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*Article*

# The Role of Financial Management Practices in Promoting Rapid Growth of MSMEs in Lusaka Central Business District

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**Abstract:** The main aim of this study was to examine the role financial management practices play in promoting the rapid growth of micro, small, and medium enterprises (MSMEs) in Lusaka's central business District (CBD), specifically those operating in the retail sector. Its aims were to identify the type of financial management practices utilized by MSMEs, assess whether these practices contribute to their growth, and examine the challenges they face when implementing financial management practices (FMPs). A mixed-method case study design was adopted and data was obtained through questionnaires and interviews. A sample size of 361 businesses was derived from a population of 6000 MSMEs. Using SPSS, a single factor ANOVA test was carried out, and the results showed a P-means of 0.417229. Which is greater than the 0.05 significance level, and observed F-statistic of 0.982723, is not even close to exceeding critical value, which above is 2.402775. Based on these results we failed to reject the null hypothesis, which proves that different financial management practices will promote MSMEs expansion. Furthermore, financial reporting and analysis emerged as one of the most frequently utilized practices. Among the financial management practices identified Risk management received less attention, indicating a significant imbalance in the adoption of financial techniques. The study concludes that sound financial management practices are critical for MSMEs growth, stability, and availability of finance. However, addressing the challenges faced by MSMEs requires targeted actions. Recommendations include encouraging MSMEs owners to adopt basic financial tools, government-led financial management training for MSMEs in Lusaka CBD, and carrying out additional research to explore the impact of formal financial practices on MSMEs performance and resilience.

**Keywords:** financial management practices; MSMEs growth in CBD; manager skills

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## Introduction

Globally, micro, small, and medium enterprises (MSMEs) play a crucial role of generating employment, poverty reduction and contributing to economic development of many countries (The World Bank, 2023). Despite the significant contribution, this sector faces several challenges that limit their growth, and Zambia is no exception. Some of the contributing factors include inadequate access to finance, low levels of financial literacy, economic factors, technological factors, and political factors. Micro, small, and medium enterprises (MSMEs) have become very popular entities in Zambia due to the important role they play in terms of creating employment among Zambian citizens and other nationals living in Zambia. The government of Zambia has undertaken various measures and programs to establish and sustain the MSMEs in order to contribute towards the country's economic development. Such strategies include creating an enabling business environment for MSMEs, providing access to finance, and facilitating mentorship programs aimed at providing decent jobs and wealth creation (MoFNP, 2022). This action has caused many people to formulate and engage in MSMEs. Despite a rapid increase in the establishment of MSMEs in Zambia, most of them are performing below the expected potential of reducing poverty and increasing economic growth due to many reasons (MoFNP, 2022). Among the factors that can significantly contribute to the rapid

growth of micro, small, and medium enterprises, financial management practices, such as financial reporting and analysis, working capital management, risk management and budgeting has been cited by some scholars as one of the factors that can influence rapid growth of these businesses. Therefore, this study focuses on the role that financial management practices plays in promoting the expansion of micro, small, and medium-sized businesses (MSMEs).

### *Statement of the Problem*

Micro, Small, and, medium-sized enterprises (MSMEs) play an essential role in Zambia's economy, accounting for nearly 97 percent of businesses and contributing over 70 percent of the country's GDP. Even with this huge contribution, almost 60 percent of Zambia's 19.6 million people remain in poverty (Zambia Statistics Agency, 2022). One of the main factors inhibiting the growth of the majority of MSMEs is the lack of effective financial management practices, which is often ingrained in limited funding, inadequate skills to seek information and a lack of managerial experience (Kabamba et al., 2024; Mvula, 2023).

Numerous studies have indicated that effective financial management is crucial for the growth of micro, small and medium enterprises.

According to statistics, 94 percent of MSMEs in Zambia lack such training (BOZ, 2022), and a significant proportion still rely on manual bookkeeping 79.2 percent in the formal sector and 88.6 percent in the informal sector) (BOZ, 2022). Current statistics also show that only 3.3% of MSMEs conduct annual audits, leaving the vast majority without any audited financial records. Therefore, the majority of MSMEs rely on their own intuition and experiences when running their businesses.

Historical data indicate that 58 percent of Micro, Small, and Medium Enterprises (MSMEs) operating within the Lusaka Central Business District (CBD) have limited understanding of debt management. This problem consequently hinders their ability to secure loans, enables their businesses to expand, and allows them to compete effectively amidst economic challenges (Siwale et al., 2021).

This lack of proper financial documentation hinders informed decision-making and poses challenges in securing loans for business expansion. While studies from other countries have explored MSME financial management, research in Zambia, particularly focusing on the financial management practices of MSMEs in Lusaka's core business district, remains limited. Therefore, this study aims to investigate the financial management techniques employed by MSMEs in Lusaka and their impact on business growth.

### *Objectives of the Study*

The study aims to find out the role of financial management practices in promoting the rapid growth of small and medium entrepreneurs (MSMEs) in the central business district of Lusaka:

1. To examine the form of financial management practices utilized by MSMEs in Central Business District Lusaka.
2. To ascertain whether financial management techniques contribute to the rapid growth of MSMEs, i.e., from inception to maturity.
3. To determine the challenges faced by MSMEs in the utilization of financial management practices.

### *Research Question*

1. What forms of financial management practices have been used by MSMEs in Central Business District Lusaka?
2. How can financial management practices escalate the growth of MSMEs in the Central Business District of Lusaka?
3. What challenges do managers face in utilizing the financial management practices highlighted?

### *Research Hypothesis*

The study was based on the following two assumptions;

1.  $H_0$ : There is a significant relationship between financial management practices utilized, and the expansion of MSMEs
2.  $H_1$ : Financial management practices has no significant impact on the growth of MSMEs

## **Literature Review**

### *The Rapid Growth of MSMEs in Zambia's Lusaka Central Business District*

In some countries fast growing companies are termed as gazelles, as their growth hugely contributes to the creation of jobs and company growth (Mustafic, 2023). According to a study which was conducted in Iran, firms' growth can be measured based on profit, revenues, number of employees, assets and age. The area of growth is very complex, as a result there is little literature relating to the growth of MSMEs (Cheratian et al, 2023).

According to OECD, the international standard or framework used to determine if the firm is rapidly growing is 20%. This is measured based on a three years' annual growth revenues and number of employees, which means that any enterprise with an annual growth in revenues of 20% and having a minimum of 10 employees with an annual growth in employment of 20% is considered a high-growth firm (OECD, 2024). Whereas companies with a growth rate of 40% in three consecutive years are classified as hyper growers.

Human resources are important for any firm's success because they directly impact any given achievement in performance or potential growth. Rapid expansion can often be seen in the increasing number of employees being hired to help support the firm. However, many companies face different human resource challenges based on different growth cycles. For example, a high-growth firm may be unable to retain its employees due to increased workload, changing job roles, and changing organizations, while a low-growth firm may have difficulty with retention because of limited career advancement opportunities, stagnant salaries, or lack of perceived job security. Therefore, sound management of human resources is crucial for any firm if it is to stabilize the employee force and maintain continued long-term growth (Wilkinson et al, 2022).

As per the "Establishment Survey" conducted by the National Institute of Statistics of Rwanda (NISR) in 2020, only 15% of businesses manage to survive five years after establishment. Among those who manage to survive, 50% have less than four employees, which shows the difficulty in scaling. As of 2015, Rwanda's businesses in the IT sector have raised \$12 million over 17 rounds, which represents a steady flow of investment, albeit a bit on the lower side for the sector. At the same time, micro and small enterprises are increasing tremendously at a rate of 20% each year, which shows the entrepreneurial potential of the country. Regardless, access to long-term funding, as well as the ability to scale, continues to be the most difficult challenge for many businesses in the country despite the growing numbers.

### *Form of Financial Management Practices Utilized by MSMEs*

Several studies have been carried out regarding the forms of financial management techniques which small and medium-sized enterprises (MSMEs) might adopt, to ensure the success and growth of their business. According to some Scholars, Financial management practices (FMP) includes risk management, cash flow management, investment in technology, budgeting, working capital management, cost containment strategies, and the best possible pricing plan (Wachowicz, 2008). The author identifies financial reporting and analysis, accounting information system, working capital management, investing decision and financing, as financial practices utilized by MSMEs.

Even though it is one of the few main functional areas of management, financial management is seen as essential to the growth and success of every company. Therefore, Effective financial management can as well be significant to the success of small and medium scale enterprises (MSMEs).



A study that was conducted in Pakistan identified Accounting information systems, financing, investment, working capital management and financial reporting and analysis, to be among techniques which MSMEs can acquire to enable them expand their businesses (Kaban, 2024). It consists of concepts like, accounting information systems, financing, investment, and working capital management and financial reporting and analysis. For instance, risk management protects the business from adverse losses through identifying risks which may affect the going concern of the business, in other words put the business enterprise in a precarious position (Kabunda, 2022). Therefore, managers and owner managers running the business affairs of MSMEs have a responsibility of putting in place appropriate mechanisms which can aid in identifying risks, evaluation of the impact of risk on the business, as well as developing strategies to minimize or eliminate the identified risk. Risk can be broken down into strategic risk and operational risk. Operational risk refers to the failure arising from disruptions of operational processes, while strategic risk is risk from poor strategic decisions, which consequently affect the success and growth of a business (Obazee, 2019). An example is where a manager makes a poor investment decision by investing in a loss making project.

The other element of financial management practice is the Capital budgeting, which includes techniques such as payback period, internal rate of return (IRR), Net present value (NPVs), and Accounting rate of return (ARR). Managers can apply such techniques to assess which project is financially viable, then aid in deciding where to allocate resources. Research on this subject has shown that some MSMEs in both developing and developed nations preferred to use payback period (PBP) due to its unsophistication. Furthermore, MSMEs with experienced managers were comfortable to use complex techniques like the Net Present Values and Internal rate of return (Tharmini & Lakshan, 2021). For MSMEs to grow and become successful, their scarce resources should be allocated to projects with positive returns, it is therefore imperative for MSMEs to utilize these techniques so that the right investment decision is reached.

Another study conducted in Tanzania, on agricultural MSMEs confirmed that profitability and survival of MSMEs depends on the following financial management practices; financial planning and control, financial analysis, capital budgeting, management accounting (Kulwa, 2024). The study further revealed that Agri-MSMEs were utilizing more of working capital management by holding more cash to meet obligations as they fall due, and moderate performance on financial analysis and management accounting.

According to one study conducted in Nigeria, Anambra state, it was noted that entrepreneurs were utilizing inventory management in their business operations (Mbanugo, 2020). In addition, the number of years and experience used in inventory management was found to be irrelevant and inventory management practices are essential to the operation and success of MSMEs.

#### *The Main Factors Contributing to Rapid Growth of MSMEs*

The majority of managers lack managerial skills to enable them to expand their business. Thus, managers will have to decide on whether to rely on their own skills, or hire other experts to assist with the management of the business. This often happens when their business develops to a level, where it has the capacity to employ more than 20 people, and will inevitably require experts (Johnson, 2017).

Monetary management has been identified as one of the fundamental factors contributing to the growth of MSMEs. Therefore, managers need to have the necessary skill to be able to control, organize, coordinate and direct the financial resources of the enterprise, thus if a company or business resources mismanaged can pose a serious financial risk, which then erodes any gains made and will lead to the collapse of any enterprise (World Bank, 2023).

The life cycle of every firm typically consists of at least three stages: the first is the start-up and activity phase; the second is the consolidation of the market and competitive environment; and the third is the growth and development phase that yields long-term profit (Kurochkina, 2019). Therefore, managers have a huge responsibility of ensuring that the business survives in both the

start-up and the second stage. In other words, it's essential to get through these stages as quickly as possible and with as few obstacles as possible. However, these businesses are many times confronted with so many obstacles which often contribute to their failure to traverse through these stages. Some of the factors inhibiting the growth of MSMEs can be internal and external in nature. Internal factors include insufficient expertise and knowledge, lack of skilled workers whereas external factors may include political, competition, economical just to mention a few. Claims that the latter consist of issues with management, a shortage of skilled workers, as well as insufficient expertise and knowledge. It is therefore critical for companies regardless of size to have deliberate training policy so that performance is attained.

According to Obazee (2019), financial planning, maintaining records, and receiving accounting training are essential for MSMEs to survive in Nigeria. The survey also found that most MSMEs fail within the first five years as a result of inadequate financial management preparation, as they do not receive training prior to taking on management roles in their companies (Obazee, 2019). Kafweta (2022) emphasized a number of elements that impact the expansion of MSMEs. Access to financing and a deficiency in management expertise were two of the factors mentioned in this study as being key contributors to the underdevelopment of the MSMEs sector (Kafweta, 2022).

One of the key factors impeding the growth of MSMEs in Zambia is the owner managers' incompetence as managers (Maila, 2020). These abilities result from various educational backgrounds, professional experiences gained over time, training programs, and the capacity to innovate and embrace new technologies. Thus, regardless of a company's size, financial management is critical to its survival, according to the literature.

A study conducted in Lusaka, Zambia established that, the main factors contributing to underdevelopment of most MSMEs is mainly due to, poor access to credit, which is often due to inadequate collateral, failure to produce audited financial reports and high cost of borrowing (Olawajuwaju, 2019). Thus, banks are reluctant to offer loans to these businesses because of risks of default and financial information asymmetry. Any company seeking to expand will require sufficient capital from external sources, but owing to the aforementioned issues coupled with lack of financial skills usually puts MSMEs in a precarious situation compared to large corporations, as far as access to finance is concerned (Olawajuwaju, 2019).

Another study on the low uptake of CDF funds by Micro, Small and Medium Enterprises was carried out in Kafue, Zambia by (Mubuyaeta, 2023) and the findings of the study pointed out a number of factors affecting MSMEs growth which ultimately impede economic growth of both developing and developed countries. Many variables were discovered during the investigation, some of which include inconsistent funding for the MSMEs sector, a shortage of skilled labor, insufficient technology, and suitable legislation (Mubuyaeta, 2023; Mvula, Muntanga & Lisomona, 2024). According to a Jemana Bwembya survey from 2022, one of the things preventing most MSMEs from growing is their inability to obtain financing because of a management team lacking in expertise (Bwembya, 2022).

A study conducted on 366 MSMEs in Ghana, by (Abudu et al, 2021) revealed a positive relationship between working capital management and firm's performance in relation to profitability. Although some scholars, in other countries and Zambia inclusive have noted other factors such as financial literacy, inadequate funding, economical factors and political, to have a significant impact on the performance of small businesses, there has been some inconsistencies in the results, owing to the fact that amidst all these aforementioned challenges some small and medium scale businesses have witnessed tremendous growth.

#### *The Challenges Faced by MSMEs in the Utilization of Financial Management Practices*

A study done in Malaysia found that a majority of MSMEs encounter numerous obstacles in the course of strategy implementation, which as a result impacts on the success of MSMEs. The challenges identified include, lack of managerial skills, education and training. In addition to that, MSMEs were identified as the most vulnerable when confronted with macroeconomic factors, such

as fluctuating interest rates, limited understating of market trends and lack of foresight to risks which the business may encounter (Dongming, 2023).

According to a study conducted in Ethiopia, it was revealed that MSMEs face various challenges that hamper their growth. Among the obstacles, includes poor financial management systems, inadequate financial literacy, which consequently results in poor financial management decisions by MSMEs manager and owner manager. Therefore, managers need to undergo financial management training to enable them make sound financial decisions, which will aid in achieving the objectives of the company (Onsare, 2024).

Emerging technologies have so far proven to be very essential for any business aiming to maintain its competitive edge. Any company regardless of its size, entrepreneur's level of education, enterprise age and accounting knowledge, may require information technology for them to smoothly conduct their business operations (Pura, 2019). Therefore, managers have a responsibility to ensure that the right system is acquired for the management of company information.

The majority of companies have migrated from conventional manual accounting of company events and transactions to automated ways of conducting business operations. Financial management aspect has also evolved together with technological advancements. In the case of MSMEs, because of their size, limited access to funds and the limited number of transactions they can complete in a given time frame, managers perceive investment in technology as something unattainable and a waste of resources (Akinola, 2024). In order to gain confidence from investors and financial intuitions, managers need to have proper systems in place to enable them to produce quality financial reports, and accurate information to interested stakeholders about the financial position of the company.

According to a study done in Kwazulu Natal, South Africa, management accounting practices (MAPs) are influenced by both internal and external factors. In this case, MAPs are regarded as a component of financial management practices because they include procedures and activities like internal controls, cost-cutting measures, and budgeting. Additionally, the study's findings in this the adoption of management accounting procedures was expected to have been impacted by both internal and external forces (Bwembya, 2022). Therefore, while technology, rivalry, and government support are external elements, company size, insufficient resources, enterprise age, and level of education and expertise are internal factors.

Small and medium-sized businesses are essential to every country's economic growth. In this sense, MSMEs, particularly those in the agricultural sector, contribute to the growth and development of the agricultural industry. However, the supply of agricultural inputs by the Zambian agro dealers is said to have been delayed, posing a number of issues for this industry. MSMEs in this industry also lack the financial expertise to make use of the resources required for financial management, which has a detrimental effect on their financial performance. This is supported by a survey of 120 agro-MSMEs done in Lusaka, Southern, and Central Zambia, which found that 81 percent of agro-dealers had inadequate strategic plan (Bwembya, 2022).

A study conducted in Zimbabwe showed that a majority of MSMEs were faced challenges relating poor record keeping, mainly due to lack of accounting skills, size of MSMEs and the needs of financial users (Mpofu, 2024)

Lack of financial management skills and awareness of the available financial instruments have been identified as one of the issues contributing to underdevelopment of the majority of MSMEs (Siwale et al., 2021). Owners and managers should thus be made aware of the range of financing options in Zambia that, when used appropriately, can support the growth of MSMEs.

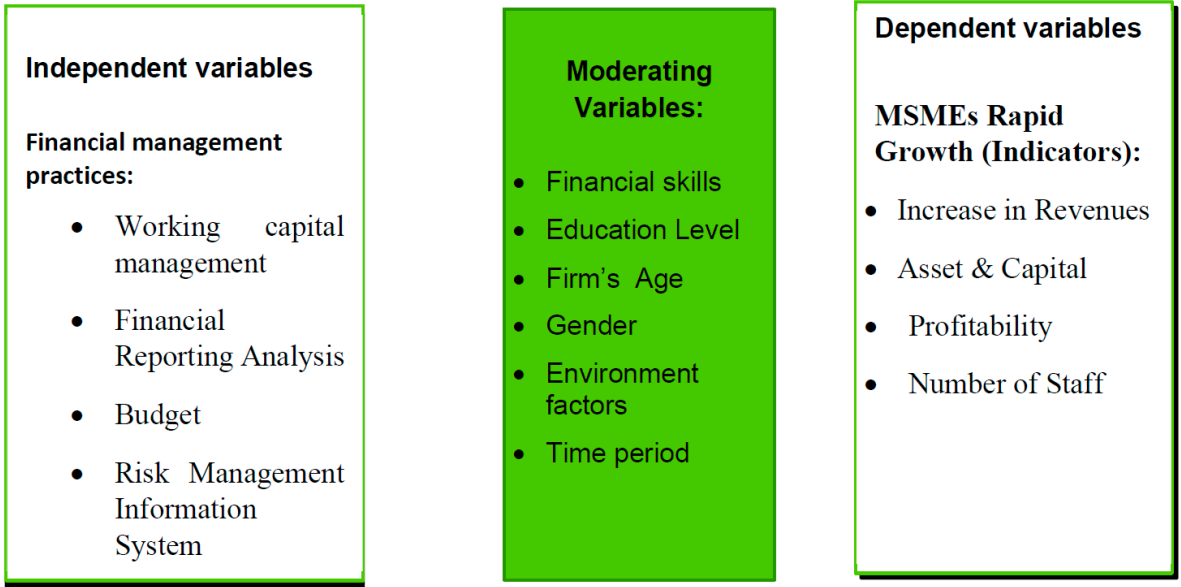
### *Theoretical Framework*

The study employed three theories namely, resources based view (RBV), Greiner's enterprise, growth stages theory and pecking order theory. These theories are critical better understand "the role of financial management practices in contributing to the growth of MSMEs," this study has incorporated numerous theories that have been produced by experts in the sector being studied.

Consequently, this theoretical framework is a component of the primary conceptual framework, which helps to establish a structure of meaning for the research investigation. Some of the theories that were used for the investigation are as follows:

*Conceptual Framework*

The framework shows how different factors are related. In this study, independent variables are things like working capital management, financial reporting and analysis, risk management, budgeting, and information systems. These factors can impact the dependent variable, which is how quickly MSMEs (micro, small, and medium enterprises) grow. We can see this growth through increases in their revenues, profits, assets, and the number of employees. Each of these factors plays a role in influencing the fast growth of MSMEs. There are also factors that can change how strong or what kind of effect these relationships have. These elements are referred to as moderating variables. These include the company's age, gender, environmental conditions, educational attainment, financial skills, and time period. For instance, a manager who is proficient in finance may employ financial management techniques more successfully, accelerating the company's growth.



**Figure 1.** The Conceptual framework.

*Relationship of Financial Management Practices and MSMEs Rapid Growth*

Micro, Small, and Medium Businesses' (MSMEs') ability to grow quickly is largely dependent on how they manage their finances. The creation and examination of financial reports, budgetary planning, risk management, daily cash flow management, and information system use are important tasks that assist. Because they affect the company's earnings, profitability, asset value, and workforce size, these activities are crucial. In addition, the owners' degree of education, the length of time the business has been in operation, the time period they are in, the overall business environment, and their level of financial knowledge all have an impact on how well these methods work.

**Methodology**

*Research Design*

The case study design was chosen for this study to facilitate the acquisition of detailed information from Micro, Small, and Medium Enterprises (MSMEs), operating in the retail and wholesale trade sector. The case study design allowed for an extensive and thorough understanding of the issues from a broader perspective with data obtained from various sources. In order to address



the research problem identified in my study, this study adopted a mixed-method research technique. The mixed method approach combines both the qualitative and quantitative data, to ensure that the shortcomings arising from the use of one method is addressed. Furthermore, the approach enhances the reliability of the results (Creswell, 2013).

#### *Sample Population and Study Setting*

This study was carried out in Lusaka's Central Business District. Lusaka has over 6000 MSMEs operating in different locations in the district. The population for a study is a well-defined set that has certain specific characteristics. In this study the sample will consist of 361 MSMEs operating within CBD. The sample size was arrived at following the criteria proposed by Krejcie and Morgan (1970).

#### *Sample Size*

The study adopted Krejcie and Morgan, 1970 technique to determine the sample size as indicated in table above. Therefore for a population of 6000, the sample size is 361, which is determined using the formula below:-

Krejcie and Morgan formula:

Therefore: n is the sample size

N represent the population which is 6000 MSMEs

E is acceptable sampling error

p is the proportion of the population (0.5)

= 360.99

### **Data Presentation, Analysis and Discussion of Findings**

After collecting and organizing the data, analysis of the data was performed using excel and Statistical Package for Social Sciences (SPSS) version 23. Whereas quantitative data, was analysed using thematic analysis for qualitative data collected through face-to-face interviews. The researcher executed two types of data analysis, one during the data collection process at the research site and one following the completion of data collection. Data analysis involved examining what was gathered and making deductions and inferences for quantitative data and the creation of themes for qualitative data. It also involved uncovering underlying structure, extracting important variables, detecting any anomalies, and testing any underlying assumptions.

#### *Participants Demographic Information*

The study showed that the majority of MSMEs who participated were male accounting for 57.6 percent while females accounted for 42.4 percent clearly indicating a slight dominance by males. In terms of age groups, the highest number of the participants were between 20 to 29 years old accounting 50.8 percent, followed by 30 to 39 years accounting for 27.5 percent, meanwhile 40 to 49 years was ranked third with 13.9 percent, last but not the least was above 50 years accounting for 6.8 percent, and the final group from those participants who were below 20 years accounting 1.4 percent.

The marital status from the 295 sample size indicated that 141 participants were single, accounting for 47.8 percent, while 150 were married representing 50.8 percent and the remaining 4 were divorced with 1.4 percent rating. As for the level of education 102 respondents 34.6 percent have a grade twelve certificate, 175 are university accounting for 59.3 percent and the remaining 18 did not possess any academic qualification and accounted for 6.1 percent.

According to Table 1, the data shows that 174 businesses are classified as small-scale enterprises, which account for the significant majority of 59 percent of the total enterprises surveyed. On the other hand, the remaining 121 businesses fall under the category of medium-scale enterprises, accounting for 41 percent. This distribution highlights the predominance of small-scale enterprises in the sample, suggesting their critical role in the overall business landscape compared to medium-scale enterprises.

As for the number of years MSMEs have been operating, the results showed that 118 businesses have been operating between 1- 5 years, this represents about 40 percent of the sample size. While 146 businesses have been in existence between 5- 10 years (49.5), and 31 were found to have doing business for less than one year which accounted for 10.5.

In regard to the number of years Micro, Small and Medium Enterprises (MSMEs) have been in operation, the results show that 118 MSMEs have been operating for a period ranging between 1 to 5 years, which account for approximately 40 percent of the total sample size. In addition, 146 businesses have been in existence for the period exceeding 5 to 10 years, accounting for 49.5 percent of the sample size. Furthermore, 31 businesses were found to have been operating for the period less than one year, accounting for 10.5 percent of the total sample. These results give a clearer snapshot of the operational longevity of MSMEs for this study, underlining a remarkable prevalence of businesses with medium-term operations, in relation to those that are in the start-up stage or have been in operation for a shorter period.

**Table 1.** Participants Demographic Analysis.

<b>Variables</b>		<b>Frequency(n=295)</b>	<b>Percentage (%)</b>
<b>Gender</b>	Male	170	(57.6%)
	Female	125	(42.4%)
<b>Age</b>	Below 20 years	3	(1.0%)
	20-29 years	150	(50.8%)
	30-39 years	81	(27.5%)
	40-49 years	41	(13.9%)
	50 and above	20	(6.8%)
<b>Marital status</b>	Single	141	(47.8%)
	Married	150	(50.8%)
	Widowed	0	(0%)
	Divorced	4	(1.4%)
<b>Education</b>	Grade twelve	102	(34.6%)
	University graduate	175	(59.3%)
	None	18	(6.1%)
<b>Sector</b>	Small	174	(59.0%)
	Medium	121	(41.0%)
<b>Years of operation</b>	Below 1 year	27	(9.5%)
	1-5 years	114	(40%)
	5-10 years	69	(24.2%)
	Above 10 years	75	(26.5%)

#### *RO1- Forms of Financial Management Practices Utilized by MSMEs*

From the data gathered the common practices identified include budgeting, financial reporting and analysis, risk management and working capital management. The table below showed that about 102 of 295 MSMEs utilized financial reports, accounting for 34.6 percent, followed by budgeting with 27.8 percent. Working capital management has been ranked third place with 80 participants accounting for 27.1 percent, whereas risk management was given less attention compared to financial reporting and analysis, budgeting and working capital management.

**Table 2.** Statistical analysis -Forms of Financial Management Practices.

<b>FM –Practices</b>	<b>Frequency (n=295)</b>	<b>Percent (%)</b>	<b>Cumulative Percent</b>
Budgeting	82	27.8	27.8
Financial reporting & analysis	102	34.6	62.4
Risk management	31	10.5	72.9
working capital Management	80	27.1	100.0
<b>Total</b>	<b>295</b>	<b>100.0</b>	

*RO2 -One Way ANOVA Analysis*

Table 5 presents a one-way ANOVA analysis of participants' responses regarding the financial management practices they employ and their revenues growth rates, along with ratings of the FMPs as effective, ineffective, uncertain, or very effective. This analysis highlights the effectiveness of these practices in facilitating business expansion, measured by growth in revenue, investments, or employee count. At a 0.05 significance level, the statistics show a p-value of 0.417229, F critical value equal to 2.402775 and f- value 0.982723, as indicated in Table 5 below.

According to the test results, performed using one-way ANOVA analysis, a P-value of 0.417229 was revealed, which is more than the 0.05 significance level. On the other hand, the observed F-statistic of 0.982723 is by far below the critical value of 2.402775. Based on these results, we fail to reject the null hypothesis, meaning that different financial management practices contribute to MSMEs' expansion.

**Table 5.** ANOVA.

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Financial reporting and analysis	102	16.384	0.16063	0.10819
working capital Management	80	19.658	0.24573	0.14631
Budgeting	82	16.698	0.20364	0.15804
Risk Management	31	3.78841	0.122207	0.037164

**ANOVA**

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	0.493429	4	0.123357	0.982723	0.417229	2.402775
Within Groups	36.40252	291	0.125526			
Total	36.89595	295				

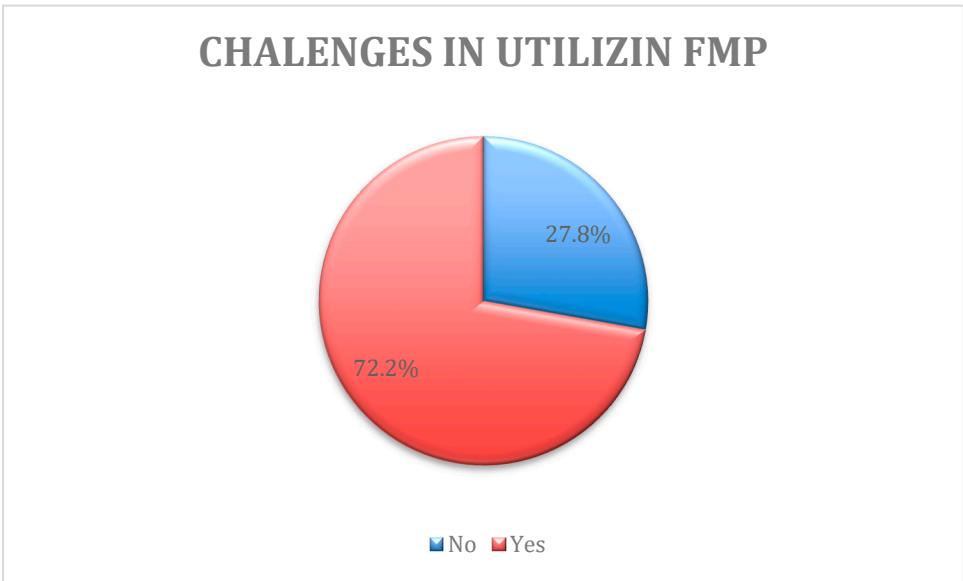
*RO 3-Challenges Encounter When Utilizing Financial Management Practices*

According to the data collected 55.3 percent of 295 respondents reported inadequate training and understanding of financial management concepts, while the remaining 44.7 indicated that they do have knowledge of financial management practices. Inadequate knowledge was identified as one of the key challenges encountered when utilizing financial management techniques. Other challenges which were highlighted included poor record management, inadequate funding and operational challenges as a result of price fluctuation of goods and services. The following chart provides more insights in terms of the different challenges respondent's faced due to lack of financial training.



Figure 2. Owner manager financial training.

The figure below shows that out of the 295 MSMEs that took part in the research, 72.2 percent (213) mentioned that they had encountered a number of problems when applying financial management strategies, and the remaining 27.8 percent said they had no problems at all.



Conclusion

According to this study, MSMEs in the central business area of Lusaka use a variety of instruments to manage their operations, including information systems, budgeting, risk management, working capital management, and financial reporting and analysis. But the findings also showed that most MSMEs have trouble putting good financial management practices into place. It has caused the use of financial management tools to become unbalanced. For example, risk management has received less attention from most MSMEs.

Understanding some financial business ideas is made even more difficult by the fact that the majority of MSMEs' owners lack even the most basic financial management training. This has a detrimental impact on the company's expansion. A manager needs to be well-versed in the various financial strategies in order to make the best choice.



Most MSMEs lack or have insufficient information systems that allow them to store data about their business transactions. This makes it easier for them to obtain loans from lending organizations. Banks and other financial institutions would need audited financial reports before lending money to MSMEs. This has an impact on their quick growth as well, since rapid growth necessitates outside finance.

Therefore, the government, through the Ministry of Small and Medium Enterprises, should consider formulating policies that would promote the use of simplified accounting software tailored for small businesses. Such policies will enable businesses in this sector to have access to relevant digital financial tools and allow business owners to benefit from the necessary training in financial management. These policies will create a business-friendly environment, which will give the micro, small, and medium enterprises a competitive advantage and room for growth.

### *Recommendations*

The establishment of thorough training programs, such as continuing professional development (CPDs), on financial management strategies designed especially for Zambian businesses should be considered by the government in coordination with the Ministry of Micro, Small, and Medium Enterprises (MSMEs) and higher education institutions. These brief classes ought to include subjects including funding options, investment, record keeping, and financial planning. Promote the use of fundamental collective business tools and methods that might result in business growth and sustainability by MSMEs' owners, emphasizing the significance of financial management. Lastly, enacting laws that encourage the use of these financial instruments will aid in the expansion of enterprises and improve their financial records and reputation, drawing the interest of financial institutions. They are therefore better able to benefit from loans and other financial choices, which are crucial for expanding their businesses and achieving long-term success.

revise the conclusion to emphasize implications for MSME support policies, such as access to digital financial tools, formal training, and the use of simplified accounting software for small businesses.

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