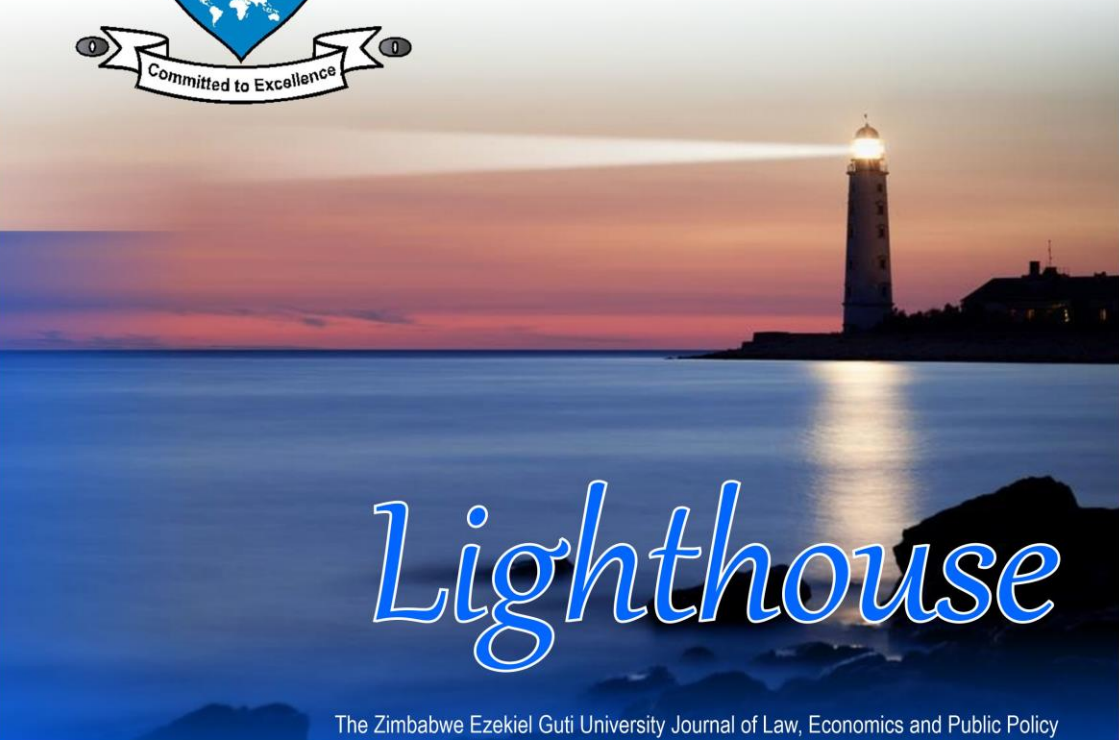
ZEGU
ZIMBABWE
EZEKIEL GUTI
UNIVERSITY
Committed to Excellence



Lighthouse

The Zimbabwe Ezekiel Guti University Journal of Law, Economics and Public Policy

ISSN 2957-8842 (Print)

Vol. 3 (Issues 1&2), 2024

Published by the Zimbabwe Ezekiel Guti University Press
Stand No. 1901 Barrassie Road,
Off Shamva Road
P.O. Box 350
Bindura, Zimbabwe

Typeset by Divine Graphics

Printed by Divine Graphics

SUBSCRIPTION AND RATES
Zimbabwe Ezekiel Guti University Press Office
Stand No. 1901 Barrassie Rd,
Off Shamva Road
P.O. Box 350
Bindura, Zimbabwe
Telephone: ++263 8 677 006 136 | +263 779 279 912
E-mail: zegupress@zegu.ac.zw
http://www.zegu.ac.zw/press

About the Journal

JOURNAL PURPOSE

The purpose of the *Lighthouse: The Zimbabwe Ezekiel Guti University Journal of Law, Economics and Public Policy Journal* is to provide a forum for urban solutions based on a systems approach and thinking as the bedrock of intervention.

CONTRIBUTION AND READERSHIP

Lawyers, criminologists, economists, public policy experts, bureaucrats, students, researchers and many other experts located in both the private and public spheres.

JOURNAL SPECIFICATIONS

Lighthouse: The Zimbabwe Ezekiel Guti University Journal of Law, Economics and Public Policy

ISSN 2957-884 2(Print)
ISSN 3007-2182 (Electronic)

SCOPE AND FOCUS

The journal is a forum for the discussion of ideas, scholarly opinions and case studies on law and policy, statutes, constitutions, general rules of the game (institutional mechanisms) and policy pronouncements or declared positions that are put to scrutiny, weighed, interpreted and evaluated. In all these matters, the intention and context usually define the outcomes and impact. The journal is produced bi-annually.

Guidelines for Authors for the *Lighthouse* Journal

Articles must be original contributions, not previously published and should not be under consideration for publishing elsewhere.

Manuscript Submission: Articles submitted to *Lighthouse: The Zimbabwe Ezekiel Guti University Journal of Law, Economics and Public Policy* are reviewed using the double-blind peer review system. The name(s) of author(s) must not be included in the main text or running heads and footers.

Total number of words: 5000-7000 words and set in 12-point font size with 1.5 line spacing.
Language: British/UK English
Title: must capture the gist and scope of the article and must be succinct
Names of authors: beginning with the first name and ending with the surname
Affiliation of authors: must be footnoted, showing the department and institution or organisation.
Abstract: must be 200 words
Keywords: must be five or six containing words **that are not in the title**
Body: Where the authors are more than three, use *et al*.
Italicise *et al., ibid.* and all words that are not English, not names of people or organisations, etc. When you use several authors confirming the same point, state the point and put them in one bracket in ascending order of dates and alphabetically, separated by semi-colon e.g. (Falkenmark, 1989, 1990; Reddy, 2002; Dagdeviren and Robertson, 2011; Jacobsen *et al.,* 2012).

Referencing Style: Please follow the Harvard referencing style in that:
- In-text, citations should state the author, date and sometimes the page numbers.
- The reference list, entered alphabetically, must include all the works cited in the article.

In the reference list, use the following guidelines, religiously:

Source from a Journal

Anim, D.O. and Ofori-Asenso, R (2020). Water Scarcity and COVID-19 in Sub-Saharan Africa. *The Journal of Infection*, *81*(2), 108-09.
Banana, E, Chitekwe-Biti, B. and Walnycki, A. (2015). Co-Producing Inclusive City-Wide Sanitation Strategies: Lessons from Chinhoyi, Zimbabwe. *Environment and Urbanisation*, *27*(1), 35-54.
Neal, M.J. (2020). COVID-19 and Water Resources Management: Reframing our Priorities as a Water Sector. *Water International*, *45*(5), 435-440.

Source from an Online Link
Armitage, N., Fisher-Jeffes, L., Carden, K., Winter, K. (2014). Water Research Commission: Water-sensitive Urban Design (WSUD) for South Africa: Framework and Guidelines. Available online: https://www.greencape.co.za/assets/Water-Sector-Desk-Content/WRC-Water-sensitive-urban-design-WSUD-for-South-Africa-framework-and-guidelines-2014.pdf. Accessed on 23 July 2020.

Source from a Published Book
Max-Neef, M. (1991). *Human Scale Development: Concepts, Applications and Further Reflections*, London: Apex Press.

Source from a Government Department (Reports or Plans)
National Water Commission (2004). Intergovernmental Agreement on a National Water Initiative. Commonwealth of Australia and the Governments of New South Wales, Victoria, Queensland, South Australia, the Australian Capital Territory and the Northern Territory. Available online: https://www.pc.gov.au/inquiries/completed/water-reform/national-water-initiative-agreement-2004.pdf.
Accessed on 27 June 2020.

The Source being an Online Newspaper Article
The Herald (2020). Harare City Could Have Used Lockdown to Clean Mbare Market. *The Herald*, 14 April 2020. Available online: https://www.herald.co.zw/harare-city-could-have-used-lockdown-to-clean-mbare-market/. Accessed on 24 June 2020.

Digitalisation of Financial Services and its Impact on the Relationship between Microfinance Institutions and their Clients in Zimbabwe

BRONSON MUTANDA[1], ADMIRE MTHOMBENI[2] AND CHRISPEN MAIREVA[3]

Abstract

This article presents the impact of financial service digitalisation on the relationship between microfinance institutions and their customers. The study reveals challenges currently faced from digitalisation of financial services and clients' readiness for a full digitalisation of financial services. The rate of technological advancement in the context of the Fourth Industrial Revolution (4IR) left microfinance institutions without an option but to embrace digital financial technology to allow their clients to enjoy financial services without visiting banking halls. The impact of financial services digitisation on the relationship between microfinance institutions and their clients remains a topic of controversy that has been inconclusive in the scholarly discourse. To contribute to this ongoing debate, this research adopted a mixed method approach in which a sample of 110 microfinance clients were selected through convenience sampling for responding to questionnaires, while 10 loan officers and 10 microfinance clients were chosen through convenience sampling for responding to interview questions. Findings of the study reveal that some clients are not yet ready for full digitalisation but, rather, for a blended approach where traditional banking runs in tandem with digital financial services. The study also establishes that digitalisation of financial services positively affects

1 Department of Applied Business Sciences, Manicaland State University of Applied Sciences. Orcid ID: 0000-0003-3438-2126, valemutanda@gmail.com
2 Department of Applied Business Sciences, Manicaland State University of Applied Sciences. Orcid ID: 0009-0000-2439-302X, mthoadmire@gmail.com
3 Department of Applied Business Sciences, Manicaland State University of Applied Sciences. Orcid ID: 0000-0003-4992-5832, mairevac@gmail.com

the relationship between microfinance institutions and their clients, However, microfinance institutions need to use the blended approach. The study recommends microfinance managers to allow the existence of traditional banking and digital financial technology side by side. Financial education is also the need of the hour if majority of microfinance clients are to adopt digital financial services.

Keywords: customer relationship, productivity, digital technology, economic integration

INTRODUCTION

The development and quick uptake of digital financial technologies changed how the general public use financial services. Through software, infrastructure and hardware that facilitates quick data transmission between people, businesses, devices, networks and systems, digital financial technology fosters global economic integration, productivity and efficiency (Aker and Mbiti 2010; Roessler, 2018). To reduce costs and attract young, tech-savvy clients, banks are progressively eschewing traditional brick and mortar banking in favour of digital banking (Capgemini and Efma, 2016). The way business is conducted and the implications for credit allocation have altered because of digital financial technology and recent technical advancements (Reserve Bank of Zimbabwe 2019; Berg *et al.,* 2019; Fuster *et al.*, 2019; Di Maggio and Yao 2021). Even though industrialised nations are adopting digital financial technology, many small firms and isolated rural communities operating in developed and emerging economies are lagging behind in the digital race (Philip and Williams, 2019; Sharma *et al.*, 2020; Wargo *et al.*, 2021). The way financial services are accessible in the financial sector and notably in the microfinance business, is unavoidably changing due to digitisation (Skinner, 2014; Accenture, 2015a; Berg *et al.*, 2019; Fuster *et al.*, 2019, Reserve Bank of Zimbabwe, 2019; Di Maggio and Yao, 2021;). Some examples of digital financial services in the banking sector include digital cash, digital currency, digital payments, digital invoicing, cryptocurrency, digital mortgage, digital remittance, digital investment, digital leasing, cash management, digital advising, digital factoring, digital insurance, crowdfunding and digital lending (Aluri *et al*., 2016; Gomber *et al*., 2017; Hasan *et al*. 2020; Pazarbasioglu *et al*., 2020). Massive investments made by financial institutions in digital financial technology have sparked discussion on how they may affect the relationship between banks and their clients (Carletti *et al*., 2020; Boot *et al*., 2021).

According to several studies (Sonono, 2017; Berg *et al*., 2019; Di Maggio and Yao, 2021), digital financial services are improving bank-customer connections while also leading to high levels of consumer satisfaction. However, proponents of traditional banking point to unhappiness and a bad client-bank connection as consequences of the digitisation of financial services. To enable their consumers to become digital, microfinance institutions are updating their processes and systems. To lower transaction costs, improve convenience, modernise systems, boost banks' revenue growth and make banking more convenient for customers, they are investing more in digital financial technology (Songwe, 2020; United Nations Economic Commission for Africa, 2020). Banks and microfinance organisations appear to be concentrating more on digitisation than on the effects it has on the relationship between banks and their customers. The lending procedure, which historically entailed inter-person interactions between loan officers and clients, is crucial at this point in microfinance (Siwale, 2021). Nowadays, loan applications may be submitted electronically using platforms like WhatsApp, SMS or the Internet. The effect of digital financial services on the relationship between banks and their clients is a crucial matter that needs to be examined to determine its impact. Regarding how use of digital financial technology will affect the relationship between banks and their clients, there are divergent points of views.

This research was conducted in the city of Masvingo and Jerera Growth Point to add to the debate.

THEORETICAL FRAMEWORK

The study used the Consumer Theory and the Unified Theory of Acceptance and Use of Technology (UTAUT) as lenses through which the research was viewed.

THE CONSUMER THEORY

The core of the Consumer Theory is customer tastes and preferences, which are difficult to quantify and must, instead, be inferred from consumers' decisions (McAfee, 2012). The purpose of Consumer Theory is to evaluate how different assumptions may affect customers' aspirations, legal restrictions and purchasing power (Barten and Bohm, 1993). According to the theory, new services can take the place of existing ones when customer demand and supply are balanced (Aaker and Keller, 1990; Santos-Rua, 2022). Digital financial technology and services may be used as an analogy to illustrate both the newly produced services and the existing ones that correlate to traditional banking activities (Santos-Rua, 2022). According to Buskens (2020), it is crucial for customers to be informed about a product to recognise its benefits and drawbacks before they are attracted to new technology or innovation in general (Santos-Rua, 2022). This places emphasis on the notion of educating customers about the advantages of adopting new technology, in this case, digital financial technology and services. Data protection and privacy are the top worries for customers when utilising a new product, particularly in the technical sector (*ibid.*). Therefore, while creating a new financial technology product, businesses must ensure data security and transparency (Stewartand and Jürjens, 2018; Santos Rua, 2022).

UNIFIED THEORY OF ACCEPTANCE AND USE OF TECHNOLOGY

The Technology Acceptance Model developed by Venkatesh *et al.* (2001) has been expanded by the UTAUT model. It is a review of eight more ideas that were formerly used in social psychology research. The UTAUT offers managers a valuable tool for determining the chances of success for the deployment of new technology (*ibid.*). The UTAUT is used to investigate the determinants of technology acceptance. The extent of information and benefits a customer knows about particular digital financial technology can influence the probability of adoption (Noor, 2011). Customer awareness of digital financial technology's existence, features and benefits will also affect the probability of adoption.

By combining the prevalent theoretical viewpoints in the literature and introducing four moderators to take into consideration dynamic effects such organisational environment, user experience and demographic variables, the UTAUT model has expanded individual acceptance research (*ibid.*). The four main constructs, performance expectancy, effort expectancy, social influence and enabling conditions are also said to be direct predictors of usage intention and behaviour, according to the theory. The effects of the four main components on usage intention and behaviour are moderated by gender, age, experience and voluntariness of use (*ibid.*). In this regard, acceptance of digitalisation of financial services can better be explained by this theory.

According to Oshlyansky *et al.* (2007), the UTAUT is a strong model that can endure translation and be applied cross-culturally, regardless of language and place of origin. These constructs should be considered by microfinance organisations when they update their systems to embrace digital financial technologies to avoid upsetting other customers.

METHODOLOGY

This research uses a mixed method research design with quantitative and qualitative data gathered to answer the research questions. Qualitative data was collected through interview guide meant to get deeper understanding of the views of microfinance clients and microfinance loan officers. The study population for this research included all loan officers and all clients of microfinance institutions from the city of Masvingo and Jerera Growth Point. Clients and loan officers were drawn through convenience sampling. To achieve the objective of the research, 110 microfinance clients in the city of Masvingo and Jerera Growth Point were chosen for responding to questionnaires. The study also considered 10 loan officers and 10 microfinance officers for responding to interview questions. The convenience sampling method was used for selecting participants for qualitative and quantitative research. A questionnaire was divided into two subsections to make it easier for participants to provide answers; the first section focused on demographic information of respondents while the agenda of the second section was to obtain information regarding the impact of digitalisation on microfinance-client relationship. A semi-structured questionnaire underwent a rigorous reliability test before it was distributed to participants. The study used SPSS 21 for analysing quantitative data and qualitative data was analysed through verbatim analysis.

LITERATURE REVIEW

A study by Kinyanjui (2020) concludes that customer relationships and digital transformation processes are positively and significantly related. According to the study's findings, service automation significantly and favourably affects customer relationships. The report also suggests that better customer relationship management may be achieved through increasing service automation, strengthening online payments and biometric systems and automating customer care. Enhancing service automation and the use of digital channels can lead to greater customer happiness, loyalty and retention. The banks' relationship with their customers has been positively impacted by the digitalisation process within the case bank and the study advises commercial banks to increase their utilisation of data analytics and business process engineering to achieve better customer relationships.

According to Trainor *et al*. (2014), due to its capacity to promote social contact between all parties, digital financial technology is expected to improve relationships between staff and consumers as a service tool. They argue that digital financial technology can increase access to client information through direct contact between banks and customers and indirect connections between customers.

The results of a different study by Sonono (2017) to examine the effects of digital transformation process on banks' relationships with customers, revealed that, in the case bank, the digitalisation process had divided the customer base into two groups: those who primarily use digital platforms and those who primarily visit branch offices. The case bank's digitisation process has raised the satisfaction of the former group, whereas the latter group's satisfaction has not grown. This suggests that only clients that are digitally oriented would benefit from the digitisation process. The example bank's connection with its clients has been impacted by the digitisation process (*ibid.*).

On the effect of the digitisation of financial services on the interaction between microfinance institutions and their clients, other scholars offer differing perspectives. Many banks have allegedly sought to offer electronic services that satisfy the needs of clients in their virtual world connected to the Internet (Farmania *et al.,* 2021. However, many programmes which aim to build solid connections with clients online are bound to fail (*ibid.*) This shared belief is further backed by a Cisco’s (2014) study of 7 200 retail banking customers in 12 European countries, which found that despite commercial banks' widespread embrace of digital banking, consumer expectations for financial services are not being met.

RESEARCH GAP

Divergent opinions exist over whether the development of digital financial technology is improving the relationship between financial institutions and their clients. Digital banking proponents contend that features like online decision support, online customer support, online transactions and interactivity, provide customers with more convenience and flexibility, because they can easily access their account information and initiate transactions from the comfort of their offices or homes, seven days a week, improving customer experience and strengthening the relationship between the bank and the customer (Githuku and Kinyuru 2018). According to Farmania *et al*. (2021), every attempt to build close relationships with customers online is doomed. Siwale and Godfroid (2022) reveal that microfinance institutions are being pushed away from the adaptable relational business model because of the digital revolution of microfinance services. They contend that the inter-person interactions between loan officials and their clients were sufficient to serve as "collateral". According to Kinyanjui (2020), increasing service automation and using digital channels can lead to greater client handling, happiness, loyalty and retention. From these studies, different views are coming out concerning the impact of digital financial services on the relationship between financial institutions and their clients. Another issue to be considered is that previous studies considered mainly commercial banks, and not microfinance institutions, serving niche markets in the financial sector. The study contributes to the ongoing debate concerning the impact of digitalisation of financial services on the relationship between microfinance institutions and their clients.

FINDINGS

A close analysis of both qualitative and quantitative results led to the discovery of two common themes from all responses. The two themes are

(i) digital financial technology is good and affects positively the relationship between microfinance institutions and clients; and

(ii) digital financial technology must be blended with services from brick and mortar banking halls.

To get a deeper understanding of the views of both microfinance clients and loan officers, interviews were used. Interview responses from these two groups of respondents share the above themes of conclusions. Data collected through questionnaires established the existence of two groups of clients: the digitally oriented group and the traditional banking-oriented group. Data concerning the demographic characteristics of the respondents is summarised in Table 1 below.

Table 1: *Demographic Characteristics* (SPSS 21)

Gender-Age Cross Tabulation						
	Below 18 years	**18-25 years**	**26-35 years**	**36-45 years**	**Above 45 years**	**Total**
Male	5	1	17	6	6	**35**
Female	0	11	26	15	23	**75**
Total	**5**	**12**	**43**	**21**	**29**	**110**

Table 1 above shows gender and age groups of respondents who took part in the study. A total of 35 (31.8%) males participated in the study, of which five (5) (4.5%) were below 18 years of age. One (1) was in the age group 18-25 years, 17 were in the age group 26-35 years, six (6) were in the age group 36-45 years and six (6) were above the age of 45. Of a total of 75, 68.2% were female respondents, with none below the age of 18 years, 11 were in the age group 18-26 years, 26 were in the age group 26-35 years, 15 were in the age group of 36-45 years and 23 were in the age group 45 years and above. The total number of respondents in the study were 110. This table shows that the number of females who took part in this study were more than the number of males by than 40.

Table 2: *Gender-Age Cross Tabulation* (SPSS 21)

	PhD/Masters	**Degree**	**Diploma**	**'A'/'O' Level**	**Others**	**Total**
Male	1	1	15	12	6	**35**
Female	3	9	20	18	25	**75**
Total	**4**	**10**	**35**	**40**	**31**	**110**

Table 2 above cross tabulates gender and level of education of the respondents. Fou (4) (3.6%) respondents had either a Master's Degree or a PHD, from these respondents, one (1) was a man while three (3) were women. The number of degree holders was 10 (9.1%). of which one (1) was a man while nine (9) were women, 35 (31.8%) were diploma holders. of which 15 were men, while 20 were women, 30 (27.3%) were either O or A Level certificate holders; of which 12 were men and 18 were women. The last category indicated that they had other qualifications other than those listed. From this category, six (6) were males, while 25 were females.

DIGITALISATION OF ALL FINANCIAL SERVICE

When asked whether microfinance institutions must digitalise all financial services, clients indicated the need for blending digital financial technology and the face-to-face interactive touch with loan officers. Responses given by clients reveal that microfinance institutions need to embrace technology as it comes. However, they must remember the nature of the customers they are serving. Most of the customers are poor and cannot afford to buy data to access certain services online, let alone buying smartphones. One client said:

> *"Obviously, digital financial technology must be embraced and adopted considering the benefits married to it. However, managers of microfinance institutions must never forget the nature of their clients. Some clients are poor such that they cannot afford good and fast smartphones to be used for transacting online. The most noble thing is to blend the two: digital financial services and face-to-face services from loan officers."*

This response indicates that clients are not yet ready to go online entirely. Although a few indicated that they will always go by what micro lenders give them (they were neutral), a good number was of the view that the blending approach is most welcome.

Table 3: *Digitalisation Readiness of Clients* (SPSS 21)

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Traditional Banking Only	18	16.4	16.4	16.4
Blending Digital Technology with Traditional Banking	79	71.8	71.8	88.2
Full Digitalisation of Financial Services	13	11.8	11.8	100.0
Total	**110**	**100.0**	**100.0**	

As shown in Table 3, out of 110 respondents, only 13 (11.8%) indicated that they were ready for full digitalisation of financial services, 79 (71.8%) suggested that microfinance institutions need to use the blending approach in which traditional banking and digital financial technology will be running parallel. Eighteen (18) (16.4%) respondents advocated for traditional banking only. This study clearly reveals that the bulk of the clients are not yet ready for full digitalisation. They are ready to go with a combination of digital financial services and traditional banking.

Table 4: *Possession/Use of a Digital Application* (SPSS 21)

Age Group	**Number of those in Possession of Digital Phones and an Application**	**Percentage**	**Number of those without Digital Phones and an Application**	**Percentage**
Below 18 years	1	0.009	4	0.04
18-25 years	5	0.045	7	0.06
26-35 years	18	16.4	25	22.7
36-45 years	12	10.9	9	0.08
Above 45 years	1	0.009	28	25.5
Total	**37**	**33.6**	**73**	**66.4**

Among the questions on the questionnaire, clients were asked whether they possess/use a digital application for transactional purposes and for interacting with loan officers of microfinance institutions. Table 4 above indicates their responses. A little over a third (33.6%) indicated that they possessed an application for transactional and for interacting with loan officers, 66.4% indicated that they did not have an application. A greater number of clients still visit banking halls for services, a clear testimony that they are not yet ready for full digitalisation. From the interviews carried out, clients understand the advantages of going digital but they are not yet ready for full digitalisation.

From those who indicated they did not have a digital application, 1.8% (2) cited privacy as their reason, 3.6% (4) said they had network challenges neither accessing Internet for connectivity nor using mobile phone network all the time, 20.9% (23) indicated they could not use the application, 16.4% (18) indicated they wanted assistance from banking halls and 20.5% (22) indicated that they did not have compatible phones. Given this scenario, it is very difficult for the relations between clients and microfinance to improve, especially when full digitilisation of financial services is considered. Some clients acknowledged that digitilisation would enhance their interactions with loan officers, but they were not yet ready to dispense with traditional banking. Given the status quo, full digitalisation of financial services will be a very big blow to the relationship between microfinance institutions and their clients.

Table 5: *The Influence of Gender, Age and Education on Use/ Possession of Digital Applications* (SPSS 21)

Coefficients[a]						
Model		**Unstandardised Coefficients**		**Standardised Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.922	.207		4.446	.000
	Gender	.035	.090	.035	.393	.695
	Age group	-.011	.043	-.025	-.246	.806
	Education	.196	.044	.451	4.471	.000
a. Dependent Variable: Do you have/use a digital application?						

Table 6: *Regression Model Summary* (SPSS 21)

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.442[a]	.195	.172	.43178
a. Predictors: (Constant), Education, Gender, Age group				

Results in Table 5. indicate that age and gender do not significantly influence use or possession of a digital financial application [= 0.

195; F (3; 110) = 8.568, p> 0.05]. Further analysis found that age ß = -0.011, t (110) = -0.246, p> 0.05; and gender ß = -.035, t (110) = -0.393, p> 0.05. This indicates that gender and age did not significantly affect use or possession of digital applications. However, results from this multiple linear regression analysis also indicate that education greatly influences usage or possession of digital applications. Results show that ß=.196, t (110) = 4.471 p<0.05. Therefore, age and gender did not have a significant effect on use or possession of digital application(s) among respondents. In line with these results, it is critical for microfinance institutions to prioritise educating their clients on the benefits of financial service digitilisation. Education is a powerful tool for influencing behaviour and attitude change and it gives traditional banking-oriented customers an opportunity to taste the goodness of digitilisation.

DIGITALISATION AND CUSTOMER RELATIONSHIP

Some clients revealed that digitalisation of financial services in microfinance institutions has a resultant effect of disconnecting underprivileged clients from loan officers, let alone their service providers. Results from interviews indicate that, although interacting online is a welcome development, loan officers are not able to collect soft information. Faceto-face interactions created an opportunity for loan officers to make follow-ups on loan repayment, at the same time assessing the ability of clients to continue servicing their loans. Taking it from one of the loan officer's response:

> *"Out of sight is out of reach, it's very difficult to solve certain problems online. No matter the pros of digital technology, face-to-face interaction of the loan officer and the client will remain important."*

Loan officers suggested that full digitalisation affects interaction with their clients. The overall conclusion drawn is that digitalisation is a very good innovation with capacity to benefit both customers and microfinance. However, some clients who are still on the line need to be accommodated by allowing the two (traditional banking and digital financial services) to run side by side. Those who may need to use digital financial services must be given the space, while those who still want traditional banking must also be allowed to. A loan officer added:

> *"Digital technology is a welcome development but will never fully play the role us, loan officers, were playing. We used to visit clients reminding them of the need to honour their monthly interest payments, something which is difficult to do online."*

Responses from interviews reveal that, before the advent of digital technology and its subsequent adoption in microfinance institutions, interaction between loan officers and their clients was good enough to guarantee loan performance. That interaction created good relations between the two parties building trust, loyalty and, in the end, enhancing good bank-client relations. It gave loan officers an ability to collect soft information through observation and interactions. In addition to responses above, another loan officer indicated the following:

> *"Face-to-face interactions create an opportunity for the loan officer to get soft information, something which cannot be done by digital technology."*

Responses above seem to suggest that, although digitalisation of financial services is good, it must not be taken to be a replacement of loan officers, otherwise microfinance institutions must opt for a blend of the two. On the other hand, clients also lamented the absence of face-to-face interaction in digital transaction, something which is very important especially for those who may need special assistance. One clients responded:

> *"It is very important for microfinance institutions to carry out an assessment before full digitalisation, otherwise it will be a way of shutting some of us out because I am computer illiterate."*

When asked whether digital technology enables clients to have relational touches with loan officers, results indicate that some clients believe digital technology enables them to have relational touches, while others believe it will not help. Responses above reveal one thing: clients and microfinance loan officers are afraid of losing the face-to-face interactions they used to have. Change is not always easy and must implemented gradually, stage by stage and slowly. Table 7 below summarises statistical figures generated through SPSS 21.

Table 7: Digitalisation and Relational Touches
Digital financial services allow you to have relational touches with microfinance officers (SPSS 21)

	Responses	**Percentage**
Strongly Agree	5	4.5
Agree	35	31.8
Neutral	29	26.4
Disagree	7	6.4
Strongly Disagree	34	30.9
Total	**110**	**100**

From the responses given by clients, 4.5% of clients strongly agree that digital technology allows them to have relational touches with loan officers, 31.85% agree while 26.6% are neutral, 6.4% disagree and 30.9% strongly disagree with this statement. This clearly indicates an almost balancing scale between those advocating for digital financial services and those who advocate for the services of loan officers. Combining responses from loan officers and clients, the rate of digitalisation must not be too fast such that some of the clients will face challenges. Microfinance institutions must always strike a balance. From the interviews carried out, another client added:

> *"What matters most is educating us before full digitalisation, otherwise we must be asked to choose between digital technology or receiving services from loan officers of which I will advocate for the adoption of both traditional banking and digitalisation."*

There is a converging point between responses from loan officers clients, all agree that digital financial technology is good but must be adopted after educating clients on how exactly they will use it. Another area of agreement is that digital technology is good but must not be the only way of offering services. There is need for allowing 'brick and mortar' banking halls to continue functioning with loan officers interacting with their clients.

HYPOTHESIS TESTING

Since customer loyalty is also an indicator of the relational ties between a customer and an organisation, the study used Pearson Chi square test to establish if use or possession of a digital application has a significant effect on customer loyalty. The null and alternative hypothesis are stated below:

=: ***Possession or use of digital application/technology does not have a significant effect on loyalty to the company***

: ***Possession or use of digital application/technology has a significant effect on customer loyalty***

Table 8: *Chi-Square Tests* (SPSS 21)

	Value	**Df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	66.994[a]	4	.000
Likelihood Ratio	86.650	4	.000
Linear-by-Linear Association	58.988	1	.000
N of Valid Cases	110		
a. 0 cells (0.00%) have expected count less than 5. The minimum expected count is 1.01.			

Table 8 above presents chi square tests for the significant relationship between possession or use of digital applications and customer loyalty to microfinance institutions, $x2\ (4, N=110) = 66.994$, *p-value=0.000*. Since *p-value< 0.001, the* null hypotheses was not accepted, the alternative hypotheses was taken, thus the study concluded that use of digital technology has a significant effect on customer loyalty. The implication of the test results is that digital technology contributes towards the loyalty of clients. However, considering other responses of clients, microfinance institutions must not eliminate the brick-and-mortar banking halls and the services of loan officers. In fact, a blended approach must be used where traditional banking is combined with digital financial technology

Challenges Experienced from Digitalised Financial Services

Responses on this question indicated a number of challenges married to digitalisation of financial service. Loan officer indicated that responses from clients may take time before they are received. One loan officer responded:

> *"Sometimes, clients take two days before responding, sometimes they can respond when you have since left the office and in certain cases, they will respond after you have already given up."*

Loan officers lamented no responses from clients as the main challenge hampering bank-client relationship. From the loan officer's perspective, some of the services are offered through the WhatsApp media platform and may require clients to respond to certain questions. Failure to respond will mean no progress in terms of service delivery. Given such a situation, full digitalisation of financial services will be the fall of the organisation. Another loan officer added:

> *"The nature of the clients we serve are not yet ready to fully digitalise because some are not able to do simple things using their smartphones. Some of their phones are not compatible to the application they should install and use."*

Digital technology also involves the use of certain applications in mobile phones for transactions, something which becomes a challenge when clients are still learning how to use a smartphone. From the loan officer's perspective, full digitalisation of all financial services will affect communication between clients and microfinance institutions, resulting in a negative impact on bank-client relationship. Clients highlighted a number of challenges causing non-responses, as one client put it:

> *"It may appear like clients are not moving with time, but we live in areas without good network. This may determine how fast we respond to online interactions."*

From a customer's perspective, some clients live in remote parts of the country where mobile and Internet connection is a challenge. This will obviously affect their response rate. Most of the clients served by microfinance institutions are either pensioners, small and medium enterprises, the rural poor, the old and those starting and running their enterprises in farms and other out of town areas. Among the challenges facing these clients is connectivity, whether Internet connectivity or mobile phone network. Going digital will obviously affect these clients.

DISCUSSION

Findings from this research clearly reveals that, although digitalisation is a very good development, clients in Zimbabwe are not yet ready for full digitalisation of financial services. Information analysed with the aid of SPSS 21 exposed the following: 20% of the clients do not have compatible phones for installation of relevant applications to be used for transactional purposes or for communication with loan officers. Although digital financial technology is good and must be embraced, results indicate that some customers want to continue using traditional methods of banking, 20.9% of clients indicated they were ignorant on how to use the application, that is why they did not bother installing it on their smartphones. This is consistent with Mulyono (2023) who observes that in Indonesia, digital literacy affects the decision to use financial technology. The result of the study by Mulyono (*ibid.*) reveal a positive influence of digital literacy on fintech services usage. Yang and Huang (2023) also carried out a study to determine acceptance of digital technology in the financial sector of China and discovered a positive relationship between digital literacy and adoption. The same results also emerged from a study carried in South East Asia and Sub-Saharan Africa by Hanna, Lyons and Liu (2022) and they discovered that both financial and digital literacy are key factors to building inclusiveness and financial resilience among clients. Education of clients and loan officers is the need of the hour whenever new digital technologies or applications are introduced. Abima *et al*. (2021)

demonstrate a significant positive relationship between social influence, digital literacy and the intention to adopt digital media. According to Srirahayu *et al*. (2022), digital literacy greatly affects young individuals intending to adopt new financial technologies. Some loan officers may be afraid of embracing digital financial services because of fear of the unknown. Many people associate technological advancement with retrenchments and this may be the reason some of the loan officers were against full digitilisation of financial services (Collington, 2021). Some clients (16.4%) indicated that they still needed to use banking halls for accessing services. Given the above information, it is very critical for microfinance institutions to teach clients why digital technology needs to be adopted and the benefits underpinned to this development.

Of the respondents, 36,3% strongly agree that digital technology allows clients to have relational touches with loan officers. Many clients are of the idea that digitalisation affects the relationship between customers and financial services providers. This is a clear indicator that some clients are still hanging on traditional banking and accepting change will require serious education. This is consistent with Sonono and Ortstad (2017) who find that the relationship with customers has become less personalised and more automated. According to Farmania *et al*. (2021), all efforts to establish close online interactions with clients are futile. These arguments are congruent to Siwale and Godfroid' (2022) who indicate that the digital revolution in microfinance services is forcing microfinance institutions away from the flexible relational business model. On the contrary, Kaondera *et al* (2023) discovered a positive relationship between digital transformation and customer relationship management with commercial banks. The study findings are also congruent to results by Githuku and Kinyuru (2018) who discovered a positive influence of digitalisation on bank-customer relationship. The study results also reveal that 64.5% of the clients were finding it hard to adapt to digital technology. Such figures are a testimony that education is key in achieving a mindset shift. It is very critical at this stage for microfinance institutions to consider a hybrid system in which traditional brick and mortar banking and digital finance go together to allow slow adapters to get financial services.

CONCLUSION

This study concludes that digital financial technology is a very good innovation for enhancing bank-client relationship. However, Zimbabwean clients are not yet ready for full digitalisation of all financial services. The best strategy now is to use the blended approach. Customers who are not yet ready to use digital technology can get services in banking halls. Some of the clients live in remote parts of the nation where Internet connectivity is a challenge; this obviously meaning they cannot access services online. Clients without compatible phones, need to be served through banking halls if microfinance institutions still want to keep them as their clients. The importance of education needs to be emphasized as some clients indicated their ignorance on how an application is installed, let alone its use. Education of clients is the need of the hour if the bulk of the clients are to embrace digitilisation of all financial services. Given the conclusion above and some of the research findings, the following recommendations are made submitted to managers of microfinance institutions:

- Invest more in educating clients why it is important to embrace digital financial technology.
- Digital financial technology must be blended with services of loan officers up until all clients are ready to embrace and adopt digital financial technology.

REFERENCES

Abima, B. *et al.* (2021). Relevant Local Content, Social Influence, Digital Literacy and Attitude toward the Use of Digital Technologies by Women in Uganda. *Gender, Technology and Development*, *25*(1), 87-111.

Accenture (2015b). Banking Customer 2020. Available online: https://www.accenture.com/t20150710T130243__w__/usen/_acnmedia/Accenture/Conversion

Aker, J. C. and Mbiti, I. M. (2010). Mobile Phones and Economic Development in Africa. *Journal of Economic Perspectives*, *24*(3), 207-32.

Aluri, A., Slevitch, L. and Larzelere, R. (2016). The Influence of Embedded Social Media Channels on Travelers' Gratifications, Satisfaction, and Purchase Intentions. *Cornell Hospitality Quarterly*, *57*(3), 250-267.

Barten, A.P. (1993). Consumer Allocation Models: Choice of Functional Form. *Empirical Economics, 18*, 129-158.

Berg, T. (2015). Playing the Devil's Advocate: The Causal Effect of Risk Management on Loan Quality. *The Review of Financial Studies*, *28*(12), 3367-3406.

Boot, A., Hoffmann, P., Laeven, L. and Ratnovski, L. (2021). Fintech: What is old, What's new? *Journal of Financial Stability, 53*, 100836.

Capgemini and Efma. (2016). World retail banking report. Available online: https://www.febelfin.be/sites/default/files/InDepth/worldretailbankingreport2015.pdf (Accessed: 10th December 2023)

Carletti, E., Oliviero, T., Pagano, M., Pelizzon, L. and Subrahmanyam, M.G. (2020). The COVID-19 shock and equity shortfall: Firm-level evidence from Italy. *The Review of Corporate Finance Studies, 9*(3), 534-568.

Collington-O'Malley, T.E. (2021). " What's in a Name?": Political Correctness, Euphemism, and the Impact of Name-words on thought (Doctoral Dissertation, Stellenbosch: Stellenbosch University).

dos Santos Rua, C. (2022). The Impact of Fintech in the Performance of European Banks.

Farmania, A., Elsyah, R.D. and Tuori, M.A. (2021). Transformation of crm activities into e-crm: The generating e-loyalty and open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, *7*(2), 109.

Fuster, A. *et al*. (2019). The Role of Technology in Mortgage Lending. *The Review of Financial Studies*, *32*(5), 1854-1899.
Githuku, W. A. and Kinyuru, R. N. (2018). Digital Banking and Customer Relationship in Banking Industry in Kenya. *International Academic Journal of Human Resource and Business Administration*, *3*(2), 14-32.
Gomber, P., Koch, J. A. and Siering, M. (2017). Digital Finance and Fintech: Current Research and Future Research Directions. *Journal of Business Economics*, *87*(5), 537-580.
Hasan, S.S. et al. (2020). Mortality in COVID-19 Patients with Acute Respiratory Distress Syndrome and Corticosteroids Use: A Systematic Review and Meta-analysis. *Expert Review of Respiratory Medicine, 14*(11), 1149-1163.
Kaondera, P. R. *et al*. (2023). Buttressing Customer Relationship Management through Digital Transformation: Perspectives from Zimbabwe's Commercial Banks. *Cogent Social Sciences*, *9*(1), 2191432.
Kinyanjui, K.K., 2020. Monitoring and evaluation practices and governance in Hope worldwide Kenya.
Kyokutamba, J. H. (2011). Cost of Borrowing and Performance of Small Scale Enterprises. Makerere University. Available online: muss.ac.ug/---/cost% 20 of% 20 borrowing %20 and %20performance---!
Michel, R.L., Jurgens, B.C. and Young, M.B. (2018). Tritium Deposition in Precipitation in the United States, 1953–2012 (No. 2018-5086). US Geological Survey.
Mulyono, M. (2023). The Impact of Digital Literacyon Fintech Service Usage through Financial Literacy. *E3S Web of Conferences*, *426*, 02003).
Noor, M. M. (2011). Determining Critical Success Factors of Mobile Banking Adoption in Malaysia. *Australian Journal of Basic and Applied Sciences*, *5*(9), 252-265.

Oshlyansky, L., Cairns, P. and Thimbleby, H. (2007, September). Validating the Unified Theory of Acceptance and Use of Technology (UTAUT) Tool Cross-culturally. Proceedings of HCI 2007. The 21st British HCI Group Annual Conference University of Lancaster, UK 21, 1-4.

Pazarbasioglu, C., Mora, A.G., Uttamchandani, M., Natarajan, H., Feyen, E. and Saal, M., 2020. Digital financial services. World Bank, 54, pp.1-54.

Philip, L. and Williams, F., (2019). Remote Rural Home Based Businesses and Digital Inequalities: Understanding Needs and Expectations in a Digitally Underserved Community. *Journal of Rural Studies*. *68*, 306-318.

Reserve Bank of Zimbabwe (2019). Microfinance Annual Report.

Roessler, P. (2018). The Mobile Phone Revolution and Digital Inequality: Scope, Determinants and Consequences. Prosperity Commission Background Paper Series, 15.

Sharma, R., Singh, G., Sharma, S., 2020. Modelling Internet Banking Adoption in Fiji: A Developing Country Perspective. *International Journal of Information Management*. *53*, 102116.

Siwale, J. and Ritchie, J. (2012). Disclosing the Loan Officer's Role in Microfinance Development. *International Small Business Journal, 30*(4), 432-450

Skinner, C. (2014). *Digital Bank: Strategies to Launch or Become a Digital Bank*. PLACE PUBLISHED: Marshall Cavendish International Asia Pte Ltd.

Songwe, V. (2020). The Role of Digitalisation in the Decade of Action for Africa. Available online: Tralac Org.

Sonono, B. and Ortstad, R. (2017). The Effects of the Digital Transformation Process on Banks' Relationship with Customers: Case Study of a Large Swedish Bank. DETAILS

Srirahayu, D. P. *et al*. (2022). Effect of Gender, Social Influence and Emotional Factors in Usage of e-Books by Generation Z in Indonesia. *Digital Library Perspectives*, *38*(3), 263-282.

Strategy, A. (2015). Being Digital: Digital Strategy Execution Drives a New Era of Banking DETAILS.

Trainor, K. *et al*. (2014). Social Media Technology Usage and Customer Relationship Performance: A Capabilities-based Examination of Social CRM. *Journal of Business Research*, *67*(6), 1201-1208.

United Nations Economic Commission for Africa. (2021). Building Forward for an African Green Recovery. Addis Ababa, Ethiopia: Economic Commission for Africa.

Venkatesh, V. *et al*. (2003). User Acceptance of Information Technology: Toward a Unified View. *MIS Quarterly*, 425-478.

Wargo, E. *et al*. (2021). On the Digital Frontier: Stakeholders in Rural Areas Take on Educational Technology and Schooling. *Journal of Research on Technology in Education*, *53*(2), 140-158.

Yang, J., Wu, Y. and Huang, B. (2023). Digital Finance and Financial Literacy: Evidence from Chinese Households. *Journal of Banking & Finance*, *156*, 107005.