



Exploring the Impact of Financial Inclusion in Community Development in Cowdray Park, Bulawayo

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ABSTRACT

Financial inclusion plays a crucial role in socioeconomic development, particularly in low-income communities. It is upon this premise that this study examines the impact of financial inclusion on the development of Cowdray Park, a growing suburb in Bulawayo, Zimbabwe. The study explores the level of financial inclusion, its relationship with household income, and its impact on savings, entrepreneurship, and overall well-being. Using a qualitative research approach, data was gathered through focus group discussions and semi-structured interviews. As part of its findings, Cowdray Park residents face significant barriers to financial inclusion, such as limited access to formal financial services, low financial literacy, and high levels of poverty and unemployment. However, the study demonstrates a positive correlation between financial inclusion and household income. Increased access to financial services is perceived to empower individuals, stimulate entrepreneurship, and improve the overall quality of life in the community. To improve financial inclusion in Cowdray Park, recommendations include expanding formal financial services through agent banking, promoting financial literacy, and implementing policies to reduce barriers to financial inclusion in order to foster community development.

Keywords: Financial Inclusion, Community development, Cowdray Park

INTRODUCTION

Over the past several decades worldwide, financial inclusion has transformed from simple, small loans, to encompass the basic financial services that provide a healthy financial future for millions across the world. According to Mishra et al (2024) financial inclusion is the ability of people and businesses to obtain practical and reasonably priced financial products and services

that satisfy their needs—transactions, payments, savings, credit, and insurance delivered in an ethical and sustainable manner. According to Sapre (2023) financial inclusion has emerged as a critical global priority, recognized by international organizations like the World Bank and the United Nations as a key driver of sustainable development and poverty reduction. Globally, efforts are underway to expand access to formal financial services, and in Africa, financial inclusion has the potential to unlock economic opportunities for underserved populations, fostering long-term financial stability (Sapre 2023), and this is equally true for development of Cowdray Park, a low-income suburb in Bulawayo, Zimbabwe, as financial inclusion has the potential to fuel its development rate as a growing township. To see how financial inclusion impact development in Cowdray Park the study assesses the level of financial inclusion, its impact on savings and entrepreneurship, and its role in promoting overall well-being and community development.

CONTEXTUAL AND CONCEPTUAL ISSUES

According to recent research, financial inclusion is a multifaceted concept that includes having and using financial goods, such as mobile money accounts, as well as risk management (insurance), savings accounts, credit availability, and receiving remittances (Koomson and Ibrahim 2018; Koomson et al. 2020). A report prepared by Reserve bank of Zimbabwe's (RBZ) (2020) titled Zimbabwe Financial Inclusion Journey, reports that financial inclusion initiatives have transformed the hopes of billions of low-income groups previously excluded from formal financial services and opened avenues for enormous opportunities to access a broad range of financial products and services around the globe. However, a study conducted by Demirguc-Kunt et al. (2018) highlight that World Bank's Global Financial Database in 2017, showed that a sizable portion of the population remains financially excluded. A study by Abubakar, et al. (2020) on financial inclusion in BRICKS countries found that 31 percent of the population does not have access to organized financial systems. Abubakar, et al. (2020) also states that some of the barriers to organized financial systems which promote financial inclusion encompass distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion. Zimbabwe, as is the case with other countries is facing challenges in attaining financial inclusion. According to the Reserve bank of Zimbabwe's financial inclusion report (2017) several challenges that impact financial inclusion in Zimbabwe include low levels of financial literacy and entrepreneurial skills, lack of resources, lack of acceptable collateral among the target segments and high levels of informality. Furthermore, the Covid-19 pandemic and the attendant measures to contain its spread was also noted as a hindrance to financial inclusion in the country. Cowdray Park suburb in the city of Bulawayo, Zimbabwe, as a developing place needs financial inclusion so as to facilitate and promote its development.

Financial inclusion and socioeconomic development are intricately linked, with numerous studies and literature highlighting how improved access to financial services can significantly contribute to various aspects of socioeconomic development. In their study titled *Financial Inclusion, Financial Development, and Economic Diversification in Nigeria*, Adeola and Evans (2017) concluded that financial inclusion, in terms of financial access and financial usage, can help to drive economic diversification in Nigeria. According Adeola and Evans (2017), financial inclusion can help Nigeria to build shared prosperity and abolish extreme poverty in all communities. Kim et al. (2018) opines that financial inclusion has a positive effect on economic

growth in the Organization of Islamic Cooperation (OIC) countries. A study by Ajide (2020) reveals that financial inclusion also has a significant and positive effect on entrepreneurship in Africa. Thus, financial inclusion has been proven to have an impact on development.

In Zimbabwe, a study carried out by Barugahara (2021) contends that financial inclusion enables households and micro, small and medium enterprises to engage in income-generating activities which improve their economic welfare. Ensuring the existence of an inclusive financial sector with the view of engendering social and economic development is the goal for the establishment of the National Financial Inclusion Strategy for Zimbabwe (Reserve Bank of Zimbabwe, 2016). It is envisioned that the, national financial inclusion strategy support community development in the country, hence the need to examine the impact of financial inclusion in low income suburb of Cowdray park in Bulawayo.

Noting the importance of financial inclusion in development, as propounded by Barugahara (2021) that a well-developed and appropriate financial system is essential for economic growth and it can serve as a means of attracting the investment needed to drive a country's development. This study examines the impact of financial inclusion in the development of low-income suburbs of Cowdray Park, due to its unique blend of challenges and opportunities in financial inclusion. As one of the largest suburbs in Bulawayo, it has a significant population and diverse economic activities, making it a representative case for examining financial inclusion efforts. Due to limited prior research on impact of financial inclusion in the development of low income suburbs particularly Cowdry park, there is need to understand the subjective experiences and perspectives of the community members, hence the study uses qualitative research approach. The qualitative approach facilitates an in-depth exploration of the social world, as stated by Creswell (2009). This approach is particularly relevant given that it allows for an in-depth exploration of individual experiences, perceptions, and barriers to financial access.

Using this comprehensive methodology, the researchers can gather a rich dataset that provides a holistic view of financial inclusion in Cowdray Park. This approach allows for a deeper understanding of the subject matter, expressed in the form of language rather than numerical data (Silverman, 2013). Furthermore, the qualitative research enables the investigation of the day-to-day experiences and behaviours of the research participants, rather than relying on laboratory settings (Creswell, 2009).

The target population comprises of Cowdray park residents aged 18 years and above, and Cowdray park Member of Parliament (MP), financial service providers/institutions, local government authorities, small businesses, informal traders and community members. The MP is responsible for lobbying for development of the township in parliament, hence purposively sampled to partake in semi structured interview. MP holds important information on the development of the communities they serve and have the power to influence policies to support development. Snowball sampling was also utilized by the researcher with regards to financial service providers/institutions, local government authorities, small businesses, and informal traders operating in Cowdray Park, as most respondents were mentioned other people in their responses especially small business people, hence the researcher made a follow up on some the people who would have been mentioned. Convenient sampling was employed to select

Cowdray park residents in Garikai/Hlalani Kuhle area to participate in focus group discussions after requesting for meeting with residents. Before data collection, the researcher sought permission from Cowdray Park authorities and explained the purpose of the study. The interview questions were prepared in advance, and the focus group discussions were conducted first, followed by the key informant interview with the Cowdray Park MP, financial service providers/institutions, local government authorities, small businesses, and informal traders operating in Cowdray Park. The data collected was strictly limited to the study objectives, which aimed to examine the impact of financial inclusion in community development. To ensure the credibility and trustworthiness of the study, the researcher employs member checking to verify the accuracy of the data. Key informants were asked to review the transcripts of the dialogues in which they had participated. Additionally, the researcher sought peer scrutiny before going to the field, which helped determine the appropriateness of the data collection instruments and ensure that the intended information would be collected. The data analysis process involved structuring and organising the vast volumes of data, guided by the themes generated from the three main research questions of the study.

SCOPE OF FINANCIAL INCLUSION IN COWDRAY PARK

Financial inclusion has emerged as a critical driver of socio-economic development globally (Demirguc-Kunt et al. 2018), with a growing body of literature examining its multifaceted impact. Globally, trends reveal a shift from mere access to financial services towards effective usage and its influence on well-being, particularly in developing economies. Regional trends in Africa highlight the transformative power of mobile money and digital financial services, exemplified by Kenya's M-Pesa. However, the Zimbabwean context necessitates a nuanced understanding, considering its unique economic and social challenges, where metrics such as access to formal banking, mobile money usage, and microfinance participation are crucial. A significant portion of the population in Cowdray Park faces significant barriers to financial inclusion. Many residents lack access to formal banking services, such as savings accounts, loans, and insurance. One resident asserted that:

"Here in cowdray park there is no bank, all the banks are found in the city centre which is far to access. Personally, I am an entrepreneur who survives by selling at local terminus and imagine after selling do you think I would take my proceeds to the bank in the central business district where banks are found? No, I won't because that's an extra cost for me, therefore I don't have a bank account at all, and I can vouch for all those who are entrepreneurs operating in cowdray park they don't do banking".

This limited access to the banks in Cowdray Park forces people to rely on informal financial services like moneylenders and savings clubs, which often come with high interest rates and limited security. This are outside the regulatory landscape of government policies, notably the National Financial Inclusion Strategy, and the Reserve Bank of Zimbabwe's (RBZ) oversight. Barugahara (2021) examined these government policies. Comparisons to other African regulatory frameworks offer valuable insights. Additionally, low financial literacy hinders informed decision-making, as many residents lack understanding of financial concepts like interest rates, budgeting, and investment. These findings collaborate with Omar and Inaba

(2020) who found that financial literacy, behaviour and knowledge are more valuable in making informed decisions, and positively impacts financial inclusion.

The findings of the study also reveal that there is low access to financial inclusion in Cowdray Park due to high levels of poverty and unemployment. According to Taylor (2011) literature on financial inclusion show significant variability in financial capability across different demographic groups, with young, unemployed single adults often having the lowest financial capability compared to older, employed individuals in dual-income households. Therefore, with high unemployment in Cowdray Park there is low financial inclusion. MP for Cowdray Park summed this by stating that:

“One of the main challenge we are working to solve in Cowdray Park is unemployment, we have a lot of youth who are unemployed, and this in my view makes it difficult for them to access financial institutions like banks to have bank accounts because they have no stable income. Plus, you would know that if one is employed in a company automatically there are required to have a bank account to earn their salary, this opens a lot of doors for people to use financial services available to them.”

Furthermore, gender disparities in access to financial services are evident. Women, particularly those in single-headed households, face additional challenges due to cultural norms and limited economic opportunities. Bricknell and Kertay (2024) barriers to financial inclusion encompassing geographic, cultural, and infrastructural limitations, economic factors such as poverty and unemployment, and gender disparities in access to financial services. They often rely on informal savings groups and micro-lending schemes to access credit and manage their finances. The impact of financial literacy, or the lack thereof, is also a significant factor. Many residents lack a basic understanding of financial concepts, hindering their ability to make informed decisions about savings, investments, and debt management. This lack of financial literacy contributes to a cycle of financial vulnerability, as residents are more susceptible to predatory lending practices and less able to leverage available financial services for their benefit. The impact of financial inclusion is evident in economic growth, poverty alleviation (Kumar, 2012; Jabir et al. 2017), SME development, and social empowerment, particularly for marginalized communities (Sarma, 2012), hence, addressing these multifaceted challenges requires a holistic approach that considers the unique socio-economic context of Cowdray Park and prioritizes financial education, accessible and affordable financial services, and the promotion of trust in formal and digital financial institutions.

EXAMINE THE IMPACT OF FINANCIAL INCLUSION ON SAVINGS AND ENTREPRENEURSHIP

It is clear from the findings that financial inclusion has a significant impact on both savings and entrepreneurship. Access to formal financial services, such as savings accounts, can encourage individuals to save regularly, leading to increased financial stability and long-term savings. One respondent asserted that *“budgeting and saving money is easy when using a bank, for example I had of the savings account from FBC bank where I cannot withdraw my money for 3 months, if I can have that account, I believe it can make it easy for me to budget for my different projects within specified time frames, than saying I will save the money while keeping it at home”*. Additionally,

the findings highlighted that financial inclusion can foster entrepreneurship by providing access to credit and other financial services. According to Abubakar, et al. (2020) small businesses often need financial backing from the banks and access to loan facilities so that they can use these resources to start up, expand, and create jobs. Bricknell and Kertay (2024) carried a study on influence of increased financial inclusion on entrepreneurship in South Africa. The research explores the experiences and perspectives of entrepreneurs regarding access to financial services, the role of financial inclusion in entrepreneurial growth, the impact of technology on financial inclusion, financial literacy, and awareness, as well as recommendations for policy and practice. Findings reveal that while there has been progress in enhancing financial access, challenges such as high bank charges, stringent documentation requirements, and limited financial literacy remain a problem, particularly among underserved populations. However, increased access to financial services has facilitated entrepreneurial activities, with entrepreneurs leveraging innovations like mobile banking and online payment systems. The study reveals that financial inclusion has an impact on savings and entrepreneurship. However, it is worth noting that the impact of financial inclusion on savings and entrepreneurship can vary depending on factors like financial literacy, economic conditions, and the availability of appropriate financial products (Ajide, 2020).

FINANCIAL INCLUSION ON OVERALL WELL-BEING AND COMMUNITY DEVELOPMENT

Financial inclusion impacts community development through looking at households living standards. The findings of the study highlight the effect of financial inclusion on overall well-being and community development (Mishra, 2024; Audi, Bib, and Ahmad, 2019; World Bank, 2018) by identifying that when individuals have access to formal financial services, such as savings accounts, loans, and insurance, they can experience improved financial stability, reduced poverty, and enhanced quality of life. Increased access to financial services can lead to increased household income, better health outcomes, improved education, and reduced vulnerability to economic shocks. According to one respondent, *“most of us suffered a lot during the Covid-19 period because when the lockdown restrictions were implemented one had no savings on their banks and that made it difficult for people because there was no way they could have access to finance, however if we all had savings in account the shock of covid-19 were not going to be so severe”*. Additionally, financial inclusion can stimulate economic growth by enabling entrepreneurship and small business development.

In order for financial inclusion to contribute to development, there is need to meet certain conditions on personal level. According to Demirgüç-Kunt and Klapper (2013) income and education are two crucial variables for accessing financial services. Kairiza et al., (2017) also confirms this and proposes a positive and significant relationship between financial inclusion and variables such as literacy, population and income. Furthermore, Kumar (2012) showed that poverty had fallen sharply in Indian cities where customers were provided greater access to financial and banking services. Park and Mercado (2015) similarly illustrate that changes in the regulation of the financial system led to a decrease in inequality and promote banking and financial stability. Jabir et al. (2017) reveal that financial inclusion dramatically reduced poverty among low-income households in sub-Saharan African countries by providing net wealth and greater social benefits. Various scholars concur that the concept of financial inclusion, which entails the accessibility and effective use of financial services, has been increasingly recognized as a pivotal factor in socio-economic development ((Demirguc-Kunt et

al. 2018, Andreou and Anyfantaki 2021, Chukhrova and Johannssen 2021; Pnevmatikakis et al. 2021).

RECOMMENDATIONS

Looking at the perceived benefits of financial inclusion by cowdray park residents in community development, it is recommended that:

- Banks craft financial services that are reachable in Cowdray Park. These can be agent banking models, as well as digital banking services.
- Reserve bank of Zimbabwe and all financial stakeholders should team up to hold public financial literacy trainings which will be accessible to everyone in low income areas so as to empower people with the knowledge and skills to make informed financial decisions, as residents in cowdray park expressed low financial literacy levels which impacts their financial inclusion.
- All MPs in low income areas should play an active role in advocating government, businesses and non-governmental organisations to offer microfinance opportunities for entrepreneurs, stimulating economic activity in Cowdray Park.
- Policy makers and banking sector should craft policies that reduce barriers to financial services, such as easing bank account opening procedures and promoting digital financial services, so as to enhance financial inclusion and contribute to the overall community development.

CONCLUSION

Cowdray park residents acknowledged that their community is underdeveloped due to lack of financial inclusion, as the study revealed significant barriers to financial inclusion in the community such as limited access to formal banking services, high levels of poverty and unemployment, as well as low financial literacy. Despite these challenges, the study found a positive correlation between financial inclusion and household income. Residents expressed the belief that access to financial services like savings accounts, loans, and insurance could empower them to improve their financial well-being and contribute to community development.

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