

# Filling the Gap of Financial Banking Exclusion: The Case of Mobile Banking in Zimbabwe.

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## Abstract

This study investigated use of mobile banking in Zimbabwe. It established that mobile banking has the potential for rapid financial inclusion of the vulnerable group. It established that the majority of people in Zimbabwe use Ecocash as modern banking facility. It was also established that the educated, the group aged 18 to 40 and those who reside in low density areas are the frequent users of Ecocash. There is potential for mobile banking to become the best banking services which is more convenient than the traditional banks. The study recommends that traditional banks adopt mobile banking and related innovative financial services for them to survive the fast changing and highly competitive financial services environment. It further recommends that the government of Zimbabwe and other policy makers promote the expansion of mobile banking and provide favourable licensing terms to attract more players, as the facility has the potential of addressing liquidity crunch and boost the economy.

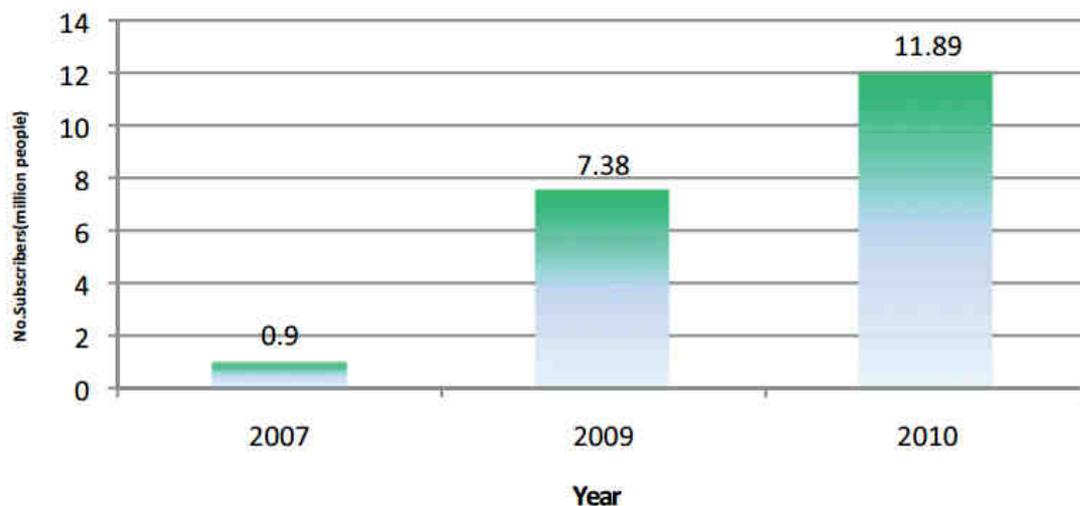
**KEYWORDS:** financial banking exclusion, inclusion, mobile banking, traditional banking.

## 1. Background of the Study

The evolution of mobile banking can be traced back to 1946 when the National Bank of Scotland was the first to introduce the world's very first commercial mobile banking service (Schofield and Kubin, 2002). For Ferber (1974) the origins of mobile banking can be traced long back to the Second World War, when the then field cash offices provided with the relevant currency of the country to all units and individual officers in whom they were based and received money from army post offices and officers' shops. This was an army banking business conducted in a unit, which was originally set up in a tent, and was housed in a three-ton truck moving from one area to another especially in remote areas (Porteous, 2009). This was named mobile banking in the sense that they used mobile vans to provide banking facilities in remote areas and the idea spread to Africa, Europe, India, Israel and USA as they inquire from Scotland (Schofield and Kubin, 2002).

According to Stephen (2007) contemporary mobile banking emerged in 1999 when the European Banks offered banking services via SMS through a mobile smart phone with WAP support, only to the privileged with bank accounts. For Suoranta (2003) Finland is the pioneer in mobile banking because of the strong mobile phone industry and the development of that industry. Peltomen and Dholakia (2002) argue that the roots of the development of telecommunications industry took place in the 19<sup>th</sup> century, the time in which the first telecom was built in Finland. The GSM Association (2008) confirms that the initiative started when the physical world became more integrated due to the vast development in the telecommunication industry. They recorded 3.5 billion GSM subscribers in the world, and then launched the Mobile Money Transfer programme after realising the potential of using mobile network to bank the unbanked. Lonie (2010) notes that the emerging of a cell phone on the market changed the way financial institutions conduct their business, as the banks realise an opportunity to offer financial services through a mobile phone.

The emergency of information driven economy has left the banks with no option but to comply with technological changes (Gutierrez and Singh, 2013). For Lonie (2010) the advent of smartphones has totally changed the business systems with new business models and new ways of offering 24 hour accessibility to consumers. As the numbers of mobile subscribers are growing rapidly worldwide financial institutions are coming up with new innovative ways of providing better services to customers. In 2009 Standard Chartered introduced mobile banking in seven markets in Africa offering a user friendly platform called Unstructured Supplementary Data available on GSM carrier enabling customers to access banking services using mobile phones (Okiro and Ndungu, 2013). Barclays bank also introduced its hello money mobile service allowing customers to access their banking services using mobile phones for free. In Africa the bank started Safaricom's MPESA in 2007 under the Non-Governmental Organisation Scheme of sending money to vulnerable people. MPESA thus changed from a Non-Governmental Organisation to a Profit Making Organisation providing banking services to the entire society. In support of this innovation, Mobilcom German mobile operator acknowledges that mobile banking will be the killer application for the next generation of mobile technology. The trend in mobile banking in Africa since its inception in 2007 is summarized below:



**Figure 1:** Increasing Trend of Mobile Banking in Africa.  
**Source:** International Telecommunication Union, 2010

## 2. Statement of the Problem

Three quarters of the Zimbabwean population lives in rural areas and less than a quarter of the rural population have bank accounts as noted by Kabweza (2012). The major problem is that the majority of the population of Zimbabwe are financially excluded. The Reserve bank of Zimbabwe's Monetary Policy (2006) stated that the Zimbabweans have no access to financial access. Only 800 thousands citizens out of the population of 13 million have bank accounts reflecting a huge variance of financial inclusion. The researchers noted some challenges for online payments to the majority citizens because of poor banking network in the country especially in Growth Points and the remote areas. The risk of dealing with cash and for those that remit cash through third parties such as bus drivers, there are chances of the cash not reaching the intended beneficiary (Upton and Kim, 1999). According to Porteous (2006) mobile banking is the solution to reach the unbanked people. Mobile banking improves the economy especially in developing countries. Various scholars like Mas and Radcliffe (2010) and Hannig and Jansen (2008) confirmed that the emerging of mobile banking has taken developing countries to higher levels with potential expansion in the utilisation of financial services. Kabweza (2011) added that mobile banking is the solution to Zimbabwe's economic challenges. But does mobile banking resolve the issue of financial exclusion in Zimbabwe?

## 3. Research Objective

The objectives of this study are to:

- establish the current usage of mobile banking in Zimbabwe;
- assess the significance of mobile banking in Zimbabwe; and
- examine challenges associated with mobile banking in Zimbabwe; and

## 4. Mobile Banking in Africa

The growth of mobile telephones in Africa started with the creation of value added services by banks which were accessed through a mobile phone enabling users to access information relating to their accounts in the form of SMSs (Oluwatayo, 2012). The idea unpacked the hidden blessing of a cell phone in Africa as many banks started to offer the service on the market (Suoranta, 2013). Porteous (2006) supported that most banks responded positively to this initiative when the first smart phones hit the market in 2007 as they introduced the services to their clients, but only the elite with bank accounts managed to enjoy the service as the majority of people did not have bank accounts (Lonie, 2010).

As observed by Garrett (2011) the question of why the vulnerable groups remained unbanked could not be answered until the emerging of mobile banking offered by network mobile operators with the potential of accommodating billions of unbanked people with access to a mobile phone. This is when African telecommunications companies adopted mobile banking: with Kenya's largest cellular phone provider Safaricom supported by Barclay Bank, introduced M-PESA in March 2007 which allows users to send money using their mobile phones. Okiro and Ndungu (2013) added that M-PESA grew unexpectedly as it reached the 9 million subscribers in less than three years which is 23% of the Kenyan population. Currently M-PESA managed to accommodate millions of the unbanked people into the financial sector making millions of dollars signifying a success of mobile banking in Kenya. Uganda's mobile banking facility offered by MTN, Airtel Uganda and

others are recognised as successful mobile operators as they managed to register more than 3 million subscribers by end of 2011 since it started in 2009 (Susie, 2010).

### **5. Mobile Banking and Financial Inclusion in Zimbabwe**

According to Kanyenze et al (2011) mobile money has accelerated financial inclusion in Zimbabwe by providing an opportunity for Zimbabwe's vulnerable groups to engage in convenient and efficient financial transactions. Kabweza (2011) argues that it was after the volatile Zim dollar era when a lot of mobile banking products emerged on the market which include the then Kingdom Bank' Cellcard, Tetrad's eMali, Interfin Bank's Cybercash and the current Cabs Bank's Textacash, CBZ Bank's mobile and Econet Wireless' Ecocash. Therefore mobile banking penetrated rapidly in Zimbabwe signifying a fertile ground for the facility.

Kabweza (2011) reports that mobile banking has the potential for rapid financial inclusion of the vulnerable groups who can afford to possess a cell phone to access financial services in the entire country. The rapid growth of mobile banking in Zimbabwe prompted the then deputy prime minister Arthur Mutambara to predict that mobile banking has the potential to become the biggest banking service in the country due to its accessibility by the informal sector and the unbanked. Ecocash has managed to forge a partnership with post offices around the country for accessibility for rural people who are now in possession of cell phones (Kanyenze et al, 2011), implementing a strategy that was used by Kenya's M-PESA the most successful mobile network operators with seven million users from a total population of 38 million which managed to provide financial service to the unbanked.

### **6. Adoption and Usage of Mobile Banking in Zimbabwe**

According to Kabweza (2012) 12 million Zimbabweans out of the total population of 15 million people are using cell phones. This means there is an opportunity for mobile network providers to expand their banking services to all cell phone users. Hence the adoption and usage rate of mobile phones is likely to increase and improve economic growth in Zimbabwe (Salzaman et al, 2001).

When Ecocash started in Zimbabwe only few innovators took the risk of using the service. After some few months the usage rate increased and after one year the Ecocash subscriber base increased by 40% (Kabweza, 2012).

### **7. The Significance of Mobile banking in the Global Context**

The advent of a mobile phone has revolutionized the banking industry with new business models to offer affordable and convenience banking services (Garrett, 2011). Globally the telecommunications industry has scrambled in offering banking services available to networked computers to mobile devices (Schofield and Kubin, 2002). Crosman (2012) pointed out that the introduction of mobile banking is transforming the lives of the informal sector from all corners of the world as they are now able to access banking service through a mobile phone. Given an example of Kenya where Safaricom launched M-PESA in 2007, it has now registered 7 million customers in a country with 38 million people: which is 18% market penetration noted Donner (2005). On the same note Barnes (2003) argues that information technology quickly spread over Finland because of its strong telecommunication industry, as it becomes easier for the Finns to accept mobile banking services as more than 73% of individuals had access to internet and mobile phones, life becomes easier to the vulnerable groups as they are being included in financial services. Lonie (2010) confirmed that even the Philippines are enjoying the benefits of mobile banking as they adopted the facility with full support from the central bank of Philippine. Satapathy et al (2014) pointed out that in USA mobile network operators are providing subscribers with device provisioning and value added services necessary for increasing mobile payments. Suoranta (2013) added that while mobile payments applications have gained success in other parts of the world, they are just beginning to emerge in the USA. Tylor et al (2001) stated that in Asian countries like China, India, Indonesia and Bangladesh where mobile infrastructure is well established and in European countries where there is high penetration of mobile phone, mobile banking is likely to appeal even more. Global Findex (2011) confirmed that the position of banking industry in India is not the best as 65% of the Indian population did not have bank accounts. According to Kaur and Madan (2013) mobile banking has emerged as another alternative way of banking which is more convenience and user-friendly and has helped 70% unbanked Indians to access financial inclusion.

### **8. Methodology**

Exploratory research design was adopted as it dwells much on people's views, perception, behaviours and values in line with mobile banking. The exploratory study is the most appropriate valuable means of finding out 'what is happening, to seek new insights; to ask questions and to access phenomena in a new light' (Robson, 2002).

The target population was ecocash users in Zimbabwe. The population of this study was the estimated 50 000 Ecocash subscribers as per the Ecocash database. The researchers were unable to study the entire

population in Zimbabwe as the population is too big for the study. They were therefore forced to select a sample of 100 participants.

Questionnaires were used as research instruments for data collection. The researchers designed the questionnaire with the same questions, clearly structured and stated, allowing the respondents to fill in their answers own their own to avoid being biased.

### 9. Findings

The research findings show that 87% of the respondents confirmed that they use Ecocash. The findings in respect of the usage of Ecocash are presented in Table 1 below:

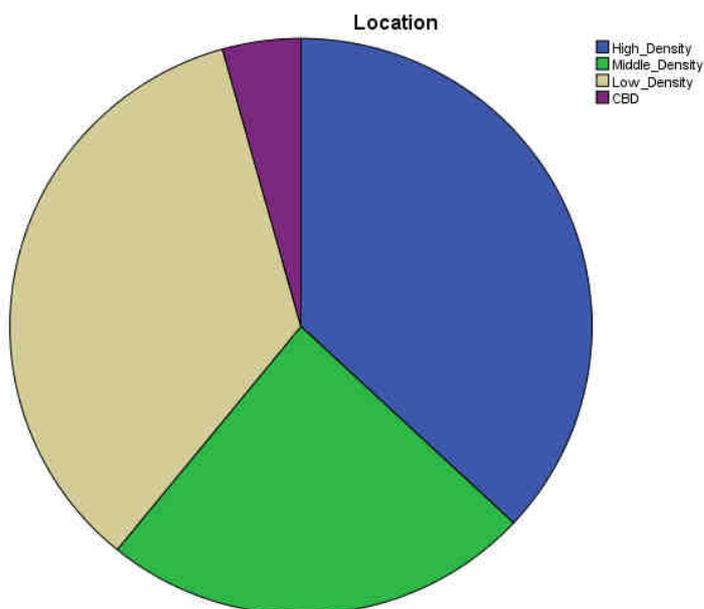
**Table 1: Ecocash Usage**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	80	87.0	87.0	87.0
No	12	13.0	13.0	100.0
Total	92	100.0	100.0	

Source: Primary Data

The study shows that the majority of respondents using Ecocash reside in low density areas (see Fig. 2)

**Figure 2: Location and Ecocash Usage**



Source: Primary Source

These results might have been influenced by economic hardships accompanied by high bank charges. Other arguments can be derived from innovation as the major attraction for most successful people who want to be associated with new things.

The age group of 18-30 years has the highest percentage in terms of mobile banking usage, followed by the age group of 30-40 years (See Table 2).

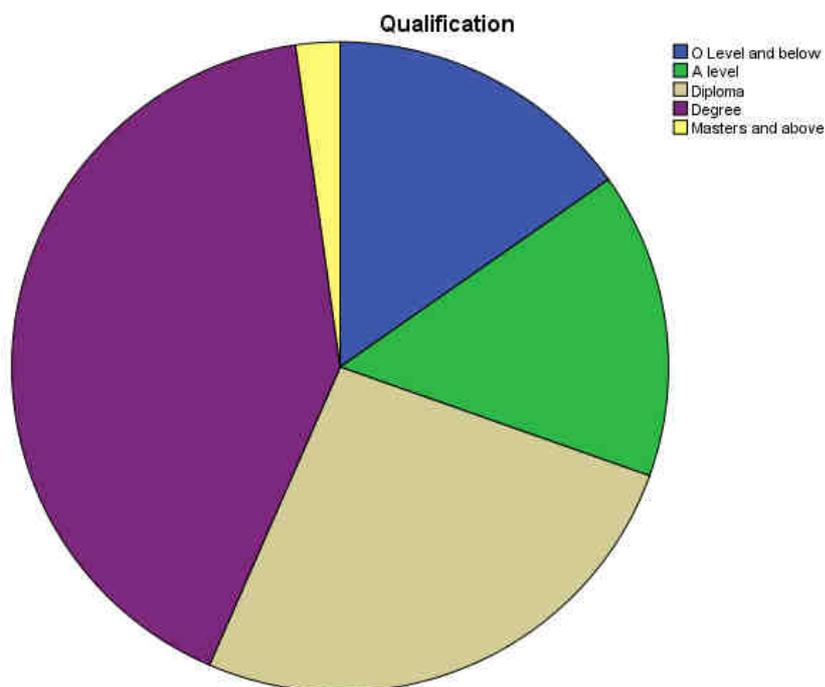
**Table 2: Age and Ecocash use**

	Frequency	Percent	Valid Percent	Cumulative Percent
<18 years	4	4.3	4.3	4.3
18-30 years	64	69.6	69.6	73.9
Valid 30-42 years	22	23.9	23.9	97.8
<55 years	2	2.2	2.2	100.0
Total	92	100.0	100.0	

Source: Primary source

Degree holders were found to be the leading users of mobile banking (see Fig. 3).

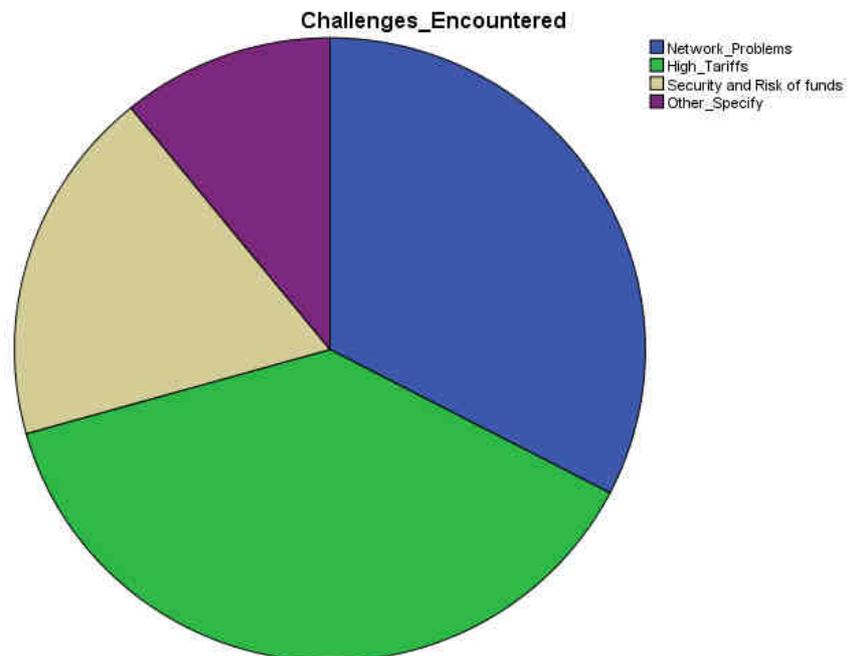
**Fig. 3 Level of education of mobile banking users**



Source: Primary source

Challenges in mobile banking were as in Fig 4.

**Figure 4: Challenges associated with Ecocash**



**Source:** Primary source

The table below illustrate the number of respondents who responded on the statement that Ecocash has brought financial inclusion to Zimbabwe.

**Table 3:Ecocash\_brought\_financial\_Inclusion**

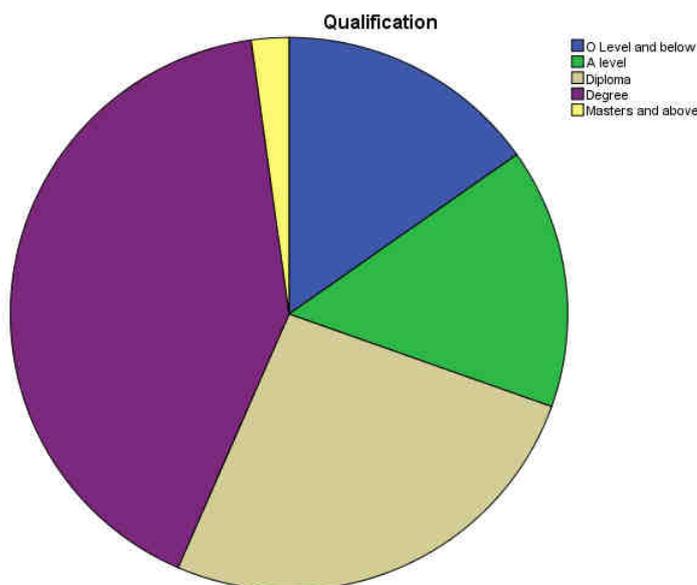
	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly_Agree	42	45.7	45.7	45.7
Agree	34	37.0	37.0	82.6
Valid Disagree	14	15.2	15.2	97.8
Strongly_Disagree	2	2.2	2.2	100.0
Total	92	100.0	100.0	

**Source:** Primary Source

Thus the results from the study proved that mobile banking has brought financial inclusion in the country.

Fig 5 shows responses on use of Ecocash by the unbanked.

**Figure 5: Respondents on the usage of Ecocash by the unbanked**



**Source:** Primary Source

Mobile banking is thus of great use in Zimbabwe.

### Conclusions

The study analysed the significance of mobile banking in Zimbabwe. The study established that the majority of people in Zimbabwe use Ecocash as the best modern banking facility. Also the results obtained from the study proved that the educated, the group aged 18 to 40 and those who reside in low density areas are the frequent users of Ecocash. Overall, it has been established that mobile banking has become a world class, modern banking system with innovative banking services which are convenient to all the people in the society despite their social status. There is potential for mobile banking to become the best banking services which is more convenient than the traditional banks. Traditional banks should therefore react quickly by introducing innovative financial services lest they might be found wanting because of stiff competition.

### Recommendations

First and foremost it is recommended that traditional banks adopt mobile banking and related innovative financial services for them to survive the fast changing and highly competitive financial services environment.

The government of Zimbabwe and other policy makers must promote the expansion of mobile banking and provide favourable licensing terms to attract more players, as the facility has the potential of addressing liquidity crunch and boost the economy.

The government should promote and encourage new Mobile Network Operators to join hands with Econet, Telecel and NetOne as the idea will create a cashless society. Considering the Zimbabwean crisis of liquidity crunch, this can be addressed by introducing a cashless society through mobile banking.

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