



Significance of Banks to Economic Well-being and the Crisis of Public Confidence Loss in Zimbabwe

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ABSTRACT

This study examines the pivotal role of banks in Zimbabwe's economic well-being and the detrimental effects of declining public confidence within the banking sector. Using a total of 67 secondary literature documents in the form of journal articles, online newspaper articles, blogs, theses, reports and viewpoints accessed from social media comments section found under online newspaper articles, the study argues that banks act as effective agents of value transfer. They also mobilize domestic savings to aid economic well-being. However, there is a loss of public confidence within the banking sector, and this is contributing to an economic crisis. This loss of public confidence in the banks has been found to be caused by policy inconsistencies, poor management, corruption and inflation among other factors. This study has observed that the loss of public confidence disturbs the normal functioning of the economy. Public confidence loss in banks has also been found to have contagion effects for Foreign Direct Investment, which is among the most important ways of improving a country's national gross domestic product. With enough local investment, the economy should be able to address its unemployment, poverty and inequality crises and attract the much-needed foreign investors, not only those from the East, but also those from Global North. However, local confidence must be cultivated first as this would market the national economy internationally.



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1. Introduction

When we reflect on nations, our minds imagine borders, constitutions, coups and operational governments (Douglas, 2008). When we imagine failed nations, we imagine loss of control of the society by the governments, lack of efficient governments and a severe breakdown of law and order (Douglas, 2008). How banks are linked to the question of national economic well-being has hardly featured in academic literature.

While admitting the contestations that may surround the definition of a bank, in this context, we view a bank as 'a legal entity that is registered, licensed and regulated, subject to the laws of the chartering jurisdiction and empowered to accept deposits and make loans' (Douglas, 2008). On the other hand, we conceptualize economic well-being as the smooth functioning of the economy in which households, individuals and business organizations have access to resources that enable them to meet an acceptable standard of living. Contextually,

players within society should be able to meet their basic needs and their business, carry out their trading transactions freely without facing challenges of cash shortages.

It is well-documented that banks create, multiply and unlock wealth, facilitate markets and finance business activity (Douglas, 2008). Banks offer safe and effective mechanisms in storing individual and business wealth (Challoumis, 2024; Douglas, 2008). They act as central agents in the provision of efficient means of value transfer while playing the central role of pooling funds in financing economic activity (European Central Bank, 2021). Nonetheless, the banking sector is in crisis of public confidence loss globally partly because of corruption, high unemployment levels, bad management practices, and inflation. Earlier writings have, referring to the global financial outlook, thus, observed that "... since 2008, the year that marked the beginning of endless crises (including financial and fuel), public trust in economic institutions has been declining...." (Wälti, 2012). In line with these observations, the purpose of this paper is to examine the significance of banks to economic well-being and the enduring crisis of confidence loss in the banking sector using Zimbabwean banks as the referral point. Though one may think that the role of banks is well known in general economics, our contribution is that the Zimbabwean crisis is also being engineered by low confidence levels within the banking sector and this has contributed to an economic crisis; an argument that has never adequately featured in literature.

In this paper, our intention is to demonstrate the significance of the banking sector to economic well-being and then show that the well-being of the economy is being hampered by the loss of public confidence in banks. The study is an original contribution to literature because such an approach has not adequately featured in debates relating to the question of economic well-being; at least for Zimbabwe. Munyoro and Dube (2017) examined the significance of indigenous banks to economic development in Zimbabwe. Phiri and Muponda (2016) examined public confidence and its impact on the performance and stability of banks in Zimbabwe. Even studies writing around business and development finance literature have never fully addressed the loss of confidence within the banking sector as one of the challenges of economic well-being. For example, Mabvure (2012) wrote about the decline of banking activities as a result of a significant rise in Non-Performing Loans (NPLs), Dlamini and Mbira (2017) concentrated on Zimbabwe's currency crisis. In a different fashion, Nhavira et al. (2013) examined financial regulation and the performance of banks, Mlambo et al. (2015) explored the challenges that face banks in going multinational and Phiri (2018) investigated the causes of low confidence within the banks. Given this financial and development literature outlook, this study stands to explore the significance of banks in Zimbabwe and how the enduring crisis of confidence loss in these financial institutions is negating the conventional operations of the economy in Zimbabwe. The idea that the loss of confidence in banks, the importance of banks notwithstanding, can generate negative effects on the well-being of an economy has never been given full consideration in explaining the enduring Zimbabwean crisis. This is our concern in this study.

We start by giving a fleeting discussion on banks, economic well-being and the crisis of confidence loss on a global scale, which will go down to a brief regional focus on the Southern African Development Community (SADC) region. This is followed by a brief outlook of Zimbabwe's banking sector to provide adequate background to the study. From there, we provide a presentation of the debates that have been advanced to explain the Zimbabwean crisis since the turn of the millennium. After that, we present the materials and methods employed in this study. From there, we give a presentation of the results and discussion of the findings and then finally give a conclusion.

2. Banks, Economic Well-being and the Crisis of Confidence Loss

Globally, the banking system is a significant sector in the well-being of national economies (Dedu et al., 2021; Kefela, 2008). Its importance is not only confined to the more Mature Financial Markets in the Advanced Regions of the World but also applies to less mature economies. The roles of banks in credit creation, wealth multiplication, value transfer, pooling of funds in financing economic activities and unlocking wealth have been acknowledged widely (Biondi, 2018; Douglas, 2008).

Writing more than a decade ago, Douglas (2008) notes that "... a banking system functions as the heart and life-blood of any functioning economy. A banking system is the key to economic growth. It is essential to unlock wealth, create opportunities, provide jobs and facilitate commerce. Nevertheless, declining trends in bank trust have been recorded among United Kingdom, French and even United States of American Banks. Even before 2008, as far back as 1999, "... net trust of banks in the Eurozone stood at 30%, but has declined since then" (Roth, 2009). In the same region, "... banks have been losing out trust due to high levels of unemployment and inflation. All the same, an increase in 1% sovereign bond yields have led to a 9% fall in net trust" (Wälti, 2012). Sabine Lautenschläger, in a speech delivered at the 7th International Banking Conference "Tomorrow's bank business model – How far are we from the new equilibrium" organized by Bocconi University in Milan, 28 September 2015, similarly observed that 'there is no doubt that banks, bankers and the whole Industry are experiencing one of the worst crises of confidence ever. The turmoil of 2008 and 2009 played a major role in this loss of public trust, but the problem did not end after the most acute phase of the crisis. Even seven years after, confidence in the banking sector is very low (Lautenschläger, 2015). Similarly, Llewellyn (2014) (p. 222) in a study that was United Kingdom case-based, observed that during the 2008 global recession:

Confidence has been lost as United Kingdom banks have at one time mis-sold financial products to vulnerable consumers and as has been recognised by the Banking Standards Review (2014), 'there is no dispute that the banking sector has lost trust of the public and needs to earn it back'.

In Ghana, Affum and Obiri (2020) observed that 70% of women bankers lost confidence with the banking institutions following a clean-up campaign of banks. Owing to the 2008 global recession, in Nigeria, "the global threat to the financial industry's reputation and well-being has been exacerbated by a crisis of confidence, necessitating governments' responses that emphasize transparency and accountability..." (Pratt et al., 2011). Similarly, loss of confidence in Afghanistan banks caused depositors to withdraw ... \$300 million of the bank's \$500 million in cash assets (Pratt et al., 2011). This scenario explains why more than 2.5 billion adults, comprising half of the global adult population, do not own bank accounts and in countries like Morocco, research has shown that more than 80% of the citizens do their transactions virtually outside the banking system (Douglas, 2008). Public trust in the banking system, thus, prejudices the appropriate functioning of banks, especially in areas relating to resource allocation whilst barricading the course of national development, economic growth and generating an overpriced crisis (Lautenschläger, 2015). Though high levels of public confidence loss have been observed in other regions of Africa, the Southern African region covering countries like south Africa, Namibia and Botswana have a different story. In Botswana, Moloiswa and Kenalemang (2025) observed high levels of public confidence notwithstanding the changes in political landscape. In South Africa and Namibia, banks have been rated as highly stable due to public confidence (Global finance, 2025).

Whilst Zimbabwe is found in the same region with Botswana, Namibia and South Africa where bank public confidence has been rated as high, the situation is in stark contrast to its fellow neighbors. There is evidence of widespread loss of public confidence within the banking sector (Dlamini & Mbira, 2017; Phiri, 2018), the importance of the banking sector notwithstanding. This loss of confidence is due to a number of factors including poor corporate governance, poor bank regulation and inadequate and ineffective practices in the protection of depositors' funds (Phiri, 2018) notwithstanding the Deposit Protection Scheme put in place by the government in 2003 to protect depositors in the event of bank failures. Makina (2010)(p. 108) observed that due to loss of confidence in banks by clients, the savings-Gross Domestic Product (GDP) ratio significantly dropped from 28 per cent in 1995 to 5 per cent in 2001, increasing to 17% in 2004 and then significantly dropped to 14% in 2014. Thus, a crisis of confidence loss in banking institutions has become common notwithstanding the role it plays in driving commitment and loyalty increase to generate a healthy management of clients' funds (Llewellyn, 2014). This state of economic affairs demonstrate that global economies are struggling in every angle and measure (Douglas, 2008). Evidence demonstrate that the economies have become anaemic and owing to loss of confidence, banks have become insignificant, yet they are the central instruments and middlemen institutions for both national and international economic well-being (Phiri, 2018).

3. A brief outlook of Zimbabwe's banking sector

Literature on Zimbabwean banks prior to independence is scarce (Nyoka, 2015). Post-independence, between 1980 and 1997, prior to the awarding of compensations of war veterans, the banking sector in Zimbabwe relatively enjoyed a sound level of financial stability (Munangagwa, 2009). However, towards the mid and late 1990s, the banking sector's growth and stability came to an abrupt end 'when the country witnessed its first bank collapse in 1996 with the collapse of the United Merchant Bank' (Nyoka, 2015) (p. 9). From this period up to the turn of the millennium, the Zimbabwean banking sector faced quite a number of challenges including liquidity challenges "due to macro-economic instability, greed, related party lending, weaker bank capital bases, concentrated shareholder bases as well as the credit markets which these local banks focused on..." (Nyoka, 2015)(p. 10). Notwithstanding, Zimbabwe requires banks to be registered and get an operator's licence (Zimbabwe Banking Act, 2020). Banks should be able to transmit money, receive deposits, buy and sell monetary instruments in the form of futures, bills of exchange, certificates of deposits among other functions (Reserve Bank of Zimbabwe, 2014). They need to comply with the Deposit Protection Scheme that was put in place by the Reserve Bank of Zimbabwe in 2003 (Phiri, 2018). The idea of setting up the Deposit Protection Scheme was to make sure that depositors' money is guaranteed in the event of bank failures (Phiri, 2018).

Nevertheless, a banking crisis in Zimbabwe has been witnessed since the millennium turn. On this note, five banks were put under curatorship between 2003 and 2004, while two faced closure and four got rescued through the Troubled Fund (Munyoro & Dube, 2017). Against these bank failures, the Government of Zimbabwe set up a Deposit Protection Scheme between 2003 and 2004 to assure depositors that they would get their money in cases of bank failures (Zimbabwe Banking Act, 2020). The Deposit Protection Scheme stipulates that in the event of a bank failure, depositors with amounts adding up to US\$1000 would be fully compensated while those whose amounts would be above this figure would recover their money during the bank liquidation process (Zimbabwe Banking Act, 2020). Though such measures were put in place, the number of account holders, especially between 2004 and 2020, had been changing dramatically. Part of the reasons for these fluctuations can only be explained on the bases of low confidence with the national banking institutions and the consequent entrance on the monetary market by the Mobile Money Transfer Services in 2011 (Phiri, 2018). This enabled even rural citizens to be financially included (Mambondiani, 2014). Currently, there are 19 banks in Zimbabwe (Reserve Bank of Zimbabwe, 2022). In the next section, our focus is centered on advancing the scholarship that has to date shaped debates on the Zimbabwean crisis.

4. Perspectives advanced to explain the Zimbabwean Crisis

Two main views have shaped the explanations relating to the causes of the Zimbabwean crises. These are the Internationalist Left View (Raftopoulos, 2006) and the nationalist Left perspective (Moyo & Yeros, 2007).

The Internationalist Left View assumes a historiographical narrative of the Zimbabwean crisis. The view considers the authoritarian politics of the ruling party (ZANU-PF) as the major contributory factor in perpetuating the seemingly permanent crisis in the country (Munangagwa, 2009; Raftopoulos, 2006). This view is in line with the argument that it was the Fast-Track Land Reform Program of the early 2000s that led to high levels of poverty, unemployment, inflation and negative growth in the country's Gross Domestic Product (Richardson, 2007).

Another strand of the argument is the Nationalist Left School; a view that has been advanced by Moyo and Yeros (2007) who argued that the political, economic and social crises that gripped the country from the 2000s are direct outposts of imperialist chicanery. According to this view, what the general public and scholars alike view as a crisis was in fact, '... an interrupted revolution marked by a radical agrarian reform and a radicalized state ... which has rebelled against neo-colonialism' (Moyo & Yeros, 2007)(p. 103). Others have associated the Zimbabwean crisis, the food crisis in particular, with the climate change phenomenon. This argument holds that although droughts have been common in Zimbabwe prior to the millennium turn, their severity and magnitude seem to have increased after the

year 2000 (See for example (Tadross et al., 2005). Other studies that had had a household strand argued that the food crisis, which is among the many crises in Zimbabwe, had been caused by households' social dynamics; changes that have taken place within the household institution such as the ageing and disappearance of the first group of committed farmers (Chiba & Thebe, 2023). These changes disturbed smallholder agricultural productivity; the sector that had been an all-time producer of maize since independence (Bratton, 1986). Notwithstanding, here we similarly seek to add another perspective to the debates, the loss of confidence in the banking institutions, their importance notwithstanding. In the next section, we present the materials and methods of the study.

5. Materials and Methods

While it was our argument that in sub-Saharan Africa, the banking sectors play significant roles in economic well-being of their respective countries and that the loss of public confidence has disturbed their central economic roles (World Bank, 2022), our study was centred in Zimbabwe; a central-southern African country with a total area of 390.757km² having an estimated population of 15 337 408. In view of these facts, the tentative foundation for this analysis rests on information-gathering that took place in form of a desktop research in which academic and non-academic publications were searched, gathered and critically analyzed thematically in order to ascertain the significance of the banking sector to the smooth functioning of the Zimbabwean economy and how the loss of public confidence had discredited this long enduring link since the birth of the Zimbabwe's banking system at the establishment of the Reserve Bank of Rhodesia on 22 may 1964 (Nyamunda, 2015). The choice of this method was grounded on several strengths and assumptions. It was extremely difficult to carry out large-scale in-depth interviews for the whole country and let alone establish a representative sample at the national level. Large scale interviews similarly required both a lot of time and funds, which were both limited during the time of the research. Considering these challenges, we decided to engage desktop research basing our argument on a number of strengths that this method carries, especially its ability to be accessed by the large global public using the provided online links (Latkovikj & Popovska, 2019; Snyder, 2019). In this respect, the method provided indisputable evidence of the significance of banks to economic well-being and the enduring crisis of public confidence loss using the Zimbabwean banks as the points of reference. In other words, international readers can prove the facts beyond any reasonable doubt, unlike other primary methods whose outcomes cannot be verified by those who were not present during the period of data collection.

Initially, we came up with a guiding research question which was centered on understanding the significance of the banking sector to economic well-being in Zimbabwe and to establish the extent to which the loss of public confidence in these financial institutions had impacted their operations and the overall well-being of the economy. After establishing the research question, we scanned the area of the Zimbabwean banking sector to "formulate and clearly define the purpose, scope, and specific research question" (Snyder, 2019) (p. 336).

Secondly, we developed the search approach that helped us to identify relevant literature and suitable databases and then decided on the inclusion and exclusion criteria. The search words and phrases that we used to search this relevant literature were, "the significance of banks to economic well-being and the enduring loss of confidence in Zimbabwean banks." Of course, many articles popped up during our search sessions, but the inclusion and exclusion criteria were wholly determined by our research question: *What is the significance of banks to the economic well-being of Zimbabwe and to what extent has the loss of public confidence in these financial institutions impacted the sound functioning of the Zimbabwean economy?* In selecting our documents for analysis, we used the following criteria: year of publication, type of document, article and the content of the text. Following these criteria, documents that were written between the year 2000 and 2025 were selected. Documents that clearly centered their discussion on the significance of the banking sector to economic well-being were chosen for purposes of answering the research question. Journal and online newspaper articles were especially useful in this study (see appendix 1). It is also important to recognize that in the process of document gathering, we engaged pilot tests during the process of review where we read each piece of literature that appeared in the search in full and this process was essentially useful though time consuming and tedious. From there, we screened the selected documents on a full scale to make sure that they met the selection criteria.

In line with this methodology, our research was therefore based on the narrative research design which we adopted to weave together a sequence of events, with the decisive objective of creating a unified story to understand the significance of the banking sector to a relatively smooth functioning of the Zimbabwean national economy including the enduring crisis of public confidence loss in these financial institutions. We were thus able to work with the available samples of documents to acquire a rich and free-ranging narrative of the Zimbabwean crisis using a different perspective from the earlier publications (see Oranga and Matere, 2023). Table 1 below shows the disaggregation of the sources that we consulted in writing this article.

Table 1
Documents that were Searched, Gathered and Critically Analyzed

Type of document	N	Total
Online newspaper articles	15	15
Journal articles	11	11
Viewpoints accessed from social media comments sections	19	19
Thesis	03	03
Blogs	15	15
Reports	04	04
Total	67	67

Table 1 shows that 15 online newspaper articles were selected for analysis in this research. Additionally, 11 journal articles were considered for the study owing to their relevance in attending to the guiding research question that guided this study. Viewpoints accessed from social media comments platform, mostly found under online newspaper articles had a total of 19. The study also utilized a total of 3 theses, 15 blogs and 4 reports, giving us a total of 67 sources. In our analysis, data were broken into appropriate patterns and themes which then shaped the study. We finally compiled these themes and then engaged ourselves into writing this article.

6. Results and discussion

6.1. The Importance of the Banking Sector to economic well-being

At the core of our analysis was the cross-examination of the significance of the banking sector to the well-being of the Zimbabwean economy and how the loss of confidence has derailed economic progress.

Banks act as effective agents of value transfer. They are instruments that assist in transferring value from one individual to another. From one of the documents that we consulted, we were informed, "a strong and resilient banking system is the foundation for sustainable economic growth, given that banks are at the centre of the credit intermediation process between savers and investors" (Nyaude, 2021)(p. 13). Banks act as intermediaries in the day to day running of business transactions, especially those involving large amounts of money (Munyoro & Dube, 2017). In that way, banks become the most important brokers in transferring that worth.

Furthermore, banks store money safely. According to one of the consulted sources, it was highlighted that one of the most important functions of banks is to accept deposits and then promise to pay the depositors when they need the money (The herald). Essentially, depositors may redeem their money any time. This follows that banks are institutions whose duties overlap to being custodians of money. It was similarly highlighted that banks pool money to generate economic activity (Muvingi & Hotera, 2015). Banks are, thus, sources of credit provision. Banks act both as intermediary role players and mobilisers of domestic savings (The herald).

Besides, banks similarly smoothen market-based plans. Entrepreneurs are able to invest in their businesses and in these situations, banks provide funding and act as middlemen between and amongst business partners (Muvingi & Hotera, 2015). According to a Newsday article of 14 February 2025, banks are actually important as they simplify business dealings,

offer a safe storehouse for money and smoothen the substitution of cash while facilitating money transfers. Banks are, therefore, facilitators of currency movement. It was highlighted during the process of data gathering and analysis that banks create wealth; implying that they are wealth multipliers.

Additionally, banks are the national instruments in international trade. They make national economies part of the global economy; thus, helping nation-states to trade with others within the international system. In international trade, distance and time constraints are consequently avoided. From one of the consulted documents, it was demonstrated that:

Banks provide financial services that reduce the cost of moving funds between borrowers and lenders, leading to a more efficient allocation of resources and faster economic growth (Munyoro & Dube, 2017).

From another consulted document, it was shown that:

Banks are financial intermediaries. They mobilise and pool financial resources from savers to borrowers. They facilitate both national and international trade, offer business advice to both organisations and individuals (The herald, 2015).

Banks are the vanguard of economic well-being. They instil economic discipline. They do this through assessing the financial outlook of their customers (borrowers and creditors). In this way, they are catalysts in commanding accounting standards, thus fostering the democratic component in economic growth. Moreover, banks ensure that the rules and regulations governing a nation-state are followed. They are mandated to question economic and financial misbehaviour and consequently work with the state structures like the law enforcement agents to ensure a peaceful community and in that way foster economic well-being and national development (Bonga, 2010; Chagwiza, 2012; Muvingi & Hotera, 2015).

6.2. The connection between banks' operations and public confidence

In an economy, the smooth functioning of banks and the overall function of any given economy is determined by the confidence that individuals and businesses have in their financial institutions. This confidence is therefore a catalyst for the smooth functioning of any economy. The issue of public confidence is the foundation for any economic system to perform well. Public confidence ensures economic growth, protect consumers and ensures the stability of banking institutions (Faster capital). Additionally, public confidence 'is critical in ensuring that the currency is accepted (Sibanda et al., 2025). It is the foundation of the stability and acceptability of any currency globally (Sibanda et al., 2025). From another document that we consulted, we similarly learnt that confidence in banks, especially in the central bank, forms the bedrock upon which effective monetary policy is built. Public confidence is imperative for sustainable growth and stability' (Business weekly, 26 April 2024; The Herald, 6 May 2021). Despite all that, the Zimbabwean banks are in crisis of public confidence loss partly because of corruption, high unemployment levels, bad management practices, and inflation. Similarly, it has been observed that "factors like corruption, the legitimacy of governmental actions and quasi-fiscal activities through borrowing domestically and internationally, continue to erode public trust in the currency" (Sibanda et al., 2025) (p. 389). In line with these observations, the purpose of the following section is to examine evidence that demonstrates that the public has lost confidence in the banking institutions in Zimbabwe.

6.3. Loss of confidence

Quite a few documents that were consulted demonstrated that a lot of people, if not all, have lost confidence with the Zimbabwean banking system. This section presents the views from the consulted documents on the state of the public confidence within the banking sector in Zimbabwe. From one of the consultation documents, we were informed:

Many banks have closed since 1980. Nobody trusts the banks as for me, I don't even have a bank account. I'm afraid to open a bank account and deposit money because it will vanish. Zimbabwe is just a pathetic country full of corrupt individuals (Documented viewpoints by Munashe 5 December 2024 accessed at TECHZiM).

From another document, we also learnt:

I lost lots of money to Century Bank, Trust Bank, ZABG and Kingdom Bank. Even investment portfolios like ZIMNAT (documented viewpoint from Mano, 5 December 2024 accessed at TECHZiM).

Similarly, another document also puts it like this:

Anyone with a bit of cash prefers to stash it away under a pillow or in a drawer at home, rather than deposit it with a bank. Millions of dollars in cash are circulating outside the formal banking system(The Zimbabwean).

Another document also highlighted that:

To date, it is estimated that \$7 billion is currently circulating outside the formal banking system. The situation contributes to low savings that are critical for investment mobilization and stimulating economic growth (Labour and Economic Development Research Institute, Zimbabwe, 7 May 2025).

In this section, we have demonstrated how the public in Zimbabwe have lost trust with the Zimbabwe banking system. The section has highlighted that the public has opted to use informal channels to conduct their day-to-day businesses; shunning the formal channels. It has been demonstrated that the general public has opted to save their own money using their own means at their places of residence. In the next section, our focus is centered on understanding the causes of this loss of confidence in these Zimbabwean banking institutions.

7. The causes of confidence loss in Zimbabwean banks

Evidence that was gathered during the data gathering and analysis processes demonstrated that quite a few factors have caused the public to lose confidence in the banking institutions in Zimbabwe. These include corruption, high unemployment levels, bad management practices, and inflation among other factors. This is entirely the concern of this section.

One of the factors that has drawn the confidence of the public to the doldrums in Zimbabwean banks is the issue of inflation. This has generated a lot of economic instability and as a result, the citizens lost confidence in their own government and the long chain of currencies that have been introduced to cure the economic ills. From one of the documents that we searched, it was highlighted that:

Zimbabwe's financial services sector has in the past been hit by periods of hyper-inflation and currency changes, with the burden of value loss absorbed by the banking public and this has worked to weaken confidence in the sector (The herald, 2021).

Closely aligned to the problem of inflation mentioned above is the issue of a seemingly permanent problem of economic instability in Zimbabwe. This state of economic affairs has generated a lot of mistrust between the government, its citizens and the business. From one of the documents consulted, it was shown that:

If you look at Zimbabwe, the reason confidence is low is relatively straightforward to explain. Inflation is triple digit, the economy is barely growing, if at all, the currency is not yet fully stable, and the gap between the official and parallel rate is nearly 100% now (The financial gazette).

Another reason why the Zimbabwean public has lost confidence in banks has to do with poor management and lack of accountability on the part of the bank owners and the government. These problems have contributed to the failure of the banking system to inspire the much-needed trust between and amongst their clients. Consequently, many people in Zimbabwe have decided to create their own savings portfolios outside the bank. On poor management, we learnt that:

High banking charges, a lack incentives and a history of financial instability have given Zimbabweans little reason to keep their money in banks. Unlike in other countries where depositors earn interest on their savings, Zimbabwean account holders are effectively punished for doing so (Newsday)

On this note, it was further highlighted that:

Zimbabwe's banking sector historically has been marred by scandals and corruption, leading to its eventual collapse. Despite the significant losses incurred by depositors, no one had been held accountable for the looting of depositors' funds. It is now 2024 and this situation raises serious questions about the integrity of the financial services system in Zimbabwe and the effectiveness of its regulatory frameworks (TECHZiM, 5 December 2024).

This section has discussed the reasons why the public has lost confidence with banking institutions in Zimbabwe. Issues that have been raised in this discussion revolve around corruption by the bank owners, poor management of the banks by the owners, high bank charges, lack of incentives as well as a history of financial instability in line with the memories of lost savings during the 2008 economic collapse. These are the major reasons that have led to the decline of confidence with banking institutions in Zimbabwe. In the following section, our attention now diverts to the implications of public confidence loss on the smooth functioning of the Zimbabwean economy.

7.1. Effects of Confidence Loss and Economic Well-being in Zimbabwe

The loss of confidence within the banking sector is presenting new challenges for the second Republic of Zimbabwe. This confidence loss is impacting heavily on the smooth functioning of the economy. Loss of confidence in any economy causes local citizens not to entrust banks with their savings.

One way in which loss of confidence affects the smooth functioning of the economy is through its negative impact on savings. When people lose confidence in banks, the spirit of saving their money in the banks is curtailed. Their lending function is truncated, and economic activity has a downward spiral. Similarly, one of our consulted documents demonstrated that "lack of trust and confidence in banks is one of the reasons the public are not banking their money, a factor partly to blame for the prevailing cash shortages" (The Herald-All Africa, 23 February 2018, paragraph 1). Cash shortages mean that the value of assets is greatly reduced. This generates poverty and negative economic growth.

Additionally, loss of confidence in the banking sector leads to loss of public confidence in national currency. The local currency becomes unacceptable, and this has been the situation in Zimbabwe since the closing years of the late 1990s. One of the documents observed that, "public trust is the foundation of any currency's stability and acceptability" (Sibanda et al., 2025, p. 385). The characteristic features of money cannot be met, and the economy declines significantly.

If banks perform their duties in economic environments where public confidence prevails, the public would not be afraid of keeping their savings in the banks. In this vein, the loss of confidence is breeding bank dissaving and resultantly, banks no longer have the capacity to catalyze economic activity for the betterment of society's well-being. Loss of confidence, thus, robs banks of their capacity to mobilize financial resources from depositors. Savings are important in unleashing economic growth. During data collection, we similarly observed that: The ramifications of this systemic failure are profound. As the banking sector continues to struggle, the economy falters. The loss of confidence in financial institutions hampers investment and economic growth, further entrenching poverty and disenfranchisement among the populace (TECHZiM 2024).

The section has delved into the effects of loss of public confidence loss on the economic well-being of Zimbabwe. It has been demonstrated that loss of public confidence has disturbed the smooth functioning of the economy of this southern African country. Cash

shortages due to an unbanked population have reduced economic activity and affected business activities, not only locally, but have similarly scared off international investors. The general circulation of money has found itself to be poor as those with money keep it at home. There has therefore been an absence of economic activity stimulation. It has been observed that low personal bank savings leads to insufficient national savings needed to support investments that are vital to catalyze economic growth without putting too much emphasis on external capital (The herald, 2021).

8. Discussion of Findings

The foregoing analysis has demonstrated that banks are agents of value transfer. They do these using cheques, account transfers among other workable instruments. It has similarly been observed that banks are the custodians of depositors' money. They create and multiply wealth and this similarly follows that banks are the vanguard of national development in any economy (Kefela, 2008). It has been demonstrated that banks are the core of national financial systems. It needs to be stated that financial institutions, especially banks, are policy instruments in any economy. Any form of project or plan cannot be organized outside the realm of a country's banking institutions. Though they may be privately owned, they remain important instruments in the well-being of any economy. This implies that banks provide the philosophy in which a country's economy is managed.

Using the Zimbabwean case, it has been observed that though the banking sector is among the most important sectors to be reckoned in national economic well-being, local public confidence in these institutions has been lost. A great majority of the citizens in the country have opted to remain unbanked though over 90% of them happen to be connected to the Mobile Money Transfer Digital podiums. Overwhelming evidence of public confidence loss has been advanced, particularly the storing of individual savings outside the banking system. The declining trends in bank trust have similarly been recorded among United Kingdom, French and even United States of American Banks. Even before 2008, as far back as 1999, "net trust of banks in the Eurozone stood at 30%, but has declined since then" (Roth, 2009).

The loss of public confidence in Zimbabwe's banking institutions has been caused by quite a few factors. These include corruption, high unemployment levels, bad management practices, and inflation among other factors. This situation has been the same in Europe as "... banks have been losing out trust due to high levels of unemployment and inflation. All the same, an increase in 1% sovereign bond yields have led to a 9% fall in net trust" (Affum & Obiri, 2020; Pratt et al., 2011; Wälti, 2012).

Loss of confidence, as has been shown above, negatively affects the well-being of the national economy. It has been shown that if the citizens do not have confidence with their banks, investment cannot be carried out. Banks will not be in a position to store their clients' money and as a result, their ability to save and provide loans to those who qualify to get them is curtailed (See also (Lautenschläger, 2015; Pratt et al., 2011).

9. Conclusion

In conclusion, the article acknowledged the significance of banks to economic well-being but then admits that there is an enduring crisis of confidence loss within the banking sector, especially by the unbanked informal sector, which happens to keep their money in their houses; a move which has generated high levels of cash shortages in the economy and likewise generating high levels of poverty; especially among the workers and the informally employed citizens. This situation has the potential to destabilize the whole region of southern Africa as increases in the raiding and robbery cases in Zimbabwe have been recorded. In this regard, the study encourages the Zimbabwean government to instill public confidence within the banking sector through helping banks fix their capital bases, reconfigure their bad debts outlook and revamp their business operations through restaffing and re-equipping themselves technologically. Laws related to property rights must be applied to enable banks to be able to lend their clients using these rights as collateral. The state apparatus should be used as an instrument to severely punish fraudulent activities. Banking laws that put aside prudential protocols through unethical management disturb the smooth functioning of the national

economy. The most important milestone is therefore to build and restore confidence within the financial sector, particularly in the banking segment, and ensure that benefits similarly trickle down to the poorest of the poor through social assistance programs. That way economies of the South will prosper and consequently Foreign Direct Investment would be attracted.

Transparency on the part of the government, is a fundamental attribute. This entails honesty, responsibility and communication. These aspects are used as important pointers in holding government officials answerable to their actions to fight corruption. To this end, aspects of openness may come into play, and this is why the financial sector should be properly managed as this will restore confidence and hence economic well-being in all its forms.

Author Contributions

Moffat Chiba: Conceptualization of the study, relevant literature search, data gathering, analysis, and writing of this study

Tackson Makandwa: Conceptualization of the study, relevant literature search, data gathering, analysis, and writing of this study

Conflict of Interests/Disclosures

The authors declared no potential conflicts of interest w.r.t the research, authorship and/or publication of this article.

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