FULL COLOUR THINKING

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Business Modelling for Inclusive Financial Services: How to enhance access to financial services for marginalised youth.

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by

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Acknowledgements

I would start by offering my praise and acknowledgement to God Almighty, the Ever Faithfull One, for giving me the gift of life and opening doors for me. I dedicated this thesis to my grandmother, Nina Chipfuwamiti, for inspiring me to be an entrepreneur at an early age. To my daughter, Takakundiswa Zoe, thank you for checking on me and making sure that I am indeed studying. To my son, Munenyasha Ezekiel, thank you for being a handful in my absence. It showed that you were alive and well. I am indebted to all those I left behind at home who managed to get things going in my absence. I am grateful to my family and friends for their assistance during the tenure of my study. I express my sincere gratitude to the faculty and staff at the UCT Graduate School of Business. Thank you for believing in my dream and ability. I acknowledge the efforts of Chipo Mlambo, for her supervisory support and feedback. I owe much to those who said no to me. Your rejection pushed me to do it on my own. This work is in the memory of James Zimba, Regis Marawo and all the youth who passed on before they achieved their dreams.

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Glossary of Acronyms

AML	Anti-money laundering
BIS	Bank of International Settlements
CDD	Basel Customer Due Diligence
CFT	Combating financing of terrorism
CIPC	Companies & Intellectual Property Commission
CLD	Causal Loop Diagram
CPSS	Committee on Payment and Settlement Systems
FATF	Financial Action Task Force
FGD	Focus Group Discussion
FMI	Financial Market Infrastructure
FNB	First National Bank (Pty) Ltd
KYC	Know Your Clients
MFI	Microfinance Institution
MNO	Mobile Network Operator
MTN	Mobile Telephone Network (Pty) Ltd
MTO	Money Transfer Operators
NPL	Non-performing loan
NPS	National Payments System
OMZ	Old Mutual Zimbabwe (Pvt) Ltd
PASA	Payments Association of South Africa
PenFin	PENYA Financial Services/PENYA Finance
PENYA	Practical Empowerment & Networking Youth Association
PFMI	Principles for Financial Market Infrastructure
PSP	Payments Service Provider
RBZ	Reserve Bank of Zimbabwe
SARB	South African Reserve Bank

Preface: My Veggie Basket - Autobiographical narrative of the journey towards enhancing financial support for youth.

Born into poverty

I was born into poverty, and have no regrets or excuses about that. This life time exposure has made me vow to help others get out of it. I do not need anyone to try to define what poverty is to me because I know it. I have lived poverty, I ate poverty, I wore poverty, I slept in poverty and I am still fighting poverty up to this day. Poverty is, knowing that you get a new shirt and a pair of trousers on only Christmas Day. Poverty is going to school with the same pair of shoes for two or more years or until its heels have been worn out and can no longer trap pebbles as you walk. Poverty is not having an operational bank account because you do not have a salary deposit going into it. Poverty is when a country's economy obliterates the middle class and leaves a thin line between that class and the low class. Such that people do not go to bed without a plan, as to how and where they are going to get their next dollar for the following morning.

For us poverty was bought upon us by those who thought they were superior to our fore fathers and they were better ordained to utilise and exploit our God-given resources. Just like in South Africa where poverty was a result of Apartheid policies in Zimbabwe it was due to colonialist policies that banished our race to menial jobs.

After more than 15 years of working in the banking sector I found myself job hunting when the banking sector started facing challenges and I was subsequently retrenched. That is when it hit me that as long as I am working for someone I am just a disposable asset on their balance sheet. I then sought of ways to put my skills to good use I found myself revisiting the idea toyed around by my late friend, Regis Marawo. He had challenged me to stop furthering my studies unless if only I had plans to start my own bank. Was it plausible that something good could come from a poor young man who barely had anything in his account save for his retrenchment pay-out?

Frustrations in trying to get a business loan

I identify with the frustrations that so many youth are going through right now. It frustrates to know that you have an idea that could help put food on your table and take care of your family better. However, you cannot execute it because you do not have access to the small amount of capital you need to kick-start it? I spent more than 3 years (between 2006 and 2009) trying to access a loan to start a designing company. Regardless of the fact that there had been a youth fund launched to assist budding entrepreneurs with access to capital, I just could not get it. I then asked myself how many deserving youth were they out there who had also tried to access this fund but failed. How many youth from rural

Zimbabwe, who did not know the Minister's office, had fallen into the cracks? What hope could be given to the millions who do not have any jobs or access to capital?

In a bid to address and help the youth faced up with the aforementioned challenges the African Union (2011) declared a "Decade for the Youth" from 2009 to 2018. A call was made for the private and public sector alike to create opportunities for youth. Premised on the theory of change that if the youth are given resources, support, and an opportunity they can determine their own future I set out to start an initiative to respond to this call. In 2008, with the help of a few friends, I founded Practical Empowerment & Networking Youth Association (PENYA). PENYA was more of a protest organisation meant to create the alternative to the failed government youth fund as well as the banking system that closed out young entrepreneurs because of its segregatory requirements for youth to access a loan. Since 2008, PENYA has been instrumental in creating opportunities for youth from marginalised and poor backgrounds. It provides youth with vocational and entrepreneurship skills training and business proposal development.

On carrying out an evaluation of PENYA's projects, it was revealed that a number of youth were not applying the acquired skills due to lack of access to start-up capital. One feasible approach to provide the much needed capital support to youth was to introduce micro financing into PENYA's project. This led to me starting PENYA Financial Services (PenFin) as an independent microfinance institution (MFI) for youth. PenFin has been providing experimental financial services targeted to youth. This experimentation has come out with a number of results. These include high demand for financial services from the youth, high default rates, lack of adequate capital to increase the venture's outreach as well as regulatory limitations. It is at this juncture that I find myself undertaking this study – to develop PenFin's strategy for the next five or so years.

Abstract

The aim of this research was to develop a business model that will enhance the access to financial services by marginalised youth. In order to develop such a relevant business model it was necessary to understand the needs and challenges being faced by targeted clients in using and accessing formal financial services. Accessing such services will help them build assets in the long term, smooth cashflow and make savings as they transition from childhood to adulthood. Currently there are a number of barriers compounding financial exclusion and thus increasing the inequality gap. The study applied design thinking and systems thinking tools to undertake business model innovation and come out with a plausible alternative financial services model for youth and immigrants in Zimbabwe and South Africa respectively. Qualitative and quantitative research methods were applied to unpack the financial services needs of youth and how they are currently accessing service. An ethnographic approach as well as snowballing were applied in order to get to the respondents. Covert observations were done at a construction site in a bid to collect the immigrants' silent narrative of how they got to South Africa and are surviving from day to day. The research discovered that Zimbabwean youth residing in Zimbabwe and those who have migrated to South Africa are financially excluded yet they need financial services. It also discovered that there are business models being applied globally and in South Africa that are aimed at closing the financial exclusion gap. The study concluded that it is possible to have a business model that aims at serving youth, more so immigrants in South Africa, and provide them with low cost products that have a social impact on their livelihoods

Key Words: marginalised youth, marginalised youth, alternative financial services, financial exclusion, design thinking, systems thinking, business model innovation,

1 Introduction

One of the major challenges faced globally that is impeding human and economic development is poverty (Asongu, 2013; Baumann, 2001; Chibba, 2009; Tavanti, 2013). With the levels of poverty, inequality, and social-exclusion on the rise, calls to close this gap are also becoming louder. Such calls have been made, for example, by Lagarde (2014) the UNDP (2012) and von Burgsdorff (2012). Sen (2000) links poverty to an individual's failure to develop their full capacity to be self-sufficient and be better off. Over the past years a number of developmental strategies have been designed to try and meet the Millennium Development Goals of halving global poverty by 2015 (United Nations, 2010). Financial inclusion is one of those strategies proposed to provide the poor with economic opportunities. As Lagarde (2014) asserts, access to financial services is not only getting access to a service, it is being able to get access to a vital empowerment tool. This research specifically focused on this development tool with the awareness that it may not be the only and ultimate approach to use in helping address poverty. Inclusive financial systems can be very beneficial to the poor and those from marginalised backgrounds. They can enable the poor to enjoy some of the economic benefits accruing to those who are better off than they are.

Researchers note that the poor have, for a long time, relied on informal mechanisms to access financial services (Ledgerwood, Earne, & Nelson, 2013; The World Bank, 2009). Whilst these mechanisms may be easily accessible due to their closeness to the users, they are inefficient and often times expensive. An answer to such shortfalls came about with the introduction of formal financial services. Formal financial services are not only regulated, but prove to be safe, efficient and reliable. Since 1157, when the first bank opened in Venice, the provision of access to formal financial services has been under the purview of banks (Gilbart, 1834; Hildreth, 1837; Macardy, 1840). Banks were set up then and continue, up to now, to serve wealthy clients and corporates and never to cater for the needs of the poor. This is stressed by Rutherford, Collins, & Johnson (2013, p. 51) from their research on the financial diaries of the poor.

The financial exclusion of the poor is linked to several factors such as the location of bank branches far away from where the poor reside, high costs of maintaining a bank account and failure to meet with the requirements set for one to open an account or to access a loan (Finmark Trust, 2011; Ledgerwood & Gibson, 2013).

Over the period that microfinance service provision has evolved, various innovations in financial service delivery have been developed. These innovations have taken advantage of the advancement of mobile technology and the internet and are thus enhancing financial inclusion in ways unimagined before. For example mobile payments systems are gaining traction in Africa, where they were introduced through

M-Pesa in 2007 by the mobile network operator Safaricom. Since then, as highlighted by Parada & Bull (2014), there have been successful replications in countries such as Tanzania, Ghana, Uganda, Cote d'Ivoire and Zimbabwe. They further reveal that these mobile payment platforms are now being further developed to allow clients to make savings and access short-term loans via their mobile phones. Such innovations have provided faster penetration amongst the marginalised. As reported by Eric Muriuki in (J. Thomas, 2014) m-Shwari (a savings, withdrawals and loans platform) enrolled 1 million clients within 41 days of its introduction. As indicated by Kalonji (2012) other innovations, such as that of the Foundation for International Community Assistance (FINCA) in the Democratic Republic of Congo, are providing branchless banking through a network of agents that use biometric Point of Sale terminals as the banking access points.

Whilst a number of inclusive financial services programs have been developed that target other demographic groups, little is being been done to serve the youth. The African Union (2006) defines youth as people aged between 15 and 35 years. This definition is relevant for the purposes of this study and rightfully applies to Africa's context given the early age a number of people start to work and the longer period it takes for them to become economically independent and sound. Researchers and experts have highlighted the need to develop and provide products that are appropriate and relevant to the lifecycle needs of the youth (Danielle, Porter, Perdomo, & Munoz, 2012; Schurer, Lule, & Lubwana, 2011). Policymakers during a discussion on policy innovations to enhance financial inclusion for youth agreed that youth is a phase in life that can make or break someone's future (CGAP, 2013). This is a stage where a person faces up to risks and is heavy with opportunities. Whatever decisions that are made, opportunities that are seized or lost at this stage in life can propel youth toward trajectories that can be transformative, or to the contrary, disappointing. The policymakers agreed that is need to put in place relevant policies and modalities that will support youth and provide them with more options for a better future.

Statistically, youth is a demographic group that is hugely affected by financial exclusion as it is estimated by the United Nations' World Population Prospects Database that the current global population of youth is the largest in history (United Nation Department of Economic and Social Affairs Population Division, 2014). The reports states that more than 17 per cent of these youth live in Africa of which approximately 64 per cent of African youth live in countries where at least a third of the population live on less than US$2 per day. These youth live under conditions of poverty and face a myriad of problems such as lack of access to education, limited skills training and high levels of unemployment (The World Bank, 2013).

Faced with little prospects of formal employment the youth turn to the informal market for work and financial services (Zanamwe et al., 2011). A number of such youth from Zimbabwe have trekked down to South Africa in search for employment and other economic opportunities. The major magnetising force for these immigrants is a better performing economy in South Africa. Whilst industries and companies are closing down in Zimbabwe, forcing people to operate in the informal sector the prospects are different in South Africa (Vivence Kalitanyi, 2010; Matshaka, 2000). However, such migrations do not turn out to be successful. A great portion of these young Zimbabwean immigrants fails to get formal employment due to a number of reasons. Some may not have the relevant skills, the proper documentation or work experience that enable them to compete with citizens seeking employment within South Africa. They are therefore forced to find ways of earning a living as entrepreneurs in the informal sector or as casual labourers (Kalitanyi & Visser, 2010). These situations end up marginalising them from accessing formal financial services thus forcing them to rely on informal tools to address whatever financial services need they face (Makina, 2013). Makina further asserts that the phenomenon of how the migrants are accessing financial services is unexplored and thus provides a gap in the knowledge that can be accessed.

For the youth globally to become productive and contribute to their livelihoods and community they need access to formal financial services (Danielle et al., 2012; Ledgerwood et al., 2013). Access to financial services as indicated earlier is a developmental tool and it can help youth become economically active (CGAP, 2013; International, 2014; Lagarde, 2014; Munoz, Perdomo, & Danielle, 2013). Accessing such services will help them build assets in the long term, smooth cashflow and make savings as they transition from childhood to adulthood. It follows that if the current generation of youth is to fight poverty and have prospects for a better future deliberate financial inclusion programs have to be implemented for them.

Sub-Saharan Africa is a geographic region that not only has high levels of financial exclusion unemployment, or poverty. It is also home to the greater portion of the world's youth population (United Nations Economic Commission for Africa, 2010). Zimbabwe and South Africa are countries located in Sub-Saharan Africa. They are both young democracies that have at least 62% of their population being classified as youth. The high levels of inequality and poverty in these countries are linked to historic oppressive policies of colonialism, segregation and apartheid. In Zimbabwe, formal employment has been declining since 1980s (Pindiriri & Muhoyi, 1982). In fact, it is estimated that 75% of Zimbabwe's labour force depends on income from informal economic activities (Luebker, 2008; Mbengo, Mujere, Gandidzanwa, Gwatirisa, & Sibanda, 2011; Ministry of Labour and Social Services Zimbabwe, 2012; Pindiriri & Muhoyi, 1982). The unemployment rate is estimated at over 80% with the youth aged 15-24 years constituting the bulk of the unemployed (International Labour Organisation, 2013). In South

Africa the level of youth unemployment is also worrisome. Latest statistics from the Institute of Race Relations indicate that at least 70% of young people between the ages of 16 and 25 are unemployed (Cronje & Kane-berman, 2015).

This research therefore sets out to develop a business model that can be adopted to serve the youth at the bottom of the pyramid. A model that not only addresses the need to sustain operations but one that also affects the lives of the youth and helps them progress out of poverty. This model can thus be piloted and fine-tuned by PenFin in Zimbabwe and South Africa. This is because research sites rich in study insights can be accessed given the abovementioned status of the two countries. The situations faced up by youth in these two countries provide a source of data that will help understand the challenges and needs of youth from developing economies. The data can be linked to global trends. By understanding how the youth in these two countries are coping and trying to be productive innovative models can be developed. Since enhancing access to financial services by youth is one of the strategies to help them become economically active, Zimbabwe and South Africa become appropriate innovation sites.

1.1 Scope and Limitations

This research focused on financial services for marginalised youth in Zimbabwe and Zimbabwean youth who were possibly living in South Africa illegally. Youth can be classified as marginalised due to their age and status in society (Joanna Ledgerwood & Gibson, 2013). Whilst on the other hand the immigrants could be classified as marginalised due to their immigration status. Marginalisation occurs when a group or individual is side-lined from mainstream activities or benefits due to their socio-economic status (Anderson, 2003). For the purpose of this study, snowballing was applied to focus the research on young Zimbabwean's in urban and rural Zimbabwe as well as those who have immigrated to Cape Town South Africa. Snowballing allowed for the identification of respondents who had the characteristics that set them apart from the rest of the population. These characteristics included but were not limited to age, employment status, immigration status, legality of stay in South Africa, income level and place of residence.

Zimbabwean migrants have created their own enclaves in several townships in Cape Town such as Nyanga, Langa, Khayelitsha, Gugulethu, Phillipi, Delft, and Du Noon. Joes Slovo is one such location and will be the area of focus for this study. It is selected because the community is easily accessible to the researcher as he is connected to a number of Zimbabweans who are part of the community here. This makes it easier to develop the trust needed to extract the data from respondents. The connection will also make it feasible to snowball for respondents within Joe Slovo as the migrants have developed their own communal network of family and friends. Migrants from other locations also identified through snowballing can be incorporated into the study.

1.2 Purpose of the Study

The aim of this research is to develop a business model that will enhance the access to financial services by marginalised youth. This study will draw knowledge from the diverse approaches on the provision of credit and financial services to the poor. The research also aims to undertake an examination of targeted financial services provision in order to identify best practices that can be replicated and integrated to develop a Social Financial Institution's model serving youth. In order to develop a relevant business model it is necessary to understand the needs and challenges being faced by targeted clients in using and accessing current services. In this regards collection of data on the current financial management tools and practises of marginalised youth, through several instruments, will be undertaken in this research. The research will design a socially oriented financial services model that works for youth in South Africa and Zimbabwe.

1.3 Research Objectives

The research sets out to study what is working best towards enhancing access to financial services by marginalised youth. It will explore whether the current tools are appropriate and providing the intended impact. The specific objectives of this study are as follows:

1. To identify and analyse existing financial inclusion models through literature review.
2. To identify gaps in existing financial services provision as related to the needs and expectations of the youth.
3. To identify the specific financial services needs of marginalised youth and identify the factors that determine how they select tools to address those needs.
4. To assess the levels of knowledge, attitudes, beliefs and practices on financial services amongst marginalised youth.
5. To identify current models that are enhancing financial inclusion for marginalized groups.
6. To integrate all the research findings and develop a youth focused financial services institution's business model.

The five specific questions to be answered by this research are:

1. What are the financial and non-financial services needed by marginalised youth and is there demand for these services by youth?
2. How are youth currently accessing financial services and are these methods appropriate, sustainable or reliable?

3. What are the existing barriers to access to financial services by youth?
4. Are there existing models that are enhancing financial inclusion for marginalised groups?
5. How can the existing models be integrated into a youth inclusive financial services model?

1.4 Research Ethics

This research will need to address ethical concerns such as plagiarism, confidentiality and protection of the subjects' identities. These concerns will be addressed by: conforming to the ethical codes set by the University of Cape Town; getting clearance from the university's Ethics in Research Committee; giving standard consent agreement forms to the respondents; ensuring non-disclosure of the respondents' identity by using numbers in place of names and letters in respect to organisations; obtaining written authority whenever a name has been permitted to be used; only my dissertation supervisor and myself will have access to the data. Respondents will have right to withdraw from the research but will not have the right to censor or edit the final dissertation.

1.5 Problem statement

Granted that financial inclusion interventions are being intensively developed around the world, it is imperative that more needs to be done to serve youth from marginalised backgrounds. Young people are financially excluded based on their perceived risk, low financial capabilities, age and status in society. This exclusion is due to the systemic practises within the financial services sector that offer adult focused products and services that are inappropriate to the needs of the youth. Those experiencing financial exclusion are mainly immigrants, unemployed young school drop outs that are trying to build and sustain their livelihoods through starting their own small businesses (survivalist enterprises) or those employed as casual labourers. Opening a bank account is a struggle for many youth because they may not have the necessary documents needed for Know Your Clients (KYC) compliancy. Some of them also reside in rural areas where the banks' branch network does not exist. When they try to access loans from formal financial services providers they are often asked to provide collateral. Another common requirement from a number of banks in Zimbabwe is that a prospective borrower opens and then operates an account with them for at least 2 months before they are considered for any loan (Standard Chartered Bank, 2015). Enabling the youth to access financial services will help them to participate in the country's economy, to manage their financial cashflows as well as manage risk. A different approach to the provision of financial services is needed if youth are to be served efficiently. The introduction of a social financial institution, which focuses on the social impact of financial products, may be opportune now.

2 Literature Review

2.1 Introduction

The purpose of the literature review is twofold: (1) to understand and contribute to the discourse on developments around microfinance and financial services provision for youth, (2) to analyse different inclusive business models that are providing the poor with access to services. The literature review is divided into four parts namely: (1) an elucidation of financial exclusion, (2) an analysis of various initiatives aimed at enhancing financial inclusion, (3) a description of the state of youth-focused financial services provision and (4) a discussion of financial exclusion of migrants.

2.2 Financial Exclusion Unpacked

2.2.1 The Definition of financial inclusion

For a long period, the provision of financial services has primarily been by banks. However, banks were initially created to support and manage financial assets of the wealthy and for corporations. Over the years, banks have found it expensive to operate in rural and remote locations, where the poor are mainly situated (Finmark Trust, 2011; Joanna Ledgerwood & Gibson, 2013). This has seen them downscaling their branch coverage in rural areas and concentrating their network within urban areas.

Financial inclusion is defined by the ACCION Center for Financial Inclusion as

> *"a state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor and rural populations"*
> (www.centerforfinancialinclusion.org)

Chaia et al. (2013) note that in Sub-Saharan Africa about 80% of the adult population are not financially served at all. The Finmark Trust (2011) consumer survey in Zimbabwe indicates that only 38% of the adult population is formally served, while 40% is financially excluded, 24% has a bank account, with 41% using informal financial mechanisms. Financial exclusion is particularly high in the rural areas, where 70% of the nation's population resides, due to limited accessibility to banks and formal salaried employment opportunities (Finmark Trust, 2011). In South Africa, as researched by Honohan & King (2013), only 53.6% of the population is formally served.

As indicated by Finmark Trust (2011) and Ledgerwood & Gibson (2013), people that are least served by formal forms of financial services providers are mostly those from rural areas or from urban slums. These operate seasonal income-generating activities or informal businesses, mainly as survivalist entrepreneurs. These target groups need access to substantial sums to manage their daily households and at times business financial demands. They however, have to cope with the fact that there are a few, if any, formal services that are readily prepared to or able to provide entry-level financial services" (Ledgerwood et al., 2013; Ledgerwood & White, 2006a).

2.2.2 The advantages of financial inclusion

Having defined what financial inclusion is I will proceed to outlay the benefit of financial inclusion as depicted through research carried out over the past years. These benefits of financial inclusion go beyond an individual. As advanced by Paulson (2006), financial development leads to economic growth, decreases poverty and reduces inequality. This point is also supported by (Chaia et al., 2013; Cull, Ehrbeck, & Holle, 2014; Demirgüç-Kunt & Klapper, 2012). Having a wider range of financial products and services to choose from is linked to economic prosperity. Researchers argue that the extent of financial access is an indicator of overall economic and social well-being of a community. It is also a reflection of how inclusive government policies are.

2.2.3 Determinants of access to formal financial services

Apart from the barriers mentioned earlier, there are other determinants that affect an individual's decision to use formal banking services. Studies and experiments have been carried out with marginalised groups such as women, youth and immigrants in a bid to unearth these determinants further. In their work (Chaia et al., 2013; Honohan & King, 2013) cite the following as being pertinent:

- level of income and education
- financial literacy
- trust in banks
- advancement and access to technology

Their research reveals that these become limiting factors on how the poor get access to formal financial services. Since the poor and marginalised do not have access to a number of basic services and education they are found wanting on the above. Their income is often low and thus they usually feel that they do not have enough money to put aside into a bank account. They are financially illiterate and thus may not take up some services, even if they are given for free. Whilst there is advancement in technology, the poor do not have ready access to such devices like smart phones that could enhance their access to financial services. Because their contact with banks is minimal, they always approach bankers with high levels of mistrust. The notion being that a banker is out to fleece the poor of their hard-earned money. Sadly, this is exhibited by a number of unscrupulous intermediaries as well as banks that charge exorbitant fees for their services.

2.3 Initiatives To Enhance Access To Financial Services

This section will landscape a number of initiatives that has been developed and used to enhance financial access by the disadvantaged. A thorough discussion will be made on the advent of microfinance and its success or failures over the past three decades. This in-depth analysis of this particular methodology is done because the researcher has been involved in the sector for a long period. On the other hand, plans had been put in place to develop PenFin into a youth focused micro-finance institution specialising in youth loans. By therefore undertaking an in-depth analysis of microfinance as opposed to the other initiatives, the researcher aims to advance the adoption of a broader array of financial services as opposed to a loans only business approach.

2.3.1 Microfinance

Initially introduced in the 1970s, to provide small loans to the poor, microcredit has now evolved to cover a range of financial products through microfinance institutions. Microfinance, as it is known now, is defined as:

> *the provision of financial services to poor and low-income clients who have little or no access to conventional banks. The term is often used in a more specific sense, referring to institutions that use new techniques developed over the past 30 years to deliver microcredit—tiny loans—to informal micro entrepreneurs. The range of services can include not only microcredit but also savings, insurance, and money transfers* (Rosenberg, Gonzalez, & Narain, 2010).

An analysis of available literature (Bakhtiari, 2011; Barnes, Keogh, & Nemarundwe, 2001; Baumann, 2001; Robert Cull, Demirgüç-Kunt, & Morduch, 2009; Jain & Thakur, 2012; D Makina, 2007; Munir, 2010; Philipp & Uhl, 2013; M Yunus, 2003; Muhammad Yunus, 2004) reveals the purposes for developing the micro financing model as:

1. To provide the poor with loans and thus make them economically active
2. To help the poor start and build income generating activities and thus run their own businesses.
3. To provide the poor with low interest, non-collateral loans
4. To save the poor from exploitation by loan sharks or informal moneylenders.

Over the past 30 or so years, microfinance service providers have developed various approaches that have been innovative in trying to enhance the financial inclusion of the poor. These include the much replicated Grameen Banking approach developed by Muhammad Yunus in 1976 (Alam & Getubig, 2010; Muhammad & Alan, 2003; M Yunus, 2003). Mobile banking and payment platforms have also been introduced. These have taken advantage of the advancement in mobile technology to make financial services accessible across various geographical locations (Aduda & Kalunda, 2012; GSMA mWomen, 2013; Nagarajan, 2005). Other innovations such as KIVA have used crowd sourcing as an approach to raise loans for clients (Carlman, 2010; Persson, 2012; Zhou, 2012).

The microfinance sector in Zimbabwe is undergoing a rebirth and there are only 147 registered institutions down from more than 1800 in 2008 (Reserve Bank of Zimbabwe, 2014). However, a number of these MFIs are providing their services under conditions and terms that exclude youth. They are charging usurious interest rates ranging from 10 to 30% per month, are mainly providing salary backed loans and a majority operate in urban areas. These three characteristics are some of the issues raised as creating a barrier to accessing financial services by the poor and the youth in particular (Karim, 2008; Rutherford, Collins, et al., 2013).

2.3.2 Microfinance success or failure

A lot of research has been undertaken to understand the impact of microfinance on the lives of the poor. Whilst there have been numerous successful replications and variations to microfinance poverty has not been eradicated and sent to the museum. Microfinance has missed the mark and continues to do so as more and more people remain poor (Bateman, 2010; Karnani, 2007; Seibel & Torres, 1999; The World Bank, 2009). Institutional forms of microfinance have found it hard to address poverty for several reasons. These include costs of reaching the poor being high because they often live in places that are expensive to reach; the debt capacity of the poor is heavily constrained and cannot support large average loan sizes (Ledgerwood et al., 2013). The poor end up relying more on informal services to cover their financing needs. They get loans from family, friends, neighbours, and self-constituted community groups.

Researchers have proposed various reasons for the failure of microfinance to address one of humanities greatest challenges. Arguments have been put across on the failure of microcredit to be sufficient on its own in addressing the high levels of inequalities and bridging the gap between the rich and the poor (Persson, 2012). MFIs have mainly focused on one product only for the poor – the short-term loan (Alan Fowler, 2000; Rutherford, Collins, et al., 2013). By so doing, the MFIs are not building the capacity and potential for the poor to exploit other financial services to their maximum benefit. If the poor are supported with the correct, relevant and properly designed financial tools they are able to manage their finances well such that they can generate more income, build assets and access basic services such as healthcare, education, water and shelter (Ledgerwood et al., 2013; Ledgerwood & White, 2006b). They can also be able to meet big-ticket costs such as funerals, weddings and other celebrations as and when they occur.

Bateman (2010) puts across a number of theories on the failure of microfinance. His main argument is on the neoliberal commercialisation of microfinance. This he claims has led to the enrichment of shareholders at the expense of the poor clients. One of the greatest scandals that highlight this shortfall is the Initial Public Offering (IPO) registration of Compartamos and SKS Microfinance. After the floating of its shares, senior management in these MFIs became millionaires whilst the clients they served still wallowed in poverty. These institutions have charged high interest rates on the poor, so claims Bateman, in a bid to maintain their high operating costs, which include the Wall Street-style salaries and bonuses for their management.

The argument on microfinance having failed is also raised in R Cull, Demirgüç-Kunt, & Morduch, 2008 and Karim, 2008. Commercialised MFIs have focused on reporting high repayment rates and returns on investments (Bateman, 2010; Persson, 2012). Such reporting does not reflect how the borrowers are made to repay their loans. In some instances, the poor are locked into the perpetual cycle of debt further. They have to borrow from other sources so as to repay the loans owed to the MFIs (Karnani, 2007; Neverson, 2013; Philipp & Uhl, 2013). Due to commercialisation, MFIs now push for profitability and sustaining their institutions. They thus move upmarket and operate in urban areas shunning the poor. The focus on viability, sustainability, high repayment rates and low portfolio-at-risk ratios are factors that are attributed to the failure of microfinance to alleviate poverty. The focus is now more on the financial return on investment rather than the developmental and social return of investment (Hossein, Redfern, & Carothers, 2006).

The loan-only programs of a number of MFIs coupled with tight repayment schedules do not favour the poor. The loan repayments are inflexible and do not favour those who mainly rely on seasonal activities to generate income. The loans usually do not have a grace period and repayments can start as early as three or four weeks after borrowing. The loans are inflexible and not tied up to the borrowers' cash flows (Bateman, 2010; Philipp & Uhl, 2013; Rutherford, Collins, et al., 2013). This puts the lenders under pressure and more often, a time forces them to seek for additional debt to service another loan. In India there was a series of suicides in a number of states of India, such as Andhra Pradesh, as borrowers failed to cope with the pressure or shame of failing to repay on time (Bateman, 2010; Shylendra, 2006; M. Taylor, 2011). A number of commercial MFIs have moved on to support consumption borrowing by giving salary-based loans (Philipp & Uhl, 2013; Rutherford, Collins, et al., 2013). Such a move has pushed the poor from qualifying for loans and accessing financial services from MFIs.

There is little empirical evidence on how modern MFIs have provided a social impact on the lives of the poor (Bateman, 2010; Robert Cull, Ehrbeck, & Holle, 2014; Khandkar Nitiin A, 2013). The gap in this evidence is a cause of concern and therefore provides little support to linking microfinance to poverty alleviation. There therefore exists a gap to further research on how MFIs are creating social impact and transforming the lives of the poor.

2.3.3 Informal (community) banking

Several experts, such as (Ledgerwood et al., 2013; Ledgerwood & White, 2006b; Rutherford & Arora, 2009; Rutherford, Colins, & Johnson, 2013; Yunus, 2003), highlight the usage of informal financial mechanisms. These are the most commonly used mechanisms by the marginalised and are mainly dependent upon social security and community structures. Self-help groups, savings and credit associations, burial societies and rotating credit and savings schemes are usually member instituted. A number are informal and unregistered groupings where a few members come together. They pool together finances through periodic contributions to help each other address their financial needs. Through these tools, they can build assets, respond to and manage emergencies as well as share in each member's hardship or joyous moment.

This tool also uses family, friends and private lenders (usually referred to by researchers as micro lenders) for savings or loans services. Money can be left in the trust of these for use on a rainy day. They can also be approached during an emergency or when one needs a loan of some sort. Whilst friends or family normally advance loans free, the micro lenders will charge heavily. The micro lenders take advantage of the borrower's desperation and urgent need to access a loan and they will charge usurious rates. Accessing loans using informal tools is normally not dependant on any collateral but some micro lenders can ask for an asset to secure the loan should the borrower not be trustworthy enough.

Due to its informality and ease of access this tool is relied upon heavily by youth (CGAP, 2013; Danielle et al., 2012; Ledgerwood & Gibson, 2013). They find it easier, convenient and less cumbersome to borrow or save money with family and friends. The aspect of how youth are accessing financial services will be discussed further in a separate section of this literature review.

2.3.4 Mobile banking and payment systems

Taking advantage of the advancement of mobile telephone usage this innovation provides banking services to those in remote locations (Claire & Arunjay, 2014; Financial, Through, & Networks, 2014; Kumar, Mckay, & Rotman, 2010). It is estimated that at least 1 billion people from poor communities own a cellphone and thus have access to this technology. Through the storage of electronic value on a mobile sim card, people are able to make payments and other banking transactions. Initially starting as a payment platform, mobile banking now also offers deposits, withdrawals and loan processing services. It is banking the previously unbanked and under-banked people in the community. The innovation has seen other sectors, such as Mobile Network Operators, that were not into banking provide services through electronic-wallets.

2.3.5 Mobile Banking Uptake in Zimbabwe

Mobile banking is becoming the face of banking in Africa and Zimbabwe is not lagging behind on this development. In Zimbabwe, there are three major mobile network operators Econet, NetOne and Telecel and 20 registered banks. Table 1 summarises the mobile banking services currently being offered by some financial institutions and mobile network operators.

. **Institution**	**Mobile Product**
Econet Wireless	EcoCash
Kingdom Bank	Cellcard
Tetrad	eMali
CABS	Textacash
Interfin Bank	Cybercash
CBZ Bank	Mobile Banking
Net One	OneWallet
Telecel	Telecash
FBC	Mobile moola
Coporeti Services	Nettcash

Table 1: Mobile banking services providers in Zimbabwe ***(Source: Author)***

With mobile phone subscription close to 100%, there are more than 13 million registered subscribers. Econet Wireless, an MNO with 70 percent market share in Zimbabwe, set out to develop a mobile money platform in October 2011. Eighteen months after Ecocash was launched it already had 2.3 million registered users, over one million active accounts and an estimated monthly transactions volume of US$200 million. Currently it has more than three million subscribers and it processes transaction volumes worth an average of USUS$2.2 billion annually. EcoCash has more than 6000 registered agents whilst Telecash has more than 2 600 agents.

The uptake of mobile money as an alternative to cash has increased rapidly. It continues to do so as Zimbabweans face up to an illiquid economy. With all networks yet to sign on at least 60% of their clients, there is room for market penetration in the provision of mobile banking services. Whilst m-money services have been network specific, a recent innovation by Nettcash is interoperable and thus allows users to send and receive money across different mobile networks. The success of m-banking is dependent on a reliable network of agents, who are responsible for enrolling subscribers/clients as well as providing them with services and support. The success and performance of agents is dependent on the electronic float they can afford per day as well as the volumes they can push through the platforms. This float is dependent on their investment capacity and it further determines the revenue they can generate from the commission to be earned. The float also determines the number and volume of transactions that an agent can push through. Table 2 below makes a comparison of streams between a low end agent (who is capital constrained) and a high end one (who is capital adequate) for one m-banking service provider:

Variables (per month)	Low End Agent	High End Agent
Electronic Float (constant daily amount)	US$1500	US$3 000
Commission earned	US$420	US$2 800
Cash value of transactions	US$10 000	US$120 000
Number of clients served	280	3360

Table 2: Agent Float/Commission analysis ***(Source: Author)***

From the above figures if an agent is to increase their commission levels, they need to also maintain a good electronic float (almost double that of a low-end agent).

2.3.6 Branchless banking

This approach utilises mobile technology as well as a network of agents to provide access to financial services (Dermish & Kneiding, 2012; Ivatury & Mas, 2008; Rao & Sonar, n.d.). It removes the “brick and mortar” structures of banking and brings it within the reach of clients. Using technologies and systems architecture based on Point of Sale terminals independent agents are enlisted as services providers. These agents can be schools, shops, churches and different service providers as well as individuals located within the community where the targeted clients reside. These agents are then trained on how to provide basic services as well as sign-on new customers. The model allows clients to carry a number of banking transactions such as deposits, withdrawals, payments and loan applications. This allows for clients to access services at lower costs and within the convenience of their community. In some instances, agents actually visit clients and do transactions at their homes. This innovation can also be source of good income to the agents as they earn a commission based on the usage of the services by clients. In the DRC, FINCA is using this approach to provide banking services to marginalised youth.

2.3.7 Crowd sourcing

Using the internet as a major fundraising platform, a number of organisations are providing access to finance to the unbanked (Persson, 2012; Zhou, 2012, Flannery, 2007). This is usually beneficial to entrepreneurs and small business owners who can raise funds through a 3rd party social enterprise or non-governmental organisation. The 3rd party usually uses its infrastructure to create the bridge that links parties that otherwise would not have come together given the lack of such infrastructure by most marginalised entrepreneurs. One good example is KIVA.org which links entrepreneurs in need of loans for their businesses with social investors through their online portal (Carlman, 2010; Flannery, 2007). Borrowers post information about the kind of business they run, how much they need and what the purpose of the loan is. The investors then choose the business they would like to invest it and advance a loan at 0% interest. Working as an intermediary and in collaboration with field partners, KIVA then remits the funds to the borrower. This way, borrowers from marginalised backgrounds are able to access social finance they otherwise were not able to access within their local financing system.

2.4 Access to financial services by youth

Whilst there have been numerous developments in the microfinance sector, very little has been done for youth. Access to financial services as indicated earlier is a developmental tool that can help youth become economically active (Bakhtiari, 2011; CGAP, 2013; Danielle et al., 2012; Lagarde, 2014). The youth need their creativity and innovations supported with access to financial services if they are to exploit opportunities to their maximum. Institutions that are able to serve the youth not only expand their client base or increase their market share, they can also build long-term customer loyalty (Danielle et al., 2012; Hossein et al., 2006; Storm, Porter, & Macaulay, 2010). Since it is projected that the world's population will grow by 1 billion over the next decade, youth become the next wave of clients (Danielle et al., 2012). It would therefore make business sense to tap into this niche.

However, the youth continue to be financially excluded and have to rely on informal networks for services. Nisha Singh in (Ledgerwood & Gibson, 2013, p. 18) argues that "most young people in developing countries do not have access to the financial services and education that would help them to be productive, engaging citizens in their economies...This explosion of youth constitutes an immense challenge and opportunity for human development." The youth fail to access financial services due to compounding factors such as, failure to meet the account opening requirements, lack of identity documents, lack of money to put into account, high charges, lack of collateral on loans, lack of financial knowledge, long distances to service providers (CGAP, 2013; Danielle et al., 2012; Ledgerwood & Gibson, 2013). As Hossein et al. (2006) argue youth are also excluded due to the perceived risk of serving them, their age and status in society. They are excluded from adult products because such products are inappropriate to the age specific needs of youth. Youth are said to be unbankable and this is supported by the lack of research and evidence on how well the youth have made use of financial services and products. There are a number of initiatives being carried out globally to enhance inclusion of youth. What is lacking is research on the impact of such programmes (CGAP, 2013; Danielle et al., 2012; Munoz et al., 2013).

In the calls being made by experts, more focus should be on youth financial services. The services to be developed should cater for youth across all age groups, status in the community and should also reach out-of-school youth (Hossein et al., 2006; Ledgerwood & Gibson, 2013). Product development has to be deliberate and specific for youth. There has to be a reduction of costs and the provision of incentives on the usage of some products such as savings accounts (Hirschland, 2009). There is also need to increase coverage and access, through using a network of agents such as shops and schools to represent services providers in the community (Danielle et al., 2012; Hirschland, 2009; Munoz et al., 2013; Schurer et al., 2011). Government policy and regulations need to be changed to enable the youth to be served. Policymakers recommended that in some countries the minimum age of opening an account needs to be lowered (CGAP, 2013). The provision of financial services needs to be complemented with financial education and entrepreneurial development (Philipp & Uhl, 2013). Researchers and financial inclusion experts like Storm et al., 2010 have noted that there is need to research further and cover the knowledge gap on financial services for youth.

2.5 Youth focused financial services provision

The current status concerning youth focused financial services is disturbing. There are a few institutions and programs that exist sorely for the service of youth (Storm et al., 2010). Most institutions provide youth with products that are an extension of adult designed products. This entails the tweaking of a product, designed and conditioned to serve adults, to cater for youth.

Whilst the trend is changing in terms of serving youth, Africa and more so Southern Africa is lagging behind. A few notable programs that exist for youth financial services are located in Europe, Middle East and North Africa, East Africa and the Americas. Of great note is the MasterCard Foundation supported programme being undertaken by United Nations Capital Development Fund called YouthStart. Launched in 2010, this ambitious programme aimed to reach 200 000 new youth clients (12 to 24 years of age), with at least 50 percent of those being young women and girls, by the end of 2014 (Linder, Perdomo, Munoz, & Cea, 2012; Reinsch, 2012). Kenya also has the Youth Development Fund, a program that is enhancing access for youth through microfinance and business training.

There are many organizations already doing fantastic work in the field of youth and financial services. Below are a few organizations that are represented in the SEEP Youth and Financial Services Working Group membership (“SEEP Network,” 2014). These organisations have been identified by the SEEP Network as leaders in services and innovations aimed at serving children and youth. They thus have ongoing projects or activities that are addressing the need to financially serve youth.

Aflatoun

Aflatoun began working with schools to bring rich and poor children together to learn about each other's lives. They seek to harness the early period in a child's life and give them an educational experience that leaves them with positive associations of money and social change. By teaching basic social and financial skills, and providing children with practical experience, Aflatoun hopes that they will believe in themselves and their ability to make a difference in their lives and in the lives of people around them. Aflatoun currently works in 83 countries, and has reached over 1.3 million children.

World Vision

World Vision is a Christian humanitarian organization dedicated to working with children, families, and their communities worldwide to reach their full potential by tackling the causes of poverty and injustice. World Vision's projects strive to meet the physical, emotional, psychological, and spiritual needs of the most vulnerable children, focusing on activities that prevent them from falling into deeper crisis; protect children who are already vulnerable through care, protection, and provision of immediate needs; and restore children by helping them gain skills they may have lost and reintegrating them with family and community when possible and appropriate. World Vision (WV) invests more in its education programs than any other sector, focusing on increasing access to quality learning opportunities for all children, especially children from disadvantaged backgrounds. WV's goal is for children to attain functional literacy and numeracy and develop essential life skills. They thus support children and youth with financial literacy training and savings clubs formation.

MEDA

One of MEDA´s objective is linking unemployed, under-skilled youth with financial services and practical skills development that will support them in securing meaningful employment or entrepreneurship opportunities. With years of experience in product design and workforce readiness, MEDA is at the leading edge of a rapidly growing field, providing innovative youth programming in Egypt, Morocco and Afghanistan. MEDA is a recognized leader for establishing best practices in financial services, investment fund development, market development and solving poverty by responding to each population's unique needs.

Save the Children

Save the Children is an organization focused on creating lasting change in the lives of children in need in the United States and around the world. Grounded in its shared vision of a world in which every child attains the right to survival, protection, development and participation, Save the Children's new mission is to inspire breakthroughs in the way the world treats children and to achieve immediate and lasting change in their lives. Save the Children serves impoverished, marginalized and vulnerable children and families in more than 120 nations. Its areas of work are: Child Protection, Education and Child Development, Health and Nutrition, HIV/AIDS, Livelihoods.

Aga Khan Foundation

The Aga Khan Foundation (AKF) focuses on a small number of specific development problems by forming intellectual and financial partnerships with organizations sharing its objectives. The AKDN works in 30 countries around the world. It offers many microfinance services, like agricultural lending, microsavings, among other.

Freedom from Hunger

Freedom from Hunger, a recognized expert in integrated financial and non-financial services for the chronically hungry poor, launched the Advancing Integrated Microfinance for Youth (AIM Youth) initiative to address the financial needs and preferences of young people with appropriate and locally adapted financial education curricula integrated with customized microfinance products—beginning with savings products. Freedom from Hunger is an international development organization dedicated to bringing innovative and sustainable self-help solutions to the fight against chronic hunger and poverty. Together with local partners in Africa, Asia and Latin America, Freedom from Hunger equips families with resources they need to build futures of health, hope and dignity.

FINCA International

The mission of FINCA International, Inc. is to provide financial services to the world's poorest families so they can create their own jobs, raise household incomes, and improve their standard of living. FINCA's aim is to deliver these services through a global network of locally managed, self-supporting institutions. FINCA works through microfinance to serve over 900,000 working poor clients through 21 wholly owned subsidiaries in Latin America, Africa, Eurasia, and the Greater Middle East. FINCA programs work closely with our low-income clients, providing them with the tools to raise their incomes and enter the global economy. They offer an array of microfinance services, and tailor those services to local circumstances and to what clients say they want, including youth clients.

Making Cents International

Making Cents understands that youth are important assets in the development of prosperous, sustainable communities. They are dedicated to stimulating, supporting, and developing the entrepreneurial spirit, business skills, and financial literacy of young people through their specialized training and consulting products and services.

CRS

Catholic Relief Services is among the major players in the microfinance world, with a network of over 36 country programs supporting both formal microfinance institutions and a range of community-based savings-led initiatives. An emphasis is put on establishing long-term relationships between group members and the microfinance institution. This ensures that the borrowers can successfully reimburse the institution, and that their businesses grow and develop through the prudent use of these loans. CRS introduced two microfinance methodologies: the savings and internal lending community and the self-help group. Members of these groups typically save on a regular basis, contribute to a voluntary emergency fund, and engage in small-scale internal lending with loans of US$5 to US$30.

Childfund International

ChildFund International is an organization driven by the potential of all children to thrive and become leaders and champions of positive change. They work with children and their families, as well as local organizations and communities to create the environments children need to thrive. ChildFund International currently works in 31 countries, assisting about 13.5 million children and their family members.

Reach Global

Reach Global's innovative approach to education transforms a shady spot under a village tree into a powerful learning opportunity. Reach education can be delivered easily by a wide variety of local organizations serving the rural poor. Reach's education extends to adolescent girls, who join their mothers and mothers-in-law in savings groups, or form groups of their own. By integrating adolescent girls, groups bring the opportunity to save and learn to the next generation of women. Together, girls and their mothers become the most enthusiastic agents of change, igniting even broader social transformation within their communities.

Streetkids International

Street Kids International is a charitable organization with the sole purpose to provide the 700 million youth worldwide living below the poverty line with sustainable opportunities to earn a living. Street Kids teams with youth workers worldwide to engage youth through innovative and interactive workshops, animations and tools about entrepreneurship, sexual health, and drug use. Having reached more than two million street kids in more than 60 countries, they have been recognized by the United Nations as a global best practice leader in youth work.

World Relief

In community with the local Church, World Relief envisions the most vulnerable people transformed economically, socially, and spiritually. Children are frequently the most vulnerable, overlooked group on the planet. To join them in their time of need World Relief implements Child Development programs, where children of all backgrounds are placed in clubs with trained mentors to learn valuable lessons about life, identity, health, hygiene and safety. In addition, utilizing the power of Agri-business, Microfinance and Savings Groups, World Relief equips small business owners with the skills, capital and resources necessary to develop successful, self-sustaining businesses.

According to Coghlan & Brannick, 2014; Hirschland, 2009; Kalonji, 2012; Linder et al., 2012; Storm et al., 2010 the following factors need to be put in consideration in order to enhance youth financial inclusion:

1. Age appropriate product design
2. Types of products rolled out (for example a transactional account, savings account, salary payment account, loans and insurance)
3. Location of services
4. Customer centric service provision
5. Use of technology
6. Policy changes
7. Other complementary products such as financial literacy and small business development support

An institution that can apply most of the above should be able to serve youth effectively and thus generate greater impact.

2.6 Access to financial services by immigrants

Having laid down the various approaches in place to close the financial inclusion gap amongst marginalised groups, this section discusses how immigrants are being served. It undertakes a review of existing literature on how immigrants are able or are failing to get access to financial services in their host countries. Such a review is relevant given the fact that this study also focuses on young Zimbabwean immigrants who are residing in South Africa (legally or illegally).

As noted by Daniel Makina (2013) and (Osili & Paulson (2006), whether migrants are escaping a political/economic crisis or in pursuit of education opportunities they move in search for a better life for themselves and their families. A number migrate due to challenges they face as well as their low status in their home country. Often a time they not only seek to create a better future for their children but also support their extended family in their country of origin. However, on reaching their migration destination some find out that the grass is not a green as they anticipated. They face up with a number of challenges, chief amongst them segregation, stigmatisation and social exclusion (LB Landau, Ramjathan-Keogh, & Singh, 2005; Loren Landau, 2007). They are seen as foreign elements that have come to 'steal' jobs from locals and are thus treated with mistrust. For example, during 2007/8, migrants in South Africa experienced xenophobic attacks that led to some deaths.

A number of migrants struggle to legalise their status due to lack of adequate information, corruption and red tape at immigration offices. They end up staying as undocumented migrants and thus increase their chances of being victimised by law enforcement agencies and some employers (Kalitanyi & Visser, m2010; Daniel Makina, 2007). As a result, migrants are excluded from basic services and access to markets such as housing or jobs becomes a struggle. They are classified as a high risk and are thus shunned when trying to access financial services and credit from services providers. These migrants are often maligned as being a burden to the South Africa economy and not directly contributing to its growth. Peberdy (2000), in the study on migrant informal traders in South Africa, dismisses this assertion. The study reveals that these migrants contribute significantly to the country's economic activity. They spend a great portion of their income or revenue within the country (Hunter & Skinner, 2003; Paulson, Singer, Newberger, & Smith, 2006; Ratha, 2005; Tengeh, Ballard, & Slabbert, 2012a). They not only export products made in South Africa but also spend locally through paying for rent, goods and services, food transport and their education. The migrants also contribute to the Value Added Tax (VAT) revenue as the purchase of these goods is usually VAT inclusive (Landau (2005). Regardless of the contribution to the economy some of these migrants continue to be marginalised from formal financial services. Migrants also boost foreign currency exchange through remittances of money back to loved ones in their home countries, albeit some of these are through informal channels (DK Von Burgsdorff, 2010; Gupta, Pattillo, & Wagh, 2007; Daniel Makina, 2013; Ratha, 2005).

The migrants usually form enclaves and build trust amongst fellow nationals. Faced up with less chances of competing successfully for jobs with locals, they start their own small businesses. They create jobs for fellow migrants and also help others set up their own businesses (Hunter & Skinner, 2003; V Kalitanyi & Visser, 2010; Matshaka, 2000; Skinner, 2008; Tengeh, Ballard, & Slabbert, 2012b). Migrants are forced to rely on informal financial mediation tools. They will keep money and circulate it amongst themselves through loans and investment in their own businesses. Most of their purchases and trading are done in cash rather than through electronic means (Gebre, Maharaj, & Pillay, 2010). As highlighted by (Hawthorne, 2004) a number of banks in South Africa have developed additional policies, above the laid down regulations and laws, that exacerbate the exclusion of migrants.

There are some factors linked to the migrants that determine their choice of service providers. The usage of formal financial services is hindered mainly due to the following plethora of factors (Gupta et al., 2007; Osili & Paulson, 2006; Paulson et al., 2006):

1. Socioeconomic and demographic characteristics such as age, education, ethnicity and income
2. Forming enclaves with immigrants from same country in neighbourhoods
3. Language barriers
4. Lack of information
5. home country institutional efficiency and reliability
6. Legal status, documentation requirements
7. Not having received a chance to gain experience with banks and other financial entities in the home country
8. Dislike to deal with banks
9. holding past experiences with home institutions within a different formal institutional environment
10. Costs, anonymity
11. Failure to maintain or provide minimum balances

Access to financial services by immigrants is important because (Gupta et al., 2007; Osili & Paulson, 2006; Paulson et al., 2006):

1. It is an indicator of how successful a country is in integrating immigrants and making them productive members of society.
2. It reflects the full economic integration and improved conditions at country level.
3. It can help expand their range as entrepreneurs, become homeowners, build credit history, save for retirement and insure against financial and other risks.

The immigrants also get the following direct benefits:

- safer alternatives to carrying cash
- secure and insured ways to save
- low costs
- access to home and small business finance
- competitive interest rates on loans giving them wider choice
- build financial identity and profile
- build assets

Access to finance by immigrant has downstream benefits to other stakeholders as well. The immigrants are a new growth market for the financial industry with existing players serving them. Immigrants become a safety concern for the host government as they carry around large sums of cash and become targets of thieves at home and in the streets. Regulators and policy makers have to constantly change laws so as to incorporate immigrants. They can set laws that accept alternative identification documents issued by local consulates. Civic society pushing for economic and social integration of immigrants also is concerned about their access to finance.

2.7 Enabling environment

For the marginalised populations in society to have access to financial services there has to be an enabling environment. Such an environment is comprised of infrastructure, government policies and regulations as well as inclusive institutional processes and procedures. This entails a regulatory environment that enhances operations by removing some of the barriers to access such as age, identification and proof of address.

2.7.1 Banking regulation and KYC requirements

A key challenge faced by those who are financially excluded stems from failure to comply with the "Know Your Clients – (KYC)" requirements of many formal financial institutions. These KYC provisions constitute part of the banking regulations practised globally. These are part of the Financial Action Task Force's (FATF) Forty plus Nine Recommendations on anti-money laundering (AML) and combating financing of terrorism (CFT). They are increasingly being implemented in middle and low-income countries. South Africa implemented the FATF standards when it introduced the Financial Intelligence Centre Act in June 2003. Whilst Zimbabwe did this through the legalisation of the Bank Use Promotion and Suppression of Money Laundering Act in 2004. KYC regulations guide how financial institutions verify the identity, place of residence and source of income of their clients before they provide them with a banking account. These regulations are applied concurrently and in line with the Basel Customer Due Diligence (CDD) procedures. These CDD procedures are summarised in the following excerpt:

> *...For personal customers, banks need to obtain the following information: name and/or names used, permanent residential address, date and place of birth, name of employer or nature of self-employment/business specimen signature, and source of funds. Additional information would relate to nationality or country of origin, public or high profile position, etc. Banks should verify the information against original documents of identity issued by an official authority (examples including identity cards and passports). Such documents should be those that are most difficult to obtain illicitly. In countries where*

> *new customers do not possess the prime identity documents, eg, identity cards, passports or driving licences, some flexibility may be required*...(Basel Customer Due Diligence for Banks, 2001)

The AML and CFT recommendations become a barrier to access to financial services since they increase the costs related to the provision of services(Bester et al., 2004). For financial institutions they increase compliance costs whilst they increase direct costs to clients as they try to ensure that they have the required documentation. Financial exclusion is thus enhanced through increasing transaction costs as well as in instances where the client does not possess the required formal documents. The AML and CFT regulations are difficult to implement in developing and low-income countries and need to be adapted into country specific contexts. Transactional costs can be lowered by applying the regulations in context or by creating cheaper compliance alternatives.

As cited by (Bester et al., 2004), in their case study, it is possible to apply simplified or reduced CDD procedures in circumstances where:

1. Money laundering or terrorist financing is low
2. Information of the identity of the customer is publicly available
3. Adequate checks and controls exist in national systems
4. You have lower-risk clients
5. You have transactions less than us$3 800
6. It is impractical to ask for proof of residence (this could apply more to rural areas dwellers, lodgers and immigrants who do not own property).

Context specific regulations should be able to coerce people using informal services through the provision of low-cost products that require little administration from clients and use existing identification systems. The cost of banking can be reduced through using innovative CDD systems. A financial institution should be able to access a national identification or birth certification systems to verify particulars presented. South Africa has successfully implemented this, where it is easier to punch in someone's ID number into a database and get all their information online. Therefore, it may be possible to use biometric identification to complement the verification of locals in possession of national identity documents or foreigners with valid passports. As indicated in the Forty plus Nine Recommendations of FATF customer identification is not restricted to an identity document, a driver's licence, a passport or residence permit but other documents of an equivalent nature.

Between 2003 and 2010 the AML and CFT recommendations were followed with strictness and no room of flexibility. However, since 2011 a number of bank supervisory units have reduced compliance requirements in order to enhance financial inclusion. Most of the relaxations have to do with the presentation of documentation as proof of residence. Potential clients now do not need to present a utility bill but other alternative documents such as an affidavit, a letter from a landlord or employer are now acceptable proofs of residence. On the identification side, face-to-face verification in now an acceptable alternative. The process entails an employee of a financial institution visiting the client and verifying any documentation with the client's face then signing off a verification form once this has been done. Both South Africa and Zimbabwe revised their KYC provisions between 2011 and 2012.

2.7.2 Capitalisation and access to start-up capital

Whilst it is possible for new entrants to come into the sector the main hindrance is the capitalisation requirements for one to get an operating licence. Table 3, below is a summary of the capitalisation requirements for a bank as laid down by the central bank in Zimbabwe.

Segments	Type of Institution	Capital Requirements		Activities
		Current	By 2020	
Tier I	Large Indigenous Commercial banks & all foreign banks	US$25 million	US$100 million	US$25 million US$100 million Core banking
Tier II	Commercial banks, Merchant banks, Building societies, Development banks, Finance & Discount houses	US$25 million	US$25 million	Core banking activities only
Tier III	Deposit Taking Microfinance banks	US$25 million	US$7.5 million	Deposit Taking Microfinance Activities

Table 3: New Capital Requirements of Banks in Zimbabwe (Mangudya, 2014)

Clearly, no start-up social entrepreneur who does not have the ready capital or is not wealthy will be able to raise the sums indicated above. Hence capitalisation becomes one of the hindrances to the provision of social financial services as institutions need to have access to large investment portfolios. The Zimbabwean central bank needs to review its capitalisation policies and regulations in order to create an environment that enables social entrepreneurs with little start-up capital to start businesses in the country.

A number of start-ups and early stage ventures are failing to access capital that enables them to operate and provide the social impact they need. In their study, Van Deventer & Mlambo, 2009 highlight the lack of funds targeted at early-stage investments, the lack of specialised fund managers and the low entrepreneurial skill sets in South Africa. This evidently means that whilst there might be billions of rands worth of capital circulating on the market, very little, if any at all, gets to social entrepreneurs.

Where venture capitalists are willing to invest they will consider the entrepreneur's honesty and integrity; a good expected market acceptance; and a high internal rate of return (Morgan & Mlambo, 2009). A few start-ups will be able to satisfy all of these attributes.

2.7.3 Conclusion

It can be concluded that there have been massive developments from since the first bank was established. The poor however, have had to depend on informal financial intermediation channels since they were not in the initial plans of banks. Other innovations had to be developed to bridge this gap. These include microfinance, community banking and mobile banking. Whilst microfinance services were introduced to the market to close the gap of access to loans by the poor it did not adequately enhance inclusion. The poor need services that are more than loans. They also need to be able to save and build their assets whilst also accessing health and funeral insurance at rates they can afford. The inefficiencies of microfinance has kept the poor stuck in their dependency on risky and expensive informal service providers. On the other hand the advancement of mobile banking services in closing this gap and enhancing financial inclusion for those who are located in remote areas where banking infrastructure do not exist. These innovations are providing previously unbanked people with access to a transactional account, a platform to save on as well as access to loans and insurance cover. However, youth and migrants continue to be excluded from formal services. Their exclusion cements the fact that a situation can prevail were financial services are exclusive because they exhibit the following characteristics:

1. They are not convenient and easily accessible to everyone, especially the disadvantaged and low income segments of society
2. They are not remotely located and are mainly clustered in towns or city centres
3. Their costs are not affordable by marginalised groups

There are knowledge gaps in existing literature on access to financial services by youth and immigrants. It can be concluded that more needs and can be done in addressing these gaps on both service provision and research. For this to happen policies and regulations that create an enabling environment should be put in place. These should remove existing barriers to access and make it easier and cheaper for social entrepreneurs and start-ups to serve marginalised groups.

3 Hypothesis

This research set out to test the following hypotheses:

1. **Hypothesis 1:** Youth from marginalised backgrounds require and seek specific financial and non-financial services but are failing to access them due to systemic failures.
2. **Hypothesis 2:** The existing barriers of access to financial services by marginalised youth can be addressed through innovative business modelling.
3. **Hypothesis 3:** Branchless, low cost, mobile banking can be integrated into a financial services institution that provides youth appropriate services and products.

4 Business Modelling

The purpose of this study was not just to research on the levels of financial exclusion amongst youth, but to also develop a business model that will serve the excluded. The section lays down and explains the methods and tools applied to develop the business model as well as the legal status to adopt. The business modelling process of this study tested Hypothesis 2 set out above. This section provides a guide to the steps followed by the researcher as he worked towards the development of the inclusive business model that provides an alternative to providing financial services to marginalised youth. Thus it is divided into parts that describes aspects relevant to business modelling tools and concepts that were applied as follows: social entrepreneurship versus entrepreneurship, systems dynamics, integrative thinking, casual loop modelling, and business model canvassing.

4.1 Social Entrepreneurship versus entrepreneurship

The dilemma of an organisation facing viability or sustainability problems is which route to take for continued existence. For PENYA, its operations as an NGO and the heavy dependence on dwindling donor support have led to such a dilemma. A choice has to be made on whether to continue as a not-for-profit entity, a purely for-profit one or as a hybrid (A Fowler, 2000). The manager or founder of the organisation therefore needs to exhibit skills that can drive the organisation forward.

What traits distinguish an entrepreneur from a social entrepreneur? It is a given that they both thrive on identifying and exploiting opportunities within their community. Entrepreneurs exploit opportunities to make profit and amass wealth in the process. They focus their innovation on the financial return of investment. Social entrepreneurs exploit opportunities to make an impact on the lives of the poor. They focus their innovation towards the social return of investment. Whilst Bo Peabody asserts that entrepreneurs are born not made, the same holds for social entrepreneurs (Elkington & Hartigan, 2013). Elkington & Hartigan, (2013) argue that social entrepreneurship is an inherent trait where individuals find themselves always concerned by the welfare of the less privileged in whatever they do. Often not satisfied by the status quo, a social entrepreneur can leave a well-paying and secure job to go and fulfil their vocation in making life better for the poor or marginalised. The researchers further state that social entrepreneurs are unreasonable people who dream what might seem impossible to others in the business world. Indeed social entrepreneurs are change makers and will always see alternatives to two or more existing business models.

A social enterprise is a hybrid between a for-profit business and a not-for-profit entity. It will operate to generate some revenue to sustain itself and not to line the pockets of its shareholders. A number of social entrepreneurs have been forced to operate as non-governmental organisations due to the non-existence of frameworks that allow for the legal registration and recognition of social enterprises (RL Martin & Osberg, 2007). Given the aforementioned definitions and discussion, the researcher proposes the transforming of PENYA into a social enterprises and thus registering PenFin as a social financial institution.

4.2 Systems Dynamics and Integrative Thinking

Systems dynamics is an approach applied in business development where the drive is to bring out a service or product that can bring the relevant change to operations. The innovator needs to see the business as an entity of the system it operates it. How that system affects the way business is done and clients are served needs to be understood. The system thinker looks at disrupting elements in that particular business system that have traditionally been seen as untouchable. System thinkers fork out alternatives to doing business in ways so different from what managers are used to. One good example is Muhammad Yunus who started giving loans to the poor when banks thought the poor were unbankable.

If the poor and marginalised youth have to be served through formalised financial services it has to be banking unreasonable. An approach needs to be developed that disrupts the current financial services system which has failed to work for the youth. The proposed business model has to constitute of processes, products and channels that are unconventional to traditional banking practises. For the purpose of this study a number of system thinking tools such as integrative thinking, design thinking, causal loop modelling and business model generation will be applied.

Designing a business model for an entrepreneur is a salient process that falls under the dictates of integrative thinking (Zott & Amit, 2007). Integrative thinking is the management style that is appropriate for an innovator or someone embarking on an entrepreneuring journey. Anyone wanting to bring about something that does not exist should not work on developing strategy as a skill but rather work on integrative thinking. Integrative thinkers work to see the whole problem, embrace its multivaried nature, and understand the complexity of its causal relationships (Johnson, 2007). They see shape and order when others see chaos. They search for creative resolutions to problems typically seen by others as a simple 'fork in the road' or an irresolvable bind. In this regards a good leader has to develop the mastery of the skill of integrative thinking and be able to apply it in their day-to-day work routine. As Johnson (2007) continues to propose integrative thinking has to be applied as an art in the same way a painter would work on an artefact on canvas. Focusing on different elements that affect how the whole painting comes out. It is a skill lived and not learnt in a lecture or classroom. In the stance of integrative thinking life becomes the classroom itself and the experiences lived contribute to the valuable learning process. As depicted in Figure 1 below, Martin & Austen (1999) suggest a choice cascade model that involves 4 stages that a manager or innovator should fluidly move through. The stages are (1) Salience, (2) Causality, (3) Sequencing and (4) Resolution.

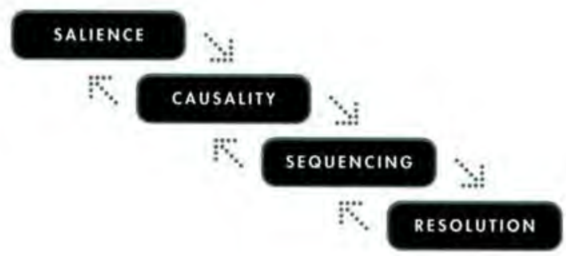


Figure 1: Integrative thinking *(Martin & Austen 1999)*

Choices are inter-related and low order choice should be made to fit in with the higher-order ones. If this does not happen then there has to be constant revisiting and revision of the choices until they reinforce and are consistent with the others. This leads to "integrative integrity" – a creative work in progress.

4.3 Causal Loop Modelling,

Casual loop modelling, an approach linked to integrative thinking and systems design, will be applied during this study. Causal loop models are diagrams that help to explore non-linear interrelationships and how the salient internal or external components of a situation relate to each other.

> *Causal loop diagrams (CLDs) provide a language for articulating our understanding of dynamic, interconnected situations. They can be considered as sentences that are constructed by linking together key variables and indicating the causal relationship between them. By connecting several CLDs, a coherent story can be told about a particular situation or issue. CLDs visualize variables and their relationships over time. They permit us not only to analyze current states and relational patterns but also to make assumptions about the dynamic behavior.* (Bob Williams, Richard Hummelbrunner, 2010, p 32)

A casual loop diagram is aimed at addressing the following questions:

• What are the key variables in the situation that interests us?

• How do they link to each other?

• How do they affect each other? Does a variable have a reinforcing or dampening effect on the variables to which it is linked?

Human behaviour and thus product consumption is not linear and people will use the same product differently. Interactions between customers, institutions and the products can thus be understood through mapping out a casual loop diagram. Figure 2 summarises the casual loop diagram developed for the problem being investigated by this research.

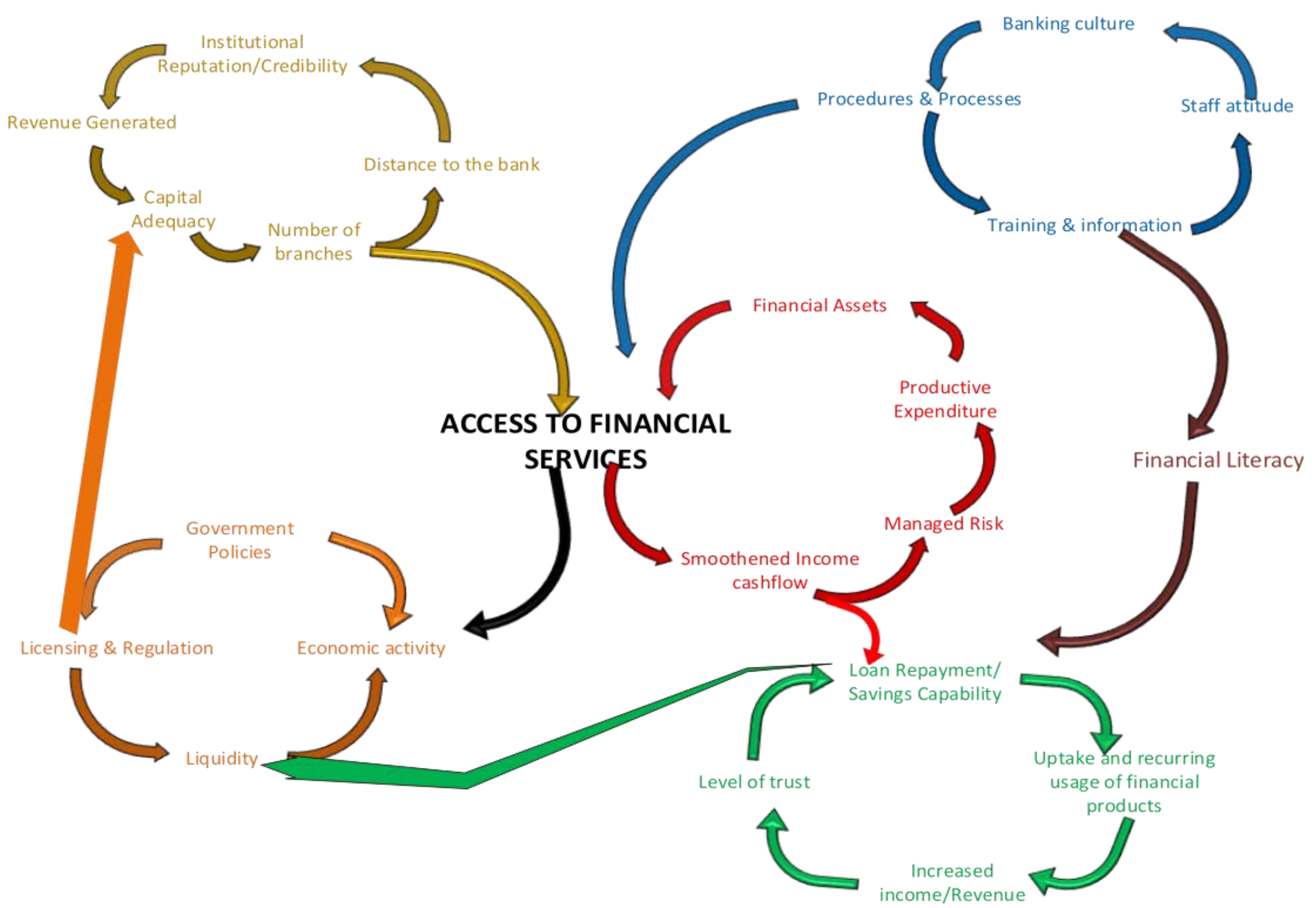


Figure 2: Financial inclusion casual loop model (Source: Author)

Through casual loop modelling five themes of related variables are identifiable for an inclusive financial services business model. These themes are relevant in enhancing access to financial services by marginalised groups and indicated in the literature that is available on the subject matter. These themes are namely:

- An enabling environment made up of variables such as government policies, licensing and regulation, economic activity and liquidity
- Institutional hardware made up of variables such as number of branches, distance to the bank, institutional reputation/credibility, revenue generated and capital adequacy

- Institutional software made up of variables such as staff attitude, banking culture, processes and procedures as well as training and information
- Consumer attitude and behaviour made up of variables such as uptake and recurring usage of financial products, increased revenue/income, level of trust and loan repayment/savings capability
- Impact of access made up of variables such as managed risk, productive expenditure, financial assets, access to financial services and smoothened income cashflow
- Financial literacy

Being able to affect or alter these variables can produce desirable conditions that can address the problem of financial exclusion of youth. An entrepreneur needs to be able to identify the variables which they are able to affect along the value chain and concentrate their energy and resources on those.

From the variables identified above the researcher developed a journey map of the value chain towards financial inclusion, see Figure 3. This journey map depicts variables that have a direct bearing on financial inclusion which can be addressed or altered through the integrative thinking approach of the business model. This value chain can be altered through lobbying and advocacy, product innovation, developing efficient delivery channels and through trainings.

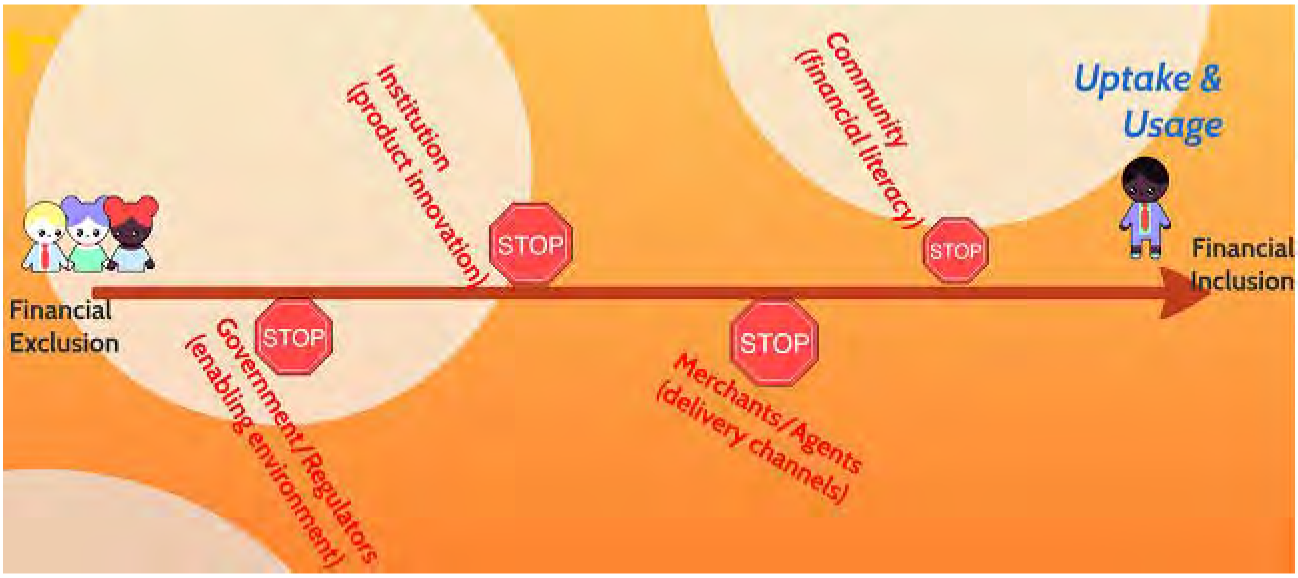


Figure 3: The journey map towards financial inclusion (Source: Author)

4.4 Design Thinking and Entrepreneurial Innovation

Applying innovation enables an organisation to address viability challenges. It allows for exploratory and discovery learning as products and services are developed in a seemingly unpredictable world. This entails the application of appropriate skills and observation, experimentation, networking and adaptive feedback. According to Suciu & Baughn (2014), design thinking is a tool at the disposal of entrepreneurial innovators for strategy development. It allows for a customer-centric approach to business innovation enabling exploration and the sharing of ideas with customers. A process made up of up to seven steps, design thinking provides an opportunity to fail early and often whilst gathering feedback and uncovering problems as strategy unfolds. It is tied up to effectuation – a process that focuses on affordable loss rather than expected returns. Risk is not reduced through structured policies, systems and procedures but by allowing failure to occur at earlier stages and at low levels of investment (Suciu & Baughn, 2014).

Design thinking involves the application of divergent and convergent thinking (Plattner, Meinel, & Leifer, 2010). Divergent thinking is the ability to offer different, unique or variant ideas adherent to one theme while convergent thinking is the ability to find the "correct" solution to the given problem. Design thinking encourages divergent thinking to ideate many solutions (possible or impossible) and then uses convergent thinking to prefer and realize the best resolution. The processes of design thinking are summarised in Figure 4 below.

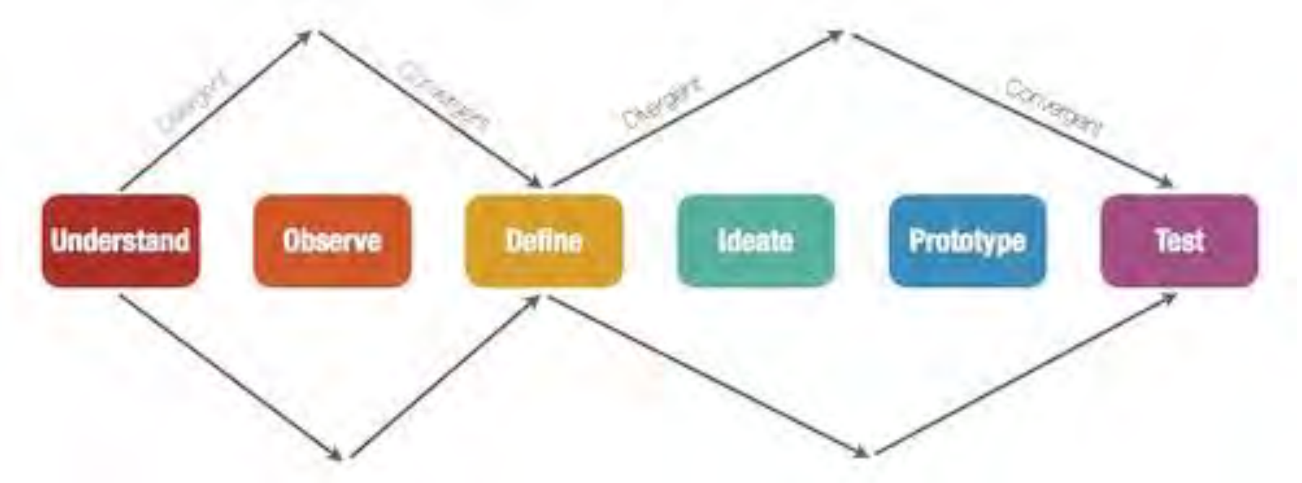


Figure 4: Design thinking cycle (Birckhead, 2013)

The "understand" and "observe" steps are sometimes combined into one step, since they help the design thinker to develop a sense of empathy. Within these six steps, problems can be framed, the right questions can be asked, more ideas can be created, and the best answers can be chosen. Design thinkers undertake research with people and observe how they behave and interact as well as find out how they feel. During the first three steps, a design thinker understands various aspects of the situation. At the ideate step they create the possible solution which they then deliver during the last two steps. The steps in design thinking are not linear but they can occur simultaneously and are often times repeated in a series of iterations until the desired product or service is attained.

During this study, the researcher managed to apply five steps of design thinking namely understand, observe, define, ideate and prototype. The researcher took a customer-centric approach by undertaking a field study on potential customers. The surveys and interview tools applied in this research enabled empathy and an understanding of clients' needs before the business model was finalised. What then is left for the design thinking cycle to be completed is to continue with the test step outside the scope of this study? A series of experiments and iterations have to be undertaken with customers to test the viability and impact of the proposed business model.

4.5 Business Model Generation

This design tool, developed by Osterwalder & Pigneur (2013), builds strongly on design thinking processes. It can be easily applied to the design of an entrepreneurial venture since new challenges are experienced during the stages of developing a service or product through to launching the business. This process is aimed on providing a rationale on how a venture is to create, deliver and capture value. It comprises of nine building blocks, which are – 1) customer segments, 2) value propositions, 3) channels, 4) customer relationships, 5) revenue streams, 6) key resources, 7) key activities, 8) key partnerships and 9) cost structure. The result of the process is a business model canvas. The canvas generated for this study will be shared in the final business model section of this report.

5 Research Methodology

This section discusses the research methods used to achieve the objectives of this study. It explains the process undertaken in determining the sample size, designing the research instruments, selecting the respondents, collecting the data and then analysing it. It also discusses the limitations, validity and reliability of this research.

5.1 Research Methods

This research took an intrepretivist approach since its goal is to interpret and understand as well as explain aspects related to human behaviour (Chris, 2005). Interpretivism calls for a lived experience and ties up with action research. As cited by Chris (2005) Aaron Cicourel put forward the theory that reliability is not only socially constructed – it is fluid. Reliability is therefore negotiated between social and cultural settings as well as relationships with other people. In the context of this research the role of economic settings in determining reality could not be ignored. This study was based on a combination of praxeology and qualitative and quantitative methods. Such a combination was designed to balance depth and breadth with interactions in the live environment.

The research triangulated quantitative and qualitative research methods. Quantitative research methodology allows for the statistical measurement of the concept being researched on. It allows for interpretive conclusions based on measurements and amounts (Creswell, 2013; Pickard, 2013; R. Thomas, 2003). This methodology was applied to test Hypothesis 1 which states that:
Youth from marginalised backgrounds are excluded from formal financial services due to perceived risk, lack of documentation, age and status in society as well as their financial incapability.
In this case quantitative methods will help determine the levels of financial exclusion as well as the demand for youth appropriate services. A cross sectional survey was used to collect such data.

Literature on research methods (Bryman, 2012; Hennink, Hutter, & Bailey, 2010; Liamputtong, 2009; Punch, 2009; Sofaer, 2002; B. Taylor & Trujillo, 2001) generally agrees that questionnaires alone are insufficient to gather valid data. The Qualitative Research Methodology was thus applied so at to get a deeper understanding of the phenomena of financial inclusion. Qualitative Research sets out to bring out social and cultural perspectives as well as people's experiences. Through discussions, interviews and observations, it tries to answer the questions such as, what is being done, why it is being done, by whom is it being done and how it is being done. A qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives with the intent of developing a theory, a pattern or a basis of advocacy (Creswell, 2013). The specific approaches used in this research were focus group discussions (FDGs) and interviews.

5.2 Study Area

In South Africa the study was carried out within Joe Slovo Township in Cape Town. In Zimbabwe the study was carried out in the urban locations of Harare as well as Norton and the rural areas of Goromonzi, Mhondoro, Gokwe, Bindura and Glendale. The absence of more study areas in South Africa suggests that caution should be exercised in generalizing the results of the survey to the entire migrant population. Notwithstanding, the suburb surveyed is a well-known residential area for migrant Zimbabweans in Cape Town so that the results could confidently be treated as fairly giving a glimpse of the broader picture.

5.3 Selection of Respondents

Respondents for this survey were youth who are either school dropouts, unemployed, self-employed or causal labourers. The survey was preceded by a mapping of the respondents, to determine if a representative sample, that fits the sampling frame, could be found in the study areas. An ethnographic approach, where the researcher carried out covert observations of migrant youth working at a construction site as well as snowballing were applied in order to get to the respondents. Probability sampling techniques could not be used because the targeted respondents are highly migratory and the survey required trust as a key element in getting people to participate in it. There are large numbers of undocumented migrant Zimbabweans in South Africa and this renders the target population to be hidden. Reliance on non-probabilistic sampling meant that the researcher could only interview those individuals who were available and willing to participate in the study after being appraised of its merits. In Zimbabwe willingness to participate depended on trust and persuasion by the researcher working with communities in the surveyed areas who had taken part in some of PENYA's programs previously. Whereas in South Africa it depended on snowballing and trust to identify both documented and undocumented Zimbabwean migrants.

5.4 Sampling frame

The target was to administer at least 210 questionnaires based on the formula

$$n = z^2pq/e^2$$

Where n = Sample size

z = standard normal deviate of 1.96

p = Proportion of the population with desired characteristics (marginalised youth in Zimbabwe and South Africa)

$q = 1 - p$

e = Maximum allowable error of 0.05

Therefore $n = (1.96)^2\ (0.0370)(0.962)/(0.05)^2$

$= 210$

Eventually 248 questionnaires were administered which comprised of 98 for South African respondents and 150 being from Zimbabwe.

5.5 Procedures of data collection

The quantitative data was collected using a questionnaire that was administered to respondents by the researcher. Qualitative data was collected through in-depth interviews, focus group discussions and key informant interviews. To understand how migrant youth see their world the researcher undertook an ethnographic approach to the study prior to the survey. This involved the researcher working on a construction site as a painter for six weeks. This site predominantly employed Zimbabwean migrants, since the owner of the company was a Zimbabwean. This stage of the study was important in building relationships and trust with the migrants, especially those who are undocumented. This later made it possible for the snowballing approach to respondent selection to be appropriate during the later stages of the study. The ethnographic observations produced narratives on how the youth came into the South Africa, the kind of documents they possessed as well as their migration status. It also brought out perceptions on how banks in South Africa treat and serve migrants. It also revealed insights into the alternatives easily available or accessible to migrants to help them manage their finances.

Whilst the initial proposal was to carry out 30 in-depth interviews (IDIs) only 23 were carried out, using an IDI guide. Interviewees included youth who had either had or not had a bank account, relied on informal financial services to manage their finances. These interviewees were selected from survey respondents who had indicated a willingness to participate in the interviews.

Three Focus Group Discussions (FGDs) were carried out (using an FGD guide) with the youth. Two FGDs were conducted with the respondents in Zimbabwe whilst one was held with the respondents in South Africa. Respondents were selected from the survey respondents who had indicated their willingness to participate after the FGDs were explained to them. The other variables that were applied in selecting these respondents were their employment status, economic activities as well as on their knowledge of financial products or lack of it thereof. The groups also comprised of youth who are accessing services from PenFin. The FGDs assisted in getting youth perceptions on financial inclusion and financial literacy. The different age groups will help extract perceptions related to the lifecycle of youth.

The initial proposal was to carry out six Key Informant Interviews (KIIs), using a KII guide, with representatives from companies that are supporting financial inclusion through various interventions and approaches. The respondents were selected from microfinance institutions; mobile banking services providers as well as wholesale funders who are providing capital to microfinance institutions. From the twelve institutions approached to be part of this study only two responded positively and participated in the KIIs. These KIIs helped unpack the narrative behind the model being applied and provide an understanding of the main aspects of the model. The interviews also provided data on how financial inclusion is being enhanced and the current levels of uptake.

Systems thinking and integrative design thinking tools were applied to answer the research question on how existing models can be integrated into a youth inclusive financial services model. These tools are comprehensively explained in an earlier section of this thesis.

5.6 Instrument Design

The questionnaires and the interview guides were designed mainly to capture the indicators that would adequately provide an understanding of the extent of financial exclusion and the demand for formal financial services by marginalised youth in South Africa and Zimbabwe. Such information would also form a basis for designing the business model and appropriate products to provide to youth. Parts of the instruments were adopted from literature review of research conducted by experts such as in financial inclusion studies. Specific questions were taken from instruments used by (Demirguc-Kunt & Klapper, 2012; Heikkilä, Kalmi, & Ruuskanen, 2013; Parada, Camilo, & Wernik, 2014)

5.7 Data analysis

Data from the questionnaires was captured, cleaned and analysed using the Statistical Package for the Social Sciences (SPPS) software. Descriptive statistics were applied to analyse the responses from the survey and thus determine the variables' frequencies. Cross-tabulation was then used to further analyse some hypotheses. The crosstabs assisted in verifying the causality and correlation between some variables and the access to and the usage of formal financial services.

5.8 Research limitations

Time, human and financial resources were major limitations to this study. Whilst the initial plan was to use financial diaries to gather data on insight into the financial practises and needs of the youth this was not possible due to limitations of this study (Rutherford & Arora, 2009). The financial diaries had initially been designed to help unpack the financial portfolios of the youth. Due to the short time span of a Master's program it was not possible to apply financial diaries as part of the research methods. The researcher only had a maximum of three months within which to conduct the fieldwork and financial diaries require at least 1 year. The compromise was to use the "lite" instead of the comprehensive version of financial diaries (Collins, 2004). On the first attempt to apply the "lite" financial diaries the researcher found it not feasible to do so. The financial diaries needed the recruitment of research assistants who would constantly monitor and follow up on respondents. This would have impacted the validity and reliability of the data since the researcher was not going to be the only one involved in the data collection. The application of the financial diary methodology also needed financing to cover the frequent follow up visits. Financial limitations also meant that a smaller study area had to be selected. Whilst it would have been possible to carry out interviews in all the ten provinces of Zimbabwe this did not happen. Due to the time and financial resource limitation, the interviews were eventually conducted in three provinces.

Mistrust and polarisation within the study areas were other limitations to this research. In Cape Town the study was undertaken during the period when the Department of Home Affairs was carrying out raids to flush out undocumented immigrants for deportation. Some people approached to participate in the survey were of the opinion that the research was meant to map out the location of undocumented migrants and furnish the Department of Home Affairs with the data. This was compounded by the questionnaire containing questions on the respondent's immigration status. It took a great deal of persuasion and explanation for respondents to participate in the study.

In Zimbabwe, the economic and political situation presented its own set of challenges. The community was highly polarised and ever suspicious of anyone collecting information in their neighbourhood. Local leaders demanded to be appraised on the activities and presence of an outsider in their jurisdiction. Whilst in some study areas respondents expected to get some money for participating in the survey no incentives were given out by the researcher. It was clearly indicated that participation was on a purely voluntary basis and this study was not a market survey for some financial services provider.

5.9 Research Validity and Reliability

Validity and reliability are appropriate concepts for the attainment of rigor in research. This study passes a number of criteria and strategies laid down on verifying the truth in interpretive epistemology (Sandberg, 2005). The researcher had a lived experience during the time spent working on a construction site as well as when trying to open a student's account with South African banks. I did not overlook my own subjective thoughts throughout the research and thus applied interpretive awareness. I ensured that my lived experience in accessing financial services in South and Zimbabwe, before and during the entire study, would not lead to biased subjectivity. An understanding between the researcher and the research participants about what they are doing and the intentions of the study was established as explained earlier. The researcher was directly involved in the design, collection, capturing and analysis of the data used in this research. For the key informant interviews, questions were sent out to respondents who then submitted written responses to this set of questions.

6 Research Findings[IE1]

This section layout the findings of the research from activities conducted in the field. Some of the frequencies do not add up to 100% since respondents "preferred not to answer" certain questions.

6.1 Research Analysis and Discussion

6.1.1 Background characteristics of respondents

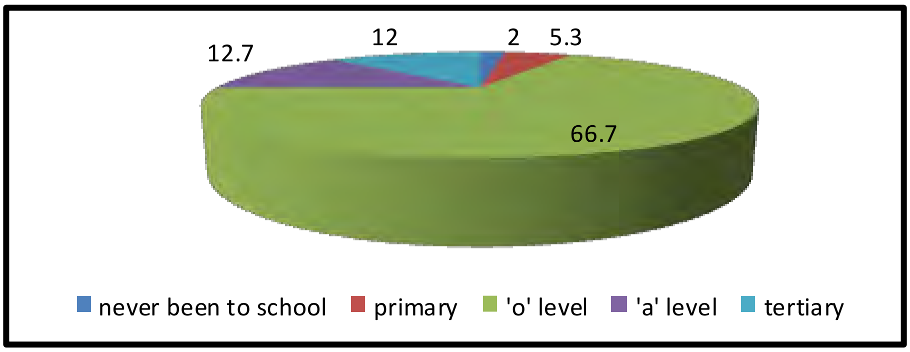
Table 4 summarises the characteristics of the respondents based in Zimbabwe. Most of the respondents, about 63%, were aged between 15 and 27 years. 45% cited that they were not married, with the majority being either married, cohabiting or divorced. It is evident that the majority were starting up or had small families, given the number of children they have. 49% have no children whilst 48% had 1 to 3 children. Approximately 41% resided in rural areas, 35% in the city and 24% resided in a small town. A greater portion, about 38%, was from Mashonaland West province whilst 36% were from Harare with other provinces being represented amongst the rest of the respondents. The majority of the respondents, approximately 67%, had “O” Level education (Figure 5).

Table 4: Background characteristics of Zimbabwean respondents

Characteristic	Percentage
Age Group	
15-21	27.3
22-27	35.3
28-35	24.7
Above 35	12.7
Marital Status	
Never married	45.3
Married/cohabiting	41.3
Divorced/Separated	5.3
Widowed	6.0
Number of Children	
None	49.3
1	15.3
2	22.0
3	10.0
4	2.0
5 or more	1.3
Place of residence in Zimbabwe	
Urban (town)	24.0
Urban (city)	34.7
Rural	40.7
Province of residence	
Mashonaland East	11.3
Mashonaland West	38
Mashonaland Central	7.3
Matebeleland South	1.3
Manicaland	2.7
Masvingo	2
Harare	36.7

N=150

Figure 5: Level of education of Zimbabwean respondents



N=150

Most of the respondents based in South Africa, about 62%, were aged between 15 and 27 years (Table 5). 30.6% cited that they were not married, with the majority being either married, co-habiting or divorced. Similar to those from Zimbabwe, the majority were starting up or had small families, given the number of children they have. 34% have no children whilst 66%% had 1 to 3 children.

When asked where they normally stay or used to stay whilst in Zimbabwe, 75.5% resided in urban areas and 24.5% were from rural areas.

The majority of the respondents, about 56%, cited that they had “O” Level education (Figure 6). Interestingly there was a greater number, approximately 35%, in comparison to 25% of Zimbabwean respondents who had either “A” level or tertiary education. This is indicative of a brain drain from Zimbabwe, wherein people who have attained higher levels of education migrating to South Africa.

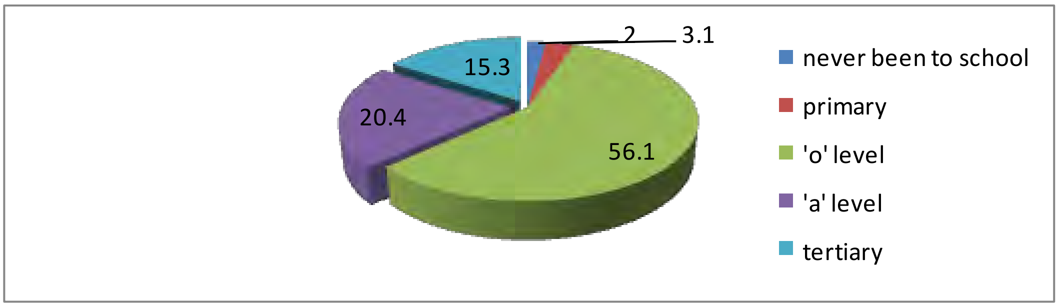
Table 5: Background characteristics of South African respondents

Characteristic	Percentage
Age range	
15-21	7.1
22-27	52.0
28-35	35.7
Above 35	5.1
Marital status	
Never married	30.6
Married/cohabiting	58.2
Divorced/separated	8.2
Widowed	2.0
Number of children	
None	33.7
1	34.7
2	26.5
3	5.1
Place of residence in Zimbabwe	
Urban	76.5

Rural	23.5

N=98

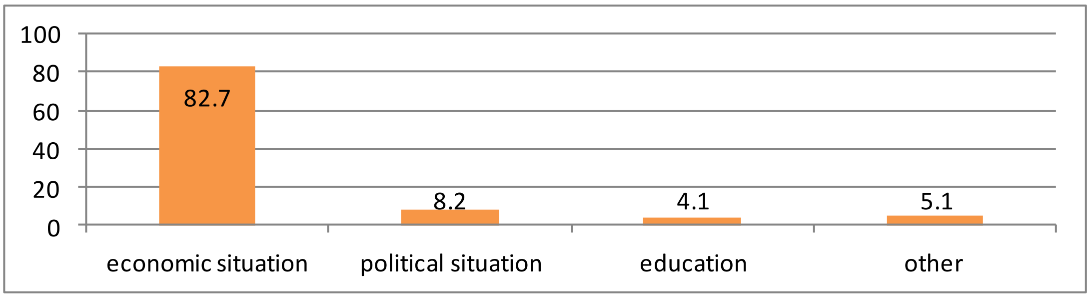
Figure 6: Level of education of South African respondents



N=98

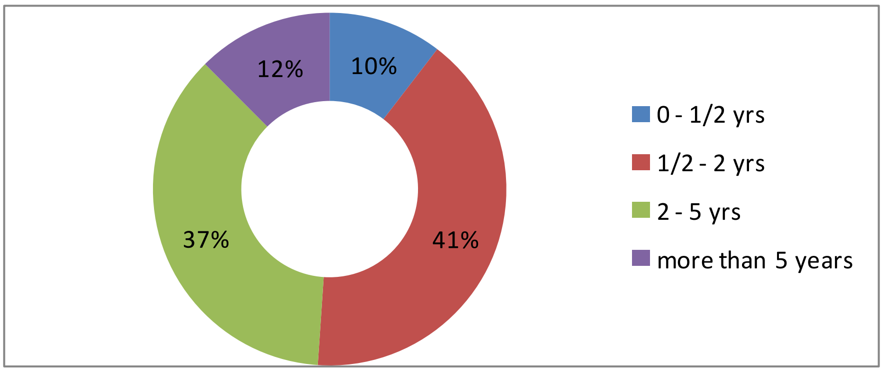
With 82% (Figure 7) citing that they migrated because of the economic situation in Zimbabwe, it is clear that these migrants are seeking better economic opportunities in South Africa. 78% had been in South Africa for periods varying between six months to 5 years (Figure 8). 38% were undocumented whilst 29% had refugee status or were legal asylum seekers and 28% having work or study permits (Figure 9). Only 1% reported having business permits. This presents the majority of the migrants as jobs seekers. 51% indicated that they would like to be assisted in legalising their stay in South Africa (Table 6). Due to the enclave and safety nets developed amongst the migrants only 39% cited relying on the Department of Home Affairs as their source of migration information (Table 7). 49% depend on family and friends for such information.

Figure 7: Reason for migrating to South Africa



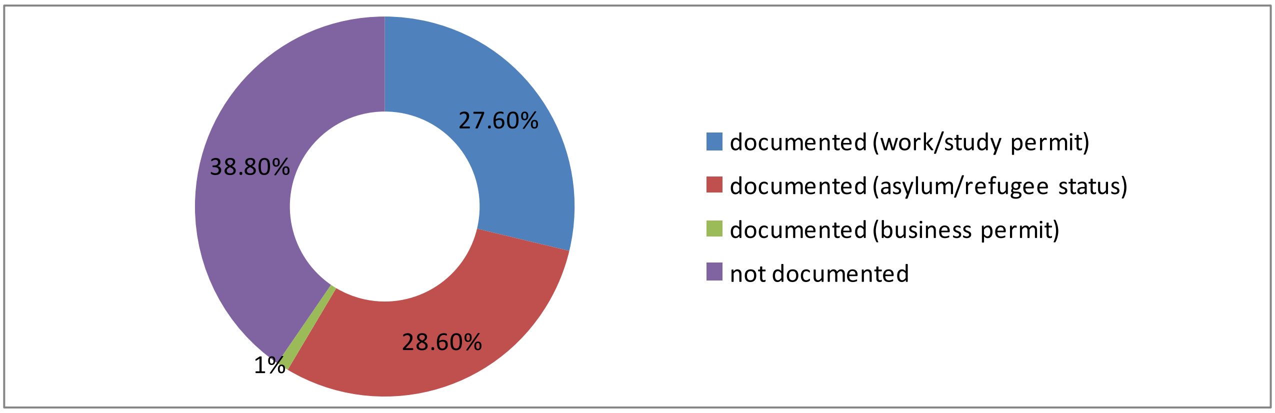
N=98

Figure 8: Period of residence in South Africa



N=98

Figure 9: Immigration Status



N=98

Table 6: Need assistance with legalising stay

	% of respondents
Yes	53.1
No	22.4
I am already being assisted	20.4

N=98

Table 7: Source of migration information

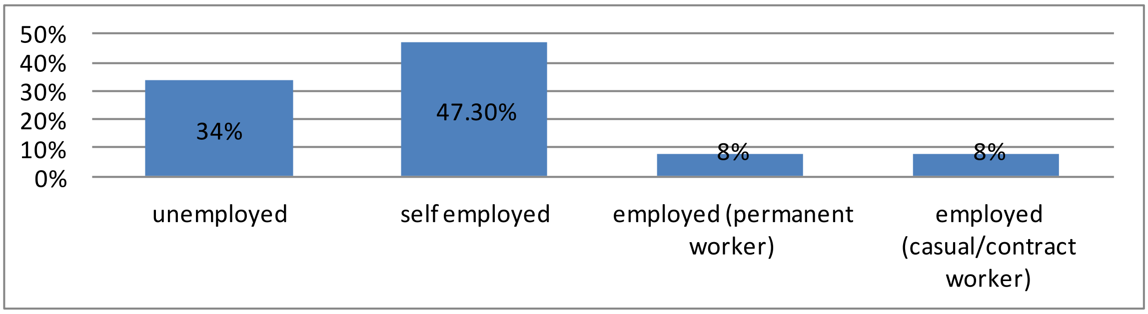
	% of respondents
Family and friends	49.0
Department of home affairs	39.8
Employer	2.0
I do not have a reliable source	7.1

N=98

6.1.2 Socio-economic characteristics of respondent

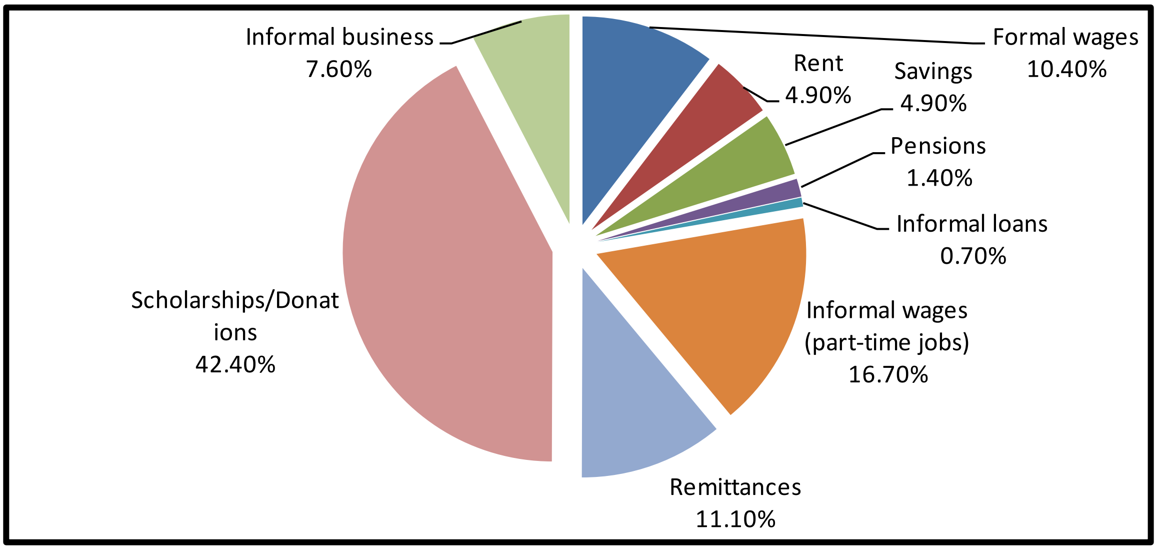
Only 16% of the Zimbabwean respondents were employed as permanent or causal workers (Figure 10). The remainder are either self-employed or unemployed. 10% relied on formal wages as a source for their income with the remainder relying on informal wages, remittances, scholarships, rent amongst other sources for their income (Figure 11).

Figure 10: Employment status of Zimbabwean respondents



N=150

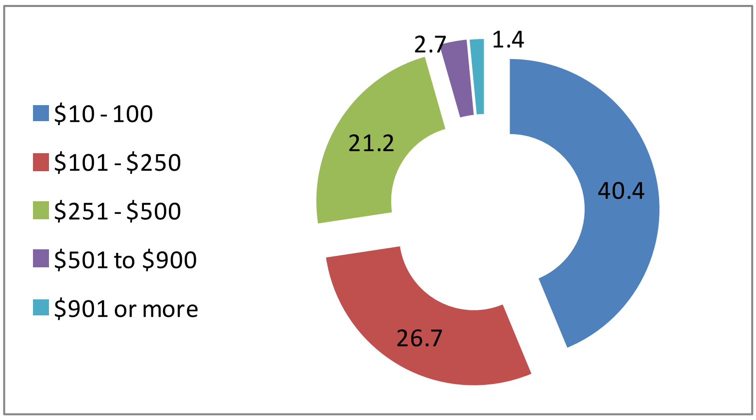
Figure 11: Source of income of Zimbabwean Respondents



N=144

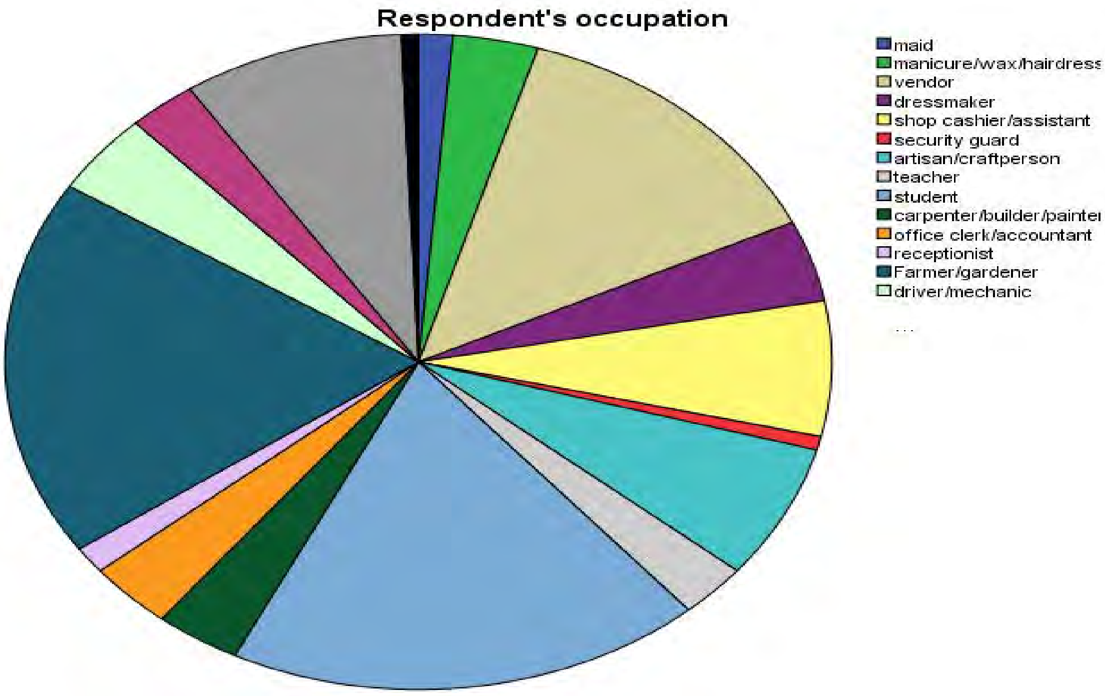
67.1% earned US$250 or less per month (Figure 12). This implies that the majority of the respondents live on less than US$2 per day. 19% were students with 18% being farmers, 13.3% were vendors whilst the rest reported being employed as house cleaners, security guards, hairdressers and artisans amongst other occupations (Figure 13).

Figure 12: Monthly income of Zimbabwean respondents



N=150

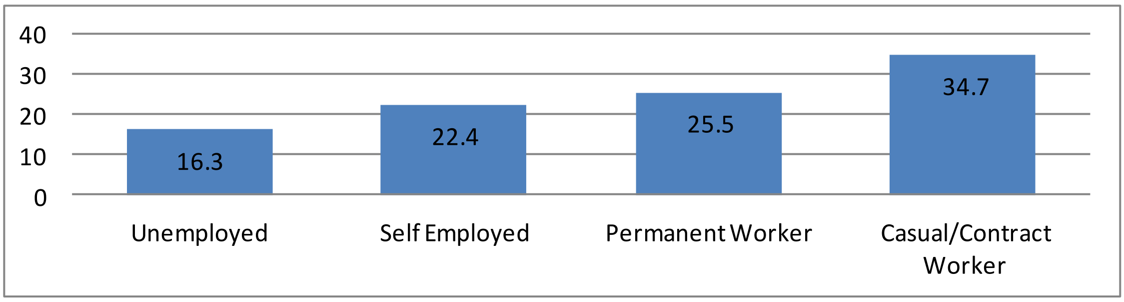
Figure 13: Occupation of Zimbabwean respondents



N=150

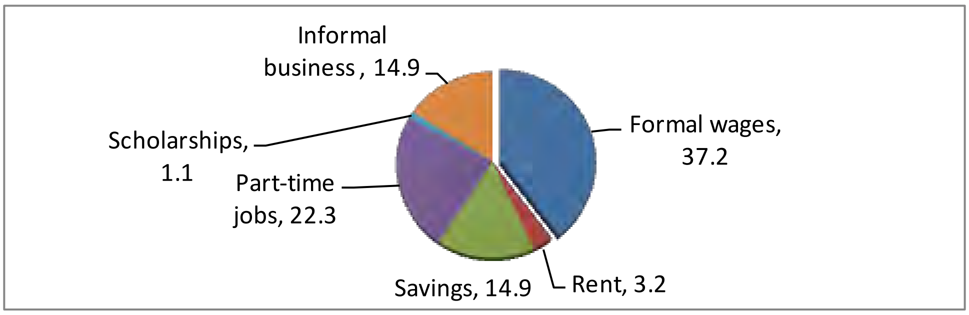
In contrast 60.2% of the South African respondents were employed as permanent or causal workers (Figure 14). The remainder are either self-employed or unemployed. 37.2% relied on formal wages and 27.3% on informal wages as a source for their income with the remainder relying on savings, informal businesses and rent amongst (Figure 15). Only 1.1% cited scholarships as their source of income.

Figure 14: Employment status of South African respondents



N=91

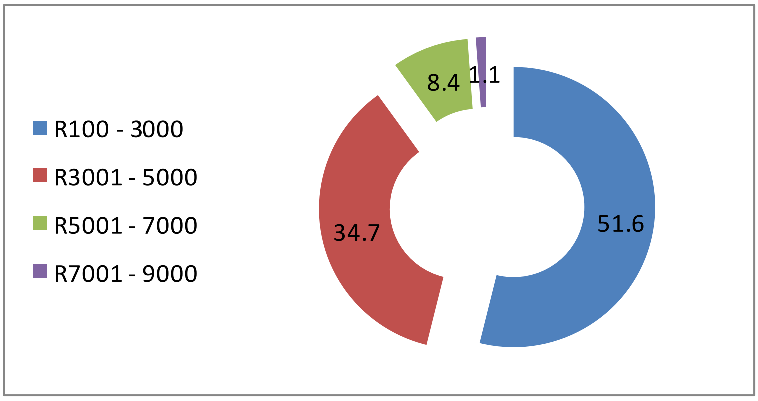
Figure 15: Source of Income of South African respondents



N=98

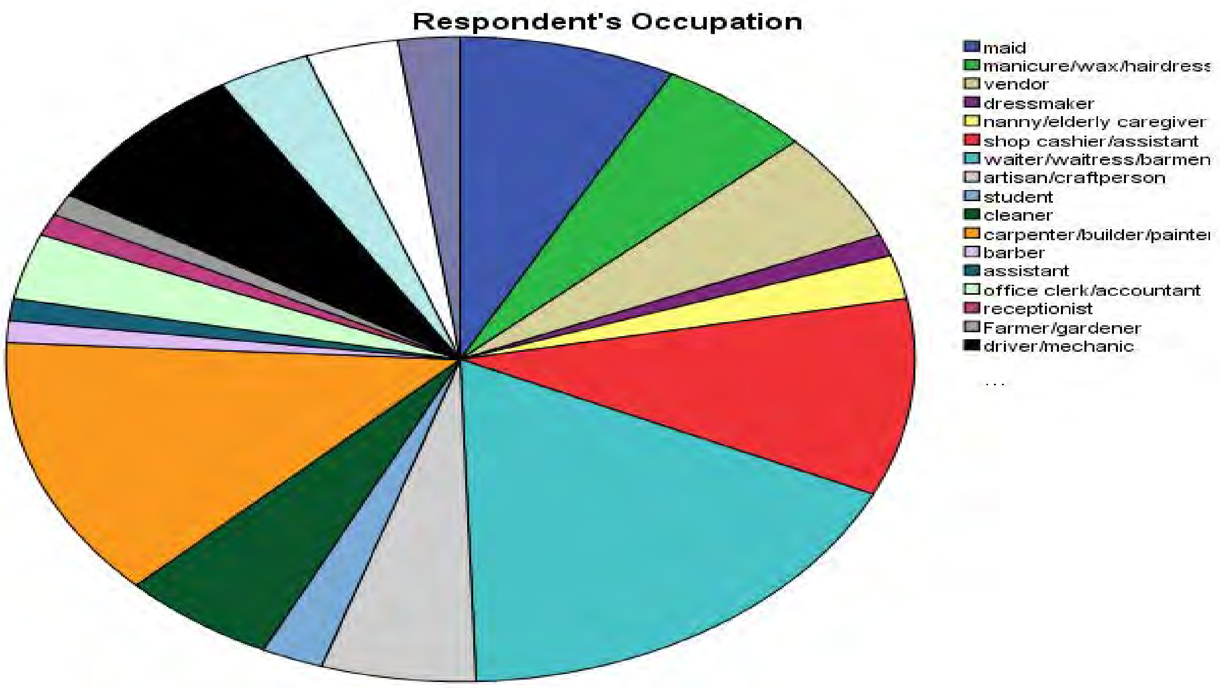
51.6% earned R3 000 or less per month (Figure 16). This implies that the majority of the respondents live on less than R20 per day. 17.6% were employed as waiters, waitresses or barmen, 13.2% as carpenters or builders and 10% as shop cashiers. Only 2% were students whilst the rest reported being employed as maids, drivers, cleaners, vendors and artisans amongst other occupations (Figure 17).

Figure 16: Monthly income of South African respondents



N=95

Figure 17: **Occupation of South African respondents**

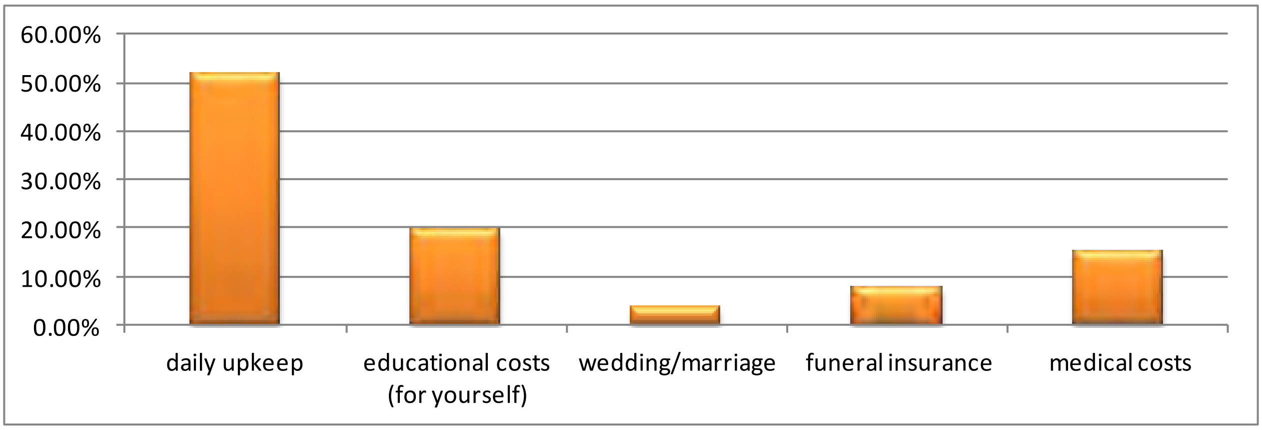


N=98

6.1.3 Financial needs

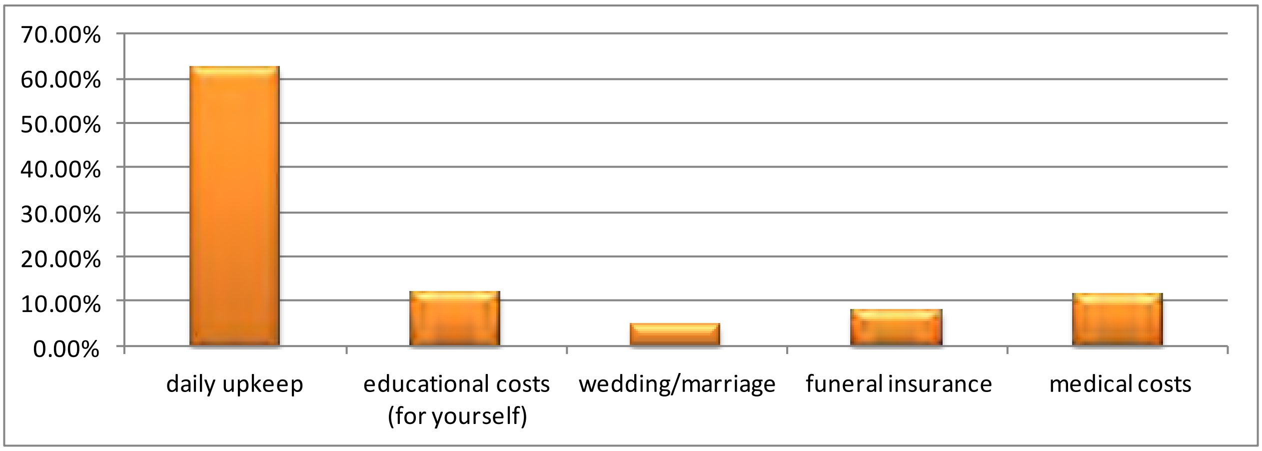
About 52% of the youth in Zimbabwe cited that they need money to cover their daily upkeep costs, with 20% indicating educational costs as most pressing (Figure 18). Medical costs, as cited by about 13%, are the third most important need. The trend is almost the same amongst the immigrants in South Africa. Close to 62% is most likely going to need finances to cover their daily upkeep (Figure 19). Educational and medical costs, as cited by 18.3% respondents respectively, become the most important needs to cover.

Figure 18: Financial needs to be covered – Zimbabwe



N=138

Figure 19: Financial needs to be covered – South Africa

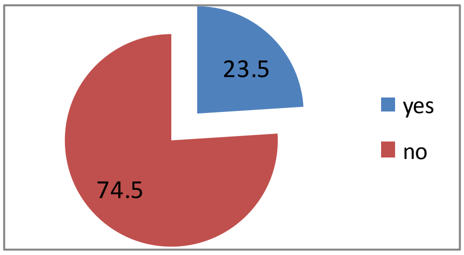


N=98

6.1.4 Financial exclusion

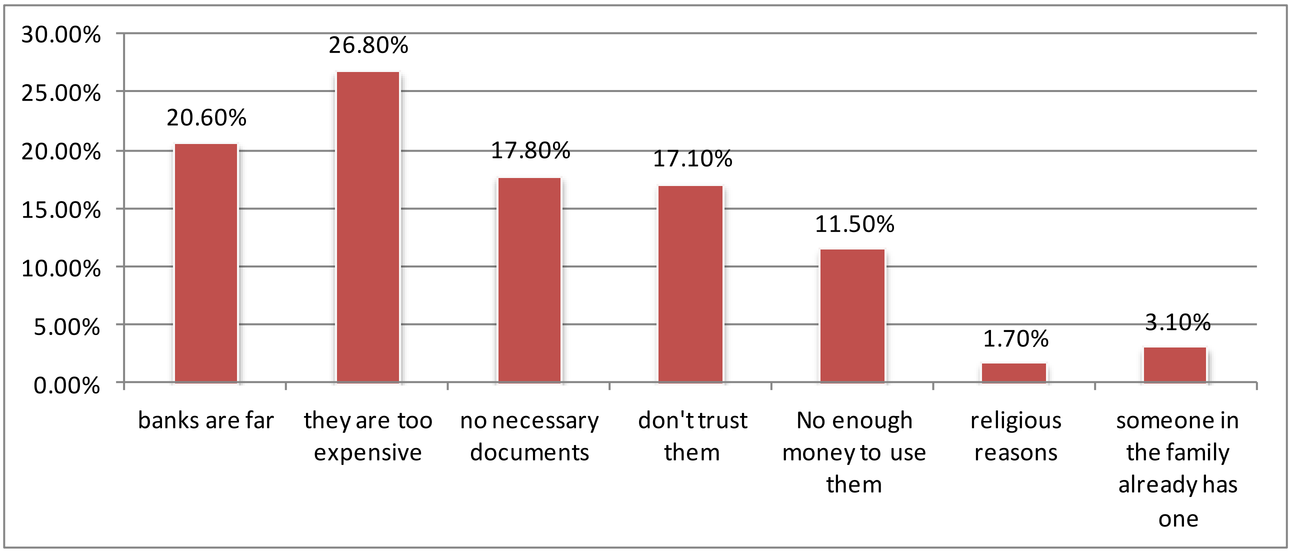
74.5% of the youths in Zimbabwe indicated that they did not have a bank account (Figure 20). 26.8% and 20.6% cited the banks being too expensive or too far, respectively, as the reasons why they do not have an account (Figure 21). Only 11%, were likely not to have a bank account because they felt they did not have enough money to put in an account.

Figure 20: Have a bank account - Zimbabwean Respondents



N=149

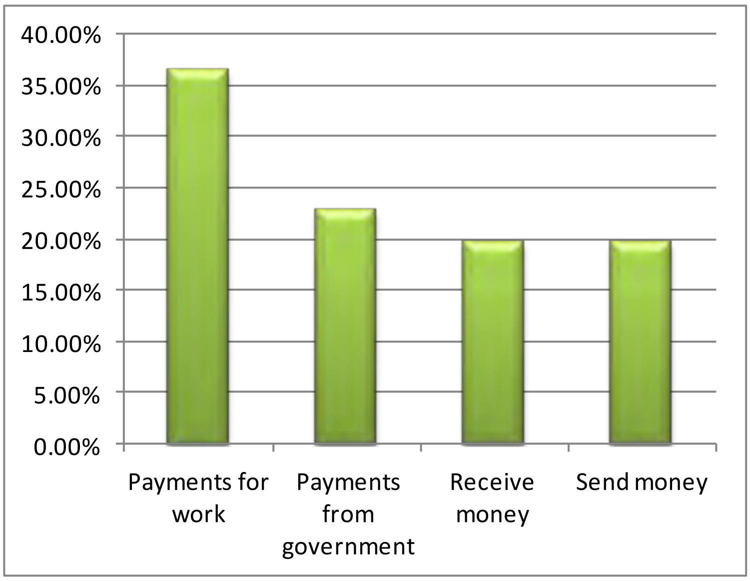
Figure 21: Reason for not having a bank account – Zimbabwe



N=114

Those that have a bank account used it for salary payments as indicated by close to 35% of the respondents (Figure 22). 23% have used it receive payments from government. 20%, apiece, have used the account to send or receive money respectively.

Figure 22: Usage of existing bank account – Zimbabwe



N=34

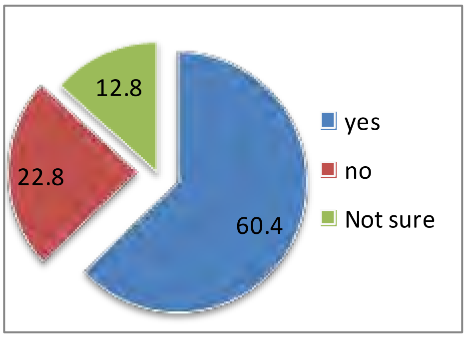
46.7% cited that they have never had a bank account in their entire life (Table 8). Whilst 60.4% of the respondents indicated being sure they need a bank account (Figure 20). 27.10% of those in need of a bank account will most likely open the account in order to access a loan, 21.9% to deposit savings into and 21.2% to send or receive money from (Figure 24).

Table 8: Historical access to a bank account in your name for Zimbabwean respondents

	% of respondents
Yes	36.7
Never had a bank account	46.7

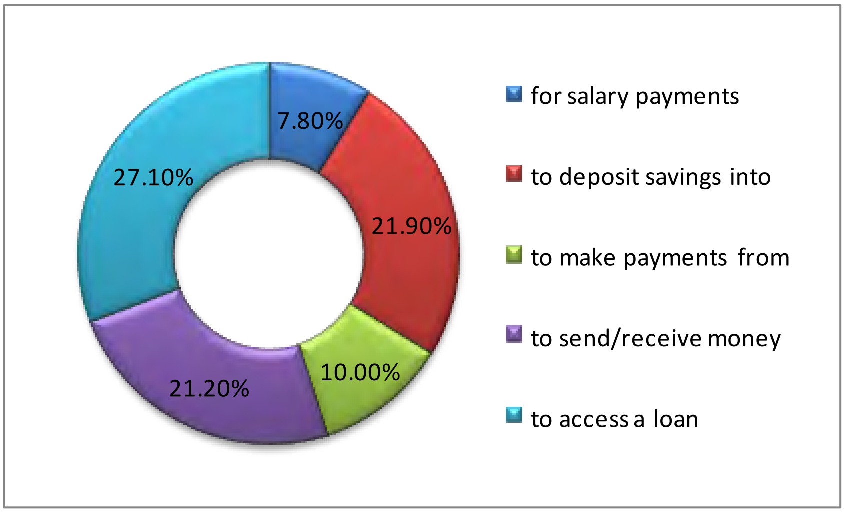
N=131

Figure 23: Need for a bank account



N= 149

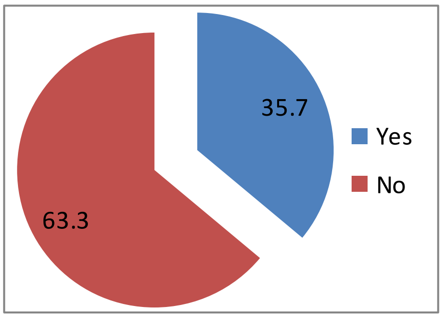
Figure 24 Future account usage – Zimbabwe



N=128

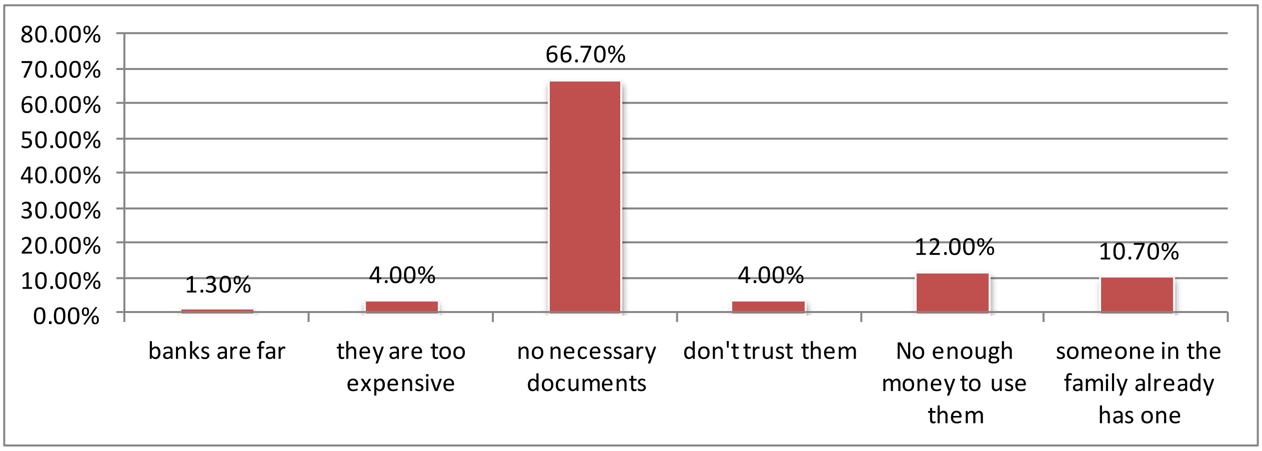
Almost similar trends prevail amongst the South African respondents. 63.3% reported not having a bank account (Figure 25). 66.7% indicated that they do not have an account because they do not have the necessary documents required by banks to open one (Figure 26). Only 12%, were likely not to have a bank account because they felt they did not have enough money to put in an account. As expected the distance to the bank and the cost of banking were not major barriers to accessing a bank account in South Africa.

Figure 25: Have bank account - South African Respondents



N=98

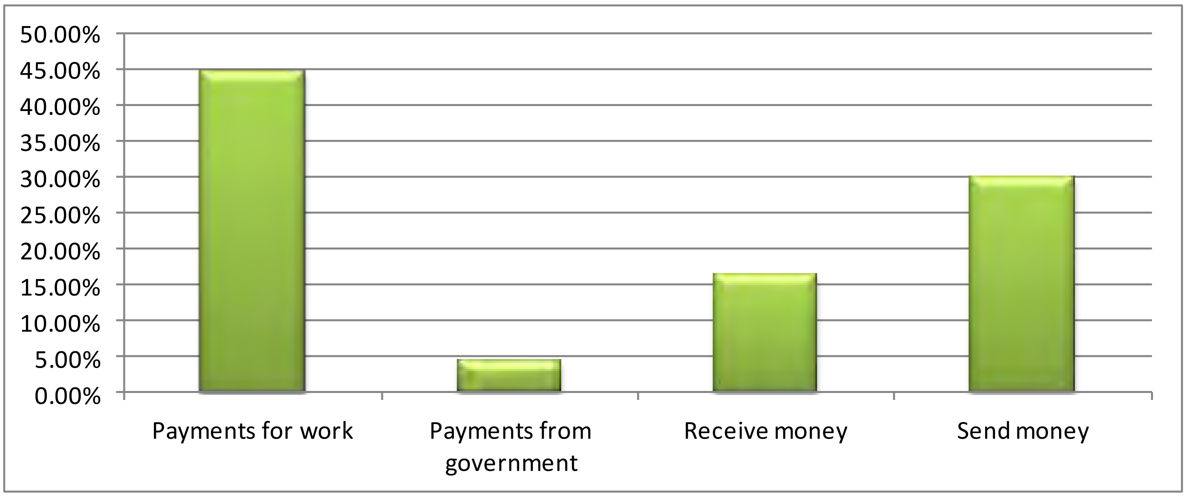
Figure 26: Reason for not having a bank account – South Africa



N=63

Those that have a bank account used it for salary payments as indicated by close to 45% of the respondents (Figure 27). 30% have used the account to send money and 16% used it to receive money.

Figure 27: Usage of existing bank account – South Africa



N=36

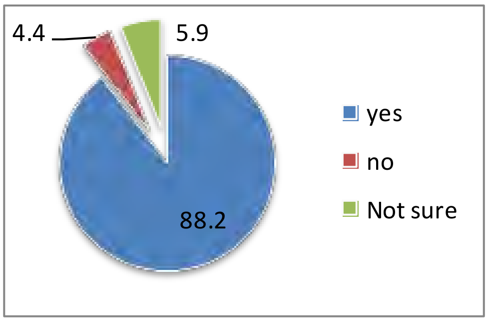
However, only 38.5% have never had a bank account in their entire life. The remainder had once held a bank account either in South Africa or Zimbabwe (Table 9). Whilst 88.2% of the respondents indicated being sure they need a bank account (Figure 28). 26.7% of those in need of a bank account will most use it to send or receive money, 25.5% to deposit savings into and 23.6% to have their salary paid into the account (Figure 29). Only 7.5% are most likely going to open the account to have access to a loan.

Table 9: Historical access to a bank account in your name for South African respondents

	% of respondents
In Zimbabwe	56.4
In South Africa	3.8
Never had a bank account	38.5

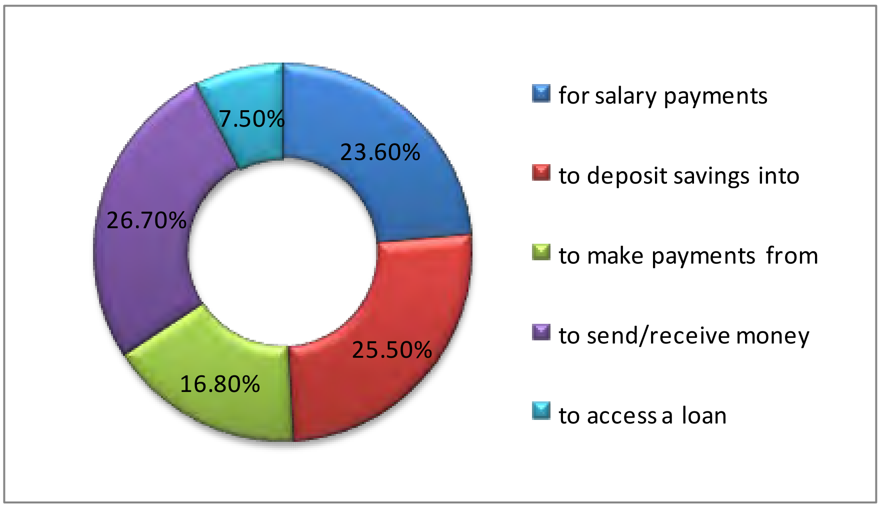
N=78

Figure 28: Need a bank account



N=68

Figure 29: Future account usage – South Africa



N=61

58.6% of the Zimbabwean respondents had not received any financial literacy training (Table 10). 26.5% and 25.3% of those who received small business or financial literacy training indicated that they got this training from school and NGOs, respectively (Table 11). This is commensurate with the level of financial exclusion where other non-banking institutions are pivotal in closing this gap through training the youth. Those who had existing accounts lamented the lack of initiative from bank staff in providing clients with financial literacy services. This results in clients not taking up products they are not knowledgeable about. As one respondent stated, “I expect my bank to give me information on the different products I can make use of. But at my branch I am the one who has to ask the enquiries lady about some products that I hear of through the grape-vine."

Table 10: Received financial literacy training: Zimbabwean respondents

	% of respondents
Received no training	58.7
Financial literacy training	16.7
Small business management training	18.7

N=150

Table 11: Source of financial literacy training for Zimbabwean respondents

	% of respondents
A bank or financial institution	10.8
An NGO	25.3
A savings club	1.2
A friend or family member	8.4
An article in the media	3.6
School	26.5

N=83

71.4% of the South African respondents had not received any financial literacy training (Table 12). 57.1% of those who received small business or financial literacy training indicated that they got this training from a bank (Table 13). This is indicative of the efforts placed by South African banks in providing some of financial literacy trainings to people.

Table 12: Received financial literacy training: South African respondents

	% of respondents
Received no training	71.4
Financial literacy training	16.3
Small business management training	9.2

N=98

Table 13: Source of financial literacy training for South African respondents

	% of respondents
A bank or financial institution	57.1
An NGO	10.7
School	17.9

N=28

6.1.5 Demand for financial services

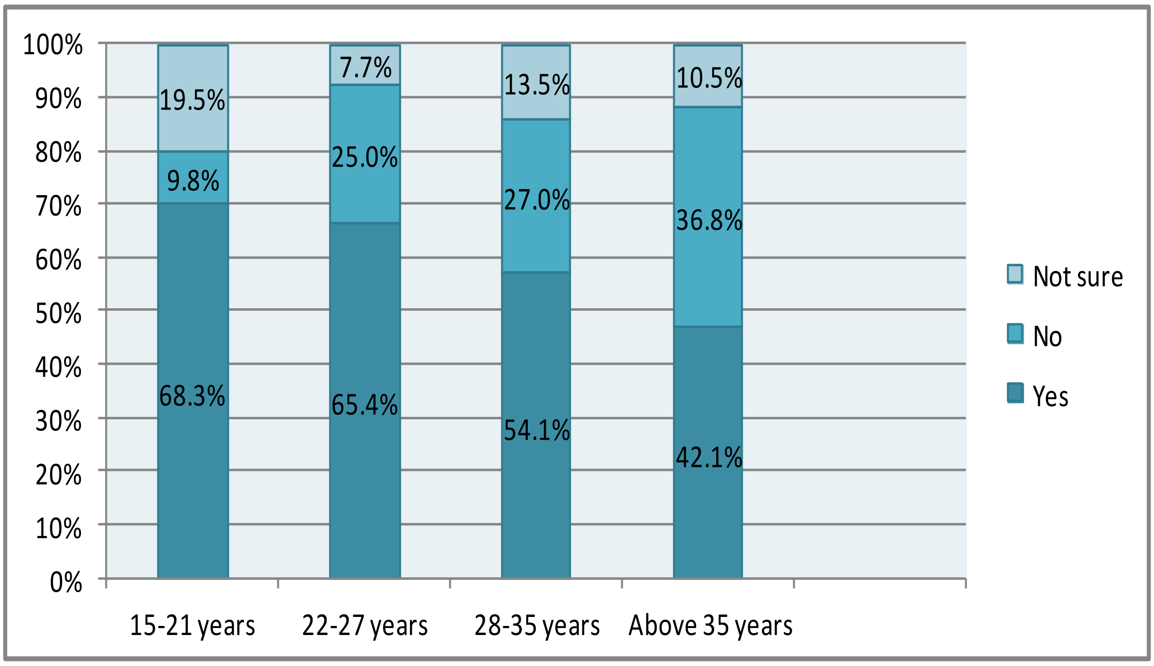
When cross-tabulation between need for a bank account and age, data indicates that in Zimbabwe there is a high demand for bank accounts amongst the lower age groups. 68.3% and 65.4% of those aged 15 to 21 years and 22 to 27 years reported that they need a bank account (Figure 30). The demand, however, is at lower levels with the older age groups. 54.1% and 42.1% of those aged 28 to 35 years and above 35 years respectively, reported that they need a bank account. For the South African respondents there is high demand amongst all age groups. 100% of those aged 15 to 21 years and above 35 years respectively, reported that they need a bank account (Figure 31). 88.9% and 82.6% of those 22 to 27 years and 28 to 35 years respectively, reported that they need a bank account. During an FGD respondents who were using the services of one company that gives them a transactional account highlighted some major shot comings. One respondent highlighted the delays in salaries being loaded onto their card.

> *"This service providers short changes us when it comes to crediting our salaries. It takes two to three days and a times a week before your salary can reflect. We end up incurring more expenses in calling to find out what happened to the money."* (T.Z.,19 September 2014)

Another respondent explained the need for a debit card they can use outside of South Africa.

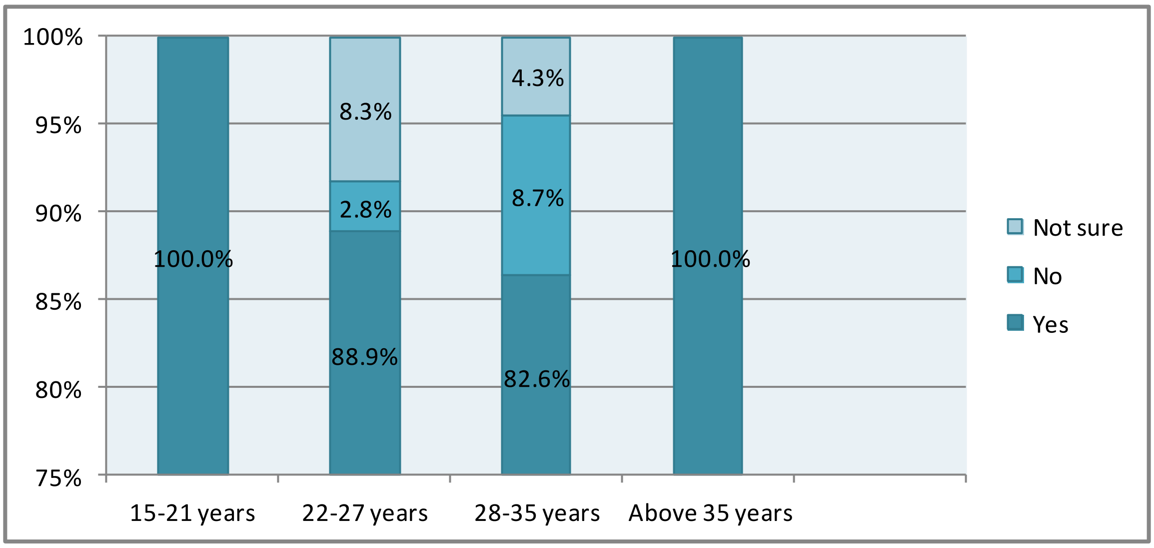
> *"After having spent the whole year working and saving my money with these people it's sad that when I want to go home I have to withdraw all my savings. Their card is only valid in South Africa, we need a card that can be used internationally. That way we don't need to carry cash and risk being robbed on the long trip from Cape Town to Zimbabwe."* (W.M., 19 September 2014)

Figure 30: Percentage distribution of needing a bank account by age: Zimbabwean respondents



N=149

Figure 31: Percentage distribution of needing a bank account by age: South African respondents



N=68

6.1.6 Key variables in financial inclusion

To test the interrelationships between variables and how youth access or use financial services a few selected variables were cross tabulated and analysed. The cross tabulations enabled the unpacking of Hypothesis 1, which states that: "youth from marginalised backgrounds require and need specific financial and non-financial services but are failing to access them due to systemic failures." The analysis sought to highlight the existence of barriers that inhibit the youth from accessing formal financial services. The approach that ensued was to determine which variables would be pertinent in revealing this systemic failure. Therefore variables such as the respondent's age, level of education, area of residence, immigration status, employment status, source of income, monthly income and having received financial literacy were identified. This section therefore lays down the findings made from the cross of variables. Comparisons are directly made between the responses received from both the youth in Zimbabwean and those in South African, so as to determine if there is a similarity in trends.

6.1.6.1 Access to banking services by age

Data reflects that the lower age groups do not have access to formal banking services both in Zimbabwe and South Africa. This is an indication of how those youth who are students or school leavers are excluded at an age where they begin to shape habits that last into their adult life. Whilst all age groups indicated that they did not have a bank account, for the Zimbabwean respondents 78% of those aged between 15 to 21 years do not have bank account. This was reported by 76.9%, 67.6% and 73.7% of those aged between 22 to 27 years, 28-35 years, and above 35 years respectively. An almost similar trend was reported amongst the South African respondents with 87.5% of those aged between 15 to 21 years not having bank accounts. The same was reported by 66.7% and 60.0% of those aged between 22 to 27 years, 28-35 years respectively. However, only 20% of those above 35 years indicated that they do not have a bank account. This data is reflective of the fact that the majority of youth between 15 to 35 years are financially excluded.

Table 14: Currently having a bank account by age: Zimbabwean respondents

Age Group	Yes	No
15-21 years	17.1%	78.0%
22-27 years	23.1%	76.9%
28-35 years	29.7%	67.6%
Above 35 years	26.3%	73.7%

N=149

Table 15: Currently having a bank account by age: South African respondents

Age Group	yes	no
15-21 years	14.3%	85.7%
22-27 years	33.3%	66.7%
28-35 years	37.1%	60.0%
Above 35 years	80.0%	20.0%

N=98

6.1.6.2 Access to banking services by area of residence

Data indicates that they are higher occurrences of financial exclusion amongst those who reside in rural areas. In Zimbabwe, 96.7% of rural dwellers reported that they do not have a bank account (Table 16). This was also reported by 61.5% and 55.6% of city and town dwellers respectively. This phenomenon was explained by an interviewee who said:

"There are no banks at our business centre, so why should I travel 80 kilometres to get to a bank?" (M.G., 16 October 2014)

Interestingly the trend is similar for the youth who migrated to South Africa. Since the respondents were selected from a location with an urban setting they were asked in which area they stay or stayed in Zimbabwe. 82.6% of those who come from rural areas in Zimbabwe indicated not having a bank account (Table 17). This was also reported by 57.3% of those coming from urban areas in Zimbabwe.

Table 16: Having a bank account by area of residence: Zimbabwean respondents

	Yes	No
urban (town)	41.7%	55.6%
urban (city)	36.5%	61.5%
Rural	1.7%	96.7%

N=149

Table 17: Having a bank account by area of residence: Zimbabwean respondents

	Yes	No
Urban	41.3%	57.3%
Rural	17.4%	82.6%

N=98

6.1.6.3 Access to banking services by employment status

Data indicate that those who are permanently employed are most likely to have a bank account. For the Zimbabwean respondents 91.7% of those permanently employed reported having a bank account (Table 18). Only 33.3%, 16.0% and 14.1% of casual/contract workers, the unemployed and those self-employed respectively, reported having a bank account. As almost similar trend prevailed amongst the South African respondents. 88.0%, 18.2%, 17.6%, and 12.5% of the permanent workers, self-employed, casually/contractually employed, and unemployed youth respectively reported having a bank account (Table 19). This is commensurate to the fact that those in permanent employ usually require a bank account to facilitate salary payments.

Table 18: Having a bank account by employment status: Zimbabwean respondents

	Yes	No
Unemployed	16.0%	84.0%
self employed	14.1%	83.1%
employed (permanent worker)	91.7%	8.3%
employed (casual/contract worker)	33.3%	66.7%

N=149

Table 19: Having a bank account by employment status: South African respondents

	Yes	No
Unemployed	12.5%	87.5%
self employed	18.2%	81.8%
employed (permanent worker)	88.0%	8.0%
employed (casual/contract worker)	17.6%	82.4%

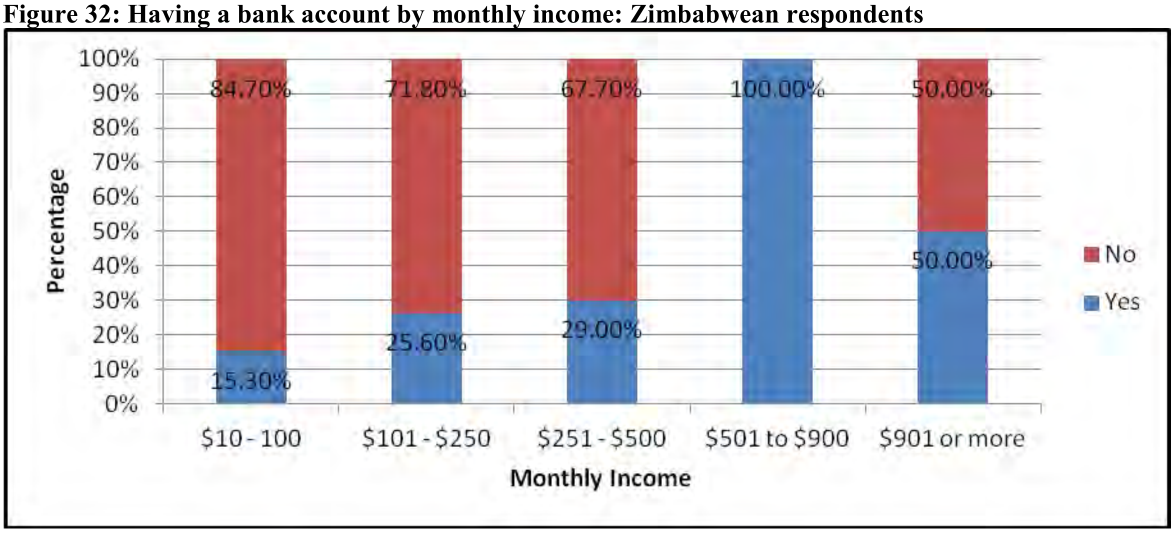
N=98

6.1.6.4 Access to banking services by monthly income

A mere 15.3% of the youth in Zimbabwe earning a monthly income of between US$10 and US$100 reported having a bank account (Figure 32). 25.6% and 29% of those earning US$101 to US$250 and US$251 to US$500 respectively, have a bank account. 100% of those earning US$501 to US$900 have a bank account whilst 50% of those earning US$901 and above have a bank account. For the migrants in South Africa 22.4% of those earning R100 to R3000 per month have a bank account (Figure 33). 51.5%, 62.5% and 100% of those earning R3001 to R5000, R5001 to R7000 and R7001 to R9000 respectively, reported having bank accounts.

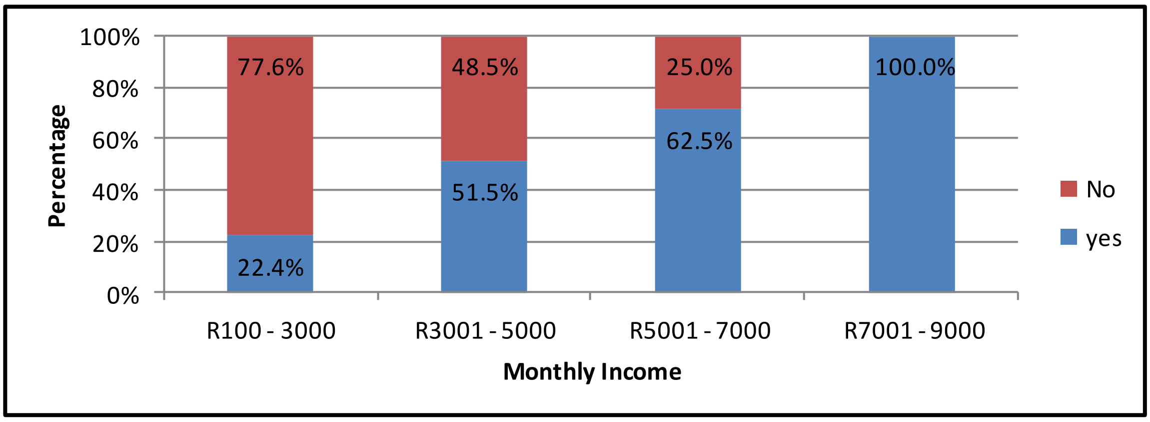
These trends are reflective of the point raised by an interviewee who earns US$80 per month, when asked why she doesn't have a bank account. She said, "I make very little money per and I don't see the need of putting it away into a bank account. When I need it, it would have been finished by bank charges." Those earning larger amounts can afford the high bank charges. It is also risky to get paid in cash if one earns more than US$500.

Figure 32: Having a bank account by monthly income: Zimbabwean respondents



N=146

Figure 33: Having a bank account by monthly income: South African respondents

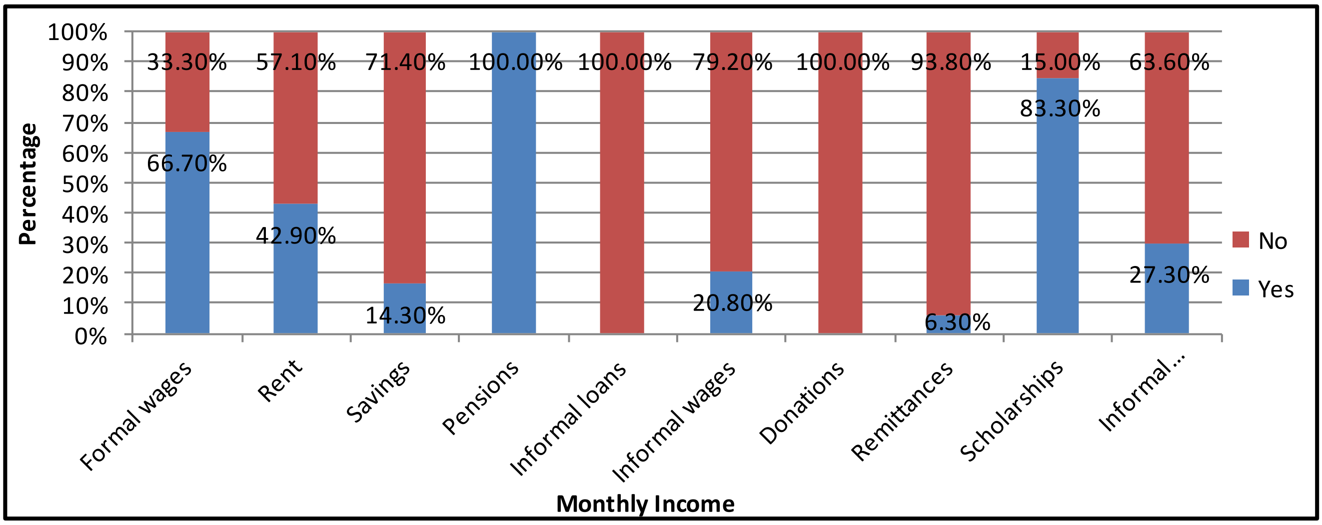


N=98

6.1.6.5 Access to banking services by source of income

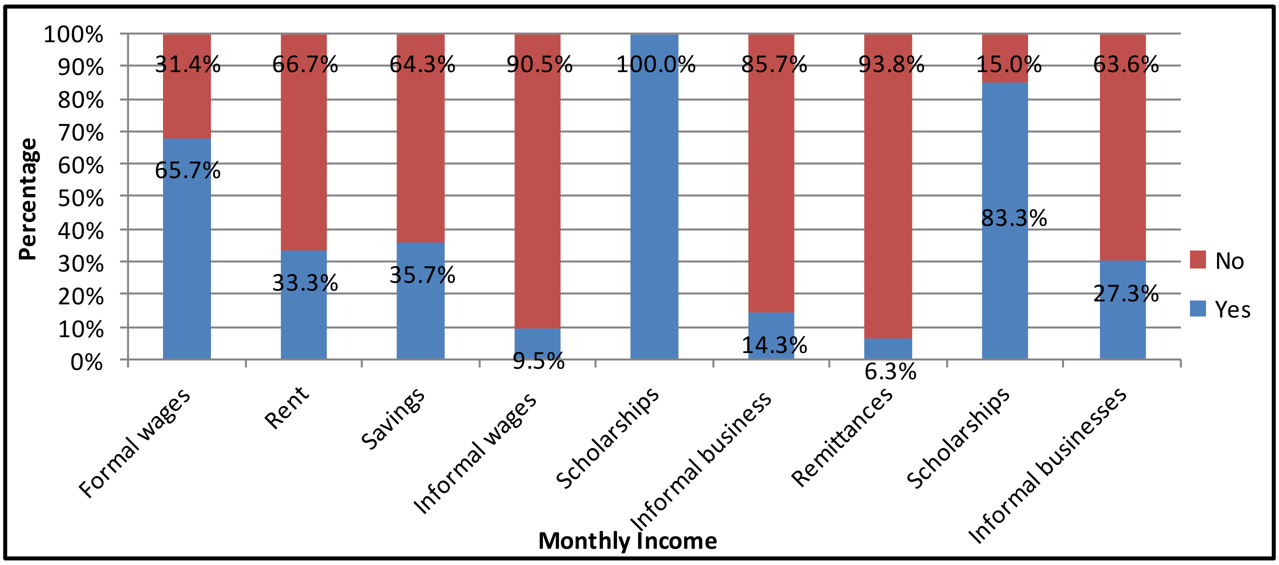
Data indicates that respondents who earn their income through 'formal means" are mostly likely to have a bank account. In South Africa 100% of those who get their income through scholarships have bank accounts (Figure 34). 65.7% formal wage earners reported having a bank account. However, the trend is lower amongst those who earn their income informally. 35.7%, 33.3%, 14.3% and 9.5% who earn their income through savings, rent, informal business or informal wages respectively, have bank accounts.
In Zimbabwe 100%, 83.30% and 66.7% who earn their income from pensions, scholarships and formal wages, respectively, have a bank account (Figure 35). 42.9%, 27.3%, 20.8%, 14.3% and 6.3% who earn their income through rent, informal business, informal wages, savings or remittances respectively, reported having bank accounts. None of those who earn their income from donations or informal loans reported having a bank account.

Figure 34: Having a bank account by source of income: Zimbabwean respondents



N=144

Figure 35: Having a bank account by source of income: South African respondents



N=98

6.1.6.6 Access to banking services by financial literacy

66.7% of youth from Zimbabwe who do not have bank accounts reported that they never received any financial literacy training (Table 20). 18.9% had training in small business management training, whilst only 11.7% had reported having received financial literacy training.

The pattern is almost similar amongst the young migrant from South Africa. 74.3% of the respondents who do not have bank accounts reported that they never received any financial literacy training (Table 21). 55.6% reported having received training in small business management training, whilst only 18.8% received financial literacy training.

Table 20: Having a bank account by financial literacy: Zimbabwean respondents

	Yes	No
Received no training	31.4%	66.7%
Financial literacy training	34.3%	11.7%
Small business management training	20.0%	18.9%

N=149

Table 21: Having a bank account by financial literacy: South African respondents

	Yes	No
received no training	24.3%	74.3%
financial literacy training	81.3%	18.8%
small business management training	44.4%	55.6%

N=98

6.1.6.7 Access to banking services by migration status

In South Africa, 89.5% of the respondents who are undocumented reported that they don't have a bank account (Table 22). 71.4%, 22.2% and 0% of documented asylum seekers/refugees, documented work or study permit holders and documented business permit holders respectively, do not have a bank account.

This is reflective of the situation where a majority of banks in South Africa do not open accounts for asylum seekers/refugees as well as those who are undocumented. One interviewee remarked that, *"banks here treat us like we are worthless, they won't even serve you if they discover you are a status holder. I just keep my money at home."* (T.C., 18 October 2014)

Table 22: Percentage distribution of having a bank account by migration status

	Yes	No
documented (work/study permit)	77.8%	22.2%
documented (asylum/refugee status)	28.6%	71.4%
documented (business permit)	100.0%	0.0%

N=98

6.1.6.8 Historical access to banking services by age

To test whether age is a key determinant of youth's historical access to financial services a cross-tabulation between their age and the responses to whether they once had a bank account in their name before was done. For the Zimbabwean respondents 76.9% and 63.6% of those aged 15 to 21 years and 22 to 27 years respectively, reported that they have never had a bank account before (Table 23). Those in the older age groups indicated that they once had a bank account before. With 80.0% and 61.1% reporting this amongst the age groups 28 to 35 years and those above 35 years respectively. The trend is slightly different with the South African respondents with only 71.4% of those aged 15 to 21 years never having had a bank account before (Table 24). The other age groups reported that they have had a bank account before. 52.4%, 76.9% and 100.0% for the age groups 22-27 years, 28-35 years and those above 35 years respectively. This is commensurate of the fact that youth are introduced to banking services at a later in life either for salary or scholarship payments. It follows that since those in the 22 to 27 years age group residing in South Africa migrated for employment purposes they would have a bank account to facilitate salary payments. Whereas their counterparts in Zimbabwe are most likely still in tertiary education or are unemployed, hence they don't see the immediate need for a bank account.

Table 23: Having had a bank account by age: Zimbabwean respondents

Age Group	Yes	Never had a bank account
15-21 years	15.4%	76.9%
22-27 years	31.8%	63.6%
28-35 years	80.0%	20.0%
Above 35 years	61.1%	33.3%

N=149

Table 24: Having had a bank account by age: South African respondents

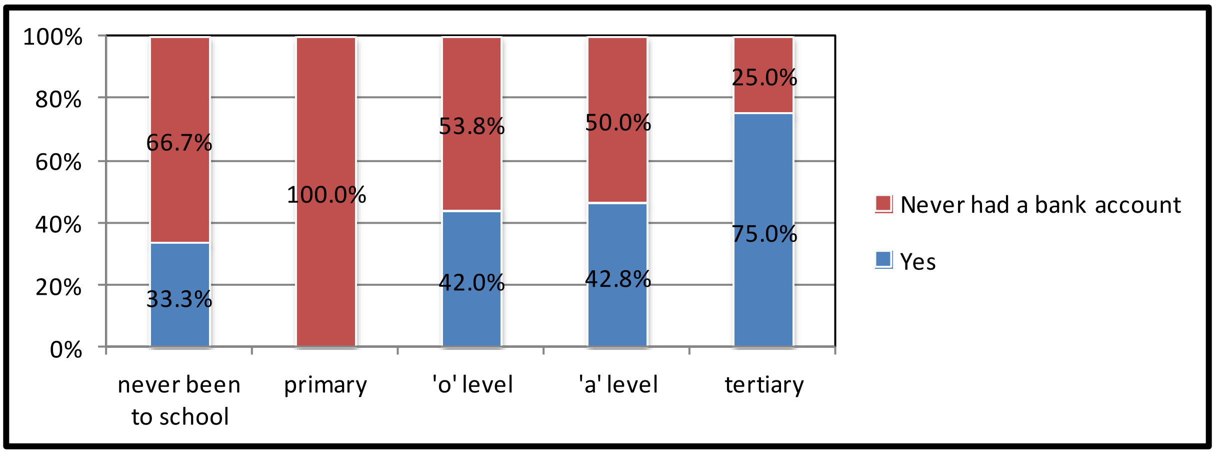
Age Group	Yes	Never had a bank account
15-21 years	28.6%	71.4%
22-27 years	52.4%	47.6%
28-35 years	76.9%	19.2%
Above 35 years	100.0%	0.0%

N=68

6.1.6.9 Historical access to banking services by level of education

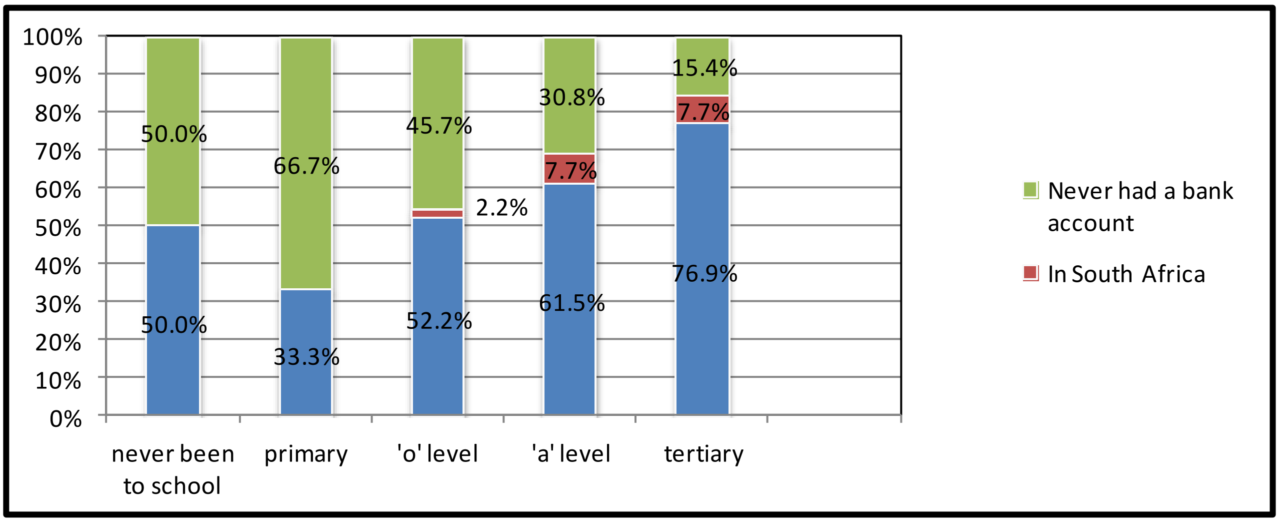
In Zimbabwe 66.7% and 100% of those who have never been to school and those with primary school education respectively, reported that they never had a bank account before (Figure 36). The occurrence decreases as you move up the educational levels. 53.8%, 50% and 25% of those with "O" level, "A" Level and tertiary education respectively, do not have a bank account. A similar pattern is observed amongst the respondents in South Africa. 50% and 66.7% of those who have never been to school and those with primary school education respectively, reported that they never had a bank account before (Figure 37). Whilst 47.7%, 30.8% and 15.4% of those with "O" level, "A" Level and tertiary education respectively, do not have a bank account. Data therefore depicts that as youth progressed with their education they are more likely to have had access to a banking account.

Figure 36: Ever had a bank account by Level of education: Zimbabwean respondents



N=131

Figure 37: Ever had a bank account by Level of education: South African respondents



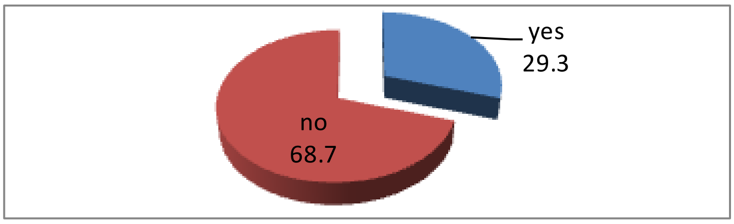
N=78

6.1.7 Usage of financial services

6.1.7.1 Saving Culture

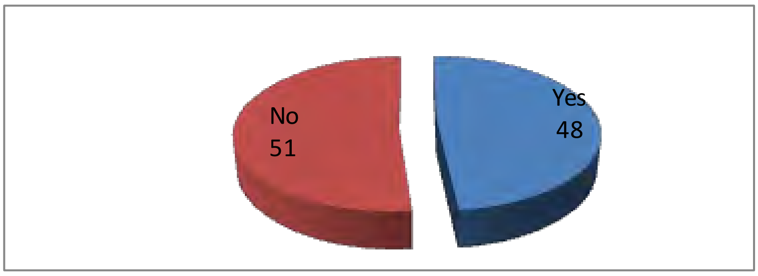
Only 29.3% of those in Zimbabwe reported having saved some money over the previous 12 months prior to the survey (Figure 38). In South Africa the likelihood of saving was higher at 48% (Figure 39).

Figure 38: Saved in the past 12 months: Zimbabwean respondents



N=150

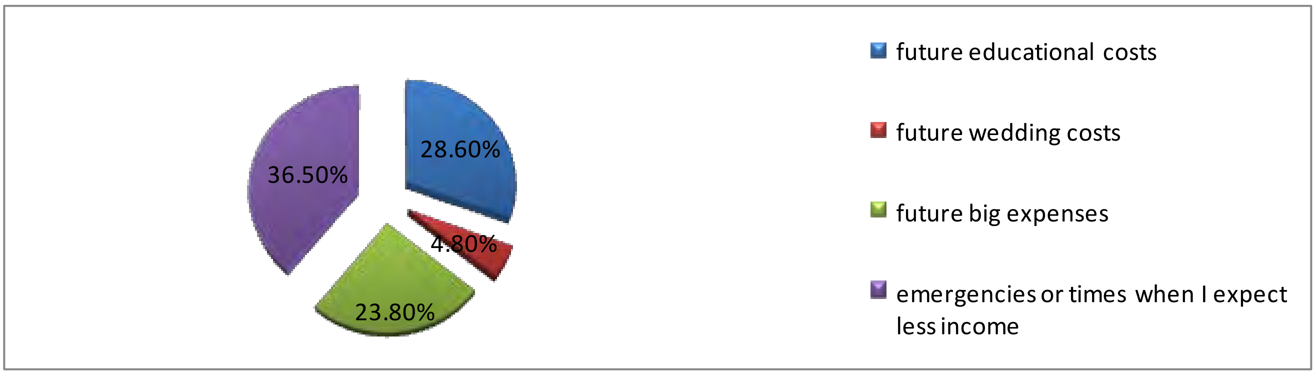
Figure 39: Saved in the past 12 months: South African respondents



N=98

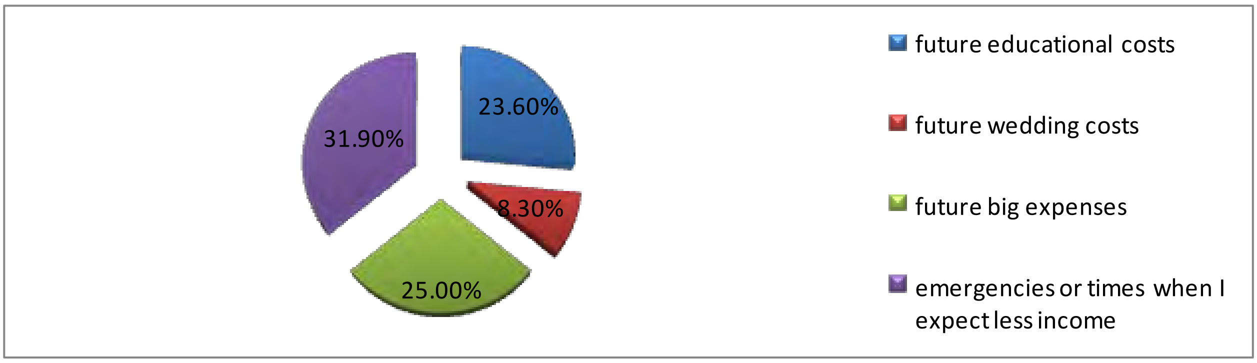
In Zimbabwe, 36.5% of those who saved did so to enable them to cover costs in an emergency (Figure 40). 28.6% saved for future educational costs and 23.8% for a planned big expense in the future. 35% put their savings in a bank account (Table 25). 28.3% apiece cited that they saved with an informal savings club or a person outside their family respectively. The trend is almost similar for those in South Africa. 36.5% of those who saved did so to enable them to cover costs in an emergency (Figure 41). 28.6% saved for future educational costs and 23.8% for a planned big expense in the future. 47.7% put their savings with a person outside their family (Table 26). 43.7% cited that they saved in a bank account whilst only 3.5% with an informal savings club.

Figure 40: Reasons for saving – Zimbabwe



N=43

Figure 41: Reasons for saving – South Africa



N=50

Table 25: Where you saved – Zimbabwe

	% of respondents
using a bank account	35.8%
using an informal savings club	28.3%
with a person outside the family	28.3%

N=39

Table 26: Where you saved – South Africa

	% of respondents
using a bank account	43.9%
using an informal savings club	3.5%
with a person outside the family	47.4%

N=50

6.1.7.2 Savings behaviour by age

A cross-tabulation of the respondents' age and whether they saved in the past 12 years indicate a lower incidence of saving amongst the lower age groups in Zimbabwe. Whilst a higher portion amongst all age groups reported not having saved in the preceding 12 months; 70.7% aged 15 to 21 years and 71.7% 22 to 27 years did not save, respectively (Table 27). 64.9% aged 28 to 35 years and 63.2% aged above 35 years also did not save. For the South African respondents 71.4% aged 15 to 21 years did not save (Table 28). Whilst 51.4% aged 28 to 35 years, 51.0% aged 22 to 27 years and on 20% aged above 35 years did not save at all.

Table 27: Having saved in the past 12 months by age: Zimbabwean respondents

Age group	Yes	No
15-21 years	24.4%	70.7%
22-27 years	28.3%	71.7%
28-35 years	32.4%	64.9%
Above 35 years	36.8%	63.2%

N=150

Table 28: Having saved in the past 12 months by age: South African respondents

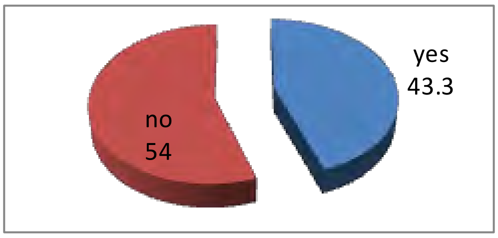
Age Group	Yes	no
15-21 years	28.6%	71.4%
22-27 years	49.0%	51.0%
28-35 years	45.7%	51.4%
Above 35 years	80.0%	20.0%

N=98

6.1.7.3 Borrowing Culture

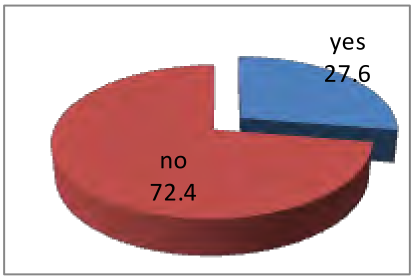
43.3% and 27.6%, in Zimbabwe and South Africa respectively, reported having borrowed some money during the 12 months prior to the survey (Figure 42 and 43). 55% of those in Zimbabwe cited having borrowed US$100 or less, with only 3% borrowing more than US$500 (Figure 44). About 82% of those in South Africa reported having borrowed less than R1 000 (Figure 45). Similarly 3.3% were able to borrow more than R5000.

Figure 42: Have you borrowed in the past 12 months: Zimbabwean respondents



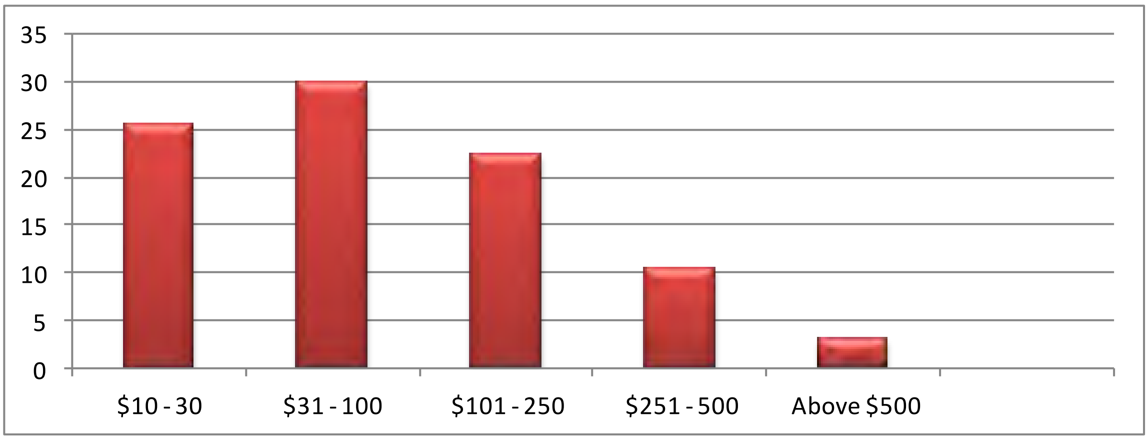
N=150

Figure 43: Have you borrowed in the past 12 months: South African respondents



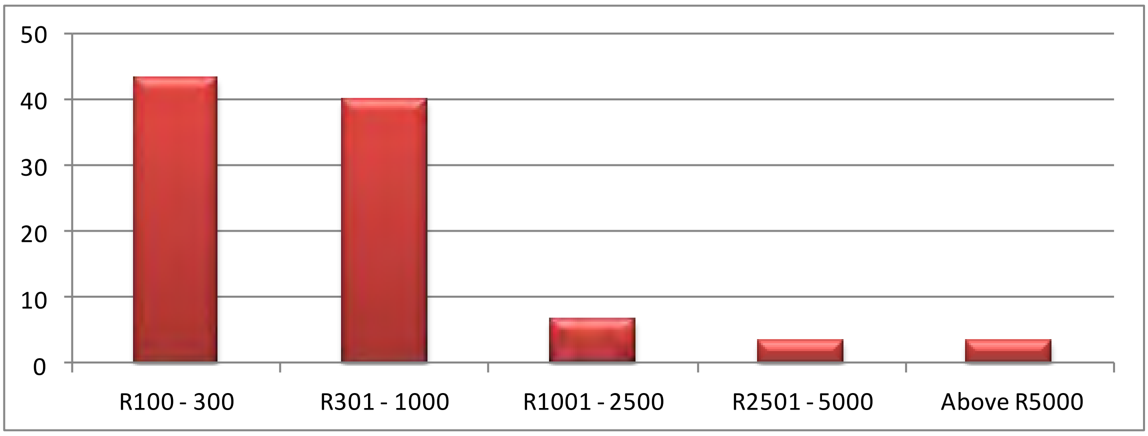
N=98

Figure 44: How much have you borrowed: Zimbabwean respondents



N=67

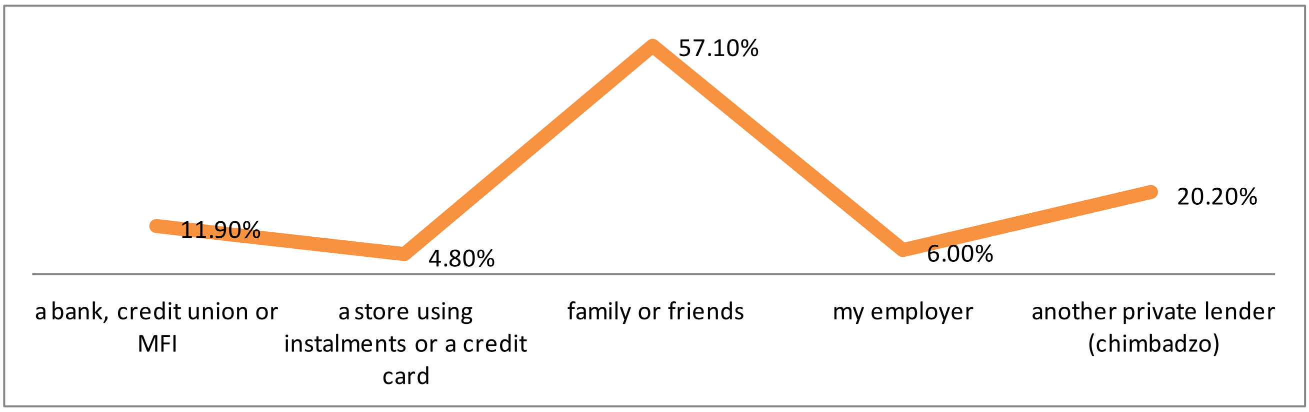
Figure 45: How much have you borrowed: South African respondents



N=30

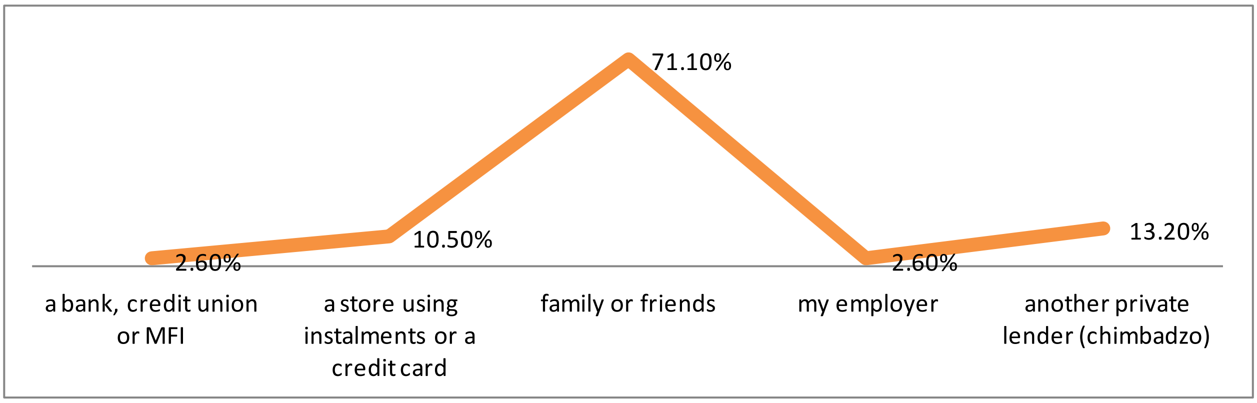
In Zimbabwe, 57.1% of those who managed to borrow cited that they borrowed from friends (Figure 46). 20.2% borrowed from another lender (a loan shark) whilst only 11.9% borrowed from a formal financial institution. This phenomenon is repeated amongst the immigrants in South Africa. , 71.1% of those who managed to borrow cited that they borrowed from friends (Figure 47). 13.2% borrowed from another lender (a loan shark), 10.5% from a store whilst only 2.69% borrowed from a formal financial institution. In Zimbabwe, 23.1% reported having borrowed to in order to cover an emergency or health cost, 19.2% for business purposes and 15.4% for food and fees, apiece (Figure 48). In South Africa, 13.9% reported having borrowed to in order to cover an emergency cost and for fees apiece, 19.4% to buy food, 16.7% for bus fare to work and only 8.3% for business purposes (Figure 49).

Figure 46: Loan Source – Zimbabwe



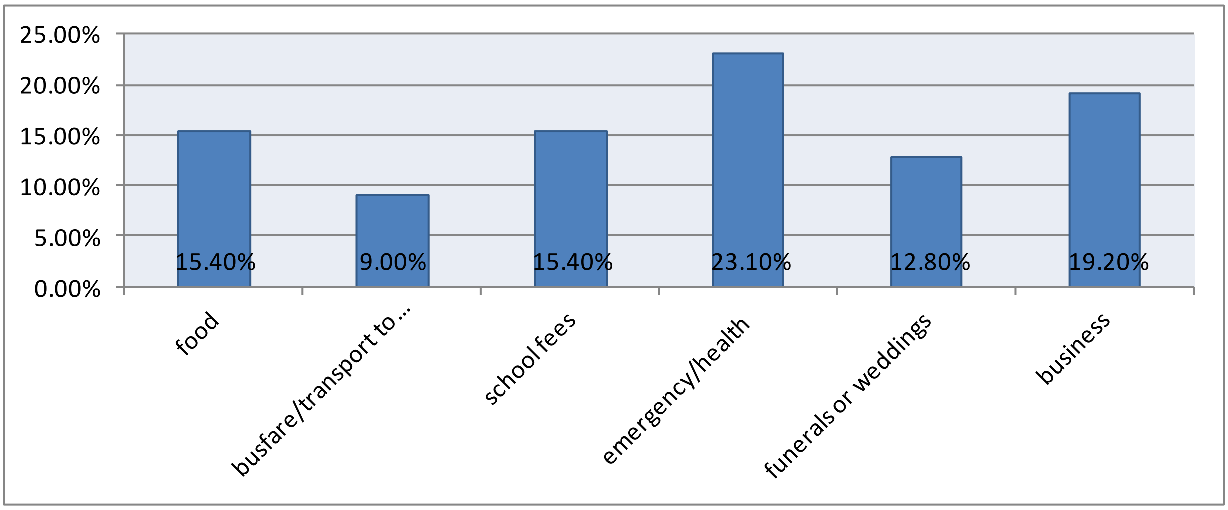
N=66

Figure 47: Loan Source – South Africa



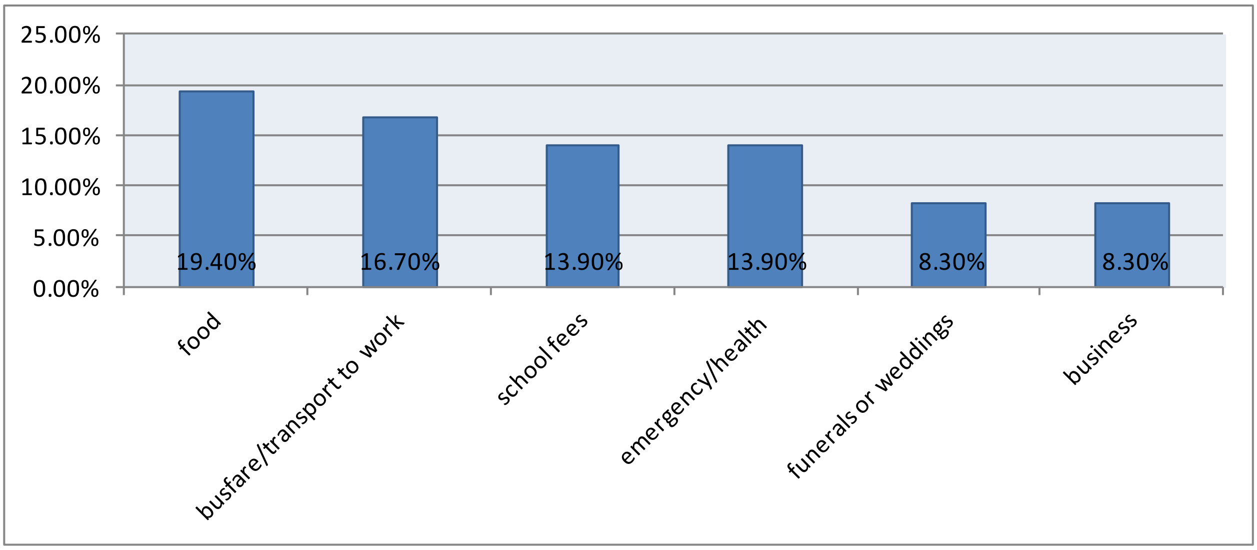
N=30

Figure 48: Loan Purpose – Zimbabwe



N=66

Figure 49: Loan Purpose - South Africa



N=24

6.1.7.4 Access to loans by age

In Zimbabwe 54.1% of those aged 28 to 35 years borrowed some money during the 12 months preceding the study (Table 29). 45.3% aged 22 to 27 years, 36.6% between 15 to 21 years and only 31.6% above 35 years indicated that they borrowed. Interestingly, amongst the South African respondents, 71.4% of those aged 15-21 years indicated that they borrowed some money (Table 30). This is in contrast to the trend amongst the older age groups where the incidences of borrowing were lower. 17.6% aged 22 to 27 years, 20.0% above 35 years and 34.3% aged 28-35 years reported having borrowed. This trend is indicative of the fact that those aged between 15 and 21 years might not be in fulltime employment and hence they would borrow for their upkeep. This was punctuated by a 21 year old interviewee who said, *"I recently migrated to South Africa and also don't have a lot of work experience. I have to rely on piecework for survival so when I am not going to work I have to borrow some money for my sustenance. Of course, I try to pay back whenever I get a job."* (B.T, 19 September 2014)

Table 29: Having borrowed in the past 12 months by age: Zimbabwean respondents

Age Group	Yes	No
15-21 years	36.6%	61.0%
22-27 years	45.3%	52.8%
28-35 years	54.1%	40.5%
Above 35 years	31.6%	68.4%

N=150

Table 30: Having borrowed in the past 12 months by age: South African respondents

Age Group	yes	no
15-21 years	71.4%	28.6%
22-27 years	17.6%	82.4%
28-35 years	34.3%	65.7%
Above 35 years	20.0%	80.0%

N=98

6.1.7.5 Reason for not borrowing

In Zimbabwe 34.5% of those who do not borrow indicated that they do not have a source to borrow from (Table 31). Whilst 35.5% cited that, they fear failing to repay the loan so, they would rather not take one out. For those in South Africa 37.5% cited that they would use their savings instead of borrowing (Table 20). Whilst only 23.2% reported not having a source to borrow from at all.

Table 31: I do not borrow because I: Zimbabwean respondents

	% of respondents
Don't have the sources to borrow from	34.5
Use my savings to cover costs	3.6
Fear to fail to repay the loan	35.5
I defaulted on previous loans	2.7

N=110

Table 32: I do not borrow because - South African respondents

	% of respondents
Don't have the sources to borrow from	23.2
Use my savings to cover costs	37.5
Fear to fail to repay the loan	14.3
Cannot be trusted	5.4

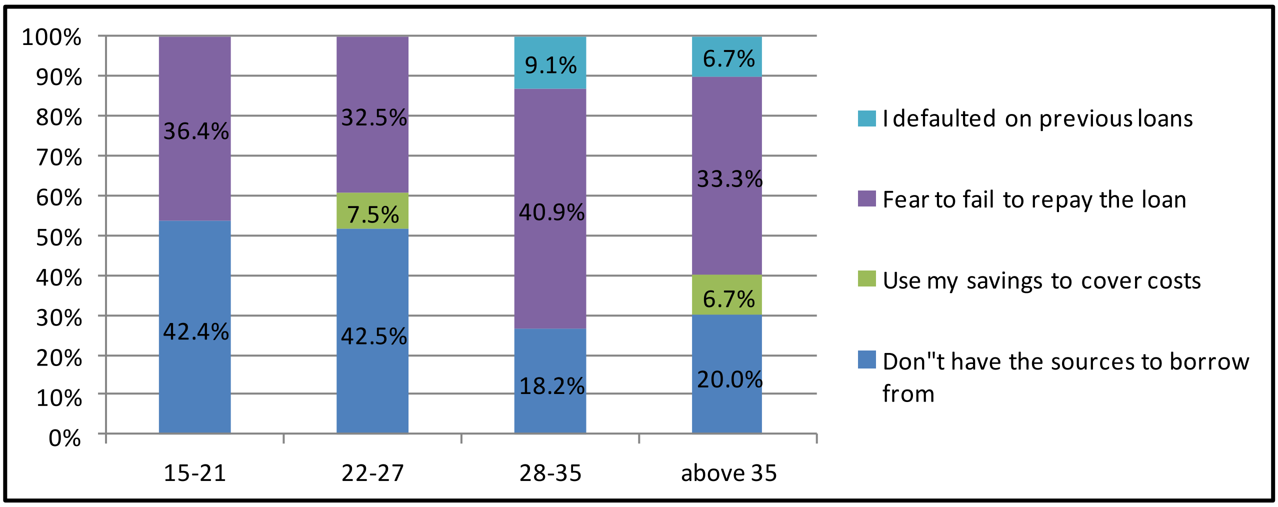
N=56

6.1.7.6 Reason for not borrowing by age

In Zimbabwe, 42.5% aged 22 to 27 years, 42.4% aged 15 to 21 years, 20.0% above 35 years and 18.2% aged 28 to 35 years that have not borrowed reported that they do not have a source to borrow from (Figure 50). 40.9% aged 28 to 35 years, 36.4% aged 15 to 21, 33.3% above 35 years and 32.5% aged 22 to 27 years are afraid of not going to be able to repay the loan. Only 7, 5% and 6.7% amongst the age groups 22 to 27 and above 35 would use their savings instead of borrowing, respectively. The likelihood of not borrowing because of having defaulted on a previous loan is reported amongst the older age groups. 9.1% aged 28 to 35 years and 6.7% above 35 years indicated this. This is commensurate with the point that at an older age a person would have accessed one or two loans in their lifetime.

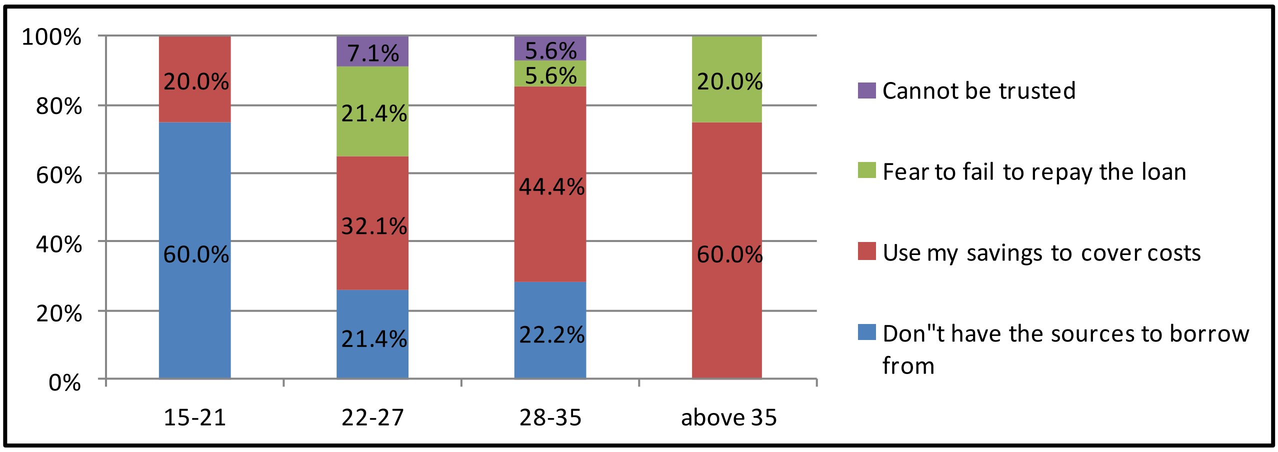
In South Africa, 60.0% aged 15 to 21 years, 22.2% aged 28 to 35 years and 21.4% aged 22 to 27 years that have not borrowed reported that they do not have a source to borrow from (Figure 51). 21.4% aged 22 to 27 years, 20.0% above 35 years and 5.6% aged 28 to 35 years are afraid of failing to be able to repay the loan. 60.0%, 44.4%, 32.1%, and 20.0% amongst the age groups above 35, 28 to 35 years, 22 to 27 years and 15 to 21 years would use their savings instead of borrowing, respectively. 5.6% and 7.1% in the age groups 28 to 35 years and 22 to 27 years reported that they cannot be trusted. This is commensurate with the point that at an older age, a person could have accessed one or two loans during their lifetime. Whereas those at younger ages do not have lesser chances of accessing loans, hence they do not have a credit history – good or bad.

Figure 50 Reason for not borrowing by age: Zimbabwean respondents



N=110

Figure 51 Reason for not borrowing by age: South African respondents

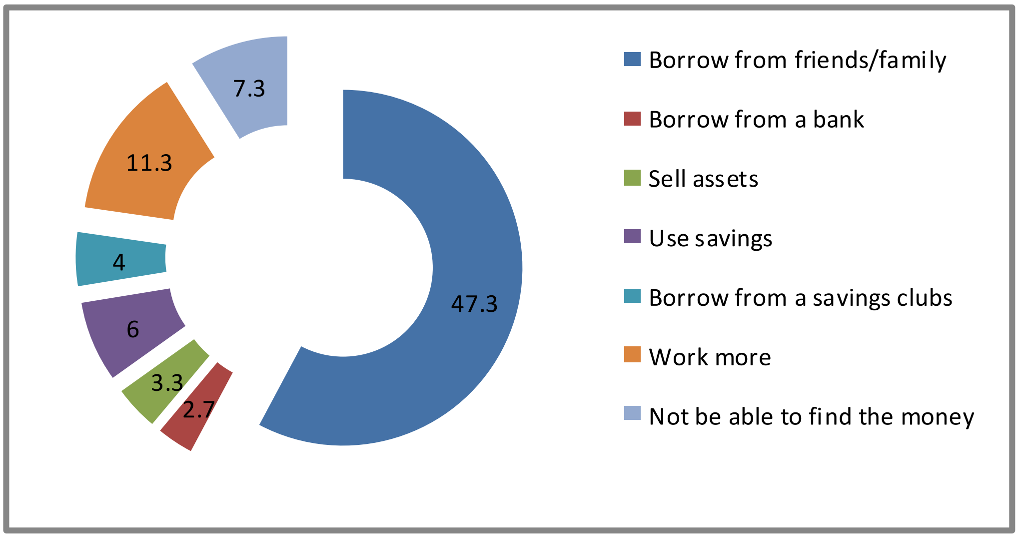


N=56

6.1.7.7 Access to a small amount of money in an emergency

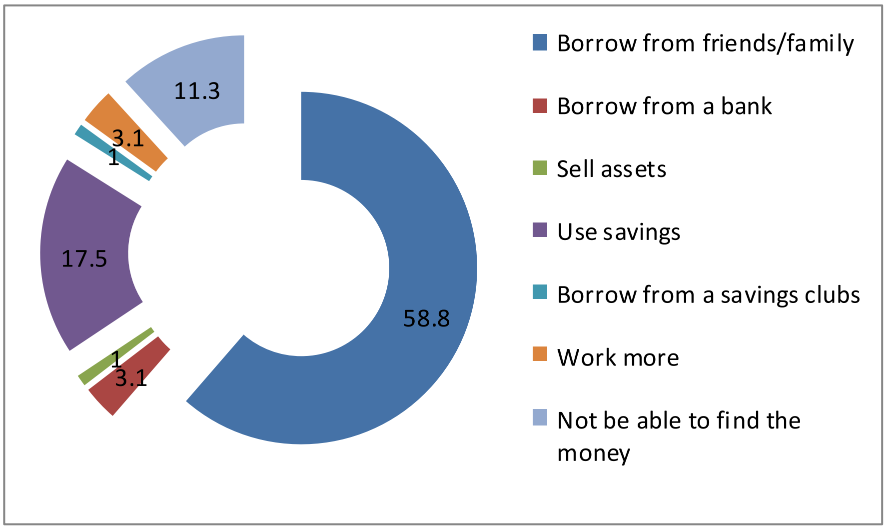
When asked if they needed an emergency loan of US$50, 47.3% respondents in Zimbabwe and 58.8% in South Africa, indicated that they would most likely borrow this from family or friends (Figure 52 and 53). A few, 6% in Zimbabwe and 17.5% in South Africa, would use their savings. Only 2.7% in Zimbabwe and 3.1% in South Africa would borrow this money from the bank.

Figure 52 If you urgently needed US$50 you would: Zimbabwean respondents



N=150

Figure 53 If you urgently needed R500 you would: South African respondents



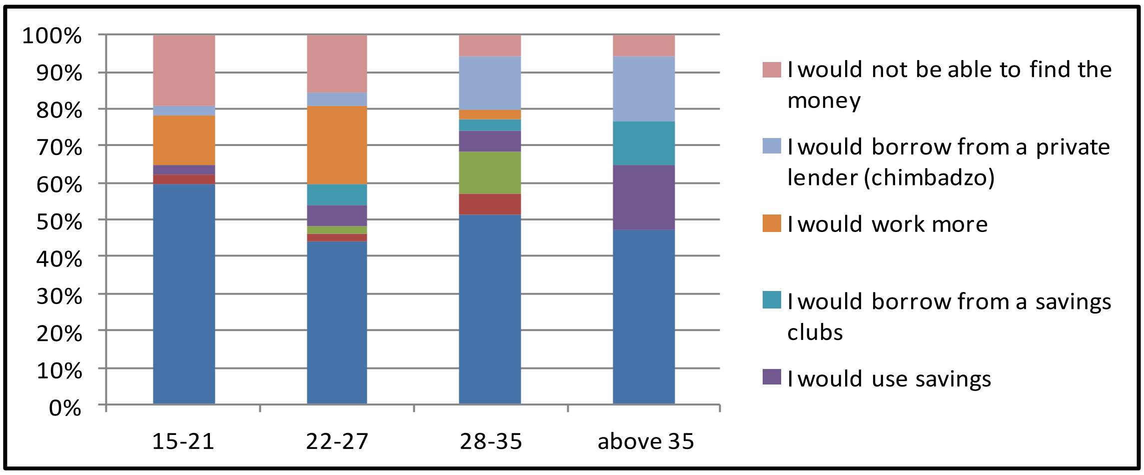
N=97

6.1.7.8 Access to a small amount of money in an emergency by age

In Zimbabwe youth aged between 15 to 21 years would resort to informal sources, more work or even fail to get an emergency loan of US$50. 53.7% of this age group reported that they would borrow from family or friends, 17.1% will not be able to find the money whilst 12.2% will probably work more in order to raise the money (Figure 54). A smaller portion, 2.4% indicated that they would borrow from the bank. Similar trends occur in the other age groups. 13.5% and 10.8% of those aged 28 to 35 years would borrow from private lenders or sell assets, respectively. The 15.8% occurrence amongst those aged above 35 years is the highest for respondents who would use their savings to get the emergency money.

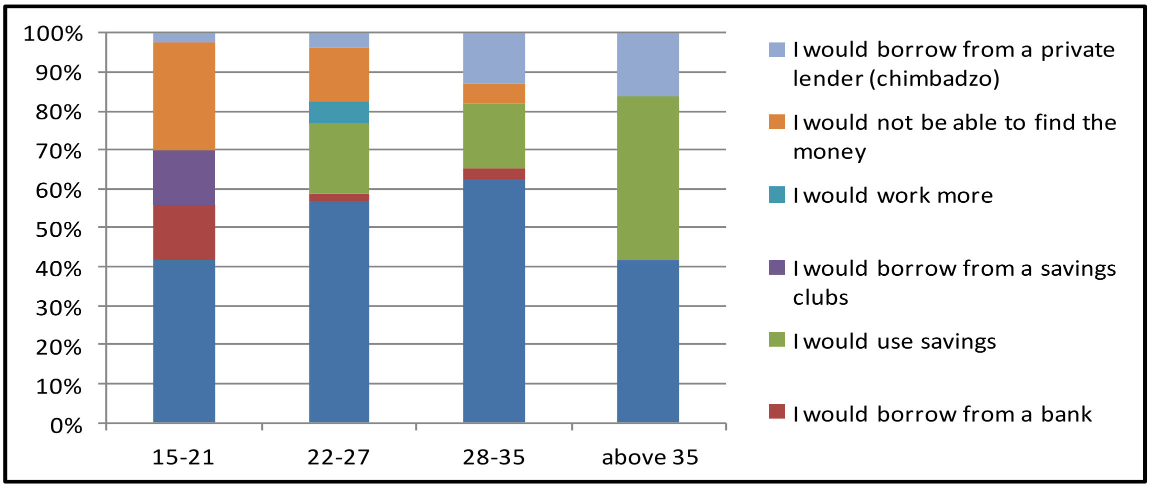
Observations amongst the South African respondents reflect a similar pattern. 42.9% of those aged 15 to 21 years would borrow from friends, 28.6% would work more whilst 14.3% reported that they would borrow from a bank or a savings club (Figure 55). Interestingly this age group is the only one that indicated they would get the money from a savings club. 18.0% aged 22 to 27 years, 17.1% aged 28 to 35 and 40% above 35 years indicated that apart from borrowing from family or friends they will also use their savings to cover the emergency. These age groups also reported lower incidences of not being able to find the money. 14.0% aged 22 to 27 years, 5% aged 28 to 35 years and 0% aged above 35 will not be able to find the money.

Figure 54 Where one would urgently get US$50 by age: Zimbabwean respondents



N=150

Figure 55 Where one would urgently get US$50 by age: South African respondents



N=97

6.1.8 Mobile banking usage

The usage of mobile phones for banking purposes is on the increase as observed from the study. In Zimbabwe, 45.6% and 36.9% of the respondents reported having used their mobile phone to receive and send money respectively (Table 33). Only 15.3% used it to pay bills. In South Africa, 39.6% of the respondents reported having used their mobile phone to receive and send money respectively (Table 34). Whilst 18.1% used it to pay bills.

Table 33: Usage of mobile phone - Zimbabwe

	% of respondents
to pay bills	15.3%
to send money	36.9%
to receive money	45.6%

N=143

Table 34: Usage of mobile phone – South Africa

	% of respondents
to pay bills	18.1%
to send money	39.6%
to receive money	39.6%

N=74

6.1.9 Identified business models to integrate

The table below landscapes a number of existing business models that will be integrated to create the final business model for PenFin. These businesses have been selected due to the fact that they have some elements that are replicable in them. The section will lay down the business' key elements such as delivery mode, products, philosophy and pricing structures where applicable.

	Ecocash - Zimbabwe	Nettcash - Zimbabwe	Mukuru.com (Inter Africa) - South Africa	Take Your Money Everywhere (TYME) - South Africa	Mama Money - South Africa	Foundation for International Community Assistance (FINCA) - Democratic Republic of Congo	eWallet Pro - South Africa
Delivery Mode	Mobile based (mainly through a cellphone and partly via the internet) Network of agents Internationally accessible debit card sponsored by Steward Bank	Mobile based (through a cellphone, a mobile application or via the internet) Network of agents Interoperable transactions	Mobile based (mainly through a cellphone, a mobile application and via the internet) Network of agents Locally accessible debit card sponsored by Standard Bank	Mobile based (through a cellphone, a mobile application or via the internet) In partnership with retail outlets Pick n Pay and Boxer Supported by MTN Locally accessible debit card	Mobile based (mainly through a cellphone and a mobile application) Network of agents for recruitment	Branchless banking Network of agents Supported by Mobile Telephone Network (MTN) Biometric Point of Sale terminals Locally accessible debit card	Mobile based (through a cellphone) Locally and internationally accessible debit cards sponsored by First National Bank (FNB) Distributed through 3rd parties
Product(s)	Electronic wallet Person-to-person local transfers Inbound remittances Standalone debit card Deposit and withdrawal account (for cash deposited by customer)	Electronic wallet Person-to-person local transfers	Person-to-person local transfers Outbound remittances Standalone debit card Inbound electronic transfers for clients holding the debit card only	Electronic wallet Cash deposits and withdrawals at Point-of-Sale terminals in designated shops Payment platform that allows purchases via debit card or mobile applications at designated retail outlets	Outbound remittances	Electronic wallet Cash deposits and withdrawals at Point-of-Sale terminals operated by agents Payment platform that allows purchases via debit card or mobile applications at designated retail outlets	Electronic wallet Cash deposits and withdrawals at VISA accepting ATMs Payment platform that allows purchases via debit card at VISA designated retail outlets
Pricing	Charge for transfers (both sender and receiver incur charges) between 5 to 11% Once-off card activation charge of US$2 with no monthly fees Receiver not charged for inbound remittances	Charge for transfers (both sender and receiver incur charges) between 4 to 10%	Charge at 10% for remittances (sender incurs charges) Once-off card activation charge of R100 with no monthly fees of R25 Charges for pin-change, cash load onto card account	Charge for payments Once-off activation charge and no monthly fees	Charge at 5% for remittances (sender incurs charges)	Once-off activation charge of US$1 and no monthly fees	No charges from the bank direct to cardholder, banks charge 3rd party distributors for electronic transfers, account maintenance and cash deposits 3rd party distributors then pass on bank charges at different rates to their clients
Client type	Targets anyone who has a cellphone line with their network, Econet	Targets anyone who has a cellphone line	Targets documented immigrants	Targets South African citizens aged 16 and above only	Targets immigrants with access to any formal bank account for remittances	Targets mainly youth but also serves those from marginalised communities with no access to financial services	Targets anyone who is excluded from accessing a formal bank account who has a cellphone line
Philosophy or approach	Increasing access to financial services Not concerned about pricing level but their advantage is on the efficiency of their network and the number of agents High tariffs charged	Low tariffs Interoperability across all networks	Increasing access to financial services by immigrants High tariffs charged	Low tariffs Mobile based payments and banking services Increased access to financial services	Low cost of remittances Low tariffs charged Sender needs to have access to any operational bank account (remittances are done through electronic funds transfers from a bank account)	Low cost banking Mobile based banking services Increased access to financial services Biometric identification for sign-on and transactions	Low tariffs Mobile based payments and banking services Increased access to financial services

Table 35: Business Models Identified to be integrated *(Source: Author)*

6.1.10 Enabling environment

An analysis of the operating environment between the two countries was undertaken. This was mainly through observations and a review of current policies and regulations governing operations of financial services providers. In order to complement the services of banks there has been policy shifts to allow other players to provide access to financial services. Both South Africa and Zimbabwe have National Payments System Acts that govern how mobile banking service providers operate. In both countries, they are expected to operate in partnership with a licensed bank. The bank provides a deposit taking structure, thus allowing clients to put in cash into their accounts. The other operational procedures will be discussed below.

6.1.10.1 In Zimbabwe

The Zimbabwean environment is very restrictive in terms of regulations, licensing requirements and an illiquid economy that has little investment capital available for start-ups. Apart from enduring the cumbersome and bureaucratic process of registering a company with the Registrar of Companies, a venture has to undergo another rigorous process with the Reserve Bank of Zimbabwe (RBZ) before operations start.

As stipulated by the RBZ's National Payments Systems regulation department, a venture needs to be licensed through the partnering bank holding the trust account for the e-money, which shall be created and liquidated thereat. In this regard, there is a need for an interface with the bank that enables the bank to create e-money after deposits in the bank and liquidate e-value after withdrawals and then the venture is responsible for any movements of the e-value on your platform. At any point in time the e-value should be less than or equal to the balance in the trust account. The venture can be licensed as a Financial Market Infrastructure (FMI) or Payment Systems Provider offering mobile payments in terms of the National Payments Systems Act through the participating bank as noted above. The product will also be bound by the Anti- Money Laundering, Exchange Control (relating to any foreign supplies) and Banking Act among the plethora of statutes. The main guiding standards among others are the Bank for International Settlements (BIS) Committee on Payment and Settlement Systems (CPSS) 24 Principles for Financial Market Infrastructures (PFMIs). In addition the FMI must submit the application to the Central Bank through a partnering bank. Once approved all FMIs are required to pay payment systems application and annual license fees. Table 36 shows the structure of the fees.

Nature of Service	Charges (USD)
Once off New FMI Application fee	5,000.00
Annual License Fee for FMIs	50,000.00
New Product Application Fee (additives to the existing Platforms)	1,000.00

Table 36: Fees structure for FMIs in Zimbabwe (RBZ 2014)

The annual license fees are payable in advance and are due by the 31st of December for each preceding year. For the approval of the pilot test the non- refundable USD5,000 application fee must be paid directly to the Central Bank and no consensus can be reached in this regard.

In a bid to increase financial inclusion and competiveness in attracting foreign direct investment Zimbabwe has had several policy shifts between 2013 and 2015. A notable policy change is the review of the current Exchange Control framework for international remittances. The RBZ shall introduce an enhanced and integrated framework with effect from 1 April 2015.

Under the new framework, Zimbabwean registered money transfer operators and bureaux de change shall be designated as Limited Authorised Dealers and shall now be allowed to conduct both inward and outward money transfers. The new Exchange Control framework for international person-to-person remittances shall be administered through the following three-tier system.

a) Tier one (1) shall be locally incorporated money transfer operators (MTOs) partnering with approved international money transfer organizations (MTOs) to carry out both inward and outward international remittances, as well as buy and sell foreign exchange on a spot basis.

b) Tier two (2) shall be locally incorporated money transfer operators (MTOs) acting alone, or operating own systems to carry out both inward and outward international remittances, as well as buy and sell foreign exchange on a spot basis.

c) Tier three (3) shall be bureaux de change who shall only buy and sell foreign currency on a spot basis.

In order to enhance monitoring and accounting of international remittances as well as mitigating against money laundering and terrorist financing, the Reserve Bank of Zimbabwe shall employ a robust compliance monitoring framework including electronic surveillance and reporting or such electronic platform that the central bank may designate for the purpose. All licensed dealers shall be required to participate and contribute to the establishment of the integrated and centralized payment gateway system.

6.1.10.2 In South Africa

South Africa has a vibrant capitalisation market that makes it easier to raise capital and set up operations as compared to Zimbabwe. There is a good small business framework that enables entrepreneurs to operate with ease of set-up arrangements. According to the South African Reserve Bank (SARB), the business is regulated by the South African Reserve Bank Act, National Payment System Act (including Directives), Payment Association of South Africa (PASA) Constitution, Payment Clearing House (PCH) Agreements and Service Level Agreements. Ideally, the following two operational scenarios exist for such ventures:

- Money or the proceeds of payment instructions are accepted by a person (a beneficiary service provider), as a regular feature of that person's business, from multiple payers on behalf of a beneficiary. An example will be the acceptance of money or proceeds of payment instructions by a retailer or other outlets for payment of utility bills.
- Money or the proceeds of payment instructions are accepted by a person (a payment service provider), as a regular feature of that persons business, from a payer to make a payment on behalf of that payer to multiple beneficiaries (payment of salaries on behalf of employers to their employees).

Table 37, below, summaries the steps to be taken in legally operating as a PSP

No.	Description	Reference / Contact
1	The PSP must inform its banker of its business regarding third party payment services	
2	The banker of the PSP must advise PASA by way of completing the website registration process on behalf of the PSP.	• www.pasa.org.za **1.** *PASA authorisation website* **2.** *Application* **3.** *System Operator Authorisation*
3	Sign agreements with all the clients that are served.	
4	PASA will ensure that the registration information pertaining to the PSP is available on the PASA website.	• www.pasa.org.za *1. PASA authorisation website* *2. Application* 3. *System Operator Authorisation*

Table 37: Steps to becoming a PSP in South Africa (SARB 2014)

Apart from the low cost business registration fees, there is no indication of any other fees being needed for a venture to start operations. The company registration process is user friendly and less cumbersome as compared to the processes in Zimbabwe. A new company can be registered within 10 working days and everything can be done online. This entails that once a venture has complied with the Companies & Intellectual Property Commission (CIPC's) requirements and has an operational account with a bank it can begin service provision. A new venture is expected to be fully complaint within 90 days of starting operations. This is in contrast to Zimbabwe's requirements where a business has to be fully compliant before operations start.

6.1.11 Current operations

The following are some of the field observations made in terms of how financial institutions are operating.

- In South Africa, banks still continue to make additional changes to the laid down KYC requirements that enhance the exclusion of immigrants. Account opening is still hampered by one not being in possession of some of the required documents such as a valid passport or permit. Even in instances where the potential client furnishes the bank with the requested documents and information the bank shifts its position and asks for something else. FNB clearly states that it does not open accounts for refugees and asylum seekers. Whilst on the other hand banks like Nedbank are serving the same class of applicants. Staff members at Capitec failed to explain why they do not open accounts for international students even if they have a valid study permit. This is in contrast to other banks that are opening accounts for the same class.
- Mukuru and Mama Money have adopted flexible documentation requirements for account opening. They also provide for the presentation of a passport or a national ID for an immigrant. An agent then completes an identification verification form. The same agent also undertakes a home visit and completes a form to verify the client's residential place.
- Mukuru is providing a savings account that is accessible through a debit card. Whilst the clients are okay with paying the monthly service fees of R25 they indicated their dissatisfaction on the quality of service they are receiving. They highlighted the lack of product knowledge amongst agents, who fail to explain their product convincingly. This has led to some clients not trusting the motives of the service provider, as the bank account is not in the name of the client. This mistrust can be addressed through an in depth explanation of how the 'banking' relationship exists and operates. The clients complained about delays, of between 2 to 4 days, in salary payments reflecting on their card accounts. The debit card whilst being handy as a savings platform in not good enough since it cannot be used outside of South Africa. As immigrants, they want a card that enables them to save and then transact in their home country so that they do not need to carry large sums of money on long trips. According to the clients the remittances services are expensive and should be provided at a lower cost and with more reliability. There is need for a wider pay-out network for receivers back home, so that people do not have to travel far to make cash outs.
- Clients cited that they are willing to pay between R30 to R50 per month, for services that are efficient, reliable and enable them to transact easily at home. "So long the service is right we can pay any amount," cited one interviewee.
- Whilst the South African environment is electronic money friendly the same is not true for Zimbabwe. South Africa has an efficient network of automated teller machines (ATMs) and point-of-sale (POS) terminals that accepts a wide range of locally and internationally branded

debit and credit cards. There is a huge uptake and usage of plastic cards for banking and payments services. Technology advancement has seen the increasing usage of mobile application based payments options that mean clients can transact using their smart phones. Zimbabwe, on the other hand, is not electronic money friendly. There is a low uptake and usage of plastic money. A few retailers have integrated their POS and payments systems to accept internationally issued debit and credit cards. During the research period, only one bank in Zimbabwe - Barclays Bank - was offering cash withdrawals for international cards at its ATMs. Purchases using an international card were not possible at several major retail outlets in Harare.

6.2 Overview of Research Findings

This research laid down specific questions that were to be answered during its tenure. This section summarises the research findings and draws conclusions linked to the research questions which provided the guidance which the study followed. The following sections I the conclusions that can be made in reference to the data collected.

6.2.1 Question 1: Need and demand for services by youth

As per the research findings it can be concluded that marginalised youth are in need of an account where they can have their salaries paid into, be able to transact electronically, save their income and one allowing them to send money to family and friends. There is demand for low cost and reliable service that is easily accessible to the clients. Immigrant youth indicated the need for a debit card linked account, where they can deposit their savings and are able to withdraw the money or transact when they visit their home country. Whilst there is demand for loans, this is more pronounced amongst those in Zimbabwe. This is reflective of the informalisation of their economy, where the majority need some support for their income generating activities.

A savings culture is almost absent amongst the marginalised groups. When they do save, it is usually in small amounts that they are able to easily access on demand. The loans they access tend to be small and are mainly for consumptive purposes. Very few borrow for business purposes. A number of those who earn a salary are forced to transact in cash since they cannot open and operate their own bank accounts. This in turn exposes them to muggings and denies them a chance to build a savings base as well as a credit record.

Lack of financial literacy has hampered the youth from using financial services to their advantage. Their over reliance on informal sources (family and friends) for information is a further compounding factor. They are unable to exploit some opportunities that exist in country. The knowledge and information shared on financial services is usually based on assumed processes and not an experience from dealing with a bank.

6.2.2 Question 2: Current financial services tools for youth

The study results reflect that whilst marginalised youth and immigrants need and seek for access to financial services they are not getting the access. They are thus forced to rely on informal financial intermediation tools to manage their finances. These are not only unsafe and a high risk but are also unreliable and at times not sustainable in the end. They turn to family and friends to save money with and to borrow from when faced with an emergency.

Due to the nature of the tools at their disposal the youth and immigrants alike tend to transact in small amounts. The sizes of their transaction amounts make them unattractive to rent seekers hence big banks are not willing to serve them. They pose a huge cost source in terms of managing and maintaining their accounts. Most formal institutions have shunned them completely since they are perceived to be a high risk. Those financial institutions that are currently serving them are charging exploitative rates for their services.

There is mistrust of banks and their operations by those who have accessed and experienced banking services in Zimbabwe. This group strongly believes that banks are out to exploit them and 'steal' their money. They are sceptical of putting their money into a bank lest the institution closes down. Such levels of mistrust have been taken across the border to a different economic environment. Even though the banking sector in South Africa is reliable, efficient and sound a number of immigrants would rather not keep their money there for long.

6.2.3 Question 3: barriers to access to financial services

The findings of this research corroborate the findings of other researchers who studied the phenomenon of the barriers to financial services by marginalised youth and immigrants. It can be concluded that they fail to get readily access to formal financial services due to a plethora of reasons, chief amongst them being the lack of required documentation and their immigration status. Other barriers include inappropriate products being offered which are often times not conveniently located and are costly. Service providers are not serving them due to their perceived risk and status in society which are linked to their age and legal status. Their level of income and education as well as their low financial capabilities are other barriers too since they at times lead to the clients failing to maintain minimum balances. Lack of information and financial illiteracy also contribute to the low level of access to financial services. Holding on to past experiences with home institutions, home country institutional efficiency and reliability can lead to a general mistrust of banks and banking systems which then contributes greatly to an immigrant's decision to access financial services. Failure to get a chance to gain experience with banks and other financial entities in the home country is another barrier. Due to language barriers immigrants can form forming enclaves with immigrants from same country in neighbourhoods. This therefore makes it easier for them to access informal channels of financial intermediation as opposed to formal ones. The advancement and access to technology can be a barrier especially when one was never exposed to such technology in their home country.

6.2.4 Question 4: Existing business models serving youths

Outcomes of the study lead to the conclusion that there are existing business models that are enhancing financial inclusion in both Zimbabwe and South Africa. Apart from some in-house innovations being carried out by banks the following are some businesses already operational:

1. Kurera/Ukondla Youth Fund (Zimbabwe)
2. Ecocash (Zimbabwe)
3. Nettcash (Zimbabwe)
4. Mukuru.com (South Africa)
5. Take Your Money Everywhere (South Africa)
6. Mama Money (South Africa)
7. FNB's eWallet Pro International (South Africa)
8. FINCA (DRC)

6.2.5 Question 5: Business model innovation

An analysis of the research findings leads to the conclusion that it is possible to create an alternative way to doing business. In order for access to be made possible for those at the bottom of the pyramid current business systems have to be destructed. New operations that touch on the sacrosanct processes and procedures need to be set up in order to increase equality. Clearly there is no inventing of the wheel but rather the selection of certain processes and approaches in already existing businesses. Design thinking and systems thinking tools can be applied to integrate existing business models to bring out a different way of doing business.

7 Final Business model

This section lays out the feasible business model to undertake as an outcome of this research. This business model tests Hypothesis 3 which states that: Branchless, low cost, mobile banking can be integrated into a financial services institution that provides youth appropriate services and products.

Whilst it is possible for PenFin to continue operations in Zimbabwe, the strategy will be to take advantage of the better enabling environment in South Africa to set up a start-up. Once the start-up gains traction and has built a good asset base operations can expand back into Zimbabwe. The anticipation will be that changes being proposed in Zimbabwe's policies and frameworks will be in effect by the time of expansion. In Zimbabwe PenFin will work on raising the licensing fees to operate as an FMI as well as a Tier Two Money Transfer Operator. The following portions of this section therefore narrate the business model to be adopted for operations in South Africa in a bid to enhance financial inclusion for immigrants.

7.1 Business approach

The business model canvass for this research is depicted in Figure 55 below. The theory of change for this research is to create opportunities for marginalised youth through enhancing their access to financial services. The initial target clients are youth from poor and marginalised backgrounds aged between 15 and 35 years. PenFin will operate in South Africa as a third-party payments provider using the names PENYA FINANCE (PTY) LTD under registration number 2014/265024/07. The innovation will provide branchless banking through a network of agents as the bank's access points. The innovation will initially provide banking access to immigrants through a debit card in partnership with a South African bank. Through moving away from the traditional 'brick and mortar' banking set up this innovation will reduce operating and running costs. By also engaging agents as the point of contact with clients there will be no need to employ high numbers of support staff. This will enable us to transfer the reduction in costs to the clients. The innovation will thus provide low cost banking services within the reach of the client. Clients do not have to travel long distances to access financial services. Once they have a debit card they can transact by depositing and withdrawing at ATMs that accept a VISA card. They can also purchase from POS terminals at retail outlets. The card that will be rolled out is one that allows clients to use it outside of the South African borders. This gives the business an added advantage over current businesses in the same line of business. It is also in line with what some clients indicated that they want – a card that allows them to save locally and spend the money in their home countries.

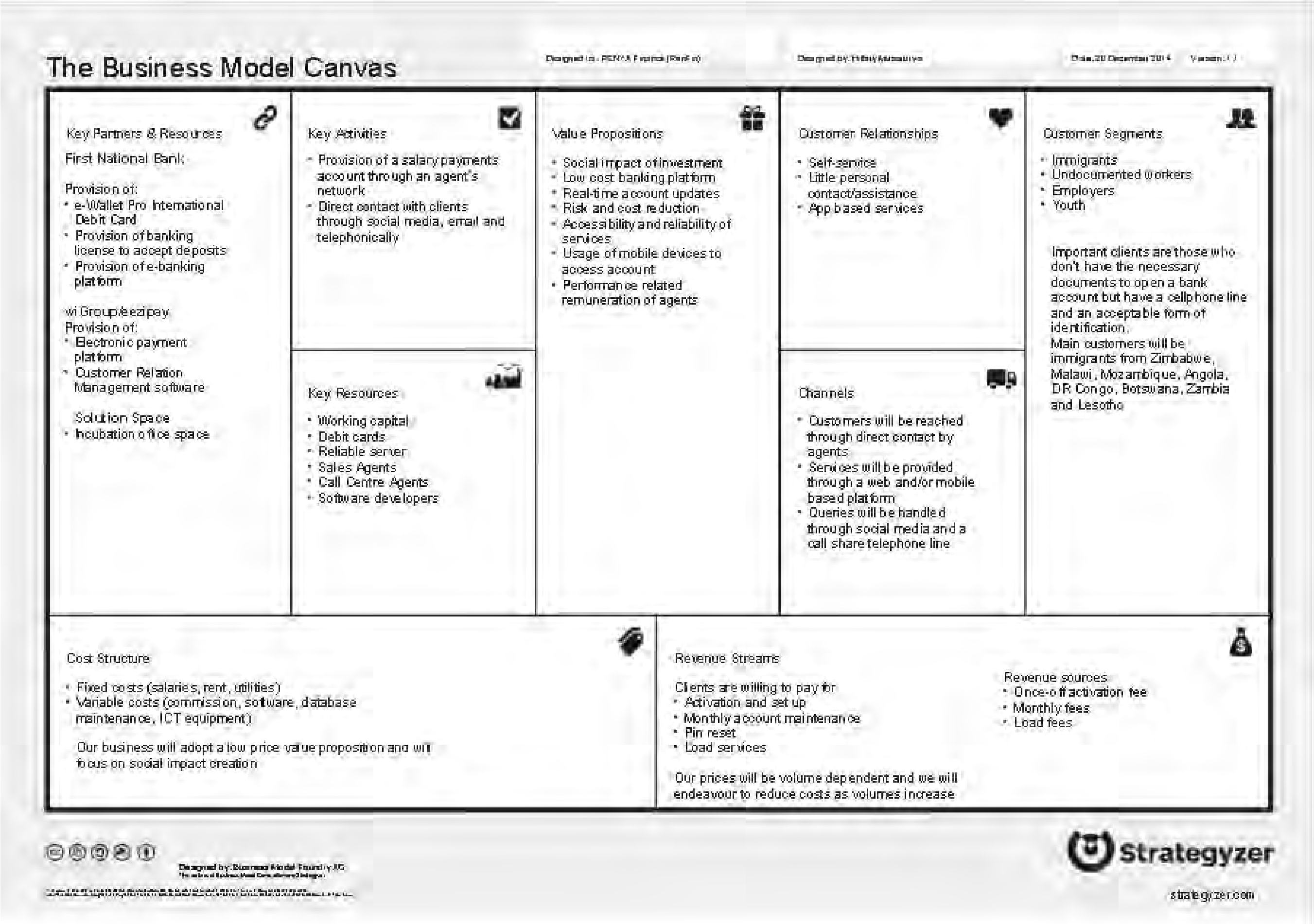


Figure 56: Business model canvas for PenFin *(Source: Author)*

7.2 Capitalisation

The venture will adopt a hybrid approach during the first 3 years, where it will operate as a social enterprise. This will enable PenFin to access public funds in the form of grants and low cost loans. The initial capital will therefore be sought from development funds, venture capitalists and through entering social innovation competitions. On the other hand the revenue generated will mainly be to sustain the operations of the business and not purely for profit. As the revenue streams pick up we will convert to an approach wherein the venture will be supported by the revenue it generates. The scaling approach will include the continuous recruitment of network agents. Initial capitalisation will be from seed grants and participation in venture competitions. This capital will be used to cover start-up costs for the purchase of such things as software, ICT equipment and agent recruitment costs. Once PenFin has built its asset base or has been capitalised to R5 million it will apply for an independent money transfer license. Such a license will allow the diversification of services to include international money transfers at low costs.

7.3 Staffing arrangements & support to agents

Since we are targeting BoP clients we envisage enlisting a number of unemployed youth and start-up entrepreneurs as agents. In recruiting the sales agents first preference will be given to unemployed youth. This will be in line with the social entrepreneurial approach through to also empower the poor and create employment for them. The business venture will thus help create jobs and provide a revenue stream for the youth. Our agents will be unemployed individuals, retailers, schools, clinics, traders, wholesalers and suppliers. Whilst the initial target will be to get 300 agents in the first year, this number will grow to more than 3 000 over the next 5 years. Each agent will target to sign-on at least 100 clients per month within their community. There will be no limit on the number of clients an agent can serve or support, so long they can provide quality service and do not compromise on standards.

Agents will be paid commission for signing on clients as well as a percentage of the charges levelled against account users. To ensure continued benefits for the agents they will always be paid commission from accounts linked to the clients they sign on, so long their accounts remain active. We will endeavour to pay higher commission rates that our competitors and ensure that the agents benefit financially from the venture. To ensure that our costs remain low and we provide affordable services we will operate with a marginally small core team. The agents will therefore become the indirect staff of the venture and will provide the interface between the clients and us. Our core staff will mainly be software developers, accounting clerks and call centre agents.

We will provide the following support and services to the agents so that they benefit from the provision of mobile banking services:

- Financial literacy training
- Start-up kit (a PoS terminal or Smartphone, operating booth and signage)
- Stationery
- Visibility materials (2 t-shirts and 2 caps)
- Refresher training and ongoing mentoring

7.4 Products and services

The initial services will include provision of access to a mobile payments, savings and transfers platform. This will be complemented by financial literacy trainings. As the venture gains traction we will include additional services (perhaps after the 6th month of launch). We will provide our clients with the following services:

- Financial literacy training
- Savings Accounts (permitting small amount deposits and withdrawals)
- Payments platform (allowing for electronic trading of goods and services amongst clients)
- Person to person transfers (allowing for mobile money transfers)

7.5 Cashflow streams

The revenue generated from the usage of mobile banking services is heavily dependent on the transaction volumes pushed through the platform. Hence the continued usage of services and products by enrolled clients is a key factor on the income streams for PenFin and its agents. The revenue stream will mainly be from account maintenance fees, bulk payments charges and commission from the initial activation fees. We will not charge clients for balance enquiries, cash-outs or withdrawals in shops. For money transfers we will only charge sending fees. The account maintenance fees will be kept at a low as we move towards free accounts as our revenue stream increases. Table 39 below summarises the cashflow streams for this venture:

Income Streams
Card Purchase and activation fees
Monthly account maintenance fees
Interest on loans
Salary payments charges
Cash deposit charges
Expenditure Streams
Interest on savings
Agents commission (client enrolment)
Agent's bonus (on enrolled client for continued usage)

Table 38: Revenue streams (Source Author)

7.6 Value to potential clients

Our products, processes and people are all focused on creating the highest social impact on our clients' welfare and livelihoods. Our business focus is to increase the social return of investment as opposed to the financial return of investment. We provide financial services that are structured so as to assist the poor to progress out of poverty. Our services embody the following characteristics:

- Low cost
- Accessible and within walking distance for our clients

- Efficient and reliable
- Digitally accessible through a robust platform

8 Future research direction

This section discusses study several gaps that were identified during the study, which would need to be covered through further research. It proposes the various routes that subsequent research could take in order to build up on this study.

8.1 Knowledge on how marginalised youth manage their finances

Honohan & King (2013) raise a number of research gaps that exist pertaining to financial access by the poor and certain disadvantaged groups. Of the ten research questions that they identify the following would be worth pursing as a build up to this study:

1. Which financial services are most valuable to the poorest?
2. Does expanding financial access really make a notable difference to families and communities?
3. Can increasing access enhance or jeopardize the stability of financial systems?
4. How much does consumption smoothing contribute to the welfare of families?
5. When and how does financial literacy really matter?
6. Are borrowing and saving complements or substitutes?

Further research needs to be done in order to provide more knowledge and information on how youth in manage their finances. There is need to further research on how the youth who live in conflict zones or areas undergoing economic crisis like Zimbabwe are coping with the pressures of managing their meagre finances to survive and support their families. Tracking and monitoring those who decide to move to better performing countries can provide an insight into the coping and financial mediation strategies of young immigrants. Such research can be undertaken using the comprehensive financial diaries over a two or three year period. The findings of this research can be compiled to produce financial portfolios of the youth.

There is an opportunity to research and further advance the cause and effect of financial inclusion on marginalised youth (Honohan & King, 2013). This will entail the evaluation of the effect of access to financial access on important socioeconomic outcomes. As well as deciphering the relative importance of different channels of causation at the individual and household level. Heikkilä, Kalmi, & Ruuskanen (2013), highlight the research gaps on social capital as a determinant to financial access. There is a scarcity of datasets on both social capital and financial access.

8.2 Evidence on youth focused financial services

There is also need to determine and provide evidence that if the poor are given the appropriate tools and resources they can pull themselves out of poverty. There is need to produce evidence that the poor do need large loans to progress out of poverty and given the appropriate terms they can manage and repay these loans. Through tracking the livelihoods and adoptive activities to be undertaken by clients, getting services using the proposed model strong case studies can be captured.

8.3 Feasibility of the business model

The feasibility of the business model developed in this thesis needs testing through piloting it in Zimbabwe and South Africa. Such a pilot will enable the testing of the proposed business model in a low capitalisation set up. Such a set-up is ideal for design thinking. This feasibility study will measure what services are being provided and how are they impacting the lives of the clients. It should be able to assess whether financial inclusion is improving over time. Further study should unpack the quality of service against parameters such as convenience, affordability, safety, dignity and the long-term outcomes of using financial services.

8.4 Centres on financial inclusion research in Africa

One of the reasons why there is little evidence on financial inclusion services and practises in Africa is the lack of African researchers in this field. There are a few such researchers with the majority being experts from outside of Africa. The work of these 'external' researchers, whilst being valuable to the increase of knowledge, is prone to bias. This is because researchers coming from outside of the continent usually arrive with a preconceived view of Africa and how its people survive and manage their finances. The data and evidence they pool together if often met with reactions of shock. More researchers that are African are needed to share a lived experience and data in ways that are non-biased and through the lens of someone living within the context.

In order to address the aforementioned gaps I will set up a research institution to be known as the Nina Centre for African Financial Inclusion (NCAFI). NCAFI will focus on financial inclusion studies in Africa, more so in Southern Africa. The institution shall start by carrying out studies within the Southern African Development Community (SADC) countries before expanding elsewhere. The institution will also train and equip young researchers, from within Africa, with the relevant skills and tools to undertake financial inclusion research. This institution will collaborate with a number of African universities to support students with resources to carry out field studies. It should be capacitated to provide resources (funding and material) for students to put into practice the skills they acquire. The institution will also be a platform to engage with policy makers and other stakeholders on enhancing the access to financial services by youth and thus promote financial inclusion.

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- **Appendices**

APPENDIX I: BASEL CUSTOMER DUE DILIGENCE REQUIREMENTS

General identification requirements

This annex presents a suggested list of identification requirements for personal customers and corporates. National supervisors are encouraged to provide guidance to assist banks in designing their own identification procedures.

Personal customers

For personal customers, banks need to obtain the following information:

1. Name and/or names used,
2. Permanent residential address,
3. Date and place of birth,
4. Name of employer or nature of self-employment/business
5. Specimen signature, and
6. Source of funds.

Additional information would relate to nationality or country of origin, public or high profile position, etc. Banks should verify the information against original documents of identity issued by an official authority (examples including identity cards and passports). Such documents should be those that are most difficult to obtain illicitly. In countries where new customers do not possess the prime identity documents, for example identity cards, passports or driving licences, some flexibility may be required. However, particular care should be taken in accepting documents that are easily forged or which can be easily obtained in false identities. Where there is face to face contact, the appearance should be verified against an official document bearing a photograph. Any subsequent changes to the above information should also be recorded and verified.

APPENDIX II: FINANCIAL INCLUSION QUESTIONNAIRE - SOUTH AFRICA

Date…………………….

Interview results (Circle code) Complete……1   Incomplete……….2

Hello. My name is Hillary Musarurwa I am a Masters student at the University of Cape Town's Graduate School of Business. I am currently doing a study on financial exclusion of youth in Zimbabwe and South Africa. This research has been approved by the Commerce Faculty Ethics in Research Committee. Your participation in this research is voluntary and you may choose to withdraw from the research at any time. Your responses will be anonymous as I will not ask your name. With your permission, you will be asked questions about yourself and financial issues. The questions usually take about 15 to 20 minutes to answer. All the answers you give will be confidential and will not be shared with anyone. The information you will give me will be useful in helping design a business model to improve access to financial services by marginalised youth. Should you have any questions regarding the research please feel free to contact the researcher on 0612054226 or hillary@penyazim.com.

Kindly circle your preferred answer.

SECTION A: Demographics			
No.	**Question**	**No.**	**Question**
101	How old were you on your last birthday? 1. 15 – 21 2. 22- 27 3. 28 – 35 4. Above 35 5. Prefer not to answer	107	Why did you leave Zimbabwe? • Economic situation • Political situation • Other (specify) • Prefer not to answer
102	What is your marital status? • Never married • Married/ Cohabiting • Divorced/separated • Widowed • Prefer not to answer	108	For how long have you been living in South Africa? • 0 – ½ year • ½ – 2 years • 2 – 5 years • More than 5 years • Prefer not to answer
103	How many children do you have 1. None 2. 1 3. 2 4. 3 5. 4 6. 5 or more	109	What is your immigration status? 1. Documented (work/study permit) **GO TO 111** 2. Documented (Asylum/refugee status) **GO TO 111** 3. Documented (Business permit) **GO TO 111** 4. Not documented 5. Prefer not to answer
104	In Zimbabwe where do you usually live? 1. Urban 2. Rural 3. Prefer not to answer	110	Would you want to be assisted with legalizing your stay in South Africa? 1. Yes 2. No 3. I am already being assisted 4. Prefer not to answer
105	In South Africa where do you usually live? a) Urban suburbs b) Urban township c) Rural farming d) Rural mining e) Prefer not to answer	111	You get information about immigration issues from **1.** Family and friends **2.** Department of Home Affairs **3.** Employer **4.** Church **5.** I do not have a reliable source **6.** Prefer not to answer
106	What is the highest level of education you have attained? • Never been to school • Primary	112	Your place of residence is.... 1. Rented 2. Owned by you 3. Not rented but owned by someone else

	• 'O' Level • 'A' Level • Tertiary • Prefer not to answer		
SECTION A: Demographics			
No.	**Question**	**No.**	**Question**
113	What is your current employment status • Unemployed • Self employed • Employed (permanent worker) • Employed (casual/contract worker) • Prefer not to answer	116	Per month how much money do you get (from all your income sources)? a) R100 to R3 000 b) R3 001 to R5 000 c) R5 001 to R7 000 d) R7 001 to R9 000 e) R9 001 or more f) Prefer not answer
114	What is your occupation? 1. Maid 2. Manicure/Wax/Hairdresser 3. Vendor 4. Dressmaker 5. Nanny/elderly caregiver 6. Shop Cashier 7. Waiter/waitress/Barmen 8. Security Guard 9. Artisan 10. Teacher 11. Student 12. Cleaner 13. Carpenter/Builder/Painter 14. Barber 15. Assistant 16. Office Clerk 17. Receptionist 18. Accountant 19. Craftsperson 20. Driver/Mechanic 21. Other (specify)…………………………………………… 22. Prefer not to answer	117	Have you received any training on financial literacy (how to use banking services) or small business management **(circle as many as apply to you)** a) Received no training b) Financial literacy training c) Small business management training d) Prefer not to answer
115	What is the source of your monthly income (tick as many as applicable) • Formal wages • Rent • Savings • Pensions • Informal loans • Informal wages (part-time jobs) • Grants • Donations • Scholarships • Informal business or income generating activity • Prefer not to answer	118	You received the training from 1. A bank or financial institution 2. An NGO 3. A savings club 4. A friend or family member 5. An article in the media 6. School 7. Other (specify)…………………………………….. 8. Prefer not to answer

<table>
<tr><th colspan="4">SECTION B: Financial Services</th></tr>
<tr><th>No.</th><th>Question</th><th>No.</th><th>Question</th></tr>
<tr><td>201*</td><td>Do you currently have an account at a bank or post office?
a) Yes
b) No (skip to 210)
c) Prefer not to answer</td><td>207*</td><td>When you need to get cash from your account, how do you usually get it?
1. At an ATM
• Over the counter in a branch of your bank or financial institution
• Over the counter at a retail store, or
• From some other person who is associated with your bank or financial institution
• Do not withdraw cash
• Prefer not to answer</td></tr>
<tr><td>202*</td><td>What do you use your account(s) for?
a) Personal transactions
b) Business purposes
c) Both
d) Prefer not to answer</td><td>208*</td><td>When you need to deposit cash into your account, how do you usually do it?
a) At an ATM
b) Over the counter in a branch of your bank or financial institution
c) Over the counter at a retail store, or
d) Through some other person who is associated with your bank or financial institution
e) Do not deposit cash
f) Prefer not to answer</td></tr>
<tr><td>203</td><td>Do you have a debit card?
1. Yes
2. No
3. Prefer not to answer</td><td>209*</td><td>In the past 12 months, have you used your account(s) for any of the following:
(answer all then skip to 214)
<table>
<tr><td>• Receive money or payments for work or from selling goods</td><td>Yes</td><td>No</td></tr>
<tr><td>• Receive money or payments from the government</td><td>Yes</td><td>No</td></tr>
<tr><td>• Receive money from family members living elsewhere</td><td>Yes</td><td>No</td></tr>
<tr><td>• Send money to family members living elsewhere</td><td>Yes</td><td>No</td></tr>
</table>
• Prefer not to answer</td></tr>
<tr><td>204*</td><td>Do you have a credit card?
1. Yes
2. No
3. Prefer not to answer</td><td>210</td><td>Have you ever had a bank account in your name?
a) Yes, in Zimbabwe
b) Yes, in South Africa
c) Never had a bank account in my life
d) Prefer not to answer</td></tr>
<tr><td>205*</td><td>In a typical month, about how many times is money deposited (as cash or electronic transfers) into your personal account?
1. O
2. 1 – 2 times
3. 3 – 5 times
4. 6 times or more
5. Don’t know
6. Prefer not to answer</td><td>211</td><td>Do you think you need an account at a bank or formal financial institution?
1. Yes
2. No
3. Not sure
4. Prefer not to answer</td></tr>
<tr><td>206*</td><td>In a typical month, about how many times is money withdrawn (as cash or electronic transfers/payments) from your account?
1. O
2. 1 – 2 times
3. 3 – 5 times
4. 6 times or more
5. Don’t know
6. Prefer not to answer</td><td>212</td><td>What would you use the account for? (answer all)
<table>
<tr><td>• Salary payments</td><td>Yes</td><td>No</td></tr>
<tr><td>• To deposit savings into</td><td>Yes</td><td>No</td></tr>
<tr><td>• To make payments from</td><td>Yes</td><td>No</td></tr>
<tr><td>• To send/receive money</td><td>Yes</td><td>No</td></tr>
<tr><td>• To access a loan</td><td>Yes</td><td>No</td></tr>
<tr><td>• Prefer not to answer</td><td>Yes</td><td>No</td></tr>
</table></td></tr>
<tr><td>213*</td><td>Please tell me why you, personally, DO NOT have an account at a bank or other financial institution?</td><td>220</td><td>How much have you borrowed?
• R100 – R300
• R301-R1 000</td></tr>
</table>

	(answer all) 1. They are too far – Yes – No 2. They are too expensive – Yes – No 3. You do not have the necessary documentation – Yes – No 4. You don't trust them – Yes – No 5. You don't have enough money to use them – Yes – No 6. Because of religious reasons – Yes – No 7. Because someone else in the family already has a bank account – Yes – No 8. Prefer not to answer		• R1001 – R2 500 • R2501 to R5 000 • Above R5 000 • Prefer not to answer
214	What do you urgently need to cover financially? **(circle those that apply to you)** 1. Daily upkeep (food, shelter, clothes) 2. Educational costs (for yourself) 3. Wedding/marriage 4. Funeral insurance 5. Medical costs 6. Prefer not to answer	221*	Do you currently have a loan you took out for the following? • To buy food – Yes – No • For busfare/transport to work – Yes – No • To pay school fees – Yes – No • For emergency/health purposes – Yes – No • For funerals or weddings – Yes – No • Prefer not to answer
215*	In the past 12 months, have you saved or set aside any money? • Yes • No **(skip to 218)** • Prefer not to answer	222	If you had an emergency that needed R500 or more urgently where would you get the money? • Would borrow from friends/family • Would borrow from a bank • Would sell assets • Would use savings • Would borrow from a savings club • Would work more • Would borrow from a private lender • Would not be able to find the money • Prefer not to answer
216*	In the past 12 months, what have you saved for? 1. Future expenses for education – Yes – No 2. Future expenses for a wedding – Yes – No 3. Future expenses for a big purchase – Yes – No 4. Emergencies or a time when you expect to have less income – Yes – No 5. Prefer not to answer	223	I don't borrow because of the following reason(s): 1. I don't have sources to borrow from 2. I use my savings to cover costs 3. I fear failing to repay the loan 4. I cannot be trusted 5. I defaulted on previous loans 6. I prefer not to answer
217*	In the past 12 months, how have you saved money? 1. Using an account at the bank – Yes – No 2. Using an informal savings club like a stokvel or burial society – Yes – No 3. A person outside the family – Yes – No 4. Prefer not to answer	224**	I have many stable friends and we support and trust each other. 1. Yes 2. No 3. Prefer not to answer
218*	In the past 12 months, have you borrowed any money? 1. Yes 2. No **(go to 222)** 3. Prefer not to answer	225**	Generally speaking would you say • Most people can be trusted • You need to be very careful when dealing with people • Prefer not to answer
219*	In the past 12 months, have you borrowed from the following? 1. A bank, credit union of microfinance institution – Yes – No	226*	In the past 12 months, have you used a mobile phone to do the following? 1. Pay bills – Yes – No 2. Send money – Yes – No

	2. A store by using instalment credit or a credit card	Yes	No		3. Receive money	Yes	No
	3. Family or friends	Yes	No		4. Prefer not to answer		
	4. Employer	Yes	No				
	5. Another private lender (chimbadzo)	Yes	No				
	6. Prefer not to answer						

Source:* Demirgüç-Kunt, A. & Klapper, L. (2012). *"Measuring Financial Inclusion: The Global Findex Databas*e." World Bank Policy Research Working Paper 6025
** Heikkilä, A., Kalmi, P., & Ruuskanen, O. P. (2013). 14 Accessing Credit from Banks, Microfinance Institutions, and Informal Groups: What Is the Role of Social Capital? *Banking the World: Empirical Foundations of Financial Inclusion*, 447.

APPENDIX III: FINANCIAL INCLUSION QUESTIONNAIRE - ZIMBABWE

Date……………………..

Interview results (Circle code) Complete……1 Incomplete……….2

Hello. My name is Hillary Musarurwa I am a Masters student at the University of Cape Town's Graduate School of Business. I am currently doing a study on financial exclusion of youth in Zimbabwe and South Africa. This research has been approved by the Commerce Faculty Ethics in Research Committee. Your participation in this research is voluntary and you may choose to withdraw from the research at any time. Your responses will be anonymous as I will not ask your name. With your permission, you will be asked questions about yourself and financial issues. The questions usually take about 15 to 20 minutes to answer. All the answers you give will be confidential and will not be shared with anyone. The information you will give me will be useful in helping design a business model to improve access to financial services by marginalised youth. Should you have any questions regarding the research please feel free to contact the researcher on 0612054226 or hillary@penyazim.com.

Kindly circle your preferred answer.

SECTION A: Demographics

No.	Question	No.	Question
101	How old were you on your last birthday? 6. 15 – 21 7. 22- 27 8. 28 – 35 9. Above 35 10. Prefer not to answer	107	Province • Mashonaland East • Mashonaland West • Mashonaland Central • Matabeleland North • Matabeleland South • Manicaland • Midlands • Masvingo • Harare • Bulawayo
102	What is your marital status? • Never married • Married/ Cohabiting • Divorced/separated • Widowed • Prefer not to answer		
103	How many children do you have 7. None 8. 1 9. 2 10. 3 11. 4 12. 5 or more	108	What is your current employment status • Unemployed • Self employed • Employed (permanent worker) • Employed (casual/contract worker) • Prefer not to answer
104	In Zimbabwe where do you usually live? 10 Urban (town) 11 Urban (city) 12 Rural 13 Prefer not to answer	109	What is the source of your monthly income (tick as many as applicable) • Formal wages • Rent • Savings • Pensions • Informal loans • Informal wages (part-time jobs) • Grants • Donations • Informal business or income generating activity • Prefer not to answer
105	Your place of residence is.... 4. Rented 5. Owned by you 6. Not rented but owned by someone else	110	Per month how much money do you get (from all your income sources)? g) US$10 to US$100 h) US$101 to US$250 i) US$251 to US$500 j) US$501 to US$900 k) US$901 or more l) Prefer not answer
106	What is the highest level of education you have attained? • Never been to school • Primary • 'O' Level • 'A' Level • Tertiary		

	• Prefer not to answer		
111	What is your occupation? 23. Maid 24. Manicure/Wax/Hairdresser 25. Vendor 26. Dressmaker 27. Nanny/elderly caregiver 28. Shop Cashier 29. Waiter/waitress/Barmen 30. Security Guard 31. Artisan 32. Teacher 33. Student 34. Cleaner 35. Carpenter/Builder/Painter 36. Barber 37. Assistant 38. Office Clerk 39. Receptionist 40. Accountant 41. Craftsperson 42. Driver/Mechanic 43. Other (specify)…………………………………………. 44. Prefer not to answer		
112	Have you received any training on financial literacy (how to use banking services) or small business management **(circle as many as apply to you)** e) Received no training f) Financial literacy g) Small business management h) Prefer not to answer		
113	You received the training from 9. A bank or financial institution 10. An NGO 11. A savings club 12. A friend or family member 13. An article in the media 14. School 15. Other (specify)………………………………………….. 16. Prefer not to answer		

SECTION B: Financial Services			
No.	**Question**	**No.**	**Question**
201*	Do you currently have an account at a bank or post office? d) Yes e) No **(skip to 210)** f) Prefer not to answer	207*	When you need to get cash from your account, how do you usually get it? 2. At an ATM • Over the counter in a branch of your bank or financial institution • Over the counter at a retail store, or • From some other person who is associated with your bank or financial institution • Do not withdraw cash • Prefer not to answer
202*	What do you use your account(s) for? e) Personal transactions f) Business purposes g) Both h) Prefer not to answer	208*	When you need to deposit cash into your account, how do you usually do it? g) At an ATM h) Over the counter in a branch of your bank or financial institution i) Over the counter at a retail store, or j) Through some other person who is associated with your bank or financial institution k) Do not deposit cash l) Prefer not to answer
203	Do you have a debit card? **4.** Yes **5.** No **6.** Prefer not to answer	209*	In the past 12 months, have you used your account(s) for any of the following: **(answer all then skip to 214)** • Receive money or payments for work or from selling goods — Yes / No • Receive money or payments from the government — Yes / No • Receive money from family members living elsewhere — Yes / No • Send money to family members living elsewhere — Yes / No • Prefer not to answer
204*	Do you have a credit card? 4. Yes 5. No 6. Prefer not to answer	210	Have you ever had a bank account in your name? e) Yes, in Zimbabwe f) Yes, in South Africa g) Never had a bank account in my life h) Prefer not to answer
205*	In a typical month, about how many times is money deposited (as cash or electronic transfers) into your personal account? **7.** 0 **8.** 1 – 2 times **9.** 3 – 5 times **10.** 6 times or more **11.** Don't know **12.** Prefer not to answer	211	Do you think you need an account at a bank or formal financial institution? 5. Yes 6. No 7. Not sure 8. Prefer not to answer
206*	In a typical month, about how many times is money withdrawn (as cash or electronic transfers/payments) from your account? 7. 0 8. 1 – 2 times 9. 3 – 5 times 10. 6 times or more 11. Don't know 12. Prefer not to answer	212	What would you use the account for? **(answer all)** • Salary payments — Yes / No • To deposit savings into — Yes / No • To make payments from — Yes / No • To send/receive money — Yes / No • To access a loan — Yes / No • Prefer not to answer — Yes / No

213*	Please tell me why you, personally, DO NOT have an account at a bank or other financial institution? **(answer all)** 9. They are too far — Yes / No 10. They are too expensive — Yes / No 11. You do not have the necessary documentation — Yes / No 12. You don't trust them — Yes / No 13. You don't have enough money to use them — Yes / No 14. Because of religious reasons — Yes / No 15. Because someone else in the family already has a bank account — Yes / No 16. Prefer not to answer	220	How much have you borrowed? • US$10 – US$30 • US$31-US$100 • US$100 – US$250 • US$251 to US$500 • Above US$500 • Prefer not to answer
214	What do you urgently need to cover financially? **(circle those that apply to you)** 7. Daily upkeep (food, shelter, clothes) 8. Educational costs (for yourself) 9. Wedding/marriage 10. Funeral insurance 11. Medical costs 12. Prefer not to answer	221*	Do you currently have a loan you took out for the following? • To buy food — Yes / No • For bus-fare/transport to work — Yes / No • To pay school fees — Yes / No • For emergency/health purposes — Yes / No • For funerals or weddings — Yes / No • Prefer not to answer
215*	In the past 12 months, have you saved or set aside any money? • Yes • No **(skip to 218)** • Prefer not to answer	222	If you had an emergency that needed R500 or more urgently where would you get the money? • Would borrow from friends/family • Would borrow from a bank • Would sell assets • Would use savings • Would borrow from a savings club • Would work more • Would borrow from a private lender • Would not be able to find the money • Prefer not to answer
216*	In the past 12 months, what have you saved for? 6. Future expenses for education — Yes / No 7. Future expenses for a wedding — Yes / No 8. Future expenses for a big purchase — Yes / No 9. Emergencies or a time when you expect to have less income — Yes / No 10. Prefer not to answer	223	I don't borrow because of the following reason(s): 7. I don't have sources to borrow from 8. I use my savings to cover costs 9. I fear failing to repay the loan 10. I cannot be trusted 11. I defaulted on previous loans 12. I prefer not to answer
217*	In the past 12 months, how have you saved money? 5. Using an account at the bank — Yes / No 6. Using an informal savings club like a stokvel or burial society — Yes / No 7. A person outside the family — Yes / No 8. Prefer not to answer	224**	I have many stable friends and we support and trust each other. 4. Yes 5. No 6. Prefer not to answer
218*	In the past 12 months, have you borrowed any money? 4. Yes 5. No **(go to 222)** 6. Prefer not to answer	225**	Generally speaking would you say • Most people can be trusted • You need to be very careful when dealing with people • Prefer not to answer
219*	In the past 12 months, have you borrowed from the following?	226*	In the past 12 months, have you used a mobile phone to do the following?

	7. A bank, credit union of microfinance institution	Yes	No		5. Pay bills	Yes	No
	8. A store by using instalment credit or a credit card	Yes	No		6. Send money	Yes	No
	9. Family or friends	Yes	No		7. Receive money	Yes	No
	10. Employer	Yes	No		8. Prefer not to answer		
	11. Another private lender (chimbadzo)	Yes	No				
	12. Prefer not to answer						

Source:* Demirgüç-Kunt, A. & Klapper, L. (2012). *"Measuring Financial Inclusion: The Global Findex Database."* World Bank Policy Research Working Paper 6025
** Heikkilä, A., Kalmi, P., & Ruuskanen, O. P. (2013). 14 Accessing Credit from Banks, Microfinance Institutions, and Informal Groups: What Is the Role of Social Capital? *Banking the World: Empirical Foundations of Financial Inclusion*, 447.

APPENDIX IV: IN-DEPTH INTERVIEWS GUIDE

In-Depth Interviews Guide

There should be 30 In-depth Interviews (IDIs) using the following age cohorts:

Males (20-24)	Females (20-24)
Males (25-30)	Females (25-30)
Males (31-35)	Females (31-35)

Each cohort should have at least 3-5 members. Each interview will take between 10 to 15 minutes. An audio recording device will be used to capture the responses for transcribing later. The following questions will be asked in the interviews:

1. What are your financial needs? Are they being fully met? How?
2. What type of financial services are you accessing?
3. Who is providing those financial services?
4. At what cost are these financial services being accessed?
5. How would you want to access financial services?
6. What is your definition of accessible financial services?
7. What are the challenges you face in accessing formal financial services?
8. What would be the ideal solution for you to access financial services and why?
9. How far are you prepared to travel in order to access financial services appropriate to your needs?

APPENDIX V: FOCUS GROUP DISCUSSIONS GUIDE

Focus Group Discussion Guide

There should be six Focus Group Discussions (FGDs) using the following age groups:

Males (20-24)	Females (20-24)
Males (25-30)	Females (25-30)
Males (31-35)	Females (31-35)

Each group should have at least 8-10 members. Invitations should be sent out at least one day before the meeting. General introduction of the researcher and the objectives of the study should be done before the discussion begins. The issues to be discussed should be clearly stated. Each discussion should not exceed one hour. An audio recording device will be used to capture the responses for transcribing later. At the end of each day, the discussions should be summarised. Questions and suggestions from the participants about the research should be recorded. The following questions will be asked in each focus group:

- What are the most common financial services/products?
- Why should you access financial services?
- How accessible are those financial services?
- What are the challenges in accessing these financial services?
- Where do you access these financial services?
- What aspects of accessing financial services affect the selection of a suitable provider?
- How does one's social and economic status affect accessing financial services?
- What is the perception on young Zimbabwean migrants accessing financial services in South Africa?
- Where do young Zimbabwean migrants get their financial services information?
- Why are they getting financial services from the sources mentioned above?

APPENDIX VI: INFORMED CONSENT FORM – INTERVIEWS/FOCUS GROUP DISCUSSIONS

Hello. My name is Hillary Musarurwa; I am a Masters student at the University of Cape Town's Graduate School of Business. I am currently doing a study on financial exclusion of youth in Zimbabwe and South Africa. This research has been approved by the Commerce Faculty Ethics in Research Committee. Your participation in this research is voluntary and you may choose to withdraw from the research at any time. With your permission, you will be asked questions about yourself and financial issues. All the answers you give will be confidential and will not be shared with anyone. The information you will give me will be useful in helping design a business model to improve access to financial services by marginalised youth. The information collected in this interview/focus group discussion will be kept strictly confidential. To help ensure confidentiality, I will not write your name on the questionnaire or this form, and I will not write down particular details that would allow you to be identified. If you would like to know more about the measures that we are taking to protect confidentiality, please ask me to provide you with these details. The questions usually take about one hour and one and a half hours to answer. Should you have any questions regarding the research please feel free to contact the researcher on 0612054226 or Hillary@penyazim.com.

Do you consent to participating in the interview/focus group discussion?

Yes ☐ 1

No ☐ 2

If **NO**: Thank you for your time.

If **YES**: Thank you for agreeing to take part in this project.

By saying yes, that means that you have read the information on the information sheet, or it has been read to you. You have had the opportunity to ask questions related to the questionnaire and any questions you have asked have been answered to your satisfaction. You consent voluntarily to be a participant in this project and you understand that you have the right to end the interview at any time.

If you agree, I will now sign this form to confirm that your consent has been obtained

Signature/initials of interviewer…………………………………………………………………………….

Date of interview
…………………………………………………………………………………………

Your verbal consent is all that is needed to go ahead with the interview. If you feel comfortable enough doing so, however, you can also sign your name or initials below to indicate that you have consented in writing to participating in this interview.

However, please remember that verbal consent is all that is needed. You do not have to provide us with written consent, but you can if you would like to.

I have read the information on the information sheet, or it has been read to me. I have had the opportunity to ask questions related to the questionnaire and the research, and any questions I have asked have been answered to my satisfaction. I consent voluntarily to be a participant in this project and understand that I have the right to end the interview at any time.

Signature/initials of interviewee…………………………………………………………..

Date of interview………………………………………………………………………………