Have Mobile Money Operators Bridged Financial Inclusion and Quality of Services: Are the Previously Unbanked Really Banked Now?

Lilian Nyamwanza[1], Prof Tonderai Nyamwanza[1], Muriel T. Takachicha[1], Linda Mabwe[1], Rumbidzai Chipindu[1]

[1] Midlands State University

Corresponding Author's Email: nyamwanzal@msu.ac.zw

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Abstract

The advent of mobile money operators has significantly transformed the financial inclusion of previously unbanked persons. However, the quality of products and services offered by Mobile Money Operators (MMOs) has barely been evaluated. National Financial Inclusion Strategy 1 (NFIS 1) 2016 -2020 took an access focused approach to financial inclusion to facilitate access to formal financial products and services by the marginalised and vulnerable groups. The paper sought to evaluate the quality of products and service delivery of mobile money operators in Zimbabwe measured by affordability, interoperability, convenience, consumer protection, financial education, indebtedness and choice. The paper sought to assess the impact of MMOs on financial inclusion amongst previously unbanked population and identify the challenges and limitations of MMOs in bridging quality of service offered in comparison to traditional banking services. The study utilised a qualitative methodology to establish the perspectives of the SMEs in Gweru retail sector CBD on the quality of mobile money operators who utilise either OneMoney or Ecocash. The study utilised purposive sampling technique to identify SMEs. A face-to-face interview was employed to gather these perspectives. The findings reveal that there are varying levels of quality amongst the MMOs, with significant disparities in accessibility, user experience, transaction safety and customer support services and network services. The MMOs are still lacking in range of services as compared to traditional banks, therefore; there is need for stricter regulatory oversight and industry standards to improve quality to meet the need of the previously unbanked population. The improvement of quality of MMOs would unlock the full potential of financial inclusion, fostering economic empowerment and poverty reduction amongst the previously unbanked population.

Keywords: Financial inclusion, Mobile money operators, Quality services, previously unbanked population

Introduction

Financial inclusion is a vital component of economic development, enabling individuals and businesses to access financial services, manage risk and invest in their future (Klapper et al, 2022). Zimbabwe has 5.74 million internet users and 14.8 million cellular mobile connections which represents an 85.4% of the total population (DataReportal. 2023). This, by implication, means that the 14.8 million cellular mobile users have access to the mobile money networks. National Financial Inclusion Strategy 1 (NFIS 1) 2016 -2020 took an access focused approach to financial inclusion to facilitate access to formal financial products and services by the marginalised and vulnerable groups. SMEs contribute up to 60% of the national GDP and employs over 50% of those employed, yet this sector remains unbanked by the mainstream banks (FinMark Trust. 2022). However, SMEs remain largely unbanked by the formal banking systems thus hampering their growth and meaningful contribution to the economy. Most SMEs access banking facilities through MMOs due to laxity of stipulations for setting up a mobile banking function (Machingauta and Chikoko. 2020). SMEs find it easier to register for mobile money operation as the need for documentation is less rigid as compared to the formal banking sector. Mobile money service provider is one who develops and deploys financial services through mobile phones and mobile telephone networks. The paper focused on the mobile telephone based mobile money operators. The paper interrogated the quality of the financial services against mainstream banking focused on SMEs ability to access financial services.

Mobile money operators and traditional banks are two key players in the financial sector in Zimbabwe (Mupfumi & Muchabaiwa. 2022). Both offer financial services to individuals and businesses, but they operate in different ways. One of the main differences between mobile money operators and traditional banks in Zimbabwe is the services they offer (Mujuru 2020). Mobile money operators, such as EcoCash and OneMoney, primarily provide mobile banking services that allow users to send and receive money, pay bills and make purchases using their mobile phones. These services are convenient and accessible, especially for individuals who do not have access to traditional banking services. On the other hand, traditional banks in Zimbabwe offer a wider range of financial services, including savings accounts, loans and investment products (Chitumba 2018). Most SMEs are unregistered with the tax and Local authorities and are basically informalised, they therefore gravitate toward the mobile money operators. Traditional banks due to their stringent measures and standard of operations naturally disqualify many SMEs from using their platforms.

While traditional banks may offer more comprehensive services, they are often less accessible to individuals in rural areas or those who do not have a formal banking relationship with them (Mishra and Tripathy, 2017). In terms of accessibility, mobile money operators have a clear advantage over traditional banks in Zimbabwe. Mobile money services can be accessed through a simple mobile phone, making them available to a larger segment of the population (Mujuru 2020). In contrast, traditional banks require individuals to visit a physical branch to access their services, which can be challenging for those who live in remote areas or have limited mobility (Mare et al. 2019). Mobile money operators are not tied down by brick and mortar and have a wide dispersion that aids better accessibility as compared to traditional banks. The mobile money operators due to their availability and low setup costs are easily setup even in remote areas, or service areas with smaller number of clients such as remote and rural areas. This is unlike the traditional banks who have higher setup costs and are found in larger business districts as compared to rural ones.

Studies have shown that mobile money services have increased financial inclusion in various African countries (Demiriguc-Kunt et al., 2018; Jack and Suri, 2011). However, the quality of services and sustainability of financial inclusion remains low (GSMA,2020). In Zimbabwe MMOs have faced challenges, including regulatory, infrastructure and competition (Mamvura, 2019). SMEs in Zimbabwe face unique challenges, including limited access to credit, high transaction costs and inadequate financial literacy (Mutsambiwa,2017). All these challenges can be curbed if the quality of the financial services that are on offer would be improved on. Therefore, the paper evaluated the quality of services of MMOs for previously unbanked SMEs in fostering financial inclusion. The quality of MMOs services were evaluated using affordability, interoperability, convenience, consumer protection, financial education, indebtedness and choice.

Affordability: One of the key factors that determine the effectiveness of mobile money operators in promoting financial inclusion is the affordability of their services. Affordability refers to the cost of accessing and using financial services, including transaction fees, account maintenance charges and other related costs (World Bank 2018). Mobile money operators have been able to offer low-cost financial services compared to traditional banks, making them more accessible to low-income individuals and those living in remote areas. The affordability of financial services from mobile money operators has had a positive impact on financial inclusion in several ways (Mupfumi & Muchabaiwa. 2022). MMOs have enabled individuals who were previously excluded from the formal banking system to access basic financial services such as savings, payments and transfers. This has helped to increase financial literacy and improve financial management among underserved populations (Allen et al, 2016). The affordability of mobile money services has facilitated greater financial inclusion among small businesses and entrepreneurs. By providing a convenient and cost-effective way to send and receive payments, mobile money operators have enabled small businesses to access credit, manage cash flow and expand their operations (Harvard, 2020).

Interoperability: is defined as the ability of different systems to seamlessly exchange and use information, which has the potential to enhance financial inclusion. Interoperability facilitates the flow of funds between mobile money operators and traditional financial institutions (Koster, et al 2018). This integration enables users to easily convert between digital and physical currency, bridging the gap between formal and informal financial systems. Smith, (2022) as a result, individuals previously excluded from formal financial services gain access to a broader range of financial products and services. However, there are challenges associated with interoperability such as the security and privacy of transactions (Mutsambiwa, 2017). With increased connectivity between platforms, there is an inherent risk of unauthorised access and fraudulent activities. Mobile money operators must prioritise robust security measures to safeguard user information and prevent potential breaches. Moreover, interoperability requires effective cooperation and coordination among mobile money operators. Collaboration is essential to establish common standards and protocols that ensure seamless interoperability (Mas and Radcliffe, 2010). Without proper coordination, interoperability efforts may become fragmented, hindering its potential impact on financial inclusion.

Convenience: Mobile money operators, such as M-Pesa in Kenya and bKash in Bangladesh, have revolutionised the financial landscape by utilising mobile phones as a tool for conducting monetary transactions (Jack and Suri, 2014). The convenience of these services is evident in their accessibility, affordability and ease of use. Unlike traditional banking services, mobile money services do not require individuals to have a physical bank account. Users can simply register their mobile numbers and access a range of financial services, including money transfers, bill payments and savings (Mutsambiwa,2017). Furthermore, the affordability of mobile money services makes them attractive to low-income individuals. According to Koster et al (2018), traditional banking services often involve high transaction fees and minimum balance requirements, which can exclude marginalised communities from accessing financial services. Mobile money operators, on the other hand, offer low-cost transactions, making financial services more affordable and accessible to the financially underserved (Mupfumi & Muchabaiwa. 2022).

The ease of use provided by mobile money operators contributes significantly to their convenience. Transactions can be conducted through a simple SMS or mobile application, eliminating the need for physical visits to a bank branch (Sen and Hulme, 2019). This convenience is particularly beneficial for individuals living in remote areas with limited access to banking infrastructure. Mobile money services allow them to perform financial transactions from the comfort of their homes, saving time and effort (Mas and Radcliffe, 2010). The effect of mobile money operators on financial inclusion has been profound. Studies have shown that the availability of mobile money services has increased the percentage of financially included individuals in many developing countries (Harvard, 2020). By providing a convenient alternative to traditional banking, mobile money operators have bridged the gap between the unbanked population and financial services.

Customer protection: Customer protection plays a crucial role in ensuring the safety and security of financial transactions conducted through mobile money operators. Smith, (2022) these measures include data privacy, fraud prevention, dispute resolution mechanisms and transparency in fee structures. When properly implemented, these measures instil confidence in customers, encouraging them to actively engage in financial services. Effective customer protection measures positively impact financial inclusion by removing barriers and increasing participation (Johnson, and Lee, 2023). When customers feel secure in their financial transactions, they are more likely to utilise mobile money services to save, make payments and access credit (Chitumba 2018). This leads to increased financial empowerment and improved access to financial services for previously underserved populations.

Indebtedness and choice: Indebtedness refers to the state of owing money or being in debt. Mobile money operators offer a wide range of financial services, including digital loans, savings accounts and insurance. These services provide convenient and accessible options for individuals to manage their finances. The availability of multiple financial services from mobile money operators may lead to overborrowing and unsustainable debt burdens, hindering financial inclusion (Johnson, 2022). Inadequate financial literacy and high-interest rates associated with mobile money loans can trap individuals in cycles of debt, limiting their ability to access other financial services. Indebtedness can disproportionately affect vulnerable groups such as low-income individuals or those with limited financial knowledge, further widening the gap in financial inclusion (Smith, 2021). According to Harvard, (2020) mobile money operators enable easy access to financial services, especially for individuals in remote areas with limited access to traditional banking.

The challenges that are faced by SMEs regarding financial inclusion

One of the main challenges faced by SMEs in accessing financial services is the lack of collateral. Traditional financial institutions often require collateral in the form of property or assets to secure loans, which many SMEs do not possess (Asif et al 2023). This makes it difficult for SMEs to access credit and other financial services, hindering their growth and development SMEs access only 5% of total loans despite contributing over 50% of GDP. In addition, SMEs often lack the financial literacy and business skills needed to navigate the formal financial system, further limiting their access to financial services. A study by Betgilu et al. (2021) stated that there is a positive relationship to access of funds and collateral requirements SMEs who fall outside the predetermined criterion for access to funds will be financially excluded. This position is also reinforced by Njue and Mbogo (2017) who state that credit worthiness is key in accessing loans from traditional banks. The amount available for SMEs are generally from micro finances and most MMOs only offer short term, high interest loans to mobile money users.

Mobile money operators have emerged as an alternative to traditional financial institutions, offering convenient and accessible financial services through mobile phones (Njuguna et al

2017). However, there are concerns that mobile money operators may not always serve the best interests of their customers. For example, some operators may charge high fees for transactions, making it expensive for customers to use their service (Mas and Radcliffe 2009). There is also an inherent problem with MMOs when compared to traditional banks with regards to security from theft or fraud. More fraud cases are reported in mobile money operations as compared to traditional banks (Ouma and Odhiambo, 2022). In addition, there have been cases of fraud and security breaches in mobile money systems, raising concerns about the safety and reliability of these services (Kihiu, 2018).

In some cases, financial inclusion efforts may focus on expanding access to financial services without addressing the underlying barriers that prevent individuals and businesses from fully benefiting from these services. For example, simply providing access to a savings account may not be enough to help individuals build savings if they do not have a stable source of income or if they face other financial challenges. Similarly, offering credit to SMEs without providing them with the necessary support and resources to manage their finances effectively may lead to high default rates and financial instability (Sen and Hulme, 2019).

Research Methodology

The study employed a qualitative methodology to establish the perspectives of SMEs in the Gweru retail sector CBD regarding the quality of mobile money operators (MMOs), who utilised either OneMoney or EcoCash. A purposive sampling technique was used, whereby initially identified SMEs referred to others who also used these mobile money platforms. Data was collected through face-to-face interviews conducted with 25 SMEs in the retail sector to gather insights into the quality of financial services and to compare MMOs with traditional banking services. Data collection ceased after 25 respondents, as data saturation had been reached and the responses consistently reflected similar sentiments among the SMEs. The data collected was analysed using thematic analysis to identify recurring patterns and themes. The data were categorised and examined to derive the research findings. Informed consent was obtained from all participants, who were also informed of their right to withdraw from the study at any point during the interview.

Results and Discussion

The results for the study are presented below.

Theme 1: Ubiquity of Mobile Money Platforms Among SMEs

All participants confirmed using mobile money platforms, particularly EcoCash, which dominated usage with 22 out of 25 SMEs, while only three used OneMoney. However, 17 of these used personal mobile money accounts, not accounts formally registered under their SME. All respondents used mobile money platforms, with 88% using EcoCash and 12% using OneMoney. However, 68% operated through personal accounts, not business-registered wallets. This indicates a lack of formal integration and limits access to business-specific services.

"Most of us just use our personal EcoCash. It's easier that way." – Respondent 7

This aligns with Machingauta & Chikoko (2020) and Mupfumi & Muchabaiwa (2022) who noted widespread mobile money adoption among Zimbabwean SMEs, driven by accessibility rather than formal banking integration. The use of personal accounts indicates a pseudo-formal financial inclusion, lacking true integration into the financial system as defined by Demirguc-Kunt et al. (2018) and Allen et al. (2016).

Theme 2: Aversion to Traditional Banking

None of the SMEs held formal business bank accounts. Respondents cited bureaucratic procedures, lack of statutory documents, foreign currency insecurity and mistrust in the formal banking system, especially following past government seizures of USD deposits. This distrust is echoed in Chitumba (2018) and Mutsambiwa (2017), who found that regulatory requirements and fear of capital loss led SMEs to opt out of formal banking, despite mobile money offering limited financial depth. None of the SMEs held traditional business bank accounts. Key barriers included documentation requirements and fear of currency seizure.

"Opening a business bank account is too complicated and expensive. I'll just keep my money in USD." – Respondent 11

Theme 3: Dominance of Cash Transactions

Although all SMEs had mobile money accounts, they preferred cash-based transactions, especially in USD. Respondents pointed out that mobile money platforms impose high transaction costs, including the 2% Intermediary Money Transfer Tax. Cash transactions are cost-free and immediate, making them more viable in a hyperinflationary and volatile economy. This practice reflects findings by Betgilu et al. (2021) and Harvard (2020) that mobile money does not always translate to usage, especially when fees and tax burdens negate convenience. As GSMA (2020) argues, affordability is a critical element of digital financial inclusion, which MMOs in Zimbabwe currently lack. Cash was the dominant transaction method due to lower costs and higher trust.

"With cash, there are no deductions or delays." – Respondent 15

Mobile money was seen as expensive due to Zimbabwe's 2% transfer tax and transaction fees.

Theme 4: Structural and Operational Challenges of MMOs

Participants highlighted issues such as unreliable network connectivity (especially for EcoCash), poor customer service and complex reversal processes, limited OneMoney agent access and inadequate and short-term loan offerings. These issues mirror concerns raised in Koster et al. (2018) and Njuguna & Mbogo (2017), who argued that mobile financial services must be supported by infrastructure, trust and customer-centric processes. Inadequate loan amounts and short repayment cycles suggest that MMOs are not well-tailored for SME capital needs (Mujuru, 2020; Smith, 2021).

"If something goes wrong with the transaction, we lose customers. Reversals take forever." – Respondent 20

Theme 5: Benefits of Mobile Money – Conditional and Underutilised

Despite the shortcomings, SMEs acknowledged certain benefits such as, ability to transact remotely, relative safety compared to cash in high-crime areas and interoperability via platforms like ZimSwitch. As Mas & Radcliffe (2009) and Jack & Suri (2011) emphasise, mobile money has the potential to reduce transaction frictions and geographic limitations. EcoCash's integration with South Africa was noted as particularly useful, supporting cross-border trade—a benefit echoed in Mare et al. (2019).

"EcoCash helps me get money from customers in South Africa." – Respondent 3

Theme 6: Gaps in Financial Literacy and Consumer Protection

A key finding was the low level of financial literacy among users. Many SMEs require assistance to use MMOs, making them vulnerable to fraud. There were also cases of double deductions and unresolved disputes, exacerbated by poor customer service and lack of redress. This correlates with Johnson & Lee (2023) and Kihiu (2018), who argue that financial education and strong consumer protection frameworks are foundational to real financial inclusion. The lack of these measures weakens the confidence of users in the platforms. Many SMEs struggled to operate MMOs independently and were vulnerable to scams or mistakes.

"I always need my nephew to help me send or receive money." – Respondent 13

Theme 7: Inadequate Lending and Credit Facilities

Participants unanimously reported that loan amounts provided through MMOs were inadequate for business growth. Additionally, a lack of collateral and short repayment terms rendered most credit facilities ineffective. This aligns with Asif et al. (2023) and Sen & Hulme (2019) who emphasise the importance of credit access in SME development. Without scalable lending mechanisms, MMOs cannot meaningfully support the financial deepening necessary for economic transformation. MMO-linked loans were insufficient for SME growth. Most loans were too small, short-term and inaccessible due to lack of formal business status or collateral.

"The loan I got was too little to help. I need capital, not groceries." – Respondent 6

While mobile money platforms have improved financial access among SMEs, they have not provided the full suite of services needed for financial inclusion. According to Demirguc-Kunt et al. (2018), inclusion requires both access and usage of quality financial services. The findings confirm that affordability, access to credit, financial literacy and operational reliability are still lacking, thus limiting the transformative potential of MMOs. MMOs like EcoCash and OneMoney have contributed to surface-level financial inclusion among SMEs in Gweru but have failed to deliver quality, affordable and sustainable services. SMEs remain largely unbanked in the formal sense, relying heavily on cash and informal financial practices. Structural reforms and customer-centric innovations are necessary to transition from mere access to meaningful inclusion.

Conclusion and Recommendations

Although there is wide use of MMOs that cater to SMEs so that they are banked, there are still gaps in the quality of services that are currently on offer. Sustainable economic growth for SMEs cannot be hinged on MMOs as the barest minimum of account holding, savings and micro loans are available. The MMOs are incapable of meaningful capital injections and their lending and transaction rates when compared to traditional banks are marginally high. The evaluation of the quality of financial services in terms of affordability, interoperability, convenience, consumer protection, financial education, indebtedness and choice. The study found out that the mobile money operators are marginally affordable, Ecocash is available on the ZimSwtich platform ensuring interoperability of point-of-sale stations and transferring money to other banking platforms. This in turn improves convenience of mobile money operators as compared to traditional banks as some of the services from traditional banks are now available to mobile money operators. With regards to consumer protection and financial education there are some gaps as cases of scams and double deductions are high, the mobile money operators need to increase financial education. SMEs do not have choice from traditional banks to borrow from them due to non-regularisation of their operations leaving only mobile money operators. The mobile money operators have very low thresholds for lending to SMEs as they are high risk sector to lend to.

The study recommended that the MMOs should improve the quality of service that they provide because the needs of SMEs are being overlooked by the traditional banking system and they are technically considered to be banked by the MMOs. The areas of improvement include the user interface for the financially illiterate which makes it easier for them to be duped. The cost of transacting is astronomically high and there is no incentive to transact on the MMOs platforms, a review of the charges of the MMOs is key in increasing usage and by extension financial inclusivity

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