FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

RESEARCH TOPIC:

AN ANALYSIS OF THE EFFECT OF PLASTIC MONEY ON PROFITABILITY OF BANKS: A CASE STUDY OF CBZ BANK LIMITED.

BY:

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This dissertation is submitted in partial fulfillment of the requirements of Bachelor of Commerce (Honours) Degree in Accounting in the Department of Accounting at Midlands State University.

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The undersigned confirm that they have supervised the student, Asaliah Manatsire on the

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DEDICATION

I dedicate this project to my husband Samuel Mkozho and for the great support that he gave me throughout this research project and also to my late parents Lighton and Annah Manatsire who could not have a chance to see this piece of work.

Love you always.

ABSTRACT

This research was aimed at investigating the effects of plastic money on profitability of banks. A mixed research approach was used to describe the phenomenon as it naturally happens (descriptive design). The data was collected from CBZ Bank Limited with a target population of forty seven (47) personnel. A sample was used were thirty three questionnaires and seven interviews were administered to the population. The key result of the study indicated that increased use of plastic money reduce profitability of banks. A major recommendation suggested that banks tilt their product mixes toward fee-based activities and away from traditional intermediation activities. A further study was proposed to evaluate the effect of product mix on profitability of banks.

LIST OF ACRONYMS

RBZ   : Reserve Bank of Zimbabwe

The Bank   : CBZ Bank Limited

NII   : Non-Interest Income

ATM   : Automated Teller Machine

POS   : Point of Sale

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CHAPTER ONE:

INTRODUCTION TO THE STUDY

1.0 INTRODUCTION

The aim of the study is to evaluate the impact of plastic money on the profitability of banks. Extant studies (Henry and Farquer, 2007; Jenkins, 2007; Kampol and Gordon, 2013; Osterberg and Thompson, 2015) also evaluated the relationship between use of plastic money and financial profitability of banks. The dominant logic behind their studies being that plastic money has a good bearing on the banks' profitability if there are other favourable monetary policies in place. However (Mathew, 2010; Holland, 2010; Gunsel, 2010; Richard and Tissot, 2011; Washington and Welch, 2011; Carnegie, 2016) discount this notion positing that banks have had to lose a lot of revenue due to the usage of plastic money system. This study focuses on the use of plastic money in an African third world country which is facing liquidity crisis.

1.1BACKGROUND OF THE STUDY

Plastic money has its roots in USA and its origin can be traced to Second World War. The evolution of various types of plastic money as we know them today began with the introduction voucher system of payment that was used during the Second World War. In Zimbabwe plastic money became popular with banks in the 1990s. According to statistics from CBZ ATM and POS usage return plastic money usage remained at 30% although 95% of the 7000 customers were holders of ATM and Visa cards. According to Holland, (2010) 70 % of people in developing countries are not comfortable with the use of ATMs and POS due to lack of knowledge of how to operate them.

In mid-2016 Zimbabwe was hit by liquidity crisis and the government reinforced the use of plastic money as a mitigating factor. A quote from the Reserve Bank of Zimbabwe Governor Dr. Mangundya in in the Monetary Policy of January 2017 says 'The banking industry continued to experience underlying physical cash challenges on the back of high demand for cash by the banking public. However the bank has been promoting the use of plastic money resulting in significant use of same and decline in demand for physical cash.'

Since the enforcement of the use of plastic money banks have experienced a reduction of the Non-Interest Income which was generated by cash withdrawal charges. According to

statistics of CBZ Gweru branch use of plastic money resulted in about 75% reduction of cash withdrawals. This reduction also means an equivalent effect on Non-Interest income.

Gweru branch profitability report shows that the RTGS charges Telegraphic transfers and other non-interest income (Mukuru, Money-gram and Eco-cash) started to protrude negative performances which had impart on the overall financial performance of the bank. A reduction of 95% was recorded from January to May 2017.

As per the CBZ Pricing Handbook 2016 the bank was charging 3% and a minimum of $3 withdrawal fees per every transaction. This revenue line generated a lot of revenue to the bank. The central bank then gave a directive for the use point of sale machines (POS) in order to reduce cash shortage crisis. The point of sale only charges a flat fee of only fifty cents ($.50) per transaction. The flat fee is then shared between the three stakeholders which are the bank, Zim-Switch and the merchandiser. Where the bank was earning $30 per $1000 withdrawn it now gets $0,15 which is 99,5% reduction in revenue.

The following table shows the revenues generated from cash withdrawal fees as from 2014 to 2017, focusing specifically from January to May of each year. Table 1.1 below shows the revenue generated before and after the introduction of plastic money

Table 1.1 Cash Withdrawal Revenue

MONTH	2015	2016	2017
January	523,968,23	573,987.98	29,789.89
February	578,763.14	585,193.89	31,769,94
March	567,907.43	490,676,90	16,987.90
April	570,875,39	503,543,78	10,189.13
May	515,789.89	589,675.37	8,906.45
TOTAL	2,757,304.08	2,743,077.92	97,643.31

Source CBZ Gweru branch Accounts Department

As highlighted in table 1.1 above withdrawal fees were constant from 2014 to 2016, but a sudden change was felt in the begging of 2017 as $ 97 600 was generated from this line of revenue which is 96.4% reduction in revenue generated. This reduction in revenue on the cash withdrawal fee was due to the increased use of plastic money during the end of 2016.

It was not only cash withdrawal which was affected. Revenue generated from RTGS was also affected. The bank was generating $12.00 per every transaction. Currently clients making payment by swiping their cards or using CBZ touch application that charges $3 per transaction both charges are per the Pricing Handbook.

1.2 STATEMENT OF THE PROBLEM

The introduction of plastic money in Zimbabwe saw banks being challenged in-terms of financial performance as their revenue drivers were crippled. Revenue drivers such as withdrawal fees, RTGS charges, Telegraphic transfers' and other non-interest income (Mukuru, Money-gram and Eco-cash) were affected to such extends of decreasing by large percentages such as of 96.5% as highlighted in table 1.1. CBZ as a financial institution was not spared by the effects of plastic money as it had high volumes of cash transactions. This study therefore aims at evaluating the impact of plastic money to the profitability of Banks: A case study of CBZ Bank

1.3 MAIN RESEARCH QUESTION

What is the impact of plastic money on the profitability of Banks?

1.4 SUB-RESEARCH QUESTIONS

➢ What are the factors that affect use of plastic money?

➢ What are the risks associated with the use of plastic money.

➢ How has plastic money helped to address liquidity crisis

➢ What best practices can be adopted by CBZ Gweru branch in managing revenue drivers?

1.5 RESEARCH OBJECTIVES

➢ To identify the factors that affect use of plastic money?

➢ To determine the risks associated with the use of plastic money.

➢ To ascertain if plastic money helped to address liquidity crisis

> ➤ To determine the best practices that can be adopted by CBZ Gweru branch in managing revenue drivers?

1.6 SIGNIFICANCE OF STUDY

The research is in the partial fulfilment of a Bachelor of Commerce Honors Degree in Accounting. This study will also build up some essential abilities in research and an in-depth comprehension of the plastic money challenges for economies were plastic money still has to find its way. The study will be used as a reference source for other researchers in their study in relation to bank financial performance. The research provides in insight into the prevailing challenges in revenue accumulation at CBZ Gweru branch and CBZ as a whole and can provide areas that can be addressed and improved to come up with an effective solutions

1.7 DELIMITATIONS

- ❖ The study is centered at the CBZ Gweru Branch.

- ❖ The study population does not include all the customers at CBZ Bank Gweru Branch.

- ❖ The study focused on the impact of plastic money on overall performance of the bank.

- ❖ The study made use of data, both primary and secondary ranging from 2015-2017.

1.8 LIMITATIONS

- ❖ Access to confidential information was restricted thereby hindering progress as time and resources were limited.
- ❖ Continuous liaison with management was required as they are the ones with privileged information.
- ❖ Teamwork was required in order to access information in so as to avoid distortion in absence of skilled personnel
- ❖ The study was carried out at CBZ Gweru branch this may not totally represent all branches and all banks but the underlying issues and solutions may be universal.

1.9 DEFINITION OF TERMS

The following terms are to be taken to mean the following in the research study:

RBZ   : Reserve Bank of Zimbabwe

The Bank   : CBZ Bank Limited

NII   : Non-Interest Income

ATM   : Automated Teller Machine

POS   : Point of Sale

1.10 CHAPTER SUMMARY

The chapter introduced a brief summary of the aspects covered in the research study. It introduced background of the study, statement of the problem, objectives of the study as well as the statement of the problem. The other aspects introduced are research and sub-research questions, significance, limitations and delimitations of the study, and lastly the definition of terms.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter purports to outline theoretical findings and views of other authors which are relevant to the problems statement. Its main objective is bringing together relevant literature which supports or dispute on the impact of plastic money on profitability of banks. This irony between plastic money and profitability has attracted considerable debate and attention in recent years. Thrust of the debate has been whether plastic money increase or decrease profitability of banks.

This chapter will scrutinize literature from books, journals and surveys made by other scholars to uncover gaps which exist in the literature.

2.1 FACTORS AFFECTING USE OF PLASTIC MONEY

According to Kaseke (2012), plastic money is the use of credit and or debit cards as a substitute for hard cash in facilitating transactions for the transfer of good and services from one end to the other. Examples of such are VISA cards, Zimswitch cards, Individual bank cards, Master cards only to mention a few.

Most authors in Europe and in the west have attributed the factors spearheading the use of plastic money to economic developments, monetary policies of the central bank and the fiscal policies of the ministry responsible with economic development. According to Penjugometh and Roberts (2015), the factors affecting the use of plastic money are local economic growth driven and global due to the rise in international trade between nations. Scholars in Africa where plastic money has taken a positive trend have attributed the use of such to the rise of international trade and the expansion of multinational companies in these countries (Mitchel, 2015).

2.1.1 International Trade

As defined by Shenbagavalli et al (2012), international trade entails business transactions between nations, individuals, companies and or non-profit making organisations. In line with this definition Cornish et al (2010), supports the adoption of plastic money by local banks of a nation due to international trade, since business transactions are facilitated by the movement of money from one hand to the other. In recent years most of third world countries have had

to adopt and use plastic money as most of recent business has become very convenient due to the flexibility of plastic money (Sami and Sufinllah, 2014). Selling and distribution of commodities within borders requires convenient payment systems as such banks in Zimbabwe have also been forced to adopt plastic money (Kaseke, 2012). The statistics produced by the ZIM STATS (2014-2016) indicates that trade has favoured Zimbabwe from periods between 2014-2016 as such increase in international trade is one factor that has seen most of Zimbabwe banks adopting the use of plastic money. CBZ Bank ltd was not spared from the expansion of international trade as such this also facilitated the adoption and usage of plastic money. According to Jones and Farquhar (2007), international trade requires large sums of money to be moved as such plastic money becomes a convenient mode of payment, so in light with this local banks have faced the need to adopt the plastic money era.

2.1.2 Monetary and Fiscal policies

According to a Kaseke (2012), monetary policies are national statements issued under the ministry responsible for finance under the central bank of a nation. This statement has substantive powers to effect change in respect of financial institutions, money in circulation and the financial atmosphere of the economy (_Cornish et al, 2010).

According to the fourth quarter monetary policy statement (2016), Dr. Mangudya gave a statement that all banks had to adhere to the plastic money era as it was a measure taken by the central bank to easy circulation of hard currency within the economy. In the same statement Dr. Mangudya stressed to financial institutions that they should comprehend government efforts in trying to stabilise the cash shortages, as such local banks were left with no choice but to adhere to the central bank's call. CBZ bank ltd was amongst banks that were to adhere to this call, as such plastic money mechanisms were spearheaded in a measure for the bank not to lose its operating license as the delay in adopting this order was viewed to be a sabotage (Kaseke, 2012). In a seconding fiscal statement (2016) the Minister of Finance Mr. Chinamasa complemented the efforts of the central bank by recommending that banks should take the leading role in fostering the adoption of plastic money.

2.1.3 Technological advancement and economic growth

The twenty first century has seen and embraced a massive change in technology. The banking sector due to its complicated systems has lead the way in a way to maximise business and clientele (Penjugometh and Roberts, 2015). Plastic money business is one factor that has lead banks to embrace technology, due to meaning of its usage. According to (Sami and Sufinllah, 2014), plastic money has paved its way into the existing banking market due to technological

advancement being experienced. According to Sami and Sufinllah (2014), plastic money is a complex way of transacting, as such it requires up to date and well maintained technological systems which will act as the brains in the processing of transactions since peoples monies will need not to be lost. In the same breath Mitchel (2015), supports this notion by suggesting that plastic money requires a well internationally integrated systems as it has grown to become a global mode of trade, which has seen large volumes of funds being processed in seconds.

Mitchel (2015) and o Sami and Sufinllah (2014) also suggest that economic growth coupled by advancement in technology has led to the need of plastic money as holding large sums of hard cash has proven to be riskier. Economic growth has seen the transformation of local banks as they move to copy up with changes in the global economy, which then entails the concept of the adoption of plastic money to join the massive transactions of the economy (Kaseke, 2012).

2.2 RISKS ASSOCIATED WITH THE USE OF PLASTIC MONEY

According to Signh (2004) and Jegede (2014) ATM frauds and scam is threatening continual usage of ATMs. Ho and Ng (2004) suggests that people perceive an existence of risk present with the use of plastic money. Physical risk on plastic money happens when personal information is accessed by a third party. Social risk refers to the older generation who may not be comfortable with the use of plastic due to their perception that traditional money is personal and friendly. Financial risk represents the financial loss in using plastic money when customers fail to report mistakes due to the perception that reversing a transaction, stopping a payment after discovering a mistake or a refund may not be possible. Kaseke (2012) there is a risk of resistance by customers for the use of plastic money because of lack of awareness about the benefits of plastic money, including the perception that it is non-user friendly

Mutengezanwa and Mauchi (2014) suggests that while consumers have adopted internet banking they are not ready to take any risks associated with the use of a new system. Main factors that are influencing adoption are security, awareness, accessibility and cost. Kaseke (2012) suggests that these problems need to be addressed and that plastic money may have advantages in certain situations. Okibo and Wario (2014) are of the opinion that e- banking is highly reliable. It increase the growth of customer base. It also reduces customer queries. Makosana (2014) is of the opinion that there is significant relationship between security and

privacy. This means when consumers believe that internet banking is safe, efficient, confidential, convenient, easy to use, and reliable and fulfills the commitments and promises it assumes they are likely bound to trust the system

Chisango (2016) suggests that plastic money is the best mode of transacting but user friendly gadgets such as POS terminal machines and handsets should be put in place to cater for the disadvantaged section of the society such as the aged, illiterate and physically handicapped especially the blind.

According to kass (2014) and Goi (2015) the use of plastic money has removed the limitation of time and geographical location. Plastic money also allowed banks to cut costs on transactions, improve service delivery and banks are no longer overwhelmed by demand of the market (Chang, 2013; Sullivan and Wang, 2015). This evolution in banking has changed the nature of customer banking relationships. This has many advantages over traditional banking delivery channels which include mass advertisements an increased customer base, cost savings, and product innovation and delivery of services regardless of geographic area and time (Giannakoudi, 1999). Polatoglu and Ekin (2002) identified quick transactions, easy access and fast response as important characteristics in the use of plastic money.

2.2.1 Inefficient functioning of payment systems and lack of confidence in payment instruments

Another fundamental issue is that the development of electronic money should not endanger the smooth functioning of payment systems Mutengezanwa and Mauchi (2014). According to Makosana (2014) electronic money offers a technology which permits efficiency gains in the use of payments media to be made. Mandis, Nyangosi and Arora (2011) added that this advantage can only be realized if sufficient safeguards are in place to ensure that electronic money is a reliable product accepted by all its users. In particular, float mismanagement, intrusion of counterfeit value, major technical failure and ultimately the failure of an issuer of electronic money could have a negative impact on the credibility of various electronic money products and possibly even on other card based payment products. In addition, Patrick Collinson (2016) says the possible increase in the use of electronic money schemes may lead banks to reduce the capacity of their existing conventional payment systems. In such circumstances, the failure of a major issuer could lead to a decline in confidence in electronic money schemes, while it might no longer be possible to revert immediately to more traditional means of payment.

2.2.2 Non protection of customers and merchants

According to Krauta and Faulan (2014) in a market economy, it is the task of the creditor to assess the creditworthiness of his/her debtor. As regards credit institutions, most customers cannot assess the quality of these institutions due to the asymmetric availability of information and a lack of understanding of the technical security features of the payment systems they offer Malagi and Shela (2017). This is one of the reasons why a prudential supervisory framework is applied to credit institutions.

Electronic money represents liabilities on the balance sheet of the issuer, created against the provision by customers of cash or scriptural money, which are payable at par to the entities accepting electronic money as payment the merchants. Al-Laham, Al-Tarawneh, & Abdallat (2014) say these liabilities represent an asset for the customers which can be used for payment purposes. As with deposits, prepayments made to the issuers of electronic money are not left idle but are invested in order to obtain asset returns. Brunier, Pastch and Stradtmann (2015) also added that as is the case with the value of bank deposits, the value of electronic money could diminish, or even disappear, if the liabilities of the issuer are higher than the value of the assets. Thus, the financial integrity of the issuer would be jeopardized if the investment policy it pursued was not adequately sound. Makosana (2014) says the risks for the issuer are more likely to be triggered by liquidity strains (if assets are liquidated with heavy losses) than by credit risk. Since the issuance of electronic money amounts in economic terms to deposit-taking, the application of a prudential supervisory framework to electronic money issuers would also be justified.

In addition, Patrick Collinson (2016) says central banks could be subject to moral hazard problems if economic agents were wrongly to assume that they might support issuers of electronic money financially in order to protect the public's confidence in the currency. It is also possible that some customers will not see clear differences between the protection they receive with traditional bank deposits and the protection they will receive (if any) with prepayments to electronic money issuers.

Mandeep and Joginger (2011) say in the near future it seems unlikely that customers and merchants will hold a large part of their wealth in the form of electronic money, owing, for instance, to the risk of theft or loss. Retailers are also likely to place their takings in a bank

account at regular intervals. For these reasons it could be argued that the case for protecting customers and merchants is weakened.

However Kaur and Sharma (2014) are of the opinion that electronic money is designed for everyday use as an alternative to banknotes and coins. If it came to be used widely, it would join cash and sight deposits as a major instrument for transaction purposes. In these circumstances, losses arising from the failure of an issuer might be relatively small for individuals. Zimucha et al (2014) suggests that banks in Zimbabwe have got high security on e-banking and that the commercial banks prioritize use of plastic money. Various security strategies have been put in place to protect the customer's deposits.

2.2.3 Criminal abuse

According to Jones and Farquha (2007) the inadequate management of operational risk and a lack of technical security make an electronic money vulnerable to fraud. According to Chisango (2014) plastic money fraudster mainly target the illiterate, the aged and the disabled. These people are mainly targeted because either the gadgets are too complex for them or they are not user friendly (Makosana 2016). Nyangosi (2011) explains that the fraudsters pretend to help the unsuspecting card holder and in turn get important information that is needed to defraud them. According to Krauter and Faullant (2014) some fraudsters hake into customers' e-banking or mobile banking systems and defraud them. Dedman and Tissot (2011) suggests that there are various measures that can be taken to control this operational risk and that various protective measures are available to minimize the risk. Cornish et al (2010) suggest that most of these crimes are due to lack of secured technology on credit cards. Mohamad (2009) suggest that banks need to increase security features on their e banking systems while Chisango is of the idea that customers need to be made aware of fraudulent activities going on. He further states that user friendly gadgets has to be made available to cater for the disadvantaged section of the society. Mutengezanwa and Mauchi (2013) argues that if customers protect their banking information fraudulent activities would be minimized. However Kumar is of the opinion that frauds do not only happen on e-banking systems. He stressed that even in the traditional banking systems frauds are rampant where signatures are forged and fake identity documents used to defraud huge sums of money.

2.2.4 Resistance by customers to use plastic money

In different countries, the introduction of plastic money systems took place at different points and they have been adopted by customers at various degrees and speeds (Rogers, 1995). Different factors such as knowledge, consumer resources such as money, information, processing capabilities and lifestyle have an impact on the adoption of electronic banking (Sathye, 1999; Polatoglu and Ekin, 2002).

Sathye (1999) found that lack of awareness about plastic money and its benefits, including the perception of it being non-user friendly contribute to the resistance of plastic money. Even when people are aware of the availability of plastic money they are still reluctant to use plastic money (*ibid*). Gerrard and Cunningham (2003) identified that consumers who were more financially innovative had a higher probability of adopting plastic money than less financially innovative consumers. Filotto *et al* (1997), showed that the adoption rates of ATM were higher among younger consumers. Stavins (2001) identified that married customers were more likely to use plastic money than single people. Although, Sathye (1999) identified that the costs associated with plastic money such as cost of electronic banking activities had a negative effect on adoption of plastic money, Polatoglu and Ekin (2002) identified that users of plastic money were significantly satisfied with the cost saving factor of electronic banking.

2.3 CAN PLASTIC MONEY HELP TO ADDRESS LIQUIDITY CRISIS

Sultana and Hassan (2016) are of the opinion that plastic money can help to solve the liquidity crisis if all the challenges that surrounds it are resolved and awareness and infrastructure is brought about to every corner of the country especially the rural areas. According to Kumar (2014) cashless transaction system has a charismatic appeal as it has influential effect which is often endorsed by the family and friends. Cashless transaction system also has its usability and affordability for the consumers Mohamad et al (2016)

Acceptance of plastic money by the public can help to alleviate the liquidity crisis. According to Sultana and Hassan (2016) plastic money is convenient over cash and customers think using plastic money is a prestigious matter hence they rush for cards.

According to Guevara and Madios (2009) people want to be associated with bank that have efficient technology which reduces queries and give the customer convenience. Guevara and Madios (2009) further states that banks with technology have more customers than those without. According to Okibo and Warrior (2014) e-banking is highly reliable and has reduced customer queries on poor service and long ques.

Mahedi and Malipa (2010) plastic money is advantageous to banks because it reduces operational and administrative cost so most banks are willing to replace traditional banking with plastic money. According to Menson (2010) all banks have embrace e-banking and have invested in it although it reduces transaction charges and revenue. Dhanda (2015) observed that buyers like plastic cards over paper currency and also major advantage that the cards provide to the shoppers is the convenience and accessibility.

On the contrary Kumaga (2010) is of the opinion that some of the banks also lack understanding and are not capitalizing on the advantages of this platform. The implementation and support of the infrastructure is expensive. Agwu and Carter (2014) argues that plastic money affect banks' profitability and the financial sector as witnessed by so many reforms without commensurate improvements in the standard of living of the people. Tee and Ong (2016) are of the opinion that the adoption of one type of cashless payment will affect another type of cashless payment in the short run. The impact of adopting cashless payment on economic growth can only be significantly observed in the long run. Hence, any policy that promotes cashless payment will not affect the economy immediately.

According to Chisango (2016) literacy, age and disability had a significant effect on the adoption and use of plastic by rural households. High level of illiteracy in rural communities was thus observed to be the major contributory factor in the slow and poor uptake of new technologies in the country's marginalized areas. Diza, Gumbo and Munyanyi (2017) say that very few financial institutions served the rural market and those that did relied on agent banking. Majority of retail operators in rural areas are importers who only accept cash as means of settlement.

Kumar (2017) argues that banks promote the use of smart phone for transacting but a large section of the society cannot afford this technological advancement and many of those who can afford lack awareness. He further argues that plastic money cannot curb the liquidity crisis overnight. There is need for proper planning and strategies to overcome resistance and to improve the technology.

Mutengezanwa and Mauchi (2013) are of the opinion that a positive relationship exists between internet banking adoption and educational background, income, age, gender and occupation. Nyasha Kaseke (2012) concludes that these problems need to be addressed in order for plastic money to help to solve the liquidity problem. He is also of the opinion that It is high bank charges, machines frequently out of service or offline and the inability in some

cases of ATMs being overwhelmed by dispensing denominations such as $5 and $2 bond notes were cited as the main factors hindering use of plastic money. However the study found that the use of plastic money brings with it several benefits to the customer.

2.4 BEST PRACTICES TO MANAGE REVENUE DRIVERS IN CBZ

The bank can use various methods in managing revenue drives. These include product mix, customer relationship marketing, revenue diversification, research and staff development and training.

2.4.1 Product mix

According to Deyoung (2009) evidence that commercial bank earnings grow more volatile as banks tilt their product mixes toward fee-based activities and away from traditional intermediation activities. Sultana and Hassan (2016) are of the opinion that for an average bank both revenue volatility and the degree of total leverage increase with the share of bank revenue generated from non-deposit related, non-trading-related, fee-based activities. Guevara and Maudos (2009) also agree that the two results imply that the volatility of bank earnings increases as banks expand their fee-based activities because, as we show, earnings volatility is the multiplicative product of revenue volatility and the degree of total leverage. We also find evidence that the level of bank earnings increases as banks expand their fee-based activities, which suggests the existence of a risk premium associated with these activities.

Zimucha et al 2013 is of the opinion that product mix also give birth to relationship marketing and customer segmentation where products are developed for different classes of customers basing on their age, incomes and level of education. According to Leverin and liljanda (2014) Customer segmentation does not improve loyalty. Profitable customers are likely to be aware of their worth to the bank and thus have smaller tolerance of anything less than excellent service.

Sulluvan (2010) is of the opinion that if banks diversify in their services in search for the fee based activities they might lose focus and end up losing valuable customers in the process. According to Al-Tamimi, (2010) and Aburime, (2005) most bank that diversify to non-

trading activities usually collapse within a few years. However Menson (2010) is of the opinion that whether banks stick to the traditional banking methods or expand to fee based activities there are other factors which affect profitability lie good corporate governance.

2.4.2 Training and development

Kumanga (2010) believes that the banking industry is a service industry. Products offered by bank are similar across the board. The only distinction that is there is service. Organisations implement training programmes for employees to enhance competence so as to improve efficiency, performance and the quality of service that they offer Tee and Ong (2016). Tahir et al. (2014) argued that training of employees circumvent the challenges of lacking skilled labour being faced by banks. Khan et al. (2011) recommends training programs as a cheaper way of getting highly competent labour since training existing employees increases their welfare which ensures workers retention. Recruiting highly qualified employees have the disadvantage these already qualified are attracted by competitive salaries and benefits so there is a probability of them not staying in the organisation for long. Nassazi (2013) is of the opinion that training programs equip workers with skills and knowledge which enables the organisation to embrace the dynamic business environment which in turn drives the revenue of the bank. However, Harvey (2012) argued that some small banks cannot afford training programs because they are costly to the. Ichniowski (2011) supports that the training costs outweighs the benefits hence it is unnecessary for banks to engage training programs so they rather employ already qualified staff. John and Rotimi (2014) argues that once staff members are trained by the bank they become marketable and leave the organisation.

2.4.3 Research and Development programmes

The research and development programs are set of programs or activities designed by an organization to enhance its quality of service advantages by developing new products and services, technological innovations and creating new system and mechanism of offering services (Gulmez and Yardimcioglu, 2012). The research and development programs can be used as an effective tool to enhance competitive supremacy of an entity. In an empirical research, Nkwoma (2014) discovered a significant improvement in organisational performance following the adaptation of research and development programs. Guloglu et al. (2012) suggest that small to medium enterprises should invest in research and development programs which gives them competitive advantages. The research and development programs

keeps the organisation aware of changes in environment as well changes in customers taste and preferences. The researcher also mentioned that there is a significant relationship between corporate performance and research and development programs. Nkwoma (2014) supports that the organisation should conduct market research and assessment more often to enables the organisation to embrace radical changes which occur in customer tastes and preferences.

However, Staffan and Perez (2011) averred that implementing researches requires registration of several patents which could be costly to the organization. The effectiveness of research and development programs is determined by the competence and creativity of personnel.

2.4.4 Liquidity management

Liquidity is the capability of a bank to meet cash requirements in time or fund unexpected increase in loan demands and liabilities. According to Dang (2011) adequate level of liquidity relates positively to bank profitability. The most common financial ratios that reflect the liquidity positions of a bank according to the author are deposits to total asset, liquid assets divided by total deposits (Said and Tumin, 2011) and total loan to customer deposits. Other scholars use different financial ratio to measure liquidity. For instance Ilhomovich (2009) used cash to deposit ratio to measure the liquidity level of banks in Malaysia. However, the study conducted in China and Malaysia found that liquidity level of banks has no relationship with the performances of banks (Said and Tumin, 2011).

2.4.5   Bank size

Gul et al. (2011), found out that in most finance literature, the total assets of the banks are used as a proxy for bank size. The size of the bank can be an important driver of the variation of efficiency across banks (Isik and Hassan, 2002). Thus, these authors were of the view that for banks to operate optimally by obtaining scope and scale, banks must possess a certain degree of size. Large companies most likely to draw some economic benefits from the superior management, the superior capabilities in product development (Dogan, 2013; Bayyurt, 2007), marketing, financial scope, specialization, stronger bargaining power (Ravenscraft and Scherer, 1987), stronger competitive power, bigger market share, more ability for diversification in their related and unrelated units (Helfat et al., 2007; Jonsson, 2007; Fiegenbaum and Karnani, 1991). However, there exist diseconomies of scale which

affect large firms which might even make them less efficient and less profitable compared to smaller firms (Said and Tumin, 2011).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter outline the research methodology to be used in this study. The research focuses on impacts of plastic money on profitability of banks. The chapter illustrates research instruments to be used in data collection and the justifications. The research design is prepared in a manner of accomplishing the research objectives and answering research questions.

3.1 RESEARCH DESIGN

Kumar (2011) describes research design as a plan or blueprint of investigation strategies used to obtain relevant data to answer research questions. A research design can also be referred as a process of planning and arranging components that constitute the research study. Creswell (2012) described research design as an overall plan which facilitates in combining the conceptual empirical and the empirical research problems. The main objective of this study is to investigate the impacts of plastic money on profitability of banks. The researcher found experimental research design more suitable for this empirical research since it seeks to investigate the cause to obtain effects of the phenomenon. Explorative research design was described by Croswell (2012) as a method which is used to collect and analyse data which concern the current conditions of the phenomenon or situation. Suresh et al. (2011) averred that explorative research design enables the researcher to obtain relevant data which gives a clear picture of the causes of a situation or phenomenon rather than its effects only. In order to carry out an effective explorative research, the researcher also applied the mixed approach which constitute both qualitative and quantitative approaches. The qualitative techniques was used to describe the problem or phenomenon, and the data was collected through questionnaires and interviews. The quantitative approach will be used in collecting and analysing secondary data, this will also include establishing variations and changes in pricing system as well maintenance systems.

3.1.2 Mixed approach

Saunders (2011) describes mixed approach as a method used to collect data related to the topic under study using both the qualitative and quantitative technique. Kratochwill and Levin (2015) are of the opinion that mixed approach enhances reliability and validity by combining strategies and techniques in both quantitative and qualitative approach. The researcher used mixed approach in this study. Kratochwill and Levin (2015) refers mixed method research as a method which aims on enhancing validity of theoretical prepositions. The mixed method ensure completeness of data which gives a clear picture of the phenomenon under the study.

The mixed method to be used in this research enables the researcher to utilise the strength in both qualitative and quantitative approaches and overcome the weakness associated with each of the approaches. It also enables the researcher to do away with limitations associated in using single design. The mixed approach is more comprehensive and it allows the researcher to tuckle the problem in different points. The researcher found descriptive case study as the most suitable strategy in collecting data which intend to answer the statement problem.

3.2 POPULATION

Population can best described as a group of individuals or a set of components in which the researcher is interested with. Sarantakos (2012) defines population as a group of individuals with similar characteristics. Myers et al. (2010) describes population as total number of individuals who are available for study. In this research the population is going to include employees in CBZ Bank Limited and top customers of Gweru Branch. The target population of 60 individuals was used in the study.

3.3 SAMPLE AND SAMPLE SIZE

A sample is a group of individuals selected from the target population. Saunders (2011) describes a sample as a subgroup of the target population which is used to represent the whole population. Mertler and Charles (2010) say that a sample contains the same characteristics of those with population, hence what is assumed of the sample applies to the whole population. The researcher of this study found it suitable to use sample because itsaves

time and money. The researcher selected 7 top bank officials and 40 top customers from CBZ Bank Limited Gweru Branch. The sample allows the researcher to have direct contact to individuals within a short period of time. The researcher found out that the use of sample is more convenience than using the total population. The total population of this study was 60, with a sample size of 47 respondents constituting 78% of the total population. This sample size is considered to be valid and reliable because according to Fielding (2010), a sample of at least 30% of the population is deemed to be reliable and valid

3.3.1 Sampling techniques

The researcher used stratified random sampling in constructing a sample of 47 individuals. Collis and Hussey (2013) describe stratified random sampling as a method or technique used to come up with a sample consisting of individuals with different characteristics or behaviour. The justification of using stratified random sampling is that it enables the researcher to construct a sample of individual with different post and professionals within the bank. The sample will include top 50 customers and top 10 bank officials. The sample selection is illustrated in the table below.

Table 3.1 Population and Sample Size

Participants	Population	Sample size	Percentage
Bank officials	10	7	70%
Top customers	50	40	80%
Total	**60**	**47**	**78%**

The table 3.1 shows how the sample of 47 individuals is selected from the population of 60.

3.4 SOURCES OF DATA

3.4.1 Primary Data

Gliner et al. (2011) describe primary data as first hand or original data collected from the research area for the purpose of research. Bethlehem and Silvia (2012) also describe primary data as information which is available and needed to accomplish the research objectives. In this study, primary data was gathered through the use of questionnaires and face to face interviews. The researcher is sure that the data gathered was free from errors since the data was collected on-site, this also ensures the reliability and validity of data. The data was

recommended as reliable evidence since it was obtained from staff members of the bank and its top customers.

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3.4.2 Secondary data

Turner (2010) averred that secondary data is the collection and analysing of data with the aim of describing and understand behaviour, action and events which took place in the past. Kumar (2011) also describes secondary data as information which is collected from published sources. In this study, the researcher also used secondary data which was gathered from; internet, RBZ fiscal Policy, financial reports, government gazettes, and journals. The researcher justified that secondary data was easy and cheap to collect.

3.5 RESEARCH INSTRUMENTS

Kothari (2012) argued that research instruments are methods that are used in data collection

during the study. Interviews and questionnaires were used in data collection.

3.5.1 Questionnaires

A questionnaire is made up of typical questions selected by the researcher to be most appropriate in answering research questions. Easterby-Smit et al. (2012) define questionnaire as a form consist of data collection techniques which facilitate individuals in a sample to participate by responding to the set of questions. In this study, the questionnaire was prepared in a manner of answering research question. The questionnaire consist of both open and closed questions. Khotari (2012) averred that open questions are used to enhance participations of respondents and they gives room for further explanations whereas with closed questions respondents answers the questions by ticking on a suggested category.

The researcher found using questionnaires as less costly and easier to administer. They enables data comparison since all questionnaires contains similar questions. The method gave respondents anonymity and reconsideration of their responses since they had ample time to go through the questionnaire.

3.5.2 Interviews

Kumar (2011) averred that interviews is as an interaction between the respondent and the researcher. Interviews enables the researcher to gather more detailed data. Clarification of questions was made and the researcher was able to rephrase questions to suit each respondent. Interviews also allows probing, which increases reliability of data. The researcher

also recommended the use of interviews at it allows flexibility in data collection, language was adjusted to suit each respondent. In support, Kothari (2011) alludes that probing, clarity and flexibility unlocks new dimension of research phenomenon

The researcher's justification of using interviews was that relevant and precise answers was obtained since the respondents responds to what they are asked. They also accommodate the use of gestures in expressing a point. The table below show the schedule of interviewee who were interviewed.

3.5.3 Likert Scaling

Kumar (2011) describes Likert scale as symmetric agree-disagree scale which is used when constructing a questionnaires. In this study, the researcher also used a Likert scale in designing the questionnaire. The Likert scale is shown below:

Table 3.2 Likert scale

Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
5	4	3	2	1

The table 3.3 illustrate ratings of Likert scale. The researcher ascertain that the use of Likert scale made the data collection and analysis easy.

3.6 DATA PRESENTATION

The researcher applied persuasive data presentation. The persuasive data presentation is described as set of techniques used to present research finding in a chronological manner which is understandable by the audience (Hair et al., 2011). The researcher found persuasive data presentation most suitable as it apply visual aids in presenting situations, attitudes, behavior and characteristics of a particular group of interest. Pie charts, graphs and data tables were used in data presentation to entice the audience as well enhance understandability of the problem at hand.

3.7 DATA ANALYSIS

The exploratory data analysis is to be applied in this study. The explorative data analysis is described as technique or methods used to analyses problem, phenomenon or relationships

which were previously unknown (Hair et al., 2011). The researcher found it appropriate for the study as it aims on defining and describing the problem understudy and helps to arrive at a conclusion. The data is to be analyzed in statistics form.

3.8 SUMMARY

The chapter highlighted the research methodology used in investigation into the impacts of pricing systems on maintenance of state assets. The targeted population was also outlined in this chapter and how the sample was constructed from the target population. The chapter also specifies research instruments to be used and how were they constructed. The measures implemented to ensure reliability and validity of data was also highlighted in this chapter.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

The presentation and analysis of data from the research study was done with the aid of graphs, tables and pie charts. Data was collected analysed and presented basing on the objectives in the research study.

4.1 RESPONSE RATE

The researcher distributed 47 questionnaires according to the selected sample size to all the departments and 40 (83.3%) responded by completing the questionnaires.

Table 4.1 Response to questionnaires

Table 4.1: Questionnaire response rate.

Respondents	Distributed	Responses	Response rate %
Bank official	7	7	100
Top customers	40	33	82.5
Total	**47**	**40**	**85.1**

Source: primary data

Questionnaires were used for gathering data. 47 questionnaires were distributed by the researcher and 40 were completed and collected representing a response rate of 85.1% as indicated on figure 4.1. Spring (2011) supported response rate above 60% as reasonable to represent the targeted population and sample size for the research study. The data was valid since there was a link between objectives of the study and collected data. Kumar (2013) supported that data gathered was valid as there was an agreement between it and the research study objectives. Kumar (2013) indicated that there are various factors that affect the acceptable response rate in a survey. However, he generalized 80%-100% as a good response

rate from the accessible population as it a good representative of the target population. This implies that, respondents were very cooperative and were willing to help in this research.

4.2 FACTORS AFFECTING USE OF PLASTIC MONEY

4.2.1 Business transactions across the borders of Zimbabwe promotes the use of plastic money
Table 4.2 International Trade

Scale	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree	Total
Number of respondents	20	8	2	3	0	33

20 out 33(60.6%) customers strongly agree 8 (24.2%) agree, 2 (6%) uncertain, 3 (9%) disagree, 0 (0%) strongly disagree that business transactions across the borders promotes the use of plastic money.

28 out of 33 respondents (84.8%) agree that international trade promote the use of plastic money. They also agree that it is safe and less risk to carry ATM cards than to carry large volumes of cash. This is supported by Munyoro and Matinde (2013) who argues that plastic money is a preferred method of payment as it is easy and convenient than carrying hard cash. 2 out of 33 (6%) are uncertain customers were not sure whether business transactions across the borders of the country promote or does not promote use of plastic money. This is because lack of knowledge about e-banking products and how they work. Shenbagavalli R et al (2012) also argues that customers need to be educated about plastic money. They also have to know the advantages and disadvantages of plastic money. 3 out of 33 respondents (9%) disagree that international trade promotes use of plastic money. These constitutes those who are resistant and want to continue using the traditional ways of banking. They could also be those who have faced challenges in using plastic money like frauds or system challenges. Kaseke N (2012) is of the opinion that individual factors such as gender and level of

education has a bearing on the use of plastic money. Kaseke N (2012) also added that a number of problems are encountered by consumers in relation to security, speed and complexity to use.

The mode of the data on Table 4.2 is 20 which is in the strongly agree class. 20 of the respondents in this study strongly agreed on the fact that international trade promotes the use of plastic money. This means people who strongly agreed the highest frequency against all other opinions. Sanja G.K.and Faullant R (2013) argue that influence of the internet on individuals risk perception and consumer attitudes towards internet banking affect the use of plastic money.

4.2.2 Monetary and fiscal policy increases customer use of plastic money in Zimbabwe
Figure 4.1 Monetary and Fiscal Policy
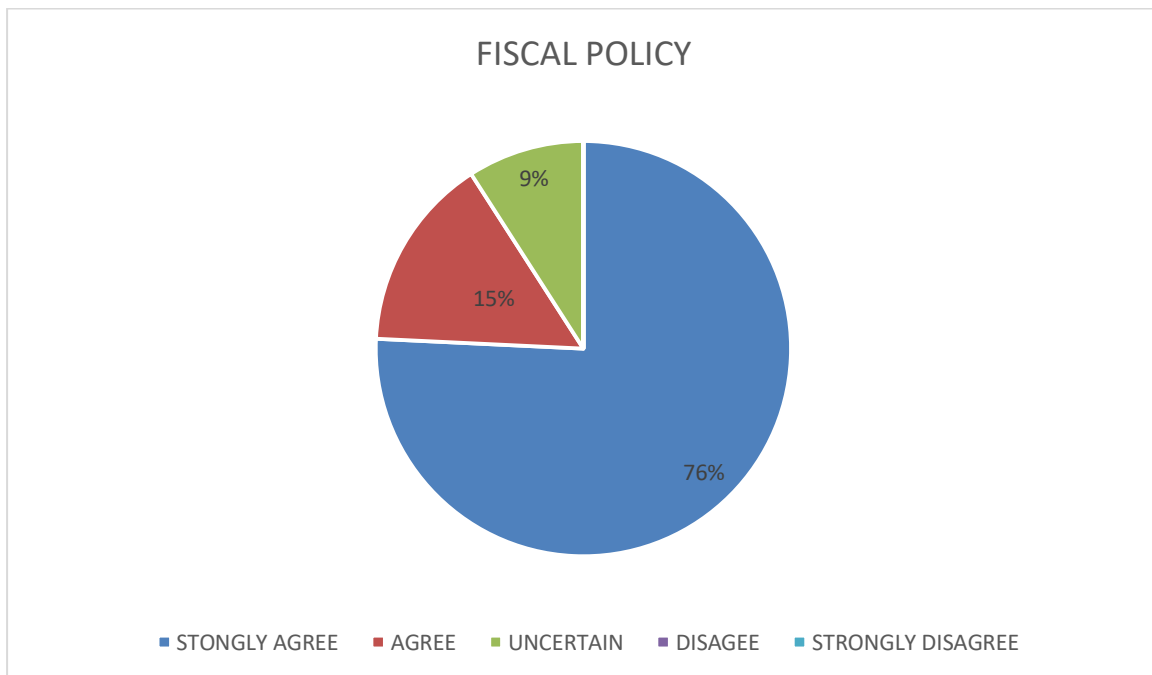
25(76%) out of 33 strongly agree, 5(15%) agree, 3 (9%) uncertain that Monetary and fiscal Policy influence the use of plastic money.

30(90.9) out of 33 respondents agree that Monetary and Fiscal Policy influence the use of plastic money. The Monetary and Fiscal Policy has substantive powers to effect change in respect of financial institutions, money in circulation and the financial atmosphere of the economy (_Cornish et al, 2010).   3(9%) are uncertain whether Monetary and Fiscal policy

influence plastic money usage. This could be due to ignorance of the respondents about what Monetary and Fiscal Policy entails.

'Strongly Agree' has the highest frequency of 25 times out of 33. This means that respondents who highlighted 'strongly agree' as their answer were many compared to any other answer that was available on the Likert scale. In general it can be concluded from this survey that most people agreed that Monetary Policy influence the use of plastic money

4.2.3 Technological advancement affects the use of plastic money in Zimbabwe
Figure 4.2 Effects of technology on plastic money
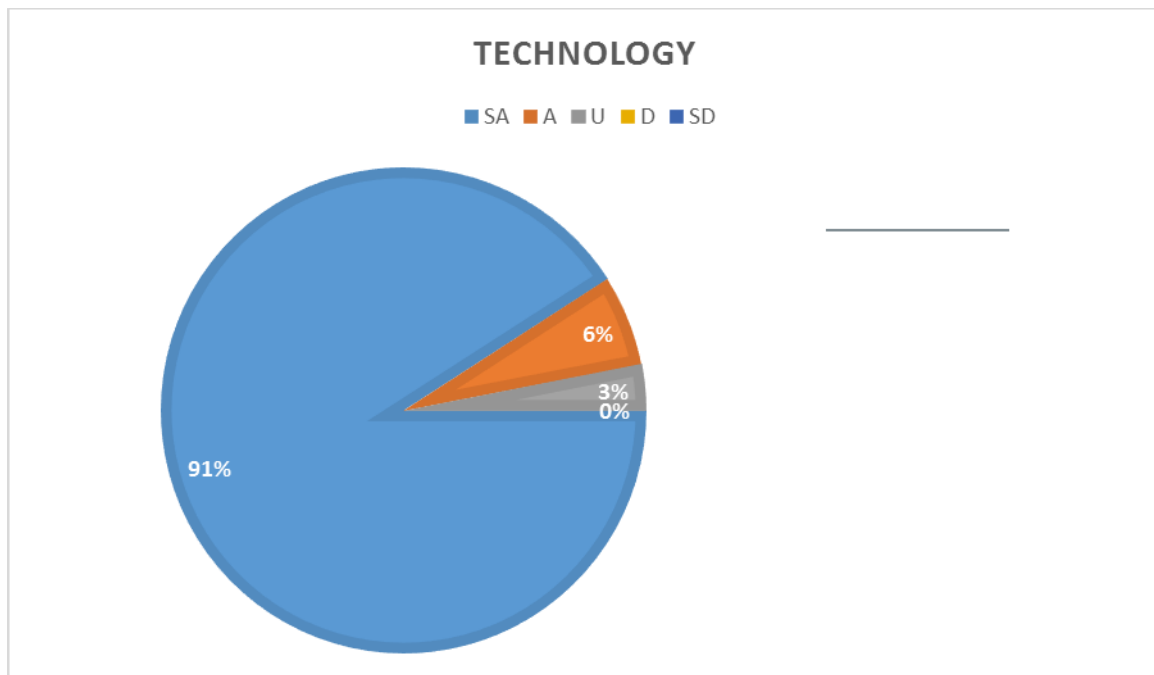
Source primary data

30(91%) of the 33 respondents strongly agree 2(6%) agree, 1(3%) uncertain and 0(0%) disagree that technology has an effect on the use of plastic money as shown in fig 4.3.1. 30 of the clients who constitute 91% of those who strongly agree are below the age of 45 years. This explains the reason why the embrace technology because they not too old to have problems with technology. According to Sami and Sufinllah (2014), plastic money is a complex way of transacting, as such it requires up to date and well maintained technological systems which will act as the brains in the processing of transactions since peoples monies will need not to be lost. In the same breath Mitchel (2015), supports this notion by suggesting that plastic money requires a well internationally integrated systems as it has grown to become a global mode of trade, which has seen large volumes of funds being processed in

seconds. The 3% represent one client who is neutral on the effects of technology. The age of the clients might also have a bearing on being neutral since they might not understand the complexity of technology.

32(97%) out of 33 respondents agree that technological advancement is a factor that affect use of plastic money while 1(3%) is neutral.

The mode is 30 which means that the majority of the people strongly agree that technological advancement is a factor that affects the use of plastic money.

4.3 RISKS ASSOCITED WITH THE USE OF PLASTIC MONEY
Figure 4.3 Criminal abuse risk
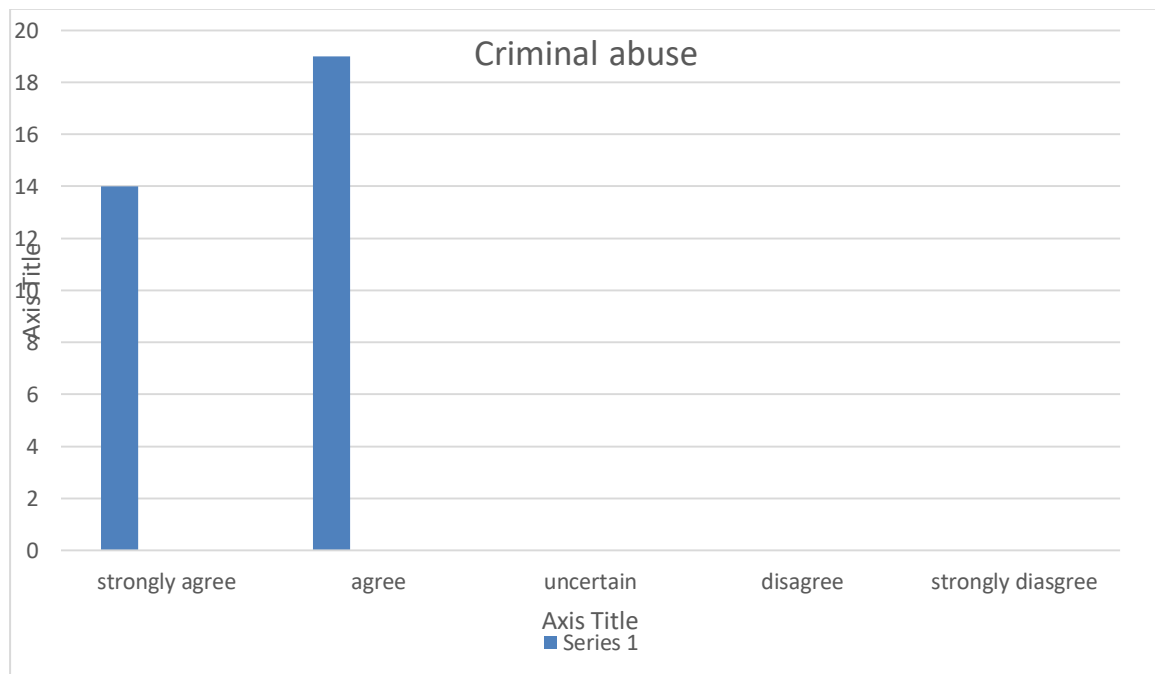
Source: primary data

Figure 4.3 shows that 14(42.4%) of the 33 customers strongly agree that criminal abuse is a risk of using plastic money and that it reduces profitability of bank. 19(57.6%)customers out of 33 agree that it is a risk.

100% of the customers understands that criminal abuse can reduce profitability where the criminal hake into the bank's delivery channel and do fraudulent activities or temper with machines like ATMs that becomes expensive for the bank to maintain. Dealing with queries

to do with customer queries due to criminal abuse becomes expensive in terms of time and personnel dedicated in resolving the queries. According to Jones and Farquha (2007) the inadequate management of operational risk and a lack of technical security make electronic money vulnerable to fraud. Chisango (2014) alluded plastic money fraudsters mainly target the illiterate, the aged and the disabled. These people are mainly targeted because either the gadgets are too complex for them or they are not user friendly (Makosana 2016). Nyangosi (2011) explains that the fraudsters pretend to help the unsuspecting card holder and in turn get important information that is needed to defraud them.

The highest frequency is 19 customers who agree that criminal abuse is a risk of plastic money.

4.4 CAN PLASTIC MONEY HELP TO ADRESS LIQUIDITY CRISIS IN ZIMBABWE

Figure 4.4 Plastic Money and Liquidity
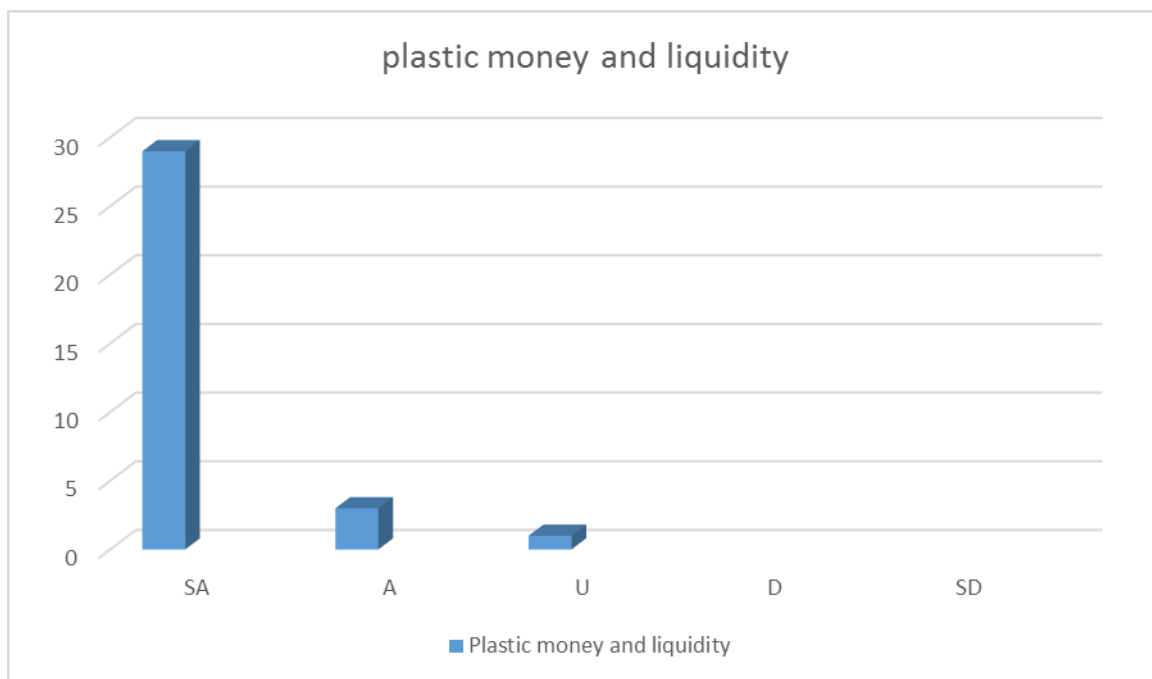
Source: primary data

Figure 4.4 shows that 29(87.8%) out of 33 customers strongly agree that plastic money can address liquidity crisis in Zimbabwe as it was a measure put in place by the Reserve Bank of Zimbabwe to ease the liquidity crisis. 3(9%) of the customers also agree that plastic money address liquidity crisis, only 1(3%) person is not aware whether it addresses or not. Using plastic money means that customers no longer go to the bank to do cash withdrawals in the bank as they can now access goods and services using swipes and online methods. This

means that traditional banking services are no longer required as all these can be done by customers on their own at a cheaper rate without visiting the bank. Mohamad et al (2016) supported the outcome by saying acceptance of plastic money by the public can help to alleviate the liquidity crisis. According to Sultana and Hassan (2016) plastic money is convenient over cash and customers think using plastic money is a prestigious matter hence they rush for cards.

32 out of 33 respondents (97%) agree that plastic money can help to address liquidity crisis and 1(3%) is not aware whether it helps or not.

The mode is 29 which show that most people strongly agree that plastic money helps to address liquidity crisis.

4.4 STAFF INTERVIEWS RESPONSE

Interviews were conducted to 7 Bank officials which included 2 from the management level, 3 officers from cash department 2 officers from Information desk. All the respondents were interviewed. The interview response rate is tabled below;-

Table 4.3 Staff interview response rate

Department	Targeted	Interviewed	Response rate
Management	2	2	100%
Cash	3	3	100%
Information	2	2	100%
Total	7	7	100%

Source Primary Data

4.4.1 What are the factors that affect use of plastic money?

The first manager cited that international trade affects the use of plastic money since customers now prefer to use their visa cards to do online transactions. Customers now prefer to transfer money into their visa cards when they are travelling out of the country to do business transactions. Customers are no longer visiting the branches to look for foreign currency because they now prefer plastic money that is cheaper than traditional products. Cornish et al (2010), supports the adoption of plastic money by local banks of a nation due to international trade, since business transactions are facilitated by the movement of money from one hand to the other. In recent years most of third world countries have had to adopt and use plastic money as most of recent business has become very convenient due to the flexibility of plastic money (Sami and Sufinllah, 2014). Selling and distribution of commodities within borders requires convenient payment systems as such banks in Zimbabwe have also been forced to adopt plastic money (Kaseke, 2012). This was also supported by the response in the questionnaires where the mode of 20 was in the category of strongly agree meaning that 20 customers out of 33 strongly agreed that international trade affects use of plastic money

The other manager cited monetary and fiscal policies affect the use of plastic money. Banks are oblidged by law to abide by policies put in place by authorities especially the fiscal and monetary policies by the Reserve Bank of Zimbabwe. According to the fourth quarter monetary policy statement (2016), Dr. Mangudya gave a statement that all banks had to adhere to the plastic money era as it was a measure taken by the central bank to easy circulation of hard currency within the economy. In the same statement Dr. Mangudya stressed to financial institutions that they should comprehend government efforts in trying to stabilise the cash shortages, as such local banks were left with no choice but to adhere to the central bank's call. This was supported by the response from the questionnaire where strongly had the highest frequency of 25 out of 33 meaning customers agree that fiscal and monetary policies affect the use of plastic money.

The responses remainder staff members cited technological advancement as a factor that affects the use of plastic money. The shortage of POS machines was cited as the major factor contributing to non-usage of plastic money. It was also observed by the respondents that POS machines are given to registered companies with accounts with the bank. Majority of the business in Zimbabwe are owned by sole traders who do not have registered companies. Although these customers have accounts with the bank they don't qualify to be given POS machines. The issue of networks challenges was cited by 50% of the respondents a factor

which distract the use of plastic money. Rural areas are also affected since most of the POS machines require electricity and also the availability of network.100% of the respondents posit that resistance to technological changes and the use CBZ touch which require android phones which beyond reach of the majority of the banks clients. The turnaround time to resolve queries which sometimes take more than a month was cited by 86% of the staff members. It was unanimously agreed by the respondents that the time take by Zimswitch to credit the clients also affects the use of plastic money. The gadgets which are currently used are not user friendly to the disabled mostly visually impaired clients. This constrain was raised by one staff member. Chisango (2016), Kaseke (2012) and Mutengezanwa (2013) also agree that a number of problems are encountered in relation to security, speed and complexity to use. Diza M 2017 also supports the staffs' opinion on agent baking. Majority of rural communities have no access to plastic money facilities. This notion was supported by customers in the questionnaire 97% the customers agreed that technological advancement affect the use of plastic money.

4.4.2 What are the risks associated with the use of plastic money?

From the management's perspective profitability of the bank is now at risk. They all agreed that the bank was receiving 75% of its revenue from transactional charges. Prior to the increase use of plastic money the bank was charging 3% withdrawal and a minimum of $3 for individual and 3% for cooperates with a minimum of $10.Internal transfers were charged $5 per transactions RTGS $12 and international transfers at $30. With the introduction of plastic money clients are now using POS machines which charge fifty cents per transaction. This fifty cents is then shared by the bank, merchant and Zimswitch. Internal transfers on CBZ tourch are charging ninety cents per transaction. ZIPIT transfers which have become rampant charge 50cents per transaction. The respondents argued that this drastically reduced the profit from non-funded income by 75%. They also all agreed that this leaves the bank at high risk of closing. Agwu and Carter (2011) plastic money has reduced the bank's reliance branch infrastructure which reduces profitability. This is supported by Collinson P who says traditional banking industry is becoming obsolete since custmers are no longer visiting branches for service. Brunier F et al (2015) argues that the operating cost of maintaining bank branches is higher than the revenue generated by online banking, this might lead to the collapse of banks.

Fraud was cited by the officer from the information department as a risk associated with plastic money. The fraud is due the use of cards by non-cardholders especially by relatives for example husband and wife, parents and children. Lack of audit trails can also give rise to fraud they posit 100%. The time taken to resolve plastic money queries has high risk of loses. The respondent argued that in most cases when the queries are the resolved most customers' accounts will have insufficient funds which might results to lose or potential loses especially when large amounts are involved. This is supported by Nigar s and Mahedi H (2016) who are of the opinion that fraudulent activities are rampant in plastic money. Chisango (2014) alluded plastic money fraudsters mainly target the illiterate, the aged and the disabled. These people are mainly targeted because either the gadgets are too complex for them or they are not user friendly (Makosana 2016). Nyangosi (2011) explains that the fraudsters pretend to help the unsuspecting card holder and in turn get important information that is needed to defraud them.

This was also supported by customers in the questionnaire who all agreed that frauds and criminal activities are a risk of plastic money

The officers from cash department cited resistance from customers to use plastic money. This is because some of the gadgets are too complex for them to use or are not user friendly. Some of the customers resist using plastic money because they would have experience zimswitch challenges that took too long to be resolved. Kaseke N (2012) machine frequently out of service or offline hinders use of plastic money.

4.4.3 How has plastic money helped to address liquidity crisis?

There was no consensus from the respondents to whether plastic money helped to address liquidity challenges. 3 staff members 43% from cash department of the opinion that plastic money indeed addresses liquidity challenges but has got it challenges as well. The 3 staff members argued that the number of customers' queries increased due the use of plastic money. 2 managers representing 29% of the respondents argued that the use of plastic money has fueled the liquidity crisis. They posit that cash deposits has been reduced by 93% due to the fact that most of their clients who used to deposit large sums of money no longer do so. They also argued that demand of cash did not decrease since some basic commodities cannot be accessed using plastic money for example vegetables from vendors. Most of the banks clients which is 65% are teachers from rural where POS machines are not available. The other 28% of the respondents are of the view that instead of addressing the liquidity crisis

plastic money give rise to other serious challenges that not only affect the banking sector alone but the economy at large. They argued that the increased use of plastic money gave rise to the sale of cash in the black market and increase the shortage of cash in the formal sector. Kamal D.(2015) agrees with the first 3 respondents by saying that buyers prefer plastic cards over paper currency as it is easily accessible and convenient. Sultana and Mahedi (2016) is of the opinion that plastic money has its pros and cons, while it may address liquidity crisis it also creates other problems the black market as sighted above. Mohamed A (2009) argues that use of plastic money limit the central bank's ability to control money, increase velocity of money, decreases reserves, decreases international monetary control and changes the money multiplier. However from the questionnaire 97% of the customers agreed that plastic money addresses liquidity this shows that customers have a different perspective with staff members.

4.4.4 What best practices can be adopted by CBZ Gweru branch in managing revenue drivers?

Training and development to staff members can be used by the branch to manage revenue drivers. The respondents argued that well trained staff are risk conscious and can also use their developing training to be creative. These can reduce the cost since staff members can be creative in finding ways to reduce cost. However 29% of the respondents were indifferent on the issue of training and developments which they argue that most of the frauds which happen in the banking sectors and the economy at large are perpetuated by most staff members who are well trained and have got knowhow of the systems.

Product mix was unanimously agreed as the practice that can be implemented to manage revenue drivers. Although they all agreed on the product mix 43% of the respondents argued that the products must be customer focused and the bank must take a survey to find out the customers' needs before implementing product mix. They cited some of the products which fails or cost the bank for example ecocash and Mukuru which have led to congestion of banking halls. Some of the product like corporate 24 medical aid has failed and has left most customers disgruntled. However other products like CBZ life funeral insurance and guaranteed education plan, CBZ car insurance, Datvest, CBZ home loans have increased profitability and have helped to increase customer base of the bank. Deyoung (2009) and Guevara and Madios (2009) agreed that the volatility of bank earnings increases as banks expand their fee-based activities because, as we show, earnings volatility is the multiplicative product of revenue volatility and the degree of total leverage.

4.5 SUMMARY

In this chapter, raw data was processed into meaningful information, which was then analysed and interpreted. The chapter presented and analysed data on findings using different methods such as graphs tables, and pie charts. From the results, it can be concluded that plastic money decreases profitability of banks. The next chapter presents the research conclusion and gives recommendations thereafter.

CHAPTER FIVE

5.0 INTRODUCTION

This chapter focuses on the summary, conclusions and recommendations that are drawn from the research findings. It will establish the extend t which objectives of the study would have been addressed and will prove or disapprove the research proposition. The objective of the chapter is to give concluding remarks and recommendations on the way forward in dealing with issues raised in the research. A set of recommendations will be given which will improve revenue drives.

5.1 CHAPTER SUMMARIES

Chapter One

The research was formulated to investigate the effect of plastic money on profitability of banks. The research was carried out to the linkages between plastic money and CBZ bank's performance. The bank was experiencing decreasing financial performance in terms of profits. Therefore the study aimed at identifying any linkages between the two variables and this is explained in chapter one.

Chapter Two

Chapter Two which is the literature review provided theoretical and empirical literature on plastic money to examine what exists in the board of knowledge on this topic major authors included Kumar 2015, Mutengezanwa and Mauchi 2013, Kaseke 2012, Collinson 2016 who provided an insight of the effects of plastic money on profitability

Chapter Three

Chapter three gave a description of how the research was carried out in order to meet the objectives of the study. The mixed research method was used were both qualitative and quantitative methods were used to gather data. A descriptive research design was used in the research and necessary justifications were made in chapter 3 It also explained the use CBZ bank top 50 customers and top bank officials as the target population as well as the accessible population used. Questionnaires and interviews were used as data collection tools and was justified and explained in this chapter.

Chapter Four

Chapter four presented data gathered and collected through questionnaires and interviews' response rate. The research findings were presented using tables, percentages, bar graphs and pie charts. The information obtained from chapter four was used in this chapter to make conclusions and formulate recommendations

5.2 MAJOR FINDINGS

The conclusion is drawn in terms of the study's major findings and their discussion in relation to the research objectives. The main objective of the study was to find out the effect of plastic money on banks' performance. The research was successful considering that 82.5% of the questionnaires were completed and returned back whilst 100% of the targeted population was interviewed. From the facts gathered from most literature review, analysis of the questionnaires and the interview results, the researcher drew the following;-

5.2.1 To identify factors affecting the use of plastic money

The increased use of plastic money in Zimbabwe has been caused by liquidity crisis that has seen the government through the reserve bank introducing fiscal policies that promote the use of plastic money. Also the increase of international trade in the country has seen people preferring to use plastic money than to carry bulky cash across the borders. The past few years have seen a great increase in technological advancement and most customers now prefer to do transactions at the comfort of their homes or work places.

5.2.2 To identify risks associated with the use of plastic money

The increase use of plastic money has also seen an increase in risks associated with its use. Physical risk on plastic money happens when personal information is accessed by a third party. Social risk refers to the older generation who may not be comfortable with the use of plastic due to their perception that traditional money is personal and friendly. Financial risk represents the financial loss in using plastic money when customers fail to report mistakes due to the perception that reversing a transaction, stopping a payment after discovering a mistake or a refund may not be possible. Risk of resistance by customers for the use of plastic money because of lack of awareness about the benefits of plastic money, including the perception that it is non-user friendly.

5.2.3 To identify whether plastic money can help to address liquidity crisis

Plastic money can help to solve the liquidity crisis if all the challenges that surrounds it are resolved and awareness and infrastructure is brought about to every corner of the country

especially the rural areas. Acceptance of plastic money by the public can help to alleviate the liquidity crisis however banks need to user friendly gadgets that are affordable to all.

5.2.4 To identify best practices that CBZ Bank can use to manage revenue drivers
The bank can use various methods in managing revenue drives. These include product mix, customer relationship marketing, revenue diversification, research and staff development and training.

5.3 CONCLUSION
The research was a success due to the overwhelming responses from the respondents. The data was collected in a short period of time. The response rate on questionnaire was 80.5 % whilst the interview response all of interviewees were interviewed and this shows 100% of response rate. There were no major challenges faced by the researcher. The obtained findings indicated that the increased use of plastic money reduces profitability of banks. The researcher was able to make recommendations based on the findings.

5.4 RECOMMENDATIONS
The bank should tilt its product mixes toward fee-based activities and away from traditional intermediation activities. Product mix should be done in way that is profitable to the bank. Launch products that show technological advancement and increase revenue.

The bank need to embark on staff training and development so that the staff members become acquainted with the new technology.

Increase ATMs to address long winding ques that are experienced to withdraw cash at ATMs

The bank also need to ensure that all its e banking gadgets are up and running so as to reduce queries connectivity.

Adequate user friendly and quality gadgets to be use so that duplication of transactions and errors are avoided. Improve the turnaround time of resolving e-banking queries.

 Ensure that there are strong measures put in place for safety and security of e-banking products to avoid frauds.

5.5 SUGGESTIONS FO FURTHER RESEARCH
A further study is proposed to evaluate the effect of product mix on profitability

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APPENDIX A

Midlands State University

P Bag 9055

Gweru

28 August 2017

The Branch Manager

CBZ Bank limited

Cnr Robert Mugabe and 7th Street

Gweru

Dear Sir

RE: APPLICATION TO CONDUCT A RESEARCH AT YOUR ORGANISATION

I am a final year student at Midlands State University studying Bachelor of Commerce Accounting Honours Degree. The final year involves undertaking an industry oriented research. My topic is "The Impact of Plastic money on Profitability of Banks (A case study of CBZ Bank Limited)

To make the research a success, I kindly request you to assist by responding to questions in this questionnaire. Be guaranteed that all information will be treated with confidentiality as the research is strictly for academic purposes only.

Your assistance will be greatly appreciated.

Yours Faithfully

Asaliah Manatsire

APPENDIX B

QUESTIONNAIRE

PART A: PERSONAL INFORMATION

Instructions to respondents

1. Do not write name on questionnaire.
2. Tick the correct box for response.
3. Write where applicable give your opinion on blank space provided.

Questions

Question	SA	A	U	D	SD
i. Business transactions across the borders of Zimbabwe promotes the use of plastic money					
ii. Monetary and fiscal policy increases customer use of plastic money in Zimbabwe					
iii. Technological advancement affects the use of plastic money in Zimbabwe					
iv. Protection of merchants and customers can help in eliminating risks associated with plastic money					
v. criminal abuse is a risk associated with the use of plastic money					
vi. Plastic money can help to address liquidity crisis in Zimbabwe					
vii. Training and development of staff can be used as one of the best practices to drive revenue in cbz					
viii research and development can assist to drive revenue to CBZ bank					

APPENDIX C

Interview Questions for Bank officials

1. What are the factors that affect use of plastic money?
2. What are the risks associated with the use of plastic money.
3. How has plastic money helped to address liquidity crisis
4. What best practices can be adopted by CBZ Gweru branch in managing revenue drivers?

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