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Banks and Financial Literacy Enhancement in Zimbabwe

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Abstract:*Financial literacy has become a topical issue in recent years. This paper seeks to summarize the growing efforts of financial literacy field in Zimbabwe, with special reference to banks. Financial literacy should be a concern to the government especially the Central Bank, Commercial Banks, other financial institutions and even to the common trader in the country. The paper is a policy prescription which with implications for the policy makers in identifying the increased financial awareness need and thereby developing suitable financial literacy programs. The study used an electronic survey approach through Monkey Survey to determine the extent to which banks are promoting financial literacy in the country. 104 responses have been obtained for an 8 day platform on social networks; facebook, whatsapp, LinkedIn and email. Through its findings the study found that there is little effort exerted by banks to attract funds in remote areas, the information about financial products is not clear to the users for their independent decision, banks are never competing for the unbanked sector. The study suggested various ways that banks and government can undertake to improve literacy and hence economic development in the economy.*

Key Words:*Financial literacy, Financial Inclusion, Investment, Banks, Financial institutions, Loan, Non-Performing Loans*
JEL Codes:*C81, D82, E44, E58, G14, G21, G24, N27.*

I. Introduction

Financial literacy has become a crucial concern in the recent years, as financial markets have become complicated and as there is information gap between markets and the common person, leading to difficulties in making correct financial choices, Sweta and Priya (2015).Financial literacy is a popular topic in both developing and developed countries. Asrecent difficulties in advanced credit markets have shown, customers everywhere would benefitfrom having greater financial knowledge (World Bank, 2009). It is a concept that is too broad and includesboth information and behavior; its validity is to all consumers irrespective of income or wealth.

Financial stability is very crucial in any economy which supports a growth motive. Three pillars of financial stability includes; financial literacy, financial inclusion and consumer protection. Important to note is that financial literacy is crucial to every person. Rutherford (2000) indicated that eventhe poorest have complex strategies and portfolios and engage in multiple strategiesto maintain even a subsistence level of living.Financial education aids consumers by offering them the understanding they need to make comprehensive financial decisions and secure their economic futures, Askari (2009).

Financial literacy is referred as a “meaning-making process” in which individuals use acombination of resources, skills and contextual knowledge to process information and make decisions withknowledge of the financial consequences of that decision, Mason and Wilson (2000).Gieslerand Veresiu (2014), indicated that financial literacy is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others.

Vitt*et al.* (2000) defined financial literacy as: the ability to read, analyze, manage, and communicate about the personalfinancial conditions that affect material well-being. The complete definition include ability to discern financial choices, ability to discussmoney and financial issues with no discomfort,ability to respond competently to lifeevents that relate to everyday financial decisions, including general economyevents and future plans.Financial literacy is an active process, in which communicating information is only thebeginning: empowering consumers to take action to improve their financial well-being is theultimate goal (World Bank, 2009).

Financial capabilities can have wider social impact beyond poverty, Amin *et al.* (2010). Individuals who are literate in finance are knowledgeable and informed on the concerns of money management, understand the basic concepts underlying management of money and assets, and apply that information and understanding to plan and implement financial decisions, Sweta and Priya (2015). Simply put, financial literacy refers to the set of skills and knowledge that permits a person to make effective and informed decision with all of their financial resources.

With increased globalisation and growing technology more financial decisions are now required. Financial literacy is becoming almost as important as being able to read and write, Carter (2013).The world financial crisis is partly related to issues of financial literacy. As supported by Hamedi (2014), it started as personal finance, deregulation of financial markets was done, followed by eruption of various financial products, financial literacy and capacity building and then came the 2008 financial crises.

This paper acknowledges the existence of a large unbanked sector in Zimbabwe, and seeks to analyse the role of banks in promoting financial literacy in the economy. There is a global concern on issues of financial literacy, and Zimbabwe should not be an exception. Financial literacy improvement should be a first-order concern for policy-makers, and the gains could accrue not only to the affected persons, but also to their family members and society at large, Gale and Levine (2010).

II. A Glimpse On The Zimbabwean Banking Sector

The banking sector over the years has largely been dominated by commercial banks.The banking sector is composed of Commercial banks, Merchant banks, Building Societiesand Savings Bank. The Banking Act governs the banking sector and the sector falls under the direct supervision of the Central bank of Zimbabwe (RBZ).

Type of Bank	**Composition of Banks in Zimbabwe 2010 – 2016**						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Commercial Banks	17	17	17	16	15	14	13
Merchant Banks	4	4	4	2	1	1	1
Building Societies	4	4	4	3	3	3	4
Savings Banks	1	1	1	1	1	1	1
Total	26	26	26	22	20	19	19

Source: Monetary Policy Statement; 2010, 2011, 2013, 2014, 2015, 2016, RBZ.

Since the adoption of the multicurrency regime, the banking sector did not fully recover to operate at maximum. Many factors have been cited as the majors, and they both include bank-specific factors and macro-specific factors. Banks themselves are not in possession long term strategies to harness the unbanked sector to increase their deposits and hence lending capacity to productive sectors. Also the country is not credible to attract foreign funds due to policy instability.

A combination of factors have dwelled in a number of banks and contributed to poor performance. Such included capital erosion due to losses and insider lending, unwillingness by existing shareholders to be diluted by new investors willing to inject capital, a lengthy conclusion on recapitalisation initiatives, high levels of loan default and high operating expenses not matching with revenues.

Due to such hindering factors, some banks have failed to perform and hence have closed operations. Further to banks are microfinance institutions and development institutions which aid in near-banking functions in the country. As at the start of 2016 credit-only microfinance institutions are 155, deposit taking microfinance institutions are 3 and development institutions are only 2.

III. Financial Literacy Enhancement Strategies

Financial literacy is important for everyone.Financial education brings up financial stability for persons and for entire societies. As more people become aware of personal financial management, then it is more likely they increase their savings, buy homes, and improve their overall financial health and well-being (M&F Bank, 2016).A financial system that is strong and stable depends on the capability of its users to make informed decisions, particularly when managing the risk associated with credit use.The concept of financial literacy is an important life skill that empowers individuals to make the best financial decisions in their particular circumstances.

Countries for their growth should ensure increased financial awareness to its citizen. Economies can adopt many ways to promote financial literacy. Financial literacy can be achieved through; (1) Outreach visits to cater for remote areas, (2) Financial education on websites, (3) Awareness through bronchures and pamphlets, (4) Local fairs and exhibitions shows, (5) Setting financial literacy centers, (6) Mass media, (7) Mobile phone awareness, among other methods. If these methods are applied well, the financial stability will be enhanced and hence economic development.Financial literacy is first and foremost about empowering and educating individuals so thatthey have are knowledge about finance in a way that is key to their lives and enablesthem to apply this knowledge to evaluate products and make informed decisions (World Bank, 2009).Financial literacy therefore aid in improving the efficiency and quality of financial services.

Country citizens need a certain level of financial understanding for them to be able to evaluateand compare financial products.[1]The study inorder to check how far banks are promoting financial literacy in the country have designed a questionnaire checking on the observance of the above parameters.

IV. Explanatory Analysis Of Ways Financial Literacy Can Be Improved In Zimbabwe

Banks are uniquely positioned to offer financial education, as they can passage theoretical economic concepts, such as scarcity and opportunity costs, with practical "money-in-the-pocket" services, and supplement them with the necessary financial products, Askari (2009).Proper Training. Banks do need to offer staff training on the projects and products theyoffer. It is not surprising today that most banks have since cut numbers or do not offer adequate staff training. Active training departments are a necessity, so that the trained staff can then be trainers to be deployed in remote areas to fish the unbanked funds through offering literacy training to the public.Askari (2009) indicated that a few financial institutions have adopted financial education as a functional unit in their retail banking services.Financial education, like all forms of education, is about empowering individuals so thatthey are better equipped to analyze diverse options and to take actionsthat further their goals (World Bank, 2009).The Zimbabwean banks have to migrate from such a culture and resort to financial literacy support to strengthen the sector.

Local language use.One may argue that Zimbabwe is one of the countries with literacy level but that does not mean that the population is able to understand the financial language. Terms and conditions may not be well read by the applicant, who may end up just signing yet the terms are not well understood. This contributes to loan default. Nedbank Group from South Africa, have since started offering services in all the languages in South Africa. The Central Bank of Zimbabwe (RBZ)has tried to improve the literacy levels but however the institution's Monetary Policy statements are full with jargons from Finance and Economics which population from rural areas cannot understand.

Branch Location. Most banks in Zimbabwe have shunned the remote areas. Agribank is the only notable bank that has tried and to date they still have branches in Growth Points, like Zaka and Nyika. Citing increase in operational costs POSB bank has sinceshunned the market. Banks can adopt Agency banking to attract funds from remote areas.

Cooperative and Societies. Banks can partner with cooperatives in the rural areas and offer bank assurance services in cases of burial societies. Small and Medium Enterprises Departments and Microfinance Departments can help banks to tap in remote areas easier and access unbanked funds.

Trust.The backbone of any bank is trust and credibility. Financial education programs can also create goodwill at the community level and strengthen relationships with local customers and community partners.The banking sector is highly sensitive, any form of negativity can cause shivers and panic mostly to the banking public.If there is no trust or the level of credibility is low then no one will bother to go near the door step of any banking hall. Bank failure in Zimbabwe has been witnessed as people are no longer willing to open any savings accounts with banks. Restoring credibility is now a must in the banking sector.

Employment of the marginalized.Inorder to harness funds from remote areas banks have to employ graduates from the marginalized. The graduates are well understood from their respective communities and make it easier for banks to penetrate. The myth that the banks are only for the rich should be removed through elimination of stringent conditions on applications.

Online knowledge.The problem of financial education is no longer a problem of supply; consumers currently have many good choices for free and accessible financial education programs, both online and through various delivery channels. Banks can choose to make use of their websites to offer useful training to clients. This strategy works for both banked sector population and the yet to be converted unbanked sector population. Hence there is a greater need to optimize technology in support of financialliteracy educationas it is a helpful tool in teaching financial literacy, though it cannot replaceeffective instruction.

V. Research Methodology

The study has employed a questionnaire approach to determine how intensive banks and financial institutions are into improving financial literacy of the economy. Electronic survey approach through Monkey Survey has been used. The survey has been open to anyone in the economy who is above the age of 18. The survey link https://www.surveymonkey.com/r/P8862PGhas been distributed through emailing to workmates, various organisations for distribution to employees, electronic social zones and social networks like facebook, LinkedIn, researchgate and whatsapp.Major variables of concern on the survey was to verify how far banks are promoting financial literacy in the economy.

The questionnaire comprises of 14 questions, which have been made few to avoid incomplete responses due to time consuming, however important elements have been covered that enable the research to

[1] Financial products include bank accounts, credit and loan options, payment instruments, saving products, investments, insurance coverage, and so forth.

attain its objectives. Sex, age, education level, work experience and profession have been included as some of the relevant questions and these ensure us on the quality of answers obtained by the research.

A question has been asked to check on the importance of financial literacy level of the populace on development of the nation. This question will guide the study on the level of importance of the topic under study. A scale of 1-5 has been used, to measure the intensity of importance. Banks' concern on the unbanked sector [rural/remote areas] has been checked on a scale 1-5, through outreach programs they undertake. This will enlighten on the pace and level at which banks are promoting literacy in the economy.

Websites are financial decision tools that help users make specific financialdecisions, and these websites have a problem with perceived or actual independence from advertisers, Gale and Levine (2010). Websites of many banks contains various information concerning financial products on offer [personal loans, commercial loans, mortgages among others]. The study has asked on the level of simplicity to interpret the information without calling for office assistance. How clear it is on the website, to read and favor a financial product. This indicates concern of banks to promote financial literacy, as well as their ability to interpret finance language to suit the general users of information. A scale of 0-5, has been used as well, 0 indicating that information is not usable, while 5 indicates complete information prevailing.

Existence of financial literacy centers set up by banks has been asked. This will indicate how serious banks are reviewing information to the public. A yes and no answer were expected from this question. However, a third response has been created to allow those participants who are neutral or don't have any knowledge on such centers. Media use by the banks in giving information on financial issues has been verified. This will help in identifying how intense the mode is used to promote literacy in the economy. Mobile banking penetration level in the market has also been verified on a scale of 1-5.

The intensity of competition of banks to capture the unbanked sector has also been verified on a scale of 1-5. This will enable to identify how serious banks are in trying to attract the funds that circulate in the remote areas. Respondents have been asked if they have ever borrowed funds from any bank in the country. This question will enable to check on participants that have met some issues pertaining financial literacy, implying experienced participants in the matter of concern. The question has yes and no options, and a third response that captures those who have applied but failed to obtain loan due to some reasons.

The study has also checked on the link between non-performing loans and financial literacy levels in the economy. As non-performing loans are on the rise in the economy since the adoption of the multicurrency regime, the study found it worth to examine their possible link to financial literacy levels. A scale of 1-5, has been used to measure the intensity of the relationship.

VI. Discussion Of Survey Results

The responses of the survey results have been electronically combined as participants opened the linkhttps://www.surveymonkey.com/r/P8862PG provided to them through various means as explained in the above section. The questionnaire has 14 closed questions of which participants where to choose from suggested responses. The survey has been open for 8 days (24/02/2016-02/03/2016), and 104 responses were obtained, all questions have been completed.Majority of respondents where males occupying 68.27% (71), while females were 31.73% (33). Considering age group, majority of respondents were of the 25-34 years age group (84.62%, 88), and 35-44 years were 7.69%, 18-24 years group were 4.81% and lastly 45 years and above constituted 2.88% of the participants. The study results can be said to concentrate views from the young population at the prime of development, hence the views do not only indicate what is on the ground but is expected for the economy for the betterment in development terms.

The education level of participants have been asked and the majority have indicated that they are holders of either a degree or diploma (59.22%, 61), followed by participants with a masters or doctorate (39.81%, 41), and lastly those participants with a certificate/A level/O level (0.97%). The results guarantee of quality views and hence good study findings as the responses are coming from informed groups of participants. Working experience have also been checked on the participants, and majority of participants were found to fall in 1-5 years of working experience (48.08%, 50), followed by those with more than 5 years working experience (45.19%, 47). Participants with less than a year experience constituted 4.81% (5), while 1.92% indicated that they are self-employed. Experienced working population will guarantee the study results to be of good quality, as the population knows exactly what is missing in the industry and what is not being properly done as well.

Participants were also asked to identify their professions, and the majority of participants were in Accounting/Finance/Banking profession (54.81%, 57) followed by Economics/Research/development studies (22.08%, 24), Business/Marketing (9.62%, 10), other professions constituted 8.65% (9), and social studies constituted 1.92%. Law/legal studies and medicines each constituted 0.96% of the population. The study since it is business related is guaranteed of quality results as the majority of the participants are from the commercial side professions.

The importance of financial literacy levels to the development of the nation has been confirmed on a scale 1-5. Most participants have indicated a strong relationship between the two variables. 67.33% of the participants chose a scale 5, 21.78% chose a 4 and 9.9% chose 3. These responses indicate that for economic development to be full enhanced, financial literacy levels in the economy should be raised.

Rating of banks on their outreach programs to rural and remote areas has been checked on a scale of 1-5. Most participants have rated the banks low; ranks 1 and 2 are represented by 38.46% (40), and 39.42% (41) respectively. The medium ratings of 3 constitute 21.15% while a scale of 4 constituted 0.96% votes. A scale of 5, was not chosen by any participant, implying that banks are concentrating on city population and do not think of attracting funds from the unbanked sector. Bank character to harness funds from the informal sector should be changed there should be increased participation in the remote areas to improve savings level. As long as the informal sector is not being harnessed financial stability will not be achieved and hence pace of development will remain low.

Another angle of how banks' support in literacy has been measured by the simplicity levels of information on their websites for the financial products on offer. A scale of 0 – 5 has been used to check on the ease of interpretation without aid from the office. No participant has indicated that the information is easily interpreted (scale 5), implying that banks have a lot to do to simply their information to be meaningful to its users. 2.88% of participants indicated that the information on the websites is not clear at all. For other weak scales, 1, 2 and 3 they constituted 25.96% (27), 25% (26) and 34.62% (36) respectively. On a similar information hunt, the existences of financial literacy centers established by banks have been confirmed, and majority of participants (58.25%, 60) indicated non-awareness on their existence, while 27.18% (28) indicated they have no information on such centers.

Media use intensity by banks on providing financial knowledge to customers has also been checked. A significant number of participants have indicated that the media is often being used by banks. 12.75% indicated very often use, 48.04% somewhat often while 39.22% indicated that it is not often used and no one has indicated that media is never used by banks. The results show that media is the mode of communication used by banks to communicate with its customers or possible customers. The only problem with this mode is its penetration level to remote areas, hence living other sectors subserviced. Mobile banking penetration intensity has also been checked by the study. A scale 1-5 to show intensity has been used; for significant scales 3, 4 and 5 they constituted 30.77% (32), 36.54% (38) and 22.12% (23) of participants.

Level of competition among banks in attracting funds from the unbanked sector has been assessed. Most participants have indicated that there is no serious competition to attract funds from the remote areas. On a scale of 1-5, low intensity as represented by 1, 2 and 3 constituted 29.13% (30), 40.78% (42) and 18.45% (19) respectively. This tells us that harnessing funds from the unbanked sector will remain a problem unless a policy is instituted.To check on the nature of the participants on the financial products of banks, a question has been asked to check whether one has accessed loan from any bank. 55.81% (57) indicated that they have obtained loans, 7.69% indicated that they tried to have loans but failed to secure and 37.50% have never applied for any loan. The results show that participants are aware of the financial sector transactions and hence guarantee quality of responses on matters of financial literacy.

Loan default which is currently on the rise in the country financial sector has been related to level of financial literacy. Due to the complexity of financial products, people are entering into agreements they do not fully understand. Rates of interest are quoted in nominal terms and differ from effective interest rates. On a scale of 1-5, participants were allowed to rank the intensity of correlation between level of non-performing loans and financial literacy level. The results were mixed, implying that loan default is not only determined by level of financial literacy but many other factors are also exerting active force. Lowly linked scales 1 and 2 constituted 16.35% (17) and 23.08% (24) while highly linked scales 4 and 5 have 10.58% and 17.31% share of the participants. Financially literate consumers are argued to be more cautious in taking on credit they can't afford (World Bank, 2009).

VII. Conclusion

Financial literacy has assumed greater importance in recent years as financial markets have become increasingly complex and the common manfinds it very difficult to make informed decisions, Ramakrishnan (2011). The concept of financial literacy is considered animportant adjunct for enabling financial inclusion, financial development and hence leading to financial stability in the economy.Financial literacy is critical for promoting access to finance by creating incentivesand environments that promote desired financial behaviors such as saving, budgeting,or using credit wisely, World Bank (2009).

With support from Kovalevsky (2013), new financial tools such as credit cards, internet-banking, web-money, mobile bank among others are on the rise in the financial market and are often being imposed, and they could be potentially unsafe for the people with low level of financial literacy. There exist lack of educational programs for youths, elderly people, and people from remote areas, and therefore limited consumer protection prevails.

The survey results have shown that, banks are not heavily promoting financial literacy in the economy. Promoting financial literacy is expected to benefit not only the individuals and societies but also the banks themselves as deposit base is expected to increase with level of awareness. There however is a need for a cost-benefit analysis in the expansion of banks to remote areas, and this will guide on way forward for banks. Long-term benefits are surely guaranteed as literacy improves through bank expansion to remote areas. Currently banks are competing for urban cash, yet majority of the population is actually living in rural areas.

For the economy to benefit from financial sector stability through increased literacy there is greater need for government involvement. There is a need to set up a national strategy on financial literacy so as to reach financial stability in the economy. As mentioned some decades ago, one reason why people do not save is because the lack experience and expertise in dealing with financial matters, Bernheim (1994). The Central Bank, being a regulator and supervisor of the banking sector should make favourable policies which will drive banks to favour the remote areas. Governments should consider increasing financial literacy and financial inclusion, by making it a new Millennium Development Goal.

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