The Effect of Financial Literacy on Small Business Financing Decisions. A Case of Shop Owners at Chelston Big Market

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Abstract: **The low uptake of loans has been identified as a major constraint of MSME development and growth in Zambia. This is perturbing since small businesses are touted as critical tools for economic growth and inclusive development. This study sought to determine the effect of financial literacy on small business financing decisions using a case in point of shop owners at Chelstone big Market in Lusaka. The study specifically sought to determine how the level of financial literacy affects the uptake and use of loans in the financing of small businesses. A mixed method study was adopted for this study. Data was collected from shop owners at Chelston big market in Lusaka. Quantitative data was analysed using descriptive statistics while qualitative data was analysed using thematic and content analysis. The study established that the level financial literacy influenced the uptake and use of debt financing through improved financial skills and financial decision making of enterprise owners. This in turn also affected the level of business performance and growth. It was also established that the resentment in the use of debt financing was influenced by collateral demands, high interest rates and tenure of loan products. The study recommends that the government through the local council must facilitate for the enhancement of financial literacy through training so as to improve the quality of financial decisions and business performance. The study recommends that the council could do this by collaborating with colleges and universities to train basic concepts and principles of business financial management to business owners. Furthermore, the study recommends that financial institution and other lenders must provide full information on their loan products to the level of their clients' comprehension to minimize any information asymmetry problems that lead to the resentment of loan products. Limiting the financing of businesses to owner funds, limits the growth and success of businesses.**

Keywords: **Financial literacy, Uptake of loans, Business growth**

I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have been acknowledged globally as major contributors of economic growth and sustainable development. A survey conducted by the Zambia business survey revealed that majority of citizens were employed by small business sector (Clarke, et al., 2010; Gondwe, 2012). The growth and development of MSMEs in Zambia helps in reducing poverty and uneven distribution of income through job creation. MSMEs have also been acknowledged by the government of Zambia as one way of ensuring economic growth and reducing the over reliance on the mining sector by building a more diverse economy. It is for this reason that the government of Zambia through the 7th national and development plan has reaffirmed its commitment to addressing issues associated with MSMEs. The Zambian government pledges to address high level of financial illiteracy among MSMEs owners through the development and implementation of financial education programmes (Ministry of National Development Planning, 2017; Coetzee, 2017).

Despite the many efforts taken by the government and other stakeholders in developing countries like Zambia, the uptake to loans is still a major constraint for many businesses to grow and contribute effectively to economic development and growth. The inability of MSMEs to take up loans is attributed to levels of financial literacy, interest rates and collateral requirements (Ministry of Commerce, Trade and Industry, 2008). Hussain (2018) argues that financial literacy can mitigate information asymmetry and collateral deficits that exist during the evaluation of loan applications and that financial literacy is an important tool for effective decision making in SMEs. Lusardi (2008) further reveals that poor borrowing behaviour and lack of participation in financial services is a result of low financial literacy which affects financial decision making. A study by Chepngetich (2016) revealed that high levels of financial literacy by SMEs owners had a positive effect on SMEs' growth. A similar study also found that managers that had attended financial literacy programmes exhibited improved revenue performance of small enterprises through the uptake of loans, better management of their loan portfolios in Kenya (Siekei, et al., 2013). This study sought to establish the effect of financial literacy on financing decisions of shop owners at chelston big market in Lusaka.

Statement of the Problem

A report by the World Bank (2017) revealed uptake of loans as a major constraint of the growth and development of MSMEs in developing countries. Despite government efforts and other stakeholders to increase the availability of credit and influence the development and growth of small business in Zambia, Gondwe (2012) argues that the uptake of loans among MSMEs in Zambia is still low and consistent with the findings by World bank (2017)). Gondwe further agrues that the availability of credit is no longer a contraint to the uptake of loans in Zambia as access to loans has increassed over the years. Many scholars identify financial literacy as an important determinant of MSME development and growth (Gondwe, 2012; Siekei, et al., 2013). Financial literacy equips individual business owners with ability to choose and make better judgments from identified alternatives on their enterprises. Thereby, ensuring that MSMEs are financed by appropriate financing alternatives that enhance the performance and growth of business. Lack of an empirical investigation into the effects of financial literacy on financing decisions limits the extent to which business owners would influence small business performance and growth in Zambia. This would also lead to continued high levels of unemployment, poverty and dilution of efforts to achieve sustainable development (Ministry of Youth Sport and Child Development , 2018). It was also research prudence to determine the level of financial literacy of business owners for appropriate policy development and business management strategies that will ensure small business sector sustainability.

General Objective

- The general objective of this study was to determine the effect of financial literacy on financing decisions of small business in Zambia.
- This study is important for stimulating the development, sustainability and contribution of the MSME sector through an informed government policy. Financial institutions will also benefit from this study by taking appropriate business posture that influences the uptake of loans and profit from this important market segment.

II. EMPIRICAL LITERATURE REVIEW

MSMEs are viewed all over the world as a major tool for achieving economic growth and employment creation (Coetzee, 2017). Gondwe (2012) identified low uptake of loans as a major constraint to the development and growth of MSMEs in Zambia. Among the many variables that influence business growth and sustainability and ultimately contribute to economic health is financial literacy (Atkinson and Messy, 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. 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 sis most appropriate to borrow and effectively allocate financial resources to meet business obligations.

A study by Lusardi and Mitchell (2011) revealed that financially literate business owners are able to compare and evaluate various loan options, bargain for a better price, reduce information asymmetry on their part by asking informed questions on loan products, financial services, saving plans, investment and insurance options. Another study by Lusardi (2008) also established that low levels of financial literacy affected individual financial decision making and contributed to lack of participation in the stock market and poor borrowing behaviour. Potrich et al. (2015) found that financial literacy positively impacted an individual's assertiveness and efficiency in decisions related to monetary affairs. A similar research by Rasoaisi and Kalebe (2015) concluded that the level of financial literacy was influenced by the genders of the individual so that male participants were found to be more financialy literae that their female counterparts. Chaulagain (2017) investigated the relationship between the level of financial literacy and the behaviour of small borrowers using attitude as a measure of the association between the two. The results showed that there was a significant relationship between the financial literacy and the behaviour of small borrowers. This study concluded that financial attitude and behaviour of small borrowers can be changed through financial literacy programmes.

Loan uptake is a key factor in economic development and business growth or performance (Clarke, et al., 2010). Mach and Wolken (2012) found that businesses that do not have access to loans are more likely to go out of business than those that acquire loans. They concluded that loan uptake can be used as a major predictor of business failure. A study by Karlan & Zinman (2009), found that access to loans can promoted business growth and well-being of a small business. Another study by Essien and Arene (2014), compared informal loans and formal loans to examine the uptake of loans and the performance of small scale agro-based enterprises that had participated in the credit markets. The study found that though the majority of enterprises had obtained informal loans to formal loans, those few that took up formal loans performed better. Buyinza and Bbaale (2013), in their study, stated that most of the firms in the Eastern African community faced loan constraints with only 37% of the firms taking up loans. However, the findings reveal that loan uptake by a business improves its performance in the long run. Apart from financial literacy, other factors that influence the use of borrowed funds in small businesses include lending policies social and economic factors such as gender, age, income levels, and the marital status of the applicants (Matlay, et al., 2006; Kilele, et al., 2015). Other constraints include collateral requirements and interest rates (Fatoki & Garwe, 2010; Thorsten, 2007; Chenaa, et al., 2018; Nkundabanyanga, et al., 2014). The relationship between financial literacy and loan uptake in Businesses

Kefela (2010) examined the extent to which consumer financial literacy training can be used to promote the uptake of loans and desirable financial behaviour. The study revealed that financial literacy is important in promoting a positive financial behaviour towards budgeting, saving, and the use of loans. A study by Oluoch and Kalui (2019) found that financial characteristics, lending procedures, and financial literacy and loan repayment policies significantly influenced the uptake of micro-loans by women enterprise groups in Kenya. Abubakar (2015) looked at the level of financial literacy in Africa based on previous studies to access how it impacts entrepreneurial behaviour through the use of borrowed funds. Using correlational analysis, findings revealed that low uptake of loans is among the constraints limiting entrepreneurship development in Africa. The study also attributed the low uptake of loans to low levels of financial literacy in MSMEs. Similar findings were also established in a study by Komitu and Kidombo (2019) on the determinant of financial loan uptake among women owned self-help group projects in Kenya. These findings were consistent with the conclusion by Hussain, et al. (2018) that financial literacy was key determinant of effective decision making by owners of SMEs.

Various 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). Chenaa, et al. (2018) investigated the effect of loan uptake on the performance of smallholder farmers in the Kumba Municipality, Cameroon. The findings revealed that collateral security, cost of credit facilities, and knowledge of financial procedures had a significant impact on the performance of smallholder farmers. Another study by Siekei, et al. (2013) in Kenya that focused on the role of financial literacy on the performance of a small and micro enterprise, also indicated that debt management, saving, budgeting, and record keeping had a significant improvement in revenue performance of small enterprises. This study further revealed that managers that had attended financial literacy programmes had exhibited improved performance through the uptake of loans and better management of their loan portfolios. Ngek, (2010) concluded that most SMEs are financially constrained and recommended that business owners must needed to develop their financial literacy skills to bridge the access to the finance gap.

III. THEORETICAL LITERATURE REVIEW

Financial Intermediation Theory

The Financial intermediation theory elaborates that financial institutions act as middlemen in the reduction of transaction cost and information asymmetries that exist between the debtor and lender. They also play an important role in the efficiency of markets and can have significant macroeconomic effects. Furthermore, through their role of intermediation, they can facilitate liquidity and risk transformation of the assets (Franklin & Santomero, 1997). This theory explains how financial institutions can improve their customer’s knowledge through customer education and training programmes that are necessary to dispense information on financial literacy, consumer protection, and the financial products best suited to the customer’s specific needs. An efficient market provides financial institutions clear information about their customers and this improves how they relate to their customers especially in situations of credit extension. Financial intermediaries are important in the economy as they enable all types of borrowers and savers to be financially included. This theory is important to this study because it helps to understand the roles of financial institutions in intermediation, in that not only do they supply loans to their clients but also offer financial literacy training. This means that for an enterprise owner who takes up a loan, will not only be relieved from financial constraints but will also benefit from financial literacy programmes such as debt management, saving, budgeting and record keeping, which are vital in helping to improve the growth or performance of their businesses.

Prospect Theory

Kahneman and Tversky (1979), advocates of the prospect theory, argued that investors have a different way in which they value gains and losses and are more likely to make their choices based on their perceived gains rather than losses. This theory draws on the idea that investors may not always be rational when making their decisions based on their risk attitudes. Furthermore, Kahneman and Tversky (1979) suggest that before investors make any decision, they first evaluate the prospective gains and losses to avoid making losses in an attempt to protect their investment. They further differentiate and compare the investor's risk attitudes towards both gains and losses. They contend that according to the investors, losses are considered to have more weight than equivalent gains and that investors will take more risks to avoid losses than take a little risk to achieve an equivalent gain. The prospect theory is relevant to this study because it helps in understanding the decision making of enterprise owners in evaluating financing options.

Information Asymmetry Theory

Information asymmetry is a situation that occurs when one of the parties in a transaction has more and up-to-date information than the other. The party that is less informed is at the risk of making a costly decision (Akerlof, 1978; Rothschild & Stiglitz, 1978). Asymmetric information affects both the demand and supply side. On the supply side, it’s assumed that inadequate information will result in adverse selection and moral hazard. On the demand side, it’s assumed that for borrowers to make effective decisions the must adequate information that will allow them to evaluate and choose the best financial product that serves their needs. Therefore, asymmetric information can lead to a situation that hinders mutual beneficial transactions between the lender and borrower (Rothschild & Stiglitz, 1978). This theory is relevant to this study because it supports the importance of financial literacy when it comes to financial transactions such as loan uptake. In a study by Vanek and Botlik (2013) they argue that due to technological advancements, information has become easily accessible and that by increasing the client’s financial knowledge, information asymmetry will be reduced on their side. Therefore, from this theory, it can be assumed that a financially literate individual will first obtain all the information required to make an informed decision that puts one in a less risky position and guarantees a favourable choice.

The empirical and theoretical review shows that financing decision of businesses is critical for business sustainability and growth and in turn influences the health of the overall economy. The review of literature also shows that financial literacy is a major determinant of financial behaviour and financial attitudes of enterprise owners. This clearly shows that financial literacy enhances the quality of financial decisions and the consideration of borrowed funds as a source of finance.

IV. RESEARCH METHODOLOGY

Research Design

This study employed a sequential mixed method design, moving from a quantitative phase to a qualitative phase. In the first phase, a structured questionnaire was administered to determine the level of financial literacy among shop owners at Chelstone Big Market. In the second phase, in-depth interviews were conducted to obtain information on shop owners' willingness to take up loans and their perspectives on how financial literacy and loan uptake can help to achieve business growth.

Study population

The population of this study focused on shop owners at Chelstone Big Market in Lusaka, Zambia. According to the Lusaka City Council office situated at the market, Chelstone Big market has a total of 370 shops.

Sample and Sampling procedure

This study utilised a sequential nested sampling technique beginning with a self-administered questionnaire and then followed by a series of in-depth interviews. A nested sampling technique involves the selection of participants for the second phase from the participants initially chosen for the first phase of the investigation (Onwuegbuzie & Collins, 2007). The sample size of 192 participants for the survey was determined with the use of Yamane's Table at 95% level of confidence. In-depth interviews were conducted to two subgroups, financially literate and financially illiterate, with sample size of 24 participants determined by the principle of saturation as defined by Creswell and Clark (2017).

Data Collection

A structured questionnaire was used to collect information on shop owners. This was done to determine their level of financial literacy by using a 5 point Likert scale. According to OECD (2013), financial literacy can be addressed in three dimensions, which are financial knowledge, financial behaviour, and financial altitudes. Lusardi and Mitchell (2011) add two variables, which are financial awareness and financial skills. Therefore, this study utilised four measures of the levels of financial literacy of shop owners, which are based on financial knowledge, financial behaviour, financial attitude, and financial awareness. A semi-structured interview guide was used to obtain information on shop owners' willingness to take up loans and their perspectives on how they can grow their business through loan uptake and financial literacy. A semi-structured interview guide has been chosen to ensure uniformity in topics discussed while maintaining enough flexibility to obtain a variety of perspectives. Creswell & Clark (2017) contend that semi-structured interview guides can accomplish this because they lack strict interview questions. This allows the interviewer to explore emerging concepts without straying too far from the purpose of the interview.

Data Analysis

Data was analysed using both statistical and thematic analysis. Quantitative data was analysed using descriptive statistics with the use of the statistical Package for Social Science (SPSS) version 25 as a tool to facilitate the analysis of data. Data collected through in-depth interviews was analysed using thematic analysis. Braun and Clarke (2006), describe thematic analysis as an analysis technique that involves identifying patterns or themes across the entire data set. Hennink (2014) adds that thematic analysis makes use of quotations which means identified themes can be understood from the perspective of the study participants. Thus, thematic analysis was appropriate for this study as it sought to obtain information on shop owners' willingness to take up loans and their perspectives on how loan uptake and financial literacy can help grow their business.

V. RESEARCH FINDINGS AND ANALYSIS

Descriptive Statistics

Table 4.1 shows the descriptive statistics of the respondents. Of the 192 questionnaires that where distributed, the study had a response rate of 80%, amounting to 155 respondents. This response rate was considered to be good enough for the study in line with the recommendation by OECD (2011) of targeting a 60% response rate in any study. The females were a majority of the respondents accounting for 54% of the total respondents while 46% were male respondents. The majority of the respondents were in the age bracket of 21-31 years with a representation of 52.9%. The age group of above 45 years had the second highest representation with 20.6 % while the age group of 31-40 had a representation of 16.7%. The age brackets of less than 20 years had the least representation. This shows that there was a fair distribution of ages that took part in this study and that they are a large number of youth-owned shops in Chelstone big market. The results show that the majority of respondents where certificate holders as their highest level of education with 63.2%, while 18.7% of the respondents indicated that they were not educated. 14.8% where diploma holders while 5% were degree holders. This means that most of the respondents had basic knowledge such as reading, writing, and calculating.

Table 4.1 Socio-demographics of all the participant of the study

Variable		**N**	**%**
Gender	Male	71	45.8
	Female	84	54
Age	Less than 20 years	15	9.6
	21 – 30 years	82	52.9
	31 – 40 years	26	16.7
	Above 40 year	32	20.6
Education Level	Degree	5	3.2
	Diploma	23	14.8
	Certificate	98	63.2
	Not educated	29	18.7

Length of Business Operation

Table 4.2 below indicates the number of years the respondent's businesses have been in operation. Majority of the businesses that have been in operation for 1-5 years, and this represented 64.5%. Business existence of 6-10 years represented 25.2%, while those that were above 11years stood at 10.3% in Chelstone Big Market. This is an indication that most of the businesses in Chelstone big market are still in their infancy stages. These results are consistent with the age group distribution which indicated that most businesses are owned by youths.

Table 4.2: Years of business operations

Years of Operation	Frequency	Percent
1 –5 years	100	64.5
6-10 years	39	25.2
11-15 years	4	2.6
16 –20 years	5	3.2
More than 20 years	7	4.5
Total	155	100

Loan uptake

Table 4.3 below, reveals that the main source of financing for the respondents is savings which stands at 74.8% with borrowing from friends and relatives at 20.6 % while the use of loans represented the lowest percentage of 4.5%. This result implied that most shop owners financed their businesses through savings and that debt financing was only used to the minimum.

Table 4.3 Source of business finance

Source	Frequency	Percent
Savings	116	74.8
Loan or debt financing	7	4.5
Borrowings	32	20.6
Total	155	100

Loan Application

Table 4.4 presents the respondent's attempt to acquire a loan from any financial institution. 36.1% indicated that they had taken up loan while 63.9% stated that they had never.

Table 4.4 Loan application

Responses	Frequency	Percent
Yes	56	36.1
No	99	63.9
Total	155	100

Loan uptake Improving Business Performance/Growth

Table 4.5 indicates whether or not the respondent had experienced any improvements in business performance upon using borrowed funds. Most respondents (51.7%) revealed that did not in any way improved their business performance while 48.2% of respondents disclosed that they recorded improved business performance after loan uptake.

Table 4.5 Business growth

Response	Frequency	Percent
Yes	27	48.2
No	29	51.7
Total	56	100

Financial Literacy

A 5 point Likert scale was used to assess the financial literacy of the respondents based on financial knowledge, financial behaviour, financial attitude, and financial awareness. The results in Table 4.6 show that the majority of the respondents (48.4%) had sufficient financial knowledge to make sound financial decisions on their businesses. The results in Table 4.7 showed that the respondents had positive financial behaviour towards cash, credit and saving behaviour. The results in Table 4.8 indicate that majority of the respondents were likely to act based upon their financial knowledge and ability. According to the results in Table 4.9, majority of the respondents were not aware of the financial products and activities that were currently available in the market place. This finding is consistent the behaviour of low uptake of loans to finance their businesses.

Table 4.6 financial knowledge

Financial Knowledge		
Score %	Frequency	Percent
0	17	11.0
25	9	5.8
50	53	34.2
75	75	48.4

100	1	0.6
Total	155	100

Table 4.7 financial behaviour

Financial Behavior		
Score %	Frequency	Percent
50	7	4.5
75	40	25.8
100	108	69.7
Total	155	100

Table 4.8 financial attitude

Financial Attitude		
Score %	Frequency	Percent
0	3	1.9
25	3	1.9
75	48	31.0
100	101	65.2
Total	155	100

Table 4.9 financial awareness

Financial Awareness		
Score %	Frequency	Percent
0	111	71.6
25	9	5.8
50	4	2.6
75	10	6.5
100	21	13.5
Total	155	100

Level of Financial Literacy

Table 4.10 shows that, majority of the respondents fell in the medium level category of financial literacy with a representation of 46.4% while 36% of the respondents were found to exhibit low levels of financial literacy. A proportion of 17.4% of the respondents showed that they were highly financially literate.

Table 4.10 level of financial literacy

score	Level of Financial literacy			N
	Low Level of Financial Literacy	Medium Level of Financial Literacy	High Level of Financial Literacy	
18.75	1	0	0	1
31.25	4	0	0	4
37.50	1	0	0	1
43.75	9	0	0	9
50.00	9	0	0	9
56.25	32	0	0	32
62.50	0	39	0	39
68.75	0	27	0	27
75.00	0	6	0	6
81.25	0	0	5	5
87.50	0	0	14	14
93.75	0	0	8	8
%	36	46.4	17.4	
Total	56	72	27	155

The level of financial literacy according to gender

Figure 4.1 shows the level of financial literacy by gender, the results show that both male and female had an equal representation of 50% at the medium level of financial literacy. At the low level of financial literacy, females scored 55% compared to their male counterparts who stood at 45%. and at the highest level of financial literacy, the female respondents had the highest representation of highly financially literate respondents with 63% compared to 37% of male respondents.

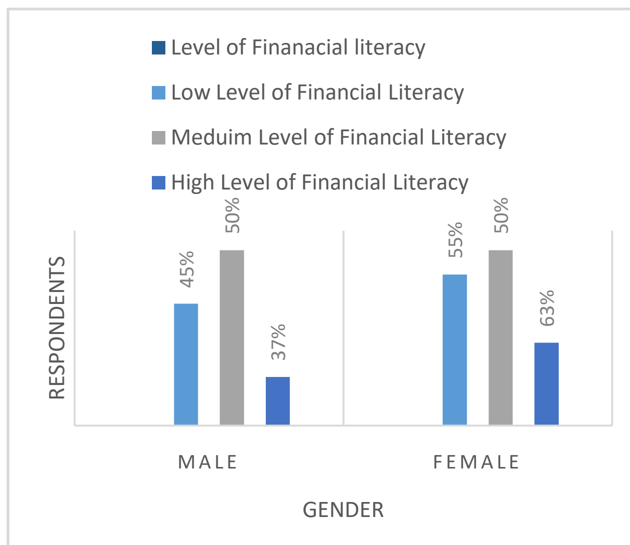

Figure 4.3: Financial Literacy by Gender

VI. QUALITATIVE PHASE OF DATA ANALYSIS

A total number of 24 participants were interviewed, with equal representation of male and female respondents.

Shop owners' willingness to take up a loan

Analysis of the in-depth interview shows that shop owners in Chelstone big market are not willing to take up loans, this perspective was mostly shared by the female shop owners. In terms of male respondents, it was found that an equal number of men were willing to take up loans compared to those who were not willing. Compared to the women it was found that more men were willing to take loans. The male respondents, mostly those that were not willing, was mainly because of the current economic situation and the terms of the loans, such as collateral requirement, interest, and tenure. A male respondent that owns a butchery, stated that: "*No because the business isn't doing well at the moment if I took up a loan I would fail to pay back because of the business current condition".* (Male, FL 1)

Besides, a female respondent's perspective on their willingness to take up loans was found to be very negative, most categorized it to stealing, and others attached lending to something that brings embarrassment. This explains why a large number of women, were not willing to take up a loan. The following statements were responses to the willingness to take a loan: *"No I can't get a loan, the lenders are thieves. And also the interest that they offer is too high"* (Female, FIL 1).

"*No, getting a loan brings embarrassments, and getting a loan means you working for the loan"* (Female, FIL 2).

No, I have my own money, I never tried to take up a loan, I don't like to be stressed, and a loan is simply an English name of kaloba (Female, FL 3).

The negative approach to loans is not only true in women alone but also applies to a few men, were an assertion was made stating: *No, it's not good, I feel getting a loan makes you a slave, but those that may want to get a loan I would encourage them, in a sense that it helps one sustain the business* (Male, FIL 2). The negativity towards loans among the respondents was also attributed to the bad reputation of informal loans. The respondents indicate that the tenure of loans was a key determinant of decision to consider loan financing. A detailed description of an informal loan is stated by one of the respondents:

*"It depends with the demands, they might be better than those in the Komboni, for example, informal loans are not flexible, they usually give one month, for that length I wouldn't get, I would take up a loan from a financial institution if they give me reasonable time to pay back, I can be able to invest the money and make a profit from it and also pay back with interest (*Male, FL 3)." Similarly, another respondent said: *Other banks offer high rates, and their tenure is usually short, this discourages a lot of shop owners when they want to take up a loan* (Female, FL6).

However, those that were willing to take up loans, think of loans as a way of achieving business growth. The willingness of respondents was also dependent on reasonable tenure and interest charged. In line with this, the following statements were made: *"Yes I can take a loan because this would help me boost my business. I don't know much about loans, but what encourages me is that I see other people that get loans use them in a good way (*Male, FIL, 4)*."*

Similarly, another responded gave a much elaborative response on how a loan may help achieve business growth, as stated below: *"Yes I would if there is any chance, mainly it's to buy machines, because a lot of machines are lacking and as a business, we are working towards buying many machines, and a loan would help us get the required machines"* (Male, FL 5).

"Yes I can get a loan, this would help me to improve my business, and a loan will allow me to buy more products. You know when I started, I used to sell only one product, so I decided to get a loan and after that, I got different products and this made my business grow" (Female, FL 4).

When a question was asked about what discourages the shop owners not to take a loan, they identified loan requirements such as the interest rate charged, collateral, and the tenure of the loan. These played a key role in their willingness to take up a loan, the following statements ascertain this argument: *"The conditions you are given when taking up a loan, such as surety, discourage me to take up a loan, as for my business the butchery, I would have to offer my fridge as surety and other stuff"* (Male, FL 1).

"What discourages me from taking a loan is the Interest charged, I feel that it must also be reasonable because, high interest makes it difficult for us business owners to repay the loans" (Male, FL 6) Similarly, another respondent gave her experience about how interest rates hinder her willingness to take up a loan, in line with this, it was stated: "*I was very disappointed with the payments, okay they are not bad but after calculating the amount of money I paid back after some years compared to what I took, I realized that I had paid much more than what was given to me"*(Female, FL 5).

When this question was asked to one of the key informants, the following was highlighted: *" ... sometimes what discourages the shop owners, is the high interest that is charged by moneylenders or banks, and also the fear of losing their assets when they offer it as collateral, the mode of payment is also an area of concern, for example, it could be daily, weekly and so on, while also adding a percentage on top of the money hinders a lot when it comes to taking up loans"* (K, I 2)

Perspectives on Financial literacy

Financial literacy was viewed to be very important for anyone in business to succeed. In support of this, one respondent stated the following: "*….for you to pass at school what do you do? if you start playing around you won't pass right? it's the same thing in business if you don't have financial knowledge your business will fail".*(Male, FL 7). One key informant said the following on financial literacy and shop owners: "*Financial literacy is important because it helps the business owner to keep track on how money is spent and how much is coming, by doing so a business owner can determine if he's making a profit or a loss*" (KI, 1). This was supported by another respondent who stated: "*...it will help you know ways of spending money and saving money for your business and sometimes you may be renting a shop and you have to pay* *rent if you don't know how to spend or save you won't be able to pay"* (Female, FL 5). Another respondent stated: "*financial literacy is important because it helps you to know how to manage your financial affairs, in these times if you are not able to manage your finances you will fail to meet your financial obligations, for examples your rentals and they may chase you"* (Male, FL 10). Another respondent stated: *"Financial literacy is very important, and for this reason, I feel that before the shop owners are given the loans, financial institutions including the government must first teach them the necessary skills required for them to run businesses or how simply to handle their finances before a loan can be extended to them because if this is not done they will not understand the best way of how to use the money"* (K, I 1).

Other respondents in their approach to answering the question on whether financial literacy is important, they addressed it by looking at the negative effect of being financially illiterate. The following was stated: "*Financial literacy is key in a business, when one is financially illiterate they will not be able to properly allocate their funds where there are needed, this can lead them to allocate funds to areas that might be urgent by not important and as result lose a lot of money, therefore financial literacy helps one to understand those ventures that might bring more money compared to the other alternative* Male, FL 6). Besides, "*….what is killing us is financial illiteracy, we are trained to work white-collar jobs and lack the necessary skills and financial management needed to do business"* (Male, FL 7). Another respondent identified one of the demerits that he had noticed from other Shop owners: *"….what I have observed in this market is that other people do not think of growing their business, they would usually have a capital of K50 and do not increase it when they make a profit, let's say k30, for me I would reinvest that money and order more goods, now that means my capital is now k80"* (Male, FL8).

Thera was consensus among those that had participated in the in-depth interviews that financial literacy was an important factor in business. Furthermore, the responses showed that most respondents were financially knowledgeable and understood the importance of financial literacy to business success.

Emerging themes and Sub-themes

The main themes that emerged from the in-depth interviews included support for financial literacy and mixed perceptions on loan uptake. Support of financial literacy emerged as a theme due to the positive feedback received by the shop owners. Financial literacy is viewed to be important because of the potential impact it has on business growth. This theme is not only beneficial to the business but can also have a positive impact on how well an individual handles their financial affairs. Support for financial literacy was also a result of its influence on informed financial decisions. The subthemes included informed financial decision and perceived better management of the business. The perceptions on loan uptake produced mixed opinions by shop owners. While the majority of the male shop owners had positive opinions of loan uptake, most of the interviews of female shop owners revealed a reoccurring issue on how loans were viewed to be bad. The subthemes included, Fear of loans and perceived business growth. The respondents that supported loan uptake argued that it would bring about a number increased stock, diversification opportunities and purchase of business assets. Those did not support the uptake of loans argued that loans would put an unnecessary strain on the business such failure to pay, frustrating repayment period and lack of assets to meet the demands of the lender.

VII. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary of the findings

The study found that the majority of shop owners at Chelstone big market were moderately financially literate. The results also reveal that not only did the shop owners have sufficient knowledge and skills but were also able to act upon that knowledge. However, it was also discovered that most of the respondents were not aware of the financial products and activities that would support their business activities. The findings also showed that male respondents were more financially literate than their female counterparts. The findings also revealed that there is a positive correlation between level of education and the level of financial literacy. It was established that the majority of respondents had never taken up a loan from any financial institution. This was supported by the finding that majority of shop owners in Chelstone big market fell in the age group of youths. The findings also showed that most businesses were in their growth stage.

Majority shop owners in the market preferred financing business activities with owner savings rather than loan financing. The findings revealed that the participants were not willing to take up loan products, not because they did not understand the benefits of a loan financing, but took consideration of every aspect of taking up loans such as repayment periods, interest requirements and other unattractive lending terms. The findings revealed that those who were willing to take up loans had the sole purpose of boosting their business. These findings are consistent with previous studies that suggested financially literate business owners understand when best to make a financial decision, when to borrow, from whom to borrow, the cost of the loan, and the type of loan that meets their needs (Abubakar, 2015; Hussain, et al., 2018).

Conclusion

With reference to the findings, it can be concluded that willingness to take up loans depends on the level of financial literacy to a greater extent. The study also shows that gender of the person is also an important factor in willingness to take up a loan. Female respondents were found to be more conservative in taking up loans than their male counterparts in taking up loans. It is concluded that financially literate decision makers are also influenced by other factors around loan products when making financing decisions. Despite the respondents being fairly financially literate, they were not willing to take up loans due factors such as interest rates, collateral requirements and loan tenure. It is also concluded that shop owners have disregarded the benefits of loan products which can outweigh the perceived demerits of loan products. Furthermore, the decision makers have but only limited knowledge of the available loan products that could be suitable for their business activities. It is also concluded that MSMEs will not contribute much to the economic wellbeing in Zambia because business performance and growth is limited to the financial capacity of business owners.

Recommendation

To ensure sustainable and growing MSME sector in Zambia, the following recommendations have been made:

- The government, through the local council, should collaborate with financial institutions such as banks, microfinance, and others to offer financial training to shop owners. This should be done not only when they apply for a loan but also before they intend to do so, this will give shop owners the confidence to take up a loan.
- Financial institutions should engage in active financial awareness programmes, that will communicate their product offering to the customers and work on perception change. Financial institutions will also do well to design products tailored to shop owners to ensure mutual benefit.
- Financial institutions and other lenders should simplify the financial information on the prices of their products to the level of their clients. For example, explain to the client, the meaning of compounded interest with assuming that the customer knows. This will minimize the wrong perceptions and knowledge gap between the borrower and the lender. The information should give a real reflection of the price of loan products and enable the borrower to evaluate the products and make an informed decision.

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