NATIONAL FINANCIAL INCLUSION STRATEGY II

(2022-2026)

RESERVE BANK OF ZIMBABWE

ZIMBABWE – THE COUNTRY CONTEXT

Zimbabwe has about 7 million adult population of which 45% are youth aged 18 -35 years.

Zimbabwe is home to about 15.18 million people (*2022 Population and Housing Census*)


48%

52%

Rural and urban population


61.4%

38.6%

Zimbabwe is an agro-based economy with the agricultural sector providing employment to the majority of the population.

Agriculture contributes 11.7% percent to GDP, and about 60 percent of all raw materials for the industry. Agriculture contributes on average 18% to the total exports annually (*Reserve Bank of Zimbabwe, 2022).*

The Zimbabwean economy is largely dominated by Micro, Small and Medium enterprises (MSMEs) contributing up to US$8.6 billion (60%) to GDP. The MSME sector is largely informal with only 14% formalised.

ABBREVIATIONS & ACRONYMS

AFI - Alliance for Financial Inclusion

ATM	-	Automated Teller Machine
Covid-19	-	Coronavirus Disease
DFS	-	Digital Financial Services
DSS	-	Demand Side Survey
FSP	-	Financial Service Provider
GMW	-	Global Money Week
IPEC	-	Insurance and Pensions Commission
KYC	-	Know-Your-Customer
MFI	-	Microfinance Institution
MSMEs	-	Micro, Small and Medium Enterprises
NDS 1	-	National Development Strategy 1
NFIS	-	National Financial Inclusion Strategy
NPS	-	National Payment Systems
POS	-	Point-of-Sale
PWDs	-	Persons with Disabilities
SECZ	-	Securities Commission of Zimbabwe

ACKNOWLEDGEMENTS

The Reserve Bank of Zimbabwe wishes to acknowledge all the financial inclusion stakeholders including, banking institutions, microfinance institutions, Government Ministries and agencies, development partners, private sector, our fellow regulatory authorities, the financial inclusion thematic working groups, the academia, entrepreneurs and communities, for their contribution towards the development of the Zimbabwe National Financial Inclusion Strategy (NFIS II) 2022-2026.

The Reserve Bank of Zimbabwe acknowledges the technical support and guidance based on the AFI Policy Model for National Financial Inclusion, and funding from the global Alliance for Financial Inclusion (AFI) for the development of the National Financial Inclusion Strategy II and the FinScope Consumer Survey 2022. We would also like to appreciate comments from peer reviews by the following: Central Bank of Egypt, Palestine Monetary Authority, Eswatin Centre for Financial Inclusion, Maldives Monetary Authority, Central Bank of the Bahamas, and Minsitere des Finance et du Budget du Senegal.

We would like to express our special appreciation to the World Bank for both the technical assistance and funding for the FinScope MSME Survey 2022. Special appreciation also goes to the Bank of Zambia and the Bank of Tanzania for hosting the Reserve Bank of Zimbabwe teams during the peer learning and knowledge exchange program, building up to the development of the second phase of the National Financial Inclusion Strategy. The Reserve Bank of Zimbabwe calls upon all stakeholders to continue driving the financial inclusion agenda as we forge ahead to make financial inclusion, socio-economic empowerment, and sustainable livelihoods for all Zimbabweans, a reality.

GOVERNORS’ FOREWORD

DR. J. P. MANGUDYA

Financial inclusion is on the rise globally and continues to be a key enabler in wealth creation, poverty reduction, and improving the livelihoods of billions of people in low-income groups. The Global Findex Database of 2021 shows that the share of adults who have an account with a financial institution or through a mobile money service increased globally from 51 percent in 2011 to 76% percent in 2021. Account ownership is the first stage to financial inclusion of the marginalised and vulnerable groups.

In Zimbabwe financial inclusion remains a key priority promoting sustainable livelihoods, creating wealth and employment, and facilitating gender equality in line with **Vision 2030** of an “**Upper Middle Income Economy”.**

The Bank championed implementation of the first phase of the National Financial Inclusion Strategy (NFIS I – 2016-2020). It is pleasing to note the progress made and the impact that financial inclusion initiatives have had on the lives of vulnerable groups including women; youth; micro, small and medium enterprises (MSMEs); and rural communities & smallholder farmers.

Zimbabwe registered significant progress on the access strand, with 83% of adults now formally served, up from 69% in 2014, and 95% of MSMEs formally served, up from 18% in 2012, despite the disruptive effects of the Covid-19 pandemic. Women’s financial inclusion increased from 68% in 2014 to 83% in 2022, while men that are formally served increased from 70% to 85% on the back of increased access to banking products. The financial exclusion gap narrowed from 23% in 2014 to 12% in 2022.

Financial inclusion will continue to be a policy priority to build resilient systems amid the pandemic and to make the post-pandemic recovery more inclusive and sustainable. In this regard, the Bank has taken the strategic leadership to develop the second phase of the National Financial Inclusion Strategy (NFIS II). NFIS II will be anchored on the key pillars namely: Financial Innovation; Consumer Protection and Financial Capability; Microfinancing, MSME

& Entrepreneurship Development; and Devolution. NFIS II will be supported by a conducive macroeconomic environment, supportive policy and regulatory environment, institutional commitment, and data availability

NFIS II builds on the successes and results from NFIS I which focused on access-oriented strategies to shift focus essentially towards sustainable usage of formal financial services and products. NFIS II is designed to support the attainment of the objectives and outcomes of the National Development Strategy 1 (NDS 1) 2021-2025, including wealth and employment creation, poverty reduction, gender equality and attainment of the 2030 United Nations Sustainable Development Goals (SDGs).

Financial inclusion has become a significant developmental matter in Zimbabwe, pointing to the effectiveness of the public/private partnership and collaboration during the implementation of NFIS I. We have witnessed several stakeholders taking ownership of the financial inclusion agenda and prioritising it as a strategic deliverable in their respective organisations. This collaboration is bearing fruit as evidenced by the results of both the FinScope Consumer and MSME Surveys.

Financial inclusion indicators continue to improve due to the growing synergies between banking and digital technology in the provision of financial services and payment systems, which have addressed the key challenges of access and usage to a large extent. Digital financial services and financial innovation have become catalytic tools in the financial inclusion agenda as most financial services providers adopt more innovative ways of providing financial access to the previously excluded.

As we implement NFIS II, we will continue to pay close attention to consumer protection issues, given the emerging risks from the innovative financial technologies and digital financial services. The Strategy will focus on enhancing financial health and financial capability to facilitate informed financial decision-making by the banking public.

The NFIS II reinforces Zimbabwe's commitment to the May Declaration and Denarau Action Plan (DAP) on gender inclusive finance and gender equality. In this regard, the Bank calls upon its implementing partners, particularly the financial services providers, to drive gender diversity at every level especially the leadership roles at their respective institutions, and to put in place pipelines for the development of women leaders on a continuous basis.

I look forward to continued participation and collaboration among all stakeholders in our collective endeavour to foster an inclusive and sustainable financial system.

Dr. J.P. Mangudya

Governor

DEPUTY GOVERNOR'S PREFACE

DR. J. T. CHIPIKA

In Zimbabwe, financial inclusion remains key in the achievement of the objectives of the National Development Strategy 1 (NDS 1) 2021-2025, which is aimed at wealth creation, poverty eradication, and promoting sustainable livelihoods of all Zimbabweans in line with Vision 2030.

The National Financial Inclusion Strategy I (NFIS I), 2016-2020 took an access-focused approach to financial inclusion to facilitate access to formal financial products and services by the marginalised and vulnerable groups, as the first step to financial inclusion.

I am pleased to note the significant progress and milestones we, as a nation, have achieved under the first phase of the National Financial Inclusion Strategy, which is testimony to the enriching partnership and collaborative efforts by all the financial inclusion stakeholders under NFIS I.

As part of developing an evidence-based financial inclusion strategy, demand-side FinScope MSME and Consumer surveys were conducted in 2022. Both surveys indicate that NFIS I was a great success. The proportion of the population formally served increased from 69% in 2014 to 83% in 2022, against a target of 90%, whilst exclusion reduced from 23% to 12% during the same period. The formally served MSMEs increased from 18% in 2012, to 95% in 2022, whilst the exclusion gap reduced from 43% to 3% over the same period. The gender gap reduced under both surveys.

The remarkable progress was underpinned by a number of initiatives ranging from the empowerment seed funds initially establishment by the Reserve Bank of Zimbabwe, promotion of low know-your-customer (KYC) requirements, financial literacy programs, the digitisation drive, establishment of women and MSME desks in the banking halls of banking institutions, establishment of a robust credit infrastructure, establishment of the Zimbabwe Women's Microfinance Bank and EmpowerBank targeting the youth, among others.

The National Financial Inclusion Strategy II, 2022-2026 (NFIS II) will leverage on the success story of NFIS I through evidence-based, well-prioritised, well-resourced, and comprehensive approaches to expanding uptake and usage of quality formal financial services, and in the process, contribute to the country's transformative and inclusive agenda through wealth and employment creation.

NFIS II will evolve around four pillars namely: Financial Innovation; Consumer Protection and Financial Capability; Microfinancing, MSME & Entrepreneurship Development; and Devolution. The Strategy will continue to focus on the following target groups as they remain disproportionately marginalised on the usage strand; the women and youth, MSMEs, rural communities and smallholder farmers, people with disabilities (PWDs), pensioners and the elderly.

It is envisaged that initiatives under NFIS II will upscale and deepen financial inclusion and inclusive growth through innovation, digitisation and entrepreneurship development. Financial & digital literacy and education, together with sound consumer protection mechanisms, will ensure that people at the bottom of the pyramid are empowered to make informed financial decisions.

As was with the strategy's first phase, stakeholder participation remains key. In this regard, under NFIS II, continuous stakeholder engagements will be a priority. I am confident that with the full support and collaboration of all stakeholders, financial inclusion can become a reality to the majority of our people. The initiatives under NFIS II, once implemented will change the financial inclusion narrative in Zimbabwe, as we forge towards attainment of '**A Prosperous, Upper Middle Income Society by 2030" and the 2030 SDGs -** 'leaving no one and no place behind'.

I would like to take this opportunity to acknowledge all stakeholders, (local, regional, and global) under NFIS I, and look forward to their continued support and participation under NFIS II.

God Bless Zimbabwe

Dr. J.T. Chipika

Deputy Governor

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EXECUTIVE SUMMARY

1.1 Financial inclusion is an important element that drives inclusive growth and development. Zimbabwe's first National Financial Inclusion Strategy (2016-2020) (NFIS I), focused more on access to financial services by the low income and marginalised groups. Significant progress has been registered under NFIS I as reflected by the increase in the proportion of adults with access to formal financial services from 69% in 2014 to 83% in 2022, and narrowing of the financial exclusion gap from 23% to 12% over the same period.

1.2 Under NFIS I, several initiatives that were implemented resulted in improvements in access to finance by the women, the youth, rural communities, and smallholder farmers, as well as micro, small and medium enterprises (MSMEs).

1.3 To facilitate inclusive economic growth which 'leaves non one and no place behind', the second phase of the National Financial Inclusion Strategy 2022-2026, (NFIS II) will ride on the successes of NFIS I. NFIS II will focus on usage of quality financial services.

1.4 The National Financial Inclusion Strategy is aligned to both the global **and local frameworks for a holistic approach to financial inclusion.**

1.5 While significant inroads have been made regarding access to financial services, women remain disproportionately excluded in terms of using quality financial services. In line with the Maya Declaration on gender inclusive finance, to which Zimbabwe is a signatory, NFIS II confirms Zimbabwe's commitment to facilitate gender inclusive finance and contribute to a wide range of the **2030 United Nation's Sustainable Development Goals** (SDGs).

1.6 The NFIS II is designed to support and facilitate attainment of the objectives of the Government's National Development Strategy (NDS 1) 2021-2025, whose overarching Goal is to "ensure high, accelerated, inclusive and sustainable economic growth, as well as socio-economic transformation and development towards an upper-middle-income society by 2030".

1.7 The NDS 1 aims to eradicate poverty and empower women and youths, as well as promote sustainable livelihoods for the less fortunate, and support People with Disabilities (PWDs), among others.

1.8 The NFIS II vision is to "***Empower all Zimbabweans towards building resilient and sustainable livelihoods through access to and usage of appropriate, affordable, sustainable and quality formal financial services in line with the national development***

aspirations". In so doing, the Strategy seeks to support broad-based wealth creation and enhance financial system stability.

1.9 Cognisant of the progress made under NFIS I in terms of access, the thrust of the NFIS II is to promote among all adults, regular use of financial products and services including; savings, credit, and mitigation of financial risks through appropriate, affordable and convenient formal financial services and products. In this regard, NFIS II seeks to increase the overall usage of formal financial services from 70% to 90%, (digital financial services from 77% to 90% transactional accounts, 15% to 50% savings, 16% to 50% credit, and 22% to 40% insurance). Level of access to financial services is expected to increase from the 83% to 95% by 2026. The target is also to reduce the level of financial exclusion from the current 12%, (down from 23% in 2014) to 5% in 2026.

1.10 Marginalised segments of the society including women, youth, micro-small and medium scale enterprises, pensioners and the elderly, rural communities and smallholder farmers, and people living with disabilities, will continue to be prioritised under the NFIS II.

1.11 The success of the NFIS II is anchored on four (4) key priority pillars to advance financial inclusion for the next five years, namely financial innovation, consumer protection & financial capability; microfinancing, MSME & entrepreneurship development; and devolution. These key areas will govern the initiatives in designing and implementing programs relevant to financial inclusion.

1.12 In addressing the financial inclusion goals over the next five years, NFIS II will focus on:

i. Ensuring usage of financial products;
ii. Enhancing the range and quality of financial services and products;
iii. Creating an enabling regulatory environment and financial infrastructure to support financial innovation;
iv. Enhancing sustainable financing and resilient growth by ensuring financial institutions integrate institutional, economic, social and environmental sustainability in their business models.
v. Continuing and building on the financial literacy and consumer protection programmes established under the NFIS 1.
vi. Enhanced data disaggregation, particularly by gender, age and geographical area, to enhance implementation focus.

1.13 Stakeholder coordination is a key element for the successful implementation of NFIS II. The National Financial Inclusion governance structures comprising the National Financial Inclusion Steering Committee, the National Financial Inclusion Technical Committee, supported by the Thematic Working Groups will steer the implementation of the NFIS II to ensure that the strategic objectives are met and desired outcomes are achieved. The governance structure will be supported by the National Financial Inclusion Secretariat which is within the Reserve Bank of Zimbabwe.

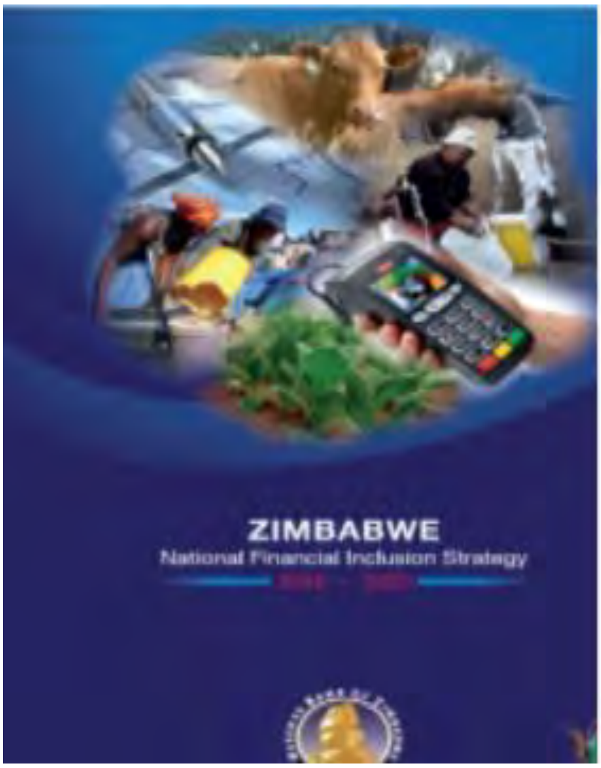
1.14 The NFIS II will be communicated to all segments through a well-structured communication strategy to ensure better stakeholder coordination and create awareness among the target segments and the general public on the importance of financial inclusion and information dissemination to the intended beneficiaries.

1.15 A monitoring and evaluation framework has been put in place, to facilitate collection of supply-side disaggregated data for the measurement of progress toward the NFIS II objectives and the impact of the NFIS II initiatives.

CHAPTER 1: INTRODUCTION

Overview

1.1 Financial inclusion has been recognised as a critical tool in broad-based wealth creation, poverty reduction, and the attainment of inclusive economic development. Improved access and usage of financial services facilitates the migration of low income and marginalised households from poverty and the inability to participate in economic activities, to an entrepreneurial community actively participating in wealth creation and inclusive economic development.



1.2 Zimbabwe developed and implemented its first National Financial Inclusion Strategy (NFIS I) (2016-2020).

1.3 The overarching objective under NFIS I was to increase the overall level of access to formal financial services from 69% in 2014, to at least 90% by 2020, and to increase the proportion of banked adults from 30% in 2014, to at least 60% by 31 December 2020.

1.4 NFIS I defined financial inclusion as "*the effective use of a wide range of quality affordable & accessible financial services, provided in a fair and transparent manner through formal/regulated entities, by all Zimbabweans*". The results of the FinScope Consumer and SME Surveys that were conducted in 2022 show that under NFIS I, Zimbabwe registered remarkable progress on the access dimension which continues to play a key role in the financial inclusion of the vulnerable and underserved groups.

1.5 The financial inclusion gap reduced significantly with 83% of the adult population formally served in 2022, up from 69% in 2014, while financial exclusion reduced from 23% recorded in 2014 to 12% in 2022[1].

[1] The 2022 FinScope Consumer Survey

1.6 The same results reflect an increase in the uptake of formal banking products from 30% in 2014 to 46% in 2022. Mobile money played a pivotal role in the increased uptake and usage of financial services and products in Zimbabwe and in making the financial sector more inclusive.

1.7 Important to note is the closure of the gender gap on the access strand with 12% of both men and women financially excluded in 2022, an improvement from the 13% of men and 23% of women financially excluded in 2014. The proportion of women that are formally served improved from 68% in 2014 to 83% in 2022, while 85% of men are now formally served, up from 70% in 2014. Reliance on informal financial services has significantly reduced for men and women, to 4% for men, and 5% for women down from 7% and 8% respectively in 2014.

1.8 The micro, small and medium enterprises (MSMEs) sector continue to be a key pillar to economic growth and employment creation, and to absorb more women, with 60% of MSMEs owned by women, which has been key in addressing the gender gap.

1.9 Financial inclusion of micro, small and medium enterprises (MSMEs) improved significantly over the review period with 95% of the MSMEs formally served up from 18% in 2012. About 40% of MSMEs were banked in 2022, up from 14% in 2014.

1.10 While notable progress was recorded in terms of access to finance and expansion of digital financial services under NFIS I, the following challenges were noted in the implementation of NFIS I:

a. Lack of acceptable collateral by the majority of low-income groups hampered access to affordable funding.
b. Low level of financial literacy among the targets segments;
c. Lack of business skills which militate against effective utilisation of funding;
d. Lack of historical credit data on some low income borrowing segments;
e. High level of informality in the MSME sector;
f. Weak infrastructure including poor connectivity, inconsistent power and water supplies, and poor road & communication infrastructure, adversely impacted on outreach;
g. The centralisation of the financial inclusion activities in major urban areas;
h. High cost of delivering financial services;
i. Inadequate financial resources to implement planned initiatives; and
j. Weak legal framework to support some innovations e.g. value chain financing.

1.11 Cognisant of the noted challenges, the development and implementation of the NFIS II incorporates strategies and stakeholder partnerships that address and mitigates these challenges. Further, while the access to finance drive will continue, NFIS II focus will be on usage, quality of financial services and financial innovation.

1.12 As a key enabler, the Strategy, is aimed at facilitating building of sustainable livelihoods that are resilient to these exogenous shocks, thereby contributing to growth in the country's GDP.

Financial Inclusion, the National Development Strategy 1 (2021-2025) & 2030 SDGs

1.13 In addition to creating more stable financial systems and economies, financial inclusion supports overall economic growth and broader national development goals through empowerment of the economically active citizenry and mobilisation of domestic resources through national savings.

1.14 In this synergy, the Strategy was designed to support the country's transformative and inclusive agenda as articulated in the National Development Strategy 1 (2021 -2025), towards a '**Prosperous and Empowered Upper Middle Income Society by 2030".**

1.15 Financial inclusion also plays a catalytic role in the attainment of a number of Sustainable Development Goals (SDGs), and the delivery of broad-based transformation, new wealth creation and expansion of horizons of economic opportunities for all Zimbabweans, "***leaving no one behind and no place behind".***

1.16 As a cross-cutting theme among the priorities of NDS I, financial inclusion facilitates alignment of the 2030 SDGs to the National Priorities including broad-based wealth creation, poverty reduction, employment creation, improving gender equality and good health, among others. In this regard, the financial inclusion initiatives and activities under NFIS II are prominently positioned as key enablers to the attainment of both the National Priorities and the SDGs to which Zimbabwe is a signatory.

Financial Inclusion and the COVID-19 Pandemic

1.17 Like the rest of the economies across the globe, the Zimbabwean economy experienced economic and social disruptions induced by the Covid-19 pandemic. The impact of the pandemic was more severe on the vulnerable groups that are already financially excluded or underserved, with low income levels and living below the poverty line. These include the women, and their micro, small and medium enterprises, the youth, people with disabilities and the elderly.

1.18 The pandemic threatened to reverse the gains of the national financial inclusion thrust over the past few years through disruption of businesses and incomes, particularly for vulnerable low-income groups including women and MSMEs.

1.19 The socio-economic impacts of the covid-19 pandemic placed immense pressure on global and national economies as lives and livelihoods were lost.

THE FINANCIAL INCLUSION LANDSCAPE IN ZIMBABWE

Gross Domestic Product (GDP) Growth

1.20 Real GDP growth rate averaged 1.61% over the period 2016 to 2022, reaching the lowest level of -6.14% in 2019 and a peak of 7.81% in 2021. However, real GDP growth rate is, projected to slow down to 3.3% in 2022. Major factors driving low average growth included, among others:

i. Reduced output from the 2021/22 agricultural season;
ii. Depreciation of the local currency and rising inflation; and
iii. Geo-political developments in particular the Russia/Ukraine conflict.

Figure 1: Zimbabwe's Real GDP Growth (2016 to 2022)

Source: Ministry of Finance and Economic Development and Reserve Bank of Zimbabwe, 2022

1.21 According to the 2022 FinScope Consumer Survey, the poverty levels have increased from 65% in 2014, with 73% of the population earning not more than US$100.00. Most of the population earn small, inconsistent and irregular income, with 58% of the population relying mainly on piece jobs as a source of income.

1.22 Vulnerability indicators, according to the 2022 FinScope Consumer Survey point to more hardships for the majority of Zimbabweans, with 68% of the population having gone without money and needing to make alternative plans to meet daily needs, while 61% had to skip a meal due to lack of money for food.

1.23 The increased hardships were driven mainly by sustained recession in 2019 and 2020, with GDP estimated to have contracted by -6.14% and -5.28%, respectively, on the back of climatic shocks and other exogenous shocks such as Cyclone Idai, and the Covid-19 pandemic.

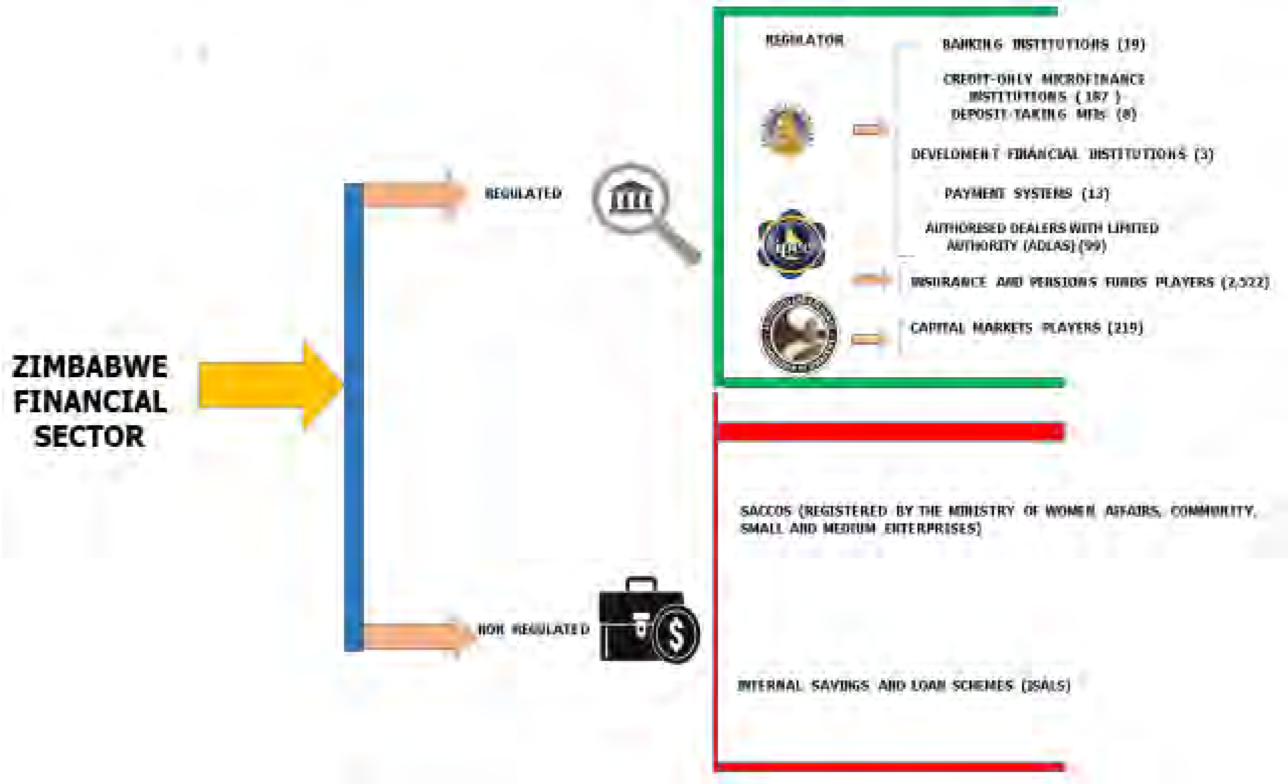
Architecture of the Financial Services Sector

1.24 The financial services sector in Zimbabwe comprises both formal and informal financial service providers. While the 2022 FinScope Consumer and MSME Surveys indicate that significant progress has been made towards formal financial inclusion of the underserved, the informal financial service providers continue to play a significant role in the access and usage of financial services, particularly in savings.

1.25 The Reserve Bank of Zimbabwe regulates and supervises banking institutions, microfinance institutions (deposit-taking and credit-only microfinance institutions), bureau de change services, remittances services and payment systems service providers.

1.26 The architecture of the financial services sector in Zimbabwe and the respective regulatory authorities are indicated in Figure 2 below.

Figure 2: The Architecture of the Financial Services Sector



1.27 The Insurance and Pensions Commission of Zimbabwe (IPEZ) regulates the insurance and pensions industry, and Securities and Exchange Commission of Zimbabwe (SECZ) regulates the capital market operators. While the Reserve Bank of Zimbabwe regulates the payment systems offered by mobile network operators, mobile network operators themselves are regulated by the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ).

Savings and Credit Cooperative Societies (SACCOs)

1.28 SACCOs are bodies created by a group of people with a common interest (churches, workers' unions, community groups such as women's clubs, farmers) whose main objectives are to save collectively and to give the group members loans.

1.29 SACCOs play a significant role in providing access to finance to the group members who would otherwise not be able to access the financial services from mainstream financial institutions, for several reasons including lack of collateral, lack of disposable income to save and invest, and stringent bank requirements to access formal banking services.

1.30 The Ministry of Women Affairs, Community, Small and Medium Enterprises Development licenses the SACCOs. Over the years, some of the SACCOs have, grown in terms of membership and have become bank-like SACCOs commanding large amounts of deposits from members.

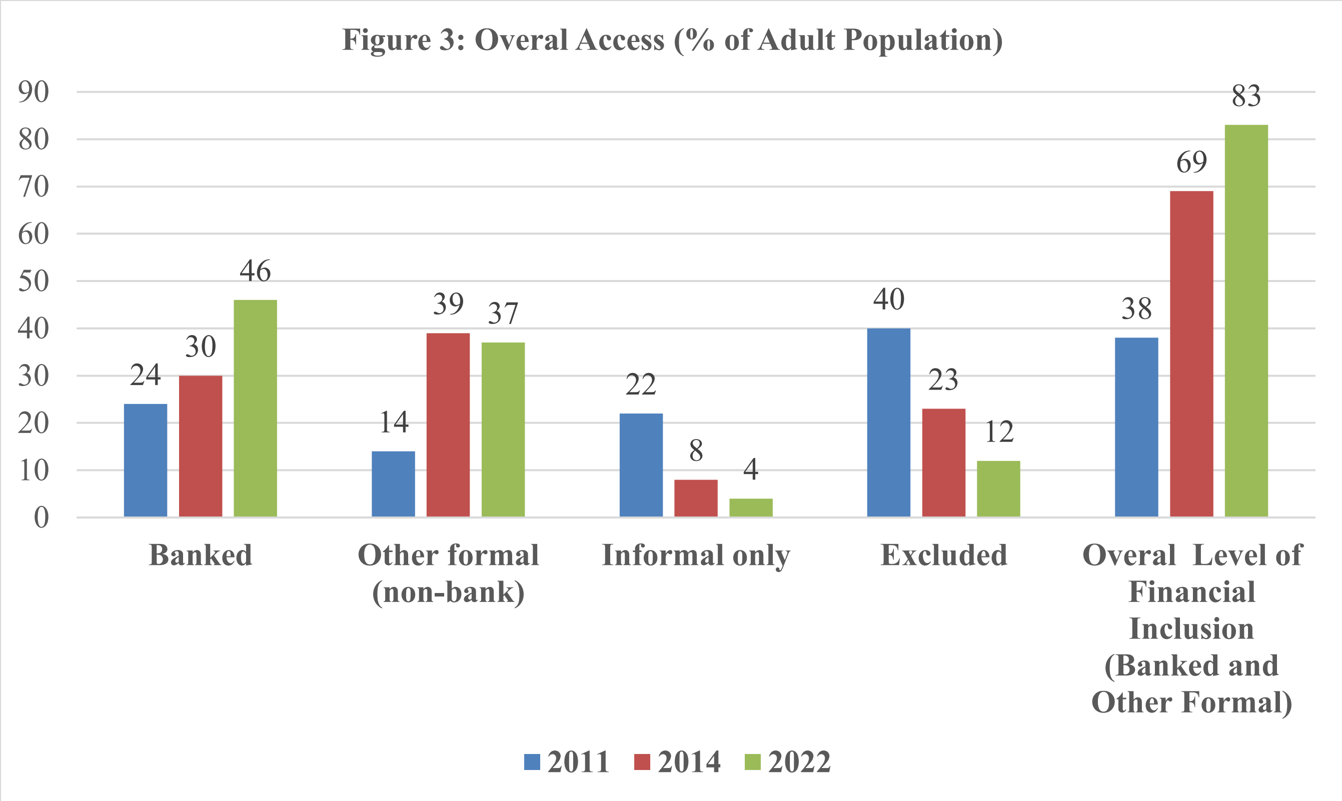
THE FINANCIAL INCLUSION STATUS IN ZIMBABWE

1.31 The Vision of the NFIS I (2016-2020) was "**To have *an inclusive financial system that is responsive to the needs of all Zimbabweans*"**. The Strategy was designed to address barriers to access, particularly among the vulnerable groups. The main objective being to increase overall access to affordable and appropriate formal financial services from 69% in 2014, to 90% in 2020, and the proportion of banked adults increasing from 30% to 60%.

1.32 NFIS I identified women, youth, micro, small and medium enterprises, rural and smallholder farmers, and people with disabilities (PWDs) as target beneficiaries.

1.33 A number of initiatives were undertaken under NFIS I, including the development of robust credit infrastructure comprising the credit reference system and the MSME Credit Guarantee Scheme; availing empowerment facilities to the vulnerable groups through banks and microfinance institutions at the inception of NFIS I; tiered KYC requirements which facilitated increased uptake of transactional accounts; and facilitating interoperability resulting in increased uptake and usage of mobile money platforms.

1.34 Zimbabwe recorded significant progress in formal financial inclusion from 69% of the adult population in 2014 to 83% in 2022, reducing the financial exclusion gap from 23% in 2014 to 12% in 2022 as highlighted in the access strand in Figure 3.



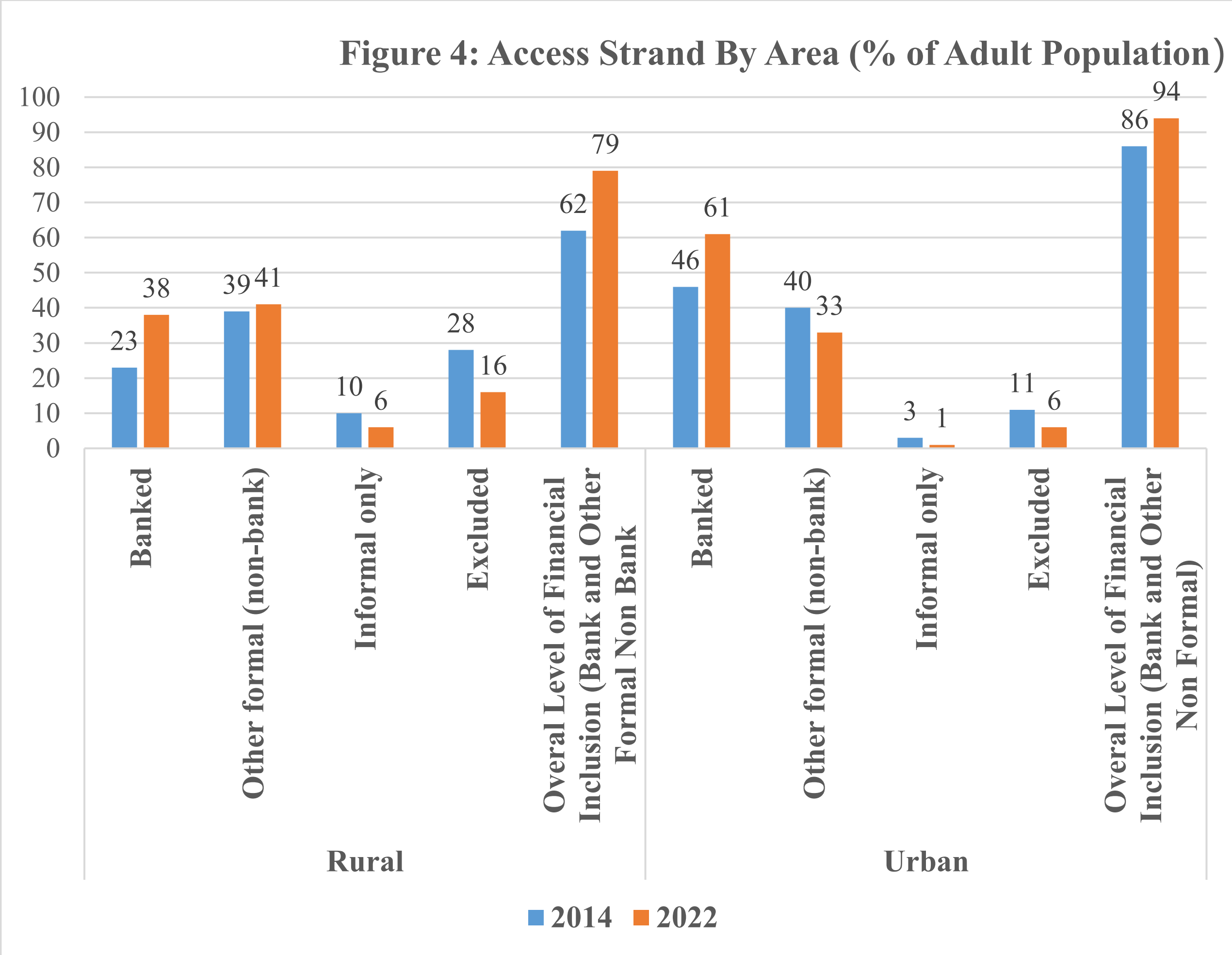
Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

1.35 The ***Uptake of formal banking products*** of 46% in 2022 up from 30% in 2014, was largely driven by the uptake of transactional products. Increased uptake and usage of mobile money (63% of the total population) was a key driver in formal financial inclusion, with 72% of households having access to a bank, microfinance, or mobile money account with which to transact digitally.

1.36 Compared to 2014, increase in uptake of formal products has resulted in a decline in the use of only informal services from 8% in 2014 to 4% in 2022.

Rural Communities and Smallholder Farmers

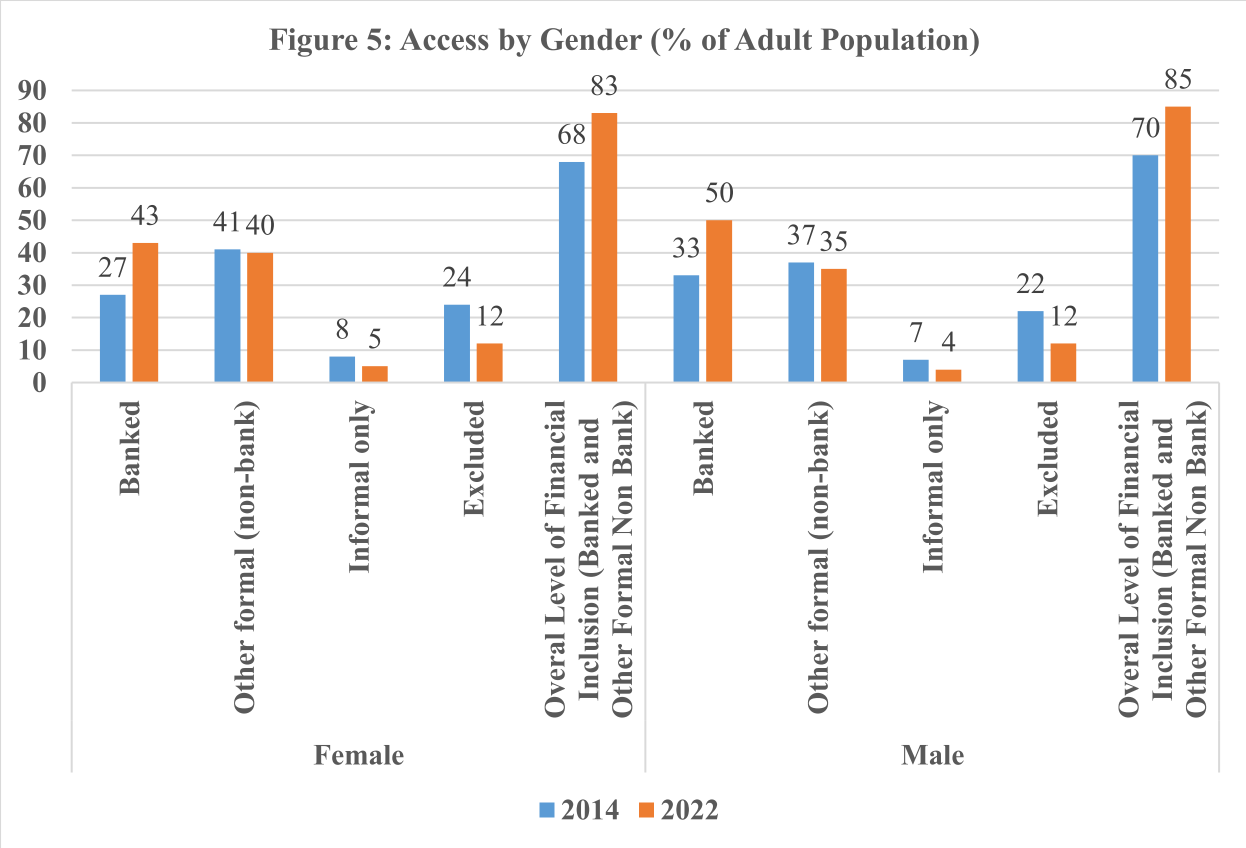
1.37 Financial inclusion of the rural areas improved from 62% in 2014 to 79% in 2022, and the financial exclusion gap declined from 28% to 16% respectively, largely driven by increased uptake of banking and mobile money financial products.



Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

Women Financial Inclusion

1.38 Women's financial inclusion improved significantly over the review period from 68% in 2014 to 83% in 2022, driven mainly by the uptake of banking products which increased from 27% in 2014 to 43% in 2022. On the other hand, men financial inclusion increased to 85% in 2022 from 70% in 2014 mainly due to increased uptake of banking products from 33% in 2014 to 50% in 2022. The gender gap with respect to the formally served has reduced over the same period has remained low and constant at 2%.

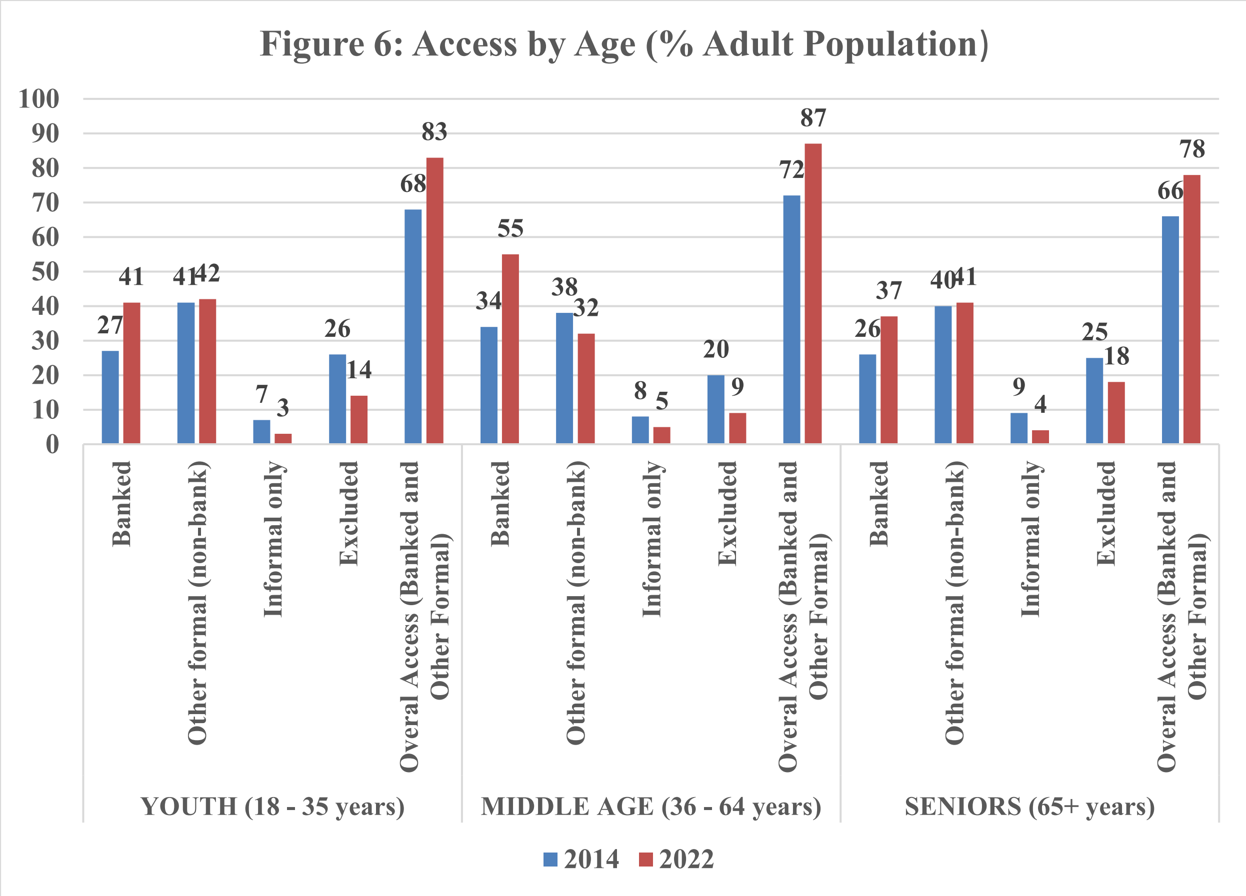


Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

Youth Financial Inclusion

1.39 Youth financial inclusion improved significantly from 67% in 2014 to 83% in 2022, with only 14% of the youth financially excluded, down from 26% in 2014. Youth financial inclusion was driven mainly by the uptake of banking products which increased from 27% in 2014 to 41% in 2022, buttressed by mobile money.

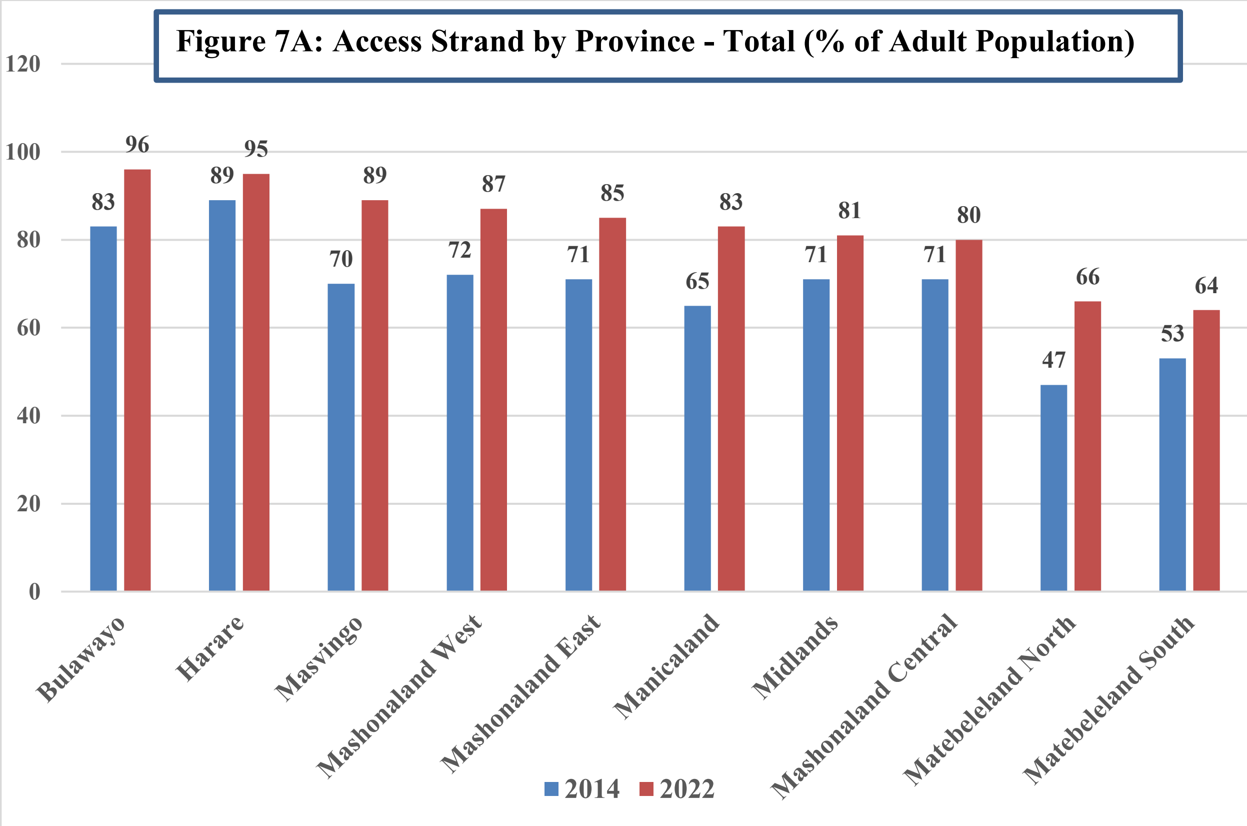
1.40 Increased uptake of banking products by the youth is also reflected in the entire population with banked adults accounting for 46% of the adult population, up from 30%.



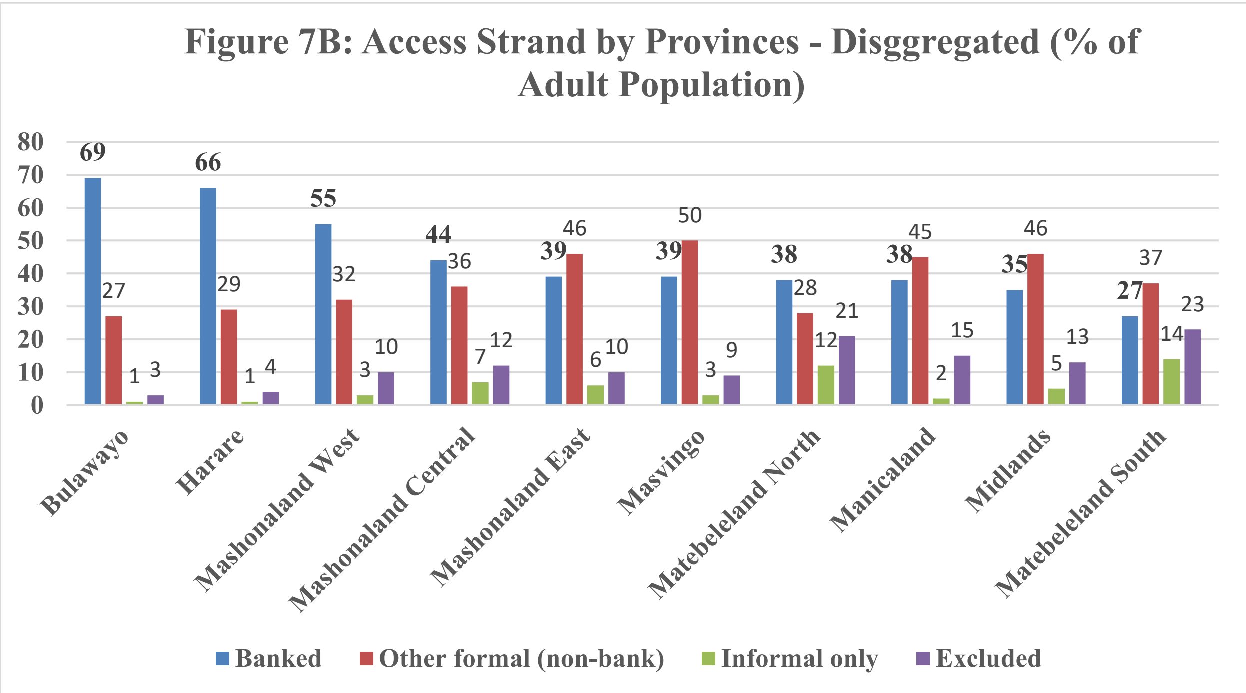
Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

Financial Inclusion by Province

1.41 The financial inclusion access strand by province indicates that significant progress has been registered in the Bulawayo and Harare urban areas, while Matabeleland South and Matabeleland North remain with higher levels of the population financially excluded, as highlighted in the access strand in the Figure 7A and 7B.



Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe



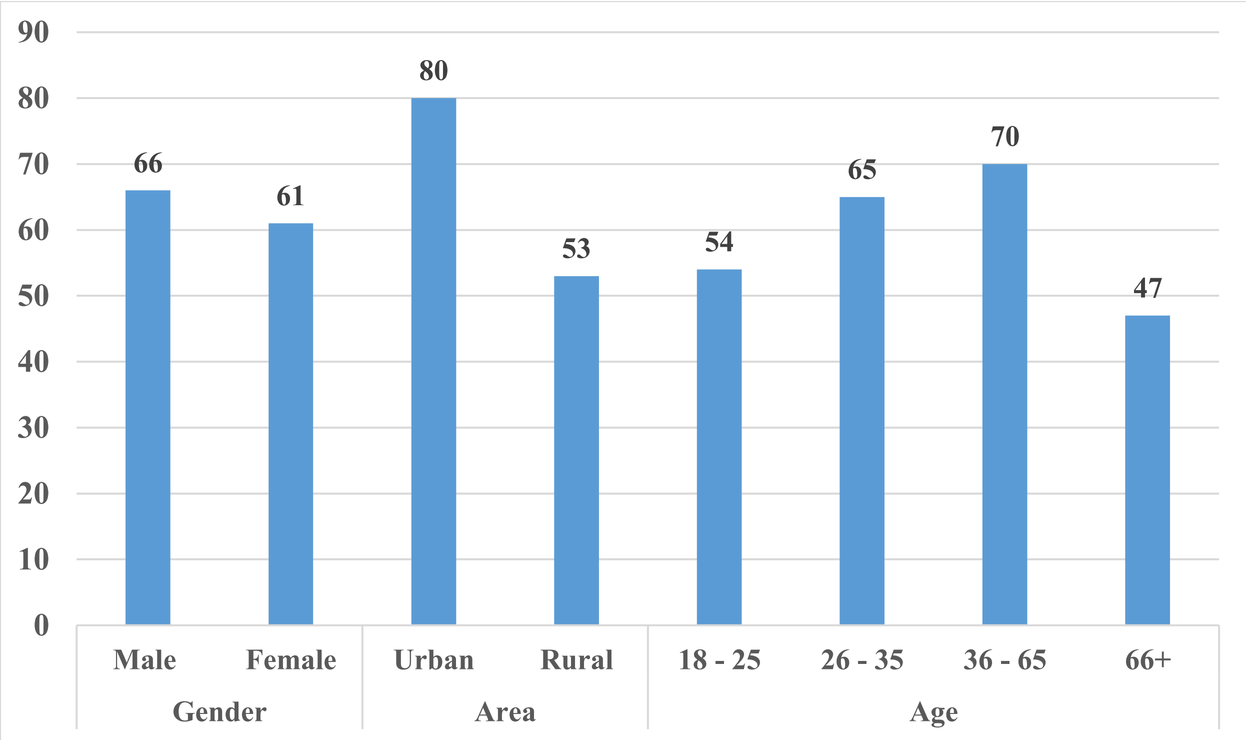
Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

Mobile Money Penetration

1.42 Other formal non-bank financial services including mobile money and insurance continue to play an important role in facilitating formal financial inclusion.

1.43 Mobile money penetration is low among women, the youth, rural communities, and the elderly mainly due to lack of resources to purchase handsets, as indicated in Figure 8.

Figure 8: Mobile Money Penetration across Gender, Age & Area (% of Adult Population)



Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

1.44 Mobile money is mainly used to buy airtime, pay bills, payments, and domestic remittances, but very rarely to access credit or savings. This provides an opportunity for mobile money operators to be more innovative in the development of products that meet the needs of the target groups.

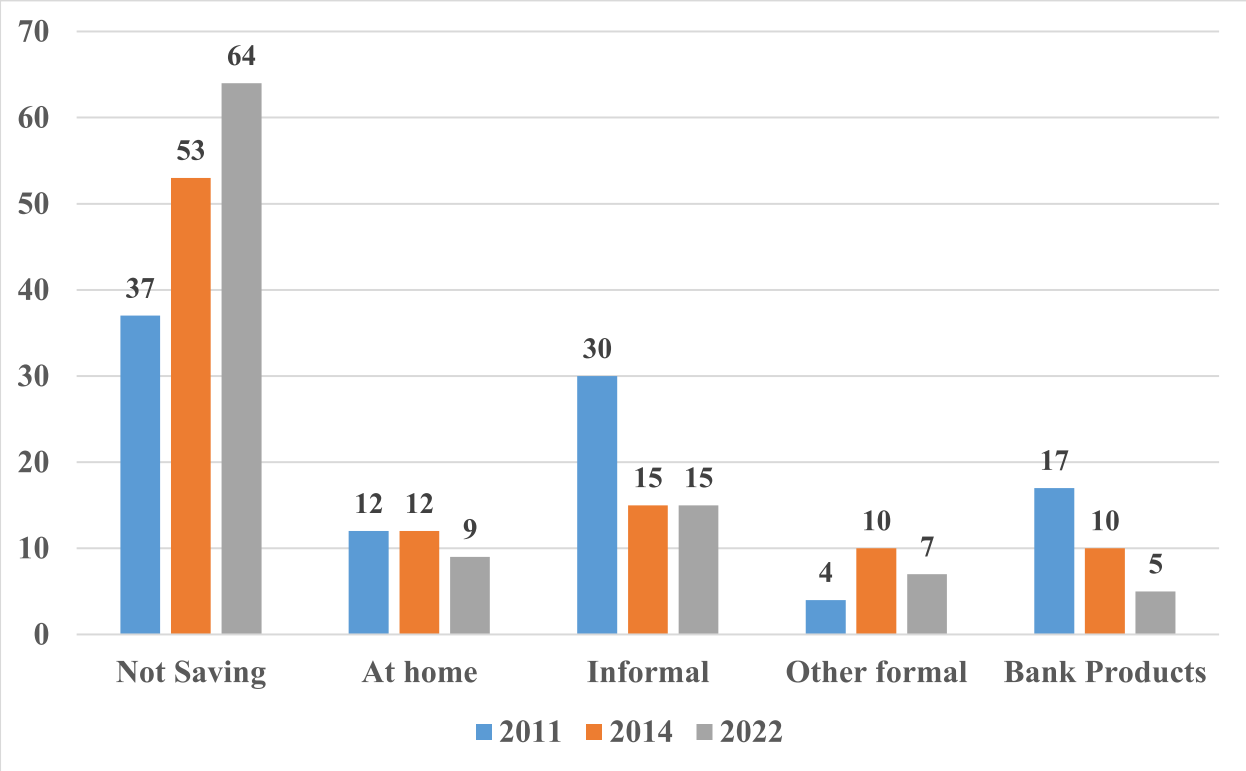
Savings

1.45 Savings uptake has been declining over the review period from 47% of adults who were saving in 2014, down to 36% in 2022, driven mainly by limited or lack of disposable income to place into savings. The saving averaged USD130.00 per month reflecting the general poverty levels among some Zimbabweans.

1.46 Savings remain largely informal. Savings both with the banks and other formal non-bank financial institutions have declined from 10% in 2014, to 5% and 7% respectively, with

64% of the adult population not saving at all, an increase from 53% in 2014 as indicated in Figure 9.

Figure 9: Savings Strand, (% of Adult Population)



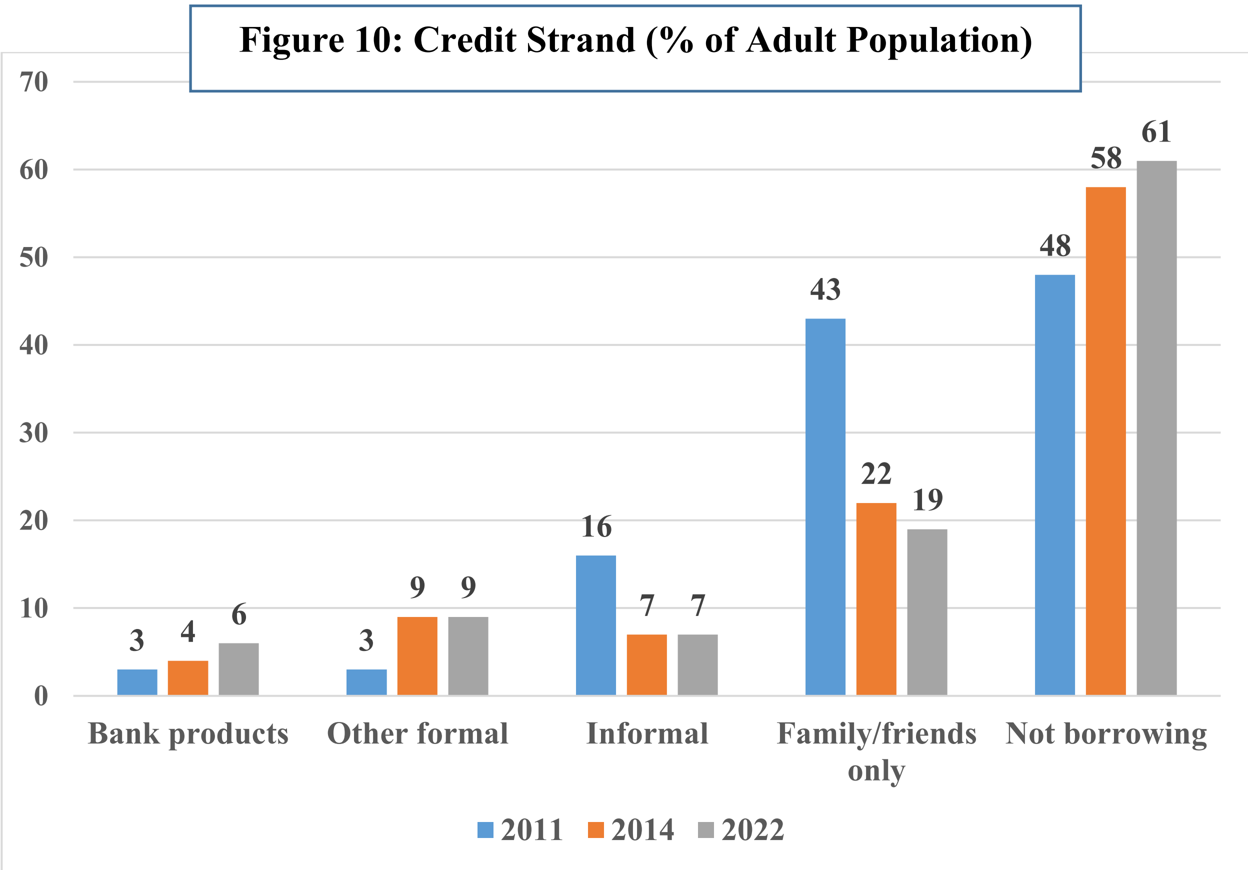
Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

1.47 Only 13% of MSMEs use banking and other formal channels for saving, which represents a 7 percentage points decline from 20% in 2014.

1.48 Low awareness of financial products and a lack of disposable income were identified as major barriers to savings and investments in the formal financial services sector.

Credit

1.49 The level of financial intermediation remains very low, as reflected by the FinScope Consumer and the MSME Surveys. Formal credit consumption for the adult population increased marginally over the review period from 13% in 2014 to 15% in 2022. Low and irregular income profiles continue to be a major barrier to accessing credit for the majority of the adult population.



Source: FinScope Consumer Survey (2022), Reserve Bank of Zimbabwe

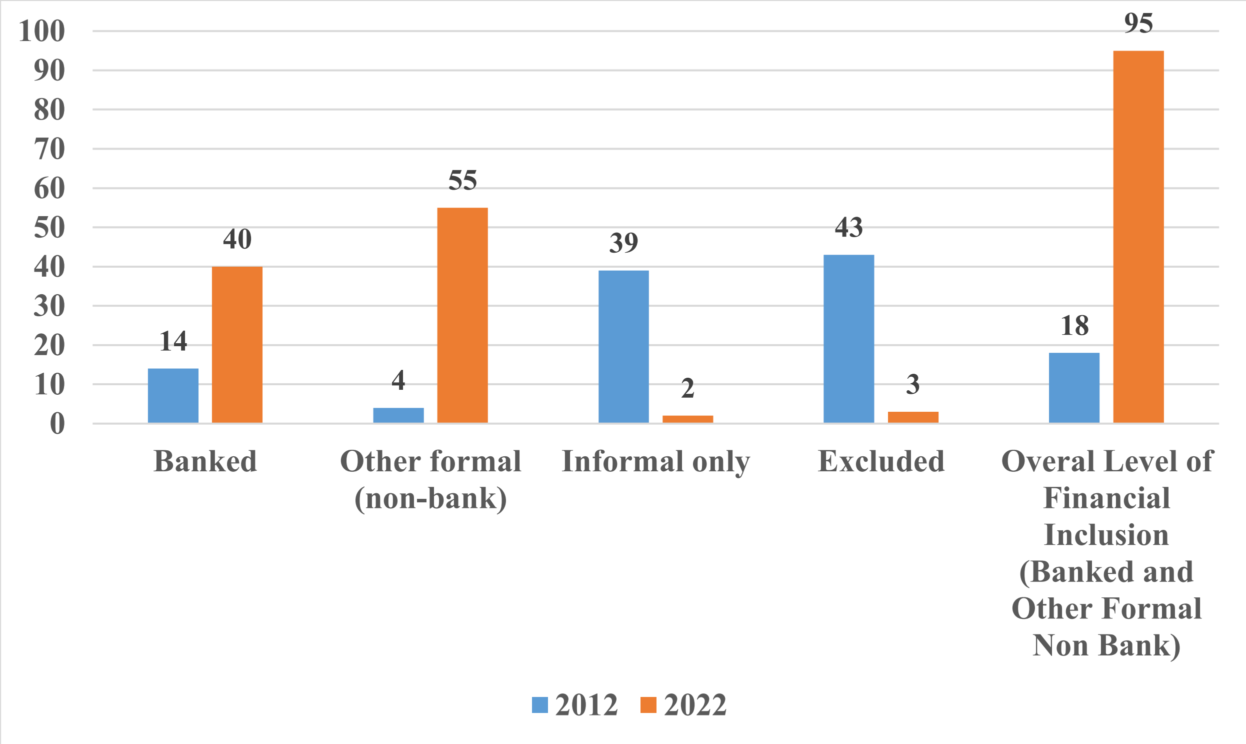
1.50 MSME credit usage from the formal financial services declined to 1% in 2022, while credit from the informal financial services increased from 4% in 2012, to 39% in 2022, largely driven by Rotating and Savings Credit Associations (ROSCAs) and SACCOs.

Financial Inclusion of MSMEs

1.51 There has been an improvement among the micro, small and medium enterprises owner population that is formally served over the review period, driven mainly by mobile money products and services, and complimented by access to banking products.

1.52 The MSME access strand in Figure 11, indicates a significant improvement in the MSMEs that are formally served from 18% in 2012 to 95% in 2022, with 2% informally served, leaving only 3% financially excluded.

Figure 11: Financial Access Strand (% of MSMEs)



Source: FinScope MSME Survey (2022), Reserve Bank of Zimbabwe

1.53 About 40% of MSMEs are banked, up from 14% in 2012. Other non-bank financial services accounted for 55% of the formally served, up from 4% in 2014. Mobile money is playing a pivotal role in making the financial services sector more inclusive and reducing the level of financial exclusion.

1.54 While ownership of bank accounts among the MSME owners improved, usage of the accounts for business purposes has remained subdued. Most the MSME owners cite the size of the business (too small as the majority are individual entrepreneurs), lack of confidence in the financial system, and irregular income to warrant frequent usage of bank accounts.

1.55 Women continue to dominate ownership of MSMEs with women owners accounting for 60% of the total MSMEs in 2022, up from 54% in 2012. Financial inclusion by gender indicates that 93% of women business owners are formally served with bank products accounting for 30%, and other formal financial services including mobile money, accounting for 63%.

Digital Financial Services

1.56 Access to banking institutions and their branches remains a challenge for most households and their MSMEs particularly, in rural areas. Mobile money and digital financial services are breaking the barriers and facilitating access and usage of financial services outside brick and mortar.

1.57 Zimbabwe has witnessed a significant increase in the adoption of digital financial services particularly during the COVID-19 pandemic. Mobile money usage increased to 74% in 2022, up from 54% in 2014. Digital financial services have largely been used for payments, credit, savings, remittances, and insurance.

1.58 Positive uptake of digital financial services by women, youth, MSMEs, and rural population points to opportunities to increase financial inclusion through digital financial services.

Insurance and Assurance

1.59 Uptake of individual insurance products among the Zimbabwean adult population remained low at 22% in 2022 down from 26% in 2014, driven largely by funeral insurance, which accounted for 72% of those insured. About 72% of the population does not have any form of insurance.

1.60 Uptake of formal insurance by MSMEs (which is largely personal insurance), remained low at 24%, up from 5% in 2012. Formal insurance was largely driven by funeral cover (76%) and medical cover (36%). Only 4% of MSMEs have business insurance cover.

1.61 The two main challenges to improved uptake of insurance products by MSMEs were the high cost of insurance and lack of knowledge of insurance products or where to access them.

1.62 Notwithstanding that Zimbabwe is an agro-based economy, the uptake of climate related insurance remains minimal, a scenario which offers an opportunity to increase climate related insurance against exogenous shocks such as drought and cyclones.

Capital Markets Products and Services

1.63 Capital markets will remain a priority to ensure increased uptake and usage of formal capital markets products and services. Supply-side information will be collected periodically to track progress in the uptake of capital markets products and services. Information on the uptake of capital markets products and services through the FinScope surveys has not been available.

Financial Inclusion Indicators - Supply-side Data

1.64 Supply-side data indicates increased uptake of formal financial services as measured by the number of bank accounts and the number of low-cost accounts which increased from 1.49 million and 1.20 million in 2016 to 7.76 million and 4.83 million respectively as of 31 March 2022.

1.65 While the nominal value of loans to women, youth, and MSMEs increased significantly over the implementation period of NFIS I, the proportion of loans to these vulnerable groups as a percentage of total banking sector loans remains low at 7% for women, 2.07% for the youth, and 5.54% for MSMEs.

1.66 Table 1 below highlights the financial inclusion indicators as of 31 March 2022 incorporating inflation-adjusted figures.

Table 1: Supply-side Financial Inclusion Indicators

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

Financial Literacy and Financial Capability

1.67 Financial literacy and financial capability remain low and a major barrier to increased uptake of financial services among the vulnerable groups. Digital literacy will be a focus area as it plays a critical role in driving financial inclusion of the target groups, particularly women and rural communities, because of their low financial literacy levels.

1.68 Financial literacy programs of vulnerable groups are key in influencing the behaviour of financial consumers. Further, financial literacy and financial education embedded in the education curriculum encourages a savings culture from a young age.

1.69 Well-planned financial literacy and financial education programs in collaboration with relevant stakeholders can improve the financial literacy and capability of the target groups, raise more responsible consumers of financial products and services as well as facilitate more informed financial decisions by the banking public.

CHALLENGES AND OPPORTUNITIES

1.70 While significant progress in access to finance was registered under NFIS I, a number of challenges were noted during the implementation of the same. NFIS II will seek to address the challenges noted during implementation of NFIS I and incorporate the identified opportunities to further the financial inclusion agenda in the country.

Financial Inclusion Co-ordinating Structures

1.71 In implementing NFIS I, the Reserve Bank of Zimbabwe served as the Secretariat, while officials from both the private sector and government were members of the thematic working groups. At a national level, however, there were no clearly defined governance structures to facilitate adequate attention to and integration of financial inclusion matters in policy decisions.

1.72 An effective national coordinating structure, with clear terms of reference, is critical to the development and successful implementation of the national financial inclusion strategy. The coordinating structure also facilitates oversight and buy-in at a national level of the National Financial Inclusion agenda.

Clearly Defined Financial Inclusion Outcomes

1.73 The ultimate outcome of an inclusive financial systems entails not only poverty reduction, but empowerment, socialisation, health, education and all other issues that factor into people’s life goals. Under NFIS I expected outcomes of the financial inclusion strategy on both the supply side and the demand side which provide the basis of the various initiatives and interventions by stakeholders towards a common national goal were not very clear.

Centralisation of Financial Inclusion Initiatives

1.74 Financial inclusion initiatives and activities were mainly focused in the urban areas leaving out the marginalised rural areas which account for the majority of the population. The results of both FinScope MSME and Consumer surveys indicate lower levels of financial inclusion in the rural areas where the majority of the population resides.

Inadequate Resources for Implementing the Strategy

1.75 NFIS I did not provide a budget for financial inclusion activities and lack of sufficient resources for effective implementation of the strategy was a major obstacle to attainment of the desired outcomes. The disconnect between funding and the strategy has serious implications on the effective implementation of the strategy.

1.76 Implementation of the national financial inclusion strategy is usually spread among many stakeholders or implementing partners and each implementing partner, or institution, should set aside a budget for financial inclusion activities which are guided by the desired national financial inclusion outcomes.

High Cost of Delivering Financial Services

1.77 High cost of delivering financial services remains a barrier to the effective access and usage of financial services and products and in some cases militated against financial inclusion efforts and initiatives. This was compounded by cash shortages which made the agency banking model almost redundant.

Lack of Robust ICT Systems & Financial Inclusion Data

1.78 Lack of robust ICT systems within the financial services providers, particularly the microfinance institutions, to facilitate timely collection of gender, age and geographical disaggregated data, made it difficult to track accurately financial inclusion indicators in some of the financial service providers.

1.79 The FinScope Surveys have indicated that the majority of women and MSMEs use informal means to access credit and for savings, particularly the SACCOs and the ROSCAs, with some of them commanding large amounts of members' savings.

1.80 However, there is **no data on the SACCOs and ROSCAs** activities to effectively evaluate the level of financial exclusion, as these remain largely informal with no systems to facilitate collection of data.

Monitoring and Evaluation Challenges

1.81 Lack of a robust Monitoring and Evaluation Framework that tracks progress and provides real-time feedback to facilitate adjustment of the policy and take necessary measures to ensure the NFIS is on track, was a major setback in terms of monitoring effectiveness of the strategy on an on-going basis.

LESSONS LEARNT FROM NFIS I

1.82 Lessons learnt were drawn from the limited desk-top review, comments from the various implementing partners and stakeholders, and the Consumer and MSME FinScope surveys of 2021.

1.83 The following is a summary of the lessons learnt during the first five years of NFIS:

a) **Effective stakeholder coordination framework involving all relevant stakeholders**. Given the different levels of participation at the macro and micro-levels within the population, a harmonised approach is critical for the pursuit of the goals and objectives of a NFIS. Financial inclusion coordination structures including both private and public sector are key

b) **Robust monitoring and evaluation framework**. During the first phase of NFIS it was noted that not all banking institutions were able to provide key information in respect of the target groups. To have an effective well-resourced and well-coordinated M&E framework, it is imperative to have availability of comprehensive disaggregated data. In addition, all participating institutions will need to establish a reliable internal monitoring system and ensure capacity is available to assess their organizational efficiency and effectiveness in relation to financial inclusion. This will be achieved through ensuring that:

- senior management in all participating institutions are fully committed to the vision of financial inclusion. In this regard, NFIS II will provide clarity on roles and responsibilities for major stakeholders;
- there is continuous involvement of intended beneficiaries of the programme in the monitoring process;
- the right products and services are delivered to the right target by analysing client data and monitoring participants;

- there is alignment with government monitoring systems wherever feasible, especially linking with services provided by the public sector; and
- there is a data reporting framework and a clear communication strategy.

c) **There is need for sufficiently disaggregated data**. While women account for the majority of the population in Zimbabwe, they are still largely underserved. There is insufficient sex disaggregated data to improve the design and delivery of financial products to serve women. Lack of data perpetuates gender gaps in financial inclusion. It has been noted that although the financial institutions have made inroads in serving women, they often do not have sufficient data to develop evidence-based financial products for the women, build a business case for targeting women or monitor their own performance with the women's market. Data-driven policy designs are required to help close the gender gap. Financial product designs, selection of delivery channels, risk management products and price structure should be informed by sex disaggregated data, to match the financial needs and preferences of women. Further, it is also important to disaggregate data for people living with disabilities in order to tailor-make financial products that serve them better.

d) **Availability of credit History Data - regulators, in collaboration with utility** companies should forge a union to create alternative collateral registries such as movable properties and history on payment of municipal service bills. This will increase the scope to which financial institutions assess the credit worthiness of low income households.

e) **NFIS Communication Strategy**: It is critical to come up with a NFIS Communication Strategy to facilitate dissemination of information on national financial inclusion initiatives so that all stakeholders play their part in the inclusion vision.

CHAPTER 2: THE NATIONAL FINANCIAL INCLUSION STRATEGY II (2022-2026)

2.1 The National Financial Inclusion Strategy II is building on milestones achieved under NFIS I, incorporating recommendations from the broad-based stakeholder consultative process and results of the 2022 FinScope and MSME surveys.

2.2 While access to formal financial services and products continues to be a priority in Zimbabwe's national financial inclusion journey, the second phase of the National Financial Inclusion Strategy (NFIS II) 2022 -2026 will **focus on the usage** of quality financial services and products, and sustainability of financial services and products.

FOCUSING ON USAGE

2.3 The Strategy acknowledges the significant progress achieved on the access front, and recognises that access is the first step towards financial inclusion. The Strategy seeks to promote development, access and usage of suitable products and services that are affordable, convenient and aligned to customers' needs. Financial products and services that meet customer needs are frequently used which in turn empowers consumers to participate in economic activities, thereby contributing to the country's national development aspirations.

DEFINITION OF FINANCIAL INCLUSION

2.4 In order to facilitate effective execution of the financial inclusion agenda and establish a common understanding of the financial inclusion thrust, financial inclusion under NFIS II is defined as: **"The effective and informed use of a wide range of quality[2], affordable & accessible financial services by all Zimbabweans, on a sustainable basis, provided in a fair and transparent manner through formal/ regulated entities".**

STRATEGIC VISION

2.5 The NFIS II vision is to "***Empower all Zimbabweans towards building, resilient and sustainable livelihoods through access and usage of appropriate, affordable,***

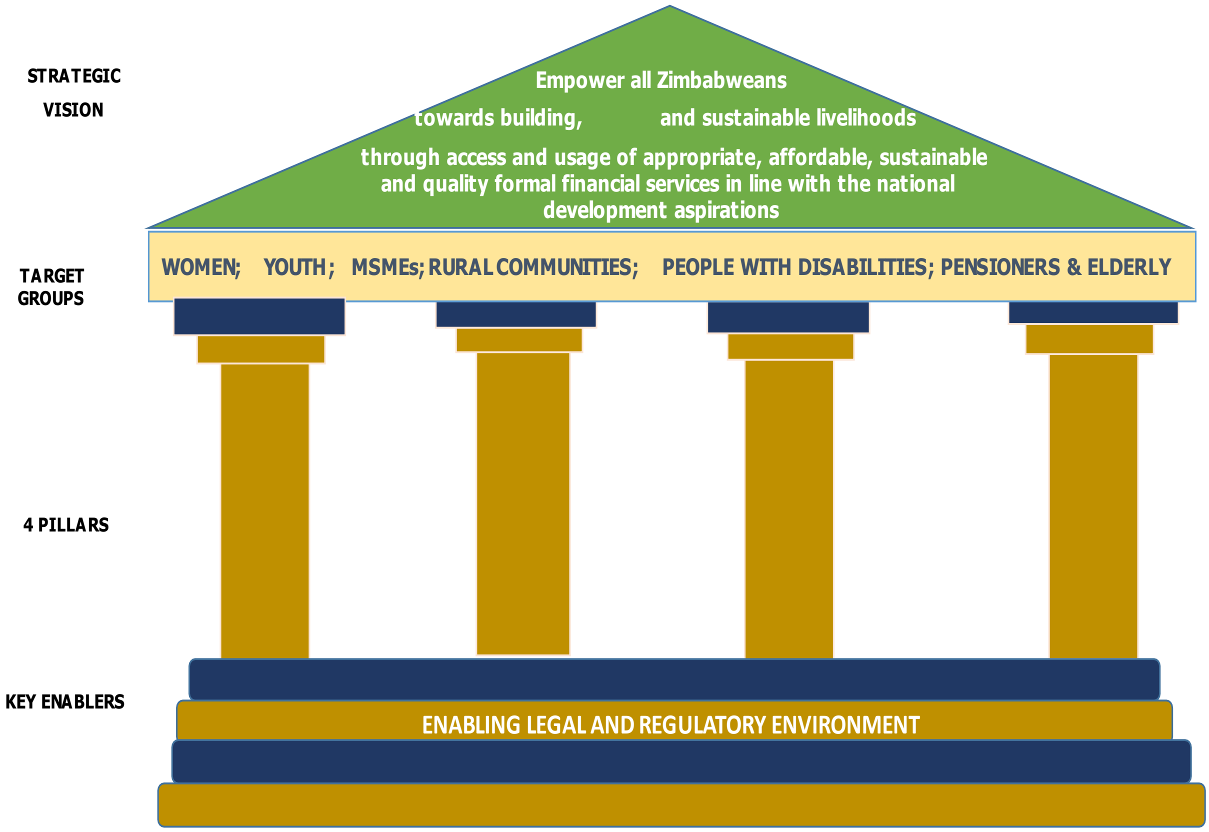
[2] Quality of financial services seeks to assess, from a client's point of view, the quality of service by financial service providers given the operating environment. Quality of financial services includes, affordability, transparency, consumer protection, far treatment, convenience, financial education, indebtedness and choice - (Alliance for Financial Inclusion, Guideline Note 22, 2016)

sustainable and quality formal financial services in line with the national development aspirations”.

THE MISSION

2.6 To facilitate access and usage of quality and affordable financial services by all Zimbabweans.

Figure 12: National Financial Inclusion Strategy II (2022-2026)



2.7 Notwithstanding the significant progress registered since the launch of NFIS I, the results of the 2022 FinScope Consumer and MSME surveys indicate that women, youth, MSMEs, and rural communities continue to be marginalised. The Strategy recognises the importance of empowering women, youth, MSMEs, rural communities, and people with disabilities.

2.8 The foundational pillars for NFIS II, *Financial Innovation; Consumer Protection; Financial Literacy/financial capability; Microfinancing, MSME and Entrepreneurship development; and Devolution* are expected to underpin the successful implementation of the strategy.

NFIS II EXPECTED OUTCOMES & TARGETS

2.9 The expected outcomes of the National Financial Inclusion Strategy II are aligned with the national development goals as articulated under NDS1. The NFIS II will focus on delivering the following key outcomes:

i. **Financial Deepening** through increased uptake and usage of quality customer-centric financial products and innovative distribution channels to meet life cycle financial needs on a sustainable basis.
ii. **Improved livelihoods** and **financial capability** of the target segments through sustainable usage of financial services, and a combination of knowledge, skills, attitudes and confidence to make sound financial decisions that facilitate security, resiliency, participation in economic activities, and improved quality of life.

Financial Deepening

2.10 Financial deepening provides greater access and usage to a wide array of financial activities and products in an efficient manner which in turn boost productivity and improves the resilience against shocks. The Strategy seeks to promote development of second generation of financial products to promote increased uptake and usage of financial services. Development and expansion of financial services providers and financial services and products in line with the size of the economy facilitates rapid and sustained economic growth. A deepening financial sector is better placed to support the real sector and propel economic recovery.

Improved Livelihoods and Financial Capability

2.11 MSMEs continue to be a key driver to economic development, employment creation and wealth creation. Knowledge of financial products and services, ability and confidence to make sound financial decisions, coupled with formalisation, skills development, and a supportive legal and regulatory framework are key in unlocking the entrepreneurial skills that will facilitate new wealth creation in line with the objectives of the NDS I.

2.12 As part of the improved livelihoods, the Strategy seeks to facilitate improved financial health and resiliency among the vulnerable groups. Financial health assesses how well one's daily financial system facilitate building resilience and shifts from measuring financial inclusion just on the bases access to finance, to incorporate more broad and long term goals of financial security, resiliency and quality of life. Financial health calls for coordinated approach among various stakeholders to facilitate uptake and sustained usage of financial services towards visible improvement in the beneficiaries' livelihoods. As a comprehensive approach to financial inclusion, financial health is long-term and an effective tool in addressing some of the Social Development Goals such as poverty reduction as it focuses on building resilience and long-term financial goals.

2.13 The Outcomes of financial health are embodied in four dimensions namely

i) ***financial security*** - the ability to meet short-term commitments;
ii) ***financial resilience*** – the ability to cope with unexpected or adverse events;
iii) ***financial control*** - refers to confidence in one's finances now and into the future ; and
iv) ***financial freedom*** – the ability to meet long-term goals and desires.

Financial Inclusion Targets

2.14 Under NFIS II, **usage of quality financial services on a sustainable basis** will be key in ensuring and facilitating attainment of inclusive economic growth. Usage of financial services is measured by the frequency, value, range, and volume of financial transactions.

2.15 A summary of the financial inclusion targets are highlighted in Table 2. Disaggregated financial inclusion targets are indicated in Annexure …

Table 2: Financial Inclusion Targets

Financial Inclusion Dimension	Indicator	Baseline (2022)	Target (2026)
Usage	Percentage of population with transactional accounts	70%	80%
	Percentage of population with active (used at least once in 60 days) formal savings accounts	36%	45%
	Percentage of population with active (used at least once in 30 days) credit accounts	39%	45%

	Percentage of population covered under an insurance policy	22%	35%
	Percentage of population with active (used at least once in 30 days) mobile account	63%	75%
	Percentage of population with investments in capital markets	2%	5%
Access to financial services by the urban adult population	Percentage of urban population formally served	94%	98%
	Percentage of urban population formally banked	61%	80%
	Percentage of urban population accessing other formal non-bank financial services	33%	60%
Access to financial services by rural adult population	Percentage of rural population formally served	79%	85%
	Percentage of rural population formally banked	38%	50%
	Percentage of rural population accessing other formal non-bank financial services	41%	60%

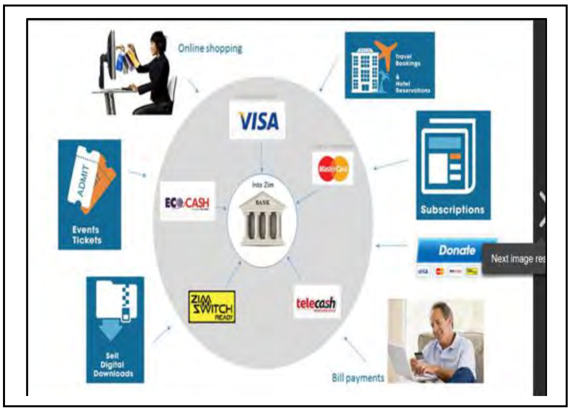
KEY PILLARS AND ENABLERS OF THE NATIONAL FINANCIAL INCLUSION STRATEGY II

2.16 The National Financial Inclusion II will revolve around four (4) pillars, namely:

a) Financial Innovation;
b) Financial Consumer Protection & Financial Capability;
c) Microfinancing, MSME and Entrepreneurship Development; and
d) Devolution.

PILLAR 1: FINANCIAL INNOVATION

Objective: To promote the creation of new and innovative financial assets and new ways of using existing financial assets to expand access to and usage of quality, efficient and affordable digital financial services by the population and at large and target groups in particular



2.17 Financial innovation which refers to "*creating new financial assets or new ways of using existing financial assets*" is increasingly transforming the provision of financial services into a more customer-centric platform and in the process, facilitating increased uptake and usage of financial services.

2.18 Technology-enabled financial innovation, which has proved to be efficient and cost-effective, continues to play a crucial role in shaping the financial inclusion landscape, from product and service development to new financial intermediation methods and delivery channels, including management of risks by the financial service providers.

2.19 Financial innovation promotes sustainability of financial service providers and increases both depth and breadth of outreach. The advent of COVID-19 spurred financial innovation in the financial services sector with almost all financial institutions taking to developing new products and some making enhancements to existing services to survive in the new environment.

2.20 The Strategy acknowledges benefits of financial innovation including:

- Reduction on the cost of accessing and using financial services;
- Provision of complete markets by facilitating movement of funds across time and space; and
- Provision of platform that addresses moral hazard and information asymmetry across markets.

Table 3: Priority Areas and Strategic Actions for Financial Innovation

Priority Area	Strategic Actions
Digital Financial services	• Promote investment in financial innovation and the development of tailor-made digital payment services/ products within the financial services sector. • Maintain and enhance interoperability arrangements across all the payment systems. • Support development of DFS anchored on evidence based policies. • Enhance AML-CFT Compliance • Enhance risk management through effective oversight and market conduct supervision
Product Innovation	• Promote the introduction of innovative products to continue to enhance consumer experience and safety. • Continue to create a holistic and sustainable regulatory framework • Promote market broadening policies aimed at increasing the size and depth of the financial markets. • Promote development of risk management instruments as well as arbitrage instruments and process
Institutional Innovation	• Create platforms for systemic dialogue and partnerships among regulators, policymakers, fintech companies, standard- setting bodies and researches on financial innovation for financial inclusion. • Promote healthy competition through establishment of new types of financial intermediaries. • Promote conducive legal and regulatory environment that promotes innovation in the financial services sector

PILLAR 2: CONSUMER PROTECTION & FINANCIAL CAPABILTY

Objective: To promote safety and protection of consumers of financial services through high quality financial knowledge and skills necessary to make informed financial decisions

2.21 Adequate consumer protection is key in facilitating uptake and usage of financial services, and overall financial inclusion. In the absence of a robust consumer protection framework and redress mechanism, information asymmetry between the suppliers of financial services and the consumers can result in more harm to the consumers of financial services.

2.22 These include over-indebtedness, predatory lending practices, unconventional collection methods and disposal of assets pledged as security, leaving the consumer in a more vulnerable condition than they were before accessing such financial services. Further, without adequate information on financial products and services or financial options, consumer of financial products, especially the vulnerable and marginalised, are incapacitated to make informed financial decisions.

2.23 Low levels of financial capability have contributed to lower uptake and usage of financial products during the implementation of NFIS I as well as a deterioration in financial consumer confidence in financial service providers.

2.24 Going forward, the Strategy will seek to promote financial education and acquisition of knowledge and skills that facilitate and influence consumer attitude and behaviour towards financial matters. Tailored financial education and financial literacy programs incorporating the dynamic and evolving developments in the financial services sector will be key in driving uptake and usage of financial services particularly among the vulnerable groups.

2.25 The Strategy focuses on increasing financial awareness among various vulnerable groups including women, youth, children, MSMEs, rural and smallholder farmers, PWDs, pensioners and the elderly. Given the importance and increased use of digital financial services, digital financial literacy will become a key focus area.

2.26 The NFIS II will seek to facilitate consumer protection and robust redress mechanism. The Reserve Bank issued a Consumer Protection Framework to the banking sector in July 2017. Cognisant of the rapid and steep adoption of digital financial services recorded in the past few years, the framework will be reviewed.

2.27 Financial service providers are required to adopt the '***finance plus'*** approach to facilitating access and usage of financial services and products, by combining financial and non-financial products such as business skills training. Empirical evidence suggests that businesses that receive training together with their enterprise loans usually perform better than those who only receive credit as they are better placed to make informed decisions

Table 4: Priority Areas & Strategic Actions for Consumer Protection & Financial Capability

Priority Area	Strategic Actions
Consumer Protection	• Enhance the existing Consumer Protection Framework for the financial services sector and alignment to the Consumer Protection Act [Chapter 14:14] of 2019 which is already in place. • Implement market-conduct supervision - to enforce compliance with the Consumer Protection Framework financial institutions. • Capacitate regulators to perform market conduct supervision to ensure compliance with Consumer Protection Framework. • Foster competition by encouraging regulated entities to offer better products and services rather than taking advantage of poorly informed consumers. • Establish a financial sector Ombudsman to complement the existing dispute resolution mechanisms for financial consumers. • Facilitate collaboration across financial sector regulators on consumer protection.
Financial Capability	▪ Develop and implement a comprehensive National Financial Literacy Framework including digital financial literacy. ▪ Develop digital financial literacy tools targeting various groups. ▪ Upscale participation in Global Money Week. ▪ Sustained media campaign on financial literacy. ▪ Collaborate with respective stakeholders to enhance and incorporate financial literacy in education curricula at primary, secondary and tertiary levels. ▪ Regulated financial service providers to have annual programs on financial literacy which will be monitored by respective regulatory body. ▪ Develop and implement gender financial literacy framework. ▪ Establish a financial capability measurement tool for vulnerable groups. ▪ Conduct annual financial capability assessments.

2.28 The Strategy establishes a financial capability measurement tool for vulnerable groups such as the women, youth, MSMEs, and the rural and smallholder farmers, with a particular focus on digital financial inclusion.

2.29 The Strategy advocates for increased market conduct monitoring and supervision, enhanced coordination and collaboration among financial sector regulators, which in turn creates a strong enforcement ecosystem to address customer grievances and enhance consumer trust and confidence in the financial sector

PILLAR 3: MICROFINANCING, MSME & ENTREPRENEURSHIP DEVELOPMENT

Objective: To promote entrepreneurial ventures, economic growth and development at community level, through microfinancing and capacity building.

2.30 Micro, small and medium enterprises are the backbone for economic growth contributing ZW$8.6 billion to (around 60%) of GDP. The MSMEs are contributing towards wealth creation and reduction of poverty, and currently employing more than 1.7 million people, the majority of whom are women and in rural areas.

2.31 Micro-enterprises account for 91% of all MSMEs, with individual entrepreneurs account for 81.4% of the total MSMEs in the sector. Women-owned MSMEs account for 60% of total MSMEs, and the majority of the MSMEs (71%) are in rural areas.

2.32 Major barriers to MSME development, and transformation of micro enterprises into small and medium enterprises include:

a) High levels of in formalisation (86%);
b) Lack of working capital;

c) Lack of requisite collateral;

d) Inadequate skills, including lack of business management skills; and

e) Lack of working space or shelter.

2.33 Under NFIS II, capacity building and development of business and technical skills of the entrepreneurs will be key in driving financial inclusion of the micro, small and medium enterprises. Formalisation, an enabling regulatory environment and access to markets and working space remain key focal areas.

Table 5: Priority Areas & Strategic Actions for Microfinancing, MSME & Entrepreneurship Development

Priority Area	Strategic Actions
Microfinancing	▪ Develop and implement a microfinance development strategy to facilitate microfinancing of MSMEs. ▪ Establish an enabling legal environment and tiered approach to supervision of SACCOs.
MSME & Entrepreneurship Development	▪ Establishment of an enabling environment for MSME development including formalization. ▪ Develop customer-centric financial products, and financing options that meet the needs and requirements of MSMEs. ▪ Promote research on MSME finance and development. ▪ Facilitate increased incorporation of business/entrepreneurial skills in various education curricula. ▪ Establishment of more vocational institutions and their capacitation. ▪ Enhanced innovation & incubation hubs. ▪ Develop and implement MSME tailored capacity building programs. ▪ Develop and implement gender-sensitive, youth-sensitive, and farmer-sensitive financial products, and capacity building programs. ▪ Establishment of MSME descent shelter. ▪ Promotion of venture capital. ▪ Operationalization of the Collateral Registry.

2.34 The NFIS II seeks to address the above aspirations through the adoption of the nine elements that are considered important to the generation of an entrepreneurial ecosystem shown in the diagram below.

Figure 13: Entrepreneurial Ecosystem

2.35 Targeted initiatives including an enabling environment for co-creation, mentorship and development of entrepreneurial and technological innovations will be explored.

2.36 Given that the majority of MSMEs are owned by women, NFIS II will promote gender balance in entrepreneurship development through capacity building and development of customer-centric financial products and services.

2.37 Microfinancing will act as the oiling machine for MSME and Entrepreneurship development. Microfinancing does not focus on the entrepreneurial ventures typically associated with growth and high wealth creation, but provide minimal capital for the start-ups and expansion of small enterprises owned by low income and marginalised, with the view to raising the standards of living of the owners beyond the subsistence level.

2.38 Microfinancing remains key under NFIS II, by virtue of its ability to reach out to the marginalised at grassroots level. Microfinancing plays a catalytic role in the promotion of sustainable use of financial services and inclusive economic growth through supporting wealth and job creation, entrepreneurship development and livelihoods improvement, which in turn reduces poverty and inequality.

2.39 The Strategy advocates for innovative microfinancing models that facilitate sustainability, while providing convenient, affordable, and appropriate financial solutions to the marginalised and vulnerable groups.

2.40 The Strategy advocates for collaboration among the various stakeholders including financial services providers incorporating microfinance institutions and savings and credit cooperative societies (SACOOs), mobile network operators, regulatory authorities and capacity building institutions to embark on initiatives that support start-ups and development of the MSME sector.

2.41 SACCOS, which constitute a significant segment of the microfinance sector, are well placed to mobilise female borrowers and low-income communities and financially empower them. Their member-based group models present them as a more effective way of mobilising women and low-income households, employment creation at grassroots levels, and the community at large as members have a sense of ownership as 'our bank'.

2.42 While SACCOs are very active at the grassroots and community levels in facilitating access to financial services and empowerment of the vulnerable groups, the impact of the initiatives has not been included in the national financial inclusion statistics due to lack of data and information on the sub-sector's activities and impact. The 2022 FinScope surveys indicated that savings with formal banking institutions has been on a declining trend, while SACCOs and ROSCAs are playing a significant role in savings mobilisation.

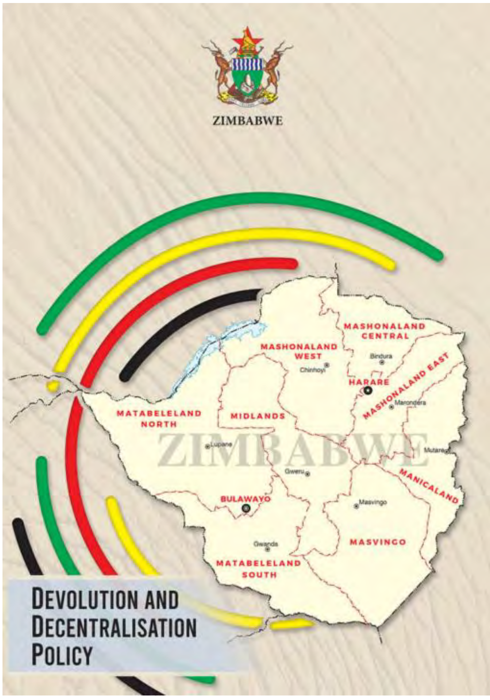
2.43 The Strategy will seek to facilitate development of financial SACCOs, and enhance reporting of financial inclusion data given activities within the sub-sector.

2.44 Under NFIS II, enhanced collaboration with relevant stakeholders will result in the development of a more robust graduated regulatory framework that facilitates the improved contribution of SACCOs to national development goals

PILLAR 4: DEVOLUTION

Objective: To promote equitable and just distribution and sharing of opportunities and resources for all through transformation of the provinces and districts into economic hubs that contribute to the growth of the local gross domestic product.

2.45 Devolution has been identified as a key pillar to the attainment of Vision 2030 of an 'Upper Middle Income Economy.



2.46 The Devolution process seeks to facilitate an inclusive economic participation of all regions, 'leaving no one and no place behind', and creating economic resilience against unforeseen shocks and externalities.

2.47 Devolution under NFIS II, is expected to provide a mechanism for resource sharing, widening and deepening of citizens' participation in the social and economic development activities within communities. Devolution will thus facilitate economic resilience, financial and social inclusivity, economic participation by all, in line with the country's national development agenda as enunciated in the NDS1.

2.48 The Government has committed 5% of total revenue income annually for disbursement to local authorities to facilitate implementation of impactful community infrastructure projects.

Table 6: Priority Areas & Strategic Actions for Devolution

Pillar	Strategic Activities
Inclusive growth and shared prosperity	▪ Establishment of an enabling environment for socio-economic devolution; ▪ Promote citizenry and communities' democratic participation in social and economic developmental activities. ▪ Provide adequate funding for implementation of impactful community infrastructure projects such as schools, clinics, roads and bridges. The Government has committed at least 5% of total fiscal revenue annually

Pillar	Strategic Activities
	to the devolution programs. The 2022 National Budget, for example, set aside ZW$***42.5 billion*** for devolution programs. ▪ Foster economic activities at community level to promote a social and sharing economy; ▪ Mobilise social capital to enhance access to finance and reduce transaction costs; ▪ Facilitate increased incorporation of business/entrepreneurial skills in various education curricula; ▪ Establishment of more vocational institutions and their capacitation; ▪ Creation of decent jobs and improved quality of life; ▪ Enhanced innovation & incubation hubs; ▪ Develop and implement MSME tailored capacity building programs ▪ Promote the establishment of value-added industries, MSMEs, public/private partnerships and special economic zones guided by the respective factor endowments and entrepreneurial capabilities. ▪ Facilitate financial literacy programs at community level to increase knowledge on financial matters and financial markets ▪ Promote ease of doing business and capacity to develop bankable projects at local community level.

FINANCIAL INCLUSION ENABLERS

2.49 The NFIS II is anchored on five key enablers, an enabling macroeconomic environment, enabling and conducive legal and regulatory framework, appropriate infrastructure, institutional coordination and political commitment, and data availability.

Conducive Macro-Economic Environment

2.50 A conducive macro-economic environment is critical in facilitating access and usage of quality financial services on a sustainable basis. In line with its mandate, the Bank will collaborate with various stakeholders to facilitate development and implementation of robust macroeconomic policies to ensure achievement of the financial inclusion goals and objectives.

Enabling Legal and Regulatory Framework

2.51 The NFIS II underscores the need for an enabling and conducive regulatory environment which facilitates ease of doing business, and promotes innovation in the financial services sector, while ensuring a healthy balance between financial stability, financial inclusion and consumer protection.

2.52 The review of the insurance and pension industry's policy and regulatory framework is also expected to result in the enhancement of the respective legal and regulatory frameworks which will facilitate the introduction of innovative micro-insurance products and services.

2.53 In order to increase access to financial services by the targeted segments of the population, the regulatory environment should encourage and facilitate participation of the private sector for product innovation and promotion of healthy competition in the financial sector.

2.54 Further, adequate and conducive infrastructure is critical in facilitating increased uptake and usage of financial services. Significant inroads have been made into the establishment of a robust credit infrastructure through the credit reference system and the MSME Credit guarantee. NFIS II will enhance the existing credit infrastructure through operationalisation of the collateral registry and establishment of a robust redress mechanism necessary for increased uptake and usage of financial services by the MSMEs, and the rural communities at affordable costs and on a more sustainable basis.

2.55 Establishment of innovation hubs and regulatory sandboxes within a broader innovation and digital financial transformation strategy, encompassing the development of digital financial infrastructure, regulation, and the broader FinTech ecosystem is an important part of a robust enabling and appropriate infrastructure

Institutional Coordination & Political Commitment

2.56 Successful implementation of the NFIS II requires the involvement and commitment of various stakeholders. Co-ordination, collaboration and taking ownership of the financial inclusion initiative by various stakeholders including government, regulatory authorities, private sector and development institutions is critical in achieving the financial inclusion goals under NFIS II.

2.57 A review of NFIS I noted the importance of coordinating financial inclusion initiatives by both public and private sector players at the macro, meso and micro levels to facilitate effective implementation of the Strategy for expected outcomes.

Data Availability

2.58 The NFIS II will facilitate the establishment of a robust central database where all the relevant providers of information including banks, microfinance institutions, players in both the insurance and pensions market, capital markets, and mobile network operators provide routine information on financial inclusion.

2.59 Consistent gathering and analysis of sex-disaggregated, age-disaggregated and geographical disaggregated data, as a key enabler of NFIS II, will be a key in identifying and closing gender, age or geographically related gaps in the provision and usage of financial services. In order to evaluate the success or failure of NFIS II, monitoring of the results of the implementation initiatives through appropriate statistical and disaggregated data collected on a monthly and quarterly basis is critical.

2.60 One of the strategic objectives under NFIS II is to establish a robust data and measurement framework including creation of a robust and automated management system and a dedicated web-portal for the National Financial Inclusion Strategy.

KEY DRIVERS OF USAGE OF FINANCIAL SERVICES

2.61 Drivers of usage of financial servcies are inter-related and intertwinned and a person can decide to continue using the product depending on the value addition that the product brings. Dormant accounts can be explained by absence of positive value from the use of the facility. Where there is no positive value derived, consumers defect to alternative products and services. The 2022 MSME and Consumer survey noted a decline in formal savings, while the proportion of adults and MSMEs using informal savings products has increased.

Entreprenuership and Income Generating Activities

2.62 The surveys indicated that 40% of the adult population do not use transactinal accounts (bank or mobile) because they do not have money to transact with, pointing to the importance of income in driving formal financial inclusion.

Appropriateness of the Financial Services

2.63 Appropriatness of financial products in meeting the needs of the target group is key in driving usage of financial servcies. In this regard, financial servcies providers need to invest in understanding the needs of their clients and developning tailored customer-centric products as opposed to offering generic “one size fits all” type of financial products.

Affordability of Financial Services

2.64 Both the FinScope MSME and Consumer Surveys identified the high transaction costs as one of the barriers to usage of financial products and services. Consumers of financial products will implicitly weigh the percieved derived value against the cost of utilising the financial services, and in the process make a rational decision to avoid the service where the percieved derived net value is negative.

Financial Knowledge and skills

2.65 Knowledge of financial products and services and trust issues have been noted as significant barriers to usage of financial servcies. Building sufficient knowledge on financial products and financial servcies providers has the potentail to build the requsite trust in formal financial servcies , change behavior and increase usage of financial services. Without adequate financial knowledge or skills, a consumer is unable to make an informed decsion and hence the intention to use financial services does not translate into actual usage of the financial service.

Trust

2.66 Trust which relates to the consumer’s belief that the financial service provider will deliver on what is expected and will act in the best interest of the consumer, is a signficant determinant of consumer attitude and behaviour.

CHAPTER 3: TARGET SEGMENTS & SPECIFIC STRATEGIC MEASURES

3.1 While significant inroads have been registered in overall access to financial services in the country, the 2022 FinScope Consumer Survey and the FinScope MSME Survey noted that women, youth, micro, small and medium enterprises, rural communities and smallholder farmers, people with disabilities, the pensioners and the elderly continue to be financially excluded. NFIS II seeks to target these vulnerable groups to facilitate not only access but usage of quality financial services and products on a sustainable basis.

WOMEN

3.2 Under NFIS I, women were identified as one of the target groups for financial inclusion and several initiatives were undertaken to improve the level of financial inclusion of women. These initiatives included collation and analysis of sex-disaggregated data to facilitate tracking of financial inclusion of women, registration of Zimbabwe Women Microfinance Bank, establishment women and MSME desks in bank branches, KYC lite accounts, establishment of a robust credit infrastructure including credit reference system and MSME credit guarantee.

3.3 The FinScope Survey of 2022 indicated that women account for 54% of the population and that 60% of the micro, small and medium enterprises are owned by women and these MSMEs owned by women are largely micro (90%).

3.4 The MSME sector recorded more individual entrepreneurs in 2022, pointing to the importance of the sector in providing basic income to MSMEs, the majority of which are owned by women.

3.5 Formal financial inclusion for women has improved significantly since 2014 as indicated in the Figure 5, largely driven by improved access to banking products, buttressed by access to mobile money.

3.6 The proportion of women that are formally served improved to 83% in 2022, up from 68% in 2014, while 84% of men are formally served, up from 70% in 2014.

3.7 Uptake of banking products increased from 33% (men) and 27% (women) in 2014, to 50% (men) and 43% (women), while uptake of other non-bank formal financial products remained relatively stable over the review period at 40% for women and 34% for men.

3.8 The financial exclusion gap for women has reduced from 24% in 2014 to 12% in 2022 largely driven by increased uptake of both banking and non-bank financial products. Uptake of transactional accounts for women (43%) remains low compared to their male counterparts (50%). About 34% of women do not own a transactional account (bank or mobile), which is the first step towards financial inclusion.

3.9 Mobile money uptake among women improved from 43% in 2014, to 61% in 2022, while mobile money penetration among the men improved from 48% to 66%.

3.10 Use of formal credit products by both adult women (15%) and men (17%) remains very low. There has not been any change in the credit space as 63% of women and 61% of men are not borrowing either formally or informally. The reasons for low uptake of credit facilities include lack of collateral, lack of pay slips as the majority are informally employed, and lack of a credit reference.

3.11 Uptake of formal savings products remain low with 12% of women and 22% of men using formal savings products. About 65% of women, compared to 64% men, are not saving at all, while 22% of the women use informal savings arrangements. Low awareness of financial products has contributed to low uptake and usage of formal financial services.

3.12 This presents an opportunity for financial education for the women and product development by financial service providers to meet the needs of the women.

3.13 Uptake of formal insurance products has also been declining, with 21% of women using formal insurance compared to 31% of men. In 2022, 73% of women did not have insurance coverage.

3.14 About 30% of women use formal remittance channels, while 31% of men use formal remittance channels.

Barriers to Increased Uptake and Usage of Financial Inclusion by Women

3.15 While barriers to access and usage of financial services may be the same across the gender divide, the impact of these barriers and challenges is more severe on women than on men due to socio-cultural factors that are biased against women. The barriers to increased uptake and usage of financial services include the following:

i. ***Low financial illiteracy & lack of Awareness***, especially digital financial illiteracy in the advent of increased digital financial services. Women are likely to face more challenges transacting on digital platforms because of lack of knowledge of the digital financial services, risks, and implications of engaging in some of the transactions.

ii. ***Affordability & cost of financial products*** – the costs of providing financial services was cited as one of the main reasons for not using formal financial services in the 2022 FinScope Survey;

iii. ***Credit barriers*** – lack of credit history and requisite collateral continue to militate against women financial inclusion. The high lending rates have witnessed a decline in formal credit, while savings using informal means have been on an upward trend;

iv. ***General high poverty levels*** – women have cited lack of money to transact through a bank or mobile platform, pointing to increased poverty levels; and

Financial Inclusion Initiatives for Women

3.16 NFIS II will focus on increasing uptake and usage of a range of financial services which in turn is expected to enhance participation of women in economic activities and the contribution of women-led businesses to economic growth and attainment of an ***Upper Middle Income Economy*** by 2030.

3.17 ***Commitment to the Maya Declaration and the Denarau Action Plan (DAP)*** – Zimbabwe is a signatory to the Maya Declaration on women financial inclusion and the Strategy will have in place financial inclusion initiatives to promote gender and women financial inclusion including:

a. ***Formalisation of women-owned MSMEs*** - 60% of the MSMEs are owned by women, the majority of which are informal;

b. ***Entrepreneurship development programs for women*** – to build capacity and enhance technical as well as business management skills critical for growth and sustainability of MSMEs;

c. ***Addressing collateral issues through operationalisation of the collateral registry*** – to facilitate access to capital for growth and expansion of businesses;

d. ***Promote and leverage on financial innovation*** in order to increase uptake of digital financial services which is expected to addresses mobility constraints and transactional costs. The regulatory Sandbox which is already in place will play a leading role in this regard;

e. ***Encourage financial service providers to align their products and services*** to the needs of women.

f. ***Facilitate collection, analysis and usage of sex-disaggregated data*** to inform the development of evidence-based policies to increase usage of quality gender-smart financial products by women on a sustainable basis;

g. ***Facilitate gender focal points*** in financial services providers to lead on issues, development and knowledge of products relating to gender financial inclusion.

h. ***Foster and promote strong partnership with financial service providers to increase women's presence in leadership positions*** of influence in the financial sector and to champion women's financial inclusion.

i. ***Facilitate financial literacy training including digital financial literacy*** and consumer education for women;

j. Support the ***development and strengthening of women's networks*** as conduits for financial education and building financial capability; and

3.18 Improved use of financial services by women in financial inclusion could have positive effects in smoothing consumption, lowering financial risks and costs, providing security, increasing saving and investment rates, and facilitating new business opportunities.

YOUTH[3]

3.19 Young people are the largest and fastest growing segment of the population, with the youth in Zimbabwe accounting for 62% of the population of 15.78 million in 2022. NFIS II recognises that young people, given an opportunity, skills development and capacity building, and sufficient support, can drive economic growth and contribute towards attainment of some of the SDGs.

3.20 Financial inclusion without taking into account the needs of 62% of the population is sub-optimal, given that financial services and products are a crucial enabler of young people's economic empowerment, well-being and sustainable livelihoods.

3.21 Youth transitions and lifetime trajectories from adolescence to adulthood call for more innovative approaches to the provision of financial services and products to meet the needs of the young people at the various stages of life and facilitate effective financial inclusion of the young people. A '***one-size-fits-all***' approach to youth financial inclusion has the potential to contribute to the financial exclusion of the young people.

3.22 During implementation of NFIS I, a number of initiatives were undertaken to improve financial inclusion of young people including the establishment of a bank dedicated to young people, EmpowerBank, financial literacy programs, establishment of the credit reference system, the MSME Credit Guarantee Scheme and the collateral registry which is expected to be operational in the last quarter of 2022.

The Status of Youth Financial Inclusion

3.23 According to the 2022 FinScope Consumer Survey, 83% of the youth were formally served, up from 67% in 2014. Financial inclusion of the young people was largely driven by uptake of banking products bolstered by mobile money, a development that was also noted among the seniors.

[3] While the Zimbabwe Constitution defines youth as those between the ages of 15-35 years, the FinScope Surveys covered youth aged 18-35 years.

1.84 Improvement in youth financial inclusion is reflected by the decline in the proportion of youth that are financially excluded, from 26% in 2014, to 14% in 2022.

3.24 In terms of uptake of transactional accounts (both bank and mobile), 67% are formally served, with only 7% of the youth having bank transactional accounts. Further, in terms of credit uptake from banks, only 4% of the young people are included, while 61% are not borrowing at all. In terms of insurance uptake, 81% of the young people have no insurance cover.

Financial Inclusion Strategies for Youth

3.25 Although the percentage of youths formally banked has increased in the past five years, Youths continue to be financially excluded as they are generally considered "high risk'' due to several reasons including the negative stereotypes: lack of credit history, lack of requisite collateral, lack of financial literacy and lack of adequate business experience and skills.

3.26 NFIS II provides for the following strategic activities to facilitate uptake and usage of financial services as well as economic empowerment and financial health of the young people;

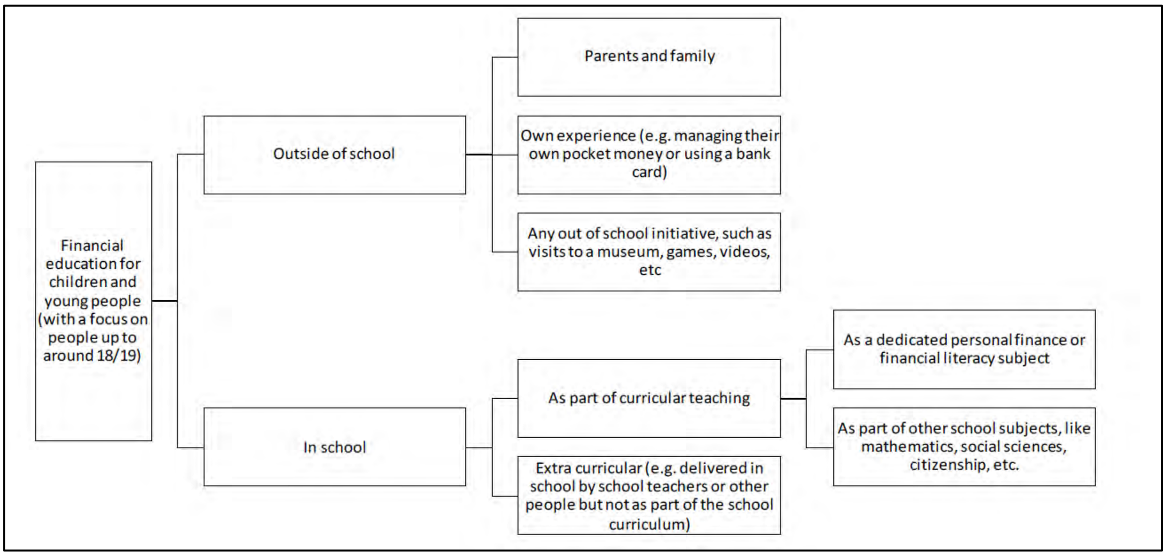
i. ***Collecting and Analysis of sex and age disaggregated data*** – to facilitate evidence-based strategies and interventions, as well as track progress;
ii. **Youth-centric financial products -** development of youth-centric products that are tailored for the different transitional life stages of young people;
iii. ***Entrepreneurship development*** - design and implement youth training programs encompassing business development, business management, and financial management;
iv. ***Establishing institutional and coordination mechanisms*** – identification of key implementing stakeholders and put in place a coordinating mechanism to facilitate coordination of the various financial inclusion initiatives for young people;
v. ***Financial education in school curriculum –*** incorporate financial education in the school curriculum from primary school to tertiary level with the view to encourage development of financially responsible adults;
vi. ***Youth Entrepreneurship and Innovation Multi-Donor Trust Fund –*** in collaboration with other stakeholders and development organisations, establish a Youth Entrepreneurship and Innovation Trust Fund;

vii. ***Robust Credit Infrastructure*** – enhance the credit reference system and operationalise the collateral registry; and

viii. ***Financial education*** - as part of addressing the low levels of financial capability among the young people, engagements and partnerships with relevant stakeholders will be implemented to design and deliver both in-school and out-of-school financial education. Youth are techno-savvy and financial education will be more effective through interactive digital platforms.

3.27 Channels for improving the financial literacy of children and young people are shown in Figure 14.

Figure 14: Channels of Improving Financial Literacy



MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

3.28 Micro, Small and Medium Enterprises (MSMEs) are a significant contributor to economic development, wealth creation and employment creation. Globally, MSMEs represent about 90 percent of businesses and more than 50 percent of employment.

3.29 In Zimbabwe, MSMEs are critical for wealth creation and poverty alleviation, contributing around 60% of GDP and employing more than 1.7 million people, the majority of whom are women. The 2022

FinScope MSME survey indicates that the majority of MSMEs (71%) are in rural areas, and that women own 60% of MSMEs in Zimbabwe.

3.30 The importance of MSMEs goes beyond conventional economic and social contributions but are highly relevant in the context of the Sustainable Development Goals (SDGs), especially for SDG 1, 2, 5 and 8, which primarily focus on ending poverty, hunger, gender inequality and the promotion of decent work and economic growth.

3.31 It is against this background that under NFIS II, MSMEs are not only a pillar under NFIS II, but a target segment given the important role in wealth creation and employment creation, and ultimately their contribution to the attainment of the national aspirations of 'an Upper Middle Income Economy by 2030'.

Barriers to MSME Financial Inclusion

3.32 While significant inroads have been achieved on the MSME access to finance strand, with 95% of MSMEs formally served in 2022, up from 14% in 2012, MSMEs continue to face challenges in terms of actual usage of financial services and products due to several reasons, including:

a) Lack of requisite collateral and KYC documentation.
b) High levels of in formalisation (86%).
c) Lack of adequate and appropriate working spaces and shelter
d) Inadequate entrepreneurial and business management skills, and
e) High levels of financial illiteracy including digital financial illiteracy.

MSME Financial Inclusion Initiatives

3.33 Strategies under NFIS II to address these challenges Under NFIS II include

a) Formalisation and ease of doing business drive for MSMEs.
b) Operationalization of the Collateral Registry

c) Development of tailor-made financial products and services fit for use by the MSMEs
d) Promote research on MSME finance and development and capacity of financial service providers to better serve MSMEs.
e) Establishment of more vocational institutions and their capacitation.
f) Establishment of MSME workspace
g) Develop and implement MSME tailored capacity building programs.
h) Establishment of venture capital for start-up MSMEs.

3.34 Under NFIS II, MSME financing and development will aim to increase access to credit, savings and insurance for enhanced productivity and improved livelihoods especially for individual entrepreneurs who are still under-served. In order to make significant inroads in the usage of financial services by MSMEs, collaboration with relevant stakeholders remains key.

RURAL COMMUNITIES & SMALLHOLDERS FARMERS

3.35 The agriculture sector in Zimbabwe is largely dominated by smallholder farmers and continues to be the backbone of the Zimbabwean economy, contributing between 16-20 percent of GDP and 40 percent to exports[4]. The agricultural sector is strategic for food security and provides livelihoods to most of the population and 60% of industrial inputs.

[4] Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement, May 2022

3.36 The agricultural sector accounts for 39.2% of the MSMEs, and 71% of these MSMEs are in the rural areas, and 71% of women are residing in the rural areas. Agriculture and farming are key to wealth and employment creation and poverty reduction, accounting for 61% of full-time employees and a higher proportion of part-time and seasonal employees.

3.37 Under the first phase of NFIS I, several initiatives were taken to facilitate increased access to finance by the rural communities and smallholder farmers.

3.38 These initiatives include Empowerment facilities, low KYC requirements aimed at facilitating easier access to formal financial services, value-chain financing with off-taker arrangements, and financial literacy programs by various stakeholders, among others. The other initiatives include establishment of a robust credit infrastructure comprising the credit reference system, the MSME credit guarantee and the warehouse receipt system.

3.39 In addition, the following realities continue to pose challenges to inclusive finance and development of rural communities and smallholder farmers:

a) ***Climate change*** including droughts and cyclones in the absence of insurance cover for such eventualities.
b) ***Absence of long-term finance*** to facilitate mechanisation of rural and smallholder farming and asset accumulation.
c) ***Limited products range*** – mostly credit, savings, remittances and informal funeral insurance. Leasing is one products that has the capacity to increase the rural entrepreneurs' asset base, enhance productivity and create more employment, but is not available to the rural communities.
d) ***Low levels of financial literacy*** among the rural communities;
e) ***High transaction costs*** for financial services;
f) ***Connectivity and infrastructure*** development issues; and
g) ***Collateral issues***.

Financial Inclusion Strategies for Rural Communities and Smallholder farmers

3.40 Financial inclusion of rural communities, where the majority of people reside, has the potential to unlock considerable economic potential of the rural communities at grassroots level, which in turn will have significant impact on the national gross domestic product. In this regard, rural communities and smallholder farmers will remain a priority segment under NFIS II.

3.41 Financial inclusion initiatives will be targeted at increasing uptake and usage of financial services, and stimulating economic activities and productivity at grassroots level.

3.42 The initiatives will include the following:

a) ***Development of innovative financial products and delivery channels*** to reduce transaction costs.
b) ***Development and implementation of financial literacy programs*** to facilitate informed financial decision-making by the rural communities and smallholder farmers.
c) ***Collect data – disaggregated by gender, age and region,*** to track progress in uptake and usage of financial services by the rural communities and facilitate evidence-based policy interventions.
d) ***Encourage adoption of index-based insurance*** to cushion rural communities against negative climate changes and resultant shocks;
e) ***Capacity building in entrepreneurship*** to reduce vulnerability and enhance building of sustainable small businesses.
f) ***Broaden the scope of financial products*** to the rural communities including leasing to facilitate asset accumulation at grassroots level, mechanisation of rural agriculture, increased productivity and employment.
g) ***Collaboration with relevant stakeholders*** including the financial services providers (AFC Land Bank), MNOs, the Ministry of Agriculture, Mechanisation and Irrigation Development, Ministry of Lands & Rural Resettlement, Ministry of Environment, Water and Climate and other relevant ministries, capacity building institutions and institutions of higher learning to provide a 'wholesome' package to the rural communities.

PERSONS WITH DISABILITIES

3.43 Persons with Disabilities (PWDs) in Zimbabwe are estimated to account for 9.3% of the population.

3.44 NFIS II will adopt the definition of disability proffered by the United Nations Convention on the Rights of Persons with Disabilities (CRPD) which broadly captures all aspects of disabilities. This will enhance institutions to clearly identify people with disabilities so as not to exclude others with invisible disabilities for instance people with epilepsy.

3.45 Persons with disabilities continue to face significant obstacles to equal participation in economic development initiatives and most are excluded from mainstream financial services, and this in turn continues to drive the cyclical relationship between disability and poverty.

3.46 Barriers to access and usage of financial services by the PwDs are summarised hereunder.

Demand Side Barriers

- lower digital financial literacy
- lack of self-efficacy and trust in formal financial institutions
- lack of requisite collateral
- geographical distance from the service provider
- lack of formal identification
- limited ownership of cell phone

Supply Side Barriers

- lack of disaggregated data to facilitate development of evidence-based financial products and channels of distribution.
- perceived high risk by financial institutions
- lack of transparency in pricing
- unfair market practices
- financial institutions language and communication percieved be complicated

Regulatory & Infrastructure Barriers

- Digital financial services and distribution channels
- Stringent Know-Your Customer Policies
- Discriminatory laws
- Absence of appropriate infrastructure and communication language

Regulatory & Infrastructure Barriers

- Discriminatory social norms and policies that lead to stigma
- Cultural and religious considerations
- Language barriers

3.47 Financial inclusion can play a significant role in enabling people with disabilities to pursue prosperity, support their micro and small enterprises, boost productivity and become more financially resilient and independent.

Financial Inclusion Strategies for PWDs

3.48 PWDs require an equal opportunity in accessing a range of financial products and services that cater for their multiple needs and that are responsive to the socio-economic and cultural factors that cause financial exclusion in PWDs.

3.49 Financial inclusion initiatives for PWDs under NFIS II will entail public/private collaboration to facilitate inclusion of the PWDs. Financial inclusion initiative will include the following:

a) ***Supportive infrastructure*** – to facilitate active participation of the PWDs in economic activities. The supportive infrastructure includes

i) designated branches for PWDs,

ii) availability of ramps to facilitate physical access;
iii) low-height adjustable counters for wheelchair users;
iv) screen magnification software to assist clients with low vision e.g. people with albinism;
v) availability of sign language and interpretation services – disability desk;

b) ***Accessible financial products*** – financial products that are tailored to meet the needs of the PWDs, including availability of customised stationery for PWDs, braille product brochures and information.

c) ***Assistive technology*** – to provide convenience of financial services to PWDs to people with hearing and speech disabilities. This will include artificial intelligence and chatbots to bridge the information gaps as this allows PWD clients to navigate banking tasks through conversational interface.

d) ***Collecting and analysing disaggregated data*** – to facilitate evidence-based financial inclusion interventions.

e) ***Financial literacy*** - including digital financial literacy programs

f) ***Financial inclusion of PWDs policy*** - establishment of a working group comprising stakeholders dealing with people with disabilities including financial service providers.

g) ***Training and capacity building of staff of financial service providers*** – well prepared, trained and versed with PWDs in order to attend to PWDs and offer then an inclusive seamless baking experience.

THE ELDERLY AND PENSIONERS

3.50 According to the 2022 FinScope Consumer Survey, the elderly (65 years and above) account for 12% of the population.

3.51 About 86% of the elderly are formally served largely driven by uptake of mobile money which increased to 47%, up from 26% in 2014. Uptake and usage of banking products declined over the review period from 14% in 2014, to 8% in 2022 (Figure 6).

3.52 Savings among the elderly declined over the review period from 42% in 2014 to 32% largely driven by lack of or limited disposable income (60%) and lack of knowledge about the products (48%).

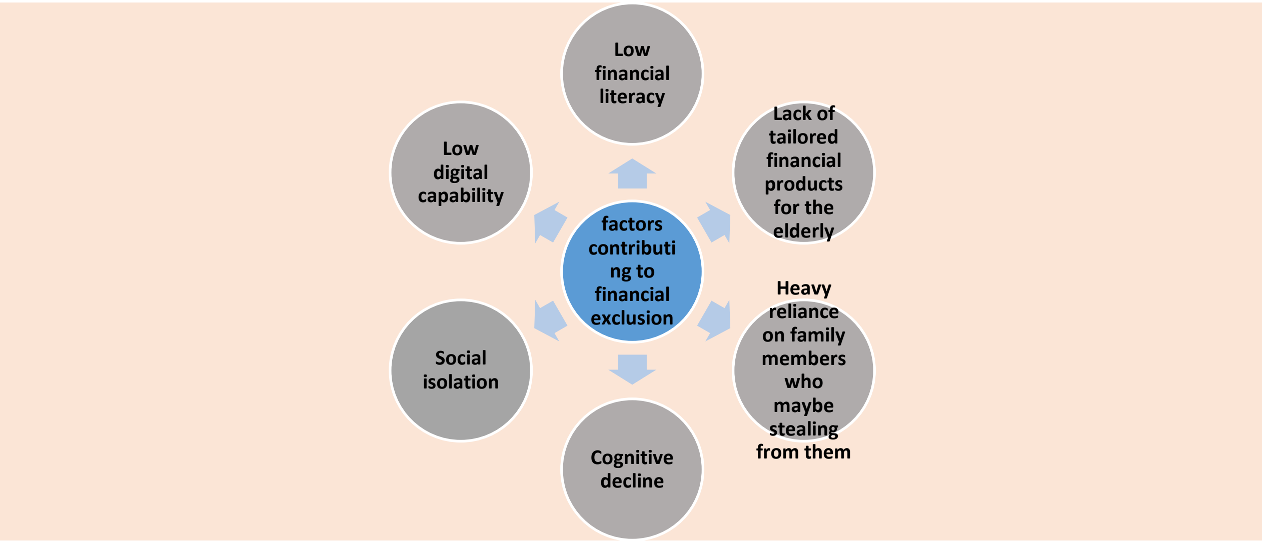
3.53 Insurance uptake and usage declined marginally over the same period to 31% with the majority citing affordability and lack of knowledge of the insurance products as the main barriers to uptake and usage of insurance and pensions products.

3.54 Regardless of the notable achievements from the 2022 FinScope Survey, as people age, financial exclusion becomes more of a reality as hardships and poverty increase due to inadequate or insufficient savings, on the back of increasing medical expenses.

3.55 Further, as the shift towards digital financial services increasingly becomes the new norm, technological innovations, low financial and digital financial literacy compound the exclusion of the elderly and pensioners.

3.56 The factors contributing to the financial exclusion of the elderly and pensioners are summarised hereunder.

Figure 15: Financial Exclusion Factors for the Elderly & Pensioners



Financial Inclusion Strategies for the Pensioners and the Elderly

3.57 Under NFIS II, the following policy initiatives will be taken:

i. ***Collection of age-disaggregated data*** to facilitate the development of evidence-based financial inclusion policies for the elderly.

ii. ***Financial literacy programs*** including ***digital financial literacy -*** to provide the knowledge and skills that facilitate informed financial decisions.

iii. ***Development of tailored financial products*** that meet the needs of the pensioners and elderly, including supporting lifetime financial planning.

iv. ***Develop and implement innovative inclusive financial technologies*** to increase uptake and usage of financial products.

v. ***Stakeholder engagement through a multi-sectoral approach*** – the engagements to include financial service providers, mobile network operators, respective ministries and interest groups.

CHAPTER 4: GOVERNANCE AND COORDINATING STRUCTURES

4.1 The implementation of the National Financial Inclusion Strategy II involves multiple stakeholders covering both public and private sector players and robust coordination and governance arrangements are key in facilitating the successful implementation and attainment of the financial inclusion goals and objectives under NFIS II.

4.2 The National Financial Inclusion governance structures comprise the National Financial Inclusion Steering Committee, the National Financial Inclusion Technical Committee, and the National Financial Inclusion Secretariat.

4.3 The terms of reference for each level of the governance structure are summarized in the Table 7.

Table 7: Financial Inclusion Governance Structures & Terms of Reference

Name of Committee	Constitution	Terms of Reference
National Steering Committee Chairperson: Governor, RBZ	Permanent secretaries of Key Ministers, Reserve Bank Governors and their Deputies and Heads of other Financial Sector regulators.	• Set the strategic direction for financial inclusion; • Review and approve the action plans to achieve financial inclusion goals; • Oversee financial inclusion implementation progress and monitor outcomes; • Review and make decisions on proposals from National Technical Committee; • Provide managerial support and quality control to the National Technical Committee; • Influence of financial inclusion in broader national development policies, strategies or programmes of national interest; • Provide direction on any other issues related to the implementation of the financial inclusion initiatives as needed, to advise the government on the best way forward.
National Technical Committee Chairperson: Director BSD, RBZ	Directors from key ministries, Senior Executives from the Financial Sector regulators and private sector and senior executives from the Reserve Bank of Zimbabwe	• Draft the National Financial Inclusion Strategy II (2021-25); • Coordinates all inputs into the NFIS II from all stakeholders; • A conduit for sharing knowledge, experiences and challenges with NFIS II implementing stakeholders; • Report progress on implementation of the Financial Inclusion activities • Prepare progress report and recommendations on the implementation of the Financial Inclusion activities for submission to the National Steering Committee • Provide technical advice to the National Steering Committee • Implement strategic and policy decisions of the National Steering Committee;

Name of Committee	Constitution	Terms of Reference
		• Support implementing institutions on financial inclusion technical issues • Review Action Plans and provide technical advice to the National Steering Committee.
Secretariat Financial Inclusion Unit in BSD, RBZ	Bank Supervision Division & RBZ Financial Inclusion Committee	• Responsible for the coordination of financial inclusion activities; • provision of secretarial services to the governing committees; • day-to-day administration; and • progress reporting on financial inclusion activities.

4.4 Given the multiplicity of the financial inclusion stakeholders, strong buy-in, ownership and active participation of all stakeholders is critical for the success of NFIS II in attaining its goals and objectives. In this regard, effective collaboration of NFIS II implementing agents and key stakeholders is critical in facilitating the sharing of a common vision and information critical for the implementation of the second phase of the National Financial Inclusion Strategy.

4.5 Stakeholders include financial institutions, financial services regulators, government ministries & agencies, development partners and Non-Governmental Organisations (NGOs), civil society organisations, research & academic institutions, associations & networks, telecommunications companies, and entrepreneurs.

4.6 The key roles and responsibilities of the NFIS II stakeholders are summarised in the Table 8.

Table 8: Key Roles & Responsibilities of NFIS II Stakeholders

Type of Stakeholder	Institutions	Roles and Responsibility
Government Ministries /Agencies	- MFED - Women Affairs, Community, Small and Medium Enterprises Development - Information, Communication Technology and courier Services - Youth, Sport, Arts and Recreation - Lands, Agriculture, Water, Climate and Rural Settlements	- Development of a conducive environment that adequately supports the National Financial Inclusion drive - Coordination of various financial inclusion initiatives and activities under their mandate - Support implementation of financial inclusion initiatives in their respective portfolios and ministries. - Budgetary support

	- Higher and Tertiary Education - Ministry of Labour and Social Welfare for PWDs	
Regulatory Authorities	- Reserve Bank of Zimbabwe - Insurance and Pensions Commission - Securities Commission - POTRAZ	- Development and implementation of regulatory frameworks that support financial inclusion - Provide guidance and support to institutions under their respective ambits - Collaborate and cooperate as regulatory authorities on financial inclusion initiatives - Collection and dissemination of financial inclusion data and reports
Development Institutions	- World Bank - IMF - AFI - UNCDF - ILO - UNICEF - NGOs	- Provide financial and technical support - Collaborate with other stakeholders on financial inclusion initiatives
Associations & Networks	- Bankers' Association of Zimbabwe (BAZ) - ZAMFI - NASCUS - ZITA - ZNCC - AFI - AFRACA - SMEAZ - NASCOH - NCDPZ - WABAZ - National Farmers Association of Zimbabwe - Zimbabwe Farmers Union - NAYO - FINTRUST	- Coordinate financial inclusion activities among members - Represent members in financial inclusion thematic working groups - Facilitate implementation of international best practices on financial inclusion - Facilitate information sharing and dissemination among members

FINANCING OF FINANCIAL INCLUSION INITIATIVES

4.7 Inadequate funding of financial inclusion activities has been identified as one of the challenges to the effective implementation of NFIS I. Under NFIS II, the Financial Inclusion Finance Strategy seeks to ensure that all the financial inclusion initiatives and activities are adequately supported financially for the next five (5) years.

4.8 All implementing partners, including banks, microfinance institutions, other regulatory authorities, insurance companies, capital market operators and government ministries are expected to have an annual budget for financial inclusion activities.

4.9 Coordination and Implementation of the various activities and initiatives under the National Financial Inclusion Strategy require funding. The financing strategy will ensure that the Strategy is well implemented and that financial resources are used effectively during the implementation period. The budget will also facilitate prioritisation of the activities.

Sources of Funding

4.10 **Internal Sources**

a) Ministry of Finance
b) Reserve Bank

4.11 **External Sources**

c) Other Financial sector Regulators
d) Development Partners – AFI, World Bank, ILO, NGOs
e) Financial Institutions
f) MNOs

4.12 The financing of the National Financial Inclusion initiatives and activities will be from both internal and external sources. The external sources will include funding from other stakeholders and development partners.

NFIS COMMUNICATION STRATEGY

4.13 Successful implementation of the National Financial Inclusion Strategy will be supported by an effective fully integrated communication strategy which is aligned to the NFIS II to ensure better stakeholder coordination and information dissemination to the intended beneficiaries.

4.14 The communication strategy will also build awareness to the target audience and the general public on the importance of financial inclusion, provide feedback on the key milestones in the implementation of the strategy, and demonstrate the impact of financial inclusion on national sustainable development

4.15 Effective communication is essential for activities, including the following:

i. Execution of the mandates of the NFIS thematic working groups;
ii. Execution of the roles of the various stakeholders involved in the implementation of the Strategy;

iii. Ensuring adequate outreach to target beneficiaries of financial inclusion initiatives; and

iv. Facilitating necessary timely adjustments to tactical plans and initiatives to enable the realisation of defined targets and goals.

4.16 Effective communication among implementing stakeholders shall include:

i. Timely updating target beneficiaries on various financial inclusion initiatives;

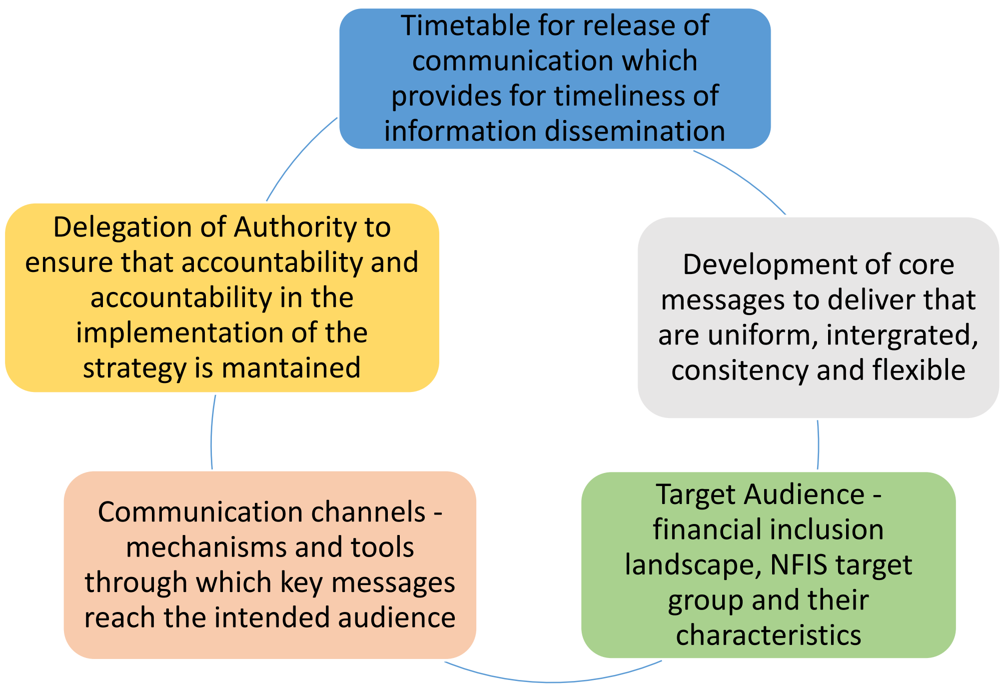
ii. Timely submission of returns and/or reports to the Secretariat by implementing agents in the stipulated format;

iii. Attending meetings and sharing updates as and when required; and

iv. Timely updating the Secretariat on any challenges that may pose risk to achieving set targets.

4.17 The communication strategy encompasses a fully integrated approach in communication as shown below:

Figure 16: Communication Strategy Integrated Approach



Communication channels

4.18 Various communication channels will be used including print, electronic, arts and drama, and participation at various events. Given the disruptions caused by the Covid-19 pandemic, stakeholders will also leverage on technology to deliver Financial Inclusion messages remotely.

Financial Inclusion E-Portal

4.19 A financial inclusion portal/ repository will be established to provide a platform to store information and updates on various financial inclusion initiatives across the country, implementation milestones or achievements, other financial inclusion reports, and will be hosted on the Reserve Bank of Zimbabwe website. Financial inclusion indicators and reports will be uploaded on the portal on a quarterly basis to facilitate tracking of the financial inclusion initiatives.

4.20 The platform will be interactive, allowing members of the public to log in through email and enquire on issues pertaining to the implementation of the Strategy and feedback/responses will be provided through the NFIS Secretariat

4.21 Availability of information will encourage the participation of the private sector in promoting financial innovations to support the financial inclusion agenda and the generation of financial inclusion data.

4.22 Other communication strategy initiatives will include;

a) Display of financial literacy messages in prominent locations on the website of the regulatory authorities as well as providers of financial services, including development of a financial literacy mobile app;
b) Establish a toll-free number to provide information on consumer redress mechanisms;
c) Establishment of a chat box to facilitate responses to common consumer queries on financial inclusion;
d) Radio and television programs, drama and arts, including school debates to facilitate consumer financial literacy and consumer education
e) A Digital Financial Services Day to be observed once a year to bring focused awareness among the masses

Community Information Centres

4.23 The Ministry of Information, Communication Technology, Postal and Courier Services and the Universal Postal Union, together with other developmental agencies are developing community information centres through rehabilitating ZimPost Office buildings across the country which are currently underutilised.

4.24 The NFIS II will leverage on the community information centres to disseminate information to promote and facilitate the implementation of financial inclusion initiatives including the rollout of financial literacy programs.

4.25 In addition to providing information to communities, the information centres may be used as agents of banking institutions, thereby facilitating access to financial services.

CHAPTER 5: MONITORING AND EVALUATION

5.1 A robust well-resourced Monitoring and Evaluation Framework (M&E Framework) covering the reporting schedule, scope and frequency of reporting, accountable stakeholders/entities, and respective implementation timelines, will be put in place to monitor progress during the implementation of NFIS II.

5.2 The M&E Framework provides for the following:

a) **The NFIS Performance Monitoring Plan**, which provides a framework for monitoring the day-to-day progress on implementation

b) **NFIS Evaluation plan**, to determine whether the key NFIS performance indicators have been achieved as well as identify areas that may require re-strategizing

c) **Monitoring and Evaluation Indicators** – which are used to evaluate whether progress in the implantation is in line with the targets, objectives and goals of NFIS II.

d) **The Monitoring and Evaluation Unit** will be established within the Secretariat and is responsible for the collection, analysis, data on financial inclusion, and reporting progress on the implementation.

5.3 A M&E Unit will be established within the Financial Inclusion Unit which will be responsible for the collection, collation, and analysis of the national financial inclusion data.

5.4 As part of the development of the Monitoring and Evaluation Framework, training workshops for the Secretariat on the M&E Framework will be organized with the view to build capacity and facilitate adequate monitoring and evaluation during the implementation of NFIS II.

5.5 The M&E Framework in place will provide a clear framework of the NFIS II key performance indicators (KPIs), identify data that has to be collected for those KPIs, and an assessment framework that seeks to establish whether the KPIs have been achieved, and reasons for non-delivery of KPIs, where the same has not been achieved.

5.6 The Secretariat will be responsible for monitoring and evaluating the implementation of NFIS II, including tracking financial inclusion indicators, collaborating with various stakeholders and reporting progress on the implementation of NFIS II.

5.7 The M&E Unit will be responsible for escalating underperformance to the higher levels of the NFIS governance structures including the National Financial Inclusion Steering Committee, and the National Financial Inclusion Technical Committee.

Data infrastructure

5.8 The M&E Framework will define the type of data to be collected, sources of data and the reporting institution, and this will include information collected for regulatory purposes.

5.9 The reporting institutions will include;

i. Banking institutions;
ii. Microfinance institutions
iii. Insurance companies and pension funds – through IPEC
iv. Capital market operators – through SEC
v. Mobile network operators (MNOs) – through POTRAZ
vi. Savings and Credit Cooperatives (SACCOs)
vii. Consumer and MSMEs surveys (FinScope Surveys)

5.10 FinScope surveys will be conducted every five years to provide demand-side data and evaluation mechanism for the NFIS. Mid-term surveys will be conducted every two years to establish progress and alignment with NFIS II objectives.

5.11 Coordination with other regulatory authorities for the collection and analysis of financial inclusion data will be key during the implementation and post-implementation of NFIS II.

5.12 The M&E Framework will be supported by a strong Communication Strategy which will facilitate communication of M&E findings to relevant stakeholders

5.13 The table hereunder highlights identified key accessibility, usage and quality indicators to be used as an integral component of the financial inclusion strategy.

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