



KWIRA
CONSULTING LIMITED

MSME FINANCIAL MANAGEMENT IN ZAMBIA:

The State, Challenges and Opportunities

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BUILDING BUSINESSES. EMPOWERING GROWTH

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EXECUTIVE SUMMARY

Micro, Small and Medium Enterprises (MSMEs) remain the backbone of Zambia's economy, contributing significantly to employment creation, income generation and economic activity. Despite their importance, effective financial management remains a major challenge for a large proportion of MSMEs.

This study examined the state, challenges and opportunities of financial management among MSMEs in Zambia using secondary evidence from the Bank of Zambia, the Zambia Statistics Agency MSME Finance Survey and supporting literature.

The findings reveal that financial management among MSMEs remains largely informal. Approximately 72% of MSMEs do not maintain complete financial records, while the majority of businesses rely on owners to manage financial transactions without professional financial-management training. Formal financial oversight remains limited, and access to external finance continues to be constrained by inadequate records, limited financial literacy, high borrowing costs and collateral requirements.

The study further found that while formal banking participation remains relatively low among MSMEs, mobile money and digital financial services have significantly expanded in Zambia's financial ecosystem. This presents a strategic opportunity to accelerate the transition from informal financial practices to digitally enabled financial management systems.

“*The future of MSME financial management in Zambia lies in moving beyond access to digital financial services towards their effective use for bookkeeping, financial planning, reporting and improved access to finance.*”

The findings suggest that improving financial management represents one of the most important interventions for strengthening MSME sustainability, competitiveness, investment readiness and long-term growth. Enhanced bookkeeping, budgeting, cash-flow management, financial reporting and digital financial management can improve decision-making, increase access to finance and strengthen business resilience.

The report concludes that financial management should no longer be viewed as an administrative activity but as a strategic capability that directly influences MSME growth, profitability and access to opportunities within Zambia's evolving economy.

KEY FINDINGS



72%

Do not maintain complete financial records.



90.6%

Reported no training to manage business finances.



3.3%

of MSMEs have their financial records audited annually.

Key Financial Management Challenges

- 1 Limited Financial Management Training
- 2 Low Perceived Need for Record Keeping
- 3 Limited Access to External Finance

Evidence-Based Opportunities



Strengthening Financial Literacy and Book-Keeping

Build skills in bookkeeping, budgeting and financial planning.



Promoting Digital Financial Management

Connect mobile money with digital records and financial reporting.



Improving Access to Finance

Strengthen credit readiness, financial documentation and lender linkages.



Promoting separation of business and personal finances

Encourage clear separation of personal and business accounts

Support simple, affordable bookkeeping and accounting tools for MSMEs.

Affordable Accounting Solutions



1. Introduction

Micro, Small and Medium Enterprises have become very popular entities in Zambia due to the important role they play in terms of creating wealth and employment among both Zambian citizens and other nationals living in Zambia. MSMEs are unarguably the cornerstone of the Zambian economy, constituting over 70% of GDP and nearly 90% of national employment (Bank of Zambia, 2026). The MSME Sector plays a critical role in the economic development process as guided by the Micro, Small and Medium Enterprise Development Policy, which was formulated in 2009 to mitigate the challenges faced in the development and coordination of MSMEs. This Policy seeks to promote and improve accessibility to markets for products produced by MSMEs, facilitating access to affordable financing and promoting competitiveness of the MSMEs (Ministry of Small and Medium Enterprise Development, 2009).

According to some scholars, one of the factors that can influence the growth of MSMEs is effective financial management practices which may include; financial reporting and analysis, working capital management, risk management and budgeting. However, their immense potential is critically constrained by persistent challenges, including severe financing gaps, widespread low financial literacy, and pronounced vulnerability to external economic shocks.

Financial management is not simply an administrative task; it is a strategic capability that shapes business growth, resilience and access to opportunity.

2. MSME Sector Overview

MSMEs are a fundamental component of Zambia's economy, contributing significantly to employment, income generation, poverty reduction and economic diversification. The Ministry of Small and Medium Enterprise Development is responsible for promoting MSME development, while the Revised National MSME Development Policy (2023) identifies MSMEs as accounting for approximately 97% of businesses, contributing about 70% of GDP and 88% of employment. Despite this importance, the sector continues to face constraints including limited access to affordable finance and markets, inadequate business infrastructure, low technology adoption and innovation, informality, limited entrepreneurial capacity and fragmented support interventions.

MSMEs operate across agriculture, manufacturing, trade, construction and services, with a significant proportion operating informally. The 2022 MSME Finance Survey conducted by the Zambia Statistics Agency (ZamStats) and Bank of Zambia highlights important financial-management challenges within the sector. Nationally, 87.4% of MSMEs relied on handwritten ledgers or books for record-keeping, while only 2.4% used computer software and 2.1% used specialised accounting software. Among informal MSMEs, reliance on handwritten records was even more pronounced at 88.6%. Financial management extends beyond record-keeping to budgeting, cash-flow and working-capital management, costing and pricing, inventory management, financial reporting, taxation, internal controls, risk management and financing decisions. These factors can affect the ability of businesses to assess profitability, manage liquidity, control costs, comply with regulatory requirements and make informed financial decisions.

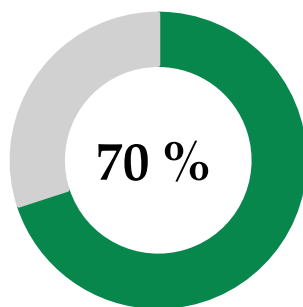
Weak financial management is also closely linked to access to finance. Inadequate financial records and limited formalisation can make it difficult for MSMEs to demonstrate creditworthiness and meet the

requirements of formal lenders. Although commercial banks remain an important source of finance, MSMEs also rely on microfinance institutions, savings and credit cooperatives, supplier credit, personal savings and increasingly digital financial services. Consequently, improvements in financial management, financial literacy and digitalisation could strengthen both business performance and access to appropriate finance.

There are emerging opportunities to address these challenges through digital bookkeeping, mobile and digital banking, electronic payments, fintech solutions, alternative approaches to credit assessment, financial-literacy programmes and business-development services. The Revised National MSME Development Policy (2023) provides a policy framework for improving access to affordable finance, markets, infrastructure and business-development services, while promoting formalisation, innovation, technology adoption and stronger coordination of MSME interventions.

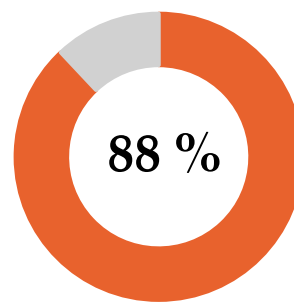
Overall, the Zambian MSME sector has significant potential to support economic growth but continues to experience weaknesses in financial record-keeping, professional financial-management capacity, financial literacy, digitalisation and access to appropriate finance. At the same time, technological development, financial innovation, business-support programmes and government interventions provide opportunities to strengthen financial management and business resilience. These conditions provide a basis for examining the state, challenges and opportunities of financial management among MSMEs in Zambia.

GDP Contribution



■ MSME contribution ■ Remaining share

Employment Contribution



■ Employment by MSMEs ■ Employment by other enterprises

3. Problem Statement

MSMEs are a critical component of Zambia's economy, contributing significantly to employment, livelihoods, innovation and economic growth. Despite the rapid growth in the number of MSMEs, many continue to face challenges that constrain their sustainability and expansion, including limited access to finance, low financial literacy, technological constraints, economic pressures and limited managerial capacity. Among these challenges, weaknesses in financial management are particularly important because they can affect an enterprise's ability to plan, control costs, manage cash flows, assess profitability, make informed decisions and demonstrate creditworthiness. Studies have linked ineffective financial management among Zambian MSMEs to limited financial resources, inadequate information-seeking skills and limited managerial experience (Kabamba et al., 2024; Mvula, 2023).

Evidence from the 2022 MSME Finance Survey conducted by the Zambia Statistics Agency and Bank of Zambia demonstrates the extent of these challenges. Nationally, 91.5% of MSMEs reported that those responsible for managing their financial records had received no financial-management training, while 91% of MSMEs managed their own financial records and only 2.4% used an accountant or bookkeeper. Reliance on manual record-keeping was also widespread, with 79.2% of formal MSMEs and 88.6% of informal MSMEs using handwritten ledgers or books. Furthermore, only small proportion of MSMEs reported having their financial records audited annually, indicating that formal financial reporting and assurance remain limited.

These weaknesses have important implications for MSME performance and access to finance. Poorly maintained financial records and limited financial-management systems can restrict the ability of business owners to evaluate financial performance, manage working capital, comply with regulatory requirements, access formal financing and make evidence-based business decisions. This is particularly significant in Zambia, where access to finance remains a major constraint to firm growth and MSMEs continue to rely heavily on personal and informal sources of finance. The 2022 MSME Finance Survey found that only a small proportion of MSMEs accessed formal external financing when starting their businesses, further highlighting the importance of financial capacity and documentation in improving access to finance.

Although research on MSME financial management in Zambia exists, significant gaps remain in understanding the broader and state of financial-management practices across the sector. Existing studies have often focused on specific dimensions such as access to finance, financial literacy, bookkeeping or individual financial-management practices, with comparatively limited attention to the interaction between record-keeping, cash-flow management, financial reporting, internal controls and financing decisions. There is also limited recent evidence on the practical challenges preventing MSMEs from adopting effective financial-management systems and the opportunities presented by digital financial services, fintech, financial-literacy interventions and business-development support.

Therefore, there is a need for a comprehensive assessment of how MSMEs in Zambia manage their finances, the challenges limiting effective financial management, and the opportunities that can be leveraged to improve financial practices, access to finance, business resilience and sustainable growth. This study therefore seeks to examine the state, challenges and opportunities of financial management among MSMEs in Zambia.

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Without stronger financial management, MSMEs risk stagnation, reduced competitiveness and missed opportunities in a growing digital economy.

4. Research Objectives

1. To assess the current financial management practices adopted by MSMEs in Zambia;
2. To identify the key challenges affecting effective financial management among MSMEs in Zambia;
3. To examine the extent to which MSMEs use formal and technology-enabled financial management systems; and
4. To identify evidence-based opportunities and practical measures for strengthening financial management practices among MSMEs in Zambia.

5. Methodology

5.1 Research Approach

The study's methodological approach, data sources and analytical techniques are summarised in the table below:

Research Methodology	Description
Research Approach	Quantitative approach based on secondary data, used to measure and describe financial-management practices, challenges, and adoption of formal and technology-enabled financial-management systems among MSMEs in Zambia.
Research Design	Primarily descriptive, with the analysis organised around the four research objectives. Cross-tabulations were used where appropriate to examine relationships and differences across selected MSME characteristics. The study did not seek to establish causal relationships.
Data Selection and Scope of Analysis	The study utilized secondary quantitative data from the Bank of Zambia and the 2022 MSME Finance Survey conducted by the Zambia Statistics Agency. While the survey institutions have published descriptive statistics from the dataset, this study undertakes a focused secondary analysis of selected variables relevant to financial management among MSMEs. The analysis reorganizes the available evidence according to the study objectives and, where appropriate, examines relationships between selected financial-management indicators and MSME characteristics.
Data Source	Existing surveys, statistical reports, government publications, financial-sector reports and other credible datasets relating to MSMEs in Zambia, with primary reliance on the 2022 MSME Finance Survey and relevant Bank of Zambia data.
Data Analysis	Descriptive statistics, including frequencies and percentages, were used to analyse response distributions. Cross-tabulations were used, where appropriate, to examine differences across selected MSME characteristics, including rural and urban location and other available business characteristics

6. Study Findings: The State of SME Financial Management in Zambia

This section presents the findings of the study on MSME Financial Management in Zambia: The State, Challenges and Opportunities. The analysis is based on secondary quantitative data from the Bank of Zambia and the 2022 Zambia MSME Finance Survey, conducted by the Zambia Statistics Agency.

6.1 Current Financial Management Practices

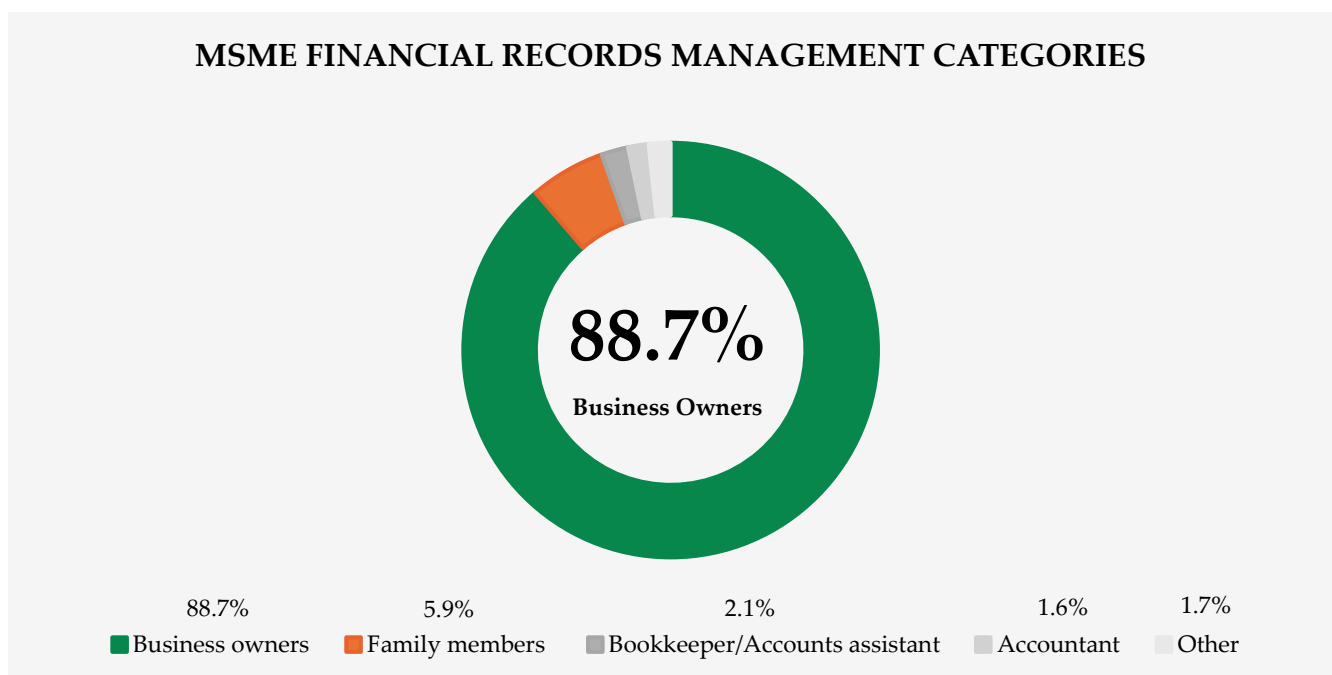
i. Financial Record Keeping

The empirical findings revealed that only 28% of MSMEs nationally keep records of income, expenditure, assets and liabilities, while approximately 72% do not. This means that the majority of MSMEs operate without a comprehensive system for documenting their financial transactions. The absence of financial records can make it difficult for business owners to determine whether the business is profitable, monitor cash inflows and outflows, prepare reliable financial statements, track assets and liabilities, make evidence-based financial decisions and demonstrate financial performance when seeking external finance.

Therefore, financial record keeping represents a major weakness in the financial management practices of MSMEs.

ii. Financial management appears to be highly owner-driven

The data shows that among MSMEs with financial records, approximately 88.7% reported that the owner manages the business's financial records based on the unweighted microdata distribution. The figure below shows the share distribution of the categories involved in managing the financial records of MSMEs.

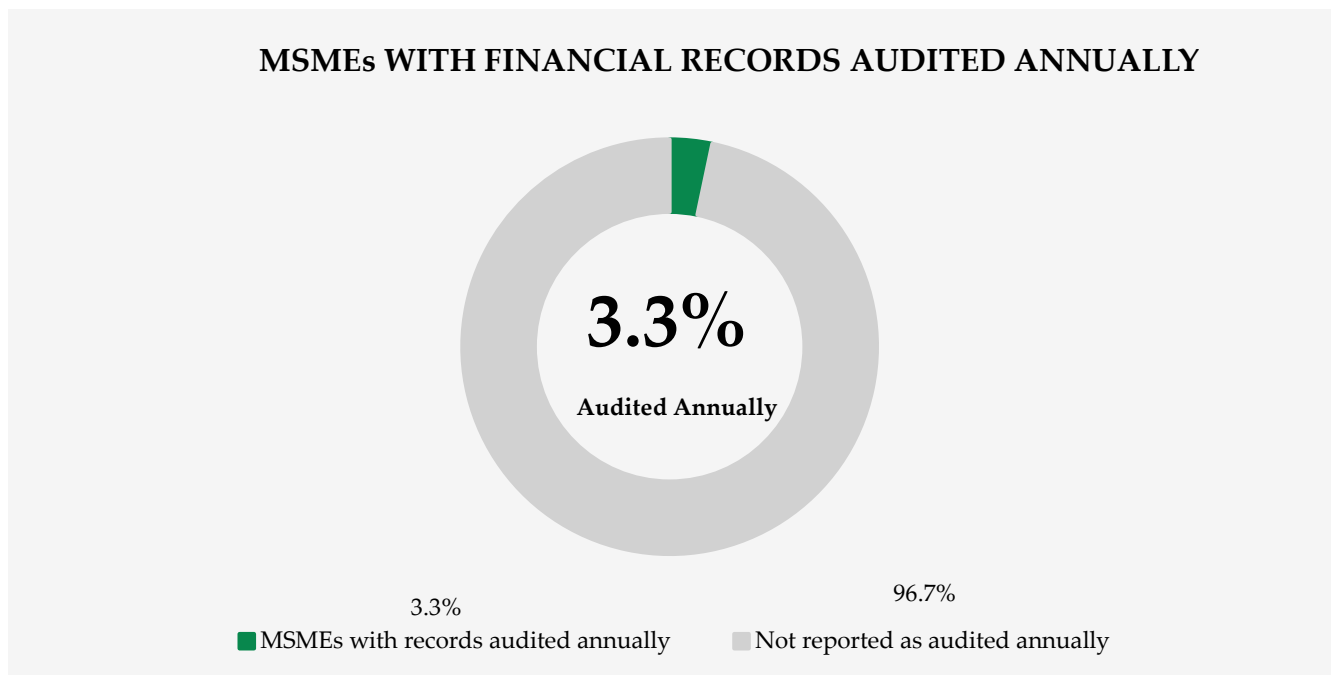


This suggests that financial management is predominantly undertaken by the business owner rather than by professionally trained accountants, bookkeepers or finance personnel. This indicates that financial management in many MSMEs is likely to be integrated into the owner's day-to-day business activities rather than being treated as a specialised business function.

iii. Formal financial oversight is very limited

According to the weighted national estimate from the data, it was revealed that only about 3.3% of MSMEs have their financial records audited annually. This provides further evidence that formal financial management systems are not widespread across the MSME environment.

Therefore, the low level of auditing does not necessarily mean that every MSME requires an external audit. It demonstrates that formal mechanisms for independently reviewing and validating financial information are uncommon among MSMEs.

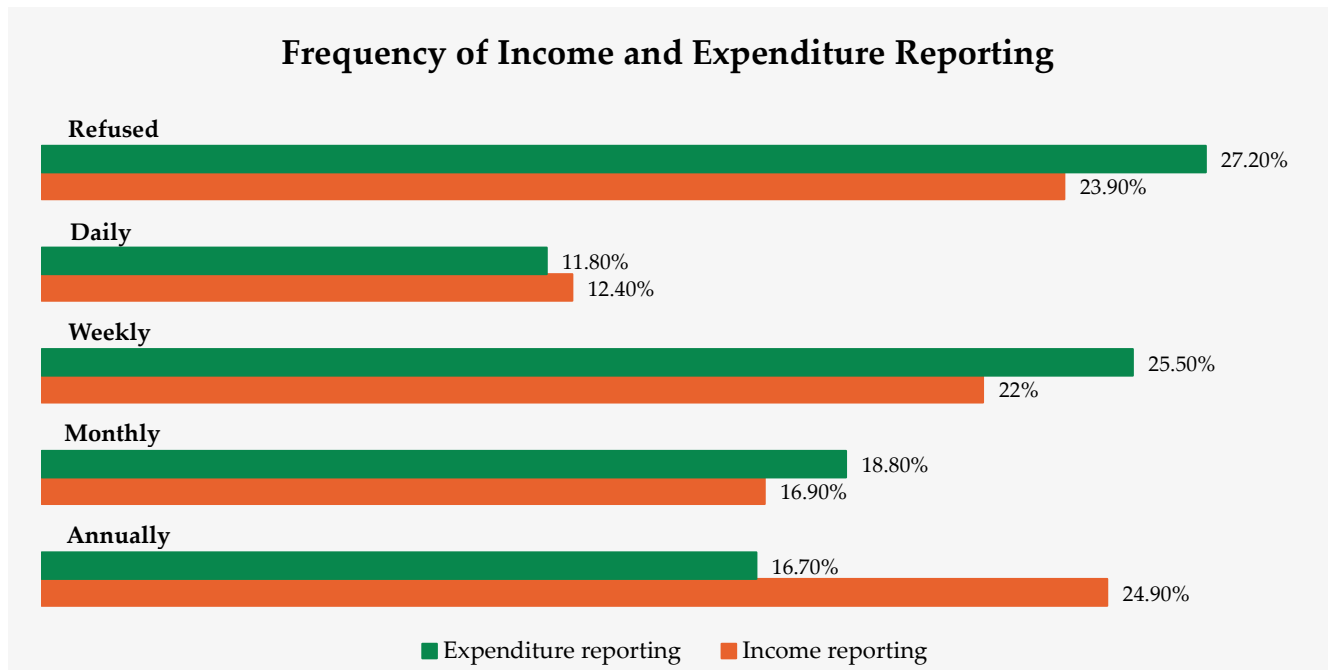


iv. Financial reporting practices

The survey involved analysing variables on the frequency with which MSMEs report income and expenditure. The raw distributions indicate that income and expenditure reporting occurs at different frequencies, with daily, weekly, monthly and annual reporting all represented. However, these figures are not national percentages.

The survey recorded responses across daily, weekly, monthly and annual income-reporting frequencies, while a proportion of respondents declined to provide a response. The refused responses were treated as non-response and were not interpreted as evidence of a particular income-reporting practice. Table 1 and 2 below shows the frequency with which MSMEs record their income and expenditure.

The frequency of income and expenditure reporting indicates the extent to which MSMEs regularly monitor their revenue. The weighted distribution shows the extent to which income and expenditure information is maintained daily, weekly, monthly or annually, providing an indication of the regularity of financial monitoring among MSMEs.



Note: These are preliminary unweighted distributions, not national estimates.

The evidence indicates that the financial management among MSMEs is characterised by varying levels of financial reporting and is more likely to be informal and operational rather than systematic.

6.2 Financial Management Challenges

The analysis focuses on financial-management training, reasons for not keeping records and access to external finance as part of the main MSME financial management challenges in Zambia.

6.2.1 Financial-management training

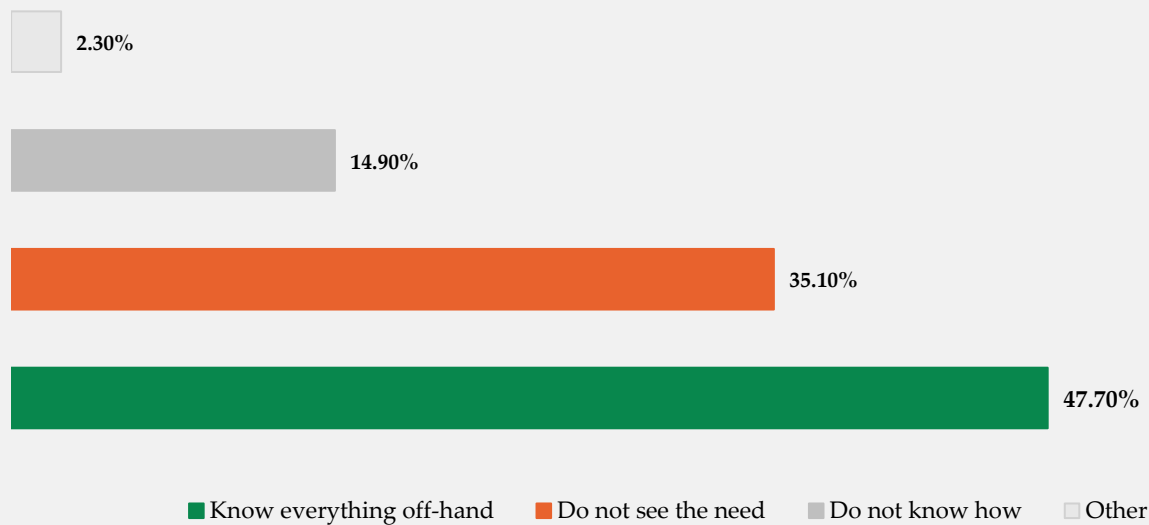
The preliminary unweighted results from the data indicated that only about 9.4% of the MSMEs in the raw microdata reported having a person trained to manage the business's finances while approximately 90.6% did not. The data further asserts that formal financial-management training appears to be uncommon among MSMEs in Zambia.

This suggests a potential capacity constraint, particularly in areas such as bookkeeping, financial reporting, budgeting, cash-flow management, financial planning and interpretation of financial information. This is consistent with the finding that most MSMEs do not maintain comprehensive financial records.

6.2.2 Reasons for not keeping records

Among businesses that did not keep financial records, the raw microdata also indicated that the major reported reasons included; knowing everything off-hand approximately with a share of 47.7%, not seeing the need were approximately 35.1% and not knowing how to keep records were approximately 14.9%. Table 4 shows the percentage distribution of MSMEs and the reasons for not keeping financial records.

MSME Reasons for Not Keeping Financial Records



Preliminary Sample Percentages

The findings suggest that the MSMEs challenge of not keeping records is not purely technological or financial. Some MSMEs may not keep records because they do not perceive formal financial record keeping as necessary for running the business.

Therefore, interventions focused only on providing accounting software may not be sufficient. There may also be a need for financial literacy, business-management training and awareness of the benefits of proper financial records.

6.2.3 Limited access to external finance

Access to finance is relevant to financial management because businesses require financial resources to support working capital, investment and growth. The data revealed that only 7.3% of MSMEs applied for a loan from formal or informal financial service providers at least once during the 2017–2022 period. Further, it was found that there are several factors limiting most MSMEs to obtaining finance, including high interest rates, lack of collateral and low income.

Therefore, financial management and access to finance appear to be interconnected because an MSME without reliable financial records may find it more difficult to demonstrate its financial position to a lender. Conversely, limited access to finance may constrain the ability of the business to invest in accounting systems, professional services or technology.

These findings indicate that MSMEs face both business-level and financial-market constraints when attempting to obtain external finance.

6.3 Technology-Enabled Financial Management Systems

6.3.1 Bank account ownership is very low

According to statistics derived from the data, only 6.5% of MSMEs nationally have a bank account, while approximately 93.5% do not. This indicates that formal banking is not widely integrated into the financial operations of MSMEs. Among MSMEs with bank accounts, approximately 71.5% have

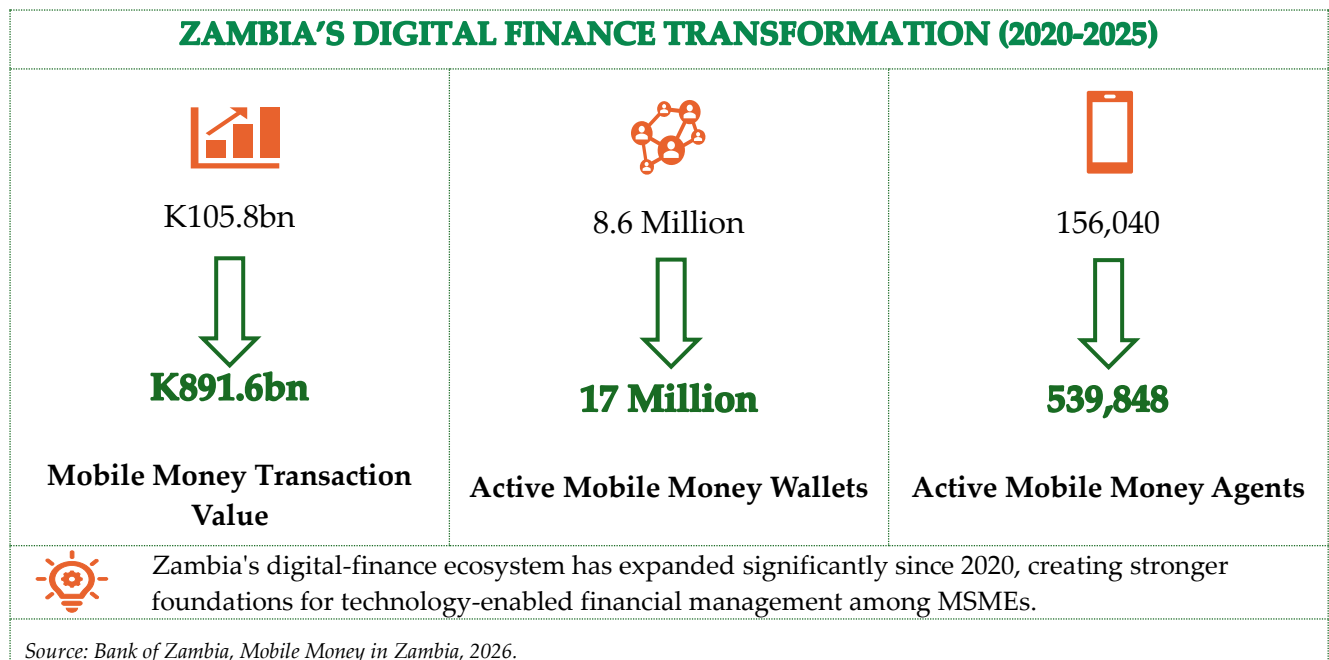
business accounts, while 28.5% use personal accounts. Therefore, this indicates a low level of participation in formal banking among MSMEs.

6.3.2 Mobile money Adoption

Based on findings mobile money is considerably more widespread than formal banking. The data reports that 34.5% of MSMEs have a mobile money account, while 65.5% do not. Table 5 depicts the distribution of MSMEs with mobile accounts in Zambia.

Table: Distribution of MSMEs with Mobile Money Accounts

Category	MSMEs with mobile money accounts
National	34.5%
Rural	24.0%
Urban	40.9%
Formal	29.2%
Informal	34.8%



This suggests that mobile money has achieved substantially greater penetration among MSMEs than traditional bank accounts. However, having a mobile money account should not automatically be interpreted as having a formal financial-management system. A business may use mobile money for receiving or sending payments without maintaining systematic financial records.

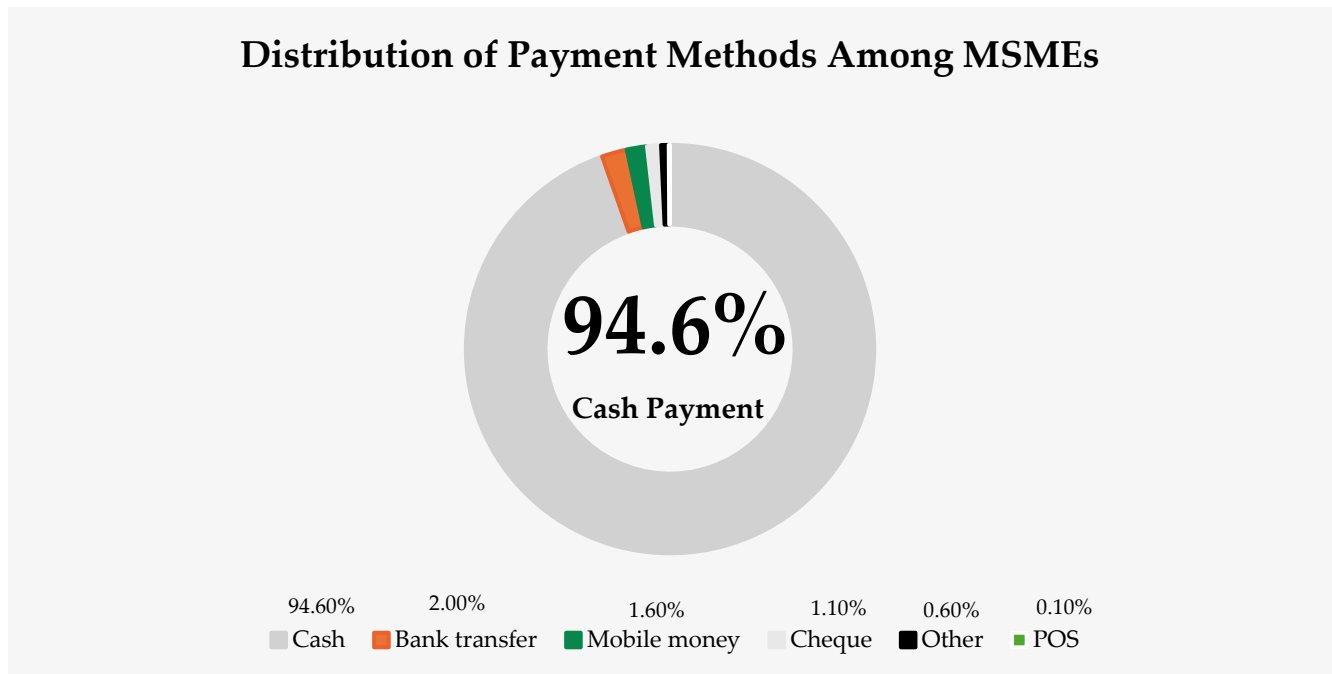
More recent national evidence indicates that mobile money has become a major driver of financial inclusion in Zambia. According to FinScope Zambia 2025, approximately 76.2% of adults use mobile money services, compared to 58.4% in 2020, demonstrating the rapid expansion of digital financial services within the country (Bank of Zambia, 2025).

While the 2022 MSME Finance Survey showed relatively low levels of digital financial-service usage among MSMEs, the broader financial sector has undergone substantial transformation. This suggests

that opportunities for technology-enabled financial management may be considerably greater today than reflected in the 2022 survey results.

6.3.3 Customer Payment Methods

The customer-payment variable indicates that cash is overwhelmingly the dominant payment method in the raw data.



The preliminary distribution indicates that cash remains the dominant method of receiving customer payments among the sampled MSMEs.

This is relevant to financial management because cash-dominated businesses may require stronger mechanisms for recording daily transactions, reconciling cash balances and monitoring cash flows.

Notwithstanding the 2022 survey results, Mobile money transactions have adjusted upwards by 743% in 2025 compared to 2020 (BOZ, 2026). This may entail an increase in the use of mobile money for payments.

6.3.4 Digital financial management remains limited

According to the findings digital financial management was limited among MSMEs at the time of the 2022 survey. Only 6.5% of MSMEs had bank accounts, 34.5% used mobile money, and 94.6% of customer payments were made in cash. However, more recent evidence from the Bank of Zambia shows substantial growth in mobile-money usage and digital payment transactions since 2022.

This suggests that the key challenge is increasingly not only access to digital financial services, but also the effective integration of these services into MSMEs' bookkeeping, reporting, reconciliation and financial decision-making processes.

6.4 Evidence-Based Opportunities

6.4.1 Strengthening financial literacy and bookkeeping

The low level of financial record keeping and financial-management training suggests an opportunity to strengthen MSME capacity in:

- Bookkeeping;
- Budgeting;
- Cash-flow management;
- Financial reporting;
- Financial planning; and
- Interpretation of financial information.

6.4.2 Promoting digital financial management

The relatively greater use of mobile money compared with conventional bank accounts suggests an opportunity to build financial-management solutions around existing digital financial behaviour. Firms providing digital systems should consider the opportunity of developing a system that can integrate mobile money payments to electronic records and bookkeeping and finally to financial reporting.

The expansion of digital financial services creates favorable conditions for MSMEs to adopt technology-enabled financial-management practices. FinScope Zambia 2025 reported that overall financial inclusion reached 80.1%, while formal financial inclusion increased to 76.4%, reflecting significant improvements in access to financial services. However, improved access does not automatically translate into effective financial management, highlighting the need for complementary interventions in bookkeeping, financial literacy, cash-flow management and business planning (Bank of Zambia, 2025).

6.4.3 Improving access to finance

The identified barriers to finance within the MSME sector suggest opportunities for:

- Financial-readiness programmes;
- Improved financial documentation;
- Financial literacy;
- Credit-readiness support;
- Appropriate MSME financial products; and
- Stronger linkages between MSMEs and financial institutions.

6.4.4 Promoting separation of business and personal finances

The use of personal accounts by some banked MSMEs suggests an opportunity to promote clearer separation between personal and business finances.

6.4.5 Affordable accounting solutions

The prevalence of owner-managed and informal financial practices suggests potential demand for simple and affordable bookkeeping and accounting solutions designed for micro and small enterprises.

6.5 Strategic Implications and Outlook

6.5.1 Policy Implications

The findings demonstrate that strengthening MSME financial management should be treated as a national economic development priority rather than solely a business-level challenge.

The widespread absence of financial records, low levels of financial-management training and limited access to formal financial services suggest the need for coordinated interventions that improve financial literacy, business formalization, digital adoption and access to financial-management support services.

As Zambia seeks to increase productivity, industrialization, job creation and private-sector growth, strengthening MSME financial management can contribute to improved tax compliance, greater financial inclusion, enhanced business survival rates and increased participation in formal economic activity.

The findings further suggest that investments in digital public infrastructure, financial inclusion programmes, entrepreneurship development and business-support services can generate broader economic benefits beyond individual enterprises.

6.5.2 MSME Implications

The findings indicate that many MSMEs continue to manage finances primarily through informal practices and owner experience rather than structured financial-management systems.

While this may support business operations in the short term, it may limit growth opportunities, business planning, investment readiness and access to formal financing.

MSMEs that adopt structured bookkeeping, budgeting, cash-flow monitoring and digital financial-management systems are likely to be better positioned to:

- Access external finance;
- Monitor business performance;
- Improve profitability;
- Manage financial risks;
- Scale operations;
- Attract investors and partners; and
- Improve long-term sustainability.

Financial management should therefore be viewed as a strategic business capability rather than merely a compliance requirement.

6.5.3 Financial Institution Implications

The findings highlight a significant opportunity for financial institutions to expand MSME banking and lending through financial-capability development.

Many MSMEs appear to be excluded not only because of financing constraints but also because of inadequate financial records and weak financial-management systems.

Financial institutions may therefore achieve better lending outcomes by combining financing solutions with:

- Bookkeeping support;
- Financial literacy programmes;
- Digital business tools;
- Credit-readiness programmes; and
- Business advisory services.

This approach has the potential to improve portfolio quality while expanding financial inclusion.

6.5.4 Fintech and Technology Provider Implications

The rapid growth of mobile money and digital financial services in Zambia suggests substantial market opportunities for fintech companies and digital solution providers.

There is increasing demand for affordable and user-friendly tools that integrate:

- Mobile money;
- Digital payments;
- Bookkeeping;
- Invoicing;
- Financial reporting;
- Tax compliance; and
- Business analytics.

Technology providers that simplify financial management for MSMEs may play a significant role in accelerating formalization and financial inclusion.

6.5.5 Development Partner Implications

Development partners supporting inclusive economic growth, entrepreneurship and financial inclusion can leverage these findings to strengthen MSME resilience.

The study suggests that targeted investments in financial literacy, business formalization, digital financial inclusion and enterprise-development programmes have potential to improve both business performance and broader development outcomes.

6.6 Contribution to Sustainable Development Goals

The findings of this study have implications for several Sustainable Development Goals (SDGs), particularly those relating to economic growth, financial inclusion, innovation and poverty reduction.

SDG 8: Decent Work and Economic Growth

The highlighted importance of strengthening financial management among MSMEs by improving financial record keeping, budgeting, financial planning and access to finance can enhance business sustainability, productivity and competitiveness, thereby supporting employment creation and inclusive economic growth.

SDG 9: Industry, Innovation and Infrastructure

The study identifies opportunities for the adoption of digital financial-management systems, fintech solutions and technology-enabled business processes that can improve operational efficiency, innovation and enterprise performance.

SDG 1: No Poverty

Given the significant role MSMEs play in income generation and livelihoods, strengthening financial management can contribute to improved business performance and increased household income, thereby supporting poverty-reduction efforts.

SDG 10: Reduced Inequalities

Enhanced financial literacy, improved access to finance and increased adoption of digital financial services can help reduce economic exclusion and expand opportunities for underserved entrepreneurs and informal businesses.

SDG 17: Partnerships for the Goals

Addressing the financial-management challenges facing MSMEs requires collaboration among government institutions, financial institutions, fintech companies, business-support organizations, development partners and the private sector.

6.7 Relevance to Zambia's Development Agenda

Strengthening MSME financial management is not only a business imperative but also a national development priority capable of supporting Zambia's broader economic transformation agenda.

6.7.1 Vision 2030

Vision 2030 articulates Zambia's aspiration to become "a prosperous middle-income nation by 2030" through sustained economic growth, wealth creation, citizen participation in economic activities and private-sector development.

The findings of this report highlight several constraints that may limit the contribution of MSMEs to these long-term aspirations. The widespread absence of financial records, limited financial-management capacity and low levels of formal financial participation may reduce business productivity, restrict access to growth capital and constrain enterprise expansion.

Given the significant role MSMEs play in employment creation and economic activity, improving financial management can strengthen enterprise sustainability, enhance investment readiness and increase participation in formal economic opportunities. These are important conditions for wealth creation and private-sector-led growth, which are central to Zambia's long-term development vision

6.7.2 National Financial Inclusion Strategy II (2024-2028)

The National Financial Inclusion Strategy II (2024-2028) seeks to expand access to and usage of affordable, appropriate and quality financial products and services while improving the financial capability and financial health of individuals and businesses. The Strategy also identifies MSMEs as a priority segment for financial-inclusion interventions.

Although Zambia has made significant progress in expanding financial inclusion, the findings of this report indicate that many MSMEs continue to operate with limited financial records, inadequate financial-management training and low utilization of structured financial-management systems. This highlights an important distinction between access to financial services and effective financial management. Expanding access alone may not be sufficient if businesses lack the capability to maintain records, manage cash flows, evaluate financial performance and use financial information for decision-making.

The opportunities identified in this report, including financial-literacy programmes, bookkeeping support, digital financial-management solutions and finance-readiness initiatives, directly support broader efforts to improve the financial capability and resilience of MSMEs within Zambia's evolving financial ecosystem.

6.7.3 Grow Zambia Agenda

The achievement of the Grow Zambia Agenda will depend significantly on the participation and growth of MSMEs operating throughout agricultural value chains, tourism, manufacturing, mining support services, transport, logistics, trade and business services.

Effective financial management is a critical enabler of MSME participation in these growth sectors because enterprises require reliable financial records, budgeting systems, cash-flow management processes and access to finance to expand operations and take advantage of emerging market opportunities.

The findings of this study suggest that weaknesses in financial record keeping, financial literacy and access to finance may constrain the ability of many MSMEs to participate fully in Zambia's growth agenda. Strengthening MSME financial-management capabilities can therefore contribute to enterprise growth, increased productivity, improved access to investment capital and greater participation in national economic development.

Table: Relationship Between MSME Financial Management and the Grow Zambia Agenda.

HH7 Target	Relevance of Financial Management
10,000 MW Electricity Generation	MSMEs will require financial planning and investment readiness to participate in energy supply chains, electrical services and renewable-energy opportunities.

10 Million Tonnes of Maize Production	Farmers and agribusinesses require budgeting, cost tracking, working-capital management and financial records to access agricultural finance.
5 Million Tourist Arrivals	Tourism operators, hospitality businesses and service providers require proper financial systems to scale operations and attract investment.
3 Million Tonnes of Copper Production	Mining suppliers, contractors and local SMEs require formal financial records to qualify for procurement opportunities and growth financing.
3 Million Tonnes of Soya Production	Agribusiness MSMEs require financial management systems to manage expansion and strengthen value-chain participation.
1 Million Tonnes of Wheat Production	Commercialisation and scaling of wheat production require improved financial planning and access to finance.
US\$1 Billion Beef Exports	Livestock producers and processors require stronger financial systems to support investment, traceability, compliance and export readiness.

6.8 Strategic Outlook for MSME Financial Management in Zambia

Zambia's MSME financial-management landscape is likely to become increasingly digital, driven by expanding financial inclusion, growing mobile-money usage, fintech innovation and government efforts to promote enterprise formalization. As digital financial services become more widely adopted, the focus is expected to shift from access to financial services towards the effective use of digital tools for bookkeeping, financial reporting, business planning and credit readiness. The growing integration of mobile-money systems, digital payments and affordable business-management platforms presents opportunities to improve financial transparency, access to finance and business resilience among MSMEs. (Bank of Zambia, 2024; FinScope Zambia 2025).

7. Conclusion

This study examined the current state, challenges and opportunities of financial management among MSMEs in Zambia using secondary quantitative evidence from the Bank of Zambia and 2022 MSME Finance Survey conducted by the Zambia Statistics Agency. The findings demonstrate that financial management remains largely informal, with significant weaknesses in financial record keeping, professional financial-management capacity, financial reporting and formal financial oversight. Limited financial-management training, inadequate record keeping and barriers to accessing external finance further constrain the ability of MSMEs to effectively manage their resources and support sustainable business growth.

The study also found that the use of formal and technology-enabled financial systems remains limited. While mobile money has greater penetration among MSMEs than traditional banking, its use does not necessarily translate into systematic financial management. This highlights the need to move beyond simply increasing access to financial services towards improving how MSMEs use these services for financial planning, record keeping and decision-making.

Despite these challenges, significant opportunities exist to strengthen MSME financial management through improved financial literacy and bookkeeping, affordable digital solutions, better access to appropriate finance, business advisory services and stronger collaboration among key stakeholders.

Strengthening these areas can improve the financial transparency, resilience and finance-readiness of MSMEs.

Generally, improving financial management should be regarded as an important component of MSME development in Zambia. A coordinated approach involving MSMEs, government, financial institutions, business-support organisations and technology providers can help create an enabling environment in which MSMEs are better equipped to manage their finances, access appropriate financing and achieve sustainable growth.

8. Recommendations

Based on the findings of the study, the following recommendations are proposed:

1. Micro, Small, and Medium Enterprises (MSMEs)

Strengthen financial record keeping by consistently recording income, expenditure, assets and liabilities.

- Separate personal and business finances through dedicated business accounts and proper transaction records.
- Introduce regular budgeting and cash-flow monitoring to improve financial planning and control.
- Adopt affordable digital tools for bookkeeping, payments, invoicing and financial reporting.
- Improve basic financial-management skills through training and business advisory programmes.

2. Government and Policymakers

- Strengthen MSME financial-literacy and business-management programmes, particularly for micro and informal businesses.
- Improve access to affordable business-support and advisory services.
- Promote MSME digitalisation by improving digital literacy and access to appropriate technologies.
- Review barriers to formalisation, compliance and access to government support.

3. Financial Institutions

- Develop affordable and flexible financial products that specifically speak to MSME needs.
- Combine financing with financial-management training and advisory support.
- Consider alternative credit-assessment approaches, including reliable business transaction and cash-flow information.
- Encourage MSMEs to maintain separate business accounts to improve financial transparency.

4. Business-Support Organisations

- Provide affordable bookkeeping, financial-management and business-advisory services.
- Expand practical training, mentorship and financial-literacy programmes.
- Assist MSMEs to become finance and investment-ready through improved records, business plans and financial projections.

5. Technology Providers

- Develop affordable, simple and user-friendly financial-management solutions suitable for small businesses.
- Integrate bookkeeping with digital payments, invoicing and financial reporting.
- Provide basic training and support to improve digital adoption and effective use of financial technologies.



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