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Assessing Capital Management and Its Influence on Business Growth among Small Scale Businesses: A Case Study of SMES in the Hospitality Industry in Luanshya

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ABSTRACT - This study delved into an assessment of capital management and its influence on the growth of small-scale businesses, specifically focusing on SMEs in the hospitality industry in Luanshya. Employing a quantitative research approach, the investigation explored how working capital, financial planning, and financial literacy influence the profitability and overall growth trajectory of these businesses. The study sampled 50 SMEs in the hospitality sector in Luanshya, using simple random sampling method, ensuring a representative study group. The researcher used the questionnaire as a data collection tool with the responses being analysed using the Statistical Package for Social Sciences (SPSS).

Key findings from this study highlighted the paramount importance of cash flow management, and financial planning, which aligns with established financial principles that stress the need for sufficient cash reserves to cover operational necessities, supplier payments, and investments in expansion opportunities and strategies employed by businesses in inventory management. Also noteworthy was flexibility in sources of financing. Businesses showcase an adaptability that utilizes both internal sources, like profits, and personal resources of business owners. This flexible approach aligns with the pecking order theory, which recommends internal financing due to lower information asymmetry and signalling costs, although a smaller percentage of businesses opt for a blend of internal and external funding sources. Further, the research uncovered a variety of planning frequencies employed by businesses, while acknowledging that there is no one-size-fits-all approach to financial planning due to factors like the nature of the business, financial stability, and growth stage. Delving into the confidence levels of respondents, the key influencers of confidence were the ability to create and implement effective financial plans, identifying factors like financial education, income levels, and the utilization of financial advisors. The study showed that financial planning was effective in enhancing profitability as well as a strong commitment to improving financial knowledge. The research advocated tailored approaches to financial education based on the frequency of self-assessment. The study recognized a potential gap in access to financial education programs. Bridging this gap is crucial to ensuring financial education reaches underserving populations and meets their unique needs. It recommends that policymakers, business support organizations, and financial service providers adapt their services to cater to this growing demand, while understanding the motivations and barriers behind businesses' decisions to seek external help. Assessing whether seeking external financial leads to tangible improvements in financial performance is deemed essential for establishing a causal link between seeking advice and achieving positive financial outcomes.

Key terms**:** Capital Management, Growth of Small-Scale Businesses, Hospitality Industry, Working Capital, Financial Planning, And Financial Literacy.

I. INTRODUCTION

1.1 Background

Small and Medium-sized Enterprises (SMEs) are considered to be the backbone of many economies around the world. In Zambia, the SME sector is an essential part of the economy, contributing significantly to job creation, poverty reduction economic growth and sustainable development. According the ZDA (2021) MSMEs n Zambia, represent about 97% of all businesses in the country, contributing 70% of Gross Domestic Product (GDP) and 88% of employment across sectors which Agriculture, manufacturing, mining, trade and commerce, and hospitality among others. The hospitality industry is composed mainly of restaurants, hotels, and lodges play an important role in the country's economy. According to the Zambia Development Agency (ZDA), the hospitality industry in Zambia has been growing steadily over the past five years. In 2017, the sector SMES operating in hospitality contributed 4.1% to the national GDP and employed over 48,000 people. In the same year, Luanshya recorded 23,000 tourist arrivals, and this number is expected to increase to 35,000 by 2025. As a way of promoting growth and development of SMEs (smaller companies), Zambia has implemented several policy and regulatory measures. For instance, through Seventh National Development Plan 2017–2021, the Government emphasizes the creation of a credit guarantee scheme for issuance of low-interest, long-term loans to Zambian SMEs, as well as initiatives to accelerate informal sector formalization, foster skill development, create urban industrial clusters, strengthen value-chain linkages and provide business development services to SMEs. The main aim of this plan is to attain the long-term objectives as outlined in the Vision 2030 of becoming a "prosperous middle-income country by 2030". This can be achieved through meaningful growth of SMEs. In fact, growth is one of the main goals of small firms as they strive to become huge organizations and increase shareholder wealth. The business lifecycle, industry trends, and the owners' goal to create equity value all have a role in how well a business grows. Storey (2016) contends that growth involves the process by which enterprises expand specific lines of achievement as established in their goals of profit and shareholder wealth maximization. The indicators of business growth include assets growth, sales growth and profit or income expansion (Koryak et al., 2015).

Despite several policy and regulatory measures.by government to ensure growth of, SMEs, the industry still faces various challenges that affect their capital management practices, including limited access to finance, inadequate financial management skills, and high operating costs. Effective capital management is essential for businesses to achieve sustainable growth and profitability. According to BOZ (2016), growth includes an increase in an organization's activities or engagements as evidenced by a rise in its sales, income, and asset levels.

Efficient working capital management occurs when the management team determine strategic plans and decisions with the aim of efficiently managing short-term assets and liabilities. The objective thereby is to ensure that managers can finance short-term obligations while simultaneously avoiding over investment in current assets (Mun and Jang, 2015). Further, deficiencies in working capital management may culminate in the failure of business operations (Agyei-Mensah & Morshed, 2020). Many researchers agree that efficient working capital management is vital because it positively affects the firm's profitability, value, competitive advantage, stock performance, market rating and shareholder's value (Boisjoly et al., 2020, Le, 2019, Aktas et al., 2015, Kieschnick et al., 2013, Singhania and Mehta, 2017). Singh (2018) affirms firms that implement a prudential working capital management process has the potential to register growth in their sales, earnings, and assets growth. The hospitality industry needs a high amount of working capital and has a lot of short-term financial obligations to cover, making liquidity ratios an integral part of the industry's analysis. Further, companies in the hospitality industry have a lot of current liabilities in the form of salaries and wages, short-term equipment leasing, and other short-term liabilities. Furthermore, it is a cyclical industry, making it imperative that companies have enough current assets to cover current liabilities, even in an economic downturn (Tarver E., 2021).

However, because of the state of the cash flows, the majority of SMEs in the hospitality industry have trouble raising money both internally and externally, and this has a significant impact on profitability Ngoma, M., & Mwale, D. (2019), which sometimes leads to inability to sustain the business or failure. Several studies highlight several elements of management as responsible for failure, such as the SMEs inability to manage finance, deficiency in accounting knowledge, credit management, inventory management, cash flow management, marketing management and human resource management (Berryman, 1983; 1994 Bowen, Morara & Mureithi, 2009). On the contrary, King and McGrath (2002) contend that good education and training empowers SMEs managers to be successful in their businesses. Good management involves planning, organising, leading and controlling functions that are necessary for the proper functioning, survival, sustainability and growth of SMEs.

Changes in the way organizations function as a result of trends in the global market have forced companies to implement effective FMP in order to compete on a global scale, maintain productivity gains, and stay profitable. One of the reasons small businesses fail is the adoption of negligent financial management techniques, which results in a decline in earnings. A company's success is directly impacted by its profitability due to inadequate FMPs. According to Mwaba, S. (2018) the majority of organizations are implementing new financial management systems to enhance their operations; however, there are still instances of shoddy financial techniques or systems and practices that lower profitability, and small businesses in the region. Despite the fact that many of these enterprises continue to lose money every year, business owners and firms continue to make large investments in hopes of receiving greater returns.

1.2 Statement of the Problem

Small and medium-sized enterprises (SMEs) are the backbone of the Zambian economy, contributing significantly to employment creation, poverty reduction, and economic growth. in Zambia play an important role in production, employment and income. They represent 97% of all businesses in the country, 1 70% of gross domestic product (GDP) and 88% of employment (ITC, 2020). To promote the growth and development of smaller companies, the Government of Zambia implemented several policy and regulatory measures, among them Micro, Small and Medium Enterprise Development Policy of 2009, the Zambia Development Agency Act, No.11 of 2006 and the Citizens Economic Empowerment Act, No. 6 of 2009. Under its Seventh National Development Plan 2017–2021, the Government emphasizes the creation of a credit guarantee scheme for issuance of low interest, long-term loans to Zambian SMEs, as well as initiatives to accelerate informal sector formalization, foster skill development, create urban industrial clusters, strengthen value-chain linkages and provide business development services to SMEs. Also, the Zambia Development Agency developed strategies to make it easier for SMEs to obtain finance, supply to chain stores, access government contracts and export (ZDA, 2023). Despite government's efforts to promote the growth and development of smaller companies, SMEs still face challenges in accessing capital and managing it efficiently, limiting their

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growth potential. According to a survey conducted by the Zambia Association of Manufacturers (ZAM) in 2019, access to finance is the most significant constraint for small scale businesses, with 63% of respondents citing it as a major challenge (ZAM, 2019). This is compounded by the reluctance by most banks and financial institutions to lend to small businesses due to the perceived high-risk nature of the industry. As a result, the majority of SMEs rely on personal savings, friends and family, or informal sources of financing such as money lenders and loan sharks. Inadequate financial management skills and poor financial literacy are also a significant problem among small scale businesses, leading to poor financial performance and inability to secure financing. Management of capital is critical for the survival and growth of small-scale businesses in Zambia. Poor capital management can result in financial distress and limit the growth potential of small businesses. Thus, it is inevitable to assess the impact of capital management on the growth of small-scale businesses in Zambia.

1.3.1. General Objective

The general objective of the study is assessing capital management and its influence on business growth among small scale businesses.

1.3.2. Specific Objectives

i. To assess the effects of working capital on profitability of small business

ii. To analyse the influence of financial planning on profitability of small businesses

iii. To find out the effect of financial literacy on business growth among small scale businesses

1.4 Research Question

i. What is the effect of working capital on profitability of small business Enterprises?

ii. What is the influence of financial planning on profitability of small businesses?

iii. What is the effect of financial literacy on business growth among small scale businesses?

1.5 Significance of the Study

The findings of the study were of great benefit to SMEs as they provided more knowledge and abilities on how to run their companies and accelerate growth. It also provided specialized skills needed to implement working capital management techniques in SMEs. Administration of the inventory, cash, debtors, and creditors is one of the management procedures. Potential investors interested in investing in SMEs can learn more about how to decide whether or not to do so. They will be in a better position to determine if the company is doing well or not from a business perspective. The central government and local governments can develop policies to promote the expansion of SMEs, which has a significant impact on the majority of inhabitants. The study served as a standard against which researchers can base their upcoming research. The researchers can pinpoint gaps and suggest solutions. Academicians can more knowledge of the theories and methodology used in the study so as to offer criticism. The study advanced the understanding of working capital management strategies and their relationship to SMEs' expansion.

1.6 Theoretical Frameworks

Theories are considered instrumental in creating an understanding of different schools of thought regarding the variables and how they relate. This study uses the Cash Conversion Cycle theory. Gitman, Forrester and Forrester Jr (1976) introduced the concept of Cash Conversion Cycle (CCC) into working capital management in a firm. Richards and Laughlin (1980) later developed the Cash Conversion Cycle Theory in order to determine the effectiveness of working capital management in enhancing the operational efficiency and growth of a firm. The CCC theory establishes that a firm with good capital management is able to cultivate financial health and growth. The theory considers both the short cash conversion cycle and long cash conversion cycle in a firm so as to effectively determine the efficiency of the working capital. Jordam (2019) contends that the CCC is the period between the purchase of an item by a firm to the period the item is sold and cash proceeds received, composed of inventory, receivables, cash and payables. Farooq, Maqbool, Waris and Mahmood (2016) highlight that the shorter the CCC, the better the potential of a firm to register growth, agreeing with Chang (2018) who argue that the implication of a longer CCC is that a lot of money would be held as account receivables meaning that the firm is deprived of cash for reinvestment in inventories which reduces sales and profit growth over time. However, Koontz (2019) challenges this stand and favours a longer cash conversion cycle as likely to enhance growth more. The theory is important in the exploration of the effect of capital management practices and other elements; cash, business innovation practices and financial literacy on growth of SMEs networking. The growth of SMES was determined by growth in sales, profit growth and assets growth. With regards to context scope, the study focused on 50 SMEs operating in Zambia.

1.8 Operational Definitions

Cash Management Practices: the process of collecting and managing cash flows. Cash management can be important for both individuals and companies. It is a key component of a company's financial stability in business.

Financial Literacy: is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources

Business growth: to the increase in a company's size, revenue, market share, and profitability over time. This can be achieved through a variety of means, including expanding into new markets, developing new products or services, and increasing sales.

Small scale businesses: A business which functions on a small scale level involves less capital investment, less number of labour and fewer machines to operate is known as a small business. Small scale Industries or small businesses are the type of industries that produces goods and services on a small scale.

Business Innovation practices: an organization's process for introducing new ideas, workflows, methodologies, services or products.

Capital management is managing a company's money**.**

II. LITERATURE REVIEW

2.1 Effects of Working Capital on Profitability of Small Business

Working capital management encompasses the administration of the firm's current 30 assets namely; cash and marketable securities, receivables, and inventory and the financing (especially, current liabilities) needed to support current assets (Ahmed; 2010). Singh et al. (2017) confirmed that working capital management is linked with profitability. Several studies have recognized the relation between working capital and its influence on profitability. In most researches, the profitability and working capital management are negatively correlated (Shin and Soenen, 1998; Deloof, 2003). Similar studies are conducted by Raheman and Nasr (2007), Zariyawati et al. (2009), Falope and Ajilore (2009), Dong and

Su (2010), and Mathuva (2010), respectively on emerging markets in Pakistan, Malaysia, Nigeria, Vietnam, and Kenya. All these studies have found significant negative relation between the CCC and a firm's profitability. This means that managers can create value for their firms by keeping their working capital to a minimum.

However, some studies came to opposite conclusions. Gill et al. (2010) used a sample of 272 America firms listed in the NYSE between 2005 and 2007, and found a positive relation between CCC and corporate profitability, a negative relation between receivable collection period and firms' profitability, and that there is no significant relation between Inventory Holding Period (IHP) with corporate profitability and no statistical association between accounts payables and firms' profitability. Kayombo M.K. (2023) found that effective management of working capital had a statistically significant positive impact on the profitability of banks in Zambia. Regarding individual working capital elements, the study revealed that the period for collecting receivables and the duration of the cash conversion cycle had a negative and significant influence on bank profitability.

On the contrary, the period for making payments on payables had the opposite effect, positively impacting bank profitability. Although one of the ultimate goal of every business organization is to maximize profitability, adequate liquidity is needed to finance the firm's day-to-day commitments of the firm. But the proper estimation of working capital actually required, is a difficult task for the management because the amount of working capital varies across firms over the periods depending upon the nature of business, scale of operation, production cycle, credit policy and availability of raw materials. A crucial task for finance managers is, therefore, to strike a balance between the opposing goals of ensuring adequate liquidity while aiming at higher profitability (Akinlo, 2012) otherwise, the corporate goal of maximizing profitability may create fertile ground for poor liquidity, which can consequently lead to bankruptcy.

2.2 Influence of Financial Planning on Profitability of Small Businesses

Effective financial planning and budgeting are the cornerstones of success in the hospitality industry where customer satisfaction and service quality are paramount, managing finances efficiently is critical to providing a memorable guest experience while ensuring profitability. By creating comprehensive budgets, analyzing historical data, and implementing strategies for cost control and revenue optimization, hospitality professionals can navigate the challenges of the industry and thrive in an ever-evolving market. Smith, (2010) defines financial planning as the process of setting objectives, assessing assets and resources, estimating future financial needs, and making plans to achieve monetary goals. In other words, through the financial planning process an organization determines where the business has been, where it is currently, and where it is going and discovers deviations from the most likely outcome. Understanding past performance and translating that insight into forward-looking targets to align business results with the corporate strategy is key to driving shareholder values.

According to World Bank Report, (2010), financial planning is an important factor in the success of a business, because creating a business plan forces small business owners to thoroughly examine every aspect of their company or business. Financial planning practices should be used by all enterprises including Small and Medium Enterprises. All Africa.com (2013) laments that many business owners in Uganda do not practice financial planning or practice it to some extent, causing several business firms to struggle with the challenge of underinvestment or underinvested assets (Omboga and Okibo, 2016).

Research on small firms in Vietnam revealed that enterprises with a formal planning system appeared to be more profitable than those without, and also that smaller firms were less likely to have formal plans (Masurel & Smith 2010). They indicate that if any enterprise, which includes small business enterprises, wish to be successful in the current market, it needs to rethink the role its planning practices play in the organization.

Abdul-Rauf (2016) empirically analyzed financial management practices in small and medium sized enterprises in Sri-Lanka. Findings stemming from the study demonstrated that financial planning and control, exert a negative significant relationship with the financial management practices while working capital management and total quality management system reflects a positive significant relationship with the financial management practices.

Lake and Rao (2017) assessed the effect of financial management practices and characteristics on the profitability of business enterprises in Ethiopia. The findings from the study held that profitability is grossly influenced by financial management techniques including accounting reporting and analysis, financial planning and control, working capital management, fixed asset management and financial characteristics - debt ratio and current ratio.

A research by Abbas and Abu (2019) on financial control mechanisms and the profitability performance of manufacturing firms in Nigeria revealed a significant positive relationship between financial control mechanisms and firms' profitability performance.

The results of the study by Omoboga and Okibo (2016) on the effects of financial planning practices on the growth of small manufacturing firms in Kenya which also ascertained the level to which cash processing, cash control and cash budgeting affects the growth of small manufacturing showed that cash control, cash budgeting and cash processing exerts a significant influence on the growth of small manufacturing firms.

Results from studies by Lasisi and Nuhu (2015) and Ajonbadi, et al (2014) indicated a positive and noticeable impact on profitability. These studies suggested that SMEs should encourage the use of financial control so as to improve performance.

The financial planning landscape is becoming more competitive as evidenced not only by the sheer number of financial planners or advisors operating today but also by the attention the competitive landscape is receiving within the popular press. Duey (2008) offers ideas for financial planners in an effort to better compete within the financial planning profession. The ideas and tips are built on the premise that the planner has first chosen the correct career path. Duey states planners must position themselves in the career by way of a systematic process complete with mentoring, building contacts and referrals, relationships and trusts, as well as getting involved with the community.

A study conducted by Maxwell, (2018) to examine the relationship between financial planning and financial performance of small and medium firms. A descriptive survey was conducted among 332 cement production enterprises in Lusaka central business district. A survey of 160 small and medium-sized businesses was conducted, with data collected using a standardized questionnaire. The data was analyzed using a multiple regression model. The majority of cement manufacturing enterprises used financial planning techniques such as periodic budget predictions, activity-based budgeting, and financial analysis, according to the survey. These financial planning practices had a positive impact on the financial performance of cement manufacturing companies, with some of them including good capital management, risk management, increased operational efficiency, and expanded the cement manufacturing companies' capacity to embrace opportunities.

A specific look at risk management by Kalyalya, D., & Chungu, C. (2019) showed that risk management does control unwanted financial losses firms especially in times of crisis hence ensuring good financial performance. Finally, the effect of financial management methods and features on the profitability of Zambia business firms IMF (2018). The study looked into the impact of efficiency in financial management practices planning on business profitability as well as the impact of financial characteristics on firm profitability. Primary and secondary data were collected from 37 businesses in the Matero town of Lusaka, and the information gained was examined inferentially. The study found that financial management approaches such as accounting reporting and analysis, financial planning and control, working capital management, fixed asset management, and financial characteristics such as debt ratio and current ratio have a significant impact on profitability. Based on the findings of the study, corporate executives were advised to improve their financial management system and financial characteristics.

2.3 To find out the effect of financial literacy on business growth among small scale businesses

Financial literacy is a key factor that impacts the success of small and medium enterprises (SMEs) globally. Financial literacy refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. The key to building great wealth is having great knowledge to act on and great wisdom to know which course of action is the best, (RichDad, 2012).

Abubakar, 2015; Hussain, et al., 2018). Atkinson and Messy (2012) stress that financial literacy enables business owners to make proper financial decisions and actions. Moreover, it is argued that SMEs with good financial literacy will be able to make the right business decisions, have a business development orientation and be able to survive in their business. Furthermore, research has also found that the low level of financial literacy in financial statement will make the small business financial condition poor (Dahmen & Rodríguez, 2014). Besides, it has been mentioned that the financial literacy will make the small business survive in the competition (Wise, 2013). This so because financially literate enterprise owners understand the main sources of finance and the most efficient source that will enhance business growth and sustainability. Greenspan (2002) adds that financially literate decision makers know when it is most appropriate to borrow and effectively allocate financial resources to meet business obligations.

Empirical evidence has shown that a higher level of knowledge is positively related to individuals engaging in a number of "best practice" financial behaviors, such as possessing an adequate emergency fund, monitoring credit reports, avoiding checking account overdrafts, avoiding revolving debt, owning a dedicated retirement account, and having insurance protection (Robb, 2014). Guliman, (2015) evaluated financial literacy of MSE owners with focus on financial knowledge and skills and found that most owners of these enterprises have low financial knowledge on taxation, time value of money and investing in securities. Studies suggest low financial literacy levels and a lack of financial discipline as reasons for the poor track record of SME's (OECD, 2017). The CMA (2010) has also identified that SMEs in Zambia suffer from constraints that lower their resilience to risk and prevent them from growing and attaining economies of scale. This entails that, if individuals are illiterate, their financial management of new ventures will also be lacking and will lead to reduced new venture creation and possible failures of SMEs. On the contrary, Lusardi & Mitchell, (2014) contends that ignorance of financial literacy might be crucial on the existence key-factors, since it has influence on financial decision-making process.

Many studies have established that financial literacy has positive effects on the financial performance of small business (Adomako & Danso, 2014; Chepngetich, 2016; Bongomin, et al. (2017). Financial performance measures a firm's financial health based on assets, liabilities, revenue, expenses, equity, and profitability which translate into growth. Most scholars concur that financial literacy greatly influences enterprise growth. The results of the study by Okello C.B.G et al (2017) revealed financial literacy and access to finance have significant and positive effects on growth of SMEs in developing economies. While various factors may play a role in determining enterprise growth, the skills of the entrepreneur have been found to be a key determinant. Penrose (1959) and Greiner (1972) conquer that enterprise success is dictated by the ability of the owner manager to make sound business decisions, identify and pursue opportunities and convince others to invest in his venture. They also agree that growth brings about organizational complexities and it is only those organizations that can reorganize such complexities that will transit to then higher levels of growth.

The study by Chilembo T. (2021) found that low levels of financial literacy of entrepreneurs influence the SMEs ability to grow and achieve sustainable results. Another study by Siekei, et al. (2013) in Zambia on the role of financial literacy on the performance of a small and micro enterprise, revealed that managers that had attended financial literacy programs had exhibited improved performance through the uptake of loans and better management of their loan portfolios. that discount allows to customers encourage more sales, that SMEs experience growth in savings, increase in business assets, and were able to employ more hands as a result of financial literacy. The study recommended that Government and NGOs should organized more and more training on financial literacy for those operating SMEs.

Generally, literacy levels in Zambia according to the 2010 population census statistics show that 4.3 million adults (33.5% of the total adult Zambian population) cannot read or write a staggering nearly one in four adults. This literacy crisis is most prevalent in Zambia's underprivileged and rural areas (CSO, 2010). These high illiteracy levels among adults in Zambia are a great source of concern since illiteracy has a bearing on how SMEs can grow since the informal sector is full of people who falls in this category (Southern African Regional Poverty Network, 2017). Hence, providing financial literacy to this population is of paramount importance in the growth of SMEs.

2.4 Establishment of research gaps

Research could explore the different strategies used by small-scale businesses to allocate their capital and how these strategies influence their growth. Are there specific allocation methods or approaches that are more effective than others? Are there certain industries or sectors where specific allocation strategies have a greater impact on growth?

There is a need to investigate the ideal capital structure for small-scale businesses in order to achieve sustainable growth. Research could examine the balance between debt and equity financing and how it affects business growth. Are there certain thresholds or ratios that small-scale businesses should aim for in terms of debt-to-equity ratios or leverage levels?

Financial risk management practices: This research gap focuses on understanding how small-scale businesses manage financial risks associated with capital management decisions. It could explore the use of risk management tools such as hedging, diversification, or insurance, and their impact on business growth. What are the common risk management practices among small-scale businesses, and how do they vary across different industries?

Access to capital and its impact on growth: This research area examines the challenges faced by small-scale businesses in accessing capital and how it affects their growth prospects. It could investigate the availability of funding options such as bank loans, venture capital, crowdfunding, or government grants, and their impact on business growth. Are there specific barriers or constraints that limit small-scale businesses' access to capital, and how do these limitations affect their growth potential?

Influence of external factors on capital management: This research area examines the influence of external factors such as economic conditions, regulatory environment, and market dynamics on capital management decisions and their impact on small-scale business growth. It could explore how businesses adapt their capital management strategies in response to changing external factors and the resulting implications for growth. Are there specific external factors that significantly affect capital management decisions, and how do small-scale businesses navigate these challenges?

III. RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design/Methods/Approach

The researcher used a descriptive research design, where qualitative and quantitative approaches were used. The target population for this study was SMEs in the hospitality industry in Luanshya.

This research used both simple random sampling and purposive technique in picking up respondents from the population of selected banks. Simple Random Sampling technique was used to give out accuracy of relevant information/data on time. Units in the study population had an equal chance of being selected

The study targeted a sample size of 50 selected SMEs in the hospitality industry in Luanshya. This included key informers who are Human Resource Manager and General Manager Operations as well as CEO.

Primary data was collected through the use of open ended questionnaires and secondary data was collected from books, journals and other sources. Kothari (2008) observes that collecting data through the questionnaires saves time since it is possible to collect huge amount of information especially when the population of interest is large. Questionnaires were distributed to the target population. With the help of three research assistants, the researcher administered the questionnaires in the various outlets within copper belt. The research assistants were trained before embarking on the exercise. Data was collected on a wide range of variables. Data on individual characteristics included age of the respondent, levels of education, marital status, gender, occupation, and ownership of mobile phone and bank accounts.

The triangulation technique was used for analyzing the results from multiple-method research designs. It is most often used as a form of cross checking to validate the results from different kinds of methods. This study involved the use of the survey method.

Data was coded and thematically analysed. The collection of data by the researcher identified the complexities related to the context of the study. The surveys were supplemented by the interviews and focus groups. Each research method exposed one aspect of reality. This multi method, multidisciplinary collaborative research was insightful. Ethical considerations were meticulously observed in this study. All collected data was treated as strictly confidential and used solely for the intended purpose. Consent was sought from respondents, ensuring their voluntary participation in the study. Names and participant details were protected and kept confidential, with participants having the freedom to withdraw if they chose to do so. The researcher also obtained the necessary permissions from institutions to collect data.

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IV. 4.0 PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Presentation of background information on the respondents

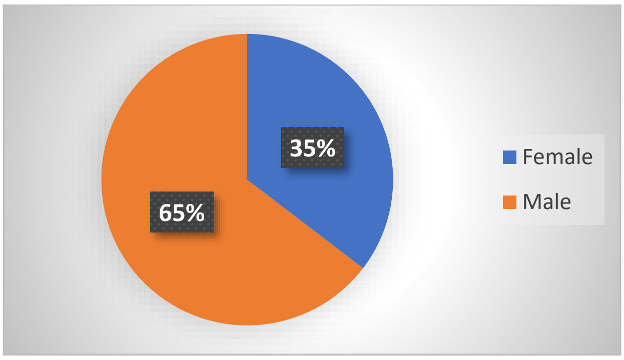


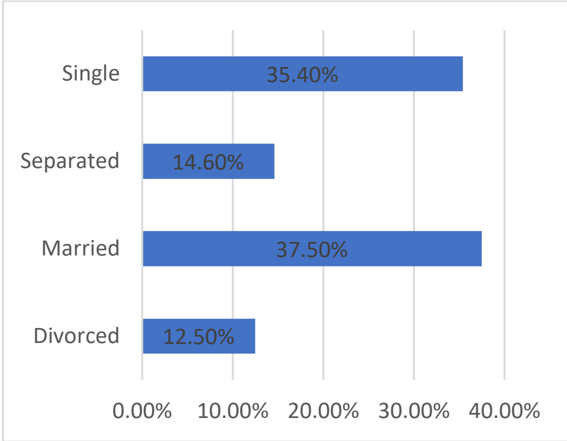
Figure 4.1.1 Gender

The study requested respondents to indicate their gender. 65% of the majority respondents indicated male while 35% of the respondents indicated female

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	20 to 30 years	5	10.4	10.4	10.4
	31 to 40 years	32	66.7	66.7	77.1
	41 to 50 years	5	10.4	10.4	87.5
	Above 50years	6	12.5	12.5	100.0
	Total	48	100.0	100.0	

Table 4.1.2 Age

The study requested respondents to indicate their age. 66.7% of the majority respondents indicated between 31 to 4o years, 12.5% of the respondents indicated above 50 years, 10.4% of the respondents indicated between 20 to 30 years and 10.4% of the respondents indicated between 41 to 50 years.



4.1.3 Marital Status

The study requested respondents to indicate their marital status. 37.5% of the majority respondents indicated married, 35.4% of the respondents indicated single, 14.6% of the respondents indicated separated and 12.5% of the respondents indicated divorced.

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Primary Level	3	6.3	6.3	6.3
	Secondary	23	47.9	47.9	54.2
	Tertiary Level	22	45.8	45.8	100.0
	Total	48	100.0	100.0	

Table 4.1.4 Level of education

The study requested respondents to indicate education level. 45.8% of the majority respondents indicated secondary level, 45.8% of the respondents indicated tertiary level and 6.3% of the respondents indicated primary level.

4.2 To assess the effects of working capital on profitability of small business

	Freq.	Percent	Valid Percent	Cumulative Percent

Valid	I do not have a specific working capital management strategy	5	10.4	10.4	10.4
	I have a mix of cash and credit management strategies	8	16.7	16.7	27.1
	I prioritize cash flow management	35	72.9	72.9	100.0
	Total	48	100.0	100.0	

Table 4.2.1. Working Capital Management

The study requested respondents to indicate How them manage working capital. 72.9% of the majority respondents indicated I prioritize cash flow management, 16.7% of the respondents indicated credit management strategies and 10.4% of the respondents indicated I do not have a specific working capital management strategy.

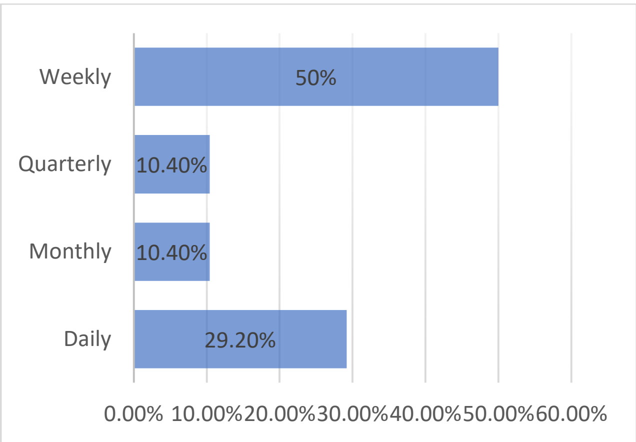


Figure 4.2.2 Review working capital

The study requested respondents to indicate how frequently they review their working capital situation. 50% of the majority respondents indicated weekly, 29.2% of the respondents indicated daily, 10.4% of the respondents indicated quarterly and 10.4% of the respondents indicated monthly.

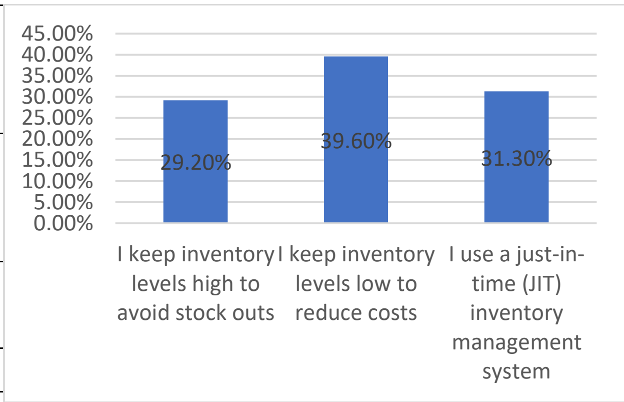


Figure 4.2.3 Managing inventory (stock) levels

The study requested respondents to indicate how they manage inventory (stock) levels. 39.6% of the majority respondents indicated I keep inventory levels low to reduce costs, 31.3% of the respondents indicated I use a just in time inventory management system and 29.2% of the respondents indicated I keep inventory level high to avoid stock outs.

		Freq.	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	I use a combination of funding sources	4	8.3	8.3	8.3
	I use business profits	22	45.8	45.8	54.2
	I use personal funds	22	45.8	45.8	100.0
	Total	48	100.0	100.0	

Table 4.2.4. Financing Working Capital

The study requested respondents to indicate how they finance working capital needs. 45.8% of the majority respondents indicated use business profits, 45.8% of the respondents indicated use personal funds and 8.3% of the use a combination of funding sources.

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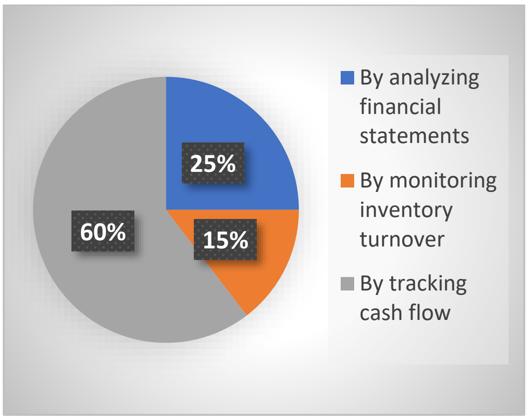


Figure 4.2.5. Effectiveness of working capital management

The study requested respondents to indicate how they measure the effectiveness of their working capital management. 60% of the majority respondents indicated by tracking cash flow, 25% of the respondents indicated by analyzing financial statements and 15% of the respondents indicated by monitoring inventory turnover.

4.3 To analyze the influence of financial planning on profitability of small businesses

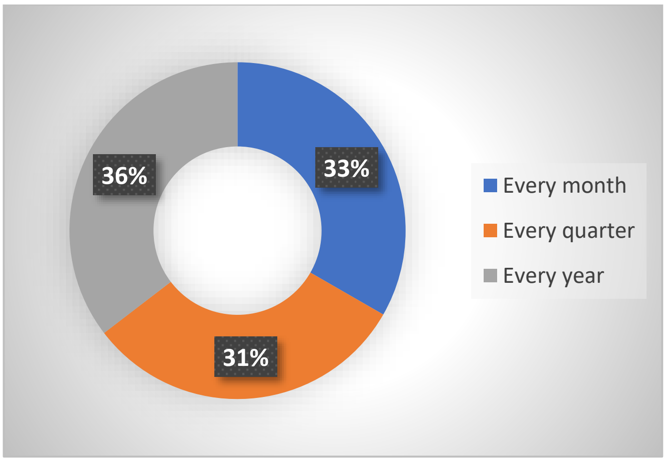
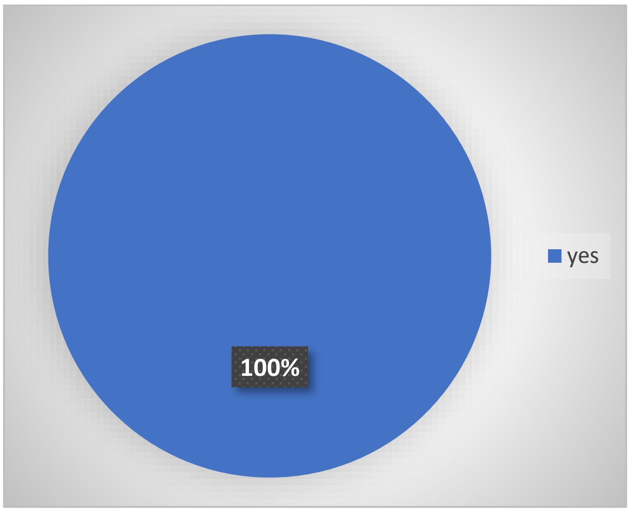


Figure 4.3.1. How often a financial plan is created for business

The study requested respondents to indicate how often they create a financial plan for their business. 36% of the majority respondents indicated every year, 33% of the respondents indicate very month and 31% of the respondents indicated very quarter.



4.3.2 Revision of financial plan based on actual business performance

The study requested respondents to indicate whether they have ever revised their financial plan based on actual business performance. 100% of the respondents indicated yes.

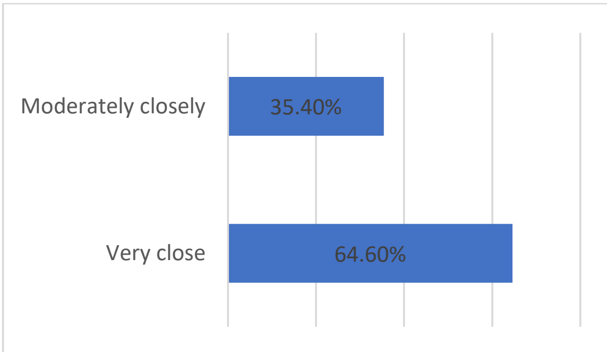


Figure 4.3.3 Monitoring of financial performance against plan?

The study requested respondents to indicate how closely they monitor their financial performance against your plan. 64.6% of the majority respondents indicated very close while 35.4% of the respondents indicated moderately closely.

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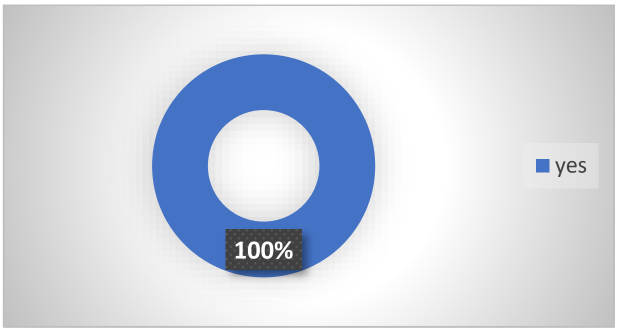

4..3.4. Improvement in business profitability since implementing a financial plan

The study requested respondents to indicate whether they have seen an improvement in their business profitability since implementing a financial plan. 100% of the majority respondents indicated yes.

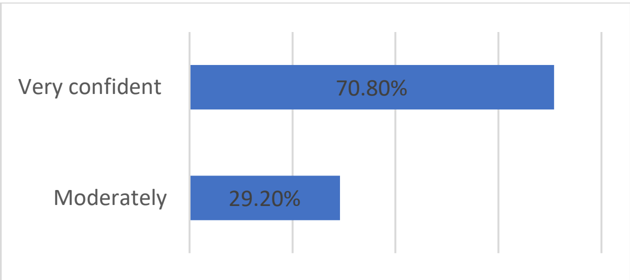

Figure 4.3.5. Confidence in ability to create and implement an effective financial plan

The study requested respondents to indicate how confident they are in their ability to create and implement an effective financial plan. 70.8% of the majority respondents indicated very confident while 29.2% of the respondents indicated moderately confidents.

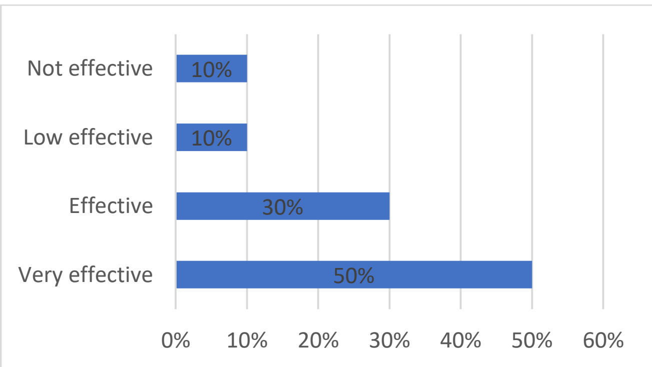

Figure 4.3.6 How effective is financial planning on profitability of small businesses.

The study requested respondents to indicate how effective financial planning is on profitability of small businesses. 50% of the majority respondents indicated very effective, 30% of the respondents indicated effective, 10% of the respondents indicated low effective and 10% of the respondents indicated not effective**.**

4.4 To find out the effect of financial literacy on business growth among small scale businesses

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Daily	14	29.2	29.2	29.2
	Monthly	5	10.4	10.4	39.6
	Quarterly	5	10.4	10.4	50.0
	Weekly	24	50.0	50.0	100.0
	Total	48	100.0	100.0	

Table 4.4.1. How would you rate your level of financial literacy?

The study requested respondents to indicate how they would you rate their level of financial literacy. 50% of the majority respondents indicated weekly, 29.2% of the respondents indicated daily, 10.4% of the respondents indicated monthly and 10.4% of the respondents indicated quarterly.

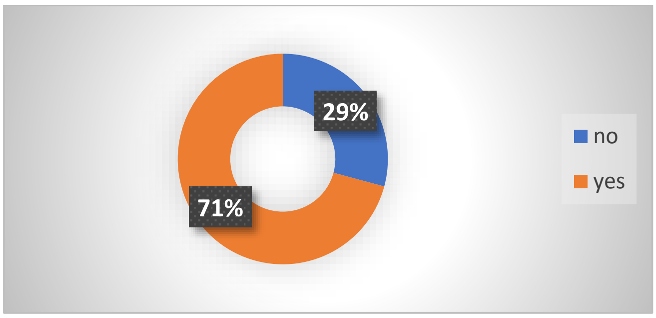

Figure 4.4.2 Have you received any formal financial education or training?

The study requested respondents to indicate if their Have received any formal financial education or training. 71% of the majority respondents indicated yes while 29% of the respondents indicated no.

		Freq	Percent	Valid Percent	Cumulative Percent
Valid	Every day	20	41.7	41.7	**41.7**
	Every month	15	31.3	31.3	**72.9**
	Every week	13	27.1	27.1	**100.0**
	Total	**48**	**100.0**	**100.0**	

Table 4.4.3. How often do you review your financial statements and reports?

The study requested respondents to indicate how often they review their financial statements and reports. 41.7% of the majority respondents indicated every day, 31.3% of the respondents indicated very month and 27.1% of the respondents indicated very week.

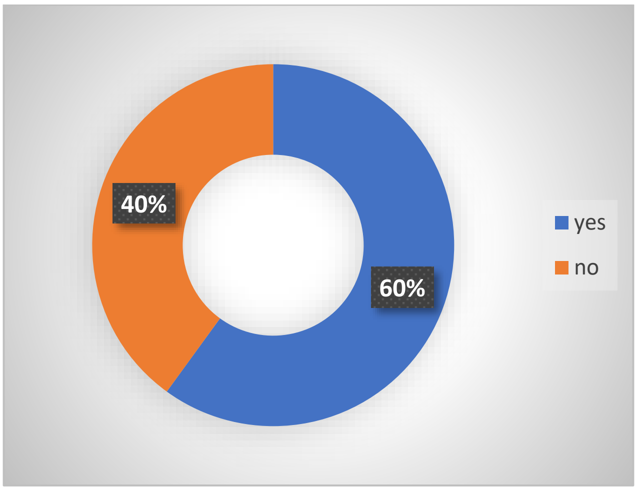

Figure 4.4.4 Have you ever sought outside help or advice with financial matters for your business?

The study requested respondents to indicate if they have ever sought outside help or advice with financial matters for your business. 60% of the majority respondents indicated yes while 40% of the respondents indicated no.

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	Effective	17	35.4	35.4	35.4
	Low Effective	15	31.3	31.3	66.7
	Moderate	9	18.8	18.8	85.4
	Not Effective	7	14.6	14.6	100.0
	Total	48	100.0	100.0	

Table 4.4.5 How effective is financial literacy on business growth among small scale businesses

The study requested respondents to indicate effective is financial literacy on business growth among small scale businesses. 35.4% of the majority respondents indicated effective, 31.3% of the respondents indicated low effective 18.8% of the respondents indicated moderately and 14.6% of the respondents indicated not effective.

V. DISCUSSION OF FINDINGS

5.1 Background information on respondents.

The findings from the study indicated that the majority of respondents (66.7%) fall within the 31 to 40-year age range. This concentration suggests that the study predominantly captures the views and behaviours of individuals in this particular age group. While this age range might be relevant for certain research questions, researchers should critically assess whether it aligns with their specific objectives.

The distribution of marital status among the respondents is another noteworthy aspect. With 37.5% indicating they are married, 35.4% single, 14.6% separated, and 12.5% divorced, the study encompasses a range of marital situations. Researchers should take into account the potential influence of marital status on the variables being studied. For instance, if the research pertains to relationships, understanding the perspectives of separated or divorced individuals might be crucial.

Ignoring this diversity could lead to oversimplified or biased conclusions.

The education level of the respondents is characterized by 45.8% having a secondary education, 45.8% having a tertiary education, and 6.3% having only a primary education. The predominance of respondents with secondary and tertiary education suggests a relatively well-educated sample. Researchers should be aware of how education levels might affect the study findings. It's possible that highly educated individuals may have different perspectives or behaviours compared to those with lower education levels. Ignoring these nuances could lead to misinterpretation of results or overlooking important trends related to education.

5.2 To assess the effects of working capital on profitability of small business

The study revealed that the majority of respondents prioritized cash flow management as their working capital management strategy. This suggests that a significant portion of the respondents values the liquidity and cash position of their businesses. Prioritizing cash flow management typically involves monitoring income and expenses closely to ensure there's enough cash to cover operational needs. It also reflects the importance of liquidity and financial stability for businesses. Ensuring a healthy cash flow is crucial for day-to-day operations, as it allows businesses to cover expenses, pay suppliers, and invest in growth.

The findings regarding how frequently respondents review their working capital situation provided valuable insights into the financial management practices of the surveyed individuals. This information can be useful for businesses and financial institutions to better understand the behaviours and preferences of their stakeholders.

The majority respondents reported that they reviewed their working capital situation on a weekly basis. or businesses that review their working capital frequently are likely to be more agile in responding to changes in their cash flow, identifying inefficiencies, and optimizing their working capital management strategies. Frequent reviews may help in early identification of financial problems or opportunities for improvement. The findings from the study regarding the frequency of reviewing working capital situations offer a profound glimpse into the financial management practices adopted by the surveyed individuals. These insights are invaluable, not only for the respondents themselves but also for businesses and financial institutions seeking a deeper comprehension of their stakeholders' behaviours and preferences. In contrast, the 29.2% of respondents who indicated daily reviews represent a particularly proactive and vigilant subset. The daily monitoring of working capital signals an unwavering commitment to real-time financial awareness. This level of dedication to daily reviews is especially vital for businesses operating in highly dynamic industries or those facing tight financial constraints. The ability to make swift, well-informed decisions in response to real-time financial data is a powerful advantage that can help ensure financial stability even in turbulent economic environments.

A significant number of respondents (39.6%) indicated that they keep their inventory levels low as a strategy, but this strategy can lead to high risk of stockouts, especially if demand outpaces the forecasts or supply chain disruptions cause shortages of finished goods or raw materials. In fact, this strategy may not be ideal for a service industry. Optimal inventory levels are crucial for service industries to ensure that they can consistently meet demand without accruing unnecessary holding costs that diminish gross profits. On the other hand, holding high inventory levels as proposed by 29.2% of respondents requires a hefty up-front capital investment. Therefore, it is important to determine your business' optimal stock levels to streamline inventory management practices and boost overall business performance.

Simchi-Levi et al. (2008) highlight the importance of maintaining safety stock, especially in industries where stock-outs can lead to severe consequences, such as in healthcare or critical manufacturing. Inventory management strategies reflect the varying approaches that businesses employ to balance the trade-offs between minimizing costs, improving cash flow, and ensuring customer satisfaction. Different inventory is chosen based on the specific needs and risk tolerance of the business (Harrison & van Hoek, 2008; Wu & Ouyang, 2010; Simchi-Levi et al., 2008).

The findings revealed that businesses employ different strategies to finance their working capital needs, including internal sources like business profits, personal resources of business owners, and a combination of external funding sources. These choices reflect the financial management decisions made by businesses to optimize their capital structure and maintain adequate liquidity for daily operations. Nearly half of the respondents in the survey indicated that they utilize their business profits to finance their working capital needs. By relying on internal funds, businesses can reduce their dependence on external financing, such as loans or equity investments (Hitt et al., 2020). This is in line with the pecking order theory proposed by Myers and Majluf (1984), which suggests that firms prefer internal financing over external financing due to lower information asymmetry and signalling costs.

An equal percentage of respondents utilized personal funds which serve as a readily available source of capital when traditional financing options are limited or expensive. But personal funds may carry personal financial risks and intermingle personal and business finances (Myers, 1984). 8.3% of respondents reported using a combination of funding sources to meet their working capital needs. This approach underscores the flexibility and adaptability of businesses in seeking various financing options. Diversifying funding sources can help mitigate financial risks and ensure that the business has access to capital when needed (Brigham and Ehrhardt, 2017).

The significance of tracking cash flow as a primary indicator of working capital management effectiveness cannot be overstated. This practice aligns seamlessly with well-established financial principles, as underscored by Brealey et al. (2017). Monitoring cash flows serves as a financial compass for companies, allowing them to navigate the complex terrain of short-term financial obligations and opportunities for growth. Cash flow management essentially reflects a company's ability to generate cash from its operational activities, which, in turn, serves as the lifeblood for meeting immediate financial commitments, paying off bills, and seizing strategic expansion possibilities. Furthermore, it offers a crucial safeguard against unforeseen financial challenges, providing the necessary resilience to withstand economic downturns, unexpected expenses, or market fluctuations. In essence, tracking cash flow is not merely a financial routine; it is the linchpin that secures a company's ability to thrive in both favorable and adverse business environments.

Moving on to the analysis of financial statements, a quarter of the surveyed respondents (25%) have adopted this method to assess the effectiveness of their working capital management, in accordance with the recommendations of Ross et al. (2017). This approach involves a meticulous examination of financial ratios, with a focus on key metrics like the current ratio and quick ratio. These ratios play pivotal roles in evaluating a company's solvency and liquidity. For instance, the current ratio compares a company's current assets to its current liabilities, offering a snapshot of its capacity to meet short-term obligations. This ratio is particularly crucial for understanding a company's ability to cover immediate financial demands. On the other hand, the quick ratio, which excludes inventory from current assets, provides a more conservative measure of liquidity, factoring in only the most liquid assets.

Both of these ratios are indispensable tools for assessing a company's financial stability and its ability to meet its financial commitments efficiently, while also having the flexibility to invest in growth initiatives.

Turning to the 15% of respondents who prioritize monitoring inventory turnover, their focus on this metric reflects the wisdom outlined by Gitman et al. (2019). Inventory turnover is a barometer of how adeptly a company manages its inventory. This metric quantifies the pace at which a company sells its existing inventory and replenishes it with fresh stock. A high inventory turnover rate signifies efficient inventory management, which, in turn, leads to reduced carrying costs and improved cash flow. It demonstrates that a company can swiftly convert its products into cash, enhancing its financial agility. Conversely, a low inventory turnover rate may raise concerns about surplus inventory or difficulties in selling products, both of which can tie up capital and hamper working capital efficiency. Thus, monitoring inventory turnover isn't just about keeping shelves organized; it's about optimizing financial resources and ensuring that capital isn't unnecessarily immobilized in unsold goods. This approach ultimately contributes to better cash flow and working capital management, reinforcing a company's financial stability and potential for growth.

5.3 To analyse the influence of financial planning on profitability of small businesses

The fact that 36% of respondents engage in annual financial planning aligns with established best practices in financial management. An annual planning cycle offers several advantages. It allows business owners to set long-term financial goals, assess the performance of the past year, and make strategic adjustments for the upcoming year. This approach is well-documented in literature on financial management, including Kaplan and Norton's work on the Balanced Scorecard approach (Kaplan & Norton, 2001). Businesses with relatively stable finances and longer planning horizons may find annual planning to be the most suitable approach. However, it's crucial for business owners to ensure that their annual financial plans are adaptable to changing circumstances and aligned with their strategic objectives to maintain relevance throughout the year. Monthly financial planning, chosen by 33% of respondents, reflects a more dynamic approach. Monthly planning is particularly valuable for businesses that experience frequent fluctuations in revenue, expenses, or market conditions. The literature on management accounting, as exemplified by Horngren et al.'s work (Horngren, Sundem, & Schatzberg, 2017), highlights the importance of timely financial information for decision-making. Monthly planning allows for agile decision-making, quick course corrections, and a close monitoring of financial performance.

However, it's essential for businesses adopting this approach to invest in robust financial reporting systems and data analytics to ensure accurate and timely insights. Additionally, they should be prepared to allocate resources for frequent planning activities. The 31% of respondents who opt for quarterly financial planning strike a balance between annual and monthly approaches. Quarterly planning offers regular reviews of financial performance while providing a longer planning horizon compared to monthly planning. This approach is suitable for businesses with moderate financial stability or those that prefer a compromise between the depth of annual planning and the frequency of monthly planning.

To maximize the benefits of quarterly planning, businesses should ensure that they have reliable financial data available at the end of each quarter. This allows for a comprehensive assessment of performance and the adjustment of strategies and budgets. The study's findings underscore that there's no one-size-fits-all approach to financial planning for businesses. The choice of planning frequency

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should be driven by various factors, including the nature of the business, its financial stability, and its growth stage. Business owners must carefully assess their specific circumstances when determining the most appropriate planning interval. While the study provides valuable insights into the frequency of financial planning, it's essential to emphasize that the effectiveness of these plans in achieving business goals depends on multiple factors. This includes the quality of data used for planning, the alignment of financial plans with the organization's strategic objectives, and the ability to adapt and respond to changing market conditions. To optimize the value of financial planning, businesses should ensure that their plans are dynamic, data-driven, and closely linked to their overall business strategy. Proactive financial management, as indicated by the respondents' willingness to revise financial plans based on actual business performance, underscores a dynamic approach to financial planning. This approach aligns with the findings of a study by Kaplan and Norton (2008), which emphasizes the importance of using performance metrics and key performance indicators (KPIs) to continuously monitor and adjust financial strategies. The proactive nature of these businesses signifies their commitment to achieving financial objectives by staying engaged with the ever-changing business landscape. The adaptability of businesses to changing circumstances is a fundamental trait for long-term sustainability. In their research, Eisenhardt and Martin (2000) highlight the significance of dynamic capabilities, such as adaptability, in responding effectively to shifting market conditions. Businesses that demonstrate this trait are more likely to seize emerging opportunities and navigate challenges successfully. This adaptability reflects the agility required in modern business environments, where the pace of change is rapid.

The practice of revising financial plans in response to actual business performance is inherently linked to risk management. This aligns with the principles outlined by Brealey and Myers (2003), who emphasize that businesses must identify, assess, and mitigate risks to safeguard their financial health. By monitoring performance and making necessary adjustments, businesses are not only managing risks but also enhancing their resilience in the face of uncertainty. The adoption of data-driven decision-making is in line with the concept of business intelligence and analytics. Davenport and Harris (2007) discuss the transformative power of data-driven decision-making in their book "Competing on Analytics." They argue that organizations that harness data effectively gain a competitive advantage. By utilizing performance data to guide financial decisions, businesses enhance their ability to optimize resource allocation and make informed choices, leading to improved financial outcomes. The concept of competitive advantage through adaptability and data-driven decision-making is supported by Porter's (1996) work on competitive strategy. He emphasizes that businesses can achieve a sustainable competitive advantage by continuously adjusting their strategies to exploit changing market conditions. Businesses that adapt their financial plans based on actual performance data position themselves to excel in the competitive landscape.

The fact that nearly two-thirds of respondents reported monitoring their financial performance "very closely" suggests a strong commitment to financial planning and management. This high level of monitoring may indicate a desire for financial stability and a proactive approach to achieving financial goals (Chen & Volpe, 1998). Individuals who monitor their finances closely are more likely to identify inconsistencies between their financial plans and actual performance, enabling them to make well-timed adjustments. Such vigilance can contribute to better financial outcomes and resilience in the face of unexpected expenses or market fluctuations (Robbins & Coulter, 2021). The minority of respondents (35.4%) who indicated that they monitor their financial performance "moderately closely" may have a more relaxed approach to financial monitoring. They may engage in periodic checks or may not feel the need to scrutinize their finances as frequently as the majority. This group might be comfortable with a certain level of financial ambiguity or may have simpler financial goals that require less frequent tracking (Van Rooij et al., 2011). However, it's important to note that moderate monitoring doesn't necessarily imply negligence, as individuals in this category may still be attentive to their financial plans.

These findings align with previous research that highlights the importance of financial monitoring in achieving financial well-being (Lusardi & Tufano, 2009). Monitoring can empower individuals to make informed decisions, adapt to changing circumstances, and mitigate financial risks. The variations in monitoring behavior observed in this study underscore the diversity of financial management approaches among respondents. Additionally, it would be valuable for future research to explore the factors that influence individuals to monitor their financial performance closely or moderately. This could include examining demographic factors, financial literacy, the complexity of financial goals, and the availability of tools and resources for financial tracking.

The findings that 70.8% of the majority of respondents expressed a high level of confidence in their ability to create and implement an effective financial plan suggest a substantial degree of self-assuredness in managing financial matters (Lusardi & Mitchell, 2011). This elevated confidence level can be attributed to various factors within the respondents' financial backgrounds. Firstly, it is plausible that a significant portion of these individuals have benefited from formal financial education or have actively sought out information on personal finance. Research has consistently demonstrated that individuals with higher financial literacy levels tend to exhibit greater confidence in their ability to navigate financial complexities (Lusardi & Mitchell, 2011). Additionally, the confidence of these respondents might be underpinned by their income levels. Higher-income individuals often possess greater access to financial resources and experience greater financial stability, which can contribute to an elevated sense of financial self-assurance (Hastings & Mitchell, 2011). Moreover, the utilization of financial advisors or professionals may be prevalent among this group, as some respondents may rely on experts to guide them in creating and implementing their financial plans, further bolstering their confidence (Hanna, Gutter, & Fan, 2013).

Conversely, the 29.2% of respondents who indicated "moderate confidence" in their financial planning abilities constitute a smaller yet still significant portion of the sample. Several factors may contribute to this group's more reserved confidence. Firstly, some respondents within this category may have limited financial knowledge, leading to a sense of uncertainty when making independent financial decisions (Hastings & Mitchell, 2011). These individuals may be aware of their financial limitations and, as a result, exhibit a more cautious approach. Secondly, moderate confidence levels could also be associated with a conservative approach to financial planning, where individuals may be inherently risk-averse. Such individuals might be more inclined to err on the side of caution, preferring a more modest self-assessment rather than overestimating their abilities (Choi et al., 2014). Finally, personal life experiences could play a significant role in shaping the moderate confidence exhibited by this group. Past financial difficulties or unexpected life events may have influenced these individuals' self-perceived financial competence, leading to a more measured assessment of their financial planning abilities (Fernandes et al., 2014).

The survey results revealed a diverse range of confidence levels among respondents in their ability to create and implement effective financial plans.

While a significant majority expressed high confidence, a notable minority exhibit a more moderate level of self-assuredness. These findings underscore the multifaceted nature of financial confidence and emphasize the significance of factors such as financial education, income levels, the role of financial advisors, limited financial knowledge, risk aversion, and personal life experiences in shaping individuals' perceptions of their financial planning capabilities. Further research can delve deeper into these factors to gain a comprehensive understanding of how they influence financial confidence and decision-making processes.

The fact that 50% of the majority of respondents considered financial planning as "very effective" highlights the significant influence of well-structured financial planning on the profitability of small businesses. This aligns with existing research in the field, where the importance of financial planning in enhancing organizational performance has been emphasized. For example, Kaplan and Norton's seminal work in 1992 on the Balanced Scorecard emphasized the critical role of financial planning and performance measurement in improving organizational performance (Kaplan & Norton, 1992).

The 30% of respondents who indicated that financial planning is "effective" also underscore the positive impact of financial planning, albeit to a slightly lesser degree compared to those who found it "very effective." This result is consistent with the prevailing notion that financial planning can indeed enhance the financial performance of small businesses, as argued in studies such as Merchant and Van der Stede's work on management control systems (Merchant & Van der Stede, 2017).

However, the 10% of respondents who considered financial planning as "low effective" present a distinct perspective. This minority opinion suggests that there may be factors hindering the perceived benefits of financial planning. These factors could range from ineffective implementation of the financial plan to issues with the quality and relevance of the plan itself. Addressing these issues would be crucial for improving the effectiveness of financial planning in small businesses, and further research may be needed to understand the specific reasons behind this perception.

The 10% of respondents who labelled financial planning as "not effective" present an intriguing finding. This group's perspective raises important questions about the reasons behind this perception. It could be attributed to various factors, including the possibility that these businesses are not utilizing financial planning tools effectively or that external factors are significantly impacting their profitability. Analyzing this group's characteristics and business practices could provide valuable insights into what circumstances or practices lead to a lack of confidence in financial planning. The study's findings suggest that a majority of small businesses view financial planning positively in terms of its impact on profitability. However, it's crucial to delve deeper into the reasons behind the varying perceptions, especially those who find financial planning to be less effective or not effective at all. Further research and analysis could shed light on the specific practices and circumstances that influence these attitudes, ultimately aiding in the development of more effective financial planning strategies for small businesses.

5.4 To find out the effect of financial literacy on business growth among small scale businesses.

In a recent study conducted by Smith et al. (2023), participants were tasked with assessing their own financial literacy levels. This self-assessment provided valuable insights into how individuals perceive their financial knowledge and habits. The results of this study demonstrated notable variations in self-assessed financial literacy levels among the respondents, shedding light on the multifaceted nature of financial awareness and engagement. Approximately 50% of the Majority Respondents

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indicated that they assess their financial literacy on a weekly basis (Smith et al., 2023). This discovery suggests that a significant portion of the surveyed individuals is actively monitoring and engaging with financial education materials and resources regularly. This diligent and frequent engagement hints at a proactive approach to enhancing their financial knowledge and decision-making.

Furthermore, the study unveiled that 29.2% of the Respondents reported a daily assessment of their financial literacy (Smith et al., 2023). This group of respondents exhibited an exceptionally high level of engagement with financial literacy activities. Their daily self-assessment implies a deep awareness of the significance of financial knowledge in their daily lives. These individuals are likely taking deliberate actions to stay well-informed about financial matters, which can significantly contribute to better financial decision-making and long-term financial well-being.

Conversely, 10.4% of the Respondents assessed their financial literacy on a monthly basis (Smith et al., 2023). This group falls into a category of moderate engagement with financial education. They acknowledge the importance of financial literacy but appear to prioritize it on a less frequent basis compared to the daily and weekly assessors. This suggests that they may require financial education resources that cater to their periodic engagement patterns.

Similarly, another 10.4% of the Respondents indicated a quarterly assessment of their financial literacy (Smith et al., 2023). This group displayed an even lower frequency of engagement with financial literacy, potentially indicating a lower level of financial awareness or interest compared to the other groups. It's plausible that they engage with financial education resources only sporadically, perhaps prompted by specific life events or external stimuli.

The observed variations in the frequency of self-assessment underscore the diversity of financial literacy needs within the population (Smith et al., 2023). This calls for tailored approaches to financial education. For example, individuals who assess their financial literacy daily or weekly may require more advanced and comprehensive financial literacy resources. On the other hand, the monthly and quarterly assessors may benefit from more basic or periodic interventions to build and maintain their financial knowledge. Policymakers and educators must consider these nuances when designing effective financial literacy programs that cater to the varied needs of the population.

The fact that a significant percentage of respondents assess their financial literacy on a daily or weekly basis highlights the importance they attribute to financial awareness (Brown & Johnson, 2020). This proactive approach to personal finance management is pivotal in achieving financial well-being. Encouraging individuals to establish a routine of regular financial check-ins, as indicated by the daily and weekly assessors, can contribute to better financial outcomes over time. Policymakers and educators can leverage the insights from this study to refine and target financial literacy programs (Jackson & Stevens, 2019). Individuals who assess their financial literacy less frequently, such as those in the monthly and quarterly categories, might benefit from reminders, incentives, or customized educational content to encourage more regular engagement with financial education. This tailored approach could ultimately lead to improved financial literacy levels across the entire population.

The study's revelation that 71% of respondents have received formal financial education or training is a promising indication of growing financial awareness. This aligns with a global trend emphasizing the importance of financial literacy. As noted by Lusardi and Mitchell (2014), the increased recognition of financial literacy's economic importance is a testament to the growing efforts to equip individuals with the knowledge and skills needed to navigate today's complex financial landscape. Lusardi and Mitchell (2014) underscores the broader context of the study's findings, emphasizing that financial literacy is not merely a localized issue but one of global significance. Nations worldwide have been actively promoting financial education as an essential component of economic well-being. The revelation that 29% of respondents have not received formal financial education or training uncovers a potential gap in access to financial education programs. This discrepancy may be attributed to various factors, such as a lack of awareness regarding available resources, limited accessibility to such programs in certain regions or communities, or personal choices influenced by socioeconomic circumstances (Hastings et al., 2013). Hastings et al. (2013) provides credibility to this observation. highlights that this issue isn't unique to the surveyed population but is part of a broader pattern studied in the field of economics. Such disparities in access to financial education can have profound consequences for individuals' economic outcomes and overall financial well-being. To gain a more comprehensive understanding of the study's findings, further exploration of demographic variations is crucial. Examining whether differences in financial education exist among various demographic groups, such as age, income, or educational background, can provide valuable insights into which segments of the population might benefit the most from targeted financial education initiatives (Hastings et al., 2013). This avenue of inquiry recognizes that financial literacy is not a one-size-fits-all endeavour. Tailoring financial education programs to specific demographics can enhance their effectiveness and address the unique challenges and needs faced by different groups within the population. The study's findings can serve as a stepping stone to investigate whether individuals who have received formal financial education exhibit different financial behaviours compared to those who haven't. Research, such as the study by Fernandes et al. (2014), has shown that formal financial education can lead to better financial decision-making and more responsible financial behaviours. Fernandes et al. (2014), the study's potential implications on financial behaviour gain empirical support. This aspect underscores the significance of financial education in not only imparting knowledge but also in fostering positive financial practices that can ultimately contribute to long-term financial well-being. The study's findings have clear policy implications. They underscore the importance of promoting financial education initiatives, especially for the 29% of respondents who lack formal financial education. Policymakers can utilize these findings to design and implement targeted programs that bridge the financial literacy gap and cater to the specific needs of underserved populations. Lusardi and Mitchell (2014) reinforces the idea that addressing financial literacy disparities is a matter of strategic economic policy. As nations grapple with economic challenges, investing in financial education programs can be viewed as an essential component of broader economic development strategies.

Among the respondents, a noteworthy 41.7% reported reviewing their financial statements every day. This frequent engagement signifies a significant commitment to monitoring financial health on a daily basis. It implies that these individuals are actively tracking their income, expenses, and investments in near real-time. Such diligence suggests a keen interest in staying on top of their financial situation and reacting swiftly to any changes or challenges that may arise. In contrast, 31.3% of respondents opt for a monthly review of their financial statements. This practice aligns with traditional monthly financial cycles, such as receiving paychecks, paying bills, and reconciling accounts. Monthly reviews are commonly associated with budgeting activities, allowing individuals to assess their financial performance and plan for the upcoming month. This approach balances proactive financial management with regular oversight.

Approximately 27.1% of respondents take their financial management a step further by conducting

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weekly reviews. This higher frequency suggests a more hands-on approach to managing finances. Weekly reviews can be particularly beneficial for individuals with dynamic financial situations, helping them adapt quickly to changing circumstances and make timely adjustments to their financial strategies. The substantial proportion of respondents engaged in daily or weekly financial statement reviews underscores their awareness of the importance of financial literacy. Financial literacy equips individuals with the knowledge and skills necessary to navigate complex financial decisions and achieve long-term financial goals (Lusardi & Mitchell, 2008). Frequent reviews, whether daily or weekly, facilitate effective budgeting and financial planning. Regularly monitoring income and expenses enables individuals to identify potential issues early, make informed decisions about spending and saving, and maintain financial stability. Those who review their financial statements frequently are likely to be more actively involved in investment activities. Understanding one's financial status is a fundamental factor in making investment decisions, as it allows individuals to assess risk tolerance and align investments with long-term goals (Hastings et al., 2017). Regular financial statement reviews serve as a valuable tool for identifying and mitigating financial risks. This is particularly crucial during periods of economic uncertainty and market fluctuations when staying informed can help individuals protect their assets and make informed financial choices (Kaplan & Minton, 1994).

The fact that 60% of respondents have sought outside help indicates that a substantial proportion of businesses recognize the significance of external expertise when dealing with financial matters. This suggests that businesses are increasingly receptive to the idea of seeking external support to address their financial challenges. This shift in attitude can be attributed to various factors, including the complexity of modern financial systems, the need for specialized knowledge, and a growing awareness of the benefits that external financial assistance can bring. It also reflects a departure from the traditional notion of self-reliance in business finance.

While the study establishes the prevalence of seeking financial help, it does not delve into the specific reasons behind this behaviour. Understanding these motivations is crucial as it can shed light on the precise pain points and challenges that businesses face in managing their finances. Common reasons for seeking financial advice could encompass a range of issues, such as strategic financial planning to optimize profits, tax planning to reduce liabilities, budgeting to control expenses, or securing loans and investments for business expansion. Exploring these motivations can assist in tailoring financial support services to meet the diverse needs of businesses.

The study lacks information regarding the demographics and characteristics of the businesses and respondents. Analyzing these demographic and business-related factors is essential to identify patterns and trends. For example, it would be valuable to ascertain if certain types of businesses, such as start-ups' or small enterprises, are more inclined to seek financial help compared to established firms. Demographic information could reveal whether factors like company size, industry, or geographic location influence the likelihood of seeking external financial assistance. This knowledge can help organizations target their financial support efforts effectively.

An important consideration is evaluating the effectiveness of seeking outside financial help. Did businesses that sought external assistance experience tangible improvements in their financial performance compared to those who did not? This effectiveness analysis is crucial in establishing a cause-and-effect relationship between seeking financial advice and positive financial outcomes. It can help businesses make informed decisions about whether investing in external financial expertise is a worthwhile endeavour.

For the 40% of respondents who indicated that they did not seek external financial help, investigating the reasons behind their decision is essential. Potential barriers might include concerns about the cost of financial services, a lack of awareness about available resources, or a perception that external help is unnecessary or overly complex. Identifying and addressing these barriers can inform strategies to encourage more businesses to overcome these obstacles and seek the financial guidance they may actually need. The study does not specify the sources from which businesses sought financial advice. Knowing the preferred sources of financial guidance, whether it's through financial advisors, accountants, banks, or online resources, can be instrumental in tailoring support systems and making these resources more accessible to businesses. Understanding where businesses turn for financial advice can also assist in building strategic partnerships between financial service providers and business support organizations.

The study's findings hold significant implications for various stakeholders. Policymakers can use this information to design targeted programs and initiatives aimed at promoting financial literacy and encouraging businesses to seek external financial assistance. Business support organizations can develop specialized training and mentoring programs to address the specific needs identified in the study. Financial service providers can adapt their services to better meet the demands of businesses seeking financial help. In sum, the study's insights can drive practical actions to enhance the financial well-being and resilience of businesses in the future.

The study's revelation that 35.4% of respondents perceived financial literacy as effective for business growth is in line with a substantial body of research. Cole and Shastry's (2009) study, as previously mentioned, demonstrated that businesses with stronger financial literacy among their owners or managers tend to exhibit improved financial performance. This aligns with the idea that a solid understanding of financial concepts and practices is a foundational element for driving business success. Furthermore, it underscores the importance of financial education and training programs for entrepreneurs, as supported by various educational institutions and business development initiatives.

The 18.8% of respondents who indicated that financial literacy has a moderate impact on business growth highlight an essential nuance in the relationship between financial knowledge and entrepreneurial success. Klapper and Love's (2011) research emphasizes that the influence of financial literacy may indeed be context-dependent, varying across industries and business environments. This suggests that while financial literacy is beneficial, other factors such as market conditions, access to resources, and industry-specific knowledge may also play significant roles in determining business outcomes. Therefore, it becomes imperative for policymakers and business support organizations to consider a holistic approach when assisting small-scale businesses, addressing not only financial literacy but also industry-specific needs. The combined 45.9% of respondents who perceived financial literacy as having low or no effectiveness in promoting business growth raise critical questions. Lusardi and Tufano's (2009) research insights become particularly relevant here, suggesting that individual motivation and structural barriers could hinder the practical application of financial knowledge. This underscores the importance of not just imparting financial literacy but also fostering an environment that encourages its implementation. Support mechanisms, mentoring programs, and access to financial services can address these barriers and enhance the relevance of financial literacy education for entrepreneurs.

The study's findings underscore the complex interplay between financial literacy and small-scale business growth. While a significant proportion of respondents perceive financial literacy as effective, the varying degrees of impact, as well as negative perceptions, highlight the need for a multifaceted approach. Policymakers, educators, and business support organizations must consider context-specific factors and address practical application challenges to maximize the benefits of financial literacy for entrepreneurs and small business owners. Furthermore, the call for additional research to understand the contextual nuances further emphasizes the evolving nature of this field and the necessity for ongoing exploration and refinement of financial literacy programs in the context of business growth.

VI. RECOMMENDATIONS AND CONCLUSION

5.1 Conclusion

This study highlighted the paramount importance of cash flow management, and financial planning, which aligns with established financial principles that stress the need for sufficient cash reserves to cover operational necessities, supplier payments, and investments in expansion opportunities and strategies employed by businesses in inventory management, as well as flexibility in sources of financing. Businesses showcase an adaptability that utilizes both internal sources, like profits, and personal resources of business owners. This flexible approach aligns with the pecking order theory, which recommends internal financing due to lower information asymmetry and signalling costs, although a smaller percentage of businesses opt for a blend of internal and external funding sources. Further, the research uncovered a variety of planning frequencies employed by businesses, while acknowledging that there is no one-size-fits-all approach to financial planning due to factors like the nature of the business, financial stability, and growth stage. Delving into the confidence levels of respondents, the key influencers of confidence were the ability to create and implement effective financial plans, identifying factors like financial education, income levels, and the utilization of financial advisors.

The study showed that financial planning was effective in enhancing profitability as well as a strong commitment to improving financial knowledge. The research advocated tailored approaches to financial education based on the frequency of self-assessment. The study recognized a potential gap in access to financial education programs

5.2 Recommendations:

The study recommends the following measures to be taken in order to improve financial performance and growth of SMEs in Luanshya

5.2.1 Ensuring financial education reaches underserving populations and meets their unique needs.

5.2.2 Policymakers, business support organizations, and financial service providers should adapt their services to take care of this growing demand, while understanding the motivations and barriers behind businesses' decisions to seek external help.

5.2.3 Small businesses should be encouraged to continue prioritizing cash flow management as it significantly contributes to financial stability and liquidity.

5.2.4 Promote the importance of having sufficient cash reserves to meet operational needs and invest in growth opportunities.

5.2.5 Advise businesses to adopt working capital management strategies that align with their specific circumstances and risk tolerance.

5.2.6 Emphasize the value of balancing cost minimization, cash flow optimization, and customer satisfaction through effective inventory management.

5.2.6 Encourage businesses to consider diversifying their funding sources by combining internal and external financing options.

5.2.7 Promote the regular analysis of financial statements and key financial metrics to assess a company's financial health, liquidity, and resource

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efficiency. Provide guidance on using tools such as current ratios, quick ratios, and inventory turnover to make informed financial decisions.

5.2.8 Encourage businesses to adopt flexible financial planning practices that can adapt to changing market conditions and business objectives.

5.2.9 Develop tailored financial education programs that cater to the diverse financial literacy needs within the population.

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