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                                       IMPACT ON BUSINESS PERFORMANCE,
                                       THE ZIMBABWEAN SMES EXPERIENCE

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DEDICATION

I dedicate this research work to my family, precisely my wife Rudo Chinata Nyarusanga and my children for their patience and tolerance when l could not afford them enough time as husband and father at the time they needed my physical presence which l could not guarantee especially during the final stages of the research process.

I also dedicate this research work to the many SME businesses in Zimbabwe and Africa as a whole, who carry the expectations of many economies as the new economic frontiers of hope for value creation after the demise of the once thriving corporate world from world-wide economic calamities otherwise called world economic crises.

ABSTRACT

The research study was an evaluation of financial literacy's impact on business performance, the Zimbabwean SMEs experience. The study was based on a survey of SME businesses across Zimbabwe who were reached for responses through structured questionnaires and interviews. The researcher used both primary and secondary data sources from a sample of 300 respondents. The sample was chosen from various value chain players across industries dominating the Zimbabwean SME landscape. The data collected were analysed using the SPSS Statistics Version 21 application to conduct the reliability tests (Cronbach Alpha), correlation and regression analysis which produced descriptive statistics such as frequencies, simple percentages out of which the comparatives between the variables of the model were tested using multiple linear regression analysis. Testing the firsts to third hypotheses, at 5 % level of significance, the p-values (0.0005) were all lower than the significance level and concluded that at the 95% significant level financial literacy impacts business performance of SMEs to a greater extent. For all the hypotheses tested the null hypothesis was accepted and the alternative hypotheses rejected. After testing the second hypothesis, it was concluded that financial literacy is highly and positively correlated with business performance. The probability value of the regression analysis was used to test the third hypothesis at the same level of significance and since the p-value was also lower than the significance level, it was concluded that there are other factors that impact on business performance such as the internal and external factors to business. Overall it was therefore concluded that financial literacy level impacts highly on business performance of SMEs and among key recommendations is that governments prioritise literacy training of SMEs as they are critical to economic growth. The study also recommended that future studies look at other aspects such as the impact that external factors have on SME business performance

ACKNOWLEDGEMENTS

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CHAPTER ONE

INTRODUCTION

This chapter discussed the background to the study, the statement to the problem, the research objectives and research questions, the significance of the study, scope and limitations of the study and the operational definitions of key terms.

1.1.0   Background to the Study

Zimbabwe ranks among Africa's highly literate nations with 94 percent of the adult population considered to be literate (The Sunday News, 14 July 2018), thus according to Zimbabwe's Higher and Tertiary Education, Science and Technology Development Minister, Professor Amon Murwira. The last official report issued by the Economist in 2015 showed the country's adult literacy level at 86.9% and the jump to 94% is indeed a great achievement when compared to the country's own African peers. Despite this good performance in general literacy levels, the 2012 FinScope MSME Survey and the 2014 FinScope Consumer Survey revealed low levels of both financial literacy and financial inclusion. The 2012 FinScope Survey reported that 23 percent of the nation's adult population was financially excluded whilst only 30 percent of these made use of banking services. The survey also noted that only 14 percent of MSME owners were banked and only a meagre one percent of the adult population made use of capital market services.

The World Bank Consumer Protection and Financial Literacy Diagnostic Report 2014 showed a low financial literacy level despite Zimbabwe generally having a higher literacy rate. These low level statistics in financial literacy are indeed alarming yet Zimbabwe's economy is largely buoyed by SMEs and MSMEs that averagely contributing more than 50% of gross domestic product (GDP) and employment creation

(African Economic Outlook, 2019). From a regional standpoint, Irene (2017) cited Abor and Quartely (2010) and provided a Southern African perspective stating that SMEs contributed 57% towards the GDP and accounted for 61% of jobs created in the country. From a global perspective however, Stouraitis, Harun and Kyritsis (2017) cited Gerlach-Kristen, O'Connell and O'Toole (2015) indicating that SMEs contributed towards 50% of the global GDP and 60% of global employment.

However despite this modest contribution to national economic growth, Zimbabwe's SMEs continue to remain largely informal due to several limitations and among these is lack of financial and business training, as well as failure to access financial support from banks (Ayyagari et al. 2016; Naude & Chiweshe 2017).Hussaina et al (2017) affirmed the same view and argued that entrepreneurs are essentially indispensable in economies of today's world as they play a key role in advancing economic growth for both the developing and developed worlds.

This paper is investigating the extent to which financial literacy impacts on business performance, the Zimbabwean SMEs experience. The context of measure for the purpose of this study include extent of financial awareness, the level and command of financial discipline of the entrepreneur (debt management), access to credit, book keeping and a culture of saving, use of insurance products to cover business interests, risk management and portfolio diversification through proficiency in the use of various financial instruments to leverage on opportunities in the stock, money and capital markets For the purposes of this study, the business performance benchmarks were categorized in terms of the four quadrants of the Balanced Score Card BSC, a performance measure popularized by Robert S Kaplan and David P Norton (1999).

Business performance is generally measured in so many ways and at many different levels. However, depending on purpose and terms of reference of the engagement, the performance measures can be expressed as a composite report of both qualitative and quantitative perspectives or singularly as independent outlooks (Siekei et al, 2014). Thus the performance measure and criteria of literacy level assessment sought in the

research study is some level of business acumenship, characterized by dynamism with a clear command of specific financial management attributes.

1.2.0   Statement of the Problem

Financial literacy has attracted a lot of attention in business especially after the world economic crisis of 2008-2012. Statistics show low levels of financial literacy among Zimbabwean adult population (FinScope Surveys, 2012 and 2014) yet the contribution of SMEs to economic growth of the country as measured by GDP and employment creation is inexplicably high (African Economic Outlook, 2019). Many of the research studies undertaken across the world on the subject matter seem to conclude that financial literacy is central to business performance but the Zimbabwean experience appear to suggest that whilst this is true to some extent, such perspectives are not however conclusive. There appears to be other important factors that are equally key to business performance of SMEs other than the predominance of financial literacy as the single key factor. These factors are the subject of this study. The research study is to assess the extent that financial literacy impact on business performance, the Zimbabwean SMEs experience. The relevancy of the study is supported by the mismatches in the correlation of financial literacy level and business performance of SMEs in Zimbabwe as given by different separate research studies on the subject matter (FinScope Surveys 2012, 2014 and African Economic Outlook, 2019)

1.3.0   Research Objectives

This study sought to evaluate the extent that financial literacy impact on business performance, the Zimbabwean SMEs experience. The study was guided by the following objectives:
(a)To assess the financial awareness level of SMEs and the extent that this has a bearing to businesses performance. Financial awareness in this context is knowledge about effects of the following in business performance; inflation, cash flow management, bookkeeping, savings, participation on the stock market, hedging mechanisms.

(b)To determine the extent that the SME businesses are able to access finance from banks and markets for their products and services. This is with respect to availability of finance to SMEs, the appropriateness of financing structure to business, interest rates, choice of credit facilities, availability of markets for SME products and services,

(c)To evaluate the risk culture of SME Businesses and the extent that this affects their business performance. This is with respect to risk philosophies of SME business, portfolio diversification, regulatory risk, change management, supply risk and demand risk

(d) To assess the business performance trends of the SMEs vis-a-vis the financial literacy competency trends as measured against stated objectives (a), (b), and(c) above. Business performance in this case is measured in the context of profitability, business growth in terms of sales, internal controls in terms of compliance and the staff level of competence

(e)To assess other factors underpinning business performance and recommend some of the key business management traits to be exploited in complimenting financial literacy in coming up with a dynamic business entrepreneur.

1.4.0   Research Questions

(a) How much do SME business owners know about basic financial information and the extent that this has on their business performance?

(b) For these SMEs how many have been able to access finance with a bank and markets for their products and services?

(c) Do the SMEs have formal risk management framework to deal with specific risks and how does this impact their business performance?

(d)How have the SME businesses faired between 2016 and 2018 trading periods as assessed against financial literacy trends exhibited by the SMEs in their responses on selected financial literacy questions?

(d)What are other key determinant factors spurring the performance of Zimbabwean SME businesses other than financial literacy?

1.5 Statement of Hypothesis

The following general hypotheses were developed to guide the study on the extent to which financial literacy impacts on business performance of SMEs. According to Chepngetich (2016), capacity building of SMEs in terms of improving their financial literacy and management training is shown to have a positive impact on SME

development. Yet Kamakia and Mwangi (2017) citing Ajzen (1991) extended the theory of planned behaviour to explain peoples' intention to behave in a certain manner under perceived behavioural control. Their study on personal finance revealed that financially literate individuals may not always act in their own best interest to improve their financial wellbeing. Thus the study's first hypothesis is that:

H0^1-Financial literacy impacts to a greater extent on business performance of SMEs

The Alternative Hypothesis **H$^{1:}$** Financial literacy impacts to a lesser extent on business performance of SMEs

In another study by Koitaba (2013), financial literacy has been shown to be essential in improving transparency, efficiency, accuracy and accountability resulting in the organisations achieving their objectives. Thus according to Chepngetich (2016) understanding the predictors of success in SMEs is critical. From the World Bank Consumer Protection and Financial Literacy Diagnostic Report of 2014 it was reported that Zimbabwe has a low financial literacy level despite the country generally having a higher literacy rate. However the African Economic Outlook (2019) reported that the Zimbabwean economy is largely buoyed by SMEs and MSMEs that averagely contribute more than 50% of gross domestic product (GDP) and employment creation. Arguing from Koitaba' s (2013) and Chepngetich' s (2016) views, low level financial literacy would be expected to give correspondingly low level business performance. This difference in what was reported about financial literacy level of SMEs and how the business performed is what created second and third hypothesis that: :

H0^2-; High level SME financial literacy results in high business performance

The Alternative Hypothesis H$^{2;}$ High level financial literacy does not result in high business performance

The third Hypothesis is that: H0^3; SME business performance is determined by many factors other than just by the entrepreneur's level of financial literacy

The Alternative Hypothesis H^3; SME business performance is not determined by many factors other than just the entrepreneur's level of financial literacy

1.6.0 Significance of the Study

(a) Considering that the SME sector is a key driver to the economy in terms of contribution to GDP and employment, it is important to therefore seek new knowledge in the ways that the sector could be improved.

(b) In regard to the SME business owner or manager, the study sought to assist in the organisation of SMEs in their struggles for acceptance by the nation as serious entrepreneurs who understand the financial implications of their decisions to the well-being of companies they lead and thus their contribution to the overall economy.

(c) The study also sought to solicit SME entrepreneurs support to participate in consultative processes on financial literacy programs rolled out by the Reserve Bank of Zimbabwe (RBZ) through banks so as to improve their level of financial literacy.

(d) In relation to policy makers, the study endeavoured to change and seek redesign of national and other developmental policies and programmes which contribute directly or indirectly to reduce financial literacy levels, deprivation and discrimination of vulnerable groups in society such as MSMEs that are financially excluded.

(e) To national governments, the study sought to secure greater accountability of state agencies whose laws and policies impact negatively on SME development. In turn this would enable governments not only to condemn all forms of discrimination against SMEs that are financially excluded but to further formulate and implement strategies towards elimination thereof.

1.7.0 Assumptions of the Study

This study was based on the following assumptions:-
(a) That the chosen sample was representative of a typical SME business as it was drawn from value chain players covering almost all sectors defining the SME landscape in Zimbabwe. This assumption assures reliability of information and the generalization of results to the Zimbabwean SME experience.

(b) That the research design adopted was considered appropriate for large population and a correspondingly large sample. It was assumed that respondents would have the same understanding of the questionnaire since they are all SMEs operating in the same economic sphere.

(c) That the respondents will all have access to and are able to use a computer since the survey is e-mail based.

(d) That although the information obtained generally characterize the Zimbabwean SME experiences, the same information can be generalized to other SMEs operating in developing countries with similar economic circumstances

(e) That all respondents and stakeholders in the study would freely cooperate and participate in the research process.

1.8.0 Delimitations of the Study

The study focused on three hundred (300) SMEs some of who are affiliated to SME Association of Zimbabwe and others who are in the database of the Ministry of Small and Medium Enterprises. The sample was randomly selected from various value chain clusters in the 10 Provinces of Zimbabwe. It is therefore assumed that the sample represented a fair distribution of different value chain business profiles of Zimbabwean SMEs. The distribution of the questionnaires was made easy as the SME Association of Zimbabwe has representative offices in all the ten administrative provinces of Zimbabwe. This however promoted both feasibility and capability of the study to be completed in time due to coordinated distribution of questionnaires to the study sample. The findings of the study are generalised to the entire country since the variables of study are uniquely similar. The selection of the subjects was nevertheless premised on their relevance to the study. The study sought to prompt information pertaining to the extent that financial literacy level impacts on business performance, the Zimbabwean SMEs experience.

1.9.0 Limitations of the Study

Zimbabwe's SME business landscape is unique to itself due to its exclusive socio-economic and political setting. Thus the complexity of its nature literally makes it relatively difficult to compare or generalize findings to the region. For its survival Zimbabwe drives performance through a mixture of command and to a less extent liberal economy whereas the majority of neighbouring countries appear to have liberalized economies with floating currencies guided by the fundamental economics of the day. Generalization of information may however be made to similar developing countries with similar economic circumstances and affected by almost similar socio-political circumstances.

1.10 Definition of Key Terms and Acronyms

BAZ-: stands for Bankers Association of Zimbabwe. It is a Trade Association of Banks in Zimbabwe. Its main mandate is to support the banking business of the member banks. It conducts research and planning concerning banking-related matters, expresses the industry's opinion on various issues and provides policy recommendations.

BSC-; stands for balanced score card. Developed by Robert Kaplan and David Norton in 1992 it has gained popularity and has already widely been used by many companies in the world (Helen Atkinson, 2006). It is a strategy performance management tool – a semi-standard structured report that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions

Financial literacy-; refers to the knowledge of money and financial products that people can apply to financial choices in order to make informed decisions about how to handle their finances

GDP-; stands for gross domestic product. It is the total market value of the goods and services produced by a country's economy during a specified period of time. It includes

all final goods and services—that is, those that are produced by the economic agents located in that country regardless of their ownership and that are not resold in any form.

MSME-; stands for micro-small and medium enterprises. In Zimbabwe MSMEs are largely categorized under very informal businesses that are run by individuals, or groups of people as very small businesses and usually without proper registration as required by the law governing operation of businesses in Zimbabwe.

RBZ-; stands for the Reserve Bank of Zimbabwe. This is the Central Bank for Zimbabwe which is largely the Government's Treasury through the Ministry of Finance and Economic Development. The RBZ is mandated with several roles such as being the lender of last resort, bank supervision, issuance of notes and coins, formulation and presentation of term monetary policies as well as being the country's custodian of gold and bullion.

SME-; stands for small and medium enterprises. According to the RBZ definition (March 2013 MPS) an SME is business registered according to the Zimbabwean laws, having an average annual turnover of between thirty thousand dollars and five million dollars. The business also should have between five and twenty permanent employees. In terms of capitalization it should be capitalized to between ten thousand dollars and two million dollars (RBZ-Monetary Policy Statement March 2013).

UNDP-; stands for United Nations Development Program. It is the United Nations' global development network. Headquartered in New York City, UNDP advocates for change and connects countries to knowledge, experience and resources to help people build a better life for themselves.

ZEPARU-; stands for Zimbabwe Economic Policy Analysis Research Unit. It is an autonomous economic policy analysis and research institution "think tank" established in 2003 by the Government of Zimbabwe with financial assistance from the African Capacity Building Foundation (ACBF)

ZIMRA-; stands for Zimbabwe Revenue Authority. It The Zimbabwe Revenue Authority, which derives its mandate from the Revenue Authority Act [Chapter 23:11] and other subsidiary

legislation, is responsible for assessing, collecting and accounting for revenue on behalf of the State through the Ministry of Finance.

ZIMSTAT-; stands for Zimbabwe National Statistics Agency. The agency is the main source of official statistics in Zimbabwe and is mandated to play a coordination and supervisory role within the National Statistical System. ZIMSTAT has the authority to certify and designate any statistics requirements of good statistics were met (www.zimstat.co.zw).

1.11 Summary

This chapter looked at the background to the study, the statement of the problem, the research questions and objectives, the significance of the study, the scope and limitations of the study and operational definitions of key terms. The next chapter reviewed related literature under the following sub-headings:- The purpose of literature Review, What is financial literacy? SME Development, What is financial knowledge and how does it impact on business performance, the importance of financial behaviour in determining business performance, Understanding the impact of financial attitude in business, How does financial literacy influence business development? Measures of literacy in Small and Medium Scale Enterprises, Why and how is business performance measured? Measures of financial literacy, Measures of business performance, the balanced score card BSC, 2014 FinScope Survey highlights, Summary and conclusion of literature review, The Gap Analysis and Hypothesis Development

CHAPTER TWO

LITERATURE REVIEW

2.0.0 INTRODUCTION

The previous Chapter discussed the background to the research problem with emphasis on bringing out the motivation to the study. Chapter Two will review related literature with particular reference to existing knowledge from previous research work on the subject matter of the relationship between the performance of a business enterprise and the level of financial literacy of a contemporary business entrepreneur. The scope of study is limited to the Zimbabwean SMEs although wide reference is also made to related studies outside Zimbabwe's borders.

2.1.0 The Purpose of Literature Review

Remenyi (2001) states the purpose of literature review as to establish the area of study, establish a theoretical framework for the subject area of study and to identify studies, models and cases supporting research topic. Literature review is important in research as it assists the researcher to identify gapes between previous and current studies of the same subject matter. One is not expected therefore to produce a sound and useful study without the previous literature and knowing what is left to be done (Borg and Gall, 1983). This Chapter will review related literature from other Researchers. Such literature will be drawn from the national content as well as from beyond the Zimbabwean borders. The researcher studied past work on the subject matter to appreciate what other scholars discovered.

2.2.0 Theoretical Literature:

The study focused on three theories, the dual process theory, the social learning theory, the financial literacy theory. According Lusardi and Mitchell (2011) the behaviour of people with some high level of financial literacy depends on the prevalence of the dual process theories which are generally referred to as the intuition and cognitive theories. Found in social, personality, cognitive, and clinical psychology, the dual process theory explain how thought can arise in two different ways. Founded by William James and later developed by other researchers the theory posits that there are two distinctively separate cognitive systems underlying thinking and reasoning and that these different systems were developed through evolution. It is believed that learning ability is dependent on the existence of these two processes. This is supported by some studies that argue that some psychological attributes associated with money management can be culturally and experientially acquired (Gorman et al., 1997). Kimunduu et al (2016) argues that financial literacy is positively related to self-beneficial financial behaviour. In explaining the relationship between financial knowledge and financial behaviour, Hilgert, Hogarth, and Beverly (2003) found that people with low financial literacy are more likely than others to base their behaviour on financial advice from friends and are less likely to invest in stocks.

2.3.0 Conceptual Framework

Financial literacy is a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decision and ultimately achieve individual financing wellbeing (OECD). In this study, the dependent variable was the business performance as measured by profitability, the size and rate of stock turnover (sales), compliance level of business, staff competency level and the customer base. The specific factor which contribute to either progress or regression of the business constituted the independent variable. This was level of financial literacy of the SME. However Shiamwama, Ombayo and Mukolwe (2014) in their study of business retirees who went on to start businesses found out that besides other key factors there were both internal and external factors that affect business performance. These include the physical and mental strength of the SME, his or her entrepreneurial skills, human relations skills, experience in business, financial stability and family base of the SME,

competition in the external environment, price changes, technological changes, political social factors and legal as well as cultural factors. Fatoki (2014) further posit that both the internal and external factors interacted to influence the business management strategy that the SME engaged in business adopted eventually determining the overall performance of the businesses.

According to the study, interaction between the stated variables affected the business management strategy adopted, which could be cost efficient, product or market diversification.

The study concluded that business firms develop firm-specific resources as they absorb inputs from the environment as a result of the firm's interactions with the external pressures from social, economic, technological and political forces in the environment (Matewos et al (2016)

Figure 2.0 The Conceptual frame work showing dependent and independent variables
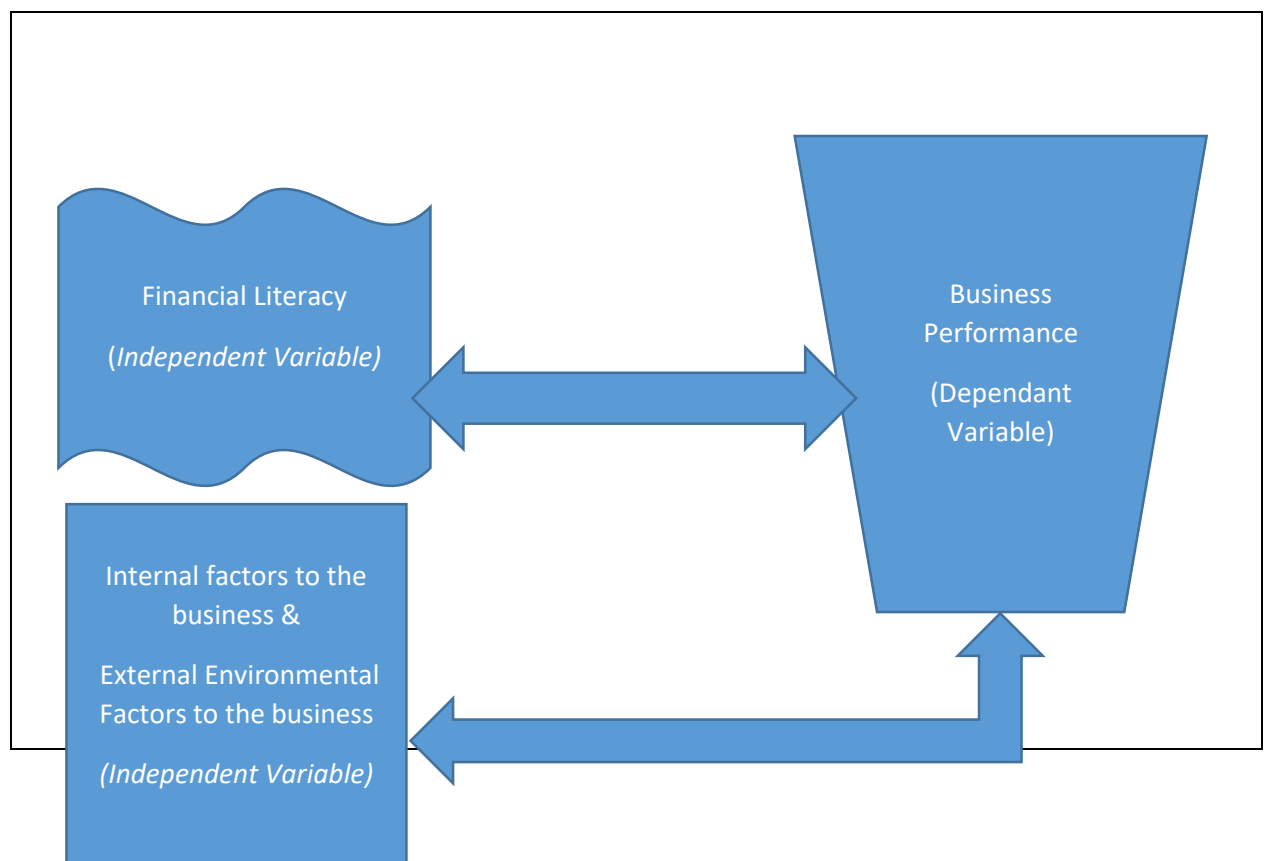
2.3.1 What is Financial Literacy?

Financial literacy is the mastery of a set of knowledge, attitudes and behaviours. Fatoki (2014) defined financial literacy as a precise form of knowledge, the capacity to relate that knowledge, perceived awareness, better financial behaviour, and smooth financial attitude. Thus even though several definitions exist for financial literacy, there appears consensus to the view that financial literacy is part of critical managerial competencies in entrepreneurial business performance and therefore determine the extent of its growth as well (Graf, 2012). Abdullah & Azam, 2015 and Eniola (2016) alluded to this general assertion too describing financial literacy as an acquired business skill through education and understanding of knowing how money is made, spent, and saved, as well as the skills and ability to use financial resources to make decisions. These financial decisions include prudential judgement on how to generate, invest, spend, and save money. Thus the skill involves far-sightedness in decision-making of activities regarding identifying, acquiring, allocating and efficient distribution of scarce economic resources (ACCA, 2014). Recent studies in subject matter has proffered financial literacy as a key element of civilization. Financial literacy is built on three main pillars which are financial knowledge, financial attitudes and financial behaviours (Schuhen, 2014). These are all dimensions in financial literacy and are discussed in detail below:

2.3.2 What is financial knowledge and how does it Impact on Business Performance?

According to Lusardi and Mitchel (2014), financial knowledge is all about appreciating how business performance is measured by the psychosomatic model to augment timely decision making. Lusardi, (2014) proffered that there is a link between financial literacy and low-cost borrowers. He argued that most high cost borrowers show very low levels of financial literacy, lack knowledge of basic financial concepts, which affect their business performance level. In another related study carried out by Abubakar (2015) it was revealed that the will power within an individual to master financial literacy has a bearing on the extent of his or her appreciation of the subject matter and that generally people who invest in financial knowledge have a higher level of financial literacy. This view was corroborated in another related study by Gupta and Kaur (2014) who found

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out that entrepreneurs with best financial knowledge keep comprehensive business financial records and that they appear to have more competitive advantage with regards to accessing external funding more than those who had no records. Summing it up Lusardi (2014) underlined that entrepreneurial business owners who have better financial knowledge and who put this to use, showed more financial comfort. In confirming the same view point, Lusardi (2014) and also Drexler, Fischer, and Schoar (2014) advanced the view that financial literacy is indeed an important determinant of one's flexibility in the application of sophisticated financial instruments such as participation in the stock, money and markets from a global perspective, beating frontier and geographical barriers as it was before the world became a simple global village. Thus generally the conclusion reached by many researchers in the field of study suggests a strong positive correlation between financial literacy and business performance level. In fact the studies point out that the confidence and ability to read, appraise, manage and debate financial conditions is an important skill in financial knowledge (Dahmen and Rodríguez, 2014).

2.3.3 The Importance of Financial Behaviour in Determining Business Performance

Financial behaviour is human behaviour that is relevant to money management. Best financial behaviour therefore involves understanding the overall impact of financial decisions and to make the right decisions related to the cash management, taking calculated risks and opportunities (Zeynep, 2015). This view was corroborated by Musie, (2015) whose research study shows that financial behaviour supports the decision-making processes such as the desire to invest, disinvestment, debt management and business planning which equips the business entrepreneurs with necessary skills to improve their business performance. In another related study by Bucher-Koenen et al., (2014) it was found that entrepreneurs with low financial literacy are more likely to base their financial advice from friends and are less likely to participate in the stock market. Equally, good financial behaviour is begets good financial decisions ensuring good business performance (Zeynep, 2015). This view was also shared by Drexler, Fischer, and Schoar (2014) who found that most entrepreneurs in developing countries fail because they lack good financial behaviour and business insight which all

undermines entrepreneurial performance. According to Matewos et al, (2016) proper good financial behaviour practice helps innovative business owners in both developed and developing economies to augment their business performance through proper decision making. Thus good financial behaviour drives performance and competitiveness of the entity on the global market while poor financial behaviour may lead its demise (Oseifuah, 2010). Accordingly financial behaviour is a key determinant of business performance and if applied appropriately, maximizes benefits for entrepreneurial business owners (ACCA, 2014).

2.3.4 Understanding the Impact of Financial Attitude in Business Performance

According to Kebede (2017) financial attitude is the practice of applying financial principles in order to generate and maintain value through appropriate decision making and resource management. Financial attitude is a key element with substantial influence on financial management practice (Lusardi, 2014). Financial attitude however is improved through obtaining appropriate information (Efe, 2014). Application of the right financial attitude in financial matters therefore nurture sound risk management principles and diversification (Jonsson et al., 2017). Similarly, therefore careless financial attitudes such as the application of lackadaisical risk management practices in the use of money and money's worth, taking uncalculated investment decisions all have a bearing on business performance of the entrepreneur (Usama and Yusoff, 2018). In related studies conducted by Fatoki, (2014) it was revealed that the majority of the micro enterprise owners in South Africa do not have insurance policy to cover their business in terms of uncalculated hazards which in turn affect their business performance negatively should the unforeseen peril happens. Financial attitude is therefore a key determinant of financial management and in particular investment decisions (Awais et al., 2016). Business diversification has been found to minimize business risk and increase performance and long-term survival (Chu et al., 2017). It is however the attitude of the entrepreneur that plays a significant role in determining business performance based on risk management strategy applied (Fisher & Yao, 2017). The importance of financial behaviour of the entrepreneur cannot therefore be underestimated in business success (Bruhn & Zia, 2011).

2.4.0 Empirical Literature

2.4.1 Development of SMEs

The Zimbabwean economy has undergone momentous structural transformation in the last decade that has inexorably pushed further the growth of informal sector which is largely made up of the MSMEs and SMEs (ZEPARU and BAZ Report, October 2014). As a result of this, an increasing number of the active labour force is being absorbed in this sector. The informalization of the economy has triggered anxieties and questions from several quarters. Policy makers are naturally interested in formalizing the informal sector and in particular the Zimbabwe Revenue Authority which is faced with a shrinking formal sector and tax base. The banking sector on the other hand is interested in promoting financial sector deepening which is financial inclusion and how to nurture players in this sector to contribute towards savings mobilization. Harnessing resources from the informal sector is therefore a critical pillar in the inclusive financial sector development agenda

On 24 January 2014, the Zimbabwe Independent reported that in 2012 the World Bank conducted a comprehensive scientific survey of the MSME and SME sector in Zimbabwe, with the data being validated extensively by ZIMSTAT. It was established that only 15% of all SMEs were registered or licensed, with 85% being in regulatory default by failure to be registered appropriately with relevant trade authorities. Seventy-one per cent (71%) of those registered were compliant with local authorities, 17% with the Registrar of Companies (although such registration did not preclude the need for other registrations), 6% with the Registrar of Co-operatives, and 7% had other registrations. Apart from the information obtained on SME and MSME, formalization issues cropped up and operating locations of the surveyed businesses. Thirty-nine per cent (31%) operated from residential premises, whilst 22% from farms or small holdings, 11% through trading from door to door, 9% from the streets, and only 6% from traditional market facilities.

According to the same source, the study revealed that only 14% of SMEs utilize banking facilities, with only 3% of all the SMEs operating bank accounts in the name of their businesses. The rest operated businesses using personal accounts. From the information obtained in the study the principal barriers in having banking facilities were that total incomes were too little to sustain the bank accounts, and for many of the businesses the income flows were simply irregular. Nine per cent (9%) of those surveyed who did not use bank services stated that their failure to do so was because they had challenges with requisite financial knowledge and were not comfortable with the wording of the account opening terms (The Zimbabwe Independent, 24 January 2014). Similarly 85% of those surveyed did not have any insurance, as this found this to be an unnecessary cost in business, whilst 23% of the uninsured stated that they had never considered recourse to insurance even if they would be insured. Seventeen percent (17%) contended a total lack of knowledge as to how insurance works, whilst 13% alleged that they had never heard of insurance, and 6% stated that they were unaware as to how to access insurance (The Zimbabwe Independent, 24 January 2014).

The survey drew key conclusions and asserted that the MSME and SME sector play an important role in addressing Zimbabwean unemployment, by virtue of employing 5 ,7 million people within the sector, inclusive of owners, notwithstanding that for many their incomes are very limited, well below the Poverty Datum Line (PDL).

2.4.2 How Does Financial Literacy Level Influence Business Performance?

Business performance can be defined as the business' ability to meet and surpass its pre-determined set of objectives or goals as agreed upon by the investors over a given timeframe (Kim, 2017). According to Eniola & Entebang (2015b) ideally the concept of business performance has two calculated outcomes that are frequently referred to in the literature. These considered results are either success or failure. Nevertheless in the field of management, business performance can be taken as measures of good or indifferent management, and never as bad management (Kim & Patel, 2017). Thus business performance measure rests on whether the business has attained its objectives

or not (Mabhungu & Van Der Poll, 2017). This projects performance as one of the key issues that entrepreneurs are seized with in running businesses.

It should be noted however that even as the word "business performance" is often interchangeably used to mean achievement, it is usually referred in literature to mean business growth, survival, profitability, innovation and competition (Eniola, 2016)

Financial literacy improves application and utilization of financial instruments that offer businesses opportunities and thus competitive advantage over the rest of competition (Fatoki, 2014). Conversely, lack of minimum standards in financial literacy can limit entrepreneurs from adequately accessing different financing provision, and for navigating complex loan application (Vincent, 2014). Accordingly financially literate entrepreneurs make better financial decisions and maintain a better overall financial well-being (Gerrans et al, 2014). This is a great competitive advantage which clearly distinguishes success in business of one entrepreneur from another business owner. Financial literacy education therefore ushers on entrepreneurs the ability to recognize and make use of trending commercial opportunities, the confidence to negotiate business contracts, self-esteem and transact profitably (Aminu, 2016; Kisunza, & Theuri, 2014). It has also been found that people who are illiterate are generally slow to understanding subject matters in discussion at for example seminars or training sessions for simple skills such as communication, bookkeeping and accounts as well as project management (Xiao, 2017). This is then the point that distinguishes success and failure in entrepreneurship. It should therefore be noted that financial literacy has a positive influence on the competence of an entrepreneur (Adomako & Danso, 2014).

2.4.3 Measures of Financial Literacy in Small and Medium Scale Enterprises

For the purposes of this study, the following are considered as measures of financial literacy for the small and medium scale entrepreneurs; level of financial awareness, the level and command of financial discipline of the entrepreneur (debt management), access to credit and markets, book keeping and a culture of saving, risk management

and portfolio diversification through proficiency in the use of various financial instruments to leverage on opportunities in the stock, money and capital markets.

(i)   Financial Awareness

Financial awareness in the context of this study is essentially dissemination of principles of smart business financial management along with powerful tools to address every day money decisions in a more informed manner (Adomako et al, 2014). Thus giving the business owner the best possibility to achieve and maintain their business financial freedom, security, while pursuing their business goals (Awais et al. 2016)

(ii)   Financial Discipline and Debt Management

Financial discipline is all about being able to regulate one's spending and making sure only things that ought to be paid are paid for. The hardest part though is to make choices amongst competing priorities. The lesson from Economics is that money is a scarce commodity and that controlling spending becomes a necessity for everyone. This brings about the importance of budgetary control techniques and the ability to resist impulse purchases. Financial discipline is therefore a skill that can be learned just like anything else. Another outcome to this is that spending is a habit too. Thus a key part of financial success is learning the skill of discipline and breaking the habit of spending unnecessarily (Kebede, 2017)

Debt management is a key success factor in business operations as this has a bearing on business performance. Thus many small businesses carry different types of debt depending on their sizes, services or products. Some liabilities therefore relate to daily operations such as credit or financing terms, whilst others involve necessary long-term investments such as capital expenditure on machines and equipment (Codjia, M. (2014). To manage small business debts, it is therefore important to understand current debts, minimum payment schedules and interest rates (Gebremichael, 2014)

(iii)   Access to Credit / Markets and Training Needs

According to African Development Bank Group Report (2014) Small and Medium Enterprises are the best candidates to achieve inclusive growth in Africa as they contribute significantly to the income generation and employment creation. However, financial access is consistently reported as one of the major obstacles to SME's growth and development. Only 20 percent of African SMEs have a line of credit from a financial institution (African Development Bank Group, 2014). Despite these challenges, there has been a growing recognition of the importance of the role that Small and Medium Enterprises (SMEs) play in the economic development globally (Ephraim, M. (2013) In Zimbabwe, despite contributing conservatively 20% to income taxes there is hardly ever any allocation of funding to SMEs in the national budget even where Government has initiated schemes such as DIMAF for large corporations and the Youth Fund for start-ups, nothing has been structured for the infamous "missing middle" which constitutes the larger part of business in Zimbabwe today (SMEAZ Publication, 8 May 2014).

According to the Zimbabwe Government's Business Formalization Strategy Document produced in 2016 undertaken by Probe Market Research lack of capital (74.4) was cited as the major challenge that MSMEs are facing in running their business followed by lack of market access with (23.9). This was identified across all provinces and sectors. This challenge has been identified in numerous previous studies conducted by Women Alliance of Business Association in Zimbabwe and Zimbabwe Art and Craft Association. Globally, SMEs are recognised as veritable engines for job creation, contributing up to two thirds of all formal jobs in developing countries. Access to credit and viable markets is a key factor in supporting the growth and development of SMEs and their ability to generate employment.

2.4.4 Why and how is Business Performance Measured?

In today's business world, business organisations and financiers are demanding more effective performance measurement systems that will not only enhance their performance levels, but give them a competitive edge. In a scientific way, performance,

whether in Government, Business, Investment or Sport ought to be judged against objective criteria. Traditionally, Performance Management Systems have had a financial bias and only produced information for management. As a result, they have ignored the key issues of linking operational performance to the Business's strategic objectives and communicating these objectives and performance results to all levels of the organisation, not just management. Performance measurement standards need improvement in many SMEs businesses. There have been two very different schools of thought as to how this can be achieved. One school advocates that traditional financial measurements should be revised and improved to make them more relevant and effective within a modern business environment. The other urges that businesses should ignore financial measures altogether and focus instead on operational parameters. Both schools of thought accept that no single measure can provide a clear picture of a business. The complexity of managing a business today requires managers to be able to view performance in several areas simultaneously

A concept has been developed by US academics, Robert Kaplan and David Norton, which they have called "The Balanced Scorecard". This measures corporate performance by addressing four basic questions.

• How do customers see us?

• What must we excel at?

• How can we continue to improve and create value?

• How do we appear to existing and potential shareholders?

The Balanced Scorecard (Kaplan & Norton) Figure 2.1
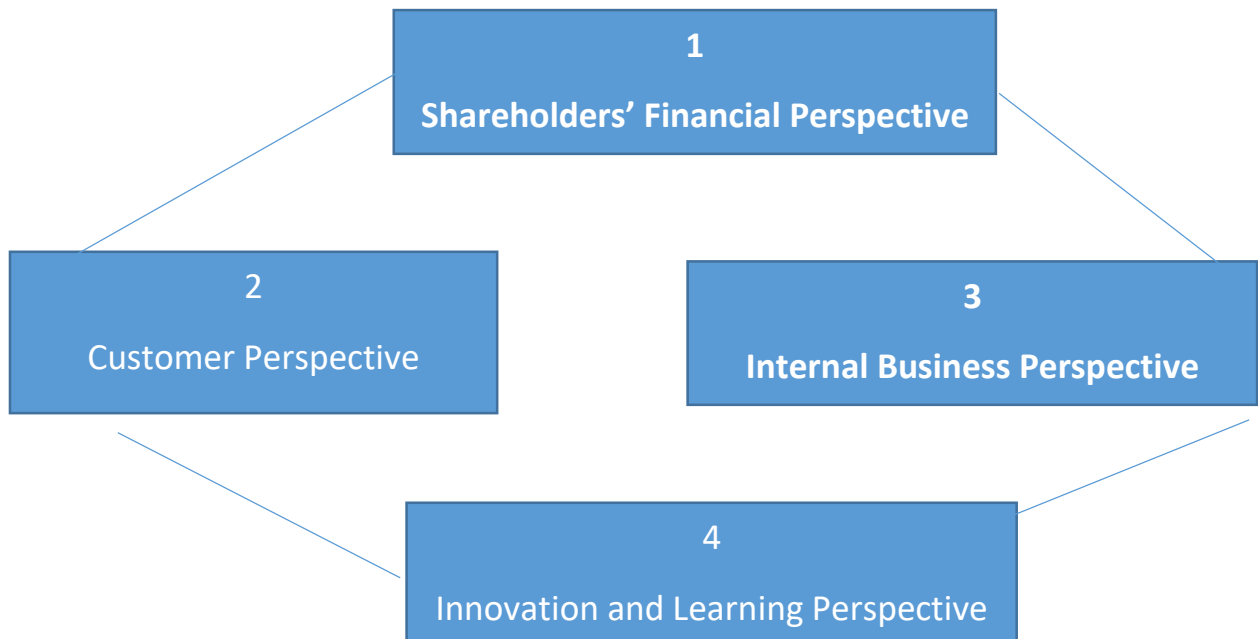
Source: ESS Marketing Pty Ltd - ACN: 078 451 439; Paper 06.73260903

2.4.5 The "Balanced Scorecard" represents an opportunity for business to develop a management system that enhances performance within the dynamics of the business's environment.

(a) Financial Perspective: Profitability

Agha (2014) defines profitability as the ability of a company to earn profit in a business venture. Profit is a function of the difference between expenses and revenue generated from the business activities. In calculating profit, Gross or Net Profit Margins are used. The operating margin is computed by dividing profits by total operating revenue and thus express profits as a percentage of total operating revenue while return on assets is the ratio of income to average total assets, both before tax and after tax, and measures managerial performance. Most SME businesses are however concerned with whether the business has made a loss or profit (Agha, 2014)

(b) Customer Perspective : Sales Growth

Kaplan and Norton (1996) argues that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives. Factors that influence sales growth range from promotion to internal motivation and retaining of talented employees to the implicit opportunities for investments in new technologies and equipment in the production process.

(c) Internal Business Processes

Internal business processes refer to internal processes such as audit and compliancy. This aspect of business has become very important in today's world where issues to do with Sanctions, Know Your Customer, Customer Due Diligence, Anti Money Laundering and Counter Acts of Terrorism have become topical (RBZ Monetary Policy Statement, February 2019). Businesses are therefore urged to be careful with international businesses that they trade with in case they are listed on Special Designated and Blocked Persons List SDN or the United States of America's Office of Foreign Assets Control OFAC. This reference however mostly provides for such businesses as Microfinance Institutions and Banks (https://**ofac**.finra.org)

(d) Innovation and Learning Perspective

Learning and growth perspective is a viewpoint employed in the balanced scorecard BSC to evaluate how well a company develops and retains its employees. The context when applied to SME business development, it refers to the extent that the business appreciates and values continual learning in business finance and general management to keep abreast with trending technologies, innovations and standards of business practice (growththroughlearning.org/)

2.4.6 FinScope Survey: 2014

The Government of Zimbabwe is very alive to the role played by the financial sector in facilitating economic growth. In order to initiate and develop policies that

generates sustainable and inclusive growth, the Government relies on evidence-based information on the financial sector and levels of financial inclusion. Financial inclusion is the extent to which finance and financial products are made available to the generality of the nation's population. To an extent, financial inclusion therefore can determine the extent to which the general citizenry is financially literate. The level of literacy referred to here could simply be personal finances literacy but this level of appreciation is necessary for anyone wishing to go further and understand business finance. The following were the highlights of the FinScope 2014 Survey Report: Changes in the financial literacy profile between 2011 and 2014:

✓ Improvements in education: percentage of people with no education decreased from 7% to 3% in 2014

✓ Savings and credit products are still largely driven by the banks; transactional products are still strong

✓ Accessibility to banking infrastructure still a barrier in rural areas where 70% of adults live

✓ Consumer education and financial literacy are real issues in Zimbabwe which require more study and focus to inform a way forward for positive impact on financial inclusion priorities

2.5.0 Gap Analysis

This research study was motivated by what the researcher sees as yawning gaps in information from existing literature and previous research works that were presented as answers to questions and problems related to the extent to which financial literacy impacts on business performance. According to Tuyisenge, Mugambi and Kemirembe (2015), access to finance correlates strongly with poverty reduction, but literature works suggest that improved access alone may not be enough to improve consumers' economic livelihoods. Similarly it is sometimes blindly hypothesised that generally a higher financial literate citizenry will always produce risk-adjusted financial decisions that impact well on business performance yet the empirical evidence to it has not been stress tested (Eniola et al., (2016). Thus established facts about the relationship between

financial literacy and business performance deserve further interrogation and stress testing. For the information at hand regarding the subject matter research gaps were therefore identified on four key areas

(i) **Methodology**: The methodology is precisely the research designs that are used in most researches are prescribed to specific literacy performance measures that have no direct relevance to business performance. Personal financial literacy aptitude may not have direct relevance to business literacy acumen when more sophisticated business financial decisions have to be made. Financial literacy which is often misconstrued for financial inclusion is a skill that one acquires through learning and mastering through practice whereas financial inclusion is more of a privilege to access banking and finance facilities.

(ii) **Sample sizes**: The sample sizes used are often small and are not cross sectional to give a representative section of the population. Thus generalizing results to entire population may not be true. It is very important to have the correct sample size and using the Krejcie & Morgan one is bound to determine the correct margin of error or confidence levels

$$n = \frac{X2 * N*P\,(1-P)}{ME2 *(N-1) + (X2 *P* (1-P)}$$

Where n= Sample size

X2= Chi-square for the specified confidence level at 1 degree of freedom

N= Population size

P= Population proportion

ME= Desired Margin of Error (expressed as a proportion)

(iii)   **Sector:** For most researches on the subject matter there was no clear distinction on target sector as MSMEs were referred and interchangeably denoted as SMEs. So with the use of proper SMEs rather than including MSMEs in the target population, the results obtainable for a particular variable would change considerably. The SME definition was given in the RBZ's Monetary Policy Statement of March 2013 as any business venture registered in Zimbabwe whose capitalization fall between ten thousand dollars and two million dollars ($10,000-$2,000,000.00), employing between five and twenty permanent employees (5-20), and whose annual turnover is between thirty thousand dollars and five million dollars ($30,000.00-$5,000,000.00). In contrast, MSMEs are micro-small-medium enterprises that are generally informal and whose capitalization is below the SME threshold. These businesses include street air time vendors, vegetable market stall vendors and many other businesses that are largely not registered as formal businesses and in terms of the Companies Act, Chapter 24:03 but may be registered with local authorities in terms of the by-laws of their area of operation.

Agreement/Disagreement: Whilst researchers in the subject matter are generally in agreement with the perception that there is positive correlation between higher financial literacy levels with higher business performance, some studies in the subject matter did not agree to this view point. OECD (2006) however notes that, highly educated consumers can be as financially ignorant as less educated consumers. Kamakia and Mwangi (2017) citing Ajzen et al (1991) extended the theory of planned behaviour to explain peoples' intention to behave in a certain manner under perceived behavioural control. The study they undertook on personal finances reported that financially literate individuals may not always act in their own best interest to improve their financial wellbeing. Stone (1994), in the dual process theory of financial functioning, views a human mind as divided into two systems which drive decisions. It explains why financially literate people may be good policy makers yet poor in executing them.

2.6.0 Summary

From the literature review of previous researches on the subject matter it has been revealed that financial literacy covers the combination of investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being Tuyisenge, Mugambi and Kemirembe (2015) citing Atkinson & Messy, (2005). Literature on related research studies also established that financial literacy empowers investors by educating them to acquire relevant knowledge and skills in financial management, and that financial knowledge helps to overcome most difficulties in advanced credit markets Lusardi (2007). The same source argues that financial literacy allows investors to hedge against challenging financial circumstances, through approaches that moderate risk such as purposeful accumulation of savings, diversification of assets portfolios, and applying for insurance cover. Tuyisenge, Mugambi and Kemirembe (2015) pointed out that financial literacy leads to more effective use of financial products and services, greater control of one's finances and that financial regulators tend to improve the efficiency and quality of financial services when they know they are dealing with the financially literate. This chapter looked at the purpose of Literature Review, What is financial literacy? SME Development, What is financial knowledge and how does it impact on business performance, the importance of financial behaviour in determining business performance, Understanding the impact of financial attitude in business, How does financial literacy influence business development? Measures of literacy in Small and Medium Scale Enterprises, Why and how is business performance measured? Measures of financial literacy, Measures of business performance, the balanced score card BSC, 2014 FinScope Survey highlights, Summary and conclusion of literature review, The Gap Analysis and Hypothesis Development. The next Chapter is the research methodology which in essence discussed the research design, population, sampling frame, data collection, data validity and reliability, data analysis, analytical model and test of significance.

3.0.0 INTRODUCTION

Potter (1996) states that methodology is a strategy or plan for achieving some goal and provides the blue prints that prescribe how the tools should be used.The previous Chapter looked at the Literature Review on preceding research work on the subject matter of the relationships between financial literacy and business performance of SME businesses. In the same Chapter research gap analysis was conducted and hypotheses built for the research study. Chapter Three outlines the methods that were adopted by the study in obtaining information on the extent to which financial literacy impacts on business performance, the Zimbabwean SMEs experience. The chapter also describes and explains the research instrument that was used in the study (structured questionnaire). This chapter is structured into the following subtopics, research design, population sampling, data sources, research instruments, data collection procedures, secondary data, data validity and reliability, data analysis and presentation , analytical model, test of significance, ethical considerations and summary.

3.1.0 Research Philosophy

According to Johnson and Christensen (2005), research philosophy and paradigm are perspectives that are based on a set of shared assumptions, values, concepts and practices. Research Philosophy is an important part of research methodology that enables the researcher to collect data in an effective and appropriate manner. Thus through literature review, both qualitative and quantitative methodologies were adopted for this research. In the study both quantitative and qualitative methodologies were needed in order to explore the way in which participants perceive financial literacy as a factor on business performance.

3.2.0 Research Design

A research design is the set of approaches and procedures used in collecting and analyzing measures of the variables as specified in the research problem (Cooper and Schindler, 2011). The design of a study outlines the nature of study and sub-type, research problem, hypotheses, independent and dependent variables, data collection methods and a statistical analysis plan. This is a framework that has been created to find answers to research questions. Research design therefore refers to the overall strategy that one chooses to integrate the different components of a study in a coherent and logical way, thereby, ensuring that the research problem is effectively addressed. The object of this study was the aspect of evaluation of the relationship between financial literacy and business performance of SMEs. The study used a descriptive design which is usually convenient where the population is large to answer the research questions. The design adopted was appropriate to evaluate the effect of the two variables, financial literacy and business performance of SMEs in business.

3.3.0 Research Methods

Three hundred Questionnaires were snap shot through an electronic survey by the SME Association of Zimbabwe bulk SMS platform to the ten provinces of Zimbabwe, each province carrying a sample of thirty Questionnaires. The SME Association of Zimbabwe has over 3,800 members and belonging to different sectors and value chains across all the ten provinces of Zimbabwe. The Questionnaire consisted six section with a total of 39 questions. The first section of the Questionnaire carried demographics questions; gender, age, sex, education status and financial education status. Demographics in this study helped to check on quality of responses and distribution of participants. The second section asked questions relating to the following information (a) financial literacy programs and awareness, financial knowledge (interest rates, inflation and bond pricing), hedging techniques, state of business formalization, location of business (b) access to finance, financing options and cash flow management, bookkeeping and records management (c) risk management framework (d) business performance measurement and reviews (e) investments options in the money, capital and stock markets (f) business insurance. The Questionnaire also had other questions that sought the opinions and perceptions of SMEs on other key factors impacting on

business. The questions were in Likert Scale of 1 to 5 with 1 as strongly disagree and 5 as strongly agree and also (Always, Often, Sometimes, Seldom and Never).

The first ten Questionnaires were distributed manually to ten SME business where the owners were interviewed face to face by the Researcher and their responses recorded. Anonymity of respondents was maintained as no names were put on completed Questionnaires. This was done also to test the effectiveness and appropriateness of the questions to the research topic being researched on.

3. 4.0 Population and Sampling

The study area covered all ten provinces of Zimbabwe namely Harare Metropolitan Province, Manicaland, Masvingo, and the Midlands province, Mashonaland Central, East and West Province, Bulawayo, Matabeleland South and Matabeleland North. The target population consists of 3800 registered SMEs affiliated to the SME Association of Zimbabwe. For data collection purposes, the target population was arranged according to value chains in the specific areas in which they operate from.

The sampling plan pronounces the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame defines the list of all population units from which the sample will be selected (Cooper & Schindler, 2011). According to Mugenda and Mugenda (2003), a sample of 10%-30% is good enough if well-chosen and the elements in the sample are more than 30. This study used simple random sampling technique to select a sample of 300 SMEs according to their value chains. The value chains were categorized into Manufacturing, Retail, Mining, Tourism and Hospitality, Agriculture and Others. Sample size was limited to 300 for manageability in terms of time and cost and data administering. The study respondents were the SME owners and managers who were expected to provide reliable information.

3.5.0 Research Instruments

For the purpose of this study, the Survey Questionnaire was used. A Questionnaire is a set of questions prepared for respondents to provide responses relating to the research topic. It serves four basic purposes: (a) collect data, (b) renders data comparable and applicable to analysis, (c) regulate bias in Question set up (d) to make questions engaging and varied. For the purposes of this study however a structured questionnaire has been used with different types of questions such as closed ended and open ended. The Likert Scale has been used to proportionate responses. The Questionnaire was also used in the pre-launching phase face to face personal interviews with first ten respondents in testing the instrument's effectiveness. Anonymity of respondents was guaranteed as no name was annotated on any of the Questionnaires used for the face to face interviews. The rest of the Questionnaires were then sent through a mail shot platform through the SME Association of Zimbabwe to various SMEs, in their value chain categories since their geographical proximity was wide, covering all the ten provinces of Zimbabwe

3.6.0 Data Collection Procedures

Empirical data was collected through a survey questionnaire and personal interviews of the first ten respondents used in the study. The questionnaire consisted of a list of structured questions and Likert rating scales relating to the field of inquiry with space provided for selection of choices. Close ended questions have however the advantage of collecting viable quantitative data while open-ended questions allow the respondents freedom of answering questions and the chance to provide in-depth responses. The questionnaires were administered through SME Association snap short platform. The questions in the questionnaire were short and precise to avoid confusion from the respondents. Thus the questionnaires captured both quantitative and qualitative data relating to business performance information and financial literacy. The period of SME business performance referred in the survey was between 2017 and 2018 financial year.

3.7.0 Data Validity and Reliability

According to Cooper and Schindler (2011) a good research study must meet the validity and the reliability tests as these are the two most important evaluating and measurement tool in research. Validity refers to how well the tool measures what it was supposed to measure and reliability of an instrument refers to its ability to produce consistent and stable measurements In order to test the reliability of the instruments in this study, consistency techniques were applied using Cronbach's Alpha. The Alpha ranges from 0 and 0.9. Reliability increases with the increase in value. Coefficient of 0.6 to 0.7 is commonly accepted as Rule of the Thumb and 0.8 or higher indicates good reliability. Chamwada (2015) citing Tavekol and Dennick (2011) asserted that high value of Alpha (>0.9) may suggest redundancies and show that the test length should be shortened.

3.8.0 Data Analysis and Presentation

The instrument was pre-tested with a sample of five SMEs and modified to increase its clarity while peer evaluation was also undertaken to shape the final questionnaire design. The completed questionnaires were then edited to eliminate errors, for inclusiveness and consistency. The data was coded to enable analysis of the responses. A descriptive analysis was employed to examine data. This includes frequency analysis and percentages, regression Analysis, analysis of variance (One Way ANOVA) and least square deviations (LSD) for comparing means, factor analysis. Multiple regressions were used to measure the quantitative data which were analysed using the Statistical Package for Social Sciences (SPSS). This tool is selected because of its clarity, preciseness, ease of understanding and interpretation. These were used to support the results of quantitative analysis in drawing recommendations.

3.9.0 Analytical Model

Financial literacy was measured by administering financial management skills and knowledge questions. Scores using a scale of 1 to 7 where a higher score implied higher financial literacy levels were adopted. This method which was used is closely related to the one that was applied by Lusardi (2008) who argues that financial literacy is best measured by administering financial skills and management questions. Thus financial literacy will be measured by the number of questions one gets correct; the higher the

correct answers, the higher is the financial literacy levels or vice versa for low financial literacy level. The business performance was measured by ratio analysis of the business' liquidity position, profitability and also return on assets (ROA) as percentages for easy comparison. The study used regression analysis to describe the relationship that exists between the dependent variable (business performance) and the independent variable (financial literacy).

3.10.0 Test of Significance

Significance tests play a key role in research. They allow researchers to determine whether their data supports or rejects the null hypothesis, and consequently whether they can accept their alternative hypothesis. The model significance was tested using the analysis of the variance (ANOVA), t-tests, z-tests and F-tests at 95% confidence level. The coefficient of determination showed the extent to which the model explains the changes in the independent variable.

3.11.0 Ethical Considerations

Silverman (2000, p. 201) posits that researchers should always remember that in conducting research work, the researchers are entering the private spaces of their participants and this raises several ethical issues that should be addressed during, and after the research had been done. This view is shared by Creswell (2003) who argues that the researcher has an obligation to respect the rights, needs, values and desires of the informants and that therefore caution should be exercised during and after research process that certain rules must be observed.

Thus the Researcher has taken clear cognizance of these ethical considerations in this research study and applied these guidelines in the entire processes.

In view of the importance of this stage in the research process, the following concerns were addressed as follows:

a) Participant's informed consent

The Researcher also ensured that respondents participate on the basis of informed consent. The principle of informed consent involves researchers providing sufficient information and assurances about taking part to allow individuals to understand the implications of participation and to reach a fully informed, considered and freely given decision about whether or not to do so, without the exercise of any undue influence, pressure or simply coercion. The Researcher obtained consent of participants through their trade associations, the SME Association of Zimbabwe of the purpose, nature, data collection methods, and extent of the research prior to commencement

a) Dispelling fears of harm to participants and any form of risk

To dispel fears of the risk of harm the Researcher guaranteed the participants that no one participating in the research would be at risk of harm physically or psychologically as posited by Trochim (2000). It was also clearly outlined that the use of perceived offensive, discriminatory, or other unacceptable language in the formulation of Questionnaire should be challenged and addressed with the researcher and reported to the institution superintending the research study.

c) Honesty and trust

Through strict adherence to the tenets of ethical guidelines serves as standards about the honesty and trustworthiness of the data collected and thus the accompanying data analysis as well.

d) Privacy, confidentiality, and anonymity guaranteed

The study included a test-retest reliability check (piloting) and in this regard total anonymity was not possible. The Researcher nonetheless confirmed that the confidentiality and anonymity of the participants would be maintained through the

removal of any pinpointing features before widespread broadcasting of information. No names were however required on ten Questionnaires and therefore identity of participants was maintained.

e) Voluntary participation of respondents

A statement to the effect that the research was only for academic purpose and their participation in it was absolutely voluntary was made and that no one was coerced into participating or duly influenced. It was also emphasized that participants have rights to withdraw from the study at any stage if they wish to do so.

Throughout the research, privacy and anonymity of respondents was observed. Acknowledgement of works of other authors was observed in all parts of this research work with the use of Harvard referencing system adopted according as per Midlands State University Research Guidelines. Thus the researcher attempted to maintain the highest level of objectivity in discussions and analyses throughout the research.

3.12.0 Summary

This chapter has defined the research model, research processes, approaches and design used in the study, including participants, data collection tools, data collection and analysis methods, data validity and credibility matters. The research design for this study was a descriptive and interpretive case study that was analysed through both quantitative and qualitative methods mainly using descriptive statistics. The Chapter also briefly described the several stages involved in the design and development processes of the research study. The next chapter provides the evaluation instruments, and then the pedagogical framework for the study that helped to translate the research philosophy into life.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0.0 INTRODUCTION

This chapter focuses on the data analysis, interpretation and presentation of the findings. The main purpose of the study was to evaluate financial literacy impact on business performance, the Zimbabwean SMEs experience. The data was gathered exclusively from the questionnaire as the research instrument. The researcher has made use of descriptive, reliability and validity Test, Pearson's correlation analysis and regression analysis to present the result in tables and to come up with an econometric model. The Statistical Package for the Social Sciences (SPSS) version 21 software was used to conduct the reliability tests, correlation and regression analysis

4.1.0 Response Rate
Table 1: **Questionnaire Response Rate**

	Number of Questionnaires	**Percentage/ %**
Distributed	**300**	
Received Back	245	81.67
Spoiled	12	4
Not Received Back	55	18.33
Effective Response Rate	**300**	**77.67**

Source: Author's Computations

From the three hundred (300) questionnaires distributed, Two hundred and forty five (245) were received back to give a response rate of 81.67 % but twelve (12) of the

questionnaires received were incompletely filled to such an extent that it was deemed spoiled thus reducing the effective response rate to 77.67%. Fifty five (55) of the questionnaires were also not received back due to the fact that the respondents needed more time to attend to them. The response rate would have been higher had respondents been given additional time to submit their responses but however due to time constraints the 77.67 % response rate is accepted as being adequate for this study.

4.2.0 Demographic Profile of Respondents

Table 2: Demographic Profile of Respondents

Gender		
Male	203	87.1
Female	30	12.9
Age Group		
18-28 years	18	7.7
29-39 years	85	36.5
40-50 years	102	43.8
51-61 years	18	12
60 years & Above	0	0
Highest Qualification		
"A" Level	22	9.4
Diploma	66	28.3
First Degree	45	19.3
Masters	2	0.9
Doctorate	0	0
Other – "O" Level	98	42.1
Nationality		
Zimbabwean	229	98.3
African	4	1.7
Asian	0	0

European/American	0	0
Other	0	0
Work Experience		
Less than 1 year	22	9.4
1-5 years	78	33.5
5-10 years	25	10.7
10-15 years	98	42.1
15 years and Above	10	4.3
Number of Employees		
Less than 20	24	10.3
21-40	56	24
41-60	88	37.8
61-80	62	26.6
81-100	3	1.3
Industry		
Manufacturing	38	16.3
Mining	40	17.2
Retail	36	15.5
Tourism & Hospitality	37	15.9
Agriculture	32	13.7
Other	50	21.40
Years in Business		
Less than 1 year	5	2.1
1-5 years	85	36.5
5-10 years	102	43.8
10-15 years	20	8.6
15 years and above	21	9
Status of Entity		
Trade Association	212	91

Ministry of SMEs & Cooperatives Development	8	3.4
Zimbabwe National Chamber of Commerce	13	5.6
Confederation of Zimbabwe Industries	0	0
Other	0	0
Premises		
Home	22	9.4
Rented	138	59.2
Own Premises	15	6.4
Local Council business designated zone	12	5.2
Inside an industrial complex	46	19.8
Total Respondents	233	100

Source: Author's Computations

From Table 2, most respondents (87.1%) are male. Majority of the respondents (43.8%) are in the 40-50 years age group, being Zimbabweans (98.3%). In terms of education, the vast majority of the respondents (42.1%) are "O" Level holders. The majority of the respondents 42.1% have work experience of between 10- 15 years while a vast majority of the SMEs (37.8%) employs 41-60 employees. 21.40% of the SMEs operate in industries other than the specified industry categories. A total of 43.8% of the respondents have been operating their businesses for between 5- 10 years. A large percentage (91%) of the SMEs are registered with a Trade Association. Lastly, most of the respondents (59.2%) operate their business from rented premises within SME designated zones. In evaluating the outcome of the demographics in terms why the majority of the respondents were male (87.1%) as compared to women's 12.9%, it may possibly be because the majority of entrepreneurs are males, or that the sampling had many males as compared to females. The study also showed that the 40-50 age group dominates the entrepreneurs described as SMEs but very closely behind the age group is the youthful business people in the age group of 29-39 years of age. The study also showed that the majority of SMEs are "Ö" Level holders possibly because the recognized minimum high school qualification was the ordinary level and that degree holders would most probably get better chances of finding employment than those without the qualification. The study also showed that many (59.2%) of SMEs are

working from rented premises since they start small and are unable to buy their own places to work from in the short term.

4.3.0 Descriptive Statistics

The summary of descriptive statistics are illustrated below in table 3. Included is the behaviour of both the dependent variable and independent variables that is the skewness, kurtosis, mean and standard deviation among others. To check for the outliers in the data, the maximum and minimum statistics are used.

Table 3: Summary of Descriptive Statistics

	N	Skewness	Kurtosis	Mean	Std. Dev	Minimum	Maximum	Sum
FL 1	233	-1,674	0.810	4.820	0.385	4.000	5.000	1123
FL2	233	-2,483	4.202	4.888	0.316	4.000	5.000	1139
FL3	233	1,857	2,038	1.451	0.914	1.000	4.000	338
FL4	233	-1,887	2,600	4.541	0.851	2.000	5.000	1058
FL5	233	-1,804	2,179	4.519	0.876	2.000	5.000	1053
FL6	233	-3,726	2,988	4.940	0.238	4.000	5.000	1151
FL7	233	-1,600	0.566	4.811	0.392	4.000	5.000	1121
AF1	233	0.00	0.00	5.000	0.000	5.000	5.000	1165
AF2	233	-1.971	1.900	4.850	0.358	4.000	5.000	1130
AF3	233	1,069	2.300	1.425	1.048	1.000	4.000	332
AF4	233	-1,069	-0.872	4.734	0.443	4.000	5.000	1103
AF5	233	-2.708	5.380	4.901	0.299	4.000	5.000	1142
AF6	233	0.945	-1.117	4.288	0.454	4.000	5.000	999
AF7	233	-7.482	4.455	4.983	0.130	4.000	5.000	1161

RC1	233	1.879	1.545	4.159	0.366	4.000	5.000	969
RC2	233	-5,542	2.960	4.970	0.171	4.000	5.000	1158
RC3	233	-2,554	4.563	4.893	0.310	4.000	5.000	1140
RC4	233	0.360	-1.887	4.412	0.493	4.000	5.000	1028
RC5	233	-1.879	1.545	4.841	0.366	4.000	5.000	1128
RC6	233	-0.078	-2.011	4.519	0.501	4.000	5.000	1053
RC7	233	-1.926	2.396	4.824	0.393	3.000	5.000	1124
BP1	233	-1.309	-0.290	1.773	0.420	1.000	2.000	413
BP2	233	-0.899	-1.202	1.704	0.458	1.000	2.000	397
BP3	233	-1.431	0.048	1.790	0.408	1.000	2.000	417
BP4	233	-1.251	-0.438	1.764	0.426	1.000	2.000	411
OiF1	233	0.00	0.00	4.000	0.000	4.000	4.000	932
OiF2	233	0.026	-2.017	3.494	0.501	3.000	4.000	814
OiF3	233	-1.836	1.382	3.837	0.370	3.000	4.000	894
OiF4	233	-0.992	-1.025	3.721	0.449	3.000	4.000	867
OiF5	233	-0.664	-1.573	3.657	0.476	3.000	4.000	852
OiF6	233	-0.065	-0.795	2.670	0.894	1.000	4.000	622
OeF1	233	-4.493	2.524	3.931	0.285	2.000	4.000	916
OeF2	233	-2.683	6.092	3.747	0.616	1.000	4.000	873
OeF3	233	-1.991	3.363	3.601	0.754	1.000	4.000	839
OeF4	233	-2.216	3.151	3.627	0.939	1.000	4.000	845
OeF5	233	-3.187	5.229	3.768	0.803	1.000	4.000	878

Source: Author's Computations from SPSS

Where, FL = Financial Literacy, AF = Access to Finance, RC = Risk Culture, BP = Business Performance, OiF = Other Factors (Internal) and OeF = Other Factors (External). Results from Table 3, shows the values of skewness and kurtosis for all the independent ((FL, AF, RC, OiF and OeF) and dependent (BP) variables. The results from Table 3 exhibit that the value of skewness for all the independent variables ranges from -7.482 to 1.879, on the other hand, the kurtosis for all the variables is ranging from -2.011 and 6.092. Based on the above results, it is clearly shown that all the independent variables and dependent variables are acceptable in terms of normality. This is because the value of skewness and kurtosis for all the variables conform to the rule of thumb where all the value is less than two and seven respectively (West et al., 1995). The results from Table 3 display that the standard deviations ranges from 0 to 0.939 which shows that its less than the means which range from 1.425 to 5.000 that there is no significant variation in data. The maximum ranges from 4 to 5 while the minimum ranges from 1 to 3(West et al., 1995).

4.4.0 Reliability and Validity of Research Instruments

To enhance the reliability of the instrument, a pilot study was conducted. Pre-testing was used to gauge the clarity and relevancy of the instrument items and those items that were found to be inadequate for measuring variables were either discarded or modified to improve the quality of the research instruments. In order to test the reliability of the instruments in this study, internal consistency techniques were applied using Cronbach's Alpha and the results were as below:

4.4.1 Reliability Test

Table 4: Cronbach's Alpha Test Results

Variables	Construct	Cronbach's Alpha	Number of Items
Dependent Variable	Performance of SMEs	0.707	3

Independent Variable	Financial Literacy (FL)	0.734	6
Independent Variable	Access to Finance (AF)	0.742	5
Independent Variable	Risk Culture (RC)	0.786	7
Independent Variable	Internal Factors (OiF)	0.803	5
Independent Variable	External Factors (OeF)	0.632	2

Source: Author's Computations from SPSS

Based on Table 2, the result indicated that all of the variables were acceptable as the Cronbach's Alpha was more than 0.6.Armstrong and Foley (2003) suggested that "the closer Cronbach's alpha is to 1.00, then, the more reliable the scale". Nunnally et al., (1994) also stated that a value for Cronbach's alpha coefficient greater than 0.60 is considered acceptable. This rule of thumb is further supported by Ferketich (1991) who recommended that corrected item-total correlations should range between 0.30 and 0.70 for a good scale. In conclusion, all reliability coefficients as shown in Table 3 have exceeded the minimum acceptable level of 0.60 as suggested by Nunnally et al., (1994) and Ferketich (1991). Therefore, this indicates that the items used in the construct are reliable and consistent.

4.5.0   Pearson's Correlation Analysis

4.5.1   Correlations: Financial Literacy
Table 5: Correlation Matrix: Financial Literacy

Interpretation: in general:

- The direction of skewness is given by the sign.

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- The coefficient compares the sample distribution with a normal distribution. The larger the value, the larger the distribution differs from a normal distribution.
- A value of zero means no skewness at all.
- A large negative value means the distribution is negatively skewed.
- A large positive value means the distribution is positively skewed.

Correlations		Inflation	Trade Terms	Bookkeeping	Use of Multicurrency	Participartion on the ZSE	Options as hedging mechanisms	Investment in Money Market
Inflation (FL1)	Pearson Correlation	1	.578**	,085	.562**	.534**	.539**	.287**
	Sig. (1-tailed)		,000	,098	,000	,000	,000	,000
	N	233	233	233	233	233	233	233
Trade Terms (FL2)	Pearson Correlation	.578**	1	.175**	.772**	.709**	.599**	-.171**
	Sig. (1-tailed)	,000		,004	,000	,000	,000	,004
	N	233	233	233	233	233	233	233
Bookkeeping (FL3)	Pearson Correlation	,085	.175**	1	.229**	.175**	.125*	,094
	Sig. (1-tailed)	,098	,004		,000	,004	,028	,076
	N	233	233	233	233	233	233	233
Use of Multicurrency (FL4)	Pearson Correlation	.562**	.772**	.229**	1	.518**	.757**	-,003
	Sig. (1-tailed)	,000	,000	,000		,000	,000	,484
	N	233	233	233	233	233	233	233
Participartion on the ZSE (FL5)	Pearson Correlation	.534**	.709**	.175**	.518**	1	.274**	-,002
	Sig. (1-tailed)	,000	,000	,004	,000		,000	,489
	N	233	233	233	233	233	233	233
Options as hedging mechanisms (FL6)	Pearson Correlation	.539**	.599**	.125*	.757**	.274**	1	-.122*
	Sig. (1-tailed)	,000	,000	,028	,000	,000		,032
	N	233	233	233	233	233	233	233
Investment in Money Market (FL7)	Pearson Correlation	.287**	-.171**	,094	-,003	-,002	-.122*	1
	Sig. (1-tailed)	,000	,004	,076	,484	,489	,032	
	N	233	233	233	233	233	233	233

**. Correlation is significant at the 0.01 level (1-tailed).
*. Correlation is significant at the 0.05 level (1-tailed).

Source: Author's Computations from SPSS

4.5.2 Correlations : Access to Finance, Financing Choices and Markets

Table 6: Correlation Matrix: Access to Finance, Financing Choices and Markets

Correlations		Bank Funding	Good Markets	Suitability of Financing Facilities	Impact of Interest Rates	Impact of Trade Credit	Guarantees	Long Term Funding
Bank Funding (AF1)	Pearson Correlation	.a	.a	.a	.a	.a	.a	.a
	Sig. (1-tailed)							
	N	233	233	233	233	233	233	233
Good Markets (AF2)	Pearson Correlation	.a	1	.171**	.698**	.787**	.267**	.314**
	Sig. (1-tailed)			,004	,000	,000	,000	,000
	N	233	233	233	233	233	233	233
Suitability of Financing Facilities (AF3)	Pearson Correlation	.a	.171**	1	.245**	.134*	.639**	,054
	Sig. (1-tailed)		,004		,000	,020	,000	,207
	N	233	233	233	233	233	233	233
Impact of Interest Rates (AF4)	Pearson Correlation	.a	.698**	.245**	1	.550**	.383**	.219**
	Sig. (1-tailed)		,000	,000		,000	,000	,000
	N	233	233	233	233	233	233	233
Impact of Trade Credit (AF5)	Pearson Correlation	.a	.787**	.134*	.550**	1	.210**	.399**
	Sig. (1-tailed)		,000	,020	,000		,001	,000
	N	233	233	233	233	233	233	233
Guarantees (AF6)	Pearson Correlation	.a	.267**	.639**	.383**	.210**	1	,084
	Sig. (1-tailed)		,000	,000	,000	,001		,101
	N	233	233	233	233	233	233	233
Long Term Funding (AF7)	Pearson Correlation	.a	.314**	,054	.219**	.399**	,084	1
	Sig. (1-tailed)		,000	,207	,000	,000	,101	
	N	233	233	233	233	233	233	233

**. Correlation is significant at the 0.01 level (1-tailed).
*. Correlation is significant at the 0.05 level (1-tailed).
a. Cannot be computed because at least one of the variables is constant.

4.5.3 Correlations : Risk Culture

Table 7: Correlation Matrix: Risk Culture

Correlations		Risk Management	Portfolio Diversification	Regulatory Compliance	Management	Supplier Risk	Demand Risk	Insurance
Risk Management (RC1)	Pearson Correlation	1	,076	.151*	.519**	.189**	.418**	.195**
	Sig. (1-tailed)		,122	,011	,000	,002	,000	,001
	N	233	233	233	233	233	233	233
Portfolio Diversification (RC2)	Pearson Correlation	,076	1	-,061	.147*	.405**	.133*	-,079
	Sig. (1-tailed)	,122		,177	,012	,000	,022	,115
	N	233	233	233	233	233	233	233
Regulatory Compliance (RC3)	Pearson Correlation	.151*	-,061	1	.290**	.419**	.360**	.587**
	Sig. (1-tailed)	,011	,177		,000	,000	,000	,000
	N	233	233	233	233	233	233	233
Management (RC4)	Pearson Correlation	.519**	.147*	.290**	1	.364**	.805**	.376**
	Sig. (1-tailed)	,000	,012	,000		,000	,000	,000
	N	233	233	233	233	233	233	233
Supplier Risk (RC5)	Pearson Correlation	.189**	.405**	.419**	.364**	1	.428**	.434**
	Sig. (1-tailed)	,002	,000	,000	,000		,000	,000
	N	233	233	233	233	233	233	233
Demand Risk (RC6)	Pearson Correlation	.418**	.133*	.360**	.805**	.428**	1	.467**
	Sig. (1-tailed)	,000	,022	,000	,000	,000		,000
	N	233	233	233	233	233	233	233
Insurance (RC7)	Pearson Correlation	.195**	-,079	.587**	.376**	.434**	.467**	1
	Sig. (1-tailed)	,001	,115	,000	,000	,000	,000	
	N	233	233	233	233	233	233	233

*. Correlation is significant at the 0.05 level (1-tailed).
**. Correlation is significant at the 0.01 level (1-tailed).

4.5.4 Correlations : Internal Factors

Table 8: Correlation Matrix: Internal Factors

Correlations		Internal and External Factors	Physical and Mental Factors	Enterpreneurial Skills	Human Relations	Experience in Business	Fiancial Stability
Internal and External Factors (OiF1)	Pearson Correlation	.a	.a	.a	.a	.a	.a
	Sig. (1-tailed)						
	N	233	233	233	233	233	233
Physical and Mental Factors (OiF2)	Pearson Correlation	.a	1	.436**	.614**	.714**	.808**
	Sig. (1-tailed)			,000	,000	,000	,000
	N	233	233	233	233	233	233
Enterpreneurial Skills (OiF3)	Pearson Correlation	.a	.436**	1	-,067	-,050	.331**
	Sig. (1-tailed)		,000		,153	,223	,000
	N	233	233	233	233	233	233
Human Relations (OiF4)	Pearson Correlation	.a	.614**	-,067	1	.679**	.435**
	Sig. (1-tailed)		,000	,153		,000	,000
	N	233	233	233	233	233	233
Experience in Business (OiF5)	Pearson Correlation	.a	.714**	-,050	.679**	1	.684**
	Sig. (1-tailed)		,000	,223	,000		,000
	N	233	233	233	233	233	233
Fiancial Stability (OiF6)	Pearson Correlation	.a	.808**	.331**	.435**	.684**	1
	Sig. (1-tailed)		,000	,000	,000	,000	
	N	233	233	233	233	233	233

**. Correlation is significant at the 0.01 level (1-tailed).
a. Cannot be computed because at least one of the variables is constant.

Source: Author's Computations from SPSS

4.5.5 Correlations: External Factors

Table 9: Correlation Matrix: External Factors

Correlations		Price Changes	Competition	Technology Changes	Political and Social Factors	Legal and Cultural Factors
Price Changes (OeF1)	Pearson Correlation	1	-,001	-.128[*]	-,096	-,070
	Sig. (1-tailed)		,492	,026	,072	,144
	N	233	233	233	233	233
Competition (OeF2)	Pearson Correlation	-,001	1	-,051	.194[**]	.351[**]
	Sig. (1-tailed)	,492		,217	,002	,000
	N	233	233	233	233	233
Technology Changes (OeF3)	Pearson Correlation	-.128[*]	-,051	1	.227[**]	,060
	Sig. (1-tailed)	,026	,217		,000	,180
	N	233	233	233	233	233
Political and Social Factors (OeF4)	Pearson Correlation	-,096	.194[**]	.227[**]	1	.468[**]
	Sig. (1-tailed)	,072	,002	,000		,000
	N	233	233	233	233	233
Legal and Cultural Factors (OeF5)	Pearson Correlation	-,070	.351[**]	,060	.468[**]	1
	Sig. (1-tailed)	,144	,000	,180	,000	
	N	233	233	233	233	233

*. Correlation is significant at the 0.05 level (1-tailed).
**. Correlation is significant at the 0.01 level (1-tailed).

According to Hair et al., (2006) among explanatory variables in the Pearson's correlation should not exceed 0.90. This is because the data may be suspected to have serious collinearlity problem if the correlation value exceeds 0.90 (Hair et al., 2006). Results from Tables 4 to 8 showed no severe correlation among variables as the correlations are below 0.90, Hence, there was no multicollinearity problem that existed among explanatory variables. Results from Tables 4 to 8 also indicate that correlation among independent variables is significant at both 95% and 99% significant levels using the 1 tailed test which implies that they have strong impact on SME performance.

4.6.0 Regression Analysis

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.783[a]	.612	.555	.28027

Source: Author's Computations from SPSS

Table 9 provides R and R2 .The R value is 0.783 which represents the simple correlation. It indicates a higher degree of correlation. The R2 value how much of the dependent variable "performance" can be explained by the independent variables "financial literacy, Risk Culture ,Access to Finance, internal and external factors". In this findings 61.2% can be explained which is moderately large.

Table 11: ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	25.077	30	.836	10.642	.000^b
1	Residual	15.867	202	.079		
	Total	40.944	232			

a. Dependent Variable: Profitability Trend

Source: Author's Computations from SPSS

Table 10 indicates that the regression model predicts the outcome variable significantly well. The "Regression" row and go to the Sig. column indicates the statistical significance of the regression model that was applied. Here, $p < 0.0005$, which is less than 0.05, and indicates that, overall, the model applied can statistically and significantly predict the outcome variable.

Table 12: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	5.124	2.051		2.498	.013
	Inflation	.024	.136	.022	.179	.858
	Trade Terms	.107	.157	.081	.681	.496
1	Bookkeeping	-.025	.032	-.055	-.784	.434
	Use of Multicurrency	-.145	.079	-.293	-1.835	.068
	Participation on the ZSE	-.164	.068	-.341	-2.392	.018

	B	Std. Error	Beta	t	Sig.
Options as hedging mechanisms	.182	.166	.103	1.096	.274
Investment in Money Market	-.028	.154	-.026	-.181	.856
Good Markets	.060	.228	.051	.264	.792
Suitability of Financing Facilities	.044	.056	.110	.790	.430
Impact of Interest Rates	.361	.144	.381	2.516	.013
Impact of Trade Credit	.038	.241	.027	.158	.875
Guarantees	.235	.111	.254	2.118	.035
Long Term Funding	-.451	.244	-.140	-1.849	.066
Risk Management	-.261	.202	-.227	-1.293	.198
Portfolio Diversification	.173	.153	.070	1.131	.259
Regulatory Compliance	.252	.267	.186	.944	.346
Management	-.645	.105	-.757	-6.128	.000
Supplier Risk	-.036	.100	-.031	-.360	.719
Demand Risk	-.084	.140	-.100	-.603	.547
Insurance	-.296	.102	-.277	-2.898	.004
Physical and Mental Factors	.341	.150	.407	2.272	.024
Entrepreneurial Skills	-.116	.103	-.102	-1.126	.261
Human Relations	-.205	.087	-.219	-2.353	.020
Experience in Business	.099	.141	.112	.703	.483
Financial Stability	.234	.091	.498	2.571	.011
Price Changes	-.266	.076	-.181	-3.491	.001
Competition	.002	.043	.002	.036	.971
Technology Changes	-.104	.037	-.187	-2.812	.005
Political and Social Factors	-.030	.034	-.067	-.888	.375
Legal and Cultural Factors	.008	.046	.015	.169	.866

Source: Author's Computations from SPSS

Table 11, Coefficients, provides information on each predictor variable. This gives us the information we need to predict impact from financial literacy. We can see that both the constant and independent variables with positive coefficients contribute significantly to the model while those with a minus contributes negatively to performance. By looking at the B column under the Unstandardized Coefficients column, we can present the regression equation as below:

ROA (Business Performance) = 5.124 + 0.024FL1 + 0.107FL2 -0.025FL3 - 0.145FL4 - 0.164FL5 + 0.182FL6 -0.028FL7 + 0.051AF1 + 0.600AF2 + 0.044AF3 + 0.361AF4 + 0.038AF5 +0.235AF6 – 0.451 AF7 – 0.261RC1 + 0.173RC2 + 0.252RC3 -0.645RC4 – 0.036RC5 – 0.084RC6 -0.296RC7 +0.453OiF1 + 0.341OiF2 -0.116OiF3 – 0.205OiF4 +0.099OiF5 +0.234OiF6 – 0.266OeF1 + 0.002OeF2 – 0.104OeF3 - 0.030OeF4 + 0.008OeF5

4.7.0 Interpretations of the Findings

From a sample size of 300 samples, 233 samples successfully provided data that is useful for this study. The main objective of this study was to evaluate the extent that financial literacy impact on business performance in Zimbabwe. The demography of respondents included gender, age, qualifications ,nationality, work experience, number of employees, industry, time in business, status of business whether formally registered or not and were the business operates from. Data collected for financial literacy included answers to (1) financial literacy questions (that covered inflation, trade payables, bookkeeping, use of multicurrency, participation on the ZSE, options and investments in the money market) , (2) Access to Finance questions (that covered ability to get finance from banks, good markets, suitability of financing provided by banks, interest rates, trade credit, guarantees and long term funding), (3) Risk Culture questions (that covered risk management, portfolio diversification, management, supplier's risk, demand risk and insurance), (4) Internal factors questions (physical & mental strength, entrepreneurial skills, human relations, experience and financial stability) and (5) External factors questions (price changes, competition, technological changes, political and social factors and legal and cultural factors).

The independent variables and dependent variables were acceptable in terms of normality because the value of skewness and kurtosis for all the variables conform to the rule of thumb where all the value is less than two and seven respectively while the Cronbach's Alpha was above 0.6 for both the dependent and independent variables therefore the items used in the construct are reliable and consistent. The maximum value was 50% which means that on average half of SMEs in Zimbabwe are financially literate and understands the basic financial concepts and their impact on business performance. On the other hand, the lowest score was 10%, meaning that 10% of the SMEs in Zimbabwe are not financially literate and they do not understand the basic financial concepts and its impact on business performance. According to the computations on the explanatory variables in the Pearson's correlation, the values of the variables did not exceed 0.90, hence, there was no multicollinearity problem that existed among explanatory variables. Results from Tables 4 to 8 also indicate that correlation among independent variables is significant at both 95% and 99% significant levels using the 1 tailed test therefore the results show that they have a significant impact on the performance of SMEs. As shown in table 9, the R2 at 61.2% means that a moderately significant amount of SME performance can be explained by financial literacy. In table 10, the results indicate that there is a linear relationship between financial literacy and SMEs performance. It further suggests that the model applied can statistically significantly predict the outcome of the outcome variable. Further, Table 11, shows that both constant and some independent variables contribute significantly to the model and that SMEs performance can be predicted by using a linear equation : *ROA (Business Performance) = 5.124 + 0.024FL1 + 0.107FL2 -0.025FL3 - 0.145FL4 - 0.164FL5 + 0.182FL6 -0.028FL7 + 0.051AF1 + 0.600AF2 + 0.044AF3 + 0.361AF4 + 0.038AF5 +0.235AF6 – 0.451 AF7 – 0.261RC1 + 0.173RC2 + 0.252RC3 -0.645RC4 – 0.036RC5 – 0.084RC6 -0.296RC7 +0.453OiF1 + 0.341OiF2 -0.116OiF3 – 0.205OiF4 +0.099OiF5 +0.234OiF6 – 0.266OeF1 + 0.002OeF2 – 0.104OeF3 -0.030OeF4 + 0.008OeF5.*

In general the findings suggests a strong positive relationship between financial literacy and SMEs performance in Zimbabwe

4.8.0 Chapter Summary

Empirical results from estimates are obtained in this chapter. Financial Literacy, Access to Finance, Risk Culture, Internal and External factors were the key variables that affected performance of SMEs. Thus, the following chapter will present conclusion and some policy recommendations which might help boost SMEs performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0.0   INTRODUCTION

This present chapter dwells on the summary of the study, conclusion, policy recommendations and suggestions for further studies that have been drawn from the findings presented in the preceding chapter. The summary section examines the hypothesis outlined in the methodology. The recommendations section shows the possible intervention measures that can be learnt from this study as a way of providing literature and advice to policy makers on financial literacy and SMEs performance in Zimbabwe. Lastly this chapter provides the suggestions for further studies to be carried out.

5.1.0 Summary of Research Findings

The main objective of this study was to evaluate financial literacy impact on business performance of SMEs in Zimbabwean SMEs .From the research findings, it's evident that a positive relationship between financial literacy and business performance at 5% level of significance. Financial literacy exposes entrepreneurs to better decision making skills that lead to borrowings, risk taking, diversifications, and investments. The findings also suggest that 50% of SME owners in Zimbabwe have some level of financial literacy and majority especially in formal sector are highly financially literate. Financial literacy also seems to go hand in hand with formal education; entrepreneurs that scored high in financial literacy seemed to be well educated, while in contrast, entrepreneurs with low level of financial literacy demonstrated low level of formal education. This further implies that the business education taught in schools has bearing to ones success in business.

5.2.0 Conclusion

Based on the study findings, the study concludes that financial literacy is positively related to business performance. The findings are consistent with the empirical studies reviewed. For example Mwambia (2014) who established that financial literacy enabled the Miraa farmers in Meru County to increase their financial performance to a great extent. Bernheim and Garrett (2003) also found that lack of financial literacy and capability was particularly serious consequences for those on low incomes, for whom costly mistakes can have grave consequences going beyond depressed financial returns

How much do SME business owners know about basic financial information and the extent that this has on their business performance?

The study revealed that SME business owners are familiar with the impact of inflation, cash flow management, use of multi-currency, and participation on the ZSE, use of options as hedging mechanisms and investment on money market on their business performance. The study also revealed that bookkeeping is very important to SME businesses as it assist in tracking the performance of the business. Generally the study revealed that 50% of SMEs in Zimbabwe have basic financial information and are aware of its impact on their businesses. Chepngetich, (2016), argues that financial information is useful mainly in evaluating the success of past decisions and in determining present position. There is thus need for periodical reporting on the balances of their accounts. The growth of accounts also needs to be analysed and evaluated periodically (Chepngetich, 2016).

For these SMEs how many have been able to access finance with a bank and markets for their products and services?

The findings indicate that getting finance from banks is the most challenging which is one of the major reasons why SME businesses remain under capitalized. Banks will require collateral as security for an SME to get financing of which most of the SMEs do not have the collateral resulting in the SMEs not getting the much needed funding despite their huge potential. Banks perceive SMEs as the most risk businesses to lend money to. Furthermore the study shows that SME financing facilities provided by banks

are not appropriate most of the times, as they do not match their cycles of cash flows which results in SMEs defaulting or struggle to pay back. The study also revealed that interest rates charged by banks are sometimes too high for businesses to sustain which may trigger defaulting of loans advanced. The study also indicate that there is no adequate support from the authorities to support SMEs as they struggle to have good markets for their products and services which results in them failing to scale up their businesses.

Do the SMEs have formal risk management framework to deal with specific risks and how does it impact their business performance?

The study indicates that most of the SMEs in Zimbabwe do not have formal risk management frameworks to deal with specific risks however they have knowledge of the risks that their businesses are likely to face and the impact thereof. SMEs make use of diversification to hedge against risks and management is well prepared to react to market needs in line with business changes. The findings shows that most of the SMEs are not compliant with regulations especially those relating to taxes. Most of the SMEs have insurance for their vehicles however not for their products, this assumed it's because they view insurance as a cost which doesn't benefit them.

How have the SMEs faired between 2016 and 2018 trading periods as assessed against financial literacy trends exhibited by the SMEs in their responses on selected financial literacy questions?

The study shows that for those SME owners with basic financial literacy their businesses recorded profits consistently as result of year on year growth of sales. SME business who employ qualified and experienced employees have staff who are competent which contributed to the overall performance of the businesses. They SMEs who have financial literacy ensures their businesses are compliant with all statutory requirements resulting in them avoiding penalties which eats into the profits of the business hence propelling their profitability.

What are other key determinant factors spurring the performance of Zimbabwean SME businesses other than financial literacy?

Other determinants spurring the performance of SMEs were both internal and external factors and these include the following: Entrepreneurial skills, human relations, experience in business, financial stability and family base, physical and mental strength of the entrepreneur, price changes, competition, technological changes, political and social land scape and legal and cultural system. The aforementioned factors showed a positive correlation with business performance which implies that they have a significant impact on performance of SMEs.

Hypothesis 1 (H_{o1}) stated that financial literacy impacts to greater extent on business performance of SMEs.

From the ANOVA results the study found out that the $p < 0.0005$ which is less than 0.05 and concluded that at the 95% significant level financial literacy impacts business performance of SMEs to a greater extent

Hypothesis 2 ((H_{o2}) stated that high level financial literacy results in high business performance.

Results from the ANOVA analysis shows financial literacy is highly positively correlated with business performance, thus we conclude that a high level of financial literacy results in high business performance.

Hypothesis 3 ((H_{o3}) which stated that SME business performance is determined by many factors other than just by the entrepreneur's level of financial literacy.

The study found out that factors like entrepreneurial skills, human relations, experience in business, financial stability and family base, physical and mental strength of the entrepreneur, price changes, competition, technological changes, political and social land scape and legal and cultural system have a positive correlation with business performance, hence we conclude that SME business performance is determined by many factors other than financial literacy.

5.3.0 Recommendations

Considering the fact that majority of SMEs are in informal, the Government needs to ensure that all SMEs have the basic financial literacy. This is very important owing to the fact that, SMEs plays a paramount role in the Zimbabwean economy and growth in this sector means growth in economy. Financial literate entrepreneurs demonstrated high level of formal education which emphasis the importance of business education taught in our learning institutions. However, there is need for more capacity building in areas of diversification, raising capital and investments in order to stimulate growth. The study further recommends financial institutions such as MFIs to educate SMEs in informal sector the basic financial concepts in order to boost their risk profile and enable them to access credit. Financial institutions can play a very important role in financial literacy due their frequent interactions with SMEs in financial matters. More so the study recommend financial institutions to come up with Client Value Propositions (CVPs) that are tailor made for SMEs which suits their funding needs and products.

5.4.0 Suggestion for Further Studies

As this study is preliminary and only focused on financial literacy impacts on SME business performance, future studies should concentrate on factors such as impact of macroeconomic factors on SME business performance, to ascertain the impact of external factors on the performance of SMEs. The relationship between financial literacy and performance was examined solely based on questionnaires. An additional suggestion for future studies to be conducted is to investigate the relationship between financial literacy and SME performance basing on other research instruments such as interviews, discussions among other research instruments. This is likely to shed more light on the responsiveness of the impact of financial literacy on performance of SMEs.

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MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING

Date: 1 April 2019

Dear participant,

I am a postgraduate student at Midlands State University studying towards a Masters of Commerce in Accountancy (MCom) Degree. The title of this research project is: Evaluating financial literacy impact on business performance, the Zimbabwean SMEs experience.

I would like to invite you to participate in this research study by completing the attached Survey Questionnaire. This Questionnaire consists of six sections carrying 46 Question in total. Please note that l have sought permission from your Trade Association, the SME Association of Zimbabwe to solicit information I need to complete this research study from you. The information obtained is strictly for academic purposes and every effort has been made to keep respondents' identity anonymous and your privacy is thus guaranteed.

I would also like to advise that your participation in this study is voluntary and thus you have no obligation to respond to any or all of the questions if you have reservations about this process

No comments will be ascribed to you by name by whatever means. Please note that you are not required to write your name anywhere on the questionnaire.

If you have any questions concerning whatever you feel deserves my attention about this research study please feel free to contact me on +263 779 172 409/+263 242 710514 or through my e-mail lazarus.nyarusanga@fbc.co.zw

Thank you.

Yours sincerely,

Lazarus Nyarusanga

Survey Questionnaire

Please click to place a cross (☒) in the appropriate block and forward answered questionnaire to lazarus.nyarusanga@fbc.co.zw

Section A: Demographic Information

This Section has questions about the SME business owner or manager as well as the business itself

A1	**Gender**	Male☐		Female☐	

A2	**Age Group (in years)**	18-28 ☐	29-39 ☐	40-50 ☐	51-61 ☐	Above 62 ☐

A 3	**Highest Qualifications Achieved**	A Level ☐	Diploma ☐	First Degree ☐	Masters ☐	Doctorate ☐	Other (specify) ....

A4	**Your Nationality**				
	Zimbabwean☐	African☐	Asian☐	European/American☐	Other (Specify)........................

A5	**Work experience**	Less than 1 year ☐	Between 1 to 5 years ☐	Between 5 to 10 years ☐	Between 10 to 15 years ☐	More than 15 Years ☐
A6	**Number of people employed by business**	Less than 20 ☐	21 to 40 ☐	41 to 60 ☐	61 to 80 ☐	81 to100 ☐

A 7	**Type of industry you operate in**	

	Manufacturing☐	Mining ☐	Retail ☐	Tourism &Hospitality ☐	Agriculture☐	Other ☐

A8	**How long has business been in existence?**	Less than 1 year☐	Between 1-5 years☐	Between 5-10 years☐	Between 10-15 years☐	15 years and over☐
A9	**Is your business a formally registered entity?**	With your Trade Association ☐	With the Ministry of SMEs & Cooperatives Development ☐	Zimbabwe National Chamber of Commerce ZNCC ☐	Confederation of Zimbabwe Industries CZI ☐	Other (Specify) ……… ……
A10	**Where does your business operate from?**	Home	Rented premises in the SMEs designated zone ☐	Own premises in the SME designated zone ☐	In local Council business designated zone ☐	Inside an industrial complex ☐

SECTION B: Basic Financial Literacy Awareness

We would like to find out the level of financial awareness among SME entrepreneurs in Zimbabwe so as to gauge how this impacts on their business performances. Please indicate the extent to which you agree or disagree by encircling the corresponding number between 1 (Strongly disagree) and 6 (Strongly agree). A rating of 4, point towards moderate acceptance of the statement

FL1	As an SME entrepreneur operating in Zimbabwe you are familiar with inflation and its impacts on your business' performance.	Strongly disagree	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☐ 7		Strongly agree
FL2	For good cash flow management in business it is prudent to lag payables as far possible as trade terms allow whilst advancing receivables as far possible as the trade terms allow	Strongly disagree	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☐ 7		Strongly agree

FL3	Bookkeeping is not important in business as long as a file of receipts and invoices is kept which can easily be retrieved should queries arise with customers	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree
FL4	The use of multicurrency in Zimbabwe has tended to encourage savings and stabilize companies' balance sheets	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree
FL5	Participation on the Zimbabwe Stock Exchange is mainly dominated by corporates but SMEs can still improve and diversify their revenue sources through buying assets from undervalued stocks and sell them when their prices adjust positively	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree
FL6	Options are a safer hedging mechanism than forward contracts in business where future economic trends cannot be predicted with certainty	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree
FL7	Investment in the money market creates value for business in steady or growing economic environments as doing so in inflationary environment erodes capital	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree

SECTION C: Access to Finance, Financing Choices and Markets for SME businesses

We would like to ascertain SMEs finance options and markets access and the extent that this impacts on business performance. Please indicate the extent to which you agree or disagree by encircling the corresponding number between 1 (Strongly disagree) and 7 (Strongly agree). A rating of 4, point towards moderate acceptance of the statement.

AF 1	Getting finance from banks is usually said to be difficult for SMEs and this is one of the reasons why SME businesses remain under capitalized	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree
AF 2	SMEs struggle to have good markets for their products and services and it is one of the reasons they fail to scale up their businesses	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree
AF 3	SME financing facilities provided by banks are always appropriate and businesses do not struggle to pay back	Strongly disagree	□ 1	□ 2	□ 3	□ 4	□ 5	□ 6	□ 7	Strongly agree

AF 4	Interest rates charged by banks are sometimes too high for businesses to sustain and this is what partly triggers defaulting on loan commitments by businesses	Strongly disagree	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☐ 7	Strongly agree
AF 5	Trade credit from suppliers is better than bank loans if there is no interest is charged as part of the credit terms	Strongly disagree	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☐ 7	Strongly agree
AF 6	Guarantees are a better type of credit facility from banks as long as business is certainly able to discharge commitment	Strongly disagree	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☐ 7	Strongly agree
AF 7	Long term funding is appropriate for capital projects just as short term bank facilities are appropriate for supporting and operating budgets	Strongly disagree	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5	☐ 6	☐ 7	Strongly agree

SECTION D: Business Risk Culture of SMEs

We would like to find out SME perception on business risk in as far as it relates to business performance. Please indicate whether you agree with the statements by encircling the corresponding number between 1 (Strongly disagree) and 6 (Strongly agree). A value of 4, point towards moderate acceptance of the statement.

RC1	Risk management is embedded in all company business activities to such extent that everyone is a risk manager	Strongly disagree	☐1	☐2	☐3	☐4	☐ 5	☐ 6	☐ 7	Strongly agree
RC2	One way the company diversifies business risk is through portfolio diversification	Strongly disagree	☐1	☐2	☐3	☐4	☐ 5	☐ 6	☐ 7	Strongly agree
RC3	The management of the company priorities regulatory compliance as a measure to avoid compulsory business closures or penalties that eat into business profits	Strongly disagree	☐1	☐2	☐3	☐4	☐ 5	☐ 6	☐ 7	Strongly agree

RC4	The company management is amenable and prepared to embrace changes to cope with trends in the industry	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly agree
RC5	The company is not likely to face a suppliers risk for key raw materials or products and cause production or business interruptions	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly agree
RC6	The company is not likely to face demand risk for its products leading to low sales and therefore subdued profits	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly agree
RC7	Insurance in business is important to cover for business risks that have potential to cause its closure should the insured risk happen without cover	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly agree

SECTION E: SME Business Performance for the periods between 2016 and 2018 trading years

We would like to find out how the SME business performed for the trading periods, 2016 and 2018. Please indicate the consistency or none thereof by encircling the corresponding number between 1 (Never), and 5 (Always). A value of 4, point towards moderate frequency of the activity given in the statement.

BP1	The business profitability trend has consistently been on a positive trajectory since 2016 up to 2018	Never	□1	□2	□3	□4	□5	□6	7	Always
BP2	The sales trend has been consistently increasing since 2016 up to 2018	Never	□1	□2	□3	□4	□5	□6	□7	Always
BP3	The compliancy level of business has consistently been satisfactory since 2016 and up to 2018	Never	□1	□2	□3	□4	□5	□6	□7	Always

BP4	Staff competence level has consistently been acceptably high since 2016 to 2018	Never	□1	□2	□3	□4	□5	□6	□7	Always

SECTION F: Other Factors affecting business performance of SMEs in Zimbabwe (Internal Factors)

We would like to find out if there are any other key factors impacting on business performance of SMEs in Zimbabwe (Internal Factors). Please indicate the extent to which you agree or disagree by encircling the corresponding number between 1 (Strongly disagree) and 6 (Strongly agree). A rating of 4, point towards moderate acceptance of the statement

OiF1	Besides Financial Literacy there are other factors that affect business performance which may be internal or external factors to the business	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly Agree
OiF2	The physical and mental strength of the entrepreneur affects business performance	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly Agree
OiF3	Entrepreneurial skills impact on business performance	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly Agree
OiF4	The entrepreneur's human relations impact on business performance too	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly Agree
OiF5	Experience in the business also impacts on business performance	Strongly disagree	□1	□2	□3	□4	□5	□6	□7	Strongly Agree
OiF6	Financial stability and family base of the entrepreneur		□1	□2	□3	□4	□5	□6	□7	Strongly Agree

SECTION G: Other Factors affecting business performance of SMEs in Zimbabwe (External Factors)

We would like to find out if there are any other key factors impacting on business performance of SMEs in Zimbabwe (External Factors). Please indicate the extent to which you agree or disagree by encircling the corresponding number between 1 (Strongly disagree) and 6 (Strongly agree). A rating of 4, point towards moderate acceptance of the statement

OeF1	Price Changes in the market impact on business performance	Strongly disagree	☐1	☐2	☐3	☐4	☐5	☐6	☐7	Strongly Agree
OeF2	Competition from the external environment impacts on business performance too	Strongly disagree	☐1	☐2	☐3	☐4	☐5	☐6	☐7	Strongly Agree
OeF3	Technological changes within the external environment impacts on business performance	Strongly disagree	☐1	☐2	☐3	☐4	☐5	☐6	☐7	Strongly Agree
OeF4	For Zimbabwe, political and social factors impact on business performance	Strongly disagree	☐1	☐2	☐3	☐4	☐5	☐6	☐7	Strongly Agree
OeF5	Legal and cultural factors impact on business performance also	Strongly disagree	☐1	☐2	☐3	☐4	☐5	☐6	☐7	Strongly Agree

Thank you for taking your time to complete the Questionnaire. Your esteemed views are taken note of and are indeed treasured.