

## THE ROLE OF FINANCIAL LITERACY IN ENHANCING SME ACCESS TO FINANCIAL SERVICES, GROWTH AND SUSTAINABLE DEVELOPMENT IN ZIMBABWE

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### Abstract:

This study sought to determine the Role of Financial Literacy on Accessibility, Growth and Sustainability in Small and Medium Enterprises (SMEs) in Zimbabwe. It underlines the role of SMEs in generating employment and Gross Domestic Product (GDP) during a challenging financial environment where high interest rates, strict collateral requirements, and specialized products for SMEs leave much to be desired. Financial Literacy Literacy was also given priority in the research as it is crucial for SME owners and managers to apply financial services efficiently, not just understanding them but doing things such as borrowing, budgets, investment, and risk management. The principal value of the study was its ability to guide policymakers, financial institutions, and educators on how good training in financial LiteracyLiteracy could improve SMEs' performance and growth. The research emphasized the gap in growth among SMEs despite government action, addressing gaps relative to a study on the impact of financial LiteracyLiteracy compared to performances by various enterprises. The methodology involved a positivist research philosophy, an explanatory research design and a case study approach that utilized quantitative and qualitative data analysis. This study was set geographically as SMEs in Harare, and the data was collected through questionnaires and secondary sources such as the Reserve Bank of Zimbabwe (RBZ) and World Bank financial statistics. Data analysis showed a strong relationship between financial Literacy and SME performance. Knowledgeable SME bosses were able to make sound financial decisions, find multiple ways of financing and handle financial risks creatively.

**Keywords:** Financial Literacy, Small and Medium Enterprises, Financial Services, Sustainable Development.

## INTRODUCTION

This study is anchored on financial LiteracyLiteracy and its implications for small and medium enterprises (SMEs) in Zimbabwe. Some of these difficulties are primarily experienced by relatively new enterprises and possess the highest risk-return profile in the economy dominated by finance institutions (Cusmano, 2015). The SME sector in Zimbabwe is vital since it significantly contributes to employment and the GDP. In this respect, the landscape of financial inclusion is very intricate. Small-Medium Enterprises (SMES) have many challenges like very high interest rates plus stringent collateral requirements as well as short-term credit loans, but most importantly, tailor-made products for SMES hardly exist. This brings us to an essential component of this equation, namely financial LiteracyLiteracy. The performance of small and medium enterprises depends on the ability of their owners and managers to understand and efficiently use financial services. Financial Literacy Literacy goes beyond comprehending the basics of money and the necessary actions toward borrowing, budgeting, investment, and other related risks.



Financial Literacy is more than just a business requirement for SMEs in Zimbabwe. In this country, these businesses play crucial roles in the fight against poverty and general economic growth. RBZ (2014) acknowledged this and pointed out that appropriate measures had to be taken to enhance financial Literacy among SMEs. A connection between Financial Literacy and the use of financial resources exists. Financial Literacy enhances the capability to access credit and make wise decisions that foster growth among SMEs with higher financial Literacy. This capability is more crucial than others in an economy developing financial services and growing competition. Therefore, this research study looks at the role of Literacy in finances and its dynamics regarding financial inclusion, which has proven critical for medium enterprises to achieve successful operations in the financial market of Zimbabwe. The paper reviews the issues of small enterprises regarding financial accessibility and how financial Literacy could be helpful in the economic development of Zimbabwe.

**The research aim** is to understand how financial Literacy affects SMEs' ability to access and utilize financial services and how it influences their growth and development.

**Research Objectives.** The main objective of this study is to explore the impact of financial Literacy on the performance of SMEs in Zimbabwe.

**Research questions:** How does financial Literacy impact SMEs' access to financial services, and what role does financial literacy play in the sustainable growth of SMEs in Zimbabwe?

**Geographical and Methodological Scope.** The targeted businesses were SMEs that had less than 40 employees. The research study targeted SME businesses in retail, motor spares and accessories, and hardware. The research focused on SMEs in Harare, as this city serves as a prominent economic center and is anticipated to have a high concentration of SMEs that are relevant to this research. The initial pool of potential participants was expected to be extensive and diverse. However, the final selection was restricted to only those SMEs who satisfied the specific criteria established for the study. The research also exploited information from a diverse civil group involved in crafting and implementing national financial policies.

**Definition of Terms. 1) SMEs.** Zimbabwe Revenue Authorities (ZIMRA) categorises SMEs as enterprises with a workforce of 5 to 40 individuals, an annual turnover of \$50,000 to \$2 million, and assets of \$50,000 to \$2 million. The local tax jurisdiction is extensive and encompasses virtually all economic activities that generate revenue for the business proprietor.

**2) Informal sector.** The informal sector refers to the segment of an economy that operates beyond the purview of taxation, official oversight, and inclusion in the gross national product (GNP).

**Financial Literacy.** Financial Literacy for small and medium enterprises (SMEs) means knowing the basics of interest rate, investment risk and return, and the concept of diversification so that SME managers and owners can understand and make better decisions about different financial products and services like credit facilities, savings plans, and investments (Joshi, 2011). According to Greenspan (2001), the transformational potential of Financial Literacy empowers individuals to make bold and informed financial decisions.

**Small to Medium Enterprise (SME).** There is no widely accepted numerical meaning of what qualifies as a small-scale firm, according to the World Bank (2007). Becket al. (2007) acknowledged no consensus on what constitutes a small-scale firm. SMEs are defined differently depending on who is defining them and what their definition aims to achieve. However, according to the World Bank (2007), an SME is any organization with less than 99 employees. As shown in Table 2.1 below, the European Commission (2003) proposed an economic definition of "Small and Medium





Enterprises" (SMEs) as opposed to a legal one, based on indicators such as employee headcount, turnover, and/or annual balance sheet total:

**Table 1.** The EU Commission’s Definition of SMEs

Company Category	Staff Headcount	Annual Turnover	Annual Balance Sheet Total
Medium Size	< 250	< €50 million	< €43 million
Small	< 50	< €10 million	< €10 million
Micro	< 10	< €2 million	< €2 million

Source: European Commission (2003:14)

The International Finance Corporation (2012) defines SMEs as companies operated by their owners in a customized manner without formal administration. IFC categorized SMEs using three variables: the number of employees, yearly revenues, and total assets.

**Concept of Financial Literacy.** The degree to which people can draw informed judgments about financial products and services is known as financial LiteracyLiteracy, according to Hogath and Hilgert (2003). This enables individuals to thoroughly grasp fundamental financial concepts, including different types of interest, investment risks and returns, diversification of investments, and other associated issues. Therefore, it provides the capacity to comprehend crucial financial items necessary for life, such as diverse banking products, fundamental investments, concepts, and savings strategies. According to Greenspan (2001), financial LiteracyLiteracy enhances individuals' ability to analyze and value money and financial matters. This substantially facilitates the process of making informed financial judgments regarding financial management. Financial literacy training classes empower consumers of financial products and services to gain information. This, in turn, helps them to make educated decisions that align with their circumstances. The 2014 World Bank Consumer Protection and Financial Literacy Review found that despite a high general literacy rate of approximately 92% in Zimbabwe, there was poor financial LiteracyLiteracy.

**Financial Literacy among SMEs in Zimbabwe.** RBZ has focused considerably on consumer education to improve financial Literacy among SMEs (RBZ, 2012). These initiatives aim to build the capacity of SME proprietors and managers to make proper financial decisions. They will lead to financial independence and growth for the companies. According to the World Bank (2014), a gap exists between financial LiteracyLiteracy and the nation's generally high literacy level. This difference underscores the need for targeted financial education tailored to the Zimbabwean economic and sociocultural matrix. The Reserve Bank of Zimbabwe acknowledged that financial LiteracyLiteracy is an essential life skill for engaging in contemporary Society. The Reserve Bank, in its July 2015 monetary policy statement, called upon banks to establish customized consumer education programs for their customers. This initiative aims to empower individuals who utilize financial services. The table below indicates some of the financial literacy initiatives of other stakeholders.



**Table 2.** Financial literacy initiatives by stakeholders.

Organization	Financial Literacy Initiatives										
 <p><b>Reserve Bank of Zimbabwe</b></p> 	<p>As part of Consumer Education and Awareness, the Reserve Bank issued several bulletins, which are available on the Reserve website. The bulletins cover frequently asked questions about microfinance institutions and the main features of a loan agreement.</p>  <p>Over-indebtedness dispute resolution, interest rate computation and the basic tenets of the in-duplum rule.</p> <ul style="list-style-type: none"> <li>The Reserve Bank has been hosting schools to discuss inter-alia, central bank functions and macroeconomic developments.</li> <li>The Central Bank also participates in exhibitions, including the Zimbabwe International Trade Fair (ZITF) and Agricultural Shows.</li> </ul>										
 <p><b>Insurance &amp; Pensions Commission</b></p> 	<ul style="list-style-type: none"> <li>Conducted roadshows in partnership with insurance companies and pension administrators, some of which were aired live on the radio;</li> <li>Introduced a weekly insurance and pensions consumer education drama that is aired on national television;</li> <li>Exhibit at the ZITF and Harare and Midlands Agricultural Shows;</li> <li>Publishes bi-annual Consumer Education newsletters that are distributed as an insert in the weekly newspaper (Sunday Mail);</li> <li>Conducts lectures on financial Literacy in schools;</li> <li>Introduced a Journalist Mentorship Programme on insurance and pensions reporting in partnership with ZimSelect;</li> <li>Conducted radio and television programs on insurance and pension issues;</li> <li>Social media platforms such as Facebook and Twitter should be used to educate the public on insurance and pension issues.</li> </ul>										
 	<ul style="list-style-type: none"> <li>The Bank launched Financial Literacy Training, which targets women's groups, youth groups, tertiary institutions and organizations for people with disabilities, among other groups.</li> <li>The financial literacy training covers budgeting, financial planning, savings and investments, credit channels, insurance, bank account management, consumer protection programs and financial platforms for transactions. The following table shows the number of people reached since the initiation of the program:</li> </ul> <p><b>Financial Literacy Training Programmes Undertaken Total Number of People Trained</b></p> <table border="1" data-bbox="619 1794 1310 1951"> <thead> <tr> <th>Year</th> <th>Total Number of People Trained</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>312</td> </tr> <tr> <td>2018</td> <td>1.379</td> </tr> <tr> <td>2019</td> <td>2.565</td> </tr> <tr> <td><b>Total</b></td> <td><b>4.256</b></td> </tr> </tbody> </table>	Year	Total Number of People Trained	2017	312	2018	1.379	2019	2.565	<b>Total</b>	<b>4.256</b>
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**Impact of Financial Literacy Training: The Muzarabani and Kadoma**

**Cases: Drummond Zimbabwe (Pvt) Employees.** Drummond Zimbabwe is a farming company based in Muzarabani. More than 90% of its employees are women, and more women and youths now have Agriplus accounts. After some training in 2017, there were 100 participants on the training who opened accounts and had their cards activated.

**Kadoma.** The Empowerment Desk, in collaboration with Vision Africa, trained 60 participants. Ten participants opened accounts after being fully informed of the importance of having a bank account.



Securities and Exchange Commission of Zimbabwe



- The Securities and Exchange Commission of Zimbabwe (SECZ) embarked on a capital market awareness campaign to showcase the benefits of stock market investments and highlight the various products offered on the stock market.



- Some awareness initiatives include TV and radio financial literacy programs and road shows to educate the public on capital market products.
- The institution introduced a weekly educational insert in the national newspapers to promote continuous investor education and raise awareness.

NMB Bank



- Partnered with PKF Chartered Accounts, ZIMRA, WABAZ, SMEs Association of Zimbabwe, DHL, Act In Africa, and ZIMTRADE to conduct workshops for SMEs.
- Workshops have been conducted in Chinhoyi, Bulawayo, Kwekwe and Masvingo focusing on:
  - a) How to grow SME businesses;
  - b) Basic accounting and bookkeeping;
  - c) Export and export incentives;
  - d) Bank requirements on facility applications;
  - e) New products targeted at SMEs, Youths, the Disabled and Women.
- The Bank has also participated in various fairs and agricultural shows, providing banking advice to attendants. Some of the fairs attended include:
  - Harare Agricultural Show;
  - Masvingo Agricultural Show;
  - Bindura Agricultural Show;
  - Zimbabwe International Trade Fair;
  - Zimbabwe Private Schools Expo;
  - NASH Heads Conference;
  - Mine-Entra.

Post Office Savings Bank (POSB)

- ✓ Taking advantage of customer-centered initiatives such as Customer Service Week to engage clients and teach them the importance of being banked, savings and other banking-related issues;



ZB Bank

- ✓ Global Money Week activities for school and university children
  - ✓ Branch activations in schools and during school events
- Massive countrywide roadshows aiming at educating potential clients on the Bank's services



SMEDCO

- The Bank provides financial literacy training for SMEs and various entrepreneurs across the country.
- The institution also exhibits at various fairs and exhibitions nationwide, including the annual Harare Agricultural Show, the SMEs International Expo, the Zimbabwe International Trade Fair and various provincial Agricultural shows.



Offers business loans and training in entrepreneurship and financial management to existing or start-up micro, small and medium enterprises.



Empower Bank



EmpowerBank, whose target market is the youth, established a Financial Literacy Team to conduct financial literacy programs aimed at equipping the youth and children with financial information. As of 31 March 2020, the Financial Literacy Team had conducted twenty-one (21) financial literacy programs targeting youth and school children.

Organization CBZ



**Financial Literacy Initiatives**

- The Bank has regular radio slots on the major radio stations, where it educates consumers about products and services, including customer rights under the Deposit Protection Corporation.
- CBZ is also on social media, having realized the power of social media in disseminating information. It was exhibited at the SME International Expo in October 2019.

First Capital Bank



- Micro-entrepreneurship workshops were organized in Manicaland, Midlands, and Mashonaland West provinces. Key issues were access to finance and business management.

MetBank



- The institution's financial literacy programs were conducted in conjunction with partners, including the following Non-Government Organisations: SNV, Lead, Ecrisat, Care International, Plan International, DAPP, World Vision, Kunzwana, Action Aid and Amalima.
- Further, the Bank partnered with institutions, including the Apostolic Christian Council of Zimbabwe, the Zimbabwe National Association of Housing Cooperatives, Windmill (Pvt) Ltd, Capital Foods (Pvt) Ltd, Rural District Councils, Schools, and Independent Agents.

NBS



- In June 2018, the Society launched a Financial Literacy program to educate customers on the importance of financial inclusion and discipline.
- The Society carried out social media campaigns, held field days and placed informative statements in the press and on electronic platforms. Its targeted customers include the informal sector.

**The importance of financial literacy literacy.** Financial Literacy is crucial in ensuring effective operations of financial products and services. It allows personal or business users to navigate the financial environment competently (Hilgert & Hogarth, 2003). The core of financial literacy and inclusion centers on achieving financial literacy, focusing mainly on small and medium enterprises (SMEs). This leads to improved knowledge and usage of financial services by SMEs, narrowing the gap between SMEs and financial institutions (Greenspan, 2001). According to Ye and Kulathunga (2019), educational programs and initiatives extend the capability of the sector to manage financial matters effectively. However, financial education entails more than just the transfer of knowledge; it must also foster confidence and the ability to make prudent financial decisions and financial services for business development and growth (Hussain, 2018).

**Effects of Financial Literacy in small and medium enterprises.** Financial Literacy Literacy is associated with the superior performance of SMEs (Yoshino & Morgan, 2016). That is why it results in sound financial management, making decisions that support the wellbeing of SMEs in various aspects, including financial health and development. The more financially literate SME owners and managers become, the better they can manage their companies. This leads to improved knowledge of how the financial markets operate, helping people use this understanding to make their businesses grow or survive. According to Mashizha et al. 2019 in their study on Zimbabwe to enhance financial LiteracyLiteracy, the following has to be considered:1) Recognizing the Gaps: The significance of financial LiteracyLiteracy notwithstanding, there is an apparent lack of its practicality use by Zimbabwe SMEs. However, this gap is also considered a challenge and a door of opportunity at the same time. Directly addressing it, these businesses can substantially increase their competitiveness in a dynamic environment; 2) Targeted Educational Programs: In order to close the gap, specific financial education programs must be created that can satisfy the unique requirements as well as the specificity of the small enterprises' environment in Zimbabwe. The programs should encompass more than mere basics of financial management and specifics on the SME sector; 3) Collaborative Approach: Government bodies, financial institutions and educational establishments should work together to design such projects. This integrated approach can ensure that these programs meet the expectations of SMEs concerning their relevance, accessibility and success in enhancing the companies' Financial Literacy." 4) Integrating Technology in Financial Education:



Technology is crucial for providing financial education to a broader population. Financial Literacy in the case of SMEs can be flexible through online platforms as well as mobile applications in addition to utilizing digital resources; 5) Role of Financial Institutions: The fact that banks and other financial institutions play a critical role in promoting financial Literacy. They also need to provide customized financial products and supporting education materials to enhance understanding and usage of those offerings among SMEs; 6) Policy Frameworks for Financial Literacy: Therefore, the government, as well as regulatory authorities, must develop supportive policy frameworks. Such policies help stimulate such activities, increasing their effectiveness; 7) Monitoring and Evaluation: The financial literacy program's success or impact should be checked through regular monitoring and evaluation. This way, feedback from SMEs can help to keep these packages updated; 8) Long-Term Vision: It is crucial to develop a long-term strategic plan for financial Literacy in Zimbabwe. This plan must conform to the broader aspirations for improved economic health and demonstrate flexibility within an ever-changing monetary environment.

**Financial literacy gap among SMEs.** Though financial Literacy is acknowledged to have numerous merits, there is still a significant gap within the SME that needs to be put into practice (Molina-Garcia & Soto, 2023). Addressing this shortfall remains a significant concern. Improving financial knowledge among SMEs would significantly boost their efficiency and sustainability (Ye & Kulathunga, 2019). This provides a chance for purposeful educational measures and targeted policy interventions to improve finance knowledge among small and medium-scale enterprise proprietors.

**Challenges in Achieving Financial Literacy.** Attaining financial Literacy in SMEs is a considerable challenge, as Ripain (2017) posited. These elements comprise ill-targeted financial literacy curricula, convoluted financial products, and few financial advisory services. Financial education tends to be overlooked in most industries where SMEs operate, resulting in complete ignorance of available financial products and services as SME owners do not even understand them. Additionally, existing financial literacy programs designed on a one-shoe-fits-all principle may not cater to the unique needs and challenges that exist among SMEs. Implementing financial literacy programs for SMEs also has challenges (Greenspan, 2001). The issues include addressing different financial literacy needs of various SMEs, countering skepticism or ignorance on financial Literacy's role in business growth and ensuring the practical application of financial learning (Grana-Alvarez & Lopez-Valeiras, 2022). The effectiveness of a financial education program depends on tailoring it specifically to the SME industry, size and stage of development. Raising the level of financial literacy in small enterprises is about more than just the progress of every company. However, it is an impetus for economy-wide expansion in wealth and stability. Providing financial training and support to Zimbabwe's SMEs leads to a dynamic, mixed, and inclusive economy.

**Effects of Financial Literacy and Access to Finances.** For small and medium enterprises to have access to various financing resources, they must demonstrate enough knowledge about financial matters, as mentioned in the statement by Hussein (2018). This is particularly important in a developing economy such as Zimbabwe, where most financial markets must be developed or characterized by high information asymmetry. SME owners who are financially literate have an edge when dealing with many different financial products and services. They are skilled at borrowing; they go beyond basics and get into other financing ideas such as venture capital, angel investors, and government grants. This is much broader than many because it incorporates their business growth objectives, meeting operational expenses, or investing in capital. Besides familiarity with





individual goods, financial LiteracyLiteracy includes comprehending general market movements and economic statistics. Knowledge of these elements, among others, will enable them to understand interest rate fluctuations, changes to inflation trends, and economic policies that could impact their business. This shows that in a changing economy such as Zimbabwe, awareness of these trends may enable small firms to forecast and protect themselves against financial risks arising from market uncertainties.

Financial Literacy includes a comprehensive analysis of costs and benefits relating to different means of finance. The process includes looking at different costs, including interest rates, fees, penalties, and the effect dilution may cause, if any. (Broadway, 2006). This helps SM owners evaluate the effect of such financial decisions on their business expansion and profits in the future. Understanding financial statements is a very crucial component of financial LiteracyLiteracy. Therefore, this information helps SME bosses appraise their fiscal results, assess the fiscal position, and make decisions about what is true about the health of their company. Sound knowledge of financial concepts goes a long way toward improving the reputation of an SME's creditworthiness. Companies with good financial stewardship are more likely to attract favorable treatment from lending institutions (Paramasivan, 2009). Financial Literacy Literacy is essential in ensuring a sound credit rating, developing quality venture proposals, and making informative future revenue and expenditures predictions. The elements are essential for SMEs when looking for a loan because lenders need assurance that the company will use the available funds efficiently.

Financial Literacy Literacy is more than just obtaining loans; it includes using financial information to make optimal corporate moves. These could include decisions on investment, pricing, cutting costs, or an exit strategy. Such decisions are likely to make or break SMEs in Zimbabwe that often face difficult economic circumstances. Such professionals could advise on specific issues; they would interpret challenging to understand financial information for understanding purposes and contribute towards strategic planning. Many Zimbabwean SMEs can improve their financial decision-making by accessing such expertise.

In conclusion, financial LiteracyLiteracy is crucial to this study's SMEs like the Zimbabwean businesses, especially in tough economic times. Therefore, this,s calls for training to the first on how to analyze cost-benefits, select relevant financial goods and enhance their creditworthinessnderstood that once a channel towards conducting the necessary financial training is determined, financial LiteracyLiteracy means more than just dealing with money. It is knowing how to embed monetary knowledge into a more comprehended basis for business life.

**Using Financial Literacy as a Risk Management Tool.** Grana-Alvarez and Lopez-Valeiras (2022) declare that financial Literacy is not a plain-prediction mechanical ability. Additionally, it involves efficient risk management, which is essential to SMEs whose operations are highly subjected to uncertainties (Grana-Alvarez & Lopez-Valeiras, 2022), such as the circumstances prevailing in Zimbabwe.

**Identification and Assessment of Financial Risks.** Being capable of pointing out and assessing potential financial risks in a firm's finances is a result of SMEs' greater financial literacy (Yang et al.,2018). SMEs have higher levels of financial literacy, allowing them to point out and determine risks that can happen in a firm's finances. Management of risks in their finances is critical in any business. Risks could be anything from market fluctuation, credit risks, foreign exchange rate volatility, and interest rate change. With a solid financial education, SMEs will detect such risks and estimate their probability and possible consequences for business operations. The proactive approach SMEs use gives them a better chance of preparing against future uncertainties.



**Comprehensive Risk Analysis.** This is also called Risk Analysis by Financial Literacy, which includes Risk Identification. They should be aware of the cross-relation between different risk factors and their ability to work together as well as against one another. (Nohong et al., 2019). Take, for example, Zimbabwean currency risks that are affected by politics, global markets, or the domestic political economy. Elaborating on such factors offers SMEs advanced risk assessments.

**Development of Risk Mitigation Strategies.** Having a financial literacy equips SME owners with appropriate risk mitigation measures. Among these strategies are diversification of income streams to minimize dependency on a single source of income. Other strategies include hedging against foreign exchange risk and the optimum restructuring of debts for balancing assets (Hirawati, 2021). Diversifying income streams could mean searching for other markets to tap or creating new products to sell; hedging strategies such as futures and options are often necessary for this approach. Restructuring debts, especially in Zimbabwe's highly charged interest rates environment, can entail cutting off better credit terms or combining debts to lower one's general interest payable amounts.

**Contingency Planning.** Financial Literacy also enhances the formulation of contingency plans for risk management. Such planning is critical for sustaining operations during financial hardship (Fatoki, 2014). It encompasses the identification of essential business operations and assets as well as crafting strategies for sustaining them during times of economic turmoil. This could entail setting up an emergency fund, getting a line of credit or identifying possible back-up suppliers.

**Building Resilient and Sustainable Businesses.** Financial risk management ensures SMEs' stability and resiliency (Arthur, 2012). Resiliency in the Zimbabwean context, which often experiences economic volatility, will be critical for long-term sustainability. Companies that efficiently handle financial risk can survive in times of recession and are less prone to being financially stressed. Financial Literacy goes beyond immediate SME risk mitigation. It enables the SME owner to incorporate risk management into strategic decision-making (Hirawati, 2012). For example, these could be decisions about long-term investments, business expansion, or entering a joint venture. Strategies that encompass risk management should be applied in Zimbabwe, which is a country that has ever-changing economic conditions.

**Impact of Technology on Financial Literacy.** Anshika and Singla (2020) noted that SMEs have realized that technology is important in financial Literacy. Nowadays, with a fast-changing technological scenario, it has become important because of the way it can help people learn about finance. This is especially important in light of Zimbabwe's changing media scene.

**Digital Platforms and FinTech Innovations.** Digitalization and the introduction of FinTech have changed how people access and grasp financial education (Mabula & Han, 2018). FinTech uses intelligent artificial algorithms, blockchain technology, and cloud computing. Thanks to this innovative system, SMEs can have better access to valuable financial data. Financial education is usually provided through computer-based tutorials with interactive aspects such as simulations or gamified learning.

**Internet-Based Financial Education.** The increase in online courses allows SME owners to go through learning at their chosen pace and on their terms. These include introductory financial management principles and advanced Investment Analysis and Risk Management concepts. Several Massive Open Online Courses (MOOC) and other electronic learning platforms offer complete learning materials developed mainly through financial services or institutions (Berezytska & Oleksyk, 2016). Access to quality financial education used to be expensive. In this regard, this is seen to have democratized financial education since it allowed the free downloading of financial materials.

**Mobile Applications.** The financial literacy landscape now includes mobile apps as the cornerstone (Koskelainen et al., 2023). These apps have different facilities, such as budgeting tools, investment tracking and educational tools for SMEs. In Zimbabwe, with high mobile penetration, for example, these apps come in handy. The fact that such services are available to SMEs in rural places where such services would have been complex is astounding.

**Enhancing Financial Decision-Making.** For instance, technology is no longer just helping us purchase education on finance issues; it is significantly enhancing the quality of financial decision-making (Paramasivan, 2009). Using real-time financial data and analytic tools, business owners of SMEs can better understand the state of the industry or its environment where a specific market is operated. Thus, they can decide well and immediately to plan or strategize on specific market trends, behavior, and customer behavior. The digital divide still poses a problem in Zimbabwe.

Nevertheless, the growing availability of technology is making a tremendous contribution towards alleviating the financial literacy deficit. For instance, it is particularly crucial for small or medium-sized enterprises in underdeveloped towns and regions with limited conventional monetary Literacy Literacy and facilities. Financial literacy programs can be made more effective and expanded if some measures are taken by the government, along with close cooperation with technological companies. The partnerships will make the internet and digital machines more accessible, which will help in increasing financial literacy among small-sized enterprises.

Hence, the future of financial education for SMEs will likely depend on technology development. The future is bright since, as technology develops, tailored and responsive learning modes are possible. This implies that financial education programs will address the needs and abilities of different SME owners, making them more effective. Technologies are crucial in improving financial Literacy in SMEs. Financial education and products are now accessible to SMEs in Zimbabwe and beyond through digital platforms, FinTech innovations, internet-based courses, and mobile apps. In addition, it provides them with knowledge and skills that they can apply in making informed choices on financial matters. With the growth in technological advances, the financial literacy gap is expected to narrow even further, contributing towards a bright and financially adept generation of SMEs in the next few years.

## METHODS

**Research Philosophy, Design and Strategy.** The research used a positivist research ethic primarily because it focused on measurable observations that can be analyzed statistically. Positivist researchers often argue that employing a highly organized technique enhances the possibility of replication (Gill & Johnson, 2002). The researcher opted for the positivist technique to impartially observe the effect of financial Literacy Literacy on the performance of SMEs in Zimbabwe. According to Levin (1988), positivists assert that reality is constant and can be observed and described from any perspective without influencing the events under investigation. The classification of research purpose or design used in the research methods' literature is threefold: exploratory, descriptive, and explanatory (Saunders et al., 2009).

Nevertheless, the objective of the investigation may vary as time progresses (Robson, 2002). Research Design pertains to the comprehensive strategy for conducting research. An exploratory research study is a beneficial method for discovering and understanding "what is happening," gaining new perspectives, posing inquiries, and evaluating occurrences from a fresh perspective (Robson, 2002, p. 59). Exploratory research is especially useful when you need to gain a clear view of a challenge when one is still determining the exact nature of the problem (Saunders et al., 2009).



The present study employed explanatory research to investigate the reasons behind the lack of growth of small and medium-sized enterprises (SMEs) into significant corporations.

Research strategy is the deliberate plan implemented to execute the research process (Creswell, 2014). The plan determines the study's methodology. The selection of the research approach was determined by the research questions and objectives and the philosophical foundations (Saunders et al., 2009). The current study employs an explanatory research design and hence utilizes the case study technique, commonly employed in explanatory and exploratory research. The data-gathering approaches utilized in case studies can be diverse and often employed in conjunction. These procedures may encompass interviews, observation, documentary analysis, and questionnaires (Saunders et al., 2009). Hence, employing a case study approach necessitates the triangulation of many data sources.

**Primary Data.** 1) Questionnaires: Primary data was collected through self-administered questionnaires administered directly to SME owners and managers. The questionnaires were carefully constructed such that they contained both open-ended and closed-ended questions to cover all aspects of information from the respondent as suggested by Creswell (2014); 2) Administration Method: Distribution and collection of questionnaires was adopted by a strategic "drop and pick" method. Adopting this approach significantly increased convenience for respondents, leading to a significant increase in the response rate and a sound data collection exercise; 3) Secondary Data Collection; 3) Sources of Data: This study utilized a wide variety of secondary data sources. Such were Reserve Bank of Zimbabwe (RBZ) monetary policy statements, World Bank financial statistics, company profiles of different SMEs and scholarly articles from financial literacy journals. These were essential sources of knowledge, which served as a frame of reference for locating the study in the global and local financial trends; 4) Relevance and Utility: Secondary data formed the basis of this study and provided necessary background and context. The information provided an overall picture of how lending to the SMEs is fair. The purpose of the secondary literature was to act as a yardstick in comparison analysis to which primary findings could be enhanced to give more in-depth and breadth dimensions to the research.

**Data Analysis Approach.** 1) Quantitative and Qualitative Analysis: Qualitative and quantitative analysis was used to interpret the data. In a quantitative nature where statistical techniques were used to determine the relationship between financial Literacy Literacy and improved SME performance and a qualitative form that explained the intricacies surrounding these links considering their contexts; 2) Data presentation and analysis tools, The SPSS and Microsoft Excel were utilized to analyze statistical tools. The researcher utilized these tools to manage intricate data sets, enabling him/her to make valid deductions and interpretations. This study was designed using well-defined criteria, thereby enabling the investigation of the intricate relationship between financial Literacy and SME operations. Using different kinds of primary and secondary data collection while applying various models of an economic development survey, this study provides evidence behind the reasons that lead to the growth of small and medium enterprises (SMEs) and how financially included economic agents can become drivers of national economic development.

**Population and Sample of the Research.** The study population is the entire set of cases from which a sample is taken (Saunders et al., 2009). All SMEs in Harare were considered in the research study's target population. In order to determine the nature of their operations, several SMEs were incorporated into the sample to examine the state of the SME and financial literacy sectors in Zimbabwe. Banks, microfinance institutions, and SMEs have much activity in Harare, which serves as both the primary business hub and the hub of numerous SMEs. Therefore, it seemed sensible to include respondents from Harare in the research study. An updated list of registered SMEs was



acquired from Harare City Council. Each SME was given a unique number, with the first SME on the list of registered SMEs received from Harare City Council. Systematic sampling was utilized to select SME responders.

**Validity and reliability of the research instrument.** Reliability pertains to the degree to which data collection techniques or analysis procedures will produce consistent results (Easterby-Smith et al., 2009, p. 109). Validity pertains to the extent to which the research findings accurately reflect the intended subject matter. The researcher undertakes many measures to ensure the questionnaire's validity and reliability before administering it. In the questionnaire's introduction, the researcher guaranteed the confidentiality of the participants and their answers. The primary motive was to prevent respondents from distorting information or intentionally withholding relevant information to achieve the research aims.

**Ethical considerations.** The researcher strictly adhered to ethical principles before, during, and after the research. Participants were notified that their involvement in the research was optional and that they could withdraw at any stage if they no longer wanted to continue, as posited by Saunders et al. (2012). The participants were also notified that encoding the data was intended to safeguard their anonymity. The participants were provided with information regarding the overall scope of the research project and any potential hazards that the study might present to them. The researcher ensured effective communication with the respondents, emphasizing that all findings would be handled with the utmost confidentiality.

**RESULT AND DISCUSSION**

**Questionnaire Response Rate.** The researcher employed systematic sampling to choose respondents from SMEs, aiming for one hundred participants. The questions were intended for self-administration by senior employees, managers, or owners of SMEs. The research study's response rate is displayed in Table 3.

**Table 3. Questionnaire Response Rat**

	Administered	Collected	Response Rate (%)
Total	100	86	86%

Source: Primary data (2019)

Table 3 reveals that of the 100 questionnaires distributed, 86 were collected back. The researcher distributed these questionnaires to SMEs in Harare, which include companies in building and construction, manufacturing, and retailing, as well as those in hardware and electrical, including motor spare shops. Scholars, for example, Sax et al. (2003) and Saleh & Bista (2017) contend that a response rate above 50% of the sample is sufficient for an empirical study. Therefore, the response rate of 86% was reliable since it is above 50% yardstick.

**Reliability Test.** The administered questionnaire had 6 elements. Cronbach's Alphas were calculated to assess the dependability of the elements within each construct. Table 4 displays the reliability coefficients of each concept utilised in the questionnaire.

**Table 4. Reliability Coefficient**

Construct	No. of Items	Alpha
Financial Literacy	6	0.9198

Source: Primary Data (2021)



Table 4 reveals that the reliability coefficient was acceptable since it was above 0.7, as posited by Nunnally (1978), who states that a reliability coefficient equal to 0.7 and above shows that the information collected was reliable.

**Respondents Demographics.** Section A of the questionnaire was mainly used to gather respondents' demographic responses. Below are charts and tables showing the demographic characteristics of the study respondents.

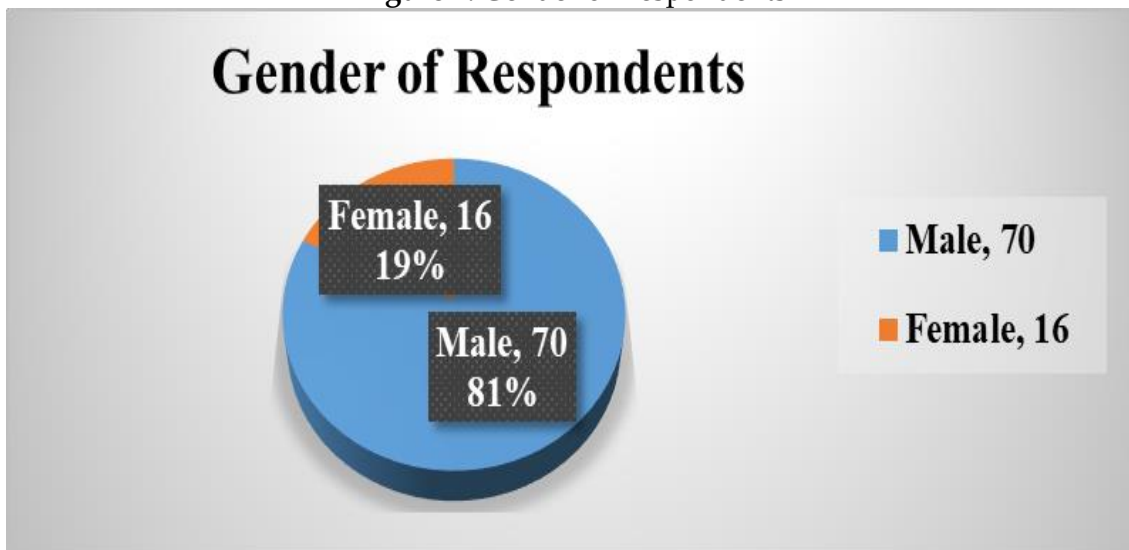
**Table 5. Age of Respondents**

Age Range	Frequency	Percentage
<30	10	11.62%
31-40	24	27.91%
41-50	32	37.21%
>50	12	13.95%
Not stated	8	9.31%
<b>Total</b>	<b>86</b>	<b>100.00%</b>

Source: Primary Data (2021)

Table 5 indicates that most respondents fall between the ages of 30 and about 49, which corresponds to the economically active demographic. These findings align with Mago's (2013) research, which emphasized that the age group has experienced the hard consequences of the economic downturn in Zimbabwe and has resorted to engaging in small and medium-sized enterprise (SME) activities for employment.

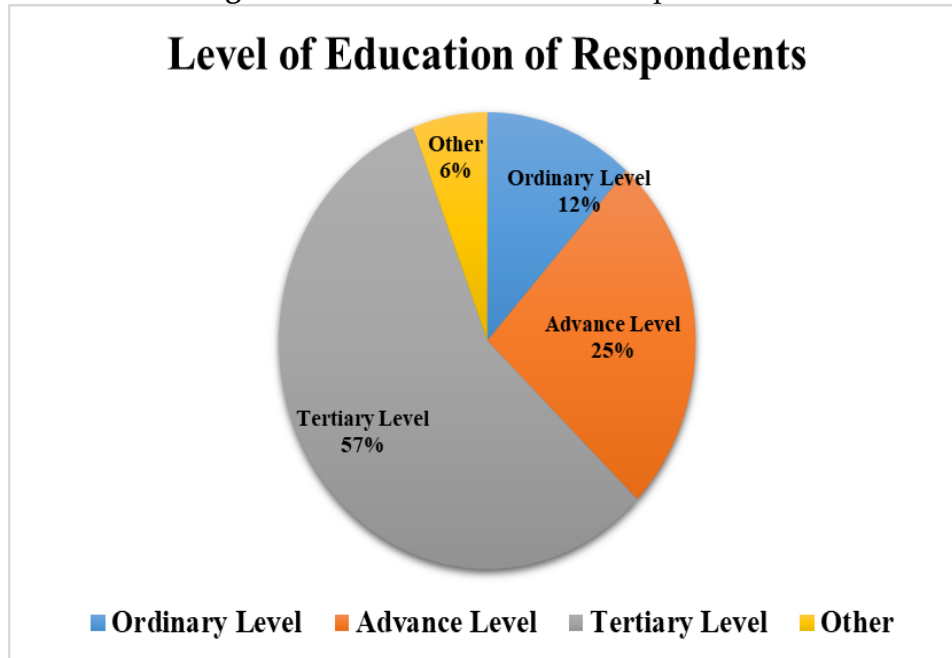
**Figure 1. Gender of Respondents**



Source: Primary Data (2021)

Figure 1 indicates that 81% of the participants were males, while 19% were females. This shows that women are more financially excluded as many lack routine income, very few have bank accounts and tend to concentrate on businesses that require less capital (Demirgüç-Kunt et al., 2015).

Figure 2. Level of Education of Respondents



Source: Primary Data (2021)

Figure 2 shows that 57% of the research participants have attained formal education. As Ghosh (2013) suggests, SME owners and managers with higher education levels are more likely to be financially literate.

**Descriptive Statistics.** Participants were requested to indicate the degree to which they agreed with the notion that financial LiteracyLiteracy has a beneficial impact on the performance of small and medium-sized enterprise (SME) enterprises. Financial LiteracyLiteracy was subsequently separated into six categories, as depicted in Table 5.

Table 5. Categories of Financial Literacy

Code	Item
E1.	Financial LiteracyLiteracy affects the desire to consume financial services from banks and microfinance for business growth purposes.
E2.	Financial Literacy positively affects the overall management of the SME business operations for growth.
E3.	Financial Literacy positively impacts bookkeeping and record-keeping practices to manage daily business activities effectively.
E4.	The ability to make quick, timely and instant decisions for business growth is greatly affected by financial LiteracyLiteracy.
E5.	Financial literacy workshops have greatly improved business performance by empowering SMEs with financial know-how.
E6.	Financial Literacy helps SMEs avoid getting funds through informal means, which have exorbitant interest rates and hinder growth.

The Descriptive statistics relating to financial Literacy and SME business performance are shown in Table 6 below.





**Table 6.** Financial Literacy effects on SME Business performance

	N	Maximum	Minimum	Mean	Standard deviation
E1	86	5	1	3.80	0.58
E2	86	5	2	4.50	0.65
E3	86	5	3	3.50	0.57
E4	86	5	3	3.54	0.69
E5	86	5	1	3.78	0.76
E6	86	5	2	3.68	0.64

Source: Primary Data (2021)

The researcher aimed to determine the impact of financial LiteracyLiteracy on the operational effectiveness of small and medium-sized enterprises (SMEs). The mean response averaged at 3.80, suggesting that, on average, respondents agreed that financial LiteracyLiteracy has a beneficial influence on the performance of SME enterprises. The participants observed that their level of financial LiteracyLiteracy influenced their procurement selections. Following implementing literacy initiatives conducted by the RBZ and private companies, the respondents acknowledged a heightened inclination towards making high-risk decisions about borrowing and investment in business operations. Furthermore, there has been a significant improvement in their ability to assess and evaluate financial possibilities.

This is corroborated by Taft et al. (2013), who conducted a study examining the influence of the relationship between Financial Literacy, Financial Wellbeing, and Financial Concerns. They discovered that literacy rates had a significant impact on financial decision-making. Greenspan (2001) also endorsed this perspective and contended that financial literacy enhances individuals' ability to analyze and comprehend money and financial matters, hence substantially facilitating good decision-making in financial management.

## CONCLUSION

The study revealed that financial LiteracyLiteracy played a pivotal role in helping shape control operations and spending behaviors by SME managers and owners. Financial Literacy provides fundamental financial literacy knowledge. According to Smith et al. (2005), "Decision-making under conditions of uncertainty always provides the possibility of sub-optimal choices. Therefore, financial literacy is essential for entrepreneurs as it can help them avoid misinformed decisions on business operations that will ultimately have unexpected consequences (Eniola & Entebang, 2016). Financial Literacy is intricately linked to financial access, particularly in Africa. (Huston, 2009) The entrepreneur's level of financial LiteracyLiteracy is a crucial determinant of SMEs' success. Small and medium-sized enterprises (SMEs) have entrepreneurs who possess a high level of financial LiteracyLiteracy, as stated by Njoroge (2013). The failure to clearly understand financial issues exposes several consumers whose behavior tends to include accumulating excessive debts rather than savings or saving less, poor planning for retirement and unsatisfactory investments (Miller et al., 2009; Kozup & Hogarth, 2008). This is why some SMEs decide not to purchase financial products.

Hence, this study established a strong correlation between financial education and improved performance of SMEs. This showed that financial literacy is critical in boosting the demand for financial products needed to purchase goods. This is consistent with the perception that companies







need financial LiteracyLiteracy and inclusion (Klapper et al., 2015). One of the most significant determining factors in the expansion of a business is financial Literacy (Miller et al., 2009). Poor Financial LiteracyLiteracy could lead to SMEs procuring incorrectly, negatively impacting their operations.

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