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SAVING PRACTICES AND ECONOMIC PERFORMANCE: A ZIMBABWEAN CASE 1980–2015

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ABSTRACT

Savings are current income not spent but kept for future use or the accumulation of financial and non-financial assets. They are mobilized by the financial sector, which allocates them for productive use in the economy. This paper sought to examine the impact of saving practices on the performance of the economy in Zimbabwe from 1980 to 2015. A mixed research approach was used to establish the effect of saving practices on the performance of the economy. Both primary and secondary data were employed for analysis and testing of hypotheses. Hypothesis testing, correlation analysis and regression analysis were used to examine the impact of saving practices on the performance of the economy using some macroeconomic variables. Two hundred depositors randomly selected from various banking institutions from the ten provinces and 114 key informants were used in the investigation. Secondary data on gross domestic product (GDP), total deposits, total liabilities, gross capital formation and net exports were used in the examination of saving practices. The study found that savings were always below the average and the Zimbabwean majority across genders had a formal bank or mobile account. Predominantly, savings are used for transactional purposes, thus creating a wasteful economy. Apart from product/service broadening and deepening, there is a need for robust legal and policy frameworks that will promote a savings culture.

Contribution/Originality: This study was carried out to examine the relationship between saving practices and Zimbabwe's economic performance due to the scarcity of extant studies in this area on Zimbabwe. Also, the relationship between savings practices and economic performance in Zimbabwe is not well known.

1. INTRODUCTION

Individuals, businesses and governments save part of their present income for future use (Najarzaden, Reed, & Tasan, 2014). Savings are unspent present income reserved for future use. Savings can be described in terms of net savings and gross savings; according to Raj (2004), net savings is when disposable personal income is higher than personal expenditure, while gross savings include net savings and depreciation allowances for future replacement of real assets. Classical economists have postulated that the area of savings requires certain conditions for securing

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investment and the interest rate (natural return on savings) and is the price that equates savings to investment. When saving and investment increases, this leads to higher capital and, consequently, economic growth will increase as higher savings rates go side by side with higher income growth (Lipsey & Chrystal, 2007). There are proven facts of virtuous cycles of savings and prosperity as well as poverty traps resulting from inadequate savings.

According to Fell (2000), savings are made via three main entities in the economy, namely households, business units and government. Raj (2004) noted that households generally save to cover future expenses and retirement, while business units save to finance future investment and government for infrastructural development. Failure to save by households produces a dependent population, whereas failure to save by business units and government affects growth potential and results in underinvestment in infrastructure.

Several issues have gone undersubscribed, thus undermining the country's ability to undertake critical projects for economic development. Zimbabwe revised its growth target of 4% downwards in 2012. The country's economic challenges include low industrial capacity (44.2%) and high unemployment (85%). The sluggish performance of the financial system in fulfilling its mandate of mobilizing financial resources for investment has been cited as one reason behind such performances (Monetary Policy Statement, January 2013). The Bankers Association of Zimbabwe (June 2013) reported that deposits declined from US$4.2 billion to US$3.7 billion between January 2013 and June 2013. Local banks were also finding it challenging to meet the US$100 million new capital requirement by June 2015, and by February 2013, only 67% of the banks had complied with their December 31 minimum capital requirement (Monetary Policy Statement, January 2013).

2. LITERATURE REVIEW

The national savings rate, when in tandem with the economy's investment rate, reduces exposure to abrupt shifts in international capital flows driven by uncontrollable variables, such as herd behavior, self-fulfilling investor expectations or concern about future policy direction. Recent turmoil in the international financial markets was a testimony to the adverse impacts of low savings in the economy in international capital flow reversals. Experiences in Asia and elsewhere around the world have shown that high savings rates are associated with higher economic growth and less economic volatility. Jagadeesh (2015) noted that sufficient savings are considered an engine for economic growth as they necessitate capital accumulation. According to Jagadeesh (2015), economic development and prosperity in Sub-Saharan Africa (Zimbabwe included) have been constrained by inadequate savings and investment. Savings create a capital formation, which further results in technical innovation and progress, accelerated labor productivity, and increased national output, income and employment. These, in turn, solve typical macroeconomic problems , such as inflation, unemployment, the balance of payment problems, poverty, inequality and debt characterizing most African economies (Lipsey & Chrystal, 2007). The Harrod–Domar economic model showed a direct and robust relationship between savings and economic growth, and there is overwhelming evidence from studies carried out in Africa of a secure link between savings and economic growth. Studies in Namibia (Kandenge, 2007), Zambia (Mphuka, 2010), and Kenya and South Africa (Odhiambo, 2009) have all shown a strong causality between savings and economic growth. However, Zimbabwe's study showed no causality between investment and economic growth (Mandishekwa, 2014).

2.1. Economic Developments in Zimbabwe

Chikwanha, Ncube, and Chikwanha (2014) confirmed that "since the 2009 introduction of the multiple currency monetary system and the then formation of a Coalition Government, macroeconomic stability has existed in Zimbabwe. The hyperinflation and perpetually declining real national income were harnessed. The economy had experienced significant growth and remarkably low inflation rates. An unwelcome consequence of the country's current monetary system has been the inability of the authorities to print money or mint coins, thus

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rendering the Reserve Bank of Zimbabwe almost obsolete. With increasing economic activity, business, and employment, there has been a general rise in money demand. This outstripped the current money balances in the economy, and liquidity challenges have become the norm in the economy."

Chikwanha et al. (2014) also confirmed that "Zimbabwe, since the prolonged economic depression from the turn of the century to around 2008, suffered massive losses in monetary value and turned the incentive to save. A few years after the economic downturn, the economy was in recovery mode but still fell short of the targeted growth rates. By the end of 2013, Quarter 2, Gross Domestic Product (GDP) growth was 4.96% achieving US$8.144 billion against initial projections of 9% growth. Many factors have been attributed as root causes to the stunted growth, among them limited investment (domestic and foreign), inconsistent economic policies, uncertain political landscape and a general lack of confidence in the economy. The latter has had detrimental influences on the operations of many facets of the economy, particularly the financial services sector."

Chikwanha et al. (2014) asserted that "the RBZ Reserve Bank of Zimbabwe (2012) identified export earnings, remittances from Zimbabwean citizens abroad, foreign direct investment (FDI) inflows, portfolio investment inflows and offshore credit lines (all of which are dependent on confidence in the economy) as sources of liquidity. These generators of liquidity have been, and are still, largely repressed in Zimbabwe. Additionally, the literate population and overzealous media have combined to divulge the financial sector's weaknesses, which have exacerbated uncertainty in risk-averse investors. The banking services industry was marred with inadequate capitalization, abuse of corporate structures, and widespread banking laws violations (RBZ Reserve Bank of Zimbabwe, 2012). With an economy that is largely based on cash transactions, Zimbabwe can be regarded as being overbanked, with 24 licensed bankers chasing a mega US$4.4 billion worth of deposits (an increase of 31% from 2012)."

One of the fundamental driving forces of economic prosperity is the firms in the financial sector. Confidence in Zimbabwe's financial services sector has not yet wholly recovered, but there has been improvement. According to Chikwanha et al. (2014), "The effects of the 2004 recuperative curatorship by the central bank of nine banks including CFX Ltd., CFX Merchant, Barbican Bank, Intermarket Building Society, Intermarket Discount House, Royal Bank, Trust Bank Ltd. and Trust Bank Corporation still lingers in the economy. Economist (2013) showed that gross national savings were -25.359%, 0.626% and 4.355% of GDP in 2011, 2012 and 2013, respectively, and national savings were estimated to have risen to 7.283% and 12.407% in 2014 and 2015, respectively." Banks are only allowed a short savings period, which worsens their liquidity despite the modest growth in national savings. Short term loans are merely practicable loans as banks' demand deposits in Zimbabwe on average last for 90 days. Devoid of prior notice, depositors can demand 83% of deposits without difficulty. Rukuni (2013) asserts that the Zimbabwe Banking Act provisions for 100% unsecured loans with a reserve requirement at 30% diminish the credit base procedure and money multipliers become weak. Economic revival requires cooperation from the public, households, industries and government, i.e., all economic agents.

At a macroeconomic level, the most crucial drivers for economic development and growth are money and availability (Friedman, 1957). The attitudes and behaviors of economic agents at the microeconomic level have been suggested as a foundation for these economic propositions. Hence, Chikwanha et al. (2014) asserted that "the economy and its welfare are therefore sensitive towards the perceptions and actions of the aforementioned economic agents. The typical and pervading problem in the economy currently is the overwhelming liquidity shortage. Money growth in the economy is considered to be generally low and insufficient for vibrant economic growth and development. The underwhelming level of savings drives Zimbabwe's financial institutions' status quo and the high levels of liquidity preference in households. The depleted level of liquidity in circulation is a joint consequence of the loss of faith in banking institutions (generated by the hyperinflationary conditions that resulted in massive losses of private savings), generally low disposable income levels, and excessive bank charges vis-à-vis the incomes and the absence of institution-backed incentives towards savings". The financial sector in Zimbabwe

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scarcely has loanable funds with more developed and well-built banks offering deposit rates the in range of 0.15% to 6% and just coming up institutions offering 8% to 16%. The aforementioned lending rate for corporate and individual loans is between 5% and 35% in the quest to achieve sufficient liquidity, which has made the financial sector uninteresting. The combination of these rates with the soaring bank and transaction charges have not helped savings and eventually, at the very least, hindered economic growth (RBZ Reserve Bank of Zimbabwe, 2012).

The EcoCash system, which includes EcoCash Save and EcoCash Payroll, was initiated by Econet Wireless. Subscribers to mobile phone network service providers through this mobile payment system can use money transfer services and complete certain trouble-free financial transactions. Some banking services, such as savings account and payroll services, of subscribers were taken over by EcoCash. According to Chikwanha et al. (2014), "the product is also accompanied by an extensive spread of the service through agents even in remote areas where the existing financial service providers have been unable to venture. This has provided a massively more attractive option relative to traditional banking. The result has been a massive departure from the orthodox form of banking and conducting transactions to the simpler, more accessible and efficient system provided by Econet Wireless."

The banking sector took a hit from Econet when it introduced the EcoCash system, which was way ahead of the traditional banking systems in terms of convenience, flexibility, efficiency; it also annexed Steward Bank, which introduced a stiff competitive environment forcing other banks to diversify into insurance policies and other ventures. Also, the emerging of microfinance institutions imposed stiff competition to banks. The banks were reluctant to offer economic dependency loans, but due to the challenge imposed by microfinance institutions, these banks were forced to engage in the loan facility system and some even diversified into microfinance to gain a competitive edge and continued sustainability.

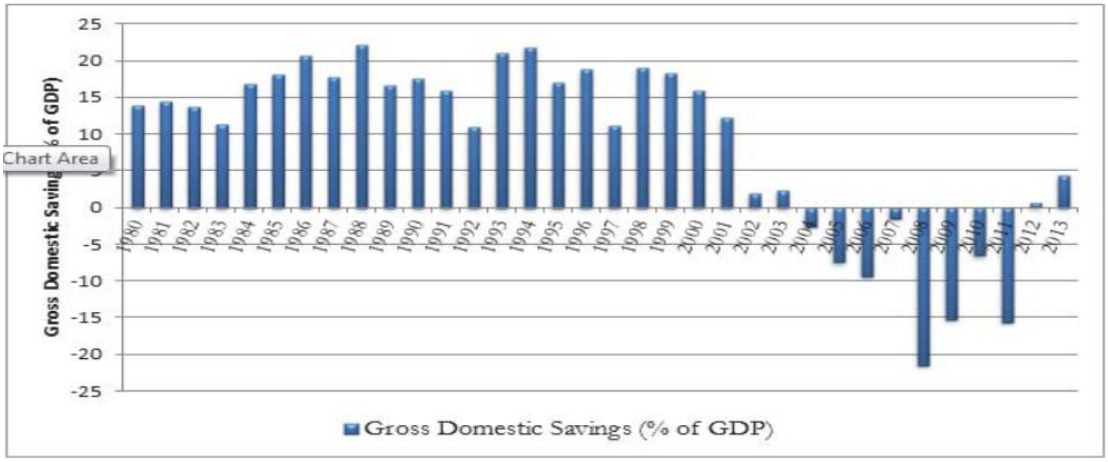

Figure 1. Gross Domestic Savings Trends in Zimbabwe 1980–2012.

Source: World Bank (2013).

Figure 1 indicates the gross domestic savings (i.e., gross domestic products less final consumption expenditure) for 32 years (1980 to 2012). Gross domestic savings (GDS) is the unspent or unconsumed national income. The trend over the 32 years generally exhibits noticeably disaggregate behavior. There was a low GDS rate for the period from 1980 to 1983 compared with the GDS rate for the period from 1980 to 2001, which is drastically higher. There was a decline in GDS between 1980 and 1983 ranging between 10% and 15%. Gwenhamo (2009) and Chikwanha et al. (2014) suggested that "this trend could have been a result of the political uncertainty that surrounded the political and economic environment in immediate post-independent Zimbabwe. The trend may also have been a consequence of the government's inherent interventionist strategies from the colonial regime. The economy comprised strong authoritarian forces that influenced investment, business and profit repatriation."

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There was a higher GDS rate for the period between 1984 and 1989 compared with GDS rate for the period between 1980 and 2001 which was drastically higher. Chikwanha, Ncube and Chikwanha opined that this was due to relatively higher deposit interest rates that were persistently above 10% put side by side with the 3.5% in the pre-independence period. There was a decline in GDS for the period from 1989 to 1992. Investment levels steadily declined in the preceding period, which made the government unwind the number of foreign companies' profits that could be repatriated to 100% from 50% in line with International Monetary Fund (IMF) requirements as planned by the Economic Structural Adjustment Programme (ESAP). This is part of the cost of declined domestic savings. Before 2002, there were high savings but by 2002 exceptional declines in domestic savings started in Zimbabwe due to a relentlessly dwindling outflow of capital and labor from the country after the execution of the discordant Land Reform Programme.

From 2004 to 2011, saving worsened due to economic tumult and increasing inflation. The hyperinflationary circumstances depressed saving and this resulted in negative savings. The multiple-currency monetary system introduced after 2009 controlled the inflation and slow improvements were seen by 2012. According to the RBZ Reserve Bank of Zimbabwe (2015) on the monetary policy statement, the RBZ issued the first deposit-taking microfinance institution license to enhance access to financial services for low-income groups of society, thereby promoting a savings practice in the economy. This was an approach by the authorities to mobilize funds for investment to boost economic activities.

2.2. Development of Hypotheses

According to the RBZ Reserve Bank of Zimbabwe. (2012), the individual deposit rate between 2009 and 2011 averaged at 1%, which was far below the economic growth rate of 4%. After 2010 household savings with financial institutions declined sharply by 10% (*ibid*), this severely affected the country's economic performance. Statistics from the World Bank show that gross savings as a GDP ratio is far below the acceptable ratio of 20%, and as per Zimbabwe National Accounts, the ratio stood at -9.8% in 2015. Comparatively, with its neighbors, the gross savings to GDP percentage is not impressive, and with China, its principal trading partner, being around 52.3% and India at 31.6%. RBZ Reserve Bank of Zimbabwe (2013) noted that such developments have resulted in the financial systems failing to channel financial resources to the productive sectors of the economy resulting in poor economic performance reflected in high unemployment figures of around 80%, liquidity crunch and a yearly downward revision of GDP targets. Based on this fact, this study examines the Zimbabwean economy's economic performance and the saving trends among Zimbabweans from 1980 to 2015 and examines if saving culture affected economic performance from 1980 to 2015. The study hopes to stimulate academic discourse in the area of funds mobilization through domestic savings for African economies' growth and development. A greater emphasis by the academia has been placed on technological development and manufacturing sector growth as engines of growth, and not much has been written on the role played by a sound practice of saving to provide funds for economic growth and development. There is not much knowledge in Zimbabwe, and Africa as a whole, on the culture of saving as it relates to economic growth and development. For these reasons, this study examined the impact of the savings practices on the performance of the economy in Zimbabwe from 1980 to 2015. Hence, the null hypotheses tested in this study are:

H_1: Fiscal policy variable (GDP market price) is not dependent on the practice of saving among Zimbabweans.

H_2: Gross capital formation (investment) is not dependent on savings practices.

H_3: Net exports are not dependent on savings practices.

H_4: Forms of wealth and the savings potential among Zimbabweans are not dependent on savings practices.

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3. METHODOLOGY

The study adopted a mixed-method approach due to the quantitative and qualitative nature of the data to determine the quantitative and the qualitative relationships between the saving practices and some economic variables, including gross domestic product (GDP), total deposits to liabilities (TDL) ratio, GDP per capita income, year-on-year inflation, gross capital formation, deposit rate, age, total debts and net exports. The study developed a multivariate regression model of various economic indicators that explained the saving practices among Zimbabweans, and a secondary data analysis was employed to re-analyze existing data to test the hypotheses. The instruments that were used to gather data were an interview guide and a documentary analysis guide.

The interview guide specified the areas related to the research study. It gave the respondents considerable autonomy in expressing their opinions regarding the impact of the saving practices on economic performance. The interview guide was administered to officials from the Reserve Bank of Zimbabwe (RBZ), Deposit Protection Corporation (DPC), banking institutions, microfinance institutions (MFIs) and the Finance and Economic Development Ministry. Document analysis enabled data to be examined and interpreted to elicit meaning and understanding and thus develop empirical knowledge. Documents that were used for systematic evaluation as part of the research took the form of annual and mid-term budgets by the Zimbabwe Treasury, quarterly reports by the Central Bank and monetary policy statements. Documents from ZIMSTATS, World Bank and the IMF were also used in the investigation. However, there was a need to evaluate some of the secondary data sources' quality, as some documents lacked detail.

4. RESULTS AND DISCUSSION

The hypotheses tested to show the relationship between saving practices and the economy's performance produced the following results:

4.1. Testing of Hypotheses

H_1: Fiscal policy variable (GDP market price) is independent of the practices of saving among Zimbabweans.

The first hypothesis tested was on the independence of GDP from saving practices. The probability value of 0.640 (see Table 1) was greater than 0.05, and this resulted in the acceptance of the null hypothesis that fiscal policy variable (GDP market price) is not dependent on the practices of saving among Zimbabweans. However, a positive correlation of 0.091 exists between the variables. The regression coefficients in Table 1 showed that 0.1% of the GDP was explained by the savings activities of the Zimbabwean banking population, a very insignificant percentage. The regression equation linking the two variables could be expressed as follows:

$$Y = \alpha_0 + \alpha_1 X + € \quad (1)$$

Where:

Y = savings practice.

X = the GDP.

α_0 = free term in the equation.

α_1 = savings to economic growth sensitivity coefficient.

€ = the error term.

Hence, $Y = 52.839 + 0.001X + €$.

From the regression equation, the country's GDP was influenced by other factors independent of the population's saving practices.

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Table 1. Coefficients of the TDL Ratio and GDP.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order
1	(Constant)	52.83	17.11		3.09	0.005	17.736	87.942	
	GDP market price $m	0.001	0.002	0.091	0.473	0.640	-0.003	0.005	0.091
a. Dependent variable: Total deposits to liabilities									

H_2: Gross capital formation (investment) is not dependent on saving practices.

This was the hypothesis that saving practices and gross capital formations are not dependent, which was used as a measure of investment in a country. Table 2 shows that the correlation between the two variables of 0.078 was insignificant. Over the years, the gross capital formation in Zimbabwe was being driven by other factors and not from the pool of savings by the population.

Table 2. Model Summary for TDL Ratio and Gross Capital Formation.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.078[a]	0.006	-0.031	16.47588552836
a. Predictors: (Constant), gross capital formation				

Furthermore, from Table 3, the null hypothesis that gross capital formation (investment) is not dependent on saving practices is accepted because the p-value of 0.688 is greater than 0.05. Deposits did not determine the level of investment in Zimbabwe over the years.

Table 3. ANOVA for TDL Ratio and Gross Capital Formation.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	44.762	1	44.762	0.165	0.688[b]
	Residual	7329.280	27	271.455		
	Total	7374.042	28			
a. Dependent variable: Total deposits to liabilities						
b. Predictors: (Constant), gross capital formation						

Source: Researchers.

The regression coefficient in Table 4 indicates an insignificant relationship between saving practices and gross capital formation. Savings influenced 7.8% of the investments in Zimbabwe by the population. The greater part of Zimbabwe's investments was explained by other variables as indicated by the following regression equation:

$$Y = \beta_0 + \beta_1 X + € \qquad (2)$$

Where:

Y = savings practice.

X = the gross capital formation.

β_0 = free term in the equation.

β_1 = savings to economic growth sensitivity coefficient.

€ = the error term.

Hence, $Y = 59.010 + 0.078X + €$

From the regression equation, the gross capital formation was influenced by other factors independent of the population's saving practices.

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Table 4. Regression Coefficients for TDL Ratio and Gross Capital Formation.

		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	59.010	5.384		10.960	0.000
	Gross capital formation	0.001	0.003	0.078	0.406	0.688
a. Dependent variable: Total deposits to liabilities						

H_3: Net exports are independent of saving practices.

This hypothesis sought to test the relationship between saving practices and net exports. From Table 5 the correlation coefficient between the two variables was insignificant (0.039).

Table 5. Model Summary for TDL Ratio and Net Exports.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.197[a]	0.039	0.003	16.20104203885
a. Predictors: (Constant), net exports $m				

Results from Table 6 further showed that the probability value of 0.305 resulted in the acceptance of the null hypothesis (> 0.05) of independence between saving practices and net exports. That is net exports are not dependent on saving practices.

Table 6. ANOVA for TDL Ratio and Net Exports.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	287.250	1	287.250	1.094	0.305[b]
	Residual	7086.792	27	262.474		
	Total	7374.042	28			
a. Dependent variable: Total deposits to liabilities						
b. Predictors: (Constant), net exports $m						

Source: Researchers.

Table 7 shows the regression coefficients that connected the two variables. From the table, net exports and saving practices were inversely connected as reflected by the standardized coefficient of -0.197. This means that inverse 19.7% of the net exports explained the saving practices among Zimbabweans. The other factors seemed to explain the saving practices as reflected by the constant of 58.873.

Table 7. Coefficients for TDL Ratio and Net Exports.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	58.873	3.53		16.6	0.000
	Net exports $m	-0.002	0.002	-0.197	-1.04	0.305
a. Dependent variable: Total deposits to liabilities						

H_4: Form of wealth and the savings potential among Zimbabweans are not dependent on savings practices

The hypothesis is that there is no relationship between savings potential and the form of wealth held by the Zimbabweans produced results from Table 8. Statistics from Table 8 resulted in the non-acceptance of the null hypothesis is the probability value of -.131 was less than the critical value 0.05. The non-acceptance of the null hypothesis implied that decision to save among Zimbabweans was influenced by the form of wealth held.

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Table 8. Correlations for Savings Potential and the Form of Wealth.

		Form of Wealth	Savings Potential
Form of wealth	Pearson correlation	1	-0.131
	Sig. (2-tailed)		0.088
	N	170	170
Savings potential	Pearson correlation	-0.131	1
	Sig. (2-tailed)	0.088	
	N	170	170

4.2. Results from the Interviews

The interviews with the bankers, microfinance institutions, the Reserve Bank of Zimbabwe, Ministry of Finance and Deposit Protection Corporation produced the results shown in Table 9. The table gives a summary of the major common themes generated from the questions in the interview guide.

Table 9. Interview Guide Summary Results.

Views expressed	Bankers and MFIs	RBZ	MoF	DPB
1. Savers protected	Not protected	Improvement needed	Not protected with bank failure	Need improvement
2. Saving trends and economy	Related	Related	Linked to disposable income PDL > $500	Related
3. Financial soundness	Not sound, exposed	Sound	Sound	Sound
4. Enough savers in the economy	Not enough	Not enough	Not enough	Not enough
5. Foreign borrowing constraints effect	Affected FCAs	Risk exposure	Affects increased exposure	Affects savers
6. Fiscal policy effect	Policy inconsistency	Public sector debt mops savings	Adequate	Adequate
7. Financial market development	Hedge funds unavailable	Not inclusive of products	Not inclusive	More choices needed

Note: RBZ stands for Reserve Bank of Zimbabwe, MoF for Ministry of Finance, MFIs stands for microfinance institutions and DPB stands for Deposit Protection Board. Regulators, such as the Ministry of Finance, RBZ and the Deposit Protection Corporation, expressed their satisfaction with the number of players in the market as well as the legal framework within which these banking institutions operated. However, the Ministry of Finance observed that the country had the potential to mobilize savings for investment as reflected by the high leakages as seen with the imports. They reiterated that the country did not have adequate savings units because of the macroeconomic challenges the country faced.

5. CONCLUSIONS

The study showed that savings practices were insignificantly related to the country's debt, year are not dependent on savings practices -on-year inflation, deposit rate and the lending rate. However, savings were strongly correlated to gross capital formation and gross domestic product. The weak association between savings and growth could be attributed to the notion that productivity of investment is essential and not the volume of savings. Negligible associations between economic fundamentals included the country's debt, year-on-year inflation, deposit rate and lending rate, though the association was strong for GDP, gross capital formation and moderate for net exports. Depositors, MFIs, RBZ and the DPC felt that the country could not mobilize savings, through the MoF thought otherwise given the economy's leakages. The study found that savings were always below the average and the Zimbabwean majority across genders had a formal bank or mobile account.

The levels of deposits were very low, as measured by the deposit to liabilities ratio. The growth of deposits was lower than the growth in the liabilities held by financial institutions. The mismatch partly explained why the financial market suffered liquidity squeezes over the period under study. Low savings resulted from the confidence in the financial services sector, which had bottomed owing to years of financial crises the country had experienced. There was a low association between average income and savings. The income earned was below the poverty datum line (PDL) and therefore inadequate for savings. The study's findings also showed an insignificant association and independence between key fiscal variables, such as GDP, gross capital formation and the savings

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rate. These variables play a significant role in promoting economic activity and boosting good savings practices in a country. Results showed an insignificant association between saving practices and the macroeconomic barometers.

The financial institutions lacked depth in terms of financial products, and services as well as variety institutionally influence economic activities in the country. The financial products and services were still excluding the previously excluded sectors of the economy. However, most Zimbabweans were using existing banking products and services though they maintained them for transactional purposes due to low disposable incomes. This trajectory is starving the pool of funds that could otherwise be available for real investment. This has been exacerbated by the high cost of saving and insignificant returns on deposits. Net returns from deposits were being wiped out by the high service charges imposed by financial institutions. Both depositors and regulators shared these views.

6. RECOMMENDATIONS

There is a need for financial deepening that should include broadening the scope of the Central Bank's operating licenses. There is also a need for the policy instruments to delineate the financial institutions' scope to minimize services overlap. Financial institutions need to develop financial products and services that should target the previously unbanked society groups, including micro, small and medium enterprises (MSMEs), women, youth, the rural population and the small agricultural sector. Thus, there is a need to judiciously operationalize the Zimbabwe National Inclusion Strategy (2016–2020) promulgated by Apex Bank towards the end of 2016. This can harness the savings required for the much-starved investment. Gender experts and related organizations should design financial regulations to ensure that regulations do not exclude certain groups from the mainstream economy.

There is a need to develop policies that attract savings and interventions, which should reduce the cost of saving. Policies should be consistent and predictable as a confidence-building measure. Banks should also disclose important performance indicators to the regulator and the general banking public to promote transparency and enhance market discipline. Banking institutions need to reduce the cost of maintaining a savings account and at the same time, increase returns on savings. The regulatory authorities need to develop a framework to reward savers. Long-term savings need to be promoted as opposed to transactional savings. The new-normal circumstances that the country finds itself in, where foreign capital and FDI have become unreliable; it is prudent to develop measures that will build a long-term savings base.

The Credit Asset Register needs to be operationalized to enable banks to check new loan applications against the register and reduce non-performing loans. The Deposit Protection Board should increase its deposit insurance cover to encourage savings and publish comprehensive structural information on every institution on its website, and it must operate independently of the Reserve Bank. There is also a need to come up with robust fiscal policies that could resuscitate the economy and industries to boost economic activities. There is strong empirical evidence that links the country's economic growth and solid national savings.

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