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Leveraging SMEs financial inclusion through agency banking in Zimbabwe

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Abstract
Purpose: The main purpose of this study is to examine the effect of agency banking on the financial inclusion of SMEs, determine factors that influence the adoption of agency banking by SMEs, and establish an agency banking model that can be adopted to improve the financial inclusion of SMEs in Zimbabwe.
Research Methodology: The study uses a mixed-method approach and is explanatory. Questionnaires and informants were used as research instruments, with a random sample of 78 respondents and 10 purposively selected agents. Inferential statistics were used to analyze the data.
Results: The findings shed light on the effects of agency banking on financial inclusion and impediments to financial inclusion, and identify the channels of agency banking being used most frequently. Factors that influenced the adoption of technology were also identified.
Limitations: The study was limited to one population group and one locality, although financial inclusion should ideally include all population groups.
Contribution: This study recommends a unique model that can be used to enhance financial inclusion through agency banking, which has been identified as a pillar of financial inclusion. Therefore, the results are useful to policymakers and future researchers.
Keywords: *Leveraging SMEs, Financial Inclusion, Financial Exclusion, Agency Banking, Policy Formulation*
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1. Introduction

Financial inclusion has topped the agendas of countries globally after it emerged as a key enabler of wealth creation, poverty reduction, and consequently economic growth (Maina & Mwangi, 2014; RBZ, n.d.-a; Sonkar & Sarkar, 2020). The Global Findex Database of 2021 indicates that there has been a rise in financial inclusion, with 76% of the adult population owning a bank account. Indeed, many economies confirm the significant contribution of financial inclusion to promoting sustainable livelihoods, employment creation, and reducing gender disparities, in line with the 2030 United Nations Sustainable Development Goals (SDGs). Governments worldwide are working to ensure that all citizens have access to affordable financial facilities (Amidžic, Massara, & Mialou, 2014). These governments have embraced and promoted agency banking in their banking sector with the primary objective of serving people who would otherwise be financially disadvantaged (Gugssa, 2015; Ndungu & Wako, 2015); Zimbabwe is no exception.

The Zimbabwean economy is dominated by MSMEs that contribute 60% of GDP and are the country's largest employer (FinScope, 2022; RBZ, n.d.-a). Zimbabwe implemented the first phase of the financial inclusion strategy from 2016 to 2020, and significant improvements in financial inclusion were noted. Financial inclusion has been a policy priority intended to sustain the economy in light of the aftereffects of the COVID-19 pandemic. The second phase of National Financial Inclusion Strategy 11 was developed, with financial innovation being indicated as one of its pillars. Commercial banks and other providers of financial services have not been in a position to reach out to all citizens, but in the preceding five years, the banking sector has introduced agency banking, which has considerably improved access to and availability of financial facilities for individuals in remote areas (Chitokwindo, Mago, & Hofisi, 2014).

Several researches have been conducted on agency banking, but these were carried out during the first phase of the National Financial Inclusion Strategy (2016–2020) (Masiyandima, Mlambo, & Nyarota, 2017; Nyagadza, 2019; Sanderson, Mutandwa, & Le Roux, 2018). Most of the studies focus on the demand side for financial products rather than on the supply side; thus, there is scant literature regarding the supply side perspective, with most studies focusing on mobile banking, ATMs, and point of sale (FinScope, 2022) to the exclusion of agent banking despite it being a cheap model most suited for rural environments (Nyagadza, 2019; Veniard & Melinda, 2010). A key contributor to the study is that it seeks to fill the identified research gaps, as it incorporates the disruptive effects of COVID-19 and assesses financial inclusivity from a supply perspective. In other studies, such as those by Otonne and Ige (2023), 2019 was selected as the end point of the sample, as performance indicators may have been disrupted by the COVID-19 pandemic. Zimbabwe has made significant strides to promote financial inclusion, as documented in ZNFI 11, but gaps are still evident in meeting the financing needs of SMEs, where agent banking is considered a cheaper option for the sector. Thus, the study provides an in-depth analysis of the effect of agent banking on financial inclusion for SMEs in Zimbabwe, thereby targeting a population group that has immense contribution towards economic growth. Although MSMEs have improved access to financial services, there is still a need to harness financial inclusion, and more so to evaluate the impact of financial innovations being introduced as drivers to enhance such financial inclusivity (RBZ, n.d.-b). The key research findings will assist in policy formulation and the development of programs to improve financial inclusion.

This study investigated the role of agent banking in achieving financial inclusion. Specifically, this study seeks to establish the channels of agency banking frequently used to determine the factors that influence the adoption of agency banking, examine the effect of agency banking on financial inclusion, assess factors that hinder financial inclusion, and establish an agency banking model that could be adopted to improve financial inclusion. The dependent variable is financial inclusion, which considers the channels of agent banking and adoption of agent banking, while the independent variable is agent banking.

2. Literature Review

Agency banking refers to the provision of banking services by registered banking institutions through agents or third-party intermediaries (Reaves et al., 2017; Sanford, 2013). According to Achugamonu, Taiwo, Ikpefan, Olurinola, and Emena (2020) and Nesse, Risnes, Hallingby, Munch-Ellingsen, and Canright (2017), banking partnerships with nonbanks, typically retail commercial outlets, range from lottery kiosks, pharmacies, post offices, and construction goods stores, among others, to provide distribution outlets for financial services. Agency banking provides a wide range of financial facilities, including, amongst other things, the opening of accounts, depositing of cash, withdrawals, and transfer of money (Agalla, 2014; Aron, 2018; David-West, Iheanachor, & Umukoro, 2020).

The definition of financial inclusion is broad and there has not been any consensus reached on a single definition (Nkuna, Lapukeni, Kaude, & Kabango, 2018). However, the literature acknowledges the two divisions used to define the term: the existence of a demand-side perspective and a supply side perspective. From the supply perspective, financial inclusion can be defined as the "process of ensuring access to appropriate financial products and services needed by all sections of the society in general, and vulnerable groups such as weaker sections and low-income groups in particular, at an affordable cost, manner fairly and transparently by regulated mainstream international players" (Allen, Demirguc-Kunt, Klapper, & Peria, 2016; Mukhule, 2019; Ozili, 2018; RBZ, n.d.-a).

Hannig and Jansen (2010) define financial inclusion as the process that aims to draw the "unbanked" population into the formal financial system so that they have the opportunity to access financial services, ranging from savings and payments. Financial inclusion is achieved when all citizens of a country have easy access to a wide variety of financial services at a cost that they can afford and when the services meet their needs (ZNFI 2022). The inclusion of a country's citizens in formal financial services contributes to the reduction of poverty and increased economic growth through the mobilization of savings for productive use, efficient allocation of capital funds, and management of risks, thereby reducing disparities and eradicating poverty (Ebicherla & Raju, 2017; FinScope, 2022; Kapoor, 2014; RBZ, n.d.-a).

Migap, Okwanya, and Ojeka (2015), as well as Le et al. (2019), contended that promoting financial inclusion in the wider context of economic inclusion could improve financial conditions and uplift the living standards of the poor and disadvantaged. Mazambani, Rushwaya, and Mutambara (2018) and Ibor, Offiong, and Mendie (2017) posited that access to financial services enables household savings (enabling such persons to invest in themselves and their families), leverages capital for investments, and expands the entrepreneurial class. Financial inclusion offers incremental and complementary solutions to tackle poverty, promote inclusive development, and achieve UN Sustainable (Millennium) Development Goals (MDGs) (Chen & Jin, 2017). Malenya and Kariuki (2016) believe that financial inclusion is achieved when adult Zimbabweans have easy access to a broad range of formal financial services that meet their needs at affordable costs. Such financial services include but are not limited to, payments, savings, loans, and insurance and pension products (Agyekum, 2017).

This study is informed by the Agency Theory of Finance proposed by Jensen and Meckling (1976), who stated that an agency relationship exists when one or more persons (principals) engage another person (agent) to perform some service on behalf of the principal, which involves delegating some decision-making authority to the agent. The agency banking models also borrow Bucklin's (1966om) Marketing Theory of Distribution ChannelsBucklin (1966). A distribution channel is a means by which businesses obtain their products from consumers (Yangdol & Sarma, 2019). In this case, the agency banking model is a way to make financial products available to customers. Therefore, it represents a distribution channel, and because agent banking is designed to address challenges associated with serving low-income consumers whose transaction volume and value are low, these services are provided through an intermediary, the retailer, who performs some functions on behalf of the financial institution. The theory of planned behavior has also been used in this study to inform bank customers' adoption of usage as a function of their human behavior (Suganda & Aprianingsih, 2024). According to Aron (2018), banking agents must fit within the distribution strategies of banks alongside other channels such as branches or automatic teller machines (ATMs). Naude and Chiweshe (2017) added that agents could provide multiple benefits to increase client convenience, reduce transaction costs, and reach new customers. However, the bank must have a clear strategic rationale for each agent that it sets up to drive decision making, ensure appropriate agent setup and channel support, and permit subsequent performance evaluation against the original strategic intent (Esubalew & Raghurama, 2020).

2.1 Channels of agency banking

Achugamonu et al. (2020) and Karedza and Govender (2017) suggest that third-party institutions may include supermarkets, other retail outlets, post offices, pharmacies, butcheries, general dealer stores, and lottery outlets. Malenya and Kariuki (2016) identified electronic funds transfer point of sale (EFTPOS), payment systems access points, and mobile financial services as the most common channels of agency banking for SMEs. Several points of sale facilities are made available in retail shops and banking halls in many developing countries to provide services to SMEs. However, according to Mazambani et al. (2018), most of them are located in the Central Business District, whereas approximately 70% of the urban population operates in high-density suburbs. This means that the majority of SMEs have no access to this means of payment (Mazambani et al., 2018; Worldbank, 2018). Most of the clients do not use this facility, as they tend to operate on a cash basis, including paying their employees in cash (FinScope, 2022; Mazambani et al., 2018). A review of these channels would enable the study to understand whether they could be considered an impediment to financial access and whether they would better serve the SME sector if they were located closer to their operations in high-density areas.

2.2 Factors that Influence the Adoption of Agency Banking Amongst SMEs

The literature identifies several factors that influence agency banking adoption. Many of these factors are outlined in several theories of technology adoption, such as the diffusion of innovation theory (Rogers, Singhal, & Quinlan, 2014) and The Technology Adoption Model (Davis, 1989). Some of these factors include ease of conducting business (Ebicherla & Raju, 2017; Ibor et al., 2017; Le, Ho, & Mai, 2019; Mazambani et al., 2018)), reliability (Worldbank, 2018), convenience (Sehrawat & Giri, 2016), professionalism of agents (Yangdol & Sarma, 2019), and regulatory factors (Esubalew & Raghurama, 2020; Sethi & Sethy, 2018). Economic growth has also been noted as a driver of the adoption of agency banking, where it is expected that economic growth will lead to demand for financial services (Majama & Magang, 2017). Aron (2018) investigated the slow adoption of agency banking services in Kenya and concluded that the major determining factors were the lack of information among customers who did not fully understand the concept of agency banking and the benefits of engaging with the technology. In particular, agency banking can be associated with risks such as threats to the confidentiality of consumer information and controls used at the premises to safeguard consumers (Baliamoune-Lutz & Lutz, 2017).

Threats associated with technology, such as hacking, theft, and loss of passwords/pin codes, can equally inform risk (Love & Roper, 2015). Agency banking shifts the concept of banking with which consumers are familiar, including the availability of security guards, CCTV cameras on standby, and most access areas being under lock and key to a simple model that is mobile with minimal controls and hence deemed to threaten security (Barugahara, 2021). When one fears that an agent's device may be stolen or the premises may be invaded, and there will be no footage to investigate the break-in, consumers consider this to be risky (Chitimira & Torerai, 2021). Consumers tend to be relieved when the possibility of risk is minimal, positively influencing adoption (Barugahara, 2021). According to Aron (2018), social influence is also a major factor that influences the adoption of agency banking among SMEs. All human beings are always searching for validation, especially when internalizing or accepting something new is a concern (Mazambani et al., 2018). They must feel that what they are doing is acceptable within their networks (Esubalew & Raghurama, 2020).

Validation affects one's image (Margaret & Ruth, 2019). With a positive image, one can be confident of using new technology (agency banking) in the long term. Communities shape attitudes, which influence intent to use, given the possibility of influencing impressions created when one is seen using agency banking (Barugahara, 2021). Moreover, the benefits associated with the adoption of new technology in a social system can positively inform the adoption of new technology (Esubalew & Raghurama, 2020). It is assumed that once one has been exposed to elements of ICT, agency banking becomes easy to conceptualize, with the resultant self-confidence attributable to available knowledge (Sethi & Sethy, 2018). Moreover, a change in attitude can influence the ease of use and possible acceptance of new technology (Esubalew & Raghurama, 2020).

2.3 Effect of Agency Banking on Financial Inclusion of SMEs

The literature documents the effects of agency banking on financial inclusion (Chen & Jin, 2017; Mukhule, 2019; Nanziri, 2020; Yangdol & Sarma, 2019). With agency banking, agents can support clients in conducting transactions. This support boosts the uptake of financial services by SMEs, especially in cases where literacy levels are low and/or language obstacles exist (Nanziri, 2020; Sethi & Sethy, 2018). In this way, the channel directly improves access to financial services by clients who feel uncomfortable conducting the transactions themselves because they are afraid of making mistakes or not knowing how to operate the device altogether due to literacy or language barriers (Sethi & Sethy, 2018).

The partnership between a bank and its agent has helped banks take financial services closer to people, and more importantly, to areas where they are lacking (Nanziri, 2020). Many developing countries have changed their banking laws to allow commercial banks to offer their services through third-party businesses (Yangdol & Sarma, 2019), with agents operating as satellite branches. Through agency banking, the incidence of financial exclusion has decreased over the years (Sehrawat & Giri, 2016). For perennially underserved SME communities, agent banking enables the poor to gain convenient access to financial services within their communities (Yangdol & Sarma, 2019). According to Ebicherla and Raju (2017), agent banking brings banking services to the doorsteps of those who are reluctant or otherwise unable to travel to the nearest bank. This may lead to a more inclusive financial system.

Zahan (2017) reported that agent banks are being used by the underserved only because they are close and not because they offer quality service. Migap et al. (2015) asserted that people who use agent banks are most likely to be poor, less educated, employed in the informal sector, female, and people living in small towns or settlements that are not easily accessible. By leveraging mobile technology and the existing network of local retailers, agent banks can deliver banking services to SME at a reasonable cost (Karedza & Govender, 2017; Love & Roper, 2015; Margaret & Ruth, 2019; Mukhule, 2019; Reaves et al., 2017). Nyagadza (2019) finds that the level of financial inclusion through agency banking targeted toward customers or depositors is critical to the success of agency banking by any bank or financial institution. They recommended that financial institutions be aligned with corporate needs and processes to help deliver customer promises.

Afande and Mbugua (2015), Lotto (2016), and Rahman (2019) confirm the willingness of customers to pay more for the convenience and efficiency associated with agent banking. However, Otonne and Ige (2023) note that fintech companies can improve market efficiency and thus reduce transaction costs. Afande and Mbugua (2015) establish a strong and statistically significant association between agent banking and financial inclusion. The researchers concluded that greater coverage brought about by agent banking is the strongest predictor of financial inclusion, and recommended the establishment of more agents.

In light of the literature reviewed, the study hypothesizes that there is a positive and statistically significant relationship between agency banking and the financial inclusion of SMEs players in the SMEs sector.

3. Methodology

The survey study, which used a mixed method (pragmatic) research philosophy and was explanatory, examined the nexus between agency banking and financial inclusion of SMEs in Harare. SMEs were chosen because they are the major contributors to the GDP in several countries (Chinedu, Dennis, & Chikwuemeka-Onuzulike, 2020; Munyawarara & Govender, 2020). In this study, the researchers focused on a population of 780 SME managers/owners in Harare Industrial South-Central registered with the Small and Medium Enterprise Development Corporation (SMEDCO) and 30 banking agents servicing the area. The target population comprised SMEs in industrial sites, flea markets, retail outlets, manufacturers, transporters, caterers, and agro-processors. The study used stratified and simple random sampling to select SME owners, and purposive sampling to select key informants (banking agents). Ten percent (10%) of the 78 SMEs (780) and 10 banking agents were used as the sample size, in line with recommendations by Mugenda and Mugenda (2003).

Questionnaires were handed to the respondents, and interviews were conducted by making appointments with the informants. The research instrument was pilot-tested with eight managers, validation was carried out using expert opinion, and reliability was tested using Cronbach's alpha. The researcher checked the completeness of the questionnaires and performed editing, coding, and general cleaning of the data. The collected data were analyzed using the Statistical Package for Social Sciences (SPSS Version 25.0) and Microsoft Excel for the generation of reports. For descriptive analysis, the mean, mode, variance, and standard deviation were used to determine the respondents' agreement with statements for each variable. Inferential statistics employed Pearson's correlation to study the relationship between independent and dependent variables.

The study sought to investigate the effect of agent banking on financial inclusion; thus, the dependent variable was identified as financial inclusion measured by the channels of agent banking provided by usage of agent banking outlets and services as well as the services provided by the agents. The independent variable was agent banking, as measured by the factors that influence the adoption of services. This study tested the hypothesis of a statistically significant relationship between financial inclusion and agent banking.

4. Result and discussions

A response rate of 95% was achieved for the questionnaires and 80% of the interviews were successfully conducted. Table 1 presents the results.

Table 1. Response rate

	Frequency	Percentages
Questionnaires administered	78	100%
Completed and returned	74	95%
Interviews scheduled	10	100%
Interviews conducted	8	80%

Source: Primary data 2022

4.1 Reliability Statistics

The results relating to the instrument reliability statistics, as examined using SPSS, are shown in Table 2.

Table 2. Reliability Statistics

Dimension	Reliability coefficients (Alphas)	Number of items
Factors for Adoption	0.75	8
Effect	0.88	5
Hindrances	0.81	10
Channels of agency banking	0.89	2

The reliability test for the questionnaire that was administered showed Cronbach alpha values of 0.75; 0.88; 0.81 and 0.89 factors for the adoption of financial inclusion, effect of agency banking, hindrances, and channels of agency banking respectively.

4.2 Demographic distribution

Approximately 45% were male and 55% were female, with most of the respondents (64%) in the 29-50-year age group; 18% were above 50 years of age, and 16% were less than 29 years of age. The majority (65%) of respondents indicated that they had attained a tertiary level of education, while 20% had attained only secondary-level education. About 10% had primary-level education, and 5% had not attended school. Half of the respondents had been operating their businesses for six to ten years, while 30% had operated for over ten years. Twenty% of respondents had been operating their businesses for less than five years.

The study examined the channels of agency banking frequently used by SMEs, and the results are shown in figure 1.

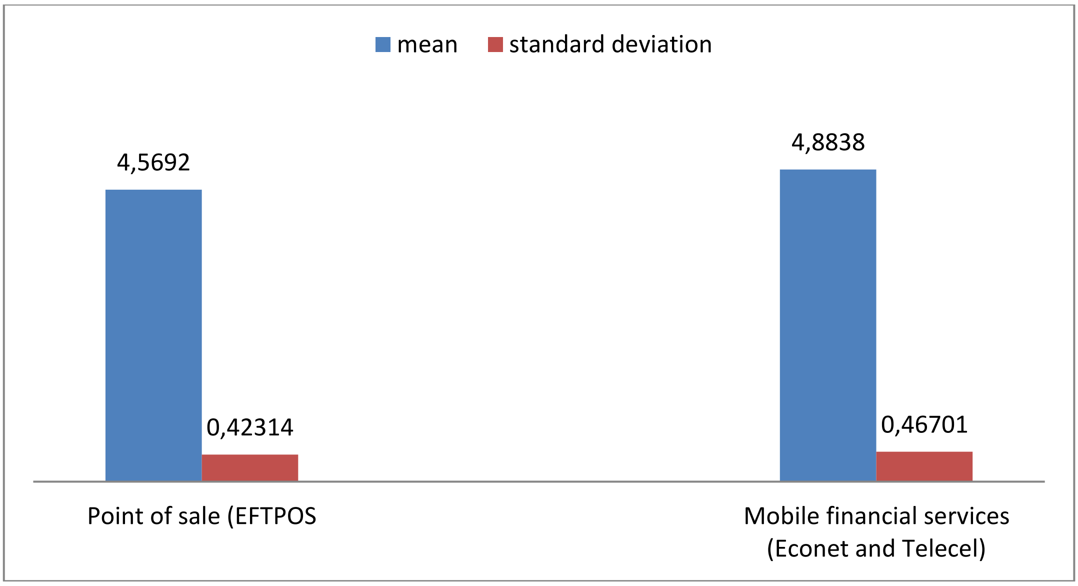

Figure 1: Channels of agency banking

The findings reveal that SMEs use mobile financial services (*mean=4.9; SD=0.5*) and point-of-sale services (*mean=4.6; SD=0.4*).

The study also sought information from key informant interviews regarding the channels of agency banking that are frequently applied to SMEs. The results from the key informants were consistent with the questionnaire findings. For example, one of the key informants revealed that

> *"…there is proliferation of branchless banking agents' business that is widely used by SMEs for the sustainability of their business …Zimbabwean financial institutions have embarked on an aggressive entry into the segment keen to take advantage of the cost-saving and accessibility brought about by the agency banking model through the use of POS machines and mobile banking services…"*

All the key informants reported having witnessed sustained growth in agent banking in the SME sector over the past half-decade, owing mainly to the use of point-of-sale devices located at local retail shops and other merchants, as well as automated teller machines (ATMs), which give customers access to their bank accounts for transaction and payment services through the use of debit cards. The number of ATMs was greater than the number of branches. One of the key informants noted the following:

> *"…Mobile money transfer and point-of-sale facilities have become a panacea to a plethora of liquidity problems facing SMEs. This service originated in Kenya, but with the inception of Eco Cash in Zimbabwe, it has been adopted and used at an increasing rate. Many SMEs and stakeholders point to the importance of this service as convenient, time-saving, cost-effective, and efficient. With the inception of Eco Cash in Zimbabwe, mobile money services completely changed the game on how business is conducted…"*

4.3 Factors that influence the adoption of Agency banking

The study sought information about the factors that influence the adoption of agency banking by SMEs in Harare Industrial South-Central, and the computed results are shown in Table 3.

Table 3. Factors that influence the adoption of agency banking (n=74)

	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
Regulatory factors (policies and procedures)	4.8103	.01000	.20240

Availability and accessibility of resources (existing infrastructure) needed to implement agency	4.6829	.01204	.13018
Growth of mobile financial services	4.5145	.03756	.40626
Reliability (Adequate float and low system downtime)	4.4615	.08101	.87630
Ease of conducting transactions	4.3162	.08808	.91276
Social influence	4.2991	.11275	1.21956
Economic incentives	3.8718	.09208	.99601
Threats associated with technology such as hacking, theft and loss of passwords/pin codes	3.6402	.02202	.23819
Valid N (listwise)			

The results in Table 3 reveal that, to a great extent, regulatory factors (*mean=4.8; SD=0.2*), availability and accessibility of resources (existing infrastructure) needed to implement agency (*mean=4.7; SD=0.1*), growth of mobile financial services (*mean=4.5; SD=0.4*), and reliability (*mean=4.5; SD=0.9*) are some of the factors that influence the adoption of agency banking among SMEs. The study further indicated that to a great extent, ease of conducting transactions (*mean=4.3; SD=0.9*), social influence (*mean=4.3; SD=1.2*), economic incentives (*mean=3.9; SD=1.0*) and threats associated with technology such as hacking, theft and loss of passwords/pin codes (*mean=3.6; SD=0.2*) as some of the major factors.

The study also investigated factors that influence the adoption of agency banking among SMEs in the Harare Industrial South-Central region through key informant interviews. Key informants corroborated the questionnaire findings. All respondents agree that agency banking success among SMEs depends largely on reliability. One of the major measurements of reliability is system availability. They further reported that many agents complain about downtime POS, which is frozen by the bank once the cash limit is reached, pending the deposit of cash at the branch, but often with a lag until POS is unfrozen; poor GPRS connection for some agents and occasional maintenance are required. One respondent reported:

> *"… The system being the only connectivity between the customer and the bank will determine whether a customer is frustrated or satisfied at the agent location. System safety and malfunction can frustrate the agent reconciliation or even facilitate fraud against the bank, customer or the agent…"*

Another participant added, in relation to the issue of proper infrastructure, as one of the factors that influence the adoption of agency banking among SMEs:

> *"…We have noted that the low-cost physical structures of MFIs allow them to establish operations in remote areas of the country and provide access to financial services to people who would not be able to access the services from banking institutions. To a great extent, MFIs fill the gap left by banks…"*

The study also finds that mobile banking offers numerous benefits to SMEs. SMEs can check their account balances, transfer money, pay bills, collect receivables, reduce transaction costs, and establish greater control over bank accounts. Agency banking in Zimbabwe, therefore, must go an extra mile to ensure such convenience.

The study also emphasizes how pivotal regulatory factors are to the growth of bank agencies and their adoption by SMEs. It was revealed that:

> *The Reserve Bank adopted a bank-led model for the financial inclusion of SMEs. We have attempted to create an enabling environment that facilitates competition and fosters financial innovation. .... Given that one of the barriers to agency banking adoption is unavailability of comprehensive credit information on the credit worthiness of potential borrowers for both banks and MFIs, the Reserve Bank is in the process of establishing a Credit Registry..."*

4.4 Effect of Agency Banking on Financial Inclusion of SMEs

This study sought to establish the nexus between agency banking and the financial inclusion of SMEs in Harare using inferential statistics.

4.4.1 Binomial Logistic Regression Analysis

The study executed a binomial logistic regression analysis to examine the interactions between agency banking and financial inclusion; the results are shown in Table 4.

Table 4. Classification Table

Observed			Predicted		
			Financial Inclusion		Percentage Correct
			no	yes	
Step 0	Financial Inclusion	no	4	0	100.0
		yes	70	0	.0
	Overall Percentage				68.4

a. Constant is included in the model.

b. The cut value is .500

The model's goodness-of-fit test was examined by classification of accuracy, as shown in Table 4. Of the 74 respondents, 70 (96%) reported that agency banking leads to financial inclusion, while four (4%) said it does not lead to financial inclusion. With 95% correct classification, the model is good. Generally, discriminant analysis is better for correctly classifying data. According to Bunch, Gay, and Welsch (1993) a classification accuracy of greater that 25% is acceptable.

Table 5. Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	119.297[a]	.204	.286

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

The two pseudo-R-squared statistics of Cox and Snell revealed values of 0.204 and 0.286, respectively, indicating that agency banking caused 20.4% and 29% project success, respectively. The study also used -2 log-likelihood to assess the fitness of the model, and a likelihood ratio value of 119.297 was obtained, which revealed a strong relationship between the elements of banking agencies and financial inclusion.

Table 6. Binomial Logistic Regression Results

		B	S.E.	Wald	do	Sig.	Exp(B)
Step 1[a]	Agency banking	3.383	1.038	10.613	1	.001	29.455
	Constant	6.966	2.040	11.661	1	.001	.001

a. Variable(s) entered on step 1: Agency banking.

The Wald test was used to determine the statistical significance of the independent variables. The study revealed that agency banking (*p=0.001*) added significantly to the model/prediction. The odds ratios [Exp (B)] reveal the predicted change in odds for a unit increase in agency banking. According to Bunch et al. (1993), odds less than 1 correspond to a decrease and odds ratios more than 1.0 depict increases, while odds equal to 1 show that unit changes in the independent variable do not affect the dependent variable.

All key informants confirmed that agency banking has a positive effect on the financial inclusion of SMES. It was found that agents will be able to offer financial services to largely unbanked people, thereby meeting their need to open bank accounts, save money, and earn interest in savings, while agents earn commissions from the services they provide. One of the key informants reported,

> *Agent banking is a veritable tool for tackling the issues identified as inhibitors to deepen financial inclusion. Agent banking involves contracting established businesses to offer financial services to the banked, under-banked and unbanked population on behalf of a financial institution…"*

The participants revealed that agency banking helped simplify banking services by reducing the distance that customers cover to reach the service point, thereby leading to increased financial inclusion among SMEs. Another key informant indicated the following.

> *"…Banking agents are retail vendors, lottery outlets, and post offices, trusted local establishments that can double as a kind of bank branch for their customers, processing everything from bill payments to deposits, withdrawals, and money transfers, thus increasing financial inclusivity… Banking agents' lower set-up and running costs promise to help banks and microfinance institutions reach more and poorer people living far from the nearest branch, with more financial products, at lower cost, than traditional microfinance or banking channels…"*

4.5 Factors that Hinder Financial Inclusion of SMEs

This study established the factors that hinder the financial inclusion of SMEs, and the findings are shown in Table 7.

Table 7. Factors that hinder financial inclusion

	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
Lack of financial literacy	4.7615	.04629	.50066
Financial institutions are reluctant to provide long term finance to SMEs	4.6821	.04178	.45193
High transaction costs of financial services	4.5800	.10700	.0056
Fragile economy	4.5010	.21000	.14700
SMEs lack access to finance based on their business size	3.9145	.03756	.40626
Lack of trust/confidence in the financial system,	3.9239	.07256	.78484
Lack of formal identification documents	3.8615	.08101	.87630
Lack of sufficient financial Information and Communications Technology (ICT) infrastructure	3.7588	.08431	.91198

Lack of conducive legal and regulatory framework	3.5718	.09208	.99601
Valid N (list wise)			

The research findings in Table 5 indicate that, to a very great extent, factors that hinder financial inclusion include lack of financial literacy (*mean=4.8; SD=0.5*), financial institutions reluctant to provide long-term finance to SMEs (*mean=4.7; SD=0.5*), high transaction costs of financial services (*mean=4.6; SD=0.0*), and a fragile economy (*mean=4.5; SD=0.1*). It was further indicated that to a great extent, SMEs lack access to finance based on their business size (*mean=3.9; SD=0.4*), lack of trust/confidence in the financial system (*mean=3.9; SD=0.8*), lack of formal identification documents (*mean=3.9; SD=0.9*), lack of financial Information and Communications Technology (ICT) infrastructure (*mean=3.8; SD=0.9*) and lack of a conducive legal and regulatory framework (*mean=3.6; SD=1.0*).

The study also examined the factors that hinder the financial inclusion of SMEs using interviews. These findings were consistent with those obtained through the questionnaires. It was reported that:

> *"...Building financial capabilities through financial literacy is a key component of financial inclusion. This implies providing financial education so that individuals can identify and use appropriate financial products and services to build and preserve their assets over time. It should make people better informed, better educated and more confident, able to take greater responsibility for their financial affairs and able to play a more active role in the market for financial services…"*

Another added that:

> *"… SMEs' access to finance is also constrained by what is viewed as a high risk sector by financial institutions and that lenders are faced with lack of reliable information on borrowers. This scenario is common for SMEs operating in Harare. It has been observed that a large number of SMEs in Harare are still in the informal sector and this makes it difficult for them to access finance from the formal financial institutions…"*

The interviewees also revealed that, in addition to the above-mentioned factors, access to formal financial services requires documents of proof of a person's identity, income, and other personal information. Most SMEs do not have such documents and are, therefore, excluded from these services. In cases where they have documents, other non-price barriers such as long distances between the bank and one's place of residence and poor infrastructure can prevent these people from financial inclusion. It has also been reported that behavioral aspects also inhibit financial inclusion to some extent. Many people may not be comfortable using formal financial services in Zimbabwe due to illiteracy, difficulty in understanding the language, various documents, and conditions required for financial and other such services.

4.6 Agency Banking Model that Can Be Adopted to Improve Financial Inclusion of SMEs in Harare

The framework in Figure 2 reveals the interconnectedness of elements of the ideal environment and applications that can foster the sustainable financial inclusion of SMEs. An environment characterized by factors such as effective and sufficient infrastructure (mobile or Internet network), financial and digital literacy, a conducive legal and regulatory framework, low bank transaction costs, SME corporate governance (accounting and auditing standards), and monitoring of bank agents to ensure that sufficient liquidity applied as a bundle of one system will influence the financial inclusion of SMEs. SME inclusion in such an environment will get its impetus from appropriate applications, such as receiving and forwarding applications for deposit accounts, term deposit accounts, savings accounts, receipts and payments processes relative to deposit accounts, term deposit accounts, and savings accounts; contributions and withdrawals in investment funds; receiving and forwarding loan requests and financing requests; credit analysis and registration; execution of collection services; receiving and forwarding credit card applications; international money transfers; balance inquiries for savings; and checking accounts and disbursements and payments for loans.

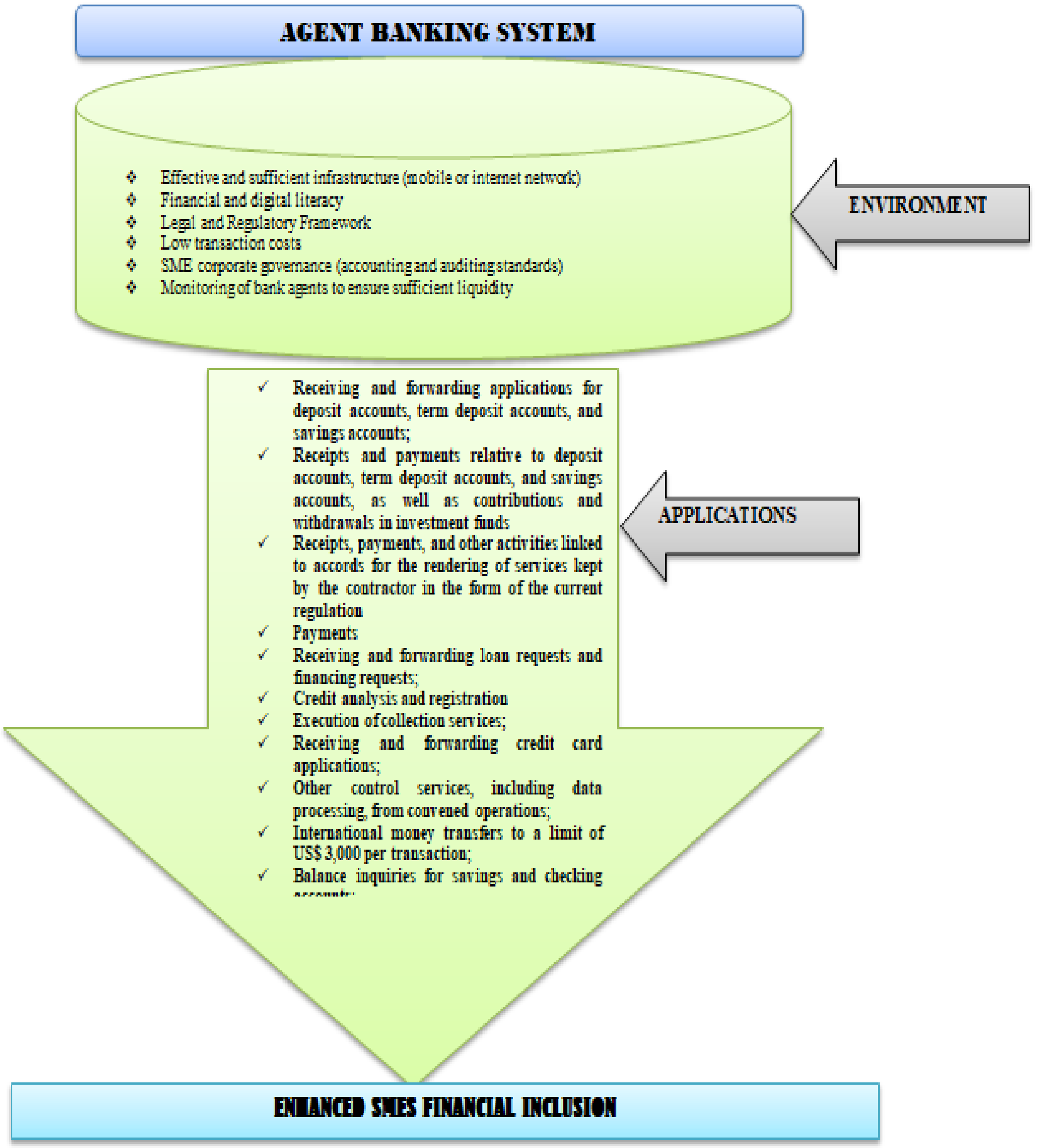

Figure 2: Proposed Banking Agency Model

5. Conclusion

The study results indicate that, to a great extent, SMEs use mobile financial services and points of sale. Regulatory factors, availability and accessibility of resources (existing infrastructure) needed to implement agency, growth of mobile financial services, and reliability were identified as some of the factors that influence the adoption of agency banking among SMEs in Harare Industrial South-Central. The study further indicated that, to a great extent, ease of conducting transactions, social influence, economic incentives, and threats associated with technology, such as hacking, theft, and loss of passwords/pin codes, are some of the major factors. There is a positive and statistically significant relationship between agency banking (*p=0.001*) and the financial inclusion of SMEs in Harare Industrial South-Central region.

Future research could use a longitudinal design to examine the perspectives and attitudes of bank officials, agents, or customers providing or using agent banking services in Zimbabwe. This will provide better insight into the perceptions of SMEs regarding the implementation of agent banking and could help enhance the understanding of the individual users of such services in the context of Zimbabwe.

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