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The undersigned certify that they have supervised the student **Amen Hove** dissertation entitled, "**Investigating an approach for formalising rotation savings as a deposit mobilisation strategy in Zimbabwe**" submitted in partial fulfilment of the requirements of the Bachelor of Commerce in Banking and Finance (Honours) Degree at Midlands State University.

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DISSERTATION TITLE: An Investigation on an Approach for Formalising Rotation Savings as a Strategy for Deposit Mobilisation in the Zimbabwe Financial Services Sector

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DEDICATION

To my family, relatives and friends.

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"For **wisdom** is better than rubies; and all the things to be desired are not to be compared to it"…. Proverbs 8:11

First of all, I would like to express my heartfelt gratitude to God for the strength, intelligence and wisdom needed to complete the research. It is God who works in me, both to will and do according to His perfect will. I acknowledge the unfailing assistance of my supervisor, Dr L. Chikoko. Her commitment and expertise immensely contributed to the completion of the study. I would also like to extend special thanks to all Banking and Finance lecturers for their continued support and encouragement.

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ABSTRACT

Financial institutions play a vital role of crafting strategies designed to increase the saving propensity in a given country. The main objective of the study was to investigate on an approach Zimbabwe financial institutions can adopt to formalise rotation savings as a measure to enhance deposit mobilisation. The research was instigated as responses to a growing informal sector that habitat a robust saving product known as rotation savings. Rotation savings have the overall effect of inhibiting funds from trickling back in the formal economy and as such should be formalised. The researcher used both theoretical and empirical literature to review on approaches that were adopted in other countries, the framework that necessitated formalisation and supporting instruments engaged during the transition. As a result, the researcher used a descriptive research design because of its ability to describe and an explorative research design since no formal records exist in relation to the practise in Zimbabwe. A sample size of fifteen bank managers and eighty five members of the general populace were used to give a total of 100 respondents. Purposive sampling and Snow ball sampling were employed to issue out questionnaires to the general populace and a census was undertaken for interviews with bank managers. Both primary data and secondary were amalgamated and analysed through the use of Excel and Stata version 12. Research results revealed that savings are following a declining trend. The general populace depict a low motivation to save as they do not frequently employ bank services in terms of deposits per month. The fragmented savings behaviour was explained by inefficient strategies banks employ to lure deposits, hence making it necessary for banks to assess household behaviour in order to improve on their strategies. Results also show that formalisation in Zimbabwe can be instituted in one of two ways, that is, enacting a legislature or registering rotation savings as non-profit making organisations. The framework to be incorporated would have to factor into account issues to do with taxes, registration fees and registration paperwork. Consequently, results also show that consumer education would be very instrumental in facilitating a smooth transition in the formalisation process. The study therefore recommends the use of enacting a legislature as an approach towards formalising rotation savings. The legislature has to be flexible in terms of low registration fees and taxes. Consumer education and awareness has also been recommended as a tool that can be employed to create shared understanding of purpose between the general populace and financial institutions.

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LIST OF ACRONYMS

ASLGs	Accumulating Savings and Lending Groups
ROSCAs	Rotation Savings and Credit Associations
RBZ	Reserve Bank of Zimbabwe
MoF	Ministry of Finance
ADB	African Development Bank
ZETRF	Zimbabwe Economic and Trade Revival Facility
NSSA	National Social Security Authority
CABS	Central African Building Society
BIS	Bank of International Settlements
WAEMU	West Africa Economic and Monetary Union
MSLIs	Mutual Savings and Loan Institutions
MFIS	Micro Finance Institutions
MGAs	Mutual Guarantee Associations

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Informal saving has always been a subject matter of unease for policy makers (Martin, 2013). It has been noted with concern that the practise has far reaching consequences as it inhibits funds from the formal financial services sector (Strauss Commission, 2009). It is the aim of this study to explore on an approach Zimbabwe financial institutions can adopt as a strategy to improve deposit mobilisation. This involves formalising rotation savings, popularly known as 'rounds'. Therefore, this chapter forms the back-borne of the research itself as it highlights the background to the study, the statement of the problem, as well as the main research objectives and questions. The significance of the study has also been precisely spelt out. Last but not least, the chapter concludes by citing the scope of the study and the organisation of the study.

1.2 Background to the study

Zimbabwe saw the introduction of the multiple currency regime in 2009 following the hyperinflation era (MoF, 2010; RBZ, 2010). Adopting the regime had its merits and de-merits. To financial institutions, there were and still are problems associated with, recapitalization to meet the minimum capital requirements, volatility of deposits, high overhead costs, liquidity, poor performing loans, and lack of credit lines to mention but a few (ADB, 2011). Faced with such an operating environment, it meant that financial institutions had to come up with innovative ways in order to level the operating field.

To the general public, individuals and households were enduring the effects of the multiple currency regime since many depositors had lost their hard earned money in savings when the monetary regime changed (RBZ, 2009: MoF, 2009). Households had to also contend with low interest rates being charged by banks on loans and deposits. Prevailing interest rates were less than 0.2 percent on deposits against high lending rates of over 25 percent, coupled with other high bank charges (RBZ, 2011). An analysis of bank charges revealed that banks would charge as much as US$20 in monthly charges per depositor account, even in cases where a depositor might not have transacted using a bank account (RBZ, 2013). Such low interest rates discouraged savings even the more from the depositor's perspective and hence oxidized confidence levels in the financial system.

To the banks, the playing field had shifted, as banks started recording losses on operations and there was a significant decline in most banks' basic earnings per share (Makoshori, 2010). Zimbabwe's total deposits were estimated at US$2.56 billion and 86 percent of these deposits concentrated only amongst the top four banks. As if it were not enough, the RBZ reviewed minimum capital requirements to US$100 million for commercial and merchant banks, US$80 million for Building Societies, US$60 million for Finance and Discount Houses and US$5 million for Microfinance banks (RBZ, 2012).

Against this background, the Zimbabwe financial services sector witnessed major shifts in shareholding structures and in operations. Local banks had to look for strategic technical partners to induce liquidity; with banks like Interfin Banking Corporation Limited merging operations with CFX Bank, Premier Finance Group's shareholding structure changing following the acquisition of 70% stake by Ecobank (RBZ, 2011). Moreover, Kingdom bank had to partner with Afrasia a Mauritius company, while Renaissance later on Capital bank had to get assistance from the National Social Security Authority (NSSA). Zimbabwe's biggest mortgage lender by assets, Central African Building Society (CABS) received a bailout package from parent firm, Old Mutual, boosting funds for refinancing activities (Ndlela, 2010).

Notwithstanding mergers and acquisitions that characterized the financial services sector, not all banks were fruitful in their efforts to find strategic partners, with banks like ZB Financial Holdings being in record for taking long without finding a technical and financial partner as the only viable option for the group to stabilize finances (Nyajeka, 2011). Banks as financial intermediaries should have diverse or multiple sources of income, so that if one fails it can easily get covered by another source (Garabedian, Trascasa and Kumar; 2004). Amongst a plethora of options, bank can seek new clients, retain existing clients, redeem investments, conduct interbank transactions, appeal from offshore lines of credit, borrow from parent company or ask shareholders to inject more capital (Girardone and Molyneux, 2006; Kahn and Wagner, 2010). Hence, the country's financial services sector had failed to attract meaningful lines of credit coupled with lack of aggressive credit growth thereby exposing banks to heightened liquidity and credit challenges. The liquidity crunch gripping the economy limited Zimbabwe financial institutions from all other options presented above but to seek new clients and or retain existing clients.

Beverly et al (2003) in Chikoko, Le Roux and Dzingirai (2013) asserts that during economic downturn and liquidity crisis periods, individual savings and asset accumulation are universally viewed as desirable goals for economic turnaround stimuli. The former authors agree with later authors that banks had to adopt a micro-econometric approach in order to have insights on the specific needs individuals have and as such design products specifically suited for those needs. Banks needed to focus on the primary source of their funds, which are individual households.

As a result, banks were faced with just but two options (seek new clients and or retain existing clients) banks resorted to provision of lucrative loan deals, use of modern ICTs and engaging in various corporate social responsibility activities to improve their corporate image (Nhodo, 2013). However, not much effort was being tailored towards luring deposits from households since most deposits remain transitory in nature (RBZ, 2014). Although employment of modern ICTs is a good development, banks needed to tailor make strategies that place depositors as the focal point.

In the wake of this, the banking sector witnessed a high number of players either surrendering their licenses or placed under curatorship. In just a space of one year, the number of banks in operation dropped to 22 from 26 (RBZ, 2012; RBZ, 2013). Interfin Bank was placed under recuperative curatorship, Genesis Investment Bank voluntarily surrendered its license, Royal Bank and Barbican Bank were liquidated (RBZ, 2013).

The rate of bank failures and curatorship was a cause for concern for the general public. They discouraged deposits being channeled via the financial system amidst fears of an institution failing. Moreover, the fact that the Deposit Protection Board which acts as a safe net for depositors is not adequately capitalized further compounded the situation.

It is during this period that the general population began to search for alternative safe houses for their deposits. This resulted in the emergence of unscrupulous micro-finance organizations. These small organizations would go beyond operating how they are allowed by taking deposits from the general population promising them higher rates of interest (RBZ, 2012). Such maneuvers were known as "investments" by the general population. Since there were no charges whatsoever associated with deposits, it was lucrative enough to draw an unwarned number of depositors. It was not long though before the long arm of the law caught up with such unscrupulous business man. As a result, trading licenses were revoked and once again, depositors were the ones to cry foul.

Monetary authorities and financial institutions did not yield much in terms of what depositors hoped for. The general population responded with a hostile approach of undertaking informal transactions, such that the volume of transactions in the informal sector represented to about 50 percent of Zimbabwe's Gross Domestic Product (Makoshori, 2010). The progressive contraction of the Zimbabwean economy in the new millennium occasioned the emergence of a vibrant informal sector which acted as a safety net for redundant labor, with a regrettable estimated US$2 billion circulating outside the formal banking system to finance transactions in the informal sector (RBZ, 2012). As a result, bank's capacity to mobilize investible funds to deployment to key productive sectors had been severely compromised. The regrettable losses and lack of confidence in the financial services sector became a trigger that made the general population to consider informal sources of saving.

The most notable and robust saving product in the informal sector is the rotation saving. Informal rotation savings (popularly known as "rounds") commenced between individuals. The situation was and is naturally worrying and means that consumer inertia to resume banking has to be tackled. Banks as financial institutions still have to perform their role of financial intermediation. Funds have to be sourced from surplus units and channeled to deficit units to enhance productivity in the Zimbabwean economy. One therefore cannot under estimate the benefits of financial intermediation, and it also entails that Zimbabwe needs all resources available whilst ensuring that all stakeholders are protected. Thus, the general public still considers saving as gainful and does want to save and is saving, though, through other means, which regrettably do not involve the formal sector.

1.3 Problem Statement

The continued practice of informal rotation savings suggest that it ultimately leads to starvation of the much needed funds to the financial system. The practice locks up funds to only circulate between individuals or what might be termed shadow economy. Once this is the case, as the practice continues to grow, it implies that the real sector (deficit units) end up being deprived access to adequate credit. Hence, the far reaching consequences of this practice if left uncontrolled is of further enlarging the liquidity crunch that is gripping the financial system and economy. In light of the above, assessing an approach to formalize rotation savings is an attempt to shed light on what could be a potential strategy for deposit mobilization that deposit taking institutions can employ. It is a strategy meant to create access to funds that are currently locked in the informal sector and make them formally available for on lending and increased investment.

1.4 Research Objectives

The objectives of the study are broadly classified into two parts, namely primary and secondary objectives

1.4.1 Main Objectives

The main objective of the study is to investigate an approach for formalizing rotation savings as a deposit mobilization strategy in Zimbabwe.

Secondary Objectives

The following points make the secondary objectives of the study:

- To appraise the current behavior of household saving in the financial services market,
- To identify the different types of informal rotation savings that exist
- To investigate the possible framework needed to formalize rotation savings
- To assess supporting instruments needed in the formalization of rotation savings

1.5 Research Questions

Research questions were directly drawn from research objectives and are as follows:

- What is the current behavior of savings displayed by consumers?
- What are the different types of rotation savings that exist?
- How can rotation savings be formalized as a strategy for deposit mobilization?
- What is the possible framework needed in order to formalize rotation savings?
- Which supporting instruments can be used in the formalization of rotation savings?

1.6 Significance of the Study

It cannot be emphasized enough that deposits are the lifeblood of financial institutions. As such, it is pertinent that financial institutions (commercial banks) craft strategies that cause them to timeously lure adequate funds at low cost as possible. This study, therefore, presents one of the possible strategies that banks can adopt to increase the flow of deposits.

The continuation of most transactions outside the banking system also comes at a high costs for both consumers and merchants in the long term. Thus this study creates awareness to the general public of the possible costs inherent if funds continue to dwindle in the informal sector.

The strategy to formalize rotation savings is rather an aggressive move to mobilize deposits, which is likely to result in a revolution to the conventional savings mode. To supervisors and

policy makers, it could imply the long awaited solution needed to tap into idle resources. Ultimately, this could turn around the face of the industry and those in need of funds thereby boosting productivity for the Zimbabwean economy.

To the researcher's knowledge, no study has been done explicitly exploring the viability of a specific product that financial institutions can adopt to mobilize deposits in Zimbabwe. A large body of literature focuses on the determinants of savings (Kuncoro, 1999; Berube and Cote, 2000; Borsch-Supan, 2002; Schultz, 2005; Upendah and Reddy 2007; Sinning, 2007; Unny, 2009; Cronqvist and Siegel, 2010; Bachellerie, 2011; Issahaku, 2011; Matur, Sabuncu and Bahceci, 2012; Rao Gedela, 2012; Ahmad and Mahmood, 2013; Beckmann, Hake and Urvova, 2013), with some going further to explore micro-econometric determinants of savings (Chikoko, Le Roux, and Dzingirai, 2013). Thus, this study will undoubtedly add to the body of knowledge and also provide a solution that has the potential to revolutionize conventional banking methods.

1.7 Assumptions of the Study

The assumptions of the study are herein stated as the following:

- Formalization of rotation savings will be nationwide and involves the backing of the law,
- There is favourable co-operation from proposed respondents and that the data obtained was adequate to deduce findings and conclusions,
- The limited time and resource will still allow a reasonable and representative study to be carried out.

1.8 Delimitation of the Study

It should be noted that the research covers Zimbabwe's banking sector developments after the adoption of the multiple currency regime and consumer behavior for the financial year 2013 to 2014. Activities within this period were deemed sufficient to deduce consumer behavior in relation to saving.

The study focuses on managers and bank supervisors of commercial banks in the Zimbabwean financial services sector in Gweru. In essence, Gweru community has been chosen as the target research population.

1.9 Limitations of the Study

The following make up the limitation of the study:

- Rotation saving is an informal sector product and as such the populace of individuals involved in the practice remains indefinite. Hence the researcher was confined to crafting an indefinite sample size. Notwithstanding the lack of official records on the informal saving product, the researcher targeted a logical number of respondents.

- In order to ensure the quality of results, the researcher intended to use a tape recorder to record the proceedings in an interview. As a limitation, the researcher however failed to secure a tape recorder in time. As a contingent measure, the researcher had to use his mobile phone.

1.10 Definition of Terms

Rotation savings - is an association formed upon a core of participants who agree to make regular contributions at pre-determined intervals to a fund which is given, in whole or in part, to each contributor in rotation.

Formalization – a process of setting up legal foundations, sound principles and practices that will guide the formulation, adoption and implementation of rotation savings and also protect parties involved.

Banks/financial institutions – refers to commercial banks

1.11 Organization of the Study

The adoption of the multiple currency regime resulted in the general public losing their hard earned money in savings. Such an occurrence had far reaching consequences as the financial sector saw many bank accounts being closed or becoming dormant. As if it were not enough, measures by banks to charge punitive interest rates further oxidized confidence in the financial services sector. As bank accounts became dormant, banks began to fill the pinch as most of them recorded declining revenues. Against the notion to raise minimum capital requirements by the Central Bank, some banks failed to comply resulting in their closure. It made financial intermediary as a not so safe place to channel savings, and as such consumers began informal savings. In as much as financial institutions are there to play the intermediary role, their strategies were not doing much to lure households into savings with them. However, the general public wants to save and does save, though through other means, which

regrettable do not involve the formal system. Hence, there is need to strategically formalize informal savings as a strategy for deposit mobilization in the Zimbabwean financial services sector.

Chapter one is the introductory chapter to the subject matter. The chapter highlighted developments in the sector that lead to the matter under consideration. Moreover, it outlines the objectives, research questions, assumptions, scope, significance and limitations as they relate to the study. Chapter two reviews on literature; it focused on assessing what other authorities have highlighted about savings, unearthing gaps and critically analysing both theoretical and empirical literature. Chapter three details research methods and instruments implemented in the collection and deep analysis of data. Chapter four gives information and results based on the data gathered in chapter three. Clear and precise interpretation has been given for easy comprehension and decision making by the reader with regards to formalising rotation savings. Lastly but not least, chapter five presents conclusive information on the subject matter based on the results. More so, recommendations have been availed alongside suggestions for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The study seeks to evaluate an approach for formalising rotation savings as a strategy to mobilise savings in the Zimbabwean financial services sector. Of importance is the literature that exists in relation to formalisation of rotating savings. In the first sections, the review will centre on studies that apply to deposit mobilisation and financial inclusion. Thereafter, later sections will discuss informal groups, the types that exist and the structures that support their continued existence. Much evidence has been availed to shed light on the viability of formalising informal financial institutions. Thereafter, the rationale for undertaking the current study is explained and the chapter concludes with a summary.

2.2 Deposit Mobilisation

For many countries, financial sector and balance of payment liberalisation have broadened access to foreign capital to finance domestic investment (Diop et al, 2003). However, many developing economies, in part because of their level of external indebtness cannot benefit from foreign sources of capital (Mohan, 2006). For them, domestic savings remains the main source of funds to finance development and to promote economic growth. Saving has been considered as one of the determinants of economic growth (Diop et al, 2003; Unny, 2009). As such, to achieve higher rate of growth with relative price stability, the marginal propensity to save should be raised by appropriate incentives and policies. As such, it results in deposit mobilisation becoming the centre of attention.

The definition of mobilisation of savings has been given to embrace policies designed to increase the saving propensity and also policies concerned with the rechanneling of savings to facilitate the desired allocation of investment (Wiseman and Hitiris 1980). Hence, deposit mobilisation embodies more than just financial intermediaries, but monetary authorities as well.

2.2.1 Clients and Deposit Mobilisation

It is important to examine the reasons why households save, since this has implications for the amount they save. Additionally, examining household portfolio choice can assist in assessing the likely impact on household savings of a range of policy decisions (Loundes, 1999; Borsch-Supan, 2002; De Mello et al, 2004; Chikoko et al, 2013). It therefore becomes obstinate that deposit mobilisation engages many players over and above financial

institutions since policy makers can also influence the level of savings. An example of such is highlighted through a study undertaken by Freebairn (1991) in Australia that policy measures such as introduction of a consumption tax result in a more efficient savings and investment mix.

On a different note, it is financial institutions that have always been believed to be at the heart of deposit mobilisation since these are the very institutions that act as intermediaries and therefore should craft strategies that enable them to pick adequate funds at the lowest cost (Diop et al 2003). The low interest paid on the savings compared to other sources of finance means that financial institutions can have funds available for on-lending at favourable interest rates. Hence, since saving is a key source of funds for many financial institutions, it follows that these institutions will be able to mobilise savings, which will be used for economic development (Wiseman and Hitiris 1980; Watkins, 2012).

A close analysis of the study by Diop et al (2003) leaves clients and authorities out of the equation of deposit mobilisation and views financial institutions as the key proponents. However, the concept of deposit mobilisation would be incomplete without the involvement of customers or general population. This is because, generally, their absence nullifies the existence of savings (Martin, 2013). Hence, it builds the idea that the survival of financial institutions depends heavily on clients.

The concept is backed up by a study by Wiseman and Hitiris (1980). The subject matter for the research is that mobilisation of savings in developing countries is a policy objective for two distinguishable but not mutually exclusive reasons. The study highlights that if the market institutions for the mobilisation of savings are functioning efficiently, then the rate of saving will be the result of individual preferences between present and deferred consumption, and individual judgements as to the yield to be expected from current abstention. Their second reason accepts the pre-dominance of individual preferences. That is, the right rate of savings is accepted by the government to be that desired by individuals.

The authors therefore convey a message of how instrumental financial institutions should be in mobilising savings. Albeit the role played by financial institutions, of more importance is how financial institutions strategically position themselves with regards to "individual preferences", since financial market distortions generate low savings and investment levels (Obstfeld and Rogoff, 2009; Fan and Kalemli-Ozcan, 2013).

Hence or otherwise, although deposit mobilisation involves many stakeholders, of most significance is to know the behaviour of household saving. In that way, authorities and banks can understand the variables they might need to target in order to promote a savings culture (Chikoko et al, 2013). In taking strides towards knowing consumer behaviour, Browning and Lusardi (1996) through a study conducted in the United States of America (USA) highlight that the decline in the USA savings rate during that time stemmed from the fact that little is known about the reasons why households save. Hence, it gives a compelling reason why it is quite important to know the determinants of savings and the saving behaviour by households (Borsch-Supan, 2002).

Loundes (1999), through a study conducted in Australia indicates that one of the complicating factors is that a wide range of motives for saving exist, both across populations at a given point in time, and for an individual over a period of time. Browning and Lusardi (1996) concur by highlighting that several motives can also be in effect at the same time, such as in the case where a household saves for retirement (the life-cycle hypothesis) as well as for unexpected shocks to income (the precautionary motive). In this regard, what can be a notable draw-back of the studies by Browning and Lusardi (1996) and Loundes, (1999) is that they study savings from a macro-economic perspective, which unfortunately ignores the heterogeneity in consumers which realistically reflect different influences of savings behaviour by consumers (Chikoko et al, 2013). Hence, there is need to understand households behaviour from a micro-econometric perspective so as to cater for the differences inherent between households and individuals.

When various studies (Wiseman and Hitiris 1980; Browning and Lusardi (1996); Loundes, (1999); Cruz (2008); Obstfeld and Rogoff (2009); Joseph (2011); Zehnder (2013); Fan and Kalemli-Ozcan (2013) and Chikoko et al (2013) are put together, these all point to the fact that households do save. Despite the evidence that the authorities have differing opinions on the precise determinants of savings, the studies all point to one irrefutable reality that households want to save and do save.

A point of inquiry could be to understand the economies in which the studies were undertaken, since they can have a bearing on the output of results. The study by Chikoko et al (2013) was conducted in Zimbabwe, a developing country; Loundes (1999) conducted the study in Australia whilst Browning and Lusardi (1996) conducted the study in USA. These studies therefore give a strong depiction that in spite of the economic situation prevalent

within a specific country, households do save. This assertion coincides with a research to determine household behaviour in crisis times conducted among Dutch households by Cruijsen et al (2011). The results prove that individuals whose bank went bankrupt during the crisis gather more information about banks and savings instruments and are more likely to have savings at several banks. Savings are then spread across banks and or shifted to other banks. Overall, the implication is that households will always find ways to save hard earned funds in spite of the prevailing economic situation.

Against this background, a notable shortcoming is that the studies do not show the various types of savings being undertaken by their respondents. Whilst it holds water that households do save, not much information has been availed as to how the households save, since savings can be broadly categorised in two forms, namely formal and informal savings (Klonner, 2001).

In addition, since financial institutions play a key role in mobilising savings from clients, it is a responsibility to ensure that they have neat and well organised strategies in place (Cruijsen et al, 2011). Appropriate and tailor made strategies facilitate smooth flow of savings (Klonner, 2001). Some advocate for the liberalisation of the financial sector as a strategy to remove distortions, promote efficiency and development of the sector thereby promoting deposit mobilisation from clients (Crockett, 2011).

The conventional wisdom being that financial liberalisation will enhance savings mobilisation, deepen financial markets, promote investment and improve the effective implementation of the monetary policy. Wiseman and Hitiris (1980), however, question this motive by stating that planned saving is not necessarily equal to planned investment even for developed countries with more liberalised and diversified markets. In addition, Unny (2009) states, mobilisation of savings in any economy depends on a number of interdependent variables.

Wiseman and Hitiris (1980) and Unny (2009) converge on the notion that financial institutions should craft strategies that will support the smooth flow of deposits from surplus spending units to deficit spending units. Their studies symbolise the existence of elements which when integrated can bring an overhaul in the process of deposit mobilisation. Though one might be tempted to think that these elements refer to the general structure of financial intermediation, the above researches suggest deeper peculiarities. Albeit having highlighted the existence of elements needed to mobilise deposits, the studies do not get to explicitly

identify elements involved in making the process of deposit mobilisation efficient and effective.

It is Diop et al (2003) who reveal some of the variables in passing for a study they conducted in West Africa Economic and Monetary Union (WAEMU). The study reveals that Mutual Savings and Loan Institutions (MSLIs) in West Africa Economic and Monetary Union (WAEMU) are relatively efficient in savings mobilisation due to the fact that they have a definite interest in developing efficient savings mobilisation strategies. Furthermore, the study concludes that a survey of their structural and financial characteristics shows that there is much homogeneity in savings products despite different industry structures and macroeconomic environments. It was found out that specific institutional features such as outreach and transaction costs matter for savings mobilisation but with various degrees across countries.

In light of the strategy adopted by MSLIs in WAEMU, emphasis is placed on the importance of financial intermediation, determinants of savings and the need to develop strategic methods of luring deposits. Not much insight is cited on tailor made strategies that cater for heterogeneity elements inherent in individuals. More so, authors seem to have differing perspectives when it comes to the notion of mobilising deposits from clients. Wiseman and Hitiris (1980) focus on policies which can be implemented from a macro perspective whereas Diop et al (2003) concentrate on efforts at institutional level. Howbeit, the contrast between these authors shows that it is a national responsibility to ensure mobilisation of savings, and also, over and above monetary authorities crafting policies at a higher level, all other stakeholders should be active in the process. Financial institutions are recommended to play a significant role of **engaging households in saving** by crafting effective and efficient strategies. Hence strategies adopted by financial institutions must also be need accommodating in addition to the general evidence that clients want to save.

Although Diop et al (2003) mention that, clients should be strategically assimilated in deposit mobilisation, the study do not give a reflection on how best financial institutions can achieve it. It is therefore the aim of this study to assess on an approach financial institutions can adopt that will be engaging for clients to actively participate in deposit mobilisation.

2.2.2 Deposit Mobilisation through Financial Inclusion

Studies recently have taken a twist with more emphasis on deposit mobilisation based on financial inclusion. Chikoko and Mangwendeza (2012) present financial inclusion as a

process of ensuring access to a full suite of quality financial services, provided at affordable cost, in a convenient manner, and with dignity to the entire population without discrimination of any type particularly against vulnerable groups such as weaker and low income groups. It therefore follows to say that deposit mobilisation should go beyond the barriers of discrimination by income or geography. Any amount saved is significant towards building a large pool of savings (Martin, 2013).

Though financial inclusion signify access to financial services to the entire population, chiefly affected are individuals in rural areas. The rationale behind is that, if every saving (despite the amount) is crucial to pooling resources, then, the entire population should have access to financial services that facilitate deposit mobilisation. The same aspect of developing strategies that aid financial institutions to tap into savings should be adopted.

A study conducted in South Africa by Coetzee and Cross (2001) reveals that the usage of banking and financial services by the rural population is very small, with a minute section of the market presently being reached, estimated at less than one percent. The extension of financial services to the self employed is severely lacking. Diop et al (2003) pick up the same notion by showing that the common view until recently was that people in developing economies were too poor to save. Studies by the above authors suggest that reluctance on the provision of financial services lies with financial institutions with the rationale that it is not profitable to do so.

For quite some time, until recently, the ideology that has fuelled inadequate financial inclusion is unprofitability. Studies mentioned above backs this assertion. The major challenge being that of high costs (branch networks, overhead costs and infrastructure) against revenue to be realised. This has been true until recently, through a study conducted in Zimbabwe, which shades light on other factors besides those mentioned above (Chikoko and Mangwendeza 2012). The study reveals it is not reluctance on the part of financial institution which limits their ability to reach out to low income earners. There are more influencing factors that act as challenges to financial inclusion, such as, liquidity challenges and high bank charges, being major causes. Chikoko and Mangwendeza (2012), therefore, prove that influencing factors are rather market oriented than entity specific as postulated by Diop et al (2003).

The difference in interpretations by the scholars possibly lies from the different economies under consideration. Notwithstanding, the perspective for research undertaken by mentioned

authors, focus only on the causal factors influencing inadequate financial inclusion. The studies do not cite strategies that can be adopted to close existing gaps. It ultimately opens a gap in the analysis of strategies that can be adopted to curb inadequate financial inclusion and deposit mobilisation. However, in comparison, the mentioned authorities converge on the notion that deposit mobilisation should take a holistic approach and is pre-requisite in pooling resources for on lending by financial institutions.

Unny (2009) concurs to the same notion with above authors after carrying out a study in India. The study suggests that household sector contributes a lion's share of the total savings and hence saving mobilisation should be stepped up both in the rural and urban areas. Importance of the rural sector is drawn with regards to the limits set by the sector to the growth of other sectors.

On the same concept, results of the above research corresponds with research conducted by Martin (2013) whose insight is grounded in evidence that the poor do save in cash and in kind, whether as a way to build assets, manage household cash flow, or effectively cope with risk. Studies mentioned above further drive the concept as suggested earlier by Wiseman and Hitiris (1980) that market institutions should cast their nets wide and be active in the process of deposit mobilisation over and above what monetary authorities can do.

By contrast, all authorities agree that deposit mobilisation should also be instituted in areas which lack access to financial services. In spite of the fact that Wiseman and Hitiris (1980), Diop et al (2003), Unny (2009), Chikoko and Mangwendeza (2012), and Martin (2013) concur that financial inclusion is of paramount importance, the studies are silent in terms of the characteristics that define their target population. That is, despite the fact that there is no access to formal financial services, individuals have always adopted informal ways of saving (Coetzee and Cross 2001). Hence, the absence of formal financial institutions does not hold back the culture of savings.

As such, as of late, the study of the nature of informal finance has gained traction. It has been noted with concern that there may, in fact, be more idle funds circulating outside the formal system as a result of informal sources of finance (Strauss Commission, 2009, Schneider et al, 2013). More so, it has been variously claimed that the informal financial sector in many developing countries, particularly in Africa is as large as or even larger than the formal sector (Wai, 1980; Chandarvarkar, 1985; Christenseen, 1993 in Adofu et al, 2010). In some African countries, the quantum of loans transacted through informal financial institutions exceed the

formal volume of resources intermediated through the formal financial institutions, showing an indicator that holds huge investment potentials (Anyeetey and Hyuha, 1991 in Adofu et al, 2010).

With the International Labour Organisation's discovery of the informal economy in the 1970s, economic research into the informal economy exploded. This ultimately included research into informal finance, touching on the whole scope of informal financial institutions: moneylenders, indigenous bankers, loan brokers, numerous forms of indigenous savings and credit clubs, pawning, informal credit unions, usufruct loans, savings collectors and money guards (Adams, 1992 in Aliber 2002).

Informal finance is perhaps most intuitively defined relative to what it is not. It is not to do with banks or micro-finance institutions (MFIs), credit unions, cooperatives, insurance companies etcetera. Hussain et al (1998) in Aliber (2002) defines informal finance as that which is not regulated, and formal sector finance as that which is regulated. Fadiga and Stewart (2003) concur by stating that they are usually not regulated and operate independently of government controls.

However, while regulatory regimes may be of great importance in influencing how different types of financial services are structured and offered, as a definition this approach is unhelpful. It is unhelpful firstly because many types of financial services are regulated more in principle than in reality, and secondly because this means that essentially the same financial service is defined as informal in one country and formal in another, merely by virtue of different legal treatments (Aliber, 2002).

The traditional approach to be adopted is a rather colloquial one, whereby "informal" implies that the proper functioning of the institution relies at least as much on the establishment of personal relationships as on formal rules and procedures. More so, they are a social construct, determined entirely by the social relations of the group members (Garcia-Bolivar, 2006). While also imperfect, the virtue of this definition is that it draws attention to the logic of why informal financial institutions work, as well as why sometimes they ease to do so.

Hence or otherwise, it becomes comprehensible that there are intricate factors which are in play to the notion of deposit mobilisation. Whilst the concept of informal sources saving might sound trivial, it has recently developed to be an area of concern for most economies. This is because of the dire implication it has on the real economy. A study undertaken in

Serbia shows that in many transition countries, Serbia included, the informal economy is a major obstacle to the development of a strong corporate sector and the creation of a functioning market economy (Schneider et al, 2013). In such a way that although the shadow economy remain an important safety net for many individuals and households, its adverse impact on employees, enterprises, and societies as a whole far outweighs its advantages (Schneider et al, 2013).

In Taiwan, the ratio of financial loans to private enterprise from the informal financial institutions averaged 30 percent during the period 1971-1988 (Adofu et al, 2010). The study concurs with that of Schneider et al (2013). It unearths the reasoning that two basic problems accompany the emergence of informal financial institutions. The first is its implication for financial intermediation; and the second is its impact on monetary policy and investment especially when a large amount of money is circulating outside the banking system.

Schneider et al. (2013) further reveal that, the facet of informal saving is an outgrowth of the existence of an informal economy. Albeit the assertion by Schneider et al. (2013), Aliber (2002), produces a different view from a study conducted, which reveals that where the informal economy exists, informal finance performs a residual function by virtue of the fact that formal sector financial institutions have failed to penetrate as much as they want. The later study proves that fact that informal sources of saving sprout reactively to the inability of formal financial institutions penetrating a market. The assertion by Aliber (2002) is therefore far different from that of Schneider et al. (2013).

Fadiga and Stewart (2003) branch off to argue both assertions mentioned above to prove the rationality behind the existence of informal sources of finance. Their study conducted in Senegal give insight to show that the formal financial sector that emerged during the colonial period grew to include central banks, commercial, development, savings bank and insurance companies. These institutions, however, are not well suited to serving the needs of the poor. The inability of formal institutions to penetrate the market, expounded by Schneider et al (2013) could be because of high bank charges involved and liquidity constrains (Chikoko and Mangwendeza, 2012). However, the later study contradicts this by highlighting the inability of financial institutions to create tailor made products well suited for the needs of the poor.

On a different study, Ardener (1995) in Garcia-Bolivar (2006) shows that where incomes are very low, there is no social security network, where ill health stalks and a variety of calamities hover, a system of low cost informal finance helps meet the challenges for all. This

study therefore proves that prevalence of informal saving is dominant where incomes are very low. These are areas where formal financial institutions deem unprofitable to operate in.

This therefore leads to contrasting views to explain the reason why informal sources of savings exist. Nonetheless, these assertions are valid in the economies where the studies were conducted. In as much as that is the case, whether informal sources of saving exist or not, or whatever causes them to be, the principle of financial intermediation requires the efficient and effective mobilisation of savings. This has to be done so efficiently that, even though informal sources of savings do exist, strategic methods have to be crafted to ensure that every saving finds itself in the formal sector (Schneider et al., 2013). This could possibly reduce some of the negative implications of informal saving as highlighted above. This study, therefore, seeks to assess the formalisation of one of the strategies that can be used to tap into informal savings.

Martin (2013) expounds on this aspect by showing that a crucial point to factor into account is that much of the savings by low income earners remain informal and outside of the financial system. This corresponds with the World Bank's Global Findex which reports that only 16 percent of adults in the bottom two income quintiles (lowest 40 percent) of low income countries have an account at a formal financial institution, compared with 86 percent of adults in the bottom two income quintiles of high income countries. In comparison, the studies prove that it is of a fact that low income earners have inaccessibility to financial services.

It is Coetzee and Cross (2001) who give mounting evidence through a study conducted in South Africa. The study adds on to the reasons why informal sources of finance exist and the various forms it takes. They confirm a major contraction of commercial bank branches in rural areas. It is estimated, whereas more than 50 percent of South Africans were in close proximity of a commercial bank branch in 1995; this percentage has declined to 30 percent (1998). As such, they concur with the above studies to validate the logic that inaccessibility to formal financial services might be the major driver of informal saving.

More so, it is here also that Coetzee and Cross (2001) substantiates assertions by Martin (2013), by demonstrating that sources of savings for the particular study include family and friends, neighbours, money lenders, micro lending institutions, burial societies, stokvels and variants. These are the components that constitute the web which knits the operation of

informal saving. In place of the traditional commercial banks, merchant banks, building societies etcetera, households substitute them with components cited above.

Therefore, it can be assessed that, financial inclusion is still a challenge especially for low income earners because of unprofitability, high bank charges and liquidity challenges to mention but a few. Notwithstanding, it can also be noted that low income earners do save, though in unique ways such as rotation savings (Wright and Mutesasira, 2001; Stenga, 2010). Such informal sources of savings can be seen to deter funds from flowing through the formal system and as such, not exploited for economic development and do not induce liquidity in the financial system (Strauss Commission, 2009). Yet again, the studies are silent in terms of the strategies that can be adopted to facilitate deposit mobilisation and tap into funds circulating in the informal financial sector, which is what this study intends to cover.

A second deficiency of the existing literature is that studies where undertaken focusing on the poor or low income earners. There is no insight on the behaviour of the well up and no information as to whether they participate in informal sources of saving. More so, studies were undertaken parallel to a stable functioning formal financial system. There is no insight in situations of an ailing financial system, or where confidence levels in the formal system are critical. Ultimately, not much in-depth information has been given in relation to strategies the formal system can adopt to induce deposit mobilisation.

The next session therefore sheds insight on different informal sources of saving (informal financial institutions) that exist, as well as cite the structures that support their existence within the parameters of studies undertaken.

2.3 Types of Informal Sources of Saving

Informal sources of saving may take different forms, depending with the structure of the economy and the nature of relationships that exist between individuals (Fadiga and Stewart, 2003). There are four main types of rotation savings namely, Rotation Savings and Credit Associations (ROSCAs), Accumulating Savings and Lending Groups (ASLGs), door to door collections and non monetary saving.

2.3.1 Rotating Savings and Credit Association (ROSCA)

A rotating savings and credit association (ROSCA) is an association formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation (Ardener, 1964; Fadiga and Stewart, 2003). ROSCAs are

a classic example of a traditional type of mutual aid or solidarity associations and provide an intriguing context to understand collective action.

In these organisations, members cooperate to provide collective benefits that each participant receives in turn. Thus, a participant may become a lender or a borrower during a cycle depending on at which stage he or she takes the pot (Fadiga and Stewart, 2003; Coetzee and Cross, 2002). Table 2.1 below illustrates how a typical ROSCA functions;

Table 2.1: ROSCA system based on five participants with monthly payments of $100

Members	Contributors by Month (dollars)					Total Paid	Difference in Amount Received less paid = Net gain (loss)
	T_1	T_2	T_3	T_4	T_5		
P1 (Organiser)	100	100	100	100	100	500	0
P2	100	100	100	100	100	500	0
P3	100	100	100	100	100	500	0
P4	100	100	100	100	100	500	0
P5	100	100	100	100	100	500	0
Total Received	**500**	**500**	**500**	**500**	**500**	**2500**	

Source: Ardner, 1964
Note: Shaded cells represent the period in which the participants receive the pot

The table shows a Rosca group of 5 individuals with each member contributing US$100 to the group. Each round is a month long as represented by T_1 up to T_5. Shaded cells in red represent the period in which a member receives the pot over and above their contribution.

ROSCAs have different names across the world. In India, they are called "*chit funds*", whereas in Nepal they are called "*dhikuti*" or "*dhikur* (Thieme, 2003). In Cameroon, they are called "*tontine*", "*susu*" in Ghana, the "*esusu*" in Nigeria, the "*stockvel*" in SouthAfrica, "*bishi*" in India, while in Peru they are called "*paandero*" (Bouman, 1995).

However, rather than fading away, informal financial institutions such as ROSCAs have emerged to fill an existing gap and continue to play a greater role in the lives of poor people all over the world (Fadiga and Stewart, 2003). The authors seem to point to the fact that ROSCAs have remained robust due to the existence of a gap which seems difficult to cover. Klonner shades light by highlighting that ROSCAs flourish in economic setting where formal financial institutions seem to fail to meet the needs of a large fraction of the population. The research draws the root cause of the emergence of these institutions from inadequate financial inclusion by formal financial institutions, as alluded above by Wai (1980), Chandarvarkar (1985), Christenseen (1993), Coetzee and Cross (2001), Strauss Commission (2009), Adofu et al. (2010), Schneider et al. (2013) and Martin (2013) on financial inclusion.

A study conducted in South Africa shows that the development of informal credit and savings groups in rural South Africa, as in most parts of the developing world, probably starts out with *rotating savings associations* (Coetzee and Cross, 2002). These groups seem to be dominated by women. They provide perhaps the simplest form of savings mobilisation. A point to note is that these groups do not involve interest or generate income in their most classical form, but only help members to save. In their pure form, they do not hold any assets, but collect and pay out the amounts involved in a complete transaction taking afresh at each meeting.

On a different study, Klonner (2001) shows that at the other end of the scale of sophistication, are certain bidding ROSCAs in Cameroon. There is not only an auction for the pot, but also a secondary market in which the price a winner has to pay for a pot is lent to another member of the ROSCA group who offers to pay the highest interest on it. Hence, the practise of informal saving has also evolved to complicated forms of even having a secondary market.

A study conducted in Senegal by Fadiga and Stewart (2003) reveals that on average, a ROSCA in Senegal has a total of 53 members and has operated for approximately 56 months. That is, the group did not dissolve but continued for another round after each member had the chance to receive a pot on a specific month. The average monthly pot and contribution level of approximately was 312 801 fcfa and 6624 fcfa, respectively. The study further shows that money got from ROSCAs is used to finance lavish ceremonies such as weddings.

Coetzee and Cross (2002) and Fadiga and Stewart (2003) concur that women are the primary participants, and for instances where male participants are found, there are more likely to belong to mixed gender associations. More so, both studies also converge to note that

ROSCAs do not involve interest in their operations, which is different from the study by Klonner (2001). Fadiga and Stewart (2003) also state that associations experienced less default than expected, which contradicts a study conducted in Uganda of 1500 people which showed that 99 percent of respondents failed to reach their savings goals, either because the money was stolen or lost, or because they were too tempted to spend the money when it was stored as cash in their home (Kendall et al., 2009).

Furthermore, a study undertaken in India shows that when every member of the group has received the pot of money once, the group is disbanded, or can be started again with different members, different contributions and a possibly different duration between subsequent meetings (Garcia-Bolivar, 2006). On the contrary, Fadiga and Stewart (2003) argue to say groups retain their number and can operate for longer periods. It is Vonderlack and Schreiner (2002) who shade light that it is only members of the group that do not contribute that are socially shamed and may be removed from the group. Notwithstanding the contribution by Vonderlack and Schreiner (2002), Coetzee and Cross (2002) argue to assert that these groups usually reconstitute themselves at the end of each full set of rotations, to ensure that all members remain fully committed to make the necessary payments. The different interpretations on what happens once every member has received a pot stem from the different economies in which these studies were undertaken.

Over and above, the study undertaken in South Africa by Coetzee and Cross (2002) shows that the four rotating savings groups represented in the KwaNyuswa case histories practice perhaps the most basic and straightforward kind of savings and credit enterprise. The study reveals that most of the groups reports that they do not have or need written constitutions, since the rule are well understood by everyone, which is different from results obtained by Klonner (2001) that show that in India ROSCAs traditionally have one written piece of paper for each participant, which serves as a lot in determining the order of receipt.

Moreover, Coetzee and Cross (2002) reveal that among the poor in KwaZulu Natal and Mpumalanga, amounts paid in monthly might be R50 to R100, though teachers and others who were well off sometimes aimed at amounts as high as R500 per month. Thus, the decision to change or reconstitute membership depends upon existing members. It is also clear that, even the amount to be contributed is deliberated on during meetings.

2.3.2 Accumulating Savings and Lending Groups (ASLGs)

From the ancestral rotating savings associations have differentiated a number of other forms of groups, which have gradually extended their operations into the sphere of income generation. The most common type of group is the *accumulating savings and lending group* (Thieme, 2003). ASLGs collect monthly, pay out annually and lend out accumulated assets during the year cycle. These groups do not follow a rotation, but have all members on the same payout cycle and often bank their assets since they are not distributed immediately (Bouman, 1995). Otherwise, the assets taken in go out again as loans, and are saved in the form of debt obligations which come back with interest (Coetzee and Cross, 2002).

The accumulating savings and lending groups which now seem to dominate informal finance in both localities do not limit themselves to savings mobilisation, but often try to increase their payouts on savings by adding in both bank interest in their regular deposits and interest on their own informal lending (Coetzee and Cross, 2002). Bouman (1995) concurs to say that the savings are not instantly redistributed, but allowed to accumulate to make loans. Usually lending continues for one year, after which redistribution takes place and the new cycle may start. Coetzee and Cross (2002) describe these groups to say loan amounts may have a relatively low ceiling of R200 in smaller and less ambitious groups, but the modal amount appears to be about R100 to R500, and the larger and more commercially oriented groups allow loans of p to R1000 or more.

In many ASLGs, members save for a specific purpose such as school fees, which is high priority expenditure in Africa; a religious or traditional ceremony such as initiation, Christmas, New Year; or life cycle events such as birth (Bouman, 1995; Besley et al, 2004). On a different note, Coetzee and Cross (2002) further reveal that high rates of interest are charged, and in reported cases members may receive as much as R550 as an interest payout on R660 savings. Loan periods vary from two months to a year, with most concentrating around four or five months before the principal is expected to be repaid. Longer loan periods are said to have the advantage of accumulating more interest in the common pool but also carry some increased risk of default (Thieme, 2003). Some groups accept variable rather than fixed contributions, and there are clear signs that record keeping is a problem, and a possible source of friction and corruption (Klonner, 2002).

Conclusively, the study results suggest that the balance of savings and income generation may be changing among groups operating in the rural sector, with possible implication for

cooperative savings and credit schemes assisting small farming or other economic activities (Cross, 1986, 1987 in Coetzee and Cross, 2002). New types of groups are appearing, and there are signs that the overall distribution of savings and credit groups may be shifting in favour of accumulating groups, which concentrate on annual expenses, and for which interest-bearing loans were a major part of the motivation for participation (Thieme, 2003).

It is Fadiga and Stewart (2003) who give insight into some of the new informal sources that were not highlighted by Coetzee and Cross (2002). Their study highlights investments such as micro-enterprises, business ventures, pawnbrokers, moneylenders, or extended family members. However, the study only lists such informal sources of savings without giving detailed information.

2.3.3 Door to Door Deposit Collectors

A study conducted in Ghana reveals that deposit collectors visit customers daily to pick up a small, fixed amount. Women make 30 small daily deposits during the month. At the end of the month, they receive the equivalent of 28 deposits back as a lump sum (Vonderlack and Schreiner, 2002). The poor are willing to pay the deposit collector because the virtually eliminate transaction costs. The presence of the collector with no easy access until the end of the month means they have a reason to turn down monetary requests from relatives (Garcia-Bolivar, 2006). This practice has different titles where it is practiced. A study conducted in East Africa refers to this type of saving as "money guards" (Rutherford, 1999 in Stenga, 2010).

2.3.4 Storing Value in Non-Financial Items

This involved the purchase of non financial items such as jewellery or live stock as storage of value. These can also be items that can be quickly sold for cash if needed. Transaction costs are typically low, usually consisting of a one-time purchase of the high value item (Garcia-Bolivar, 2006). In this case, the temptation to withdraw or quickly sell off the item is low because it may take time to find a buyer at a good price. However, these investments can depreciate or be stolen (especially if kept at home).

2.4 Formalisation of Informal Sources of Saving

Indeed, one important expression of this new respect for informal financial institutions is the practice of studying such institutions with a view to discovering whether some of the features that account for their efficacy can be adapted for use in formal sector financial institutions (Aliber, 2002). Having approved of the role being played by informal sources of saving, we

need to gain insight as to whether the same principles can be instituted in formal financial services institutions. Is it possible that these informal groups can be formalised, and what instruments should be in place to facilitate their formalisation?

In some countries, such informal systems have evolved into formal systems which have had a major impact on their users (Adofu, Antai and Alabi, 2010). In the UK, for example, "mutual" or friendly societies which began as small thrift groups in the nineteenth century turned into building societies in the first half of the twentieth, and have been the main source of housing finance for nearly 50years (Dekle, 1999).

Notwithstanding the need to formalise informal finance, (FAO, 1965) argue this position to say it does not help resolve what might be called the "riddle of co-existence". For example, why do farmers continue to borrow from money lenders when subsidised credit has been made available to them? Even more curious, why do women continue to participate in traditional saving clubs many years after they have opened savings accounts in the local bank (Nayar, 1986; Chiteji, 1998)? While sometimes market fragmentation is responsible for the fact that informal and formal financial institutions operate side by side, co-existence of formal and informal institutions, even to the point of sharing the same clientele, is not unusual.

Hence, an under-appreciated reason for this is that, sometimes informal financial institutions, and what appear to be their formal sector counterparts, in fact are providing services that are distinct in the minds of potential clients or participants (Aliber, 2002). In this view, the co-existence of informal and formal financial institutions is no more mysterious than, say, the fact that in some economies, one finds building societies operating adjacent to savings and loans and regular commercial banks (Gabianu, 1990).

On a different note, a comparative study that was undertaken in Kampala, Uganda and Nagpur by Aliber (2002) argues this position to show that formal institutions can borrow and adapt strategic features of informal financial institutions. These adaptations tend to centre around four main elements: i) accommodating small and frequent money transactions; ii) promoting regularity of such transactions; iii) making use of inter-personal relationships; and iv) reducing transaction costs, especially those borne by the client.

In spite of the contribution by Aliber (2002), the above study only focuses on traits that formal financial institutions can borrow from informal financial institutions, without

necessarily formalising them. This approach is viable if intentions are to make formal financial institutions more competitive. It can be also be adopted if monetary authorities do not intend to completely dismantle informal finance; something, which is believed to be impossible (Ghate, 1992).

On the contrary, a study conducted in South Africa adopts a different route as it studies approaches undertaken towards formalisation (Coetzee and Cross 2002). It shows that formalisation is achievable. However, for formalisation to take effect there has to be a framework. This framework sets out how institutions are supposed to operate and conduct themselves. Thus, having a framework is the first step towards formalisation (Coetzee and Cross 2002). It is therefore the responsibility of authorities to craft a framework which facilitates formalisation.

Seibel and Schader (1999) concur with Coetzee and Cross (2002) in that formalisation is viable through an interesting example of the *dhikuti*, a traditional ROSCA in Nepal where a civil servant named H.B Pradhananga modified the usual practice in 1989 by deploying deposit collectors to collect member's contributions on a daily basis. After increasing the number of roups over a few years, Pradhananga next dispensed with the group element, and eventually changes the status of collectors from salaried employees to commission earners. By 1998, the Himalaya Finance and Savings Company (HFSC) was thus formed by Pradhananga counted 52000 savers with interest-bearing accounts, and having access to other financial services such as credit and insurance.

Likewise, there is evidence from West Africa that indigenous ROSCAs, recognized variously as *susu* or *esusu*, inspired the emergence of *susu* collectors, who for a commission would collect and store savings of clients (Gabianu, 1990; Steel and Aryeetey, 1994). Since 1985, *susu* collectors, in turn, have given rise to *susu* companies, particularly in Ghana and Nigeria (Gentil, 1994; Aryeetey, 1995).

In addition, it can be noted that formalisation of savings clubs have quite different dynamics. In the *tanda*, an indigenous ROSCA practised among urban Mexicans and Chicanos living in the US, Velez-Ibanez (1982) finds that the key distinction between non-commercialised and commercialised *tandas* is simply that, in the latter, the organiser earns a profit. More so, as organisers become entrepreneurs, "subscribers" replace "members".

There are further examples of such informal systems becoming increasingly formalised. Aredo (1993) highlights that the iddir in Addis Ababa run by the Ethiopia Teachers' Association is of the scale of a medium sized insurance business. In Cameroon, some of the traditional ROSCAs known as njangi have evolved into small banks offering finance for small businesses which have difficulty using formal banks (Haggblade, 1978).

Finally, a more dated example of the formalisation process is that of the building societies that emerged in the 18th century in England. The early building societies were spontaneous grassroots developments that operated more or less on the principle of ROSCAs (Aliber, 2002). Each member family of a society was in turn assisted by all the other members to build a house, until all member families were thus assisted and the society could disband (Price, 1958). Before the end of the 18th century, however, these informal arrangements were almost entirely supplanted by permanent formal building societies that functioned as neighbourhood savings and loans aimed at providing mortgage financing to lower income households.

The cases by Price (1958), Haggblade (1978), Gabianu (1990), Aredo (1993), Gentil (1994), Steel and Aryeetey (1994), Aryeetey (1995), Seibel and Schader (1999), Coetzee and Cross (2002) and Aliber (2002) demonstrate that it is indeed possible to formalise rotating savings. However, it follows that formalisation of informal groups can take place in a variety of ways, over and above having a framework in place. The cases cited show that formalisation of ROSCAs may thus be a transitional phenomenon. The transition to formalised institutions is not inevitable per se.

The question then becomes: does growth promote formalisation or does formalisation promote growth (USAID, 2005)? For example, entrepreneurs in Tanzania stated that they would formalise, if their business growth was dependent on it (UNDP, 2002). This suggests that growth leads to formalisation in conjunction with given examples in Price (1958), Haggblade (1978), Gabianu (1990), Aredo (1993), Gentil (1994), Steel and Aryeetey (1994), Aryeetey (1995) and Seibel and Schader (1999). The assertion is endorsed by Dekle (1999) who asserts that many informal financial schemes are incorporated into a more formal, well organised, national financial system.

In addition to the transition stages, there are suggestions that formalising enterprises orients them towards upgrading operations and growing the business, and thus realising economic growth potential trapped in informal savings (Dekle, 1999). ROSCAs can also form strategic

links with formal financial institution as a strategic move towards formalisation. There have been many calls among micro- finance practitioners for formal sector financial institutions to forge strategic links with informal financial institutions (Heidhues and Schrieder, 1999; Goodland et al., 1999; Aryeetey, 1998; Seibel and Parhusip, 1992). At a relatively abstract level, the call for linking is stimulated by the hope that it can go some way to correct for fragmentation in financial markets, which leads to allocation inefficiencies (Aryeetey et al., 1997). A compatible but more hands-on rationale for developing linkage strategies is that *'linkage banking'*, as it is sometimes called, will enable formal financial institutions to reduce transactions costs and to a degree address information asymmetries that otherwise frustrate their efforts to engage with the poor. Below are strategies that can be adopted in formalising rotating savings through linkage banking:

Adapting ROSCAs to be mutual guarantee associations ‐ it is an approach that involves the linking of ROSCAs to a bank as 'mutual guarantee associations' (MGAs), such that the bank would consider the members credit-worthy by virtue of their membership to the ROSCA-like group (Balkenhol and Gueye 1994);

Savings accounts for savings clubs – Many banks have introduced savings products specifically designed to accommodate indigenous savings clubs (Aliber, 2002). The rationale is clear: insofar as large amounts of money are mediated through ROSCAs and ASLGs, in principle these clubs represent a huge opportunity for banks to take in additional deposits, without incurring the same transactions costs as would apply to individuals. A number of commercial banks in South Africa introduced such accounts in the late 1980s or mid-1990s (Verhoef, 2001);

Self-help group on lending ‐ By 'self- help group on-lending', we mean the practice whereby a bank lends money to a self- help group which in turn on-lends that money to its members. In light of this approach, McGuire et al (1998) highlight through a case undertaken in Indonesia that as of 1996, 6800 self-help groups, 183 social intermediary support institutions, and 410 banks were involved. At that time, the total number of clients (based on an average of 11 members per group) was more than 75000.

Hence it is vivid that formalisation can adopt one of three ways, linkage banking, growth that ultimately leads to formalisation and direct formalisation through the employment of a

framework. The next section reviews literature on the framework needed to institute formalisation of rotation savings.

2.5 Framework for Formalisation

A framework refers to guidelines, rules and policies that should be in place so as to facilitate the smooth operation of rotation savings (Coetzee and Cross 2002). As such, the rules that are put in place form a structure that will help define how rotation savings are supposed to operate (Aliber, 2002). Generally a framework governing rotation savings take the form of an endorsed legislature (Act) (Coetzee and Cross 2002; GoU, 2014). Against this background, the study will discuss a framework that ought to be in place to facilitate rotation of savings in accordance to perspectives of different authors.

Coetzee and Cross (2002 place emphasis on the need for a framework towards formalisation, which happens to be against contributions by Price (1958), Gentil (1994), Steel and Aryeetey (1994), Aryeetey (1995), and Seibel and Schader (1999) of groups which formalised through entrepreneurial skills of individuals who capitalised on the evolvement of the informal groups and not through a framework. Karlan, Ratan and Zinman (2013) argue further to show that having a framework in place serves no purpose because of the foundation that explains why informal institutions are formed in the first place. Informal financial institutions emerge in the first place because of transaction costs, lack of trust and existence of regulatory barriers, information and knowledge gaps. As such since formal institutions operate with a motive to make profit, it follows to say that the primary purpose of informal institutions becomes nullified. Aliber (2002) adds to the notion to state that when traditional savings clubs are formalised, some of the valuable features to the indigenous forms tend to be sacrificed, most notable the close bonds of mutual assistance and the culture of reciprocity.

Notwithstanding reasons against a framework, Coetzee and Cross (2002) argue through a study conducted in SouthAfrica highlighting the Mutual banks Act of 1993, to show that after formalisation of a few institutions, there were effects which were noted. From the research, some effects are inspired from a theoretical point of view, while others are practical conclusions. They highlight that the Mutual Bank concept is sound. It emphasises membership based approaches that are so successfully applied in the more informal financial market. There are earlier group based formalised institutions in South Africa, such as the Erstwhile building societies. These succeeded in mobilisation savings and financing asset accumulation in the form of home ownership for thousands of South Africans. The research

reveals however, that the inherent challenge is to find the right mix of a system that answers to the requirements of development, the regulator and the constituency it serves.

In addition Coetzee and Cross (2002) further dispute in favour of a framework to state that the possible reason that could have lead to failure of some institutions is that the capital and reporting requirements are considered to be onerous. The first most basic principle is that the formalisation should exceed the costs of reporting and supervising for practitioners, the Registrar, and the target market. It can therefore, be denoted that much of the reason for failure centre on the incompatibility of the framework. It therefore befalls monetary authorities to ensure that the framework is flexible enough to facilitate operations; since it is of most importance that formalisation does not lead to alienation of the customer base.

Aliber (2002) argues the feasibility of this concept through the study conducted in Senegal. The study suggests that there should rather be linkage instead of formalisation through the creation of a framework specifically meant for informal institutions. This strategy links informal institutions (ROSCSs) to a bank as "mutual guarantee associations" (MGAs), such that the bank would consider the members credit worthy by virtue of their membership to the ROSCA like group.

Not to overlook the need to formalise through linkages, in arguing, Leonard (2013) points to a crucial factor on the limitation of linkages to state that even if formalisation of informal savings is channelled through linkages, credit worthiness based on membership to a group like ROSCA cannot be sufficient justification for one to acquire credit. This is because the principle of availing credit calls for an in-depth analysis of the applicant. This therefore, leads up back to the proposition made by Coetzee and Cross (2002) to allow formalisation of these institutions rather than let them operate as linkages. Hence or otherwise, it would entail major adjustments when it comes to creating a rather, "flexible" framework.

Nonetheless, it is here that Aliber (2002) and Coetzee and Cross (2002) concur, in that linkages between formal and informal institutions can facilitate deposit mobilisation. Commercial banks willing to forge these links with "decentralised systems" are called linkage banks. Numerous advantages exist for linkage banks in that they mobilise savings at a very low transaction cost compared to interacting with each member in the population area.

The concept of having a framework is backed up by GoU (2014) through an example of a formalised version of ROSCAs in India called Chit funds, for which government legislature

exists (The Chit Fund Act 1982). *Chits* is a name given for rotation savings in India and hence The Chit Fund Act of (1982) is a step taken by authorities in India towards formalisation of rotation savings. While originating in the informal economy, formalised ROSCAs have become a big business in urban setting of India (Thieme, 2003). In some major cities, large commercial ROSCA fund companies run as many as 10000 auction ROSCAs simultaneously (Klonner, 2002).

In addition, Dekler (1999) shows that in 1915, the Japanese Ministry of Finance first passed laws to regulate ROSCAs. Soon after World War 2, the government reorganised the ROSCAs as mutual (Sogo) banks, and the banks started accepting deposits. Thereafter, these mutual banks were reorganised into the so-called "Second-Tier" regional banks. Hence, it becomes certain that formalisation can take effect through legislature.

In light of this, the steady growth of commercial (auction) ROSCA funds has induced the Indian legislators to pass a specific law that regulates this part of the financial sector (Thieme, 2003). Klonner (2002) shades light by highlighting that as the first of its kind, the Travancore Chitties Act went into effect in Kerala 1945. The Tamil Nadu Chit Fund Act and the Madras Chit Funds Act were passed in 1961 and the Madras Chit Funds Act was extended to the Delhi Chit funds Rules in 1964. To have a uniform chit fund legislation, applicable to the whole country, the India Chit Fund Act was then enacted in 1982. Over and above this, the Government has also set up a Chit Fund Department, to control the activities of the Chit Fund Companies and to publicise registered Chit Fund companies and disqualified chit fund companies (GoU, 2014).

As it is, India probably has the most professionally organised formal ROSCAs in the world. Customers of commercial ROSCA funds usually do not interact with other members of the ROSCA group to which they belong, as they are merely customers of the Chit companies (Thieme, 2003). The company advertises for and selects members, makes arrangements for collection of subscriptions, and holds auctions for the prizes. The study by Klonner (2002) further highlights that auction ROSCAs are an exception in this respect; if members do not interact, the organiser or chairman collects the contributions, and pays the winner of a ROSCA. Members therefore are not even aware of defaults or late payments by other participants.

Formalised ROSCAs are regulated, just as banks are regulated in the western world. Radhakrishnan (1977) points to the Chit Fund Act to note that it obliges every organiser of a

ROSCA to register with a government authority, to deposit some reserves to compensate participants in the case of bankruptcy, and to end auctions prematurely at specified bid ceilings. Hence operators are supposed to obtain a license from the state government and rules for minimum capital requirements (Thieme, 2003). The latest and currently effective revision of 1993 also puts a ceiling of 40 percent of the chit's amount on the bidding, whilst for individual chits, the amount that can be raised by the foreman had been raised from 25000 IC to IC 1 lakhs (100000). In consequence, ROSCAs which are not registered with the government are illegal (Klonner, 2002).

Radhakrishnan (1977), Klonner (2002), Thieme (2003) and GoU (2014) therefore agree to the same fact with Coetzee and Cross (2002) that formalisation can be instituted through the use of a framework (legislature). As highlighted earlier, besides the Chit Fund Act, Coetzee and Cross (2002) make reference to the Mutual Banks Act of 1993 instituted in South-Africa. The Act was an attempt to add depth to South Africa's financial system by creating a banking category that had less stringent capital pre-requisites but similar risk management requirements.

Notwithstanding the same purpose to formalise rotation savings, a careful analysis of the Act shows that as opposed to the Chit Fund Act, the Mutual Banks Act was meant to fulfil the formalisation process of evolving ROSCAs. Hence, its approach is rather oblique. Formalisation of ROSCAs through this Act would take effect as a result of the ROSCA group evolving in operations and gaining mass membership up to an extent the members are compelled to formalise the group.

Albeit the indirect approach espoused by the Mutual Banks Act, some of the clauses of the Act provides that a mutual bank may accept deposits and grant loans, advances or other credit. The prudential requirements include some of the following:

➢ Maintain a minimum reserve balance with the reserve bank equal to five percent of its short-term liabilities;

➢ Avoid portfolio concentration in excess of a certain percentage without making a specific report to the Registrar; and

➢ Give detailed monthly and quarterly returns, showing its various risk exposures and the manner in which it complies with capital adequacy and liquidity requirements.

The study also reveals that the Act provides that the Registrar may require applicants for Mutual banks to establish a relation with an equity bank (referred to as a "guardian bank") to assist the applicant with technological infrastructure, management, and advice. A commercial bank can serve in a capacity similar to the guardian bank arrangement prescribed in the mutual bank legislation (Coetzee and Cross 2002).

An inherent deficiency of the studies is that not much is mentioned on the need for supporting instruments that should accompany formalisation. The assertion by Aliber (2002) of continued co-existence gets obliterated if an adequate framework is crafted. More so, there should be complementing supporting instruments in place to back formalisation of informal financial institutions. One such supporting instrument has been identified to be financial education (Kane, 2005).

The next section will therefore look on the supporting instruments that have to be in place in facilitating the formalisation of rotation savings.

2.6 Supporting Instruments

This section contains a discussion on the practical steps and activities that should be undertaken in order to facilitate a smooth transition to formalisation of ROSCAs. Notable instruments include financial education, safety nets, development of the relations between advisor and client.

The main reasons that firms state for not registering their business are the lack of information on how to register an enterprise, the time to complete the registration process, taxes that registered businesses would need to pay, and the lack of perceived benefits from formalisation (IFS, 2013). High entry costs, strict labour regulations, lack of access to resources such as land, credit and taxes, as well as complicated registration procedures are also important factors that have been identified to contribute to low rates of formalisation (Maloney, 2004; Straub, 2005; Oviedo et al., 2009; Amin (2009); Bruhn, 2012; and de Mel et al., 2012a). In light of this, some of the instruments used in formalising the informal economy can also be used as supporting structures in formalising rotation savings since the groups resemble the likeness of informal businesses (Kempson and Finney 2009).

2.6.1 Simplifying Business Registration and Provision of Information

A primary project on The Regulation of Entry, led by Djankov et al. (2002), sited the limelight firmly on the barriers to starting a new business, tallying both the time and the

financial costs of starting a formal business in a sample of 85 countries. The work highlights massive variances across countries. At one end, would-be entrepreneurs in Canada could register a business in two steps, taking only two days at a cost of 1.5% of per capita GDP. At the other extreme, entrepreneurs in the Dominican Republic had to complete 20 steps, taking 80 days and costing 463% of GDP per capita. The high costs of entry are difficult to rationalize, but this analysis appears to have spurred substantial reforms, which lowered the costs of registering.

Contrasting the registration process being a barrier, a study by the IFC (2013) reveals that experiments and interventions in Bangladesh, Bolivia and Peru show that simplifying business registration channels, reducing registration costs, and providing greater information on the benefits of registering a business have proven to have had miniature effect to increase the formalization of firms. As such, removing registration barriers alone will not go a long way in swaying formalisation of informal practices.

To counter the assertion by IFC (2013), a study undertaken by the World Bank (2013) discloses an example of Sri Lanka, where registering a business took eight steps and an average of 23 days in 1999 but in 2012 this improved to five steps taking seven days. The exercise induced half the firms that were offered such an incentive to register their business. Nonetheless, it is (de Mel et al. 2012) who reveal that over and above loosening the registration process and offering greater information the evaluation went further reimbursing for registration costs by offering a cash lump sum payment equivalent to two month's median profits.

Furthermore, a more compelling example is that of an ongoing impact evaluation programme in Malawi, which combines costless registration procedures with information sessions and the provision of business bank accounts (Campos, Goldstein, and McKenzie, 2013). Initial results from this experiment show a 70 percent take up rate for business registration and only a 5 percent take up rate for tax registration. Hence, it can be assessed that simplifying the registration process and providing adequate information indeed offers motivation for formalisation. This is perhaps what Woodruff (2013) referred to by stating that governments can induce firms to register using either sticks or carrots, that is, they can seek out and fine firms that are in the informal sector, or they can increase the perceived benefits for forms of gaining formal status.

Hence or otherwise, the same mechanism can be adopted by authorities as instruments that can induce formalisation of rotation savings.

2.6.2 Financial Literacy/Education

Financial literacy means different things to different people, for some it is a wide ranging concept, incorporating an understanding of economics and how households decisions are affected by economic conditions and circumstances, whilst to some it means focusing quite narrowly on basic money management skills such as budgets, savings, investments and insurance (Widdowson and Hailwood, 2007). Financial knowledge therefore lies in the ability to use savings products and in the selection of the best investment products, knowledge of financial terms particularly in the area of debt to mention but a few (Kane, 2005).

Taking broad definitions, financial literacy has a number of elements, including:

> ➢ basic numeracy skills, such as the ability to calculate rates of return on investments, the interest rate on debt, and basic arithmetic ability;

> ➢ an understanding of the benefits and risks associated with particular financial decisions, including spending, borrowing, leverage and investing;

> ➢ the ability to understand basic financial concepts, including the trade off between risk and return, the main attributes of different types of investments and other financial products, the benefits of diversification, and the time value of money; and 38 Reserve Bank of New Zealand;

> ➢ the capacity to know when to seek professional advice and what to ask, and the ability to understand the advice given by professional advisers (Widdowson and Hailwood, 2007).

A savings culture is to a notable extent also driven by financial literacy (FinMark Trust, 2008). It has been noted with concern that the poor segment of the population is the less educated and therefore more susceptible to poor financial decision making by not fully appreciating the consequences of their actions (FinMark Trust, 2008). A study in India reveals that being concerned with financial literacy levels in the low income population and seeking to put in place practical measures to raise those levels can make a valuable contribution to the lives and welfare of the general population (Ghosh, 2008). As such, financial literacy rightly belongs in the suite of issues that need to be taken seriously in a financially inclusive system.

The study by Ghosh (2008) further highlights that 67 percent of the respondents unable to budget and have no savings whatever and 26 percent that have debts that on average equate to 95 percent of a full year's average earnings attribute a significant part of the problem to lack of basic financial literacy skills. The apparent picture illustrated therefore is that financial literacy plays a key role in determining the savings behaviour of households. Hence, it financial literacy inevitably becomes one of the instruments that authorities and or banks can use in the formalisation process of rotating savings. Barbour and Llanes (2013) suggest that the initial stages should consist of advisors going out into the community, building trust and earning a reputation through outreach work and referrals on financial literacy. In this way, financial institutions have to adopt financial education as a functional unit in their retail banking services.

More so, financial education helps consumers by offering them the knowledge they need to make sound financial decisions and secure economic futures, and it is only one of the pillars of adequate financial policy action (Padoan, 2008). The initiative is therefore is important since financial education can help individuals understand the information that is disclosed to them, but more importantly is that policy makers and regulators can certainly provide an effective framework of protection and supervision (Robson, 2012). It follows to say that once formalisation of rotation savings is founded on financial literacy, neither regulators nor the general public will have difficulty in interpreting the actions of the other. This is tightly crucial since it warrants effective coordination of all stakeholders involved in the financial system and as such, policies are implemented on a common understanding (OECD, 2008).

In addition, in a world of escalating financial complexity, there is an increasing need for financial knowledge and at least basic financial skills (Morris, 2001). Technological advances have dramatically transformed the provision of financial services with many products infiltrating the market (Hall, 2008). Hence, it becomes prerequisite for authorities to engage in financial education in the process of formalising rotation savings.

Against this background, it has been noted that there is also a positive correlation between entrepreneurship performance and levels of education (Van der Sluis and Van praag, 2008). Entrepreneurs should therefore invest in education to equip them in running successful enterprises since formalisation of rotation savings can even take place though evolvement (Barbour and Llanes 2013).

2.6.3 Safety Nets (Deposit Insurance Schemes)

Safety nets are a series of policies or arrangements that help stakeholders to avoid loss causing financial shocks (Diamond and Dybig, 1983). Hence financial safety nets consist of measures taken by the regulators to restrict the risky position financial institutions assume in the first place and to limit the damage customers, employees ad stakeholders suffer when and if disaster ensues (Dis and Lagos, 2003). As such, such safety nets can be in the form of prudential supervision (minimum capital requirements, strong internal controls and external audits, management qualifications) and or deposit insurance schemes to mention but a few. Among other roles, safety nets play a very critical role of building up confidence in the financial services sector (Nyamutamba, 2013).

The process of formalisation represents an advent wherever it is instituted (Klonner, 2002). Since formalisation of rotation savings will result in these groups being recognised as formal financial institutions, the general population should bear so much trust and confidence in the financial system. Valid and firm safety nets should therefore be in place to help shape public confidence, especially in innovations that have to do with the formalisation of informal saving practices (Le, 2013).

Therefore, this study specifically seeks to assess an approach of formalising rotation savings as a strategy for deposit mobilisation in the Zimbabwe financial services sector. Moreover, it seeks to unearth supporting instruments that should be implemented by formal financial institutions, inclusive of possibly a 'flexible' framework to smoothen the process of formalisation. The sample population implemented covers individuals and households in urban areas to close the gap, since most studies were conducted focusing on low income earners in rural areas.

2.7 Summary

Savings is the key source of funds for many financial institutions and ultimately to economic development. The low interest paid on the savings compared to other sources of income means that financial institutions can be able to lend to their members at favourable interest rates and still be able to post modest profits that will also be shared by the membership as dividends. In addition, funds availed to productive sectors result in productivity for the particular economy involved. Proper savings mobilisation is therefore very critical for the eventual success of financial institutions and economic development. Even though deposit mobilisation can be instituted from a national perspective through policies by monetary

authorities, financial institutions are still instrumental in ensuring that they craft strategies that have to enable them to obtain adequate funds at the lowest cost.

However, in developing countries, financial inclusion is still a challenge. This tends to make financial services inaccessible, especially for the rural population and the poor. Inadequate financial inclusion is as a result of high bank charges, liquidity constraints and unprofitability associated with the provision of services to the poor and low income earners. Notwithstanding, the poor and low income earners do save, though in unique ways such as rotating savings. Many factors explain the emergence of informal saving, however, though in their own right they offer flexibility and liquidity to participants, they are like cancer to the economy. This is because funds that go through informal channels do not report in the formal financial system.

With informal savings likely to even be more than formal saving, there is therefore a need to tap into these funds. Thus, it befalls formal financial institutions to develop strategies to ensure that they mobilise savings even from informal sources, in compliance with their mandate of financial intermediation. Many strategies therefore, might have been suggested, such as linkages. Linkage is when a formal financial institution links with an informal institution. Notwithstanding, such practice requires that approval credit be based on membership of an informal group.

Another strategy involves formalisation of informal institutions. This has been noted to be a viable method of incorporating informal groups into the formal sector. It has also been noted that formalisations is indeed possible if implemented within an accommodating framework. Moreover, there have to be supporting instruments to complement formalisation, which take the form of financial literacy/education, loosened government registration controls, and safety nets.

The study therefore seeks to assess an approach that will enable effective and efficient formalisation of rotating savings in the Zimbabwe financial services sector as a deposit mobilisation strategy. Elements that show the dimensions and structure of a flexible framework are herein discussed. More so, additional supporting instruments that are prerequisite in facilitating a smooth process of formalisation are herein discussed.

The next chapter focuses on the research methodology and data collection instruments that are going to be used for data collection. It is also the section that a justification is given for the various instruments adopted in relation to the chosen sample size.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The study seeks to evaluate an approach to formalise rotation savings as a strategy to mobilise savings in the Zimbabwe financial services sector. The current chapter explains how the research was carried out. It looks at the research design and instruments that were used for collection of data. The research methodology adopted was deemed appropriate both theoretically and practically concerning the subject under investigation. The choice of the methodology influenced the quality of findings and practical considerations. The research procedures and methods adopted by the study were comprehensive in order for the study to realize its objective, which entail assessing the viability of formalising rotation savings in the Zimbabwe financial services industry. The research sequence of the chapter adopted the following; the researcher used sources of data such as primary sources, which are personal interviews and questionnaires. The instruments used are important so as to ensure their validity and reliability.

3.2 Research Design

The research design covers the blueprint that was used to conduct the study. This is the master plan specifying the methods and procedures for collecting and analysing the needed information. The choice of the research design was a technical decision whereby the strengths and weaknesses of the various techniques, in relation to the research problem were optimally combined. In the quest to adequately answer research objectives and questions, a descriptive research design and exploratory research design were used.

Descriptive Research Design

Assessing the viability of formalising of rotation savings requires one to explore relationships in existence between variables. For example, it is pertinent to know the relationship between respondent's participation in rotating savings and occupation. It is therefore recommended for one to employ a descriptive research design in undertaking a topic of interest which explores questions such as who, what, when, where and how. Hence, the quest to explore conditions or relationships that exist, opinions that are held, process that are going on and effects that are evident in formalising rotation savings justifies the unequivocal use of a descriptive research design.

More so, the design allows us to carry out an intensive investigation into aspects regarding how rotation savings can be formalised and the framework needed to achieve formalisation. The most part of the research questions is void of explaining causal relationships between variables but rather focus on identifying and classifying elements that relate in the formalisation of rotation savings.

Over and above, a descriptive research allows for the collection of both qualitative and quantitative data. As a result, statistical techniques can then be used to collect, analyse and summarise collected data that would not have been possible if an exploratory research had been used.

Explorative Research Design

To augment the quality of results to be obtained, an explorative research design has also been adopted. Rotating savings form part of the informal economy and as such there are no formal records exist in relation to how many households might be involved in the practise. Hence, it is an area of interest characterised by a high level of uncertainty. Moreover, the legal framework that has to be first in place to ensure effective implementation requires an explorative design since it has to be formulated and this has intricate attachments to it. Hence, an explorative research design enables identification of the boundaries of the environment in which formalisation can take place and other salient factors that might be found that could be of relevance to the research.

3.3 Research Population

Identification of the target populace is necessary so as to provide a base from which sample units and sample size can be deduced. Whilst indefinite applies to individuals involved in rotating savings, the number of financial institutions is certain. The number in total rounds off to fifteen targeted institutions. As a result, a sample will be drawn on households whereas a census will be instituted for financial institutions.

3.4 Sample

Every research ought to have a predetermined part of a statistical population whose properties are studied to gain information about the whole. This predetermined part then becomes the sample containing a sub-set of measurements drawn from a population. This study draws its focus on financial institutions and individuals in the city of Gweru.

3.4.1 Sample Frame

The study focuses on all financial institutions and individuals who are involved in rotating savings in the Gweru community as a comprehensive list of all the units or elements in the target populace.

3.4.2 Sample Size

The sample size relates to the number of individuals in the sample frame. In this research, the sample size consists of fifteen managers who are all representatives of deposit taking financial institutions.

The general population of individuals practising rotating savings is indefinite. Hence, the sample size for the general population of individuals practising rotating savings cannot be definitively determined.

3.5. Sampling Techniques

There are two basic sampling techniques that are used as a means of gathering information: probability and non probability sampling. This particular research employed non probability sampling approaches.

3.5.1 Purposive Sampling

Non probability sampling techniques that were used include purposive sampling and snow-bowl sampling. Where the researcher has little initial control over the choice of who is presented for selection, or where controlled selection of participants is not a critical factor, non probability sampling techniques should be employed.

Purposive sampling proves resilient due to the fact that the research uses judgement to choose people that are presented or are available that best meet objectives. As such, not every individual is involved in rotating savings since some prefer banking their money. Hence, to obtain quality results in assessing viability to formalise rotating savings, it requires that the researcher focus particularly on those individuals involved in rotation savings.

3.5.2 Snowball Sampling

More so, since it is knotty to randomly identify members involved in rotating savings and come up with a definite populace, the researcher employed the use of snow-bowl sampling. The technique augments purposive sampling and enhances a degree of control as the researcher builds up a sample through informants.

3.6 Sources of Data

In order to adequately answer research questions, the researcher used both primary and secondary sources of data as highlighted on sub-section 3.6.1 and 3.6.2.

3.6.1 Primary sources

The study required the collection of first hand information from original sources. This will be done through the use of questionnaires and interviews. The research employs questionnaires and interviews for respondents who are representatives of financial institutions whilst members of the public will be asked to complete questionnaires only. Primary sources of information ensure a degree of control on the information obtained since the research is breaking ground in the country. Hence or otherwise, the element of bias is eliminated.

3.6.2 Secondary Sources

To consolidate the use of primary sources, the researcher will employ the use of secondary sources. In this regard, there will extensive use of supervisory and regulatory websites, company websites and profiles, and other researcher's reports. Much of secondary sources were used in juncture with assessing the behaviour of savings and some of the supporting instruments needed to facilitate smooth formalisation of rotating savings.

Secondary sources are versatile to avoid duplication in gathering information, hence data is readily available. More so, data is generally cheaper to acquire and the data collected from reputable sources can easily be verified.

3.7 Research Instruments

Collection of data was organised through physical distribution of questionnaires and interviews. Subsection 3.7.1 and 3.7.2 give more detail on research instruments used.

3.7.1 Questionnaires

In this study, the researcher used self administered questionnaires as a primary instrument to solicit information from individuals. Hence, respondents will be asked to respond to the same set of questions in a pre-determined order. This therefore enables the respondents to fill in the questionnaires at their own preferred times, giving them the necessary time to think and evaluate their responses.

The questionnaires have been narrowed to structured (closed) questions that are coded. Standardised questions and response format in the questionnaires ensured that every

participant responded in identical stimuli and to ensure that the results are easily quantifiable, thereby facilitating quality presentation and analysis of results.

Self administered questionnaires are preferable in that they eliminate interviewer bias since respondents complete the questionnaires in the absence of the researcher. However, the structure of the questionnaires makes it difficult for the researcher to ask follow up questions to probe for answers in specific areas. Notwithstanding the limitation, it will be mitigated by the use of interviews, particularly with representatives of deposit taking financial institutions.

3.7.2 Interviews

The researcher also employs the use of interviews as a data collection method, in particular, semi-structured interviews. It should be noted that questionnaires alone are insufficient to collect the desired data from an explorative outlook.

Interviews will only be undertaken with representatives of deposit taking financial institutions. Appointments will be booked first to allow for flexibility and to also give time for the respondents to prepare themselves. Interviews are arranged not to take more than 20 minutes of the respondent's time and the researcher will have a list of themes and questions to be covered, although these would vary from interview to interview. Additional questions might be added to explore research questions and conversations will be recorded through both note taking and tape recording.

Semi-structured interviews prove resourceful in that they provide a high success rate as respondents are willing to discuss matters pertaining to the research questions and therefore facilitate easier communication by allowing flexibility.

3.8 Validation and Reliability Tests

Prior to distributing the questionnaires, the researcher will carry out a pilot study. This is essential since it enable the researcher to obtain some assessment of the questions validity and the likely reliability of the data that will be collected. Initially, experts will be asked to comment on the representativeness and suitability of the questions. More so, the questionnaires are embedded with techniques such as test re-test and internal consistency as a means to guarantee reliability. Hence or otherwise, an interview guide was first sent to experts for corrections and interviews were first conducted with other people outside the sample.

3.9 Data presentation and Analysis

After collecting and gathering data through the above stated instruments, the researcher will process it. Both qualitative and quantitative methods are incorporated in the analysis. The researcher employs the use of Stata software package to process the data. The output from the software will result in the computation of regression tables, graphs and charts. Moreover, since qualitative data is based on meanings expressed through words, part of the data will result in the collection of non-standardised data, which requires classification, and as such will be analysed through the use of conceptualisation. In this study, based on the research problem and research questions, data will be presented separately in Chapter Four.

3.10 Summary

The chapter address all the issues that form the backbone of the research process in terms of collecting and gathering data. The chapter discussed the research design, sampling techniques, research instruments, data collection procedures and data presentation techniques that were used. The research blends in two research designs, explorative and descriptive research designs. This was necessitated by the type of research objectives and questions to be addressed. The research sample frame covers individuals involved in rotating savings and all deposit taking financial institutions. Therefore, the researcher used both primary and secondary sources to collect information. Two instruments were used as primary sources, that is, questionnaires and interviews. Websites and company profiles were used as secondary sources. A pilot study was undertaken before distribution of questionnaires and experts had to make assessments in order to enhance validity and reliability of the research instruments. Data processing, analysis and presentation were done through the use of Stata software package. Notwithstanding, data analysis and presentation is to be discussed more in detail in the following chapter, that is, chapter four.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The study seeks to analyse an approach that can be adopted in formalising rotation savings as a strategy for deposit mobilisation in the Zimbabwean financial sector. Chapter four focuses on presenting, interpreting and analysing data that was collected by means of questionnaires and interviews. The researcher utilised STATA (statistical package) for analysing primary data and EXCEL for presenting and analysing secondary data.

4.2 Questionnaire Response Rate

The researcher issued out 90 questionnaires to members of the general public who are identified with rotation savings. Out of 90 questionnaires, 85 questionnaires were completed and returned. The response rate for questionnaires totals ninety four percent (94%) and is deemed adequate to validate the research and give reliability to results.

4.3 Interview Response Rates

The researcher targeted interviews with bank managers. These could be branch managers or operational managers depending with the setup in a specific financial institution. Out of fifteen (15) targeted financial institutions, the researcher conducted 11 interviews. The response rate to interviews totals seventy three percent (73%) and is regarded as sufficient to substantiate the results of the study.

4.4 Behaviour of Household Savings

The researcher employed the use of the deposit pattern displayed by the general population as a proxy for weighing up the behaviour of household formal savings. Out of 85 respondents, fifty three percent (53%) identified themselves as active bank customers. Against this background, the researcher computed a two way table with rows showing whether the respondent is a bank customer or not and columns to reveal the number of times bank services are employed in terms of deposits, be it in their own accounts or on behalf of account holders. Table 4.1 below summarises the results:

Table 4.1: Results of Household Savings Behaviour

Bank Customer	Frequency of deposits in a month					Total
	None	Once	Twice	Thrice	More than thrice	
Yes	6	23	14	1	1	45
No	29	11	0	0	0	40
Total	35	34	14	1	1	85

Source: Raw Data

In relation to respondents who identified themselves as bank customers, the majority (43%) employ bank services only once in a month in terms of deposits, followed by 26% who only deposit twice. A small fraction (2%) employs bank services thrice or more than thrice in a month. In fact there are bank customers (11%) who do not even use bank services in terms of deposits. The flip side of the same coin shows that there are individuals who are not bank customers and yet make more or less regular bank deposits on behalf of account holders.

The gesture that the majority of the general population who consider themselves as active bank customers deposit once in a month shows low motivation to save formally and ultimately a fragmented formal savings culture. This was confirmed by all interviewees who emphasised that there is a low drive to save formally, if at all it's there from the general populace in Zimbabwe. Interviewees pointed to the fact that households are in reality demanding more of credit than saving. The same phenomenon can be analysed from a national perspective. Figure 4.1 below shows Zimbabwe's total short term savings for the economic year 2013 into 2014.

Figure 4.1: Short-Term Savings
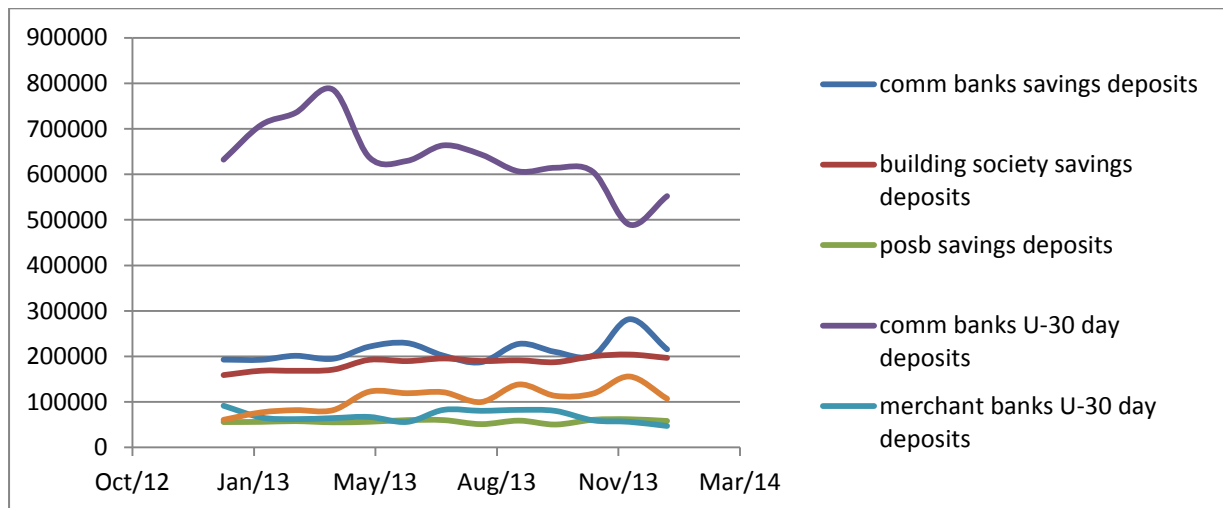
Source: RBZ (2014)

Figure 4.1 shows a declining trend for all sources of savings, be it merchant bank's savings, building society's savings, commercial banks savings to mention but few. Short-term savings reached a peak point in April 2013 totalling US$1 353 710 and their nadir in January 2014 totalling US$1 177 328. More so, the January 2014 value is 1.3% lower than the savings value in the comparable month for 2013, confirming a declining trend. The same trend can be noted for long term savings. Figure 4.2 depicts the trend.

Figure 4.2: Long-Term Savings
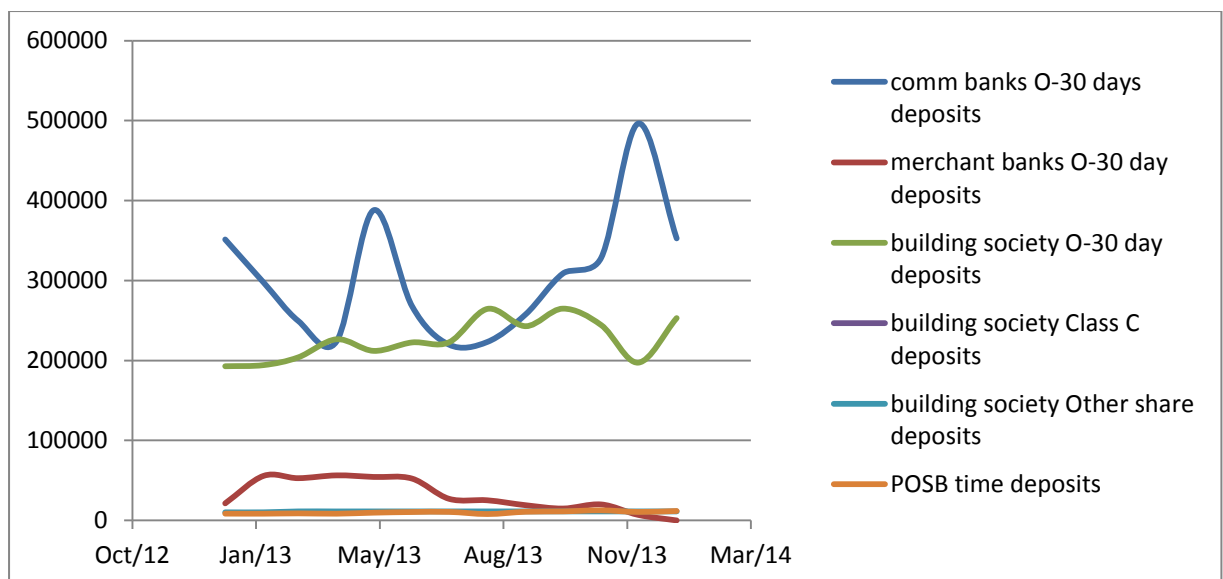
Source: RBZ (2014)

Although Figure 4.1 and Figure 4.2 show a savings trend from an aggregate perspective, household savings have been following a similar pattern. The results concur with those of *ibid* (2010) in Chikoko, Le Roux and Dzingirai (2013) of a study conducted in Zimbabwe. The similarity of results could be due to the fact that the study was conducted in the same economy, with similar prevailing economic conditions despite the difference in years under study.

A possible explanation for the declining trend could be attributed to the low confidence the general population displays towards the formal financial services sector. In this light, ninety percent of interview respondents were of the view that the general public is still gripped by the loss aversion phobia after losing their savings in the banks due to hyper-inflation and failing banks post dollarization.

On a different note, the declining trend or low motivation to formally save could be attributed to the way the general public perceives strategies employed by banks in luring deposits. As such, respondents were asked for their opinions on the efficiency of bank strategies. Table 4.2 below shows results of a computed two way table. The rows section represents whether the respondent is a bank customer or not and the columns section represents their views in terms of how efficient bank strategies are in luring deposits.

Table 4.2: Efficiency of bank strategies

Bank Customer	Opinion on Bank Strategy		Total
	Inefficient	Efficient	
Yes	26	19	45
No	34	6	40
Total	60	25	85

Source: Raw Data

The majority of bank customers (58%) and non bank customers (85%) perceive bank strategies used to lure deposits as inefficient. 42% of bank customers and 15% of non bank customers, however, deem of the strategies as efficient. Hence a high number of respondents, be it bank customers or non bank clients, believe that bank strategies are in no wise motivational in luring deposits. As a result, strategies used by banks are a crucial determinant in the deposit mobilisation process since they have a bearing on the savings behaviour

displayed by individuals and households. Results of the study concur with findings by Diop, Dorsner and Gross (2003) who show that the success of financial institutions depends on their ability to craft strategies tailor-made to suit consumer needs.

To confirm the assertion by Diop, Dorsner and Gross (2003) and establish the effect of bank strategies, a two way table was computed comparing the usage of bank services in terms of deposits against opinions on the efficiency of strategies as shown in table 4.3 below

Table 4.3: frequency vs. efficiency

	Opinion on Bank Strategy		**Total**
Frequency of deposits	Inefficient	Efficient	
None	31	4	35
Once	19	15	34
Twice	8	6	14
Thrice	1	0	1
More than thrice	1	0	1
Total	60	25	85

Source: Raw Data

The table establishes a relationship between the number of times respondents employ bank services in terms of deposits and their opinions on the efficiency of bank strategies. Of those that do not employ bank services represented by 'none', the majority describe bank strategies as inefficient. Of those that employ bank services once, 50% deem them efficient, while 41% deem them efficient, 5% deem the strategies as strongly inefficient and 3% think of them as very efficient. As such, it can be noted that the majority who deem bank strategies as inefficient reflect it through their deposit behaviour, either by utilising less or no use of bank services in terms of deposits. The view behind bank strategies being inefficient could be motivated by high bank charges being levied on accounts and daunting deposit rates on savings. Hence or otherwise, results show that the decline in formal savings is attributed in part to inefficient deposit mobilisation strategies adopted by banks.

Furthermore, the researcher implemented an analysis on the relation that might exist between demographic characteristics of respondents and their opinion on the efficiency of bank strategies. To this effect, it was pertinent to uncover whether age, gender, marital status and

or occupation have a bearing on the choice of strategy adopted by banks or it was merely chance. Table 4.4 below gives a summary of the results.

Table 4.4: Results on Chi2

Variables		Pearson chi2			
Variable 1	Variable 2	Degree of freedom	result	Pr	Critical Value
Age	Strategy	2	0.4775	0.788	5.991465
Gender	Strategy	1	0.4663	0.495	3.841459
Occupation	Strategy	3	0.8686	0.833	7.814728
Marital Status	Strategy	3	1.4776	0.687	7.814728
Age	Bank customer	2	0.0711	0.965	5.991465
Gender	Bank customer	1	5.2239	0.022	3.841459
Occupation	Bank customer	3	10.5817	0.014	7.814728
Marital Status	Bank customer	3	2.9867	0.394	7.814728

Source: Raw Data

Results from table 4.4 show that age, occupation and marital status have Pearson results less than their respective critical values. It is only gender with has a Pearson result above the critical value. Gender has a result of 0.466, critical value of 3.84 and a p-value less than 0.5. Hence, all the variables in table 4.4 are associated by chance on their opinions to strategies employed by banks except for gender. However, the same table shows that, whereas occupation might be related by chance to opinions on bank strategy, it has a statistical bearing on whether someone is a bank customer or not as represented by a chi2 of 10.5817, which is above the critical value of 7.814728 and significant p-value of 0.022. Gender retains the same effect on determining whether one is a bank customer or not as it does to opinions on bank strategies.

Hence or otherwise, since the general public still considers saving as gainful and does want to save and is saving. Having established a declining trend in formal savings, it was necessary to unveil other sources of savings that the general populace considers as safe havens for their hard earned funds. These informal sources explain how individuals and households are saving their hard earned funds outside the formal setup.

4.6 Types of Rotation Savings that Exist

As more companies close, the shrinking economy has largely become dominated by self employed individuals and a vibrant informal sector. The following types of rotation savings were found to be in existence namely, ROSCAs, ASLGs and Grocery rotations.

4.6.1 Rotation Savings and Credit Associations (Roscas)

All questionnaire respondents practise this form of informal savings. Roscas are a basic form of rotation savings popularly known as 'mukando' or 'mutambo' in Zimbabwe. It is formed upon a core of members who agree to make regular contributions to a fund which if given in whole to each contributor in rotation. Thus, a member may become a lender of a borrower during a cycle depending on at which stage he or she takes the pot. Results show that seventy-three percent (73%) of respondents practising Roscas are female. In addition, forty five percent (45%) of respondents are introduced to rotation savings through friends, followed by workmates and then relatives as depicted by Figure 4.3 below.

Figure 4.3: Affiliation
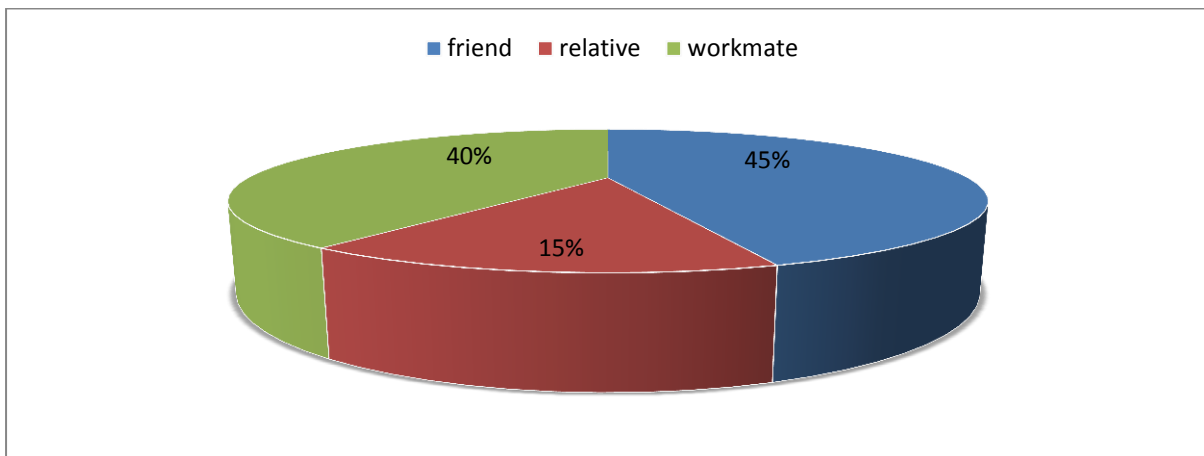
Source: Raw Data

Results produced concur with those produced by Coetzee and Cross (2001) and Martin (2013) which show that these associations are formed from social ties and eventually sources of savings and credit include family, friends and neighbours.

In addition, results unearth that Roscas have been operational for more than 5 years. The time period in question is when the Zimbabwean economy was experiencing a hyper-inflation. Hence an unstable economic environment is a significant factor that led to the emergence of rotation savings in Zimbabwe. It can however be assumed that Roscas gained traction after dollarization since most respondents have been operating for less than 5 years. Figure 4.4 shows the results.

Figure 4:4 Period In Rosca
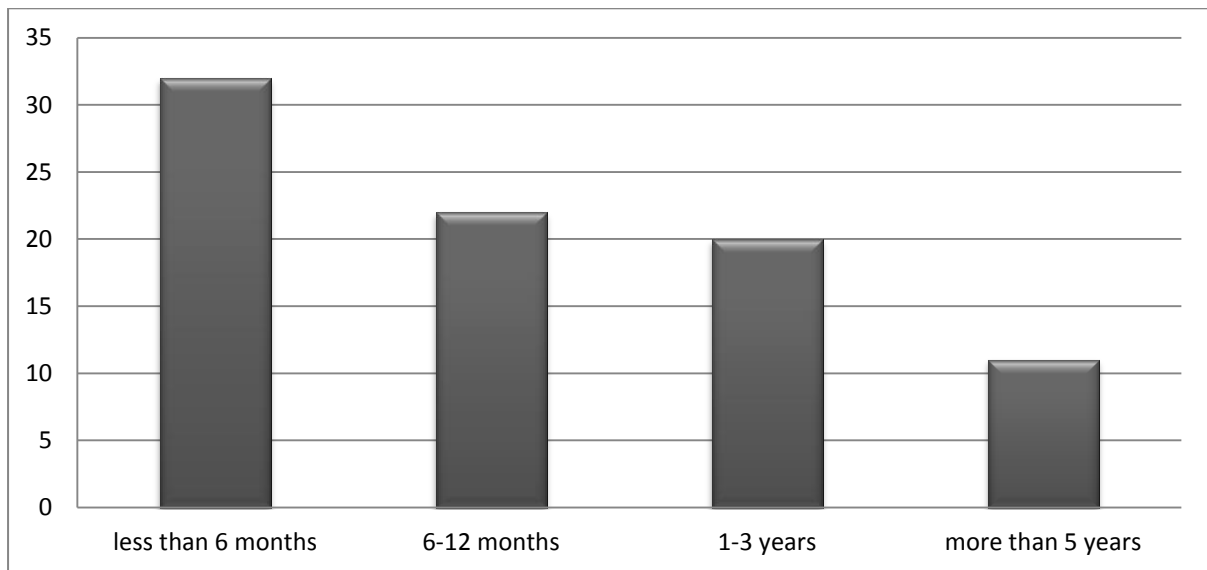
Source: Raw Data

Membership of Roscas differs from one group to the other depending on what the members would have agreed on. Results show that majority of respondents (48%) have groups with membership of between 5 to10 people. 41% of the respondents belong to groups with less than 5 members, 8% belong to groups with more than 20 members and 2% belong to groups with a members of between 11 to 20. In addition, results also show that Roscas are formed by members with strong relations, who have known each other for a period of more than one year. 74% of the respondents belong to less than 2 groups, 18% belong to 2 to 5 groups and only 8% are involved in more than 5 groups.

Results also show that the majority of respondents receive the pot on a monthly basis. Table 4.5 below summarises the findings between the time taken to receive the pot and the nominal value to be contributed.

Table 4.5: Time to receive the pot vs. Contribution

Time	Contribution					
	Less than $50	$50-$100	$101-$300	$301-$700	$701-$1000	Above $1000
Daily	12	3	0	0	0	0
Weekly	10	8	0	1	0	0
Monthly	11	23	6	0	1	1
Semi-annually	1	3	2	0	0	0
Annually	0	3	0	0	0	0
totals	34	40	8	1	1	1

Source: Raw Data

The table depicts the fact that of the groups that have a policy to contribute on a daily basis, the nominal value would also be less than US$50. Hence, as the days in-between contributions increase, participants are also prepared to part away with substantial amounts. It is also crucial to note that Roscas have no written constitution. Meetings are the main tool used to resolve differences and for anything that might need to be discussed. Figure 4.5 below shows the relationship between the opinions of how well respondents resolve differences in their groups and the level of satisfaction of respondents in the way the group performs.

Figure 4.5: Resolving Differences Vs. Satisfaction
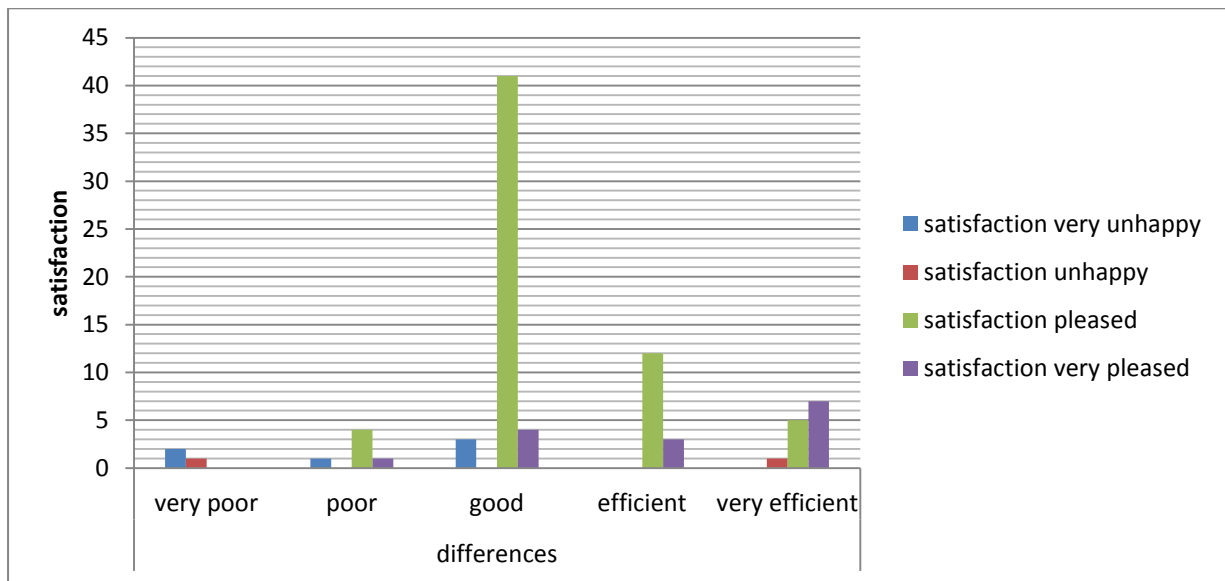
Source: Raw Data

Results show that respondents who have a high regard in the way they resolve differences have a high satisfaction level in the way the group operates. However, twenty three percent (23%) of respondents indicated that they have been defrauded before in rotation savings. Notwithstanding cases of fraud, Roscas are used more than any other form of informal rotation saving.

4.6.2 Accumulating Savings and Lending Groups (ASLGS)

Apart from Roscas, the general population practise a more sophisticated form of rotation savings. ASLGs are a unique type of rotation savings where members make regular contributions on an agreed interval. These rank third, in terms of usage. However, unlike Roscas, these groups do not follow a rotation; instead, the focus is on the accumulation of assets (money) and then income generation. Hence, the funds contributed are allowed to mature over time. The very same funds are then lent out to members at predetermined interest rates.

Results also show that ASLGs are common amongst the employed as they can afford to save funds for considerable longer periods. ASLGs have been driven by individuals who then are in a position to save a portion of their income and those who want a higher return on their funds. This form of informal savings could be another possible explanation for the decline in formal savings as more people seek high returns for their investments than those offered by

formal financial institutions. The price (return) charged on the funds lent, would be best described as the black market cost of funds.

It can therefore be noted that over and above been operational in South-Africa (Coetzee and Cross, 2002), ASLGs are also operational in Zimbabwe. However, operations are somehow different in that ASLGs in South Africa collect monthly and pay out annually whereas ASLGs in Zimbabwe collect monthly and lent out the funds at an interest to a member who is in need. More so, Coetzee and Cross (2002) allude that ASLGs in South Africa bank their savings so as to earn both bank interest and interest income from their lending activities. In Zimbabwe, respondents indicated that their funds are not banked. The difference in the operations could be attributed from the fact that Zimbabwean financial institutions levy bank charges, which the general populace believe to be discouraging.

4.6.3 Rotation Savings in form of Groceries

Over and above Roscas and ASLGs, respondents also conduct rotations in form of groceries. Grocery rotation saving ranks second in terms of usage and it is rather a unique method of rotation savings. In this case, members are asked to make daily, weekly and or monthly contributions depending on the preferences of the individuals. At the end of the month, the group members proceed to buy grocery which is then equally shared amongst members. For example, say a group of five women agree to contributions of a dollar each day. At the end of the month, the total money contributed amounts to ($1*5members)*30 days to sum up to $150. The members would then buy the grocery in units of 5, thus there would five bars of soap, 5 sets of tissues and five 2litre cooking oil jars to mention but a few. These are then equally shared amongst the members. Respondents claim that the grocery obtained by an individual is far much than what an individual would have bought had they saved alone.

4.7 Formalisation of Rotation Savings

In this section, the study sought to understand whether formalisation is a viable option for rotation savings. In this respect, the researcher inquired for opinions from the general populace and bank representatives. Eighty one percent (81%) of the general population were in favour of formalising rotation savings.

Having established the opinion of the general populace, which is for formalisation, it was imperative to also assess whether they would be willing to comply if registration was to be mandatory. In this case, 83% of respondents who are for formalisation, indicated that they would be willing to comply with any formalisation procedure that might be employed. It is

crucial to note that respondents were in favour of formalisation by reason of the anticipated benefits likely to be realised through formalisation. Figure 4.6 shows a summary of the results.

Figure 4.6: Formalisation Vs. Benefits
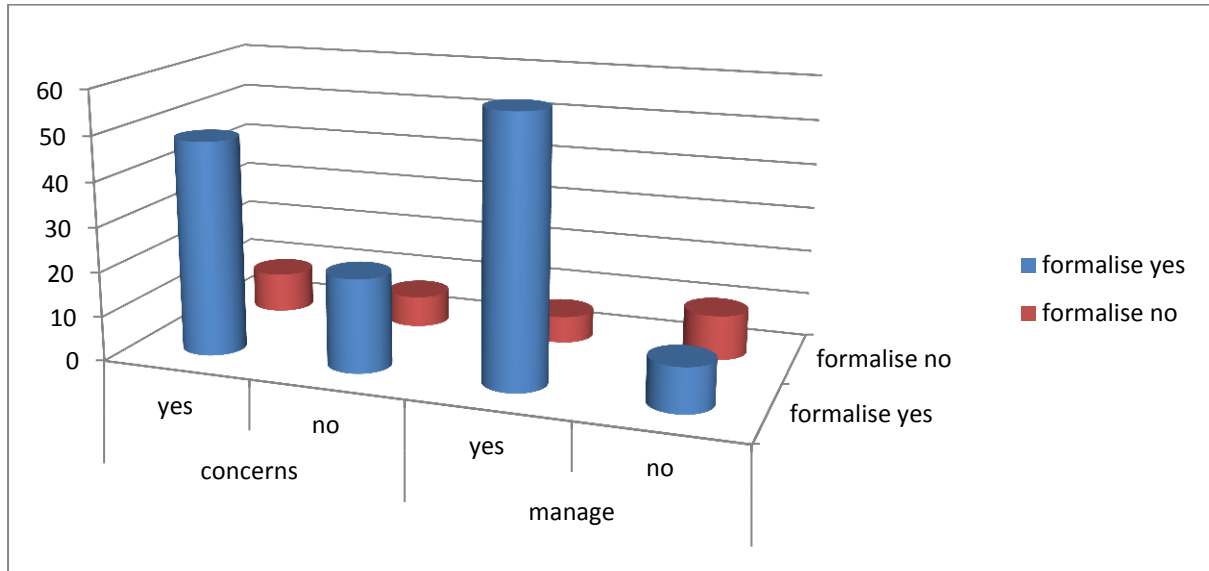
Source: Raw Data

As represented by figure 4.6, respondents are for formalisation in anticipation that the process would result in increased security of their funds and enhanced management of their transactions and activities as a group. Probing the opinions of respondents in terms of what they expect from formalisation was necessary since the ideas, opinions and fears expressed by respondents can be incorporated in the process to produce a somewhat relevant and tailor-made formalisation procedure. Hence, it also emerged that even though a large percentage (81%) is for formalisation, sixty nine percent (69%) of respondents who prefer formalisation also have concerns as to how formalisation would map up.

An assessment of the results therefore depicts that policy makers would have to be smart in crafting a suitable formalisation strategy. Results prove that in as much as the general populace prefers formalisation, what will determine the acceptability of the initiative is how it will be effected. Hence or otherwise, the next section will show results of the possible ways, amongst many alternatives, that Zimbabwean financial institutions can adopt in formalising rotation savings.

4.7.1 Re-take of Strategies Adopted

One of the strategies that were suggested is that Zimbabwe should reconsider and revise policies it has adopted towards its approach in business. These sentiments were echoed by 20% of the interviewees. The argument put across is that Zimbabwe is in the path it is now because of the policies that were adopted. Respondents referred to the Indigenisation and empowerment law, to assert that the policy has crippled foreign direct investment. More so, respondents believe that the existence of sound policies would restore confidence in the financial services sector by means of ensuring a safe and stable financial services sector void of persistent bank failures. In the same juncture, the economy has witnessed the emergence of a robust informal sector as a result of the same. Respondents' recommendation is therefore to deal with the root cause of the problem, which they believe is inconsistent and unrealistic policies.

Notwithstanding the linkage that might exist between policies adopted and where the country is at the moment, the strategy has more or less nothing to do with formalisation of rotation savings. Hence, it could be deemed as a complementing strategy in the path to formalising rotation savings. More so, the strategy has no supporting literature within the confines of formalising rotation savings.

4.7.2 Enacting a Legislature

Formalisation through a legislature entails crafting an Act of law that governs the operations of rotation savings. 40% of the interviewees were in favour of the approach. The argument presented is that an Act has the potential to rope in everyone undertaking the practise. It would therefore make the formalisation process mandatory. Hence, in the same way that companies have the Companies Act guiding and governing their operations and banks have the Banking Act chapter 24:02; formalisation of rotation savings should follow the same procedure.

Enacting a legislature could be a promising path since results from the general population already show that of those who are for formalisation, 83% would indeed comply with the regulation. In addition, using a legislature would allow for formalisation of all informal savings practices. From this view, a legislature can be crafted in such a way that all three forms of informal saving are captured.

The effectiveness of the strategy should not be underestimated since there is evidence of countries like India who have walked through the path. Hence, enacting a legislature would

concur with results by GoU (2014), of the 'Chit Fund Act of 1982' enacted in India. Notwithstanding the potential of using a legislature, the major concern would still be of ensuring that the legislature itself becomes a suitable fit in order to gain acceptability. Drafting a suitable legislature would ensure that individuals continue to perceive rotations savings as a voluntary act.

4.7.3 Registration as Non Profit Making Organisations

Another possible way of formalising rotation savings as suggested by interviewees would be to register the operations of rotation savings in the same way that non profit making organisations do. 40% of the interviewees were in favour of the approach. The rationale is that rotation savings like Roscas and groceries do not involve interest component in them that can be classified as profit margin. Hence, since the element of tax is withheld, such informal groups can register themselves as non profit making organisations.

The approach is also pregnant with potential in ensuring a smooth approach towards formalisation. Notwithstanding the potential, the approach carries weaknesses from the perspective that there are rotation savings like ASLGs that have a profit component in them, and therefore, it creates more questions as to how these should be treated. More so, the strategy has no resemblance compared to how other countries formalised.

4.7.4 Formalisation through Linkages

Rotation savings can also offer make linkages with formal financial institutions in the quest to formalisation. The following techniques apply in linking rotation savings to formal banks and these were results from empirical studies:

Adapting ROSCAs to be mutual guarantee associations ‑ it is an approach that involves the linking of ROSCAs to a bank as 'mutual guarantee associations' (MGAs), such that the bank would consider the members credit-worthy by virtue of their membership to the ROSCA-like group (Balkenhol and Gueye 1994);

Savings accounts for savings clubs – in this case, large amounts of money are mediated through ROSCAs and ASLGs. In principle these clubs represent a huge opportunity for banks to take in additional deposits, without incurring the same transactions costs as would apply to individuals. A number of commercial banks in South Africa introduced such accounts in the late 1980s or mid-1990s (Verhoef, 2001);

Self-help group on lending – 'self-help group on-lending', is the practice whereby a bank lends money to a self- help group which in turn on-lends that money to its members. In light of this approach, McGuire et al (1998) highlight through a case undertaken in Indonesia that as of 1996, 6800 self-help groups, 183 social intermediary support institutions, and 410 banks were involved. At that time, the total number of clients (based on an average of 11 members per group) was more than 75000.

4.8 Framework for Formalisation

The framework for formalisation directly draws its structures from the suggested approaches towards formalisation.

4.8.1 Framework from Legislature

The study aims to address concerns highlighted by respondents by incorporated them in the framework structure if and when formalisation is to be instituted through a legislature. Respondents would cite registration fees, taxes, registration procedure and bank charges as the concerns they have. Hence, interviewees who are for the legislature indicated that the legislature should be flexible and not air tight. In this way, registration fees would have to be very much accommodating in such a way the participants would have to think of formalisation as an incentive than a penalty.

In addition, since the approach is a new invention, it would have to adopt a penetration strategy mode in order to lure as much registrations as possible. In this way, participants would not be asked to pay any taxes. More so, as a suggestion, interviewees indicated that authorities must ensure less paper work in the registration process.

Albeit the components of the framework being addressed, interviewees could not report on what should be done in relation to bank charges, since amongst other factors, bank charges are the cause people have adopted informal rotations savings. This is so since banks rely on bank charges for revenue collection.

4.8.2 Framework in Registering as Non Profit Making Organisations

Respondents suggested the normal procedure of how other non profit making organisation register. In this way, participants would need to craft a constitution in their own preferred terms. Once the constitution is in place, these can then register as a non profit making organisation.

The fact that participants are in a position to draft a constitution in their own preferred terms is a guarantee to participants that operations would undertaken in accordance to what they would have agreed on as a group. More so, interviewees revealed that, this method has less paperwork involved in the registration process and that participants do not have to concern themselves with tax charges since they would be registered as a non profit organisation. As a suggestion, respondents indicated that registration fees would need to accommodate the majority.

In addition, shortcomings of the legislature approach can be addressed if registration is done as non profit making organisations. Since concerns are about bank charges to be incurred, if formalisation takes the form of registering as non profit making organisation; such organisations do not incur any service charges in some banking institutions. Respondents cited that funds from clubs and churches are a cheap source of funds and as such other financial institutions deem it unnecessary to levy service fees.

4.9 Supporting Instruments in Formalisation

It is indeed crucial that there be supporting instruments in the formalisation process. Examples of such supporting instruments take the form of consumer education, reduced paper work in rotation savings and safety nets to mention but a few. Table 4.6 below shows that 80% of the respondents believe that there should be such instruments to complement the process of formalisation and hence smoothen the same.

Table 4.6 Supporting Instruments.

Consumer Awareness/Education	Frequency	Percent %
Yes	68	80
No	17	20
Total	85	100

Source: Raw Data

4.9.1 Consumer Awareness

All interviewees concurred that consumer awareness should be the major tool that financial institutions can adopt in the transition to formalisation. Respondents stated that, education will facilitate shared understanding of purpose between the general population and financial institutions. In addition, consumer education involves in-depth seminars in teaching participants of changes to be expected and benefits to be realised in formalisation.

4.9.2 Safety Nets

Financial safety nets consist of measures taken by the regulators to restrict the risky position financial institutions assume in the first place and to limit the damage customers, employees ad stakeholders suffer when and if disaster ensues. As such, safety nets can be in the form of prudential supervision (minimum capital requirements, strong internal controls and external audits, management qualifications) and or deposit insurance schemes to mention but a few. Among other roles, safety nets play a very critical role of building up confidence in the financial services sector.

The process of formalisation represents an advent wherever it is instituted (Klonner, 2002). Since formalisation of rotation savings will result in these groups being recognised as formal financial institutions, the general population should bear so much trust and confidence in the financial system. Valid and firm safety nets should therefore be in place to help shape public confidence, especially in innovations that have to do with the formalisation of informal saving practices.

4.10 Summary

The study seeks to assess an approach that financial institutions can adopt for formalising rotation savings as a strategy for deposit mobilisation in the Zimbabwean financial services sector. First and foremost, results show a declining trend in household savings. This was attributed to low disposable incomes that households realise. In addition, it was noted that there is a positive correlation between the frequency for using bank services and bank strategies. This implied that the low usage of bank services in terms of savings could be attributed to the poor strategies financial institutions have adopted. Hence, it becomes imperative to study the behaviour of rotation savings from the perspective of crafting efficient strategies institutions can adopt in effectively luring bank deposits. More so, there are three types of rotation savings practised in Zimbabwe, namely, ROSCAs, ASLGs and Grocery rotation savings. A large percentage of respondents indicated that they are for formalisation of rotation savings by reason of the anticipated benefits to be realised. However, there also concerns as to how financial institutions would go about formalisation. Amongst the suggested ways, formalising through a legislature and registration as a non profit making organisations are the promising approached that carry potential of yielding positive results. Hence, respondents suggested lax regulation procedures as a stimulus. Consumer education and awareness is also the only tool that was suggested as a viable instrument to complement the process of formalisation. Hence, formalisation can indeed be

instituted. Financial institutions would have to choose between employing a legislature and encouraging registration as non profit making organisation. The next chapter will focus on conclusions and recommendations of an approach Zimbabwe financial institutions can adopt in formalisation rotation savings as a strategy for deposit mobilisation.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The aim of the study was to assess an approach Zimbabwe financial institutions can adopt to formalise rotation savings as a strategy for deposit mobilisation. The chapter focuses on the summary of findings and then discusses the conclusions of the same. The later section of the study focuses on recommendations and then suggestions for further research.

5.2 Summary of the Study

Informal saving is an area that is under researched and has received little attention by policy makers, and yet plays a vital role in the financial services sector. The aim of the study was therefore to assess a strategy banks can use to tap into informal savings. The importance of savings should not be underestimated considering that financial institutions are responsible in pooling the funds for on-lending to productive sectors. Hence, it is the duty of financial institutions to craft strategies that will enable them in accessing funds from different sources.

The concept of deposit mobilisation views every stakeholder (surplus units, financial institutions and deficit units) as a priority. Failure to craft tailor made strategies by financial institutions results in low confidence in the financial services sector and ultimately leads to informal saving. Amongst other forms, rotations savings dominate informal savings and as such can be formalised through the enactment of a legislature, or evolvement of rotation savings groups, and or rotation savings groups operating as complementary service providers alongside financial institutions. In spite of the method to be chosen in formalising rotation savings, authorities have to craft a suitable framework. More so, financial institutions can develop instruments that would complement the formalisation process. Such instruments take the form of consumer education, safety nets and lax regulation.

The research adopted a descriptive and explorative research design. A descriptive research design was deemed suitable since it allows for in-depth description of a phenomenon. It was therefore necessary to enlighten on the way rotation savings operate in Zimbabwe. Since the area is under researched, it justified the use of an exploratory research design. The research conducted a census of all commercial banking institutions in Gweru. Accordingly, the research had to interview managers in order to acquire exhaustive information on rotation savings. Purposive sampling was complemented with snow-ball sampling in handing out questionnaires to the general public.

Research findings showed that formal savings are on a decline trend for the economic year 2013 into 2014. The trend applies to both short term and long term savings. Most respondents who describe bank strategies as inefficient show a low frequency in monthly deposits. While formal savings are declining, informal saving has amplified as the general populace saves through the standard rotation groups, ASLGs and or grocery rotations. Formalisation can be initiated through a re-take of strategies, enacting a legislature and or registration of the groups as non profit making organisations. Consumer education, safety nets and lax regulation are also needed as supporting instruments.

5.3 Conclusions

The following make up the conclusions of the study

Current behaviour of household savings

Informal savings' dominance is increasing in preference to formal saving. As rotation savings continue to be undertaken informally, more funds continue being siphoned from the formal economy. The increased usage of rotation savings stems from a low confidence in the financial services sector, inefficient strategies adopted by financial institutions in luring deposits and or lack of adequate financial inclusion. As a result, rotation savings should be formalised.

Types of rotation savings

There are three types of rotation savings being practiced in Zimbabwe, namely rotation savings and credit association (ROSCAs), accumulating savings and lending groups (ASLGs) and grocery rotation savings.

Formalisation of rotation savings

Formalisation of rotation savings in Zimbabwe is achievable. Amongst a plethora of ways that can be instituted in formalisation, the following approaches were endorsed, enacting a legislature and registration as non profit making organisations. Notwithstanding the various ways, the most suitable way for formalisation is to enact a legislature.

Framework for formalisation

The framework to be instituted should have to be suitable fit so as to address concerns of the general public. Against this background, the framework will focus on allowing for accommodating registration fees and less paper work in the registration process. An additional feature on this strategy would be to lax tax rates for ASLGs.

Supporting instruments

Consumer education, safety nets and provision of information are some of the supporting instruments that can be used in formalising rotation savings.

5.4 Recommendations

The following points make up the recommendations of the study;

Enacting a legislature as an approach towards formalisation

It is suggested that financial institutions make use of the enactment of a legislature in the quest towards formalisation of rotation savings. As highlighted earlier, the major tool to be used would be consumer education in the same way that companies like Econet Holdings used in launching the Ecocash facility.

Framework for formalisation

The framework for formalisation should be a suitable fit. In the case of enactment of a legislature, policy makers should strive to strike a balance on costs the populace will incur while registering rotation savings and or during operations of the same. That is, the legislature should come up with objective and favourable registration fees and taxation for ASLGs. More so, authorities would have to consider reducing cumbersome paperwork in the registration process. It is necessary since formalisation should be perceived as an incentive by the public and not as a burden.

Stimulus policies in the financial services sector

Amongst other ways, the financial services sector should avoid continued closures of banks by adhering to set policies (corporate governance and prudential guidelines) so as to ensure a safe and sound sector. As a result, it will help restore confidence that has since been disintegrated ever since adoption of the multiple currency regime. In addition, it can be a complementary strategy in the formalisation of rotation savings.

5.5 Suggestions for further research

The study focused on an approach that can be adopted in formalising informal rotation savings as a deposit mobilisation strategy only. Further research can be instituted along the lines of strategies to be adopted to tap into the "informal sector". The fact that the funds are circulating in the informal sector mean that financial institutions and the government cannot access them, yet the economy is in dire need of funds to employ in productive sectors. As a

result, further research can focus on strategies that can be adopted to tap into funds circulating in the informal sector.

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APPENDICES
Appendix A: Approval Letter

Midlands State University

Faculty of Commerce

Department of Banking and Finance

P Bag 9055

Gweru

Tel: +263 54 260283

Dear Sir/Madam

Ref: Application for authority to carry out an academic research

I am a student at the Midlands State University pursuing a B. Comm. honours degree in Banking and Finance. In partial fulfilment of my degree programme, I am undertaking a research topic on, "**Assessing an approach to formalise rotation savings as a strategy for deposit mobilisation in the Zimbabwean financial services sector**".

I hereby ask for your valued responses with regards to the research. All information to be given will solely be used for academic purposes and a high degree of confidentiality will be exercised. For further clarification you may contact the University using the given numbers. Your assistance will be greatly appreciated.

Yours faithfully

Hove Amen

Appendix B: Questionnaire (General Populace)

Respondents are asked to complete the questionnaire in applicable areas and maintain confidentiality by **not** citing their name. The research honours ethical principles of research and as such emphasizes on **voluntary** participation by respondents. Tick where applicable.

Question number	Questions	Coding
	Background information	
1.	Age of respondent (years) Below 25 ☐ 25-40years ☐ 41-60years ☐ 61 and above ☐	Below 25 1 25-40 yrs 2 41-60 yrs 3 61 & abv 4
2.	Gender of respondent Male ☐ Female ☐	Male 0 Female 1
3.	Occupation of respondent Dependant ☐ Not employed ☐ Self employed ☐ Employed ☐	Dependant 0 N.Emplyd 1 S.Emplyd 2 Employed 3
4.	Marital status of respondent Single ☐ Married ☐ Widowed ☐ Divorcee ☐	Single 0 Married 1 Widowed 2 Divorcee 3
4b.	Nationality of respondent Zimbabwean ☐ Foreign ☐	Zim 0 Foreign 1
	Research questions	
5.	Are you an active bank customer? Yes ☐ No ☐	Yes 0 No 1

6.	As a bank customer, how often do you employ bank services within a month in terms of saving? None ☐ Once ☐ Twice ☐ Thrice ☐ More than thrice ☐	None 0 Once 1 Twice 2 Thrice 3 <Thrice 4
7.	How would you describe strategies that are currently being employed by banks to lure deposits in the financial sector? Very inefficient ☐ Inefficient ☐ Efficient ☐ Very efficient ☐	V.Ineffcnt 0 Inefficient 1 Efficient 2 V.Efficient 3
8.	How long have you been practising rotation savings? Less than 6months ☐ 6-12months ☐ 1-3years ☐ More than 5 years ☐	Less 6mths 0 6-12mnths 1 1-3yrs 2 More 5yrs 3
9	How did you get to know about rotation savings? Friend ☐ Relative ☐ Work mate ☐	Friend 0 Relative 1 Work mate 2
10	How many members are in your rotation savings group? Less than 5 ☐ 5-10members ☐ 11-20 members ☐ More than 20 ☐	Less than 5 0 5-10 1 10-20 2 < 20 3
11	How long have you known the members in your group? Less than 1year ☐ 1-10 years ☐ More than 10 years ☐	>1year 0 1-10 years 1 <10 years 2
12	How many rotation savings group are you actively involved in? Less than 2 ☐ 3-5 groups ☐ More than 5 ☐	Less than 2 0 3-5 groups 1 < 5 2
13	After what period of time does someone receive money? Every-day ☐ One week ☐ Monthly ☐ Semi-annually ☐	Everyday 0 One week 1 Monthly 2

	Annually ☐	S-annually 3 Annually 4
14.	What is the nominal value of your rotation savings group? Less than $50 ☐ $50-$100 ☐ $101-$300 ☐ $301-$700 ☐ $701-$1000 ☐ Above $1000 ☐	>$50 0 $50-$100 1 $100-$300 2 $300-$700 3 $700-$1000 4 < $1000 5
15.	Have rotation savings been beneficial to you in terms of accomplishing your goals? Yes ☐ No ☐	Yes 0 No 1
16.	Has there ever been any delay in receiving or paying up money in your rotating savings group? Yes ☐ No ☐	Yes 0 No 1
17.	Have you ever been cheated or defrauded in rotation savings? Yes ☐ No ☐	Yes 0 No 1
18.	How would you describe the manner in which you resolve differences in your group? Very poor ☐ Poor ☐ Good ☐ Efficient ☐ Very efficient ☐	Very poor 0 Poor 1 Good 2 Efficient 3 V. Efficient 4
19.	How would you rank your satisfaction in rotation savings? Very unhappy ☐ Unhappy ☐ Pleased ☐ Very pleased ☐	V.Unhappy 0 Unhappy 1 Pleased 2

		V.Pleased	3
20.	Do you think it's an excellent motion to formalise rotation savings? Yes ☐ No ☐	Yes No	0 1
21.	If it becomes mandatory to formalise rotation savings, would you comply? Yes ☐ No ☐	Yes No	0 1
22.	Would you feel more secure with your money if the practice is formalised? Yes ☐ No ☐	Yes No	0 1
23.	Would you say that you have any concerns in the formalisation of rotation savings? Yes ☐ No ☐	Yes No	0 1
24.	Do you think it will be more manageable to handle activities and transactions if the practise is formalised? Yes ☐ No ☐	Yes No	0 1
25.	Do you think there should be supporting instruments which can be put in place in the formalisation of rotation savings such as consumer awareness? Yes ☐ No ☐	Yes No	0 1
26.	Are there other methods you use to save your money besides rotating savings and banking?	Yes	0

		No	1
	Yes ☐ No ☐		

Your cooperation is greatly appreciated. Thank you very much! Siyabonga! Tinotenda!!!

Appendix C: Interview Guide for Bank Managers

1. What is your understanding of the current savings behaviour being displayed by households in the Zimbabwean Financial Services Sector?

2. As an expert in banking, what is your appreciation of informal sources of saving and their types?

3. If informal saving practices are to be formalised, may you highlight the possible course likely to be adopted and the critical issues that have to be considered.

4. Nothing formal functions effectively without regulation. What is your opinion on what should be done in terms of creating a framework in the formalisation of rotation saving?

5. May you please highlight and explain on the key facets that should characterise the framework for formalisation.

6. May you please give your suggestions on the possible instruments that have to be in place in order to make the formalisation process effective.

Appendix D: Stata Results

1. Frequency of bank deposits in a month

```
. tab customer frequency
```

			frequency			
customer	none	once	twice	thirce	more than	Total
yes	6	23	14	1	1	45
no	29	11	0	0	0	40
Total	35	34	14	1	1	85

2. Opinions of the general populace on the efficiency of bank strategies

```
. tab customer strategy
```

		strategy			
customer	very inef	inefficie	efficient	very effi	Total
yes	6	20	18	1	45
no	2	32	5	1	40
Total	8	52	23	2	85

3. Assessment of deposits' frequency and opinion on effectiveness of bank strategies

```
. tab frequency strategy
```

		strategy			
frequency	very inef	inefficie	efficient	very effi	Total
none	1	30	3	1	35
once	2	17	14	1	34
twice	5	3	6	0	14
thirce	0	1	0	0	1
more than thrice	0	1	0	0	1
Total	8	52	23	2	85

4. How members got to know about ROSCAs

```
. tab intro
```

intro	Freq.	Percent	Cum.
friend	38	44.71	44.71
relative	13	15.29	60.00
workmate	34	40.00	100.00
Total	85	100.00	

5. Length of period in ROSCAs

```
. tab length
```

length	Freq.	Percent	Cum.
less than 6 months	32	37.65	37.65
6-12 months	22	25.88	63.53
1-3 years	20	23.53	87.06
more than 5years	11	12.94	100.00
Total	85	100.00	

6. Time to receive the pot and the amount to be received/contributed

```
. tab pot value
```

| | | | value | | | | |
pot	less than	$50-$100	$101-$300	$301-$700	$701-$100	above $10	Total
everyday	12	3	0	0	0	0	15
weekly	10	8	0	1	0	0	19
monthly	11	23	6	0	1	1	42
semi-annually	1	3	2	0	0	0	6
annually	0	3	0	0	0	0	3
Total	34	40	8	1	1	1	85

7. Manner in which differences are satisfactorily resolved

```
. tab differences satisfaction
```

| | | satisfaction | | | |
differences	very unha	unhappy	pleased	very plea	Total
very poor	2	1	0	0	3
poor	1	0	4	1	6
good	3	0	41	4	48
efficient	0	0	12	3	15
very efficient	0	1	5	7	13
Total	6	2	62	15	85

8. a. Opinion on formalisation and the expected benefits

```
. tab formalise secure

                |       secure
     formalise  |     yes        no  |     Total
----------------+--------------------+----------
          yes   |      55        14  |        69
           no   |       3        13  |        16
----------------+--------------------+----------
        Total   |      58        27  |        85
```

8b.   Opinion on formalisation and management of ROSCAs

```
. tab formalise manage

                |       manage
     formalise  |     yes        no  |     Total
----------------+--------------------+----------
          yes   |      59        10  |        69
           no   |       6        10  |        16
----------------+--------------------+----------
        Total   |      65        20  |        85
```

9. Results on the need for consumer education/awareness

```
. tab awareness

    awareness  |      Freq.     Percent        Cum.
--------------+-----------------------------------
         yes  |         68       80.00       80.00
          no  |         17       20.00      100.00
--------------+-----------------------------------
       Total  |         85      100.00
```

10 Pearson Chi2 results

```
. tabulate age opinion, chi2 column nofreq

              |         opinion
          age | inefficie  efficient |     Total
--------------+----------------------+----------
    below 25  |     47.46      46.15  |     47.06
  25-40years  |     38.98      34.62  |     37.65
  41-60years  |     13.56      19.23  |     15.29
--------------+----------------------+----------
       Total  |    100.00     100.00  |    100.00

        Pearson chi2(2) =    0.4775   Pr = 0.788
```

. tabulate gender opinion, chi2 column nofreq

| | opinion | | |
gender	inefficie	efficient	Total
male	23.73	30.77	25.88
female	76.27	69.23	74.12
Total	100.00	100.00	100.00

$\quad$ Pearson chi2(1) = $\quad$ 0.4663 $\quad$ Pr = 0.495

. tabulate occup opinion, chi2 column nofreq

| | opinion | | |
occup	inefficie	efficient	Total
dependant	30.51	34.62	31.76
not employed	13.56	19.23	15.29
self employed	44.07	34.62	41.18
employed	11.86	11.54	11.76
Total	100.00	100.00	100.00

$\quad$ Pearson chi2(3) = $\quad$ 0.8686 $\quad$ Pr = 0.833

. tabulate mstatus opinion, chi2 column nofreq

| | opinion | | |
mstatus	inefficie	efficient	Total
single	52.54	53.85	52.94
married	37.29	30.77	35.29
widowed	8.47	15.38	10.59
divorcee	1.69	0.00	1.18
Total	100.00	100.00	100.00

$\quad$ Pearson chi2(3) = $\quad$ 1.4776 $\quad$ Pr = 0.687

. tabulate nationality opinion, chi2 column nofreq

| nationalit | opinion | | |
y	inefficie	efficient	Total
zimbabwean	98.31	96.15	97.65
foreign	1.69	3.85	2.35
Total	100.00	100.00	100.00

$\quad$ Pearson chi2(1) = $\quad$ 0.3635 $\quad$ Pr = 0.547

```
. tabulate age bcustomer, chi2 column nofreq

           |       bcustomer
       age |       yes         no  |     Total
-----------+----------------------+----------
  below 25 |     47.73      46.34  |     47.06
 25-40years|     36.36      39.02  |     37.65
 41-60years|     15.91      14.63  |     15.29
-----------+----------------------+----------
     Total |    100.00     100.00  |    100.00

        Pearson chi2(2) =   0.0711   Pr = 0.965


. tabulate gender bcustomer, chi2 column nofreq

           |       bcustomer
    gender |       yes         no  |     Total
-----------+----------------------+----------
      male |     36.36      14.63  |     25.88
    female |     63.64      85.37  |     74.12
-----------+----------------------+----------
     Total |    100.00     100.00  |    100.00

        Pearson chi2(1) =   5.2239   Pr = 0.022


. tabulate occup bcustomer, chi2 column nofreq

             |       bcustomer
       occup |       yes         no  |     Total
-------------+----------------------+----------
    dependant|     29.55      34.15  |     31.76
not employed |     20.45       9.76  |     15.29
self employed|     29.55      53.66  |     41.18
    employed |     20.45       2.44  |     11.76
-------------+----------------------+----------
       Total |    100.00     100.00  |    100.00

        Pearson chi2(3) =  10.5817   Pr = 0.014


. tabulate mstatus bcustomer, chi2 column nofreq

           |       bcustomer
   mstatus |       yes         no  |     Total
-----------+----------------------+----------
    single |     56.82      48.78  |     52.94
   married |     29.55      41.46  |     35.29
   widowed |     13.64       7.32  |     10.59
  divorcee |      0.00       2.44  |      1.18
-----------+----------------------+----------
     Total |    100.00     100.00  |    100.00

        Pearson chi2(3) =   2.9867   Pr = 0.394
```