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Banking Sector Development in a Multi-Currency Environment: A Zimbabwean Sector Perspective

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Abstract
The study sought to provide an understanding of banking sector development in Zimbabwe since the introduction of the multi-currency system. This was prompted by inability of Zimbabwe's banking system to efficiently and effectively execute its financial intermediary role of supplying affordable long-term loans to productive sectors of the economy as a catalyst for economic growth in line with the finance-growth nexus. The study made use of an interpretivism research philosophy and utilized semi-structured interviews to gather qualitative data from a sample of fifteen senior bank executives. Study findings revealed that non-performing loans (NPLs) and thin liquidity are some of the major issues retarding development of Zimbabwe's banking system by creating unnecessary operational inefficiencies. It was also concluded that most informal business entities are using the underground economy defeating banks' role of financial intermediation and curtailing banking sector development. Thus, the study recommends that banks should implement 'pay as you go' banking models to allow bank clients to only incur costs when a service is utilized as this will motivate and attract the informal sector into using the formal banking system alleviating the liquidity position of the sector leading to banking sector development.

Key words: **Banking sector development, multi-currency System, bank specific factors.**

1.0 Introduction

The banking system is a crucial component of every economy. Banks serve several functions in every economy including the provision of credit to the industrial sector and stimulating economic growth in the process. However, most African countries' banking sectors are less developed, as supported by lower magnitudes of financial access and depths (Mutarindwa et al. 2021) and Zimbabwe's banking sector is no exception to this phenomenon. Such a situation stems from a plethora of issues that date back to the year 2000. The sector experienced persistent hyperinflation from 2000 to 2008 (Mpofu, 2015). This hyperinflation threatens banking activities, contorts the monetary system, and decimates savings. This era was also convoluted by economic sanctions that were first introduced around 2002, which inhibited Zimbabwean business entities such as banks from accessing lines of credit and investment from European finance houses (Vusani, 2014). Dollarization was adopted in 2009, following a transitional government (Tomu et al., 2021). Such an economic move paved the way for introduction of a multi-currency regime that stabilized the economy, yet at the same time invented new banking difficulties. High inflation has gained momentum again around 2018-2020 (RBZ, 2023). This was caused by exchange rate volatility emanating from market uncertainty and dwindling bank public confidence compounded by persistent currency reforms. Covid-19 pandemic also took center stage around 2020 – 2023 and interrupted most business activities by denting banking entities' quality of assets and gains. High inflation emanating from currency fluctuations has been on a surge since late 2023 and this has been reducing depositor confidence in the banking sector.

The Zimbabwean banking system has shown tenacity in the face of all these operational difficulties as evidenced by heightened inclusive finance, that is, growth in the number of bank accounts and mobile banking services owing to the increased utilization of digital banking (RBZ, 2022). Refined banking regulatory schemes also support resilience leading to increased proactive risk control and intensified corporate oversight. There is also enhanced rivalry among banking firms through the entry of new firms and

the extension of subsisting firms promoting economic activity. However, disturbances persevere with regard to efficiency, liquidity, asset quality and capital adequacy (RBZ, 2022). Most banks failed to absorb shocks emanating from currency fluctuations and economic cycles. Capital inadequacy has also increased most banking firms' inability to prop economic growth. Some banks also face poor asset quality because of spiraling irrecoverable credits and default risk (RBZ, 2022). Some banking entities also fail to finance their interim financial commitments; hence, they are unable to support economic activity due to low liquidity (Chinjova & Zinhumwe, 2019). This sector is also compounded by inadequate investment in technology and innovation leading to banking inefficiency.

Table 1 below shows how the Zimbabwean banking sector is affected by such market developments:

Table 1: Banking Sector Development Indicators (2009-2022)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Liquid liabilities to GDP [%]	16.46	15.09	18.28	19.44	20.01	21.3	22.8	25.2	30.29	42.6	21.94	18.23	16.1	14.34
Bank Net Interest Margin [%]	23.32	10.67	10.69	10.61	9.4	7.79	7.64	6.36	6.28	8.87	6.3	3.52	3.4	2.45
Bank's Return on Assets [%]	12.66	2.41	2.75	2.88	1.2	0.67	1.89	1.98	2.53	3.22	5.54	1.6	0.89	0.56
Bank's Return on Equity [%]	161.9	19.72	24.7	22.66	8.54	4.58	13.4	14.3	19.55	26.2	36.2	8.68	7.68	4.52
Bank's Cost to Income Ratio [%]	81.28	73.38	68.77	66.59	72.36	76.2	69.9	66.2	61.31	64.9	50.48	52.96	49.7	46.34
Bank Deposits to GDP [%]	16.45	18	20.27	21.4	19.93	21.8	23.5	26.8	33.48	40.1	20.65	17.87	15.9	14.55
Private Sector Credit [% of GDP]	7.16	13.54	18.98	20.14	18.73	19.2	18.3	17.1	16.88	5.83	5.24	5.42	6.99	11.63
ATMs per 100, 000 adults	7.94	5.4	4.41	4.92	4.85	6.03	7.16	7.07	6.89	6.63	6.4	6.16	6.05	5.43
Liquid reserves to bank assets ratio [%]	15.87	11.74	10.66	9.59	9.27	11	18.2	41.3	61.75	86.8	58.08	46.79	29.8	13.86
Bank accounts per 1000 adults	94	167	84	90	89	100	93	287	467	517	641	502	204	180

Source: World Bank Open Data (2023)

The above table shows the banking sector development indicators which: stability, depth or size, efficiency, and access. The proportion of bank liquid liabilities as a fraction of GDP and the proportion of private sector debt as a percentage of GDP represent financial deepening while efficiency is measured by the return on equity (ROE), return on assets (ROA), net interest margin (NIM) and expenditure to income ratio. Banking access is measured by ATM density and the number of people with bank accounts, whereas stability is measured using the ratio of liquid reserves to bank assets. The increase in all indicators during the first few years shows that immediately after the introduction of the multi-currency system, banking sector development improved; only to stagnate from 2015 to 2022 due to various challenges the sector started facing, which induced a negative stimulus on the behavior of most bank-specific factors. ATM per 100, 000 adults was 6.05 for 2021, which is relatively low when compared with that of neighboring South Africa and Zambia, which was 43.55 percent and 8.81%, respectively (World Bank, 2023). According to the Global Financial Index (2012), only forty (40) percent of adults in Zimbabwe have formal bank accounts. This leaves the percentage of population over fourteen (14) years of age with bank accounts at 29.25 percent as of 2021 against a world average of 65.76 percent for one hundred and twenty-one (121) countries over the same period. This again shows that access to banking services is low in Zimbabwe relative, to other nations in the same region.

In addition, the proportion of credit to the private sector as a fraction of GDP also plummeted by approximately eight (8) percent between 2014 and 2022, an indication of a decline in financial deepening. Furthermore, a loss in financial deepening is supported by a decline in bank deposits from 40.11 percent in 2018 to 15.87 percent in 2021 (World Bank, 2023). This shows that banking sector development is by far lower in Zimbabwe relative to other African economies like South Africa which recorded 93.4 percent in credit to the private sector as a percentage of GDP and 69.94 percent in liquid liabilities as a percentage of GDP. Efficiency also declined, as indicated by profitability measures such as ROE, ROA, expenditure to income ratio, and NIM over the years. In particular cost to income ratio stood at 49.74 far below the world average of 54.8 percent based on one hundred and thirty-five (135) countries (World Bank, 2023).
Moreso, is a growing concern for asset and income quality. NPLs increased from 0.3 percent to 3.5 percent in 2023, despite being under the international benchmark of five (5) percent (RBZ Quarterly Economic Review Report, 2023). Such a sharp surge in non-performing loans exposes banking institutions to a decline

in public trust (Chand et al., 2023) further denting banking sector development. Current sources of income do not guarantee long-term stability and sustainability of profits for the industry because of a decrease in USD cash-flows for servicing foreign exchange loans, thin liquidity, and high interest rates. Financial intermediation remains subdued, as shown by the low loan-to-deposit ratio of five (5) percent (RBZ Quarterly Economic Review Report, 2023). The industry also exhibits an inability to navigate inflation cycles and subscribe to the effective management of asset portfolios with a view of mitigating risk as evidenced by a continuous decimation of bank assets in real terms by 9.12 percent (RBZ Quarterly Economic Review Report, 2023). The industry also failing to introduce tailored solutions that caters to diverse customer profiles such as 'pay as you go' account models that allows customers to incur costs only when a service is utilized (RBZ Quarterly Economic Review Report, 2023). This has further made it difficult for the sector to tape-in the informal sector, leading to financial exclusion, which is a greater sign of underdevelopment. The sector is also failing to address cyber security concerns to curb fraud and money laundering incidences (RBZ Quarterly Economic Review Report, 2023). Such a lack of a strong risk management framework stems from the inability to adopt cutting-edge technologies, such as AI, which enables proactive financial risk management and ensures compliance.

Table 2 shows that Zimbabwe's banking industry is financially underdeveloped when compared with the banking industries of neighboring countries such as South Africa and Botswana. The ratings of most of its indicators (efficiency, size or depth, stability, and access) are a testimony that the sector is struggling and a lot needs to be done to rescue it. Thus, this study intends to probe the most influential bank-specific factors impacting banking sector development.

Table 2: Banking Sector Development Comparative Analysis by Country

Year	2020			2021			2022		
Country	Zim	SA	Bot	Zim	SA	Bot	Zim	SA	Bot
Pvt Sector Credit % of GDP	5.36	62	39.63	6.93	58.04	34.46	11.48	58.59	29.76
Broad Money as a % of GDP	14.87	73.97	52.37	14.9	70.12	45.38	18.87	71.36	39.98
ATMs per 100, 000 adults %	6.16	58.59	47	6.05	43.55	36.31	6.4	65.31	45.02
Cost to Income Ratio %	50.48	61.38	57.76	52.96	63.06	60.14	49.74	61.01	58.45
Bank deposits to GDP %	20.65	54.26	46.39	17.87	63.21	50.58	15.87	60.38	47.02
Z-score	7.47	8.5	15.88	7.08	8.29	13.43	8.09	9	15.46
Liquid liabilities to GDP %	21.94	41.55	47.5	18.23	47.64	52.02	16.13	69.94	48.27
Interest Rate Spread %	28.49	2.83	4.19	37.42	3.23	3.82	97.09	3.73	4.64
Lending interest rate %	33.01	7.71	5.75	45.48	7.04	5.25	132	8.79	6.13
	Key: Zim - Zimbabwe, SA - South Africa, Bot - Botswana								

Source: World Bank Open Data (2023)

2. Research questions

The investigation sought to provide solutions to the following research questions:

- What constitutes banking sector development?
- How best can banking sector development be measured?
- What bank-specific factors do senior bank executives perceive as the most influential in shaping development of the banking sector?
- What needs to be done to improve banking sector development?

3. Literature Review

3.1 Theoretical Perspective

This section looks at theories that explain the development of banking entities. There is quite a number of banking sector development theories in literature like the financial intermediation theory, institutional theory of financial development, the law and finance theory, pressure group theory of financial development, endowment theory and financial liberalization theory (Aluko & Ajayi, 2018). This study addresses only the pressure group and the financial liberalization theories.

3.1.1 Pressure Group Theory

Pressure group theory is commonly referred to as simultaneous openness supposition and it was proposed by Rajan and Zingales (2003)**.** This theory reveals that financial prosperity in any economy is a function of capital inflows, parallel market trade and advocacy groups (Aluko & Ajayi, 2018). The theory specifies that financial market accessibility and trade openness induces financial sector advancement by depressing the

domination of advocacy groups that resist financial advancement. In a restricted market, incumbents take advantage of financial suppression to obtain stunted financial advancement as it becomes harder for new entrants to access the financial assets required to penetrate the market. Thus, for banking sector development to upgrade, an economy has to be open to both capital and trade, as opening to only one of these two factors does not result in financial sector development (Aluko & Ajayi, 2018).

In accordance with the views of Rajan and Zingales (2003), advocacy groups may adversely affect the advancement of the financial sector by hindering new entrants into the market and consolidating market power. Opening up an economy to new participants encourages competition, resulting in financial sector development. According to Bircan et al. (2012)**,** a closed economy benefits the few market participants who persistently enjoy a depressed magnitude of financial system prosperity stemming from repressive financial regulations, on the fact that ingress to financial resources by prospective contenders might be constrained. Repressive financial policies are bound to reduce banks' public confidence and dent banking sector development. Thus, trade weakens the market power of interest group firms. In this respect, receptiveness and trade are expected to facilitate the advancement of the banking system by allowing foreign investors to enter the local market, thereby increasing competition, cutting rents, and bringing extra capital resources.

3.1.2 Financial Liberalization Theory

The financial liberalization theory which is commonly termed the McKinnon-Shaw proposition, is based on the notion that it wa**s** postulated by McKinnon (1973) and Shaw (1973), and is another theory commonly discussed in literature on the subject matter of banking sector development. According to Auerbach and Siddiki (2021)**,** financial liberalization entails free dealings or the removal of many restraints that govern operations in a particular financial system, with the goal of bringing it in tandem with those of advanced countries. According to the literature, financial liberalization exists in three (3) forms. First, there are indigenous financial system refinements such as denationalization and an increase in private sector debt. Second, money market liberalization occurs when an economy links its money markets to overseas stockholders, thereby enabling indigenous business entities to access global money markets (Bekaert & Harvey, 2003). Finally, liberalization of the capital account occurs when exceptional conversion pegs for capital account undertakings are eased (Loots, 2003)**.** In this last type of financial liberalization, local companies are allowed to borrow funds oversees (Schmukler et al., 2001) and compulsory reserves are depressed (Kaminsky & Schmukler, 2008).

McKinnon (1973); argued that financial liberalization is imperative for boosting loft-saving levels and investment. Freeing the financial sector induces banking system prosperity through a surge in bank deposits. Generally, there are eight dimensions of financial liberalization: bank sovereignty, denationalization of banks, free admittance of alien banks into the local banking sector, removal of regulations on the operation of the interest rate in the loan market, eradication of credit constrictions, free mobility into and out of the banking system, freeing of indigenous trading floors to global capital movements and the clearance of conversion hurdles on international pegs. This theory challenges financial suppression and the belief is that suppression of the trading floors dispirit thrifting among investors, heightens the cleaving of trading floors, promotes inefficient resource allocation and stifles banking system financial intermediation (Odhiambo et al., 2012). Financial repression reduces banks' public confidence and constricts banking sector development.

3.2 What is banking sector development?

Touny (2014) argues that banking sector development is a complex multi-dimensional concept that entails ameliorations in the standard and abundance of financial merchandise and services. According to Basnet and Pradhan (2017), the banking sector development refers to improvements in the quality, efficiency, and quantity of banking services and products. This refers to an improvement or notable upgrade in the banking industry's capacity to execute its functions or roles (Aluko & Ajayi, 2018). In most cases, the dimension is explained by the role banks fulfil in an economy such as the pooling of funds, credit granting and risk management. Therefore, it follows that the advancement of any banking system is measured by the ability to fulfil these roles efficiently and effectively, which can only happen when banks' public trust is present. Banking system prosperity promotes entrepreneurial activities and increases the degree of rivalry among business entities (Guiso et al., 2002). For the banking sector to develop, a strong support network and system must be in place first. The proper functioning of banks requires strong regulatory infrastructure as well as a strong risk, institutional, and governance framework.

3.3 How best can banking sector development be measured?

The development or prosperity of any banking system is evaluated using various metrics or indicators including depth or size, access, efficiency and stability (Aluko & Ajayi, 2018; Mhadhbi et al., 2017). Normally, size or depth is measured using the proportion of credit extended to private entities as a fraction of GDP, liquid liabilities, and the ratio of broad money (M2) to GDP according to World Bank Development Indicators (Aluko & Ajayi, 2018). Banking stability is evaluated using the proportion of non-performing loans as a fraction of total loans and the proportion of liquid bank assets as a fraction of total bank deposits. Moreso, literature evaluates banking efficiency using profitability measures such as the bank expenditure to income ratio, return on equity (ROE), net interest margin (NIM), return on assets (ROA) and interest rate spread. Lastly, banking access is measured using the percentage of people with bank accounts, loan and deposit accounts per capita, and ATM density.

4. Methodology

The investigation utilized a qualitative research methodology to appreciate the banking emotions, experiences, ethics, beliefs and ideas of respondents regarding how bank-specific factors influence banking sector development (Creswell & Creswell, 2013). Such a methodology allowed the investigator to gather non-numerical data from open ended sources without prearranged replies, such as semi-structured interviews and open ended questionnaires suitable for small sample sizes in data gathering (Creswell & Creswell, 2013).

The study uses an interpretivist research philosophy. The interpretivist view holds that truth or reality is multiple and subjective in nature, that is, it relies on an individual's emotions, world experiences, views, and beliefs (Thanh et al., 2015). This means that the creation of knowledge is an aspect of one's values, culture, and beliefs, which differs from one person to another, producing various research conclusions. According to Dean (2018) and McChesney and Aldridge (2019), this philosophy is extremely inclined to qualitative analysis of data incorporating content analysis, thematic analysis and cross-case comparisons, which is the case in this study. This research philosophy was preferred because reality is fluid and socially constructed (Creswell & Creswell, 2013). Thus, the interpretivist research philosophy allowed the investigator access to reality on the nature and ways through which bank-specific factors influenced the development of Zimbabwe's banking system under the multi-currency era through social construction and shared understanding of bankers and their clients. This research philosophy was relevant because it allowed the investigator to appreciate and describe the banking reality in Zimbabwe from bankers' experiences on the nature and ways through which bank-specific factors such as liquidity affect the development of Zimbabwe's banking system.

The study also opted for a case study research design because it facilitated in-depth and holistic scrutiny regarding the nature and way through which bank-specific factors affect Zimbabwe's banking system (Creswell & Creswell, 2013). The target population for this study is consisted of all banks licensed to operate in Zimbabwe at the time of the study. This study's target population is comprises of twenty-one (21) licensed banks that can further be broken down into sixteen (16) commercial banks, four (4) building societies and one (1) merchant bank (RBZ, 2023). The investigator opted for these banks, as they were a rich and relevant source of data to explain how bank-specific factors influence Zimbabwe's banking system. This is the total number of senior executives in these banks that form the target population for this study. The researcher utilized a purposive sampling technique to enable focusing on bankers with requisite banking knowledge and industry experience. Data were then collected from fifteen (15) senior executives of banks with headquarters in Harare due to their proximity to the researcher. This class of bankers was also preferred because they are responsible for environmental scanning in banks as they sit on company boards and, hence, are rich in information on how bank-specific factors affect banking sector development in Zimbabwe.

Data were generated through semi-structured interviews conducted with fifteen (15) senior bank executives from different banking firms in Harare. The investigator employed a thematic analysis technique to analyze the collected data. Thus, data patterns and meanings that provided solutions to study questions under scrutiny across collected data sets were identified. Data validity was checked using various methods. A number of techniques have been employed to achieve data validity. These include epistemological considerations, employing various data gathering tools and analytical tools, pilot testing, expert opinion, neutrality, and the rightness of the theoretical groundwork of the debate. This study also employed content

validity by ascertaining that the best research tools were chosen for data gathering (Lavery et al., 2007). According to Heale and Twycross (2015), content validity examines whether a tool adequately touches the entirety of the content it ought to cover with regard to a study parameter. Content validity was measured using expert opinions and evaluations by several referees were performed in this study.

As a mandatory requirement in carrying out investigations in which human elements take part, the study went through a thorough review and got approval from university's ethics and plagiarism committee. Authors also managed to get permission to carry out study from Chinhoyi University of Technology's graduate studies department. Ethical clearance number was also availed. To ensure informed consent, consent forms were read to potential research participants before partaking in the study and also the researcher took time to explain to them the implications of participating in the study. No undue influence was used to gain consent from participants. Allowing interviewer to go ahead with the interview exercise was a sign of informed consent by research participants.

5. Findings of the study

This study sought to provide a detailed understanding of banking sector development in Zimbabwe. This was achieved through a thematic analysis of senior bank executives' understanding of banking sector development and its measurement in the Zimbabwean context and in general. Furthermore, this was also achieved through the identification of bank-specific factors that were most influential in shaping the current state of banking sector development in Zimbabwe. The study further sought to identify the experiences and perceptions of senior bank executives regarding the impact of bank-specific factors on the development of local banks as well as the necessary interventions required to alleviate banking sector development. The major constituents of banking sector development, its measurement indicators, identified the most influential bank-specific factors impacting banking sector development, perceptions and experiences of senior bank executives, and the required interventions mentioned by respondents resulted in several thematic areas and their frequency of mention as presented in the upcoming diagrams computed using word clouds.

5.1.1 Banking Sector Development

Research participants were asked to mention what constitutes banking sector development in Zimbabwe and in general. As illustrated by the word cloud in Figure 1, senior bank executives revealed an increased ability to execute functions (15), an increase in financial intermediation (13), an increase in banking efficiency and effectiveness (11), an increase in the quantity and quality of banking products and services (10), an increase in inclusive finance (10), increased competitiveness of the sector (7), improved sector stability (7), enhanced choice of banking products and services (6), regulatory expansion in the sector (6), diversification by banks operating in the sector (5) are the issues that constitutes and explain banking sector development and their frequency of mention:

Figure 1: Banking Sector Development
Source: Research Data

Respondents further revealed that banking sector development is said to have occurred when banks are able to execute their functions through financial intermediation, and any deviation from that would render banks irrelevant, as supported by two verbal quotes inscribed below:

Banking sector development is said to have taken place when the abilities of banks to fulfil their functions through financial intermediation is met. Any deviation from meeting this is likely to render banks irrelevant and moribund in this digital era where they face rife competition from FinTechs **(Interviewee 8)**

……. resultantly most banks are no longer in a position to justify their existence as they now concentrate on accumulating revenue through exorbitant bank charges and transactional costs. Salary-based loans have become normal threatening financial intermediation which is their core purpose that supports industrialization leading to economic growth **(Interviewee 10)**

5.1.2 Banking Sector Development Measurement

Respondents were also asked to explain how banking sector development is measured in Zimbabwe and for the world economy in general. As illustrated by the word cloud in Figure 2, senior bank executives revealed that banking sector development is measured using five main indicators: banking stability (15), banking access (15), banking efficiency (15), banking depth/size (15) and, banking amplitude (10), which also comprise several of sub-metrics such as private sector credit as a percentage of GDP:

Figure 2: Banking Sector Development Indicators
Source: Research Data

Respondents stressed that measurement of banking sector development is a very critical issue which in the past was restricted to only four measurement indicators but in the Zimbabwean context banking amplitude scrutinizes financial soundness in line with what shareholders get for their money invested is equally important. The following verbal quotes highlight these findings:

Banking sector development is measured using four main metrics which are banking stability, access, depth/size and efficiency as provided in banking literature. These four main banking development indicators are then broken down into sub-metrics like private sector credit as a percentage of GDP which measures banking depth or size. However, these four indicators are not enough and countries have started coming up with banking sector development indicators that suits their economies **(Interviewee 4)**

……..and since the turn of the century, economists have redirected their focus to banking amplitude which scrutinizes financial soundness of banks over and above the four existing banking sector development indicators. This is imperative given that it provides an insight to potential investors on what they are likely to get in return for money invested **(Interviewee 10).**

5.1.3 Bank-Specific Factors Influencing Banking Sector Development in Zimbabwe

Respondents were also asked to mention common bank-specific factors most influential in shaping the current state of banking sector development in Zimbabwe and for the global economies in general. As illustrated by the word cloud in Figure 3, senior bank executives revealed that the bank-specific factors most influential in shaping the current state of banking sector development are liquidity (15), digitalization (15), capital adequacy (14), business intelligence and analytics (10), internal corporate governance mechanisms (9), bank size (5) and asset quality (4):

Figure 3 Bank-Specific Factors Impacting Banking Sector Development
Source: Study Research Data

It was further stressed that thin liquidity is highly responsible for fragmented banking sector development trends in Zimbabwe since the introduction of the multi-currency system and the verbal quotes below highlight such findings:

……and since the introduction of the multi-currency system in 2009, most banks have been struggling to operate with sufficient liquidity due to several factors like lack of lender of last resort, USD externalization, low foreign currency earnings and low bank public trust emanating from introduction of bond notes and coins in 2016 under the multi-currency system **(Interviewee 13)**

…….and more importantly, liquidity, asset quality, business intelligence and analytics, capital adequacy, asset size and digitalization have emerged as key drivers of banking sector development in Zimbabwe under the multi-currency. Without addressing the issue of thin liquidity and undercapitalization, most banks will remain underdeveloped as they are merging to meet minimum capital requirements set by the regulator **(Interviewee 2)**.

5.1.4 Interventions to improve banking sector development

Respondents were also asked to suggest ways to improve the banking sector's development. As illustrated by the word cloud in Figure 5, emerging themes centered on the augmentation of bank liquidity (15), confidence building measures (15), asset quality refinement (12), fostering banking innovation (11), and the need to increase investment in technology (10):

Figure 4: Banking sector development interventions
Source: Research Data

Apart from that, respondents also had this to say:
……there is need to boost bank capitalization **(Interviewee 2)**
…….augmentation of bank liquidity is equally important **(Interviewee 14)**
It's high time for local banks to fully utilize AI and enjoy reduced bank operating costs **(Interviewee 8)**
Authorities should ensure proper governance systems and regulatory framework is in place across the banking system **(Interviewee 9)**

6. Discussion of Results

The results of this investigation reveal that banking sector development entails an increase in the sector's competitiveness, regulatory expansion in the sector, stability of the sector, increase in quality and quantity of banking products and services, increase in financial intermediation, increase in inclusive finance, increased ability to execute functions, improved efficiency and effectiveness, enhanced choice of banking products and services by the sector and diversification of banks operating in the sector. These findings extend the findings of Aluko and Ajayi (2018), Batayneh et al. (2021), and Abdu (2022), who restricted the concept of banking sector development to an improvement in efficiency and the quality and quantity of banking products and services in their studies. Possible reasons for such departures could be due to the fact that banking sector development is a complex and multi-dimensional concept; hence, its interpretation may differ from time to time and place to place, as revealed by the study findings.

The study also revealed that banking sector development can be measured using five main indicators: banking stability, banking access, banking depth or size, banking amplitude and banking efficiency. Such results are also an extension of prior related studies' findings by the World Bank (2023) and Aluko and Ajayi (2018), who measured banking sector development using four and three main indicators, respectively, excluding banking amplitude and access. Banking amplitude is a new indicator emerging in this study from interviews done. Banking amplitude indicates the institutional quality of banks critical in building bank public confidence and is measured by shareholder value, value of penalty fees, the number of cyber-crimes a bank experienced, bank corporate scandals and bank risk profile. Possible reasons for such differences might be due to the fact that issues of banking infrastructure and corporate governance in Zimbabwe still require great improvement and excluding them would not give a complete and correct position of banking sector development unlike, in some developed economies.

The study also revealed that the most influential bank-specific factors impacting banking sector development are liquidity, digitalization, capital adequacy, business intelligence and analytics, internal corporate governance mechanisms, asset size and asset quality. Liquidity emerged as the main factor critical in shaping banking sector development in Zimbabwe, whereas asset quality emerged as the least important factor. Such results are not consistent with those of Al-Matari (2021), Ali and Puah (2018), and Ullah

(2022), who concluded that bank size is the most important factor determining banking sector development. Possible reasons for the departure may be the fact that Zimbabwe is operating under a multi-currency system hence experiencing liquidity problems on the basis that the country is using a currency under the control of another country that was again implemented without an agreement in place with the Federal Reserve, hence not receiving liquidity advances due to lack of lender of last resort aspect. This is also due to low export earnings, low public confidence, current account deficit and foreign currency externalization in a multi-currency environment.

7. Conclusion

This study addressed four research questions. The first research question was to determine what constitutes the banking sector's development. The second research question was on determining how banking sector development is measured, while the third was on determining the most influential bank-specific factors impacting banking sector development. The fourth was interventions that could be put in place to improve banking sector development.

The results of the first research question show that banking sector development entails an increase in the sector's competitiveness, regulatory expansion, stability of the sector, quality and quantity of banking products and services, financial intermediation, inclusive finance, ability to execute functions, efficiency and effectiveness, choice of banking products and services by the sector and diversification by banks operating in the sector. The study also revealed that banking sector development can be measured using five main indicators: banking stability, banking access, banking depth or size, banking amplitude, and banking efficiency. The study also revealed that the most influential bank-specific factors impacting banking sector development are liquidity, digitalization, capital adequacy, internal corporate governance mechanisms, asset size and asset quality. The study's findings also revealed that in order to address underdevelopment in the banking system, there is a need to boost capitalization, augment bank liquidity, refine asset quality, employ confidence-building measures, foster banking innovation, and increase investment in technology.

7.1 Theoretical Implications

This study focuses on the exploration of bank-specific factors impacting banking sector development. Thus, in addition to identifying most the influential bank-specific factors impacting banking sector development. Most related studies on the subject matter have focused only on identifying most the influential bank-specific factors impacting banking sector development ignoring, the analysis of the concept of banking sector development. For example, O'Connell (2023), Abdulahi et al. (2023), Akther et al. (2023), and Rahman et al. (2020) focused only on identification of the most influential factors neglecting the issue of measurement metrics of banking sector development. Moreover, most prior related studies in this study area are quantitative, and a few qualitative studies have focused only on literature review. This makes this study an important novel addition to the literature.

7.2 Practical Implications

The study recommends the following in order to alleviate banking sector development:

Thus, there is a need to increase investment in technology across sectors. Refinement of digital infrastructure and utilization of AI in daily banking operations remains imperative to heighten the banking sector's competitiveness, security, efficiency, and customer experience. This would also promote inclusive finance by extending access to banking services to underserved populations where there are no physical bank branches that increase the market share of most local banks.

Additionally, there is a need to augment bank liquidity. The government should encourage to inspirit banking entities to maintain sufficient liquidity buffers, enabling them to satisfy interim commitments. Ensure that the RBZ extends USD liquidity advances to banks and promotes depositor confidence to prevent foreign currency leakages in the economy.

Furthermore, there is a need to refine the asset quality of this sector. This can be achieved by adopting effective default risk control systems to lessen uncollectable credits. The adoption of proper corporate governance practices is also imperative in ensuring proper credit screening processes, and guidelines are in place to reduce NPLs in the sector.

Moreover, there is also a need to boost capitalization in the sector to ensure banks have a buffer against market eventualities and stress conditions. The RBZ ought to embolden banking entities to keep sufficient

capital buffers as cushions in absorbing unforeseen market shocks. This enables banks to navigate the effects of inflation cycles on their profits margins, leading to banking sector development.
Additionally, there is a need to promote and foster banking innovation. With the advent of Fintechs companies and ecosystem banking in place, augmentation of banking products and services as well as inclusive finance is enhanced leading to banking sector development. FinTechs can act as new entrants in the sector capable of stimulating competition and enhancing bank efficiency, leading to development.
Most importantly, monetary authorities ought to come up with confidence-building measures in the banking sector, given that bank public confidence is currently low and this has kept the informal sector out of the banking system. Confidence building measures like 'pay as you go models' which ensures bank clients only incur costs when a service is utilized tapes-in the informal sector into the banking system and attract long term deposits.

7.3 Future Directions

This study addressed the issue of banking sector financial underdevelopment in Zimbabwe by exploring the most influential bank-specific factors impacting the development of local banks and providing an understanding of the concept of banking sector development. The ability to know bank-specific factors impacting banking sector development provides crucial insights to monetary authorities on how best to address banking challenges hindering banking sector development in Zimbabwe. The study area of banking sector development is broad and is not limited to concept studies, measurement of the concept, and identification of determinants. In fact, it extends to the bank-specific effects on banking sector development, banking sector development trends, challenges, and strategies. Future studies can also focus on individual bank-specific factors that impact banking sector development, such as digitalization. Such areas, if scrutinized can add value to the study area by addressing issues of banking sector underdevelopment worldwide.

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Authors confirmed that there are no known conflicts of interest linked with this manuscript. Authors do not hold affiliation with any organization and they have no direct or indirect monetary interest in the subject matter discussed in the publication.

Author's participation

All authors made active participation in the following: (i) Study conception and data collection phases, or interpretation and discussion of data and results (ii) writing the article and effecting required amendments for crucial intellectual content, and (iii) approval of the final article for publication.

Data availability statement

The data that support study findings are available from the corresponding author on request. The data are not publicly available due to privacy or ethical restrictions.

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