

# Enhancing Financial Inclusion and Financial Literacy for Small and Medium Enterprises (SMEs) in Zambia: Challenges, Opportunities and Strategies for Growth

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Received: 09/01/2025	Revised: 12/02/2025	Accepted: 19/03/2025
<b>Abstract</b>	The study aims to assess the range of FI among SME managers. Financial Inclusion (FI) ensures that every individual, especially the marginalized, has adequate access to financial services. The main objective of this study is to analyze the extent of SME managers' access to financial schemes and policies in Zambia, Africa. The study describes the budget provided by the Zambian government for SMEs, which will help in examining the level of financial literacy (FL) of SME managers regarding budgeting. Despite their potential, SMEs face many challenges, including limited access to finance, inadequate financial literacy among entrepreneurs, and a fragmented regulatory environment and identifies opportunities to improve financial inclusion through targeted strategies. The study emphasizes the need to enhance financial literacy programs tailored to the needs of SME owners to empower them. The study also highlights the importance of collaborative efforts between government agencies, financial institutions, and development partners to create an enabling ecosystem. The study proposes actionable strategies that Zambia can implement to improve access to finance and enhance financial literacy. The study findings show that most entrepreneurs agree that financial accessibility is important for SME development and implement inclusive policies to expand the reach of financial services.	
<b>Keywords</b>	Financial Inclusion; Financial Literacy; Access to finance; SMEs; Economic growth	
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## 1. INTRODUCTION

### 1.1. Background of the study

Small and medium enterprises (SMEs) are privately owned organizations. SMEs help improve the nation's economic state by producing various jobs and fulfilling the people's basic needs through various services. Importantly, it helps improve the lives of disabled, uneducated people, women, households, and rural people. It aids in developing sustainable economic growth through engaging in the favor of United Nations sustainable development goals. Developing countries encounter major obstacles in obtaining financing for SMEs because conventional financial institutions are hesitant to



grant loans, impeding economic growth.

Nevertheless, the emergence of digital finance in Africa is striving to enhance financial access for SMEs and individuals (Agelyne & Musau, 2021). Recently, Sub-Saharan Africa has been facing challenges like high unemployment rates, low levels of productivity, and inequality. This has led to the implementation of different measures to decrease unemployment (Rasche, 2020). Investing in start-ups can help stimulate economic growth and decrease joblessness, leading companies, particularly SMEs, to look for creative strategies to achieve sustainable growth and enhance their relationships with customers and communities (Gherghina, Botezatu, Hosszu, & Simionescu, 2020).

The Ministry of Small and Medium Enterprise Development (MSMED) in Zambia was founded on September 21, 2021, to boost SMEs' growth, increase job opportunities, and improve the country's economic status. However, SMEs in Zambia encounter challenges such as limited market reach, lack of affordable financing, inadequate collaboration, and insufficient innovation and technology. In response to these challenges, MSMED has introduced several policies to align with the Sustainable Development Goals (SDGs) in Zambia, detailed in eight documents that outline a strategy for SME advancement. Nevertheless, the effectiveness of these policies is often hindered by implementation gaps, underscoring the need to ensure they are accessible and practical for entrepreneurs while also encouraging collaboration among various stakeholders to create a more conducive environment for SME development (Elias Mubanga, 2023a).

Also, SMEs in Zambia can be defined based on annual turnover, legal status, number of employees, and total fixed investments (Elias Mubanga, 2023b). As per the report of 2019, SMEs in Zambia have increased to 110,508 enterprises, which indicates the growth of SMEs by about 27% from the 2012 report. Among these SMEs, 47% are in retail and wholesale trade, motorcycles and vehicles repair, 5% are construction sector, 4% are in the fishing, agriculture, and forestry sectors, 2% are manufacturing sector, 1.1% are in the the the the financial and insurance-based enterprises and 1.6% of SMEs are based on the scientific, technical and professional activities (Elias Mubanga, 2023b).

Thus, SMEs in Zambia are essential for the economic growth of the nation (Stoica, Roman, & Rusu, 2020). Nonetheless, SMEs face various issues that affect their growth and the nations. Thus, the Ministry of Zambia formulated various policies 2023 to develop SMEs (Elias Mubanga, 2023a). Increasing individuals' understanding of financial activities and programs through financial literacy (FL) is essential for improving FI and security, ultimately benefiting their economic status (Lyons & Kass-Hanna, 2021). Having FL is crucial for making informed financial choices that can affect a person's financial situation. It helps individuals handle financial risks better and improve the performance of their investments (Hasan, Le, & Hoque, 2021). Financial illiteracy is the reason behind the various economic crises in society and the family (Chatterjee, Gupta, & Upadhyay, 2020). During the pandemic,

financial illiteracy is also one reason behind the global economic crisis (Lusardi, Hasler, & Yakoboski, 2021). FL is also significant for buying and holding trading strategies and justifying investors' investment behavior (Raut, 2020).

The African Development Bank Group (AfDB) is committed to alleviating poverty and financing development projects. AfDB aims to tackle these structural issues by strategically investing in digital financial solutions to empower economically underserved populations and promote their inclusion (Cicchello, Kazemikhasragh, Monferrá, & Girón, 2021). Mobile phones are crucial in improving financial accessibility by allowing users to conduct various banking transactions like deposits, payments, loans, and money transfers. In Zambia, mobile financial services have grown significantly, thanks to various digital platforms that have empowered low-income families. These services help promote financial inclusion by making it easier for underserved populations to access banking and manage their finances (Kawimbe, 2020).

Zambia has made progress in promoting FI, but certain groups, especially in rural areas, women, and youth, continue to be underserved despite attempts to include them in the formal economy. Research suggests that countries with lower GDP per capita often face challenges such as limited networking opportunities and low literacy rates, contributing to their economic exclusion compared to nations with higher GDP. (Evans, 2016) Studies that have analyzed panel data have identified important factors that influence FI in Africa, including income per capita, the ratio of broad money to GDP, literacy levels, internet accessibility, and the presence of Islamic banking services (Oyelami, Saibu, & Adekunle, 2017). Furthermore, examining the determinants of financial inclusion in Sub-Saharan Africa has shown that demand-side factors like income and literacy and supply-side factors such as interest rates and ATM usage significantly impact FI (Makoetje, 2018).

Henceforth, FI is considered the access to financial services that could aid in building economic status through credit, savings, loans, insurance, and equity. Thus, effective FI is essential for the SME sector because SME has a vital role in the economic growth of the nation (Drach, 2024). Nonetheless, the lack of awareness and ability to make effective financial decisions affect the growth of the SMEs. Thus, the current study analyzes the FI of SMEs, especially in Zambia. The study also evaluates the access to finance of SMEs in Zambia.

## **1.2. Significance of the study**

Associated with other countries, Africa has been lagging in providing accessibility to financial schemes for SMEs. Hence, FI is significant for the country's economic growth because it provides access to finance to all communities. Nonetheless, FI has not provided financial accessibility to every African individual (Oshora, Desalegn, Gorgenyi-Hegyes, Fekete-Farkas, & Zeman, 2021). Most prevailing studies focused on the FI of SMEs and their economic growth in major parts of Africa. Only a few studies

have focused on the role of FL in SMEs' access to financial services in Zambia, Africa. The current study will evaluate the FI among SMEs and its impact on the economic growth of the organization (Drach, 2024).

Financial Literacy (FL) is important in improving economic growth and minimizing poverty in the country (Morgan & Long, 2020). The understanding of the financial impacts of savings patterns of both private and public financial institutions (Adetunji & David-West, 2019). The FL is characterized as an individual's ability to process economic information and make decisions regarding debt, financial investment, and pension (Morgan & Long, 2020). Understanding financial aspects is vital for enhancing the FL rate in the country. Therefore, the lack of knowledge of finance is a significant reason for the financial illiteracy rate in emerging countries (Prasad & John, 2021). This outcome the low financial investment and also poor financial decisions. The individual doesn't have proper knowledge regarding how to plan and utilize financial resources, resulting in no proper circulation or flow of money (Prasad & John, 2022).

### **1.3. Problem identification**

Though SME plays a significant role in enhancing the economic growth of countries, especially developing countries, they face issues in accessing the financial services provided via government schemes. The SME administration faces several internal and external issues that impact the utilization of certain financial services (Rasheed, Siddiqui, Mahmood, & Khan, 2019)—FL among SME managers for accessing various policies and programs, which impacts the organization's growth. The low FL level is a major concern in financial policy access (Buchdadi, Sholeha, & Ahmad, 2020). Hence, FL aids in deciding financial activities (Prasad & John, 2021). Apart from FL, inefficient credit markets and lack of financial support to access the proper financial schemes are major financial setbacks. These financial issues impact the growth of SMEs (Bakhtiari, Breunig, Magnani, & Zhang, 2020). Hence, the current study will assess SME managers' FL level to evaluate the range of access to financial services. The study will analyze the FI of SMEs, which impacts the economic growth of the organization (Morelli, Ottonello, & Perez, 2022).

### **1.4. Research Hypothesis**

The research hypothesis of the present research study is given below.

#### **Null hypothesis**

H<sub>0</sub>1: FI is not significant for SMEs' growth.

H<sub>0</sub>2: There is no significant role of SME manager at a financial literacy level

H<sub>0</sub>3: FL level does not impact the access to SMEs' finance.

H<sub>0</sub>4: There is no association between the accessibility level of financial services and the economic growth of SMEs.

### Alternative hypothesis

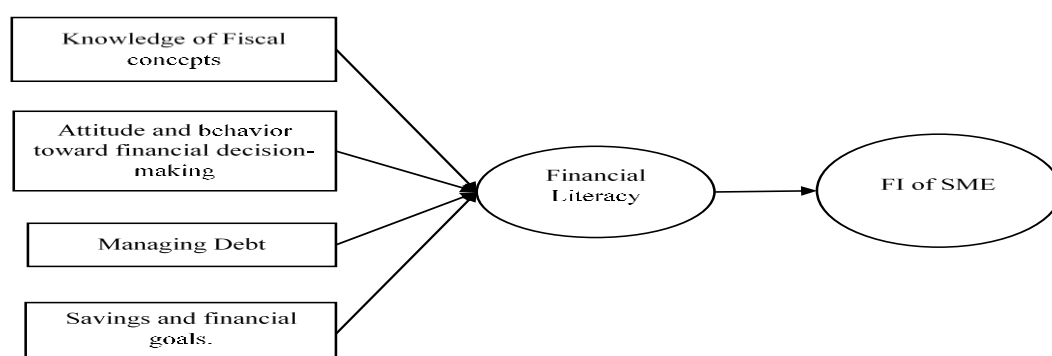
H<sub>11</sub>: FI is significant for SMEs' growth.

H<sub>12</sub>: There is a significant role of SME managers at financial literacy level

H<sub>13</sub>: FL level impacts the access to SMEs' finance.

H<sub>14</sub>: There is an association between the accessibility level of financial services and the economic growth of SMEs.

### Conceptual framework



The study examined factors such as knowledge, attitude, and behavior with financial concepts and financial decisions. Besides, the ability to deal with debt and the SME's financial goals were analyzed to demonstrate the FL level of SMEs, particularly in Zambia, Africa. The FL level signifies the FI of SMEs. Therefore, the study evaluates the FL level to determine the access to finance of SMEs, particularly in Zambia, Africa.

Most businesses in Zambia belong to SMEs, with 97% of business sector contributions. Since SMEs contribute more to the industry sector, they contribute to Zambia's economy as it is considered to have low revenue compared to other African countries. The existing study (KASUMPA, 2022) determined to investigate and understand finance institutions, particularly microfinance's impact on SMEs in Lusaka's Chainda area. Data were collected using a questionnaire method using Google Forms and physical from the people. Also, the implemented descriptive study method was applied for determination. The prevailing study concludes that entrepreneurs with large populations could not access external investment through institutions. FI had a significant contribution to the improvement of the industries.

## 2. METHODS

### 2.1. Research design

The research methodology for the study on FI and access to finance for SMEs in Zambia employs a mixed-method approach, utilizing structured questionnaires distributed to 25 SME owners and managers in Lusaka and Copperbelt provinces. The mixed method is a grouping of various types of

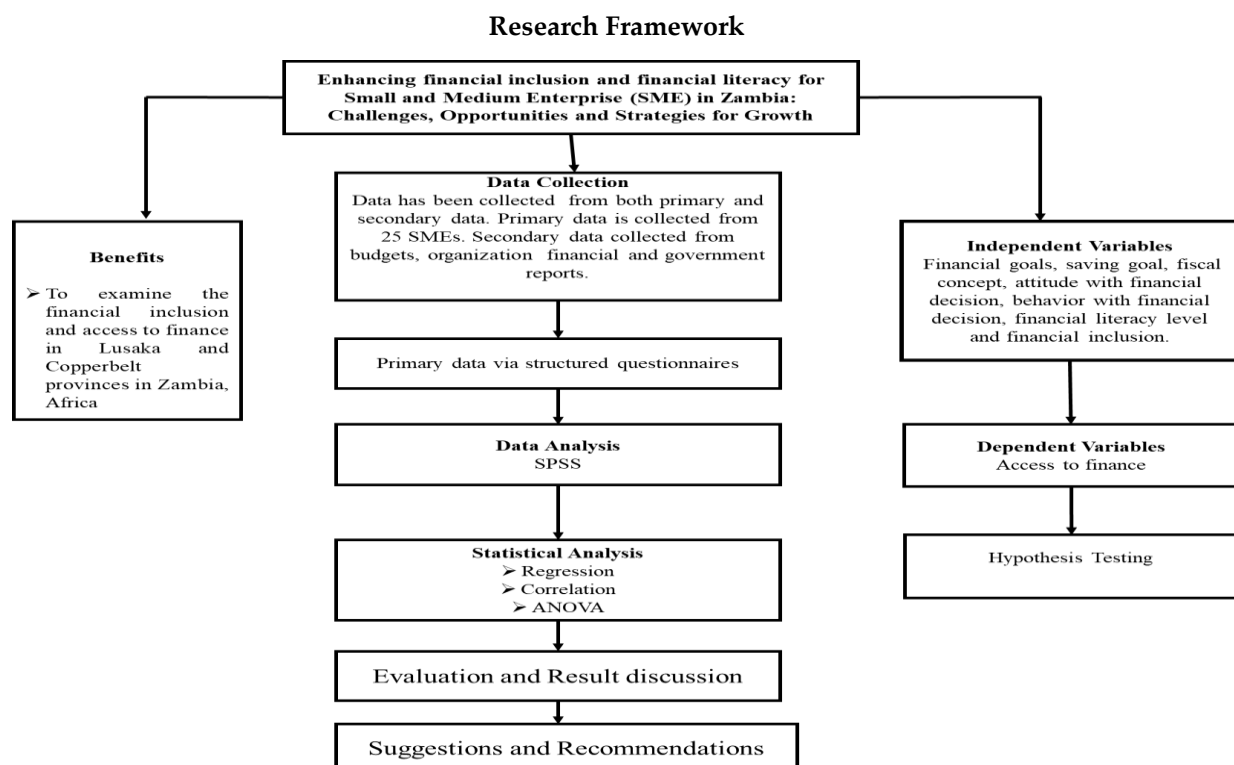
research methods. The researcher can combine observations with emphasis interviews or groups. This mixed methodology allows for identifying significant relationships between variables such as FL, managerial experience, and access to financial resources, thereby providing valuable insights into the challenges SMEs face.

## 2.2. Study Area

The study is being conducted among SME owners and managers in Lusaka and Copperbelt provinces in Zambia, Africa, who are eager to participate in the survey. It helps with the successful completion of the current research. The survey is being carried out with the assistance of a researcher. SME owners and managers are being surveyed as a research sample. This increases the importance of the research's goal. As a result, this simplifies the process of collecting data.

## 2.3. Sample size and population

The sample size for any study should be determined after thorough analysis to ensure both accurate and general results. For the present study, the appropriate contribution of participants will be determined to range the gathered data regarding the FL of SME managers in Zambia. The collected data for the quantitative technique depends on the chosen sample size which aids in proving the research's objectives (Lakens, 2022). The study includes 25 SME managers for the analysis to know and understand the association between the accessibility level of financial services and the economic growth of the SMEs to determine the results.



## **2.4. Sampling Techniques**

The sampling technique is crucial to gathering data from a specific population rather than focusing on the entire available population (Sarker & AL-Muaalemi, 2022). The study uses a purposive sampling technique to collect information related to the objective and motive of the study. Additionally, it's utilized to determine the understanding of data sets to classify patterns, enabling the assessment of the FI and access to finance in Zambia, Africa.

## **2.5. Research Instruments**

The research study employs a structured survey questionnaire to gather participant data. The survey questionnaire has been subjected to the reliability test and the Cronbach alpha value was calculated. If the value is greater than or equal to 0.7, it will be evident that the selected items are more reliable to calculate the constructs. The research instruments were checked with the finance experts for content validity. Then, the construct validity was checked through exploratory factor analysis in SPSS. The factor loadings should be greater than 0.5 to indicate good construct validity. The reliability and validity in the methodology section enhance the credibility of the findings associating the FI and access to finance for SMEs in Zambia.

## **2.6. Data Collection**

The data collection process is a crucial phase in research that impacts the ability to achieve accurate outcomes by reducing potential errors that may occur during the research process (Taherdoost, 2022). In this study, the primary data is gathered from SME managers through a structured questionnaire and secondary data by using the budget report of the Zambian government regarding FI for SMEs. The current study has considered the factors contributing to and enhancing the SME's manager range of access to financial schemes and policies in Zambian as the dependent variables. The current study considers knowledge of fiscal concepts, attitudes and behavior towards financial decisions, managing debt and financial and savings goals, and level of FL and FI as the independent variables.

## **2.7. Data Analysis**

The quantitative research approach systematically collects data and utilizes computational, statistical, and mathematical methods (Jung, 2019). This approach is used to gather data from respondents and communicate the findings to the intended audience (Dzwigol, 2022). The quantitative method produces numerical results, which are analyzed to determine the appropriate conclusion for the findings. The SPSS software tool analyses the quantitative data obtained from a structured questionnaire. The collected information is transferred to an MS Excel spreadsheet for transparent analysis of the variables. The qualitative technique utilizes secondary data and performs situational analysis.

## 2.8. Ethical considerations

The present research follows certain ethics while performing the analysis. The demographic details refer to the address, name, contact number, and location, which will be kept confidential by each respondent participating in the survey. In this survey, the participants are not strained to confer their responses and replies. The current study does not contain any false data, and under high confidentiality, all these data collections will be kept. Finally, these are the ethical considerations that the researcher uses for analysis, which is more precise to the scholar's knowledge regarding the present study.

## 3. FINDINGS AND DISCUSSION

### 3.1. Demographic data

The SME managers in the Lusaka and Copper Belt provinces in Zambia, Africa, are considered for this research study, which consists of 25 respondents. The demographic data of the respondents are listed below:

**Table 1. Demographic factors of respondents**

Demographic factor	Parameter	Frequency	%
<b>Age</b>	20-30 years	3	12
	31-40 years	3	32
	41-50 years	12	48
	Above 50 years	2	8
<b>Gender</b>	Male	18	72
	Female	7	28
<b>Marital status</b>	Married	17	68
	Single	8	32
<b>Education</b>	Upto grade 12	10	40
	Under Graduate	5	20
	Post Graduate	10	40
<b>Business form</b>	Sole proprietorship	17	68
	Partnership	1	4
	Private ltd	7	28
<b>Business experience</b>	Less than 5 years	6	24
	6 to 10 years	3	12
	More than 10 years	16	64



Table 1 illustrates the demographic characteristics of the participants. In the age category, 48% of respondents fall within the 41-50 age range, with 32% being 31-40 years, while 12% are aged 20-30 years and 8% are over 50 years. The males comprise 72% of the sample, while females represent 28% of gender representation. 32% of the participants are single, while 68% are married. Regarding education, most of 40% are completed up to grade 12 and enrolled in post-graduate respectively, with 20% pursuing undergraduate programs. 68% of them were single owners of the business, followed by 28% were private business people, and similarly, 4% were shareholders of the commercial population. On analyzing the work experience, 64% of the participants had more than 10 service years, 24% had less than 5 years, and 12% had at least 6 to 10 years. The well-knowledge of professional people is significant for the growth of the business. Overall, the varied demographics imply SME managers' viewpoints on FI, highlighting the importance of considering these factors in the study's analysis.

### 3.2. Statistical Analysis

#### *Reliability Analysis*

**Table 2. Reliability Statistics**

Reliability Statistics	
Cronbach's $\alpha$	N
.801	25

Table 2 represents the reliability statistics of the data set utilized in the study to determine the hypothesis. An alpha value of 0.801 suggests strong reliability of the dataset.

#### *Quantitative analysis*

#### **HYPOTHESIS 1**

**H<sub>11</sub>: FI is significant for SMEs' growth**

**H<sub>01</sub>: FI is not significant for SMEs' growth**

#### **One-way ANOVA**

This statistical assessment is utilized to scrutinize the variance between the means of two or more groups. This technique uses one independent variable and one dependent variable. Hence, the present study applied ANOVA to define the significance of FI in the development of SMEs.

Table 3 Descriptives

		N	Mean (M)	St. D	Std. Error( St.E)	95% Confidence Interval for Mean (CI for M)		Min(Minimum)	Max(Maximum)
						Lower Bound(LB))	Upper Bound(UB)		
The degree of FI/literacy is impacted by the types of affordable current accounts, savings accounts, and loans	SA	8	2.13	.354	.125	1.83	2.42	2	3
	A	8	2.63	.744	.263	2.00	3.25	2	4
	N	5	2.60	.548	.245	1.92	3.28	2	3
	D	3	2.67	1.528	.882	1.13	6.46	1	4
	SD	1	5.00	.401	.721	.19	.345	5	5
	T	25	2.56	.870	.174	2.20	2.92	1	5
Sales and promotion activities by online, social media, and PR initiatives have an impact on the degree of FI/literacy	SA	8	2.25	.707	.250	1.66	2.84	2	4
	A	8	1.50	.535	.189	1.05	1.95	1	2
	N	5	1.80	.837	.374	.76	2.84	1	3
	D	3	3.00	1.732	1.000	1.30	7.30	1	4
	SD	1	5.00	.623	.210	.023	.981	5	5
	T	25	2.12	1.092	.218	1.67	2.57	1	5

**Table 4 ANOVA**

		Sum of Squares (SOS)	Degrees of freedom	Mean Square (M <sup>2</sup> )	Frequency (F)	Significance (S)
The degree of FI/literacy is impacted by the types of affordable current accounts, savings accounts, and loans	Between Groups (BG)	7.543	5	1.886	3.553	.024
	Within Groups (WG)	10.617	20	.531		
	T	18.160	25			
Sales and promotion activities by online, social media, and PR initiatives have an impact on the degree of FI/literacy	BG	14.340	5	3.585	5.014	.006
	WG	14.300	20	.715		
	T	28.640	25			

Tables 3 and 4 show the impact of FI (the independent variable) on the growth of SMEs (the dependent variable). The result of the analysis of the p-value is 0.024 and .006. The results of the one-way ANOVA show that the maximum number of businesspeople agreed that financial accessibility is significant for SME development. The level of monetary flow and financial capability are influenced by factors such as reasonable loans, savings and current accounts, and sales and promotion activities by social media increase the awareness of monetary knowledge and services. FI is the mutual objective of several central banks in developing countries. Most of the evidence has proven that a lack of confidence in women makes them financially dependent on others. This table also shows that the degree of monetary accessibility and literacy is significant for the development of SMEs. Thus, the outcome is the reverse of the null hypothesis, and H<sub>1</sub>1 is correct according to the above examination.

Hence, **the above analysis proves that H<sub>1</sub>1: FI is significant for SMEs' growth.**

## HYPOTHESIS 2

**H<sub>12</sub>:** There is a significant role of SME managers at financial literacy level

**H<sub>02</sub>:** There is no significant role of SME manager at a financial literacy level

### Regression

The regression method is used to determine the numerical values of the variables. The trial is implemented to measure the association between the study variables. Hence, the study applied regression tests to examine the significance of FL levels for SME managers.

**Table 5 Model Summary**

Mod	R	R <sup>2</sup>	Adj R <sup>2</sup>	St. E of Est
1	.649 <sup>a</sup>	.521	.368	.965
a. Pre: (Con), 26. The kind of industry sector and demographic parameters in which SMEs operate influence how they interact with banks/financial institutions; through FI/literacy, the central bank's monetary policies have an impact on SMEs' dealings with banks/financial institutions, Through FI/literacy, tax evasion impacts SMEs' dealings with banks/financial institutions				

**Table 6 ANOVA<sup>a</sup>**

Mod		SOS	df	M <sup>2</sup>	F	S
1	Reg	14.206	4	4.735	5.085	.008 <sup>b</sup>
	Res	19.554	21	.931		
	T	33.760	25			
a. Dep Var: The amount of FI/literacy is measured by the percentage of SMEs understanding financial accounting and bookkeeping of records.						
b. Pre: (Con), The kind of industry sector and demographic parameters in which SMEs operate influence how they interact with banks/financial institutions; through FI/literacy, the central bank's monetary policies have an impact on SMEs' dealings with banks/financial institutions, Through FI/literacy, tax evasion impacts SMEs' dealings with banks/financial institutions						

**Table 7 Coefficients<sup>a</sup>**

Model		Unstandardized Coeff		Standardized Coeff	t	Significance
		B	(Standard Error)	Beta		
1	(Con)	.165	.720		.229	.021
	Through FI/literacy, the central bank's monetary policies have an impact on SMEs' dealings with banks/financial institutions	.497	.237	.349	2.099	.048
	Through FI/literacy, tax evasion impacts SMEs' dealings with banks/financial institutions	.531	.190	.474	2.790	.011
	The kind of industry sector and demographic parameters in which SMEs operate influence how they interact with banks/financial institutions	.223	.190	.199	1.171	.025
a. Dep Var: The amount of FI/literacy is measured by the percentage of SMEs understanding financial accounting and bookkeeping of records.						

Table 7 shows the associations between FL-level and SME managers. The independent variable (FL) impacts the exploration premise's dependent variable (SME growth). The model summary table shows the regression test results, with an R<sup>2</sup> value of 0.521, whereas the R-square appropriate value for rejecting the null hypothesis must be above 50%. A p-value less than 0.05 indicates significant variance among the variables. The p-value is .008, which shows that the FL level is significant for managers of SMEs. The results of the regression test demonstrate that there is an association between FL and SME managers. In addition, the outcomes are opposite to those of the null hypothesis.

Hence, **H<sub>12</sub>**: The above analysis has proved a significant role of SME managers at the financial literacy level.

### Hypothesis 3

**H<sub>03</sub>**: FL level does not impact the access to SMEs' finance.

**H<sub>13</sub>**: FL level impacts the access to SMEs' finance.

### Bivariate Correlations

Bivariate correlation is generally used to define the consequence that two or more phenomena occur simultaneously; hence, they are associated.

**Table 8 Bivariate correlations**

		Through FI/literacy, exports and foreign transactions influence SMES" interactions with banks/financial institutions	Through FI/literacy, the lower taxes increase SMEs' transactions with Banks/financial institutions
Through FI/literacy, exports and foreign transactions influence SMES" interactions with banks/financial institutions	Pea Corr	1	.238
	S (2-t)		.031
	N	25	25
Through FI/literacy, the lower taxes increase SMEs' transactions with Banks/financial institutions	Pea Corr	.238	1
	S (2-t)	.031	
	N	25	25

Table 8 illustrates the correlation test results for the associations between FL (the independent variable) and access to SME financing (the dependent variable). The Pearson correlation test p-value is .031, and the correlation value is 1, a positive value that demonstrates that FL and access to SME financing are correlated. Hence, the correlation test contradicts the null hypothesis.

### HYPOTHESIS 4

**H<sub>14</sub>**: There is an association between the accessibility of financial services and the economic growth of SMEs.

**H<sub>04</sub>**: There is no association between the accessibility level of financial services and the economic growth of SMEs.

## T Test

A t-test is a numerical test applied to associate the significant means of two data groups. It is commonly utilized to test hypothesis mean values based on dependent and independent variables.

**Table 9 One-Sample Statistics**

	N	M	St. D	St. EM
Lack of capital impacts the growth of SMEs.	25	1.36	.638	.128
Knowledge of finance impacts the accessibility of credit/loans.	25	2.00	.957	.191
The level of collateral is significant for accessing the loan	25	1.80	.764	.153
The high interest rate for the loan affects the accessibility of financial services.	25	1.76	1.052	.210

**Table 10 One-Sample Test**

	Test Val = 0					
	t	df	S(2-t)	M Diff	95% C I of Diff	
					L	U
Lack of capital impacts the growth of SMEs.	10.663	24	.000	1.360	1.10	1.62
Knowledge of finance impacts the accessibility of credit/loans.	10.445	24	.000	2.000	1.60	2.40
The level of collateral is significant for accessing the loan	11.784	24	.000	1.800	1.48	2.12
The high interest rate for the loan affects the accessibility of financial services.	8.365	24	.000	1.760	1.33	2.19

The above table specifies the one-sample test used to describe the association between the accessibility level of financial services and the economic growth of SMEs. The t-test showed that the p-value was .000. This section highlights the independent variable (financial services) and dependent variable (SMEs' economic growth) of the hypotheses. The value determines the association between the variables. External financing surely impacts the balance of payment (BOP), represented through SMEs' labor and organizational productivity in emerging and developed countries. Economic constraints delay productivity and represent important difficulties for efficient business actions. Hence, the test results contradict the null hypothesis and prove that hypothesis H1 is accurate.

Hence, **H<sub>14</sub>: There is an association between the accessibility of financial services and the economic growth of SMEs** has been proved from the above analysis.

### Qualitative analysis

#### To assess the impact of FL level and FI on the access to financing of SMEs

MSMEs are key drivers of socioeconomic development. In Zambia's case, a myriad of policies and strategies have been associated with the development of MSMEs. These efforts have aimed at enhancing MSMEs' participation in industrial development through linkages between MSMEs and large firms.

**Table 11 Budget of enterprises**

Policy Measure	Activities	Indicators	Budget (ZMW)
Promote MSME growth in non-traditional sectors	Integrate Smallholder farmers into commercial value chains	Number of Smallholder farmers integrated into commercial value chains	1,000,000
	Facilitate access to FISP by Small Scale Farmers	Number of Small Scale Farmers accessing FISP	500,000
	Link Artisanal Miners with Mining Investors	Number of Artisanal Miners linked with Mining Investors	500,000
	Providing Empowerment funds to MSMEs through the Citizens' Economic Empowerment Commission (CEEC) to support empowerment	Number of MSMEs empowered with funds to support empowerment products	2,500,000,000



	products		
	Support the implementation of the MSME Supply Chain Programme in the Mines	Number of MSMEs participating in the Mining Supply Chain Programme	100,000
	Facilitate participation of MSMEs in the tourism sector	Number of MSMEs operating in the tourism sector	100,000
	Facilitate participation of MSMEs in the Energy sector	Number of MSMEs operating in the Energy sector	100,000
	Facilitate MSME participation in the Construction Sector.	Number of MSMEs engaged in the Construction Sector	100,000

In the case of Zambia, according to the Financial Scoping Survey Report by the Bank of Zambia and ILO for 2021, MSMEs subsidize 70% of GDP and 88% of occupation and explain nearly 97% of all businesses constructing a substantial share of local and export salaries and providing a large share of proceeds to the mainstream of the functioning populace in Zambia.

These constraints include partial access to affordable financing, partial access to local and foreign markets, poor uptake of technology, lack of innovation, weak entrepreneurial culture, inadequate decentralization of services that support MSMEs, poor collaboration among businesses, and fragmented MSME development interventions as a result of overlapping institutional mandates.

#### To assess the impact of FI in MSME

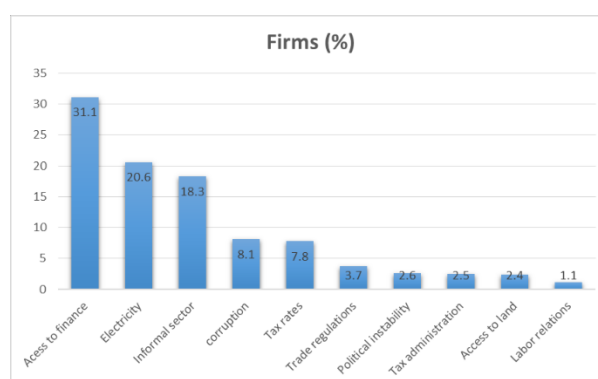
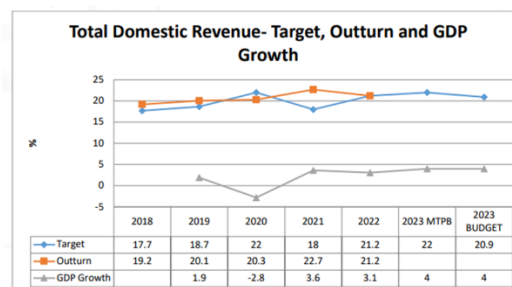


Figure 3 Challenges of MSME firms

Figure 3 illustrates the percentage of firms reporting various issues affecting their operations. Access to finance is the most significant issue, with 31.1% of firms identifying it as a concern. Financial access and electricity supply are the most critical barriers for firms, indicating a need for improvements in financial systems and infrastructure.

### To evaluate the association between the accessibility level of financial services and the economic growth of SMEs

The Zambian economy is characterized by many MSMEs contributing to job and wealth creation. MSMEs account for 97 percent of all businesses, contributing 70 percent to gross domestic product (GDP) growth and 88 percent to employment creation. The full potential of MSMEs has yet to be tapped. According to the 2020 Labour Force Survey, the national combined unemployment rate for males and females was 37.3%, compared to 41.2% in 2018. It was higher for females at 44.1 percent and 31.8 percent for males.



**Figure 4 Total domestic revenue and GDP growth**

From the above figure, it is obvious that when the frugality decreased, as in the year 2020, when the frugality decreased by 2.8%, the revenue underachieved and was below the target. It could also be perceived that when frugality increased in 2021, income was an overhead target of 22.7% of GDP.

### 3.3. Discussions

The existing research results (Abbasi, Alam, Brohi, Brohi, & Nasim, 2021) have insinuations for executives and policymakers in SMEs. SME managers stressed about increasing debt investment might use P2P (purchase to pay) loaning Fintech to match their necessities. In association with policymakers, the outcomes endorse consolidating the country's organizations that might surge P2P loaning Fintech start-ups, causing better access to SME finance. Similarly, the present study illustrated FI in Zambia, which would help access and use a wide-ranging quality and reasonable economic products and facilities. It also opens up prospects for improved means of support and sources of revenue.

The prevailing study (Eton et al., 2021) exposed that economic inclusion is important in supporting the growth of SMEs. It also discovered that the price of obtaining and examining economic services is great. There is a struggle in utilizing some of the economic amenities, and the method financial workers treat economic users requires a specific degree of esteem and self-respect. Digital economic service

providers must encourage their customers to implement digitalized economic services that are risk-averse, secure, and cheap. Similarly, the current research identified the significance of FI in enhancing the accessibility of financial services because economic services are critical to frugality. Without them, persons with currency to protect may have concerns about discovering those who want to pirate. The study also exposed that without economic services, people will be so determined to save money on sheltering threats that they may not purchase more goods and amenities.

The findings of the preceding study (Ye & Kulathunga, 2019) discovered undeviating optimistic effects of economic literacy, contact to investment, and economic risk approach on sustainability. Economic literacy also developed as an analyst of access to investment and economic risk attitude. Furthermore, access to investment and economic risk approaches were established as limited intermediaries of the association between economic literacy and sustainability in SMEs. Likewise, the present study considered FI as access to financial services that could aid in building economic status through credit, savings, loans, insurance, and equity. Thus, effective FI is essential for the SME sector because SME plays a vital in the economic growth of the nation.

Even though, there exists some limitations to the research study. It lacks generalizability due to a small sample size that could not represent the entire populace of SMEs in Zambia. Furthermore, there could be a response bias, as SME managers might provide desirable answers out of fear of repercussions.

#### 4. CONCLUSION

FI and FL are critical components for enhancing access to finance for SMEs in Zambia. The study highlights that while financial inclusion initiatives aim to provide SMEs with access to essential financial services, the effectiveness of these initiatives is significantly influenced by the FL of entrepreneurs. Enhanced FL equips business owners with the knowledge and skills to navigate financial products, manage their finances effectively, and make informed borrowing decisions, ultimately leading to improved business performance and sustainability.

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