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Impact of Financial Inclusion on Financial Development in Zimbabwe

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¹ **Note:** The findings from this working paper does not in any way reflect the views of the Development Finance Centre (DEFIC). The views are only representative of the authors.

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Abstract

The paper examines the nexus between financial inclusion and financial development in Zimbabwe covering the period from 2009 to 2015. From the analysis, the paper finds a positive relationship between financial inclusion and financial development, albeit a weaker one, which is attributed to the current high levels of financial exclusion. The positive relationship was observed to be driven by expansion of the banking sector into previously marginalised and unbanked markets, riding on the increase in financial and mobile technology-based banking products. The paper also documents that financial inclusion, through mobile and financial technology has great potential to support financial development in Zimbabwe. This is premised on the established high mobile penetration rate and the impact that mobile and financial technology has had on financial inclusion in the short period since 2012. The results of the study highlight the importance of regulatory policies that foster infrastructure sharing, interoperability and interconnectivity of MNOs mobile and financial technology platforms to increase levels of financial inclusion and financial development. The established nexus makes it imperative that a national financial inclusion strategy must be complemented by a supportive financial development strategy for optimum results.

Keywords: Financial Inclusion | Financial Development | Zimbabwe | Africa |