inclusion and distinctive aspects of financial sustainability of banks, especially financial accessibility, availability and stability. The hypotheses are as follows: $H_1$: Financial inclusion boosts financial stability; $H_2$: Expanded financial inclusion results in greater financial accessibility; and $H_3$: Hypothesis 3: Financial inclusion promotes financial availability.

## Significance, Scope, and Limitations of the Study

This study holds importance because of the fact that financial inclusion has emerged as a crucial component of the economic growth of a nation. Following the financial crisis that affected Zimbabwe in previous years, financial inclusion emerged as a means of bridging the gap between making and receiving payments. By promoting financial inclusion, there is no longer a necessity to carry physical cash for conducting transactions. The study is also significant in that it generates an understanding of some of the best practices (practice significance) for increasing financial inclusion. The proposed best practices seek to demonstrate strategies that financial institutions may adopt such as appropriate infrastructure and technological upgrades. These investments, in turn, will support the ongoing adoption and advancement of financial inclusion. Additionally, the study demonstrates strategies and policies (policy significance) that were introduced to enhance financial inclusion, thereby providing an appreciation of policy gaps that need to be addressed.

The study's significance is also shown through demonstrating modern infrastructure and technology upgrades (innovation significance) that are required for enhancing financial inclusion to promote business sustainability in the financial sector. This, in turn, leads to cost reduction and increased convenience. Customers and clients gain advantages from convenience and increased accessibility to a broader selection of financial products and services.

While this study is located within the broader discipline of Finance, its main theoretical thrust was financial inclusion within the financial services sector, focusing mainly on the nexus between financial inclusion and financial sustainability of banking institutions. In terms of population scope, the study focused on the banking sector in Zimbabwe. This was informed by literature gaps that showed limited assessment of financial inclusion on financial institutions. Instead, most existing studies have tended to assess the impact of financial inclusion on other segments of society, including informal traders, unemployed individuals, general laborers in farms and mines, housewives, domestic helpers, and students in tertiary institutions, and so on.

The study focused on specific time boundaries within the Zimbabwean economy. The research was restricted to the period between 2016 and 2023, during which there were notable shifts in Zimbabwe's political, economic and financial performance regarding financial inclusion.

Another limitation of the study was time constraints as respondents were reluctant to participate due to concerns about potential misuse or unintended consequences of the data they provided. To address these concerns, I assured respondents of confidentiality and anonymity. Given the urgency of completing the study, I utilized public holidays and weekends to meet the deadlines.

I also experienced inadequate financial resources to cover research expenses. To mitigate costs, I opted for cost-effective research methods such as utilizing a sample of Zimbabwe's GDP and existing reports, instead of conducting a comprehensive census.

## Literature Review

My exploration of existing literature on financial inclusion and financial sustainability, specifically seeks to evaluate what previous theoretical and empirical studies established on the influence of financial inclusion on financial sustainability of the financial services sector, particularly banking institutions. It highlights the key issues relevant to the research and examines the viewpoints of various scholars regarding financial inclusion's influence on financial sustainability within the context of banking sector operations. Ultimately, the literature evaluation exercise identifies the major gaps in the literature that the present study sought to address. The rest of this section starts by explaining the theories that inform the study before interrogating the main concepts under evaluation.

The underpinning theories for this study include the Dissatisfaction Theory and Vulnerable Group Theory. The two theories are further explored in greater detail one at a time to demonstrate their connections to financial inclusion in relation to the unbanked elements in the economy, and external environments.

### Dissatisfaction Theory

Peterson K. Ozili (2020) postulates that the Dissatisfaction Theory of financial inclusion suggests that efforts should primarily focus on individuals who previously held accounts with the financial services sector but decided to terminate them due to dissatisfaction. Ozili further argues that it is easier to attract these former members back into the financial system than to attract new members. The theory emphasizes the importance of addressing areas of dissatisfaction in order to encourage these individuals to rejoin. Dissatisfaction can stem from various reasons such as identity theft, debit or credit card fraud, or long waiting times for service. By rectifying these issues, individuals can be brought back into the financial system.

The merits of this theory include the prioritization of individuals who voluntarily left the financial system. By persuading and addressing their areas of dissatisfaction, voluntary exclusion can be reduced. Additionally, the theory helps in identifying those who are currently excluded from the financial services sector, allowing for targeted education on the benefits of participation. Furthermore, the theory suggests that for one to achieve financial inclusion, public funds are not required as persuasion is the primary approach.

On the downside, the Dissatisfaction Theory of financial inclusion neglects individuals who have never been part of the financial system. It focuses solely on dissatisfied customers who left the system, overlooking those who have never had access for various reasons, including religious or personal beliefs (Ozil, 2020). It also does not consider implications of financial inclusion on financial institutions as it only focuses on individuals.

### Vulnerable Group Theory

Ozili (2024) proposed the Vulnerable Group Theory of financial inclusion. He argues that financial inclusion efforts should specifically target vulnerable groups in society, such as individuals living in poverty, the elderly, young people, and marginalized women. He asserts that these vulnerable groups are the ones most affected by financial hardships. One approach to achieve this is through government-to-person (G2P) initiatives, whereby the government, through its social welfare programs, can disburse welfare benefits to these vulnerable groups. To receive these funds, beneficiaries are required to open bank accounts, and the government can then transfer the benefits directly into these accounts. The theory suggests that more effort should be directed to the poor when we talk of financial inclusion.

The merits of this theory include the attempt to reduce financial exclusion by focusing on the vulnerable segments of society and integrating them into the mainstream financial system. It also facilitates the identification of financially excluded individuals within society. Furthermore, it is considered a cost-effective approach as it targets a specific group rather than the entire population.

On the downside, this theory, similar to the Dissatisfaction Theory, does not address the entire population for financial inclusion. It overlooks individuals who are not part of the vulnerable groups but still remain excluded from the financial system. The theory also assumes a stereotype by suggesting that only women, and not men, can be considered vulnerable, thereby excluding men from targeted efforts. Additionally, there is a risk of perpetuating social and income inequality by prioritizing certain groups while leaving out others (Ozil, 2024).

## Financial Inclusion: A Conceptualization

*Financial inclusion* as a concept is defined in various ways. The RBZ (2016) defines financial inclusion as the provision of cheap financial products and services to the bulk of the people in a given country so that households can begin to participate in income generating projects and improve their income and also contribute to social and economic development. The International Monetary Fund (IMF) asserts that *financial inclusion* relates to global access to a wide range of financial products and services at affordable prices (IMF, 2021). Similarly, the World Bank (2014) defines *financial inclusion* as the utilization of financial services by individuals and businesses, with emphasis on easy accessibility to banking services through automated teller machines (ATMs) or physical branches at low cost and improved quality.

The World Bank also suggests that the definition can be expanded to incorporate dimensions of access, quality, and cost when more detailed data are available (World Bank, 2014). The United Nations (UN) asserts that *financial inclusion* is the availability of formal financial services that meet the needs of customers and clients (UN, 2015). *Financial inclusion* also relates to the provision of affordable financial services to low-income, vulnerable, and disadvantaged groups (Joseph, 2014). It is about providing timely access to affordable financial services and adequate credit to low-income, vulnerable, and disadvantaged individuals (Rangarajan, 2008). In the ensuing subsections, I discuss two key features of *financial inclusion*. I broach them separately for clarity.

### Impact of Financial Inclusion on Banking Sector Sustainability

Most of the studies I evaluated have extensively discussed the impact of financial inclusion on the whole financial service sector, focusing mainly on benefits to the previously unbanked stakeholders. A study on the determination of financial inclusion output in the banking sector of Pakistan found evidence suggesting that larger financial institutions with broader geographic and demographic reach have a greater impact on financial inclusion (Adil & Jalil, 2020). Thus, a larger and more geographically-widespread financial services sector facilitates the integration of unbanked individuals into the formal banking system.

Financial institutions with a wider reach and a diverse range of services are better equipped to cater to a broader demographic and incorporate unbanked individuals into the formal banking system. Thus, a larger financial services sector expedites the integration of unbanked individuals into the formal banking system. A wider distribution of branches ensures easier access, a greater variety of services, caters to a broader demographic, and increased availability to access points such as ATMs, point of sale (POS) machines, mobile banking, and Internet banking facilities ensures convenient service provision.

Additionally, *financial sector breadth*, as described by Inoue and Hamro (20130), involves improving the accessibility and convenience of financial services through the establishment of an extensive national network of financial intermediaries. Demiurgic-Kunt et al. (2010) define *banking breadth* in terms of the number of branches, deposit accounts per capita, and the ratio of deposits and loans to gross domestic product (GDP). Both sources emphasize the importance of a wide distribution network of branches, which enhances financial accessibility, stability, availability and convenience for potential customers, and contributes to the successful implementation of financial inclusion initiatives. Based on the analysis of various perspectives, it is evident that a wide distribution network of branches is crucial for an efficient and effective financial inclusion initiative. Easy access to branches enables unbanked individuals to open accounts and conduct banking transactions, ultimately promoting financial inclusion.

A gamut of previous studies has discussed the various strategies that can be adopted to promote financial inclusion. There seems to be general consensus that successful financial inclusion strategy necessitates cross-sector collaboration, involving government, financial institutions, and industry players, and integrating technology to establish a sustainable ecosystem (Suprapti, Harsono, Sutanto & Chaidir, 2024). Other strategies include promulgation of pro-inclusion policies, increased digitization of the financial system such as mobile banking and financial literacy, etc. (World Bank, 2022).

**Conceptual Framework on Financial Inclusion**

The art of designing a conceptual framework (CF) must follow certain procedures. For example, before conducting empirical data collection, I must (a) construct a CF; (b) define key variables for the study, which has already been done; (c) illustrate the CF, which is presented diagrammatically; and (d) map out variable relationships (independent-dependent, moderating/mediating variables).

The research examined and assessed the impact of various financial inclusion practices and identified key variables which were used to conceptualize a Financial Inclusion Conceptual Framework for Banking Institutions to enhance bank financial sustainability as shown in Figure 1.

The CF in Figure 1 shows that for Ban Financial Sustainability (dependent variable) to happen, there is a need for financial inclusion (independent variable), which is characterized by various strategies such as adoption of digital financial systems, financial literacy, regulatory compliance and advocacy, as well as implementation of affordable bank account opening and administration fees. Nonetheless, all other practices maybe in existence but without clients or banks having bank accounts of the unbanked or underserved communities, effective or wholesome financial inclusion and financial sustainability would not happen. Therefore, the mediating variable means that its absence may not enable the effective implementation of the independent variable (financial inclusion) to yield the desired outcomes.

## Research Methodology

Various data gathering processes were followed in generating information to address the identified research gaps. The sequencing involved determining the research philosophy, followed by the research approach, research design as well as deciding the target population. Other stages toward the data gathering process encompassed defining the sampling plan, sampling technique, sampling approach and sampling size. Additionally, the data collection plan included the instruments that were used as well as their development and administration. The instruments were also tested for validity and reliability.

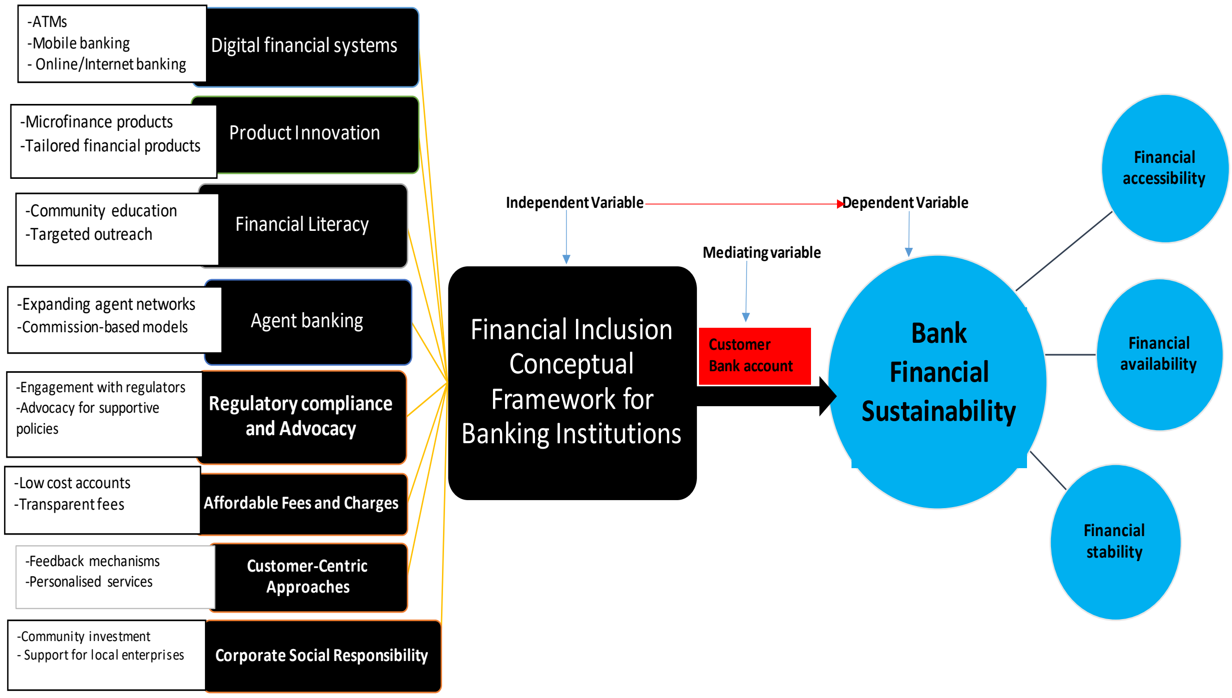


Fig 1: Conceptual Framework
Source: Self-generated by the Author

The study utilized an explanatory survey design. The aim is to characterize the subject matter utilizing the information acquired and tested scientifically, which was tabulated using the criteria of descriptive and inferential statistical analysis techniques (Schindler & Cooper, 2003). This research design was reasonable for this study because it permits the examination of the nexus among the factors under study.

Lavrakas (2008) defines population as any collection of singular components limited or interminable. My study focused on banking institutions and bank employees' workers who were drawn from mainly client or customer service departments. The respondents comprised of both senior and junior representatives. The sample frame, which is a list of all units of the populace from which the sample is drawn (Schindlrer & Cooper, 2003), was obtained from the RBZ. Nevertheless, while the sampling list showed that there were 19 banking institutions, the study selected 15 banks because the other four banks were offshoots of the parent organizations. For example, FCB Crown Bank Limited is a subsidiary of FBC Bank Limited, ZB Building Society is a subsidiary of ZB Bank Limited. Therefore, the actual population of banks was comprised of 15 banks.

Since the population size ('N') for the banks was known, it became easier to decide on the sample size ('n') using the formula for calculating the sample size of a finite population as follows:

$$n = \frac{N}{1 + Ne^2} = \frac{15}{1 + 15(0.05)^2} = 15$$

where: N = population size; n = sample size; e = sampling error or precision level e.g. 5% (95% confidence level).

The preceding means that from a population ('N') of 15 registered banks in Zimbabwe, a sample size ('n') of 15 banks was obtained at a 95% level of confidence and a 5% margin of error. Nonetheless, in order to choose the exact sample of individuals from which the data were collected, each of the 15 banks was served with four questionnaires using Survey Monkey, which were supposed to be completed by four employees (two managers and two subordinates) in the clients' service departments responsible for dealing with clients' bank accounts. This, therefore, brought the sample size of respondents to 60 bank employees.

The investigation utilized mainly primary data which were generated through a questionnaire as the primary investigation instrument. Mugenda (2003) posits that the components within a survey have to address the particular objective(s) of the study and research questions. The questionnaire contained closed-ended questions. Questionnaires are simple to manage and are cost-effective (Mugenda, 2003). The respondent has time to examine the questions, think and after that give the answers. As noted by Kothari (2008), questionnaires permit appraisal of a huge number of respondents; thus, the results will be exceedingly dependable. The scores by the respondents within the survey were decided utilizing the Likert Scale. The reactions were doled out numbers extending from 1 up to 5 where unequivocally concur was represented by 1 up to maybe represented by 5. I first attained permission from the said banks to undertake the investigation. Kothari (2008) says that questionnaires are more objective and can accumulate data in an organized way compared to interviews. Surveys were favored because they are simple to manage and can allow a researcher to collect a wide extent of data.

Adams et al. (2007) emphasize the importance of pilot studies to the *validity* of any research. The pilot study comprised of 1% of the full sample which was chosen (Mugenda, 2003). Beck (2003) notes that the point of the pilot test is not to test and demonstrate the speculation of the study but to find out the feasibility and practicality of data collection tools and research design and the preparedness of a researcher and his/her team. The point of the pilot test is to decide the legitimacy and the unwavering quality of the instruments of research. Mugenda (2003) states that legitimacy refers to the exactness and the meaning of the inductions made based on the outcomes of the research. The desire is that legitimacy will give the degree to which the outcomes will speak to the variables under study. Sireci (2008) asserts that a few behavioral researchers contend that the evaluation of social markers must be content-valid. Substance legitimacy in this case looked at whether the subject under study is well secured.

In this study, the investigation took the shape of a differential bunch study about and the execution separated into two: one had the construct, and another one did not (Brown, 2000). In order to effectively assess the preciseness of the questionnaire, content and face validations were also carried out. Content experts and stakeholders in the banking community provided content experts who undertook vigorous scrutiny of the questionnaire.

Saunders et al. (2009) opine that the term *reliability* alludes to the degree to which the methods for information collection and examination result in discoveries that are free from inclination. It is concerned with the assurance of whether diverse analysts made comparative perceptions and straightforwardness, and whether comparative deductions show up from the same data. The investigation utilized the Cronbach (Alpha, α) model within the determination of the unwavering quality of the information. The Cronbach unwavering quality coefficient is anticipated to run between zero and 1 in which zero speaks to no steady change and 1 on the off chance that all fluctuation is reliable. Concurring to Brown (2002), the closer to 1 the coefficient is, the higher the inner consistency of the things put to the scale. When there is an alpha score of 0.70 or over, the thinking is that it is dependable (Gliem, 2003).

The information *investigation* included the utilization of the standard deviations, rates, and the relative frequencies. Kothari (2008) characterizes *investigation* as a computation of measures together with looking for connections inside the groups of information. Examination includes operations conducted with a purposeful rundown of the information collected and organizing it in a way that answers the questions within the investigation. Within the analysis, the data were altered, coded, classified, and organized using the Statistical Package for the Social Sciences (SPSS). The SPSS investigation is based on the following different regression equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where

$Y$ = Financial Inclusion
$X_1$ = Financial Stability
$X_2$ = Economic Growth and Poverty Alleviation
$X_3$ = Formalization of the Economy
$B_0$ = Constant
$\varepsilon$ = Error Term.
$B_1 - \beta_3$ = Coefficients of Factors within the Regression Model

The study utilized different relapses since it engages in an examination of a phenomenon that is exceedingly complex than when a single relationship is utilized. The research was exploratory in nature since it looks to accumulate modern bits of knowledge into an existing phenomenon, inquire questions around it, and evaluate it using different means (Saunders et al., 2009). The information was classified and organized based on the goals of the study. The tabulated and classified information was analyzed both quantitatively and subjectively. The quantitative information within the tables was valuable in the sense that it yielded data that were quantifiable and simple to get. The subjective information is displayed through strategies such as tables, pie charts, and bar charts.

## Research Results

This section represents and discusses the results of the study. The results tabulated so as to show the categorization of data according to the research questions. The section also provides interpretation and analysis of the results.

To begin with, the study focused on a sample of 60 respondents out of which 50 filled and returned the surveys thus a reaction rate of 83%. This is represented in Table 3.

As noted by Mugenda and Mugenda (2003), 50% of responses are good enough for analyses and reporting; 60% responses are rendered good, 70% and above is rated as excellent. Therefore, the response rate was clearly representative of the studied population.

Table 3: Response Rate

| Response | Frequency | Percentage |
|---|---|---|
| Responded | 50 | 83 |
| Not responded | 10 | 17 |
| **Total** | **60** | **100** |

Source: Self-generated by the Author

Next, the study's intention was to test the reliability of the chosen research instruments. Cronbach's alpha was used for the said purpose. An assessment of the validity and reliability of the research tool was conducted. The results are tabulated in Table 4. From the results, financial stability had the highest reliability alpha of 0.741, economic growth and poverty alleviation came second with 0.651, and the last is formalization of the economy with a reliability alpha of 0.518. All the variables in the study had Cronbach's alpha values well above the minimum acceptable threshold of 0.7, indicating the reliability and validity of the tool.

Table 4: Reliability Analysis

| Variable | Cronbach's Alpha | Verdict |
|---|---|---|
| Financial Stability | 0,741 | Accepted |
| Economic Growth and Poverty Alleviation | 0,651 | Accepted |
| Formalization of the economy | 0.518 | Accepted |
| **Total** | 0.707 | Accepted |

Source: Self-generated by the Author

Thereafter, the demographic information of the participants that includes data on the participants' gender, length of service, adoption of agency banking, and the number of accounts opened with the agency per month is presented. Participants were requested to indicate their gender category as shown in Table 5. From the results in the table, females had a fair representation of 37%, but males constituted the majority (63%) of the respondents who participated in the study.

Table 5: Gender of the respondents

| Gender | Frequency | Percentage |
|---|---|---|
| Male | 35 | 63 |
| Female | 15 | 37 |
| **Total** | **50** | **100** |

Source: Self-generated by the Author

Also, the length of an employee's service is shown to be closely associated with their comprehension of the external and internal operations of an organization. With this proposition in mind, participants were asked to show their duration of service in their respective organizations. The findings are summarized in Table.6. The results show that 60% of the respondents were employed for 10 or more years, while 20% had service duration of 6 to 9 years. Additionally, 12% of the respondents had worked for 2 to 5 years, and 8% spent less than two years. From this it can be stated that the larger part of the respondents had spent at least five years with their respective organizations which puts them in the best positions to respond to the questionnaires.

Table 6: Period of Service

| Years | Frequency | Percentage |
|---|---|---|
| 2 or less | 4 | 8 |
| 2 to 5 | 6 | 12 |
| 6 to 9 | 10 | 20 |
| 10 and above | 30 | 60 |
| **Total** | **50** | **100** |

Source: Self-generated by the Author

In addition, regarding the influence of financial inclusion on the financial sector in Zimbabwe, In terms of financial availability, the respondents were asked to indicate their compliance level with a statement evaluating the impact of financial inclusion on financial availability. The results of this assessment are summarized in Table 7.

Table 7: Financial Availability

| Statement | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Agent banking increased revenues for my organization. | 52 | 3.00 | 5.00 | 4.04 | 0.71 |
| Corporate Social Responsibility increased revenues for my organization | 52 | 3.00 | 5.00 | 3.96 | 0.71 |
| Product Innovation increased revenues for my organization | 52 | 3.00 | 5.00 | 4.00 | 0.74 |
| Financial Literacy increased revenues for my organization | 52 | 3.00 | 5.00 | 4.36 | 0.64 |
| Affordable Fees and Charges eg surcharges increased revenues for my organization. | 52 | 3.00 | 5.00 | 4.06 | 0.65 |
| Digital financial systems eg ATM, POS Mobile, Online machines increased revenues for my organization. | 52 | 3.00 | 5.00 | 4.19 | 0.79 |
| Regulatory compliance and Advocacy increased revenues for my organization | 52 | 3.00 | 5.00 | 4.16 | 0.66 |

Source: Self-generated by the Author

Based on the results, respondents agreed that all of the evaluated financial inclusion strategies had a positive influence on financial availability for banks, with a mean score of 4 (Agreed). First, the respondents largely perceived financial literacy (mean score = 4.36) , followed by adoption of digital financial systems (mean score = 4.19) and then regulatory compliance and advocacy (mean score = 4.16) as having a positive influence on financial availability within their organizations. Nevertheless, the results are in contradiction to the research done by Odundo (2018), who found that financial availability has an imperatively significant negative impact on financial inclusion.

In contrast, the results align with the work of Ranjani, and Bapat (2015), which suggests that merely owning a bank account does not guarantee utilization of banking services, as individuals may prefer more flexible options offered by other institutions, which shows that there is a need to adopt an integrated approach that includes several financial inclusion practices that are shown in the Table 7. Overall, the results align with the study conducted by Ngaira and Miroga (2018), which revealed that adequate liquidity has a substantial and positive effect on financial performance of banks in Zimbabwe.

Furthermore, vis-à-vis financial accessibility, the respondents were tasked to indicate the impact of financial inclusion on the financial accessibility of their organizations. The results of this assessment are presented in Table 8.

Based on the findings, a significant proportion of the respondents agreed on several aspects. First, they agreed that digital financial systems (mean score = 4.96 and Std. Dev. = 0.71), followed by financial literacy (mean score = 4.31 and Std. Dev. = 0.64) increased their organizations' access to more financial products and services from the unserved populations. Generally, the majority of the sampled bank employees agreed that all of the financial inclusion practices in Table 8 contributed to increased access to more financial products and services by their organizations. These findings resonate with the research conducted by Ahamed (2017), who found that financial accessibility is proportionally related to financial inclusion.

Table 8: Financial Accessibility

| Statement | N | Min | Max | Mean | Std. Dev. |
|---|---|---|---|---|---|
| Agent banking increased my organization's access to more financial products and services. | 52 | 3.00 | 5.00 | 4.04 | 0.71 |
| Digital financial systems eg ATM, POS, Mobile, Online machines increased my organization's access to more financial products and services. | 52 | 3.00 | 5.00 | 4.96 | 0.71 |
| Product Innovation increased my organization's access to more financial products and services | 52 | 3.00 | 5.00 | 4.00 | 0.74 |
| Financial Literacy increased my organization's access to more financial products and services | 52 | 3.00 | 5.00 | 4.31 | 0.64 |
| Affordable Fees and Charges eg surcharges increased my organization's access to more financial products and services. | 52 | 3.00 | 5.00 | 4.20 | 0.65 |
| Corporate Social Responsibility increased my organization's access to more financial products and services | 52 | 3.00 | 5.00 | 4.01 | 0.79 |
| Regulatory compliance and Advocacy increased my organization's access to more financial products and services | 52 | 3.00 | 5.00 | 4.12 | 0.66 |

Source: Self-generated by the Author

Moreover, the Pearson correlation coefficient, denoted by "r," can range from +1 to -1. The value 0 shows the relationship between the said variables. A positive value means a matching impact. The results are shown in the Table 9.

The results in Table 9 show that there are significant correlations between financial inclusion and the three indicators of financial sustainability. There is a weak to moderately strong relationship between financial stability ($r = 0.421$, $p < 0.05$), financial availability ($r = 0.392$, $p < 0.05$), financial accessibility ($r = 0.44$, $p < 0.05$), and the banks' Z scores. These correlations suggest that these factors have an influence, to varying degrees, on the financial sustainability of Zimbabwean banks.

## Discussion of the Findings

The study found that financial literacy, digital financial systems, and compliance with regulatory and policy requirements contributed to more financial stability, accessibility and availability in terms of enhancing revenue or liquidity. As noted by Ngaira and Miroga (2018), adequate liquidity has a positive influence on the financial availability and stability of financial institutions, which improves the importance of financial inclusion,

The generated results showed a relatively positive relationship between financial inclusion and financial availability, financial stability and financial accessibility. The results also revealed that an increase in financial inclusion ceteris paribus will lead to an increase in financial availability, accessibility and stability in banking institutions. Nonetheless, these findings do not align with that of Odundo (2018) who suggested that bank financial inclusion has limited impact on bank financial stability, accessibility and availability.

Table 9: Correlation Results

| | **Financial Inclusion** | | **Financial Sustainability** | | |
|---|---|---|---|---|---|
| | | Z-Scores | Financial Stability | Financial Availability | Financial Accessibility |
| Financial Inclusion | 1 | | | | |
| Z scores | 0.384 | 1 | | | |
| Financial Stability | 0.421 | 0.102 | 1 | | |
| Financial Availability | 0.392 | 0.412 | 0.111 | 1 | 1 |
| Financial accessibility | 0.44 | 0.399 | 0.375 | 0.294 | 1 |

Source: Self-generated by the Author

## Conclusions and Recommendations

The study affirmed the significance of financial inclusion in promoting financial sustainability of banking institutions in terms of enhancing financial availability, accessibility and stability. It was concluded that financial literacy, adoption of digital electronic systems, and adherence to regulatory policies such as lending policies and investment management practices have more influence in enhancing financial stability, financial availability and financial accessibility of among banking institutions. The study also concluded that digital technologies such as ATMs, POS, mobile money systems and online financial platforms strongly contribute towards financial sustainability of banking institutions as they help expedite financial inclusion.

Concomitantly, it is recommended that policy makers ensure compliance with RBZ policies governing capital adequacy. This will help mitigate the risks associated with non-performing loans (NPLs) and maintain adequate liquidity levels. Banking institutions should also establish robust lending policies and effective debt recovery measures.

To enhance financial accessibility and promote stability, bank management is advised to embrace the latest technologies in service provision. By leveraging these technological advancements, commercial banks can improve financial accessibility and overall financial inclusion.

In addition, the banking sector should focus on investing in customer service. This means empowering employees to be at the forefront of delivering exceptional services by providing them with the necessary resources, including skills training and appropriate technologies.

Also, the stakeholders of the banks are encouraged to cooperate with the financial inclusion strategies of banking institutions in order to contribute to the overall performance of banking institutions through an increase in the uptake of banks' financial products and services. Overall, this and the preceding recommendations aim to enhance compliance, financial accessibility, financial usage, and quality performance within the banking sector, ultimately leading to improved financial sustainability of banking institutions.

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