

AN ASSESSMENT ON THE IMPACT OF FINANCIAL LITERACY INITIATIVE ON THE GROWTH AND SURVIVAL OF LOCAL BUSINESS AMIDST PREVAILING ECONOMIC CONDITION IN MALAWI

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ABSTRACT

The financial literacy initiative has a very high positive impact on the local business, which includes the growth and survival of the business. This study examines and assesses the impact of financial literacy initiatives on the growth and survival of local businesses amidst the prevailing economic conditions in Malawi. The study adopts a mixed-methods research design, combining qualitative interviews with the local business owners and a quantitative survey of local businesses. The study used a sample size of 29 for the primary data collection, which used questionnaires. The study provides recommendations to the government and local business owners. These recommendations include monitoring and evaluation, tailored training, attending financial literacy training programs, and also access to financial services. The study also recommends further study to compare the effectiveness of different types of financial literacy training programs on business growth and survival.

Keywords: Budgeting, Financial Management, Risk Management, Investment Decision Making, Insurance, Succession Planning.

INTRODUCTION

This study is in alliance with the program in the department of bachelor of commerce in accounting and finance. The matter of financial literacy has concerned a major number of people, including the researchers. The significance of financial literacy has been expansively recognized in practice and educational grounds above the preceding a few centuries, with the emphasis on financial and economic strength and stability (Aprea et al., 2016). The purpose and intention of this study were to examine and explore the impact of the financial literacy initiative on the growth and survival of local businesses amidst the prevailing economic conditions in Malawi.

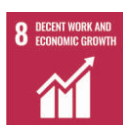
Financial literacy can be well-defined as the acquiring of simple and basic skills or abilities and knowledge that allows an individual to make informed and effective decisions concerning the use and management of financial resources (Swiecka et al., 2019). Malawi's economy remains to be significantly weakened by frequent exogenous tremors coupled with macro-fiscal imbalances. Growth was projected to increase in 2023 to 1.6% as electricity supply improves, compared to 0.9% in 2022 (Macrotrends, n.d.). However, severe and persistent shortages of foreign exchange continue to subdue growth. The country was expected to secure a staff-level agreement with the IMF (International Monetary Fund) and return to an Extended Credit Facility by the end of 2023, for which this was the last update on October 6, 2023 (The World Bank Malawi, 2023).

1. Problem Statement

The economic circumstances and conditions in Malawi



This paper has objectives related to SDGs



present a significant challenge for businesses to survive on the market, especially those that largely rely on forex. Studies indicate that the country's economy has been challenged with high inflation rates due to currency devaluation (World Bank, n.d.), all of which has an impact on the growth and survival of small businesses. Based on the report published by RBM, it was indicated that the Malawian currency has devalued by 44%, a scenario that was worrisome to most of the businesses.

However, in order to mitigate and hedge such risks, business owners need to acquire unique skills on how to navigate such economic periods. Scholars have argued that financial literacy initiatives are a fertile solution for addressing the economic challenges in any country. Financial literacy has been defined virtuously in terms of personal financial education, nevertheless, financial literacy might also denote the basic awareness of how to handle and employ finances properly (Grzesiuk et al., 2019).

Many local business owners lack the necessary financial literacy skills to direct and navigate these challenging circumstances effectively, as evidently stated by the World Bank (n.d.).

2. Research Objectives

2.1 Primary Research Objective

To assess the impact of the financial literacy initiative on the growth and survival of local businesses in Malawi.

2.2 Secondary Research Objectives

- To determine the level of financial literacy knowledge among local business owners in Malawi.
- To obtain the key challenges faced by local businesses in implementing financial literacy practices.
- To provide solutions for improving financial literacy initiatives to better support the growth and survival of local businesses in Malawi.

3. Research Questions

3.1 Primary Research Question

How does financial literacy initiative impact the growth and survival of local businesses amidst prevailing economic conditions in Malawi?

3.2 Secondary Research Questions

- What is the current level of financial literacy knowledge among local business owners in Malawi?
- What are the major challenges faced by local businesses in implementing financial literacy practices?
- How can the challenges be addressed to improve implementation of financial literacy initiative practices in businesses?

4. Literature Review

The research includes the government regulations on the financial literacy initiative in Malawi and also the benefits and positive impacts, including challenges related to the implementation of financial literacy initiatives and their completion.

4.1 Goal Setting Theory of Motivation

This goal-setting theory is a form of motivation theory that places emphasis on the importance of the relationship between the goals set and the resulting performance. According to this theory, it explains that goals that are specific, clear, and challenging are more motivating than vague or easy goals. Motivation is a process that explains the intensity, direction, and persistence of an individual in achieving their goals (Rauch, 2007).

4.2 Self-Efficacy Theory

Bandura stated that self-efficacy theory is an individual generative capability that includes the cognitive, social, and emotional. In relation to financial literacy, this theory is related to how individuals manage their abilities to understand and use financial products and services to be well-literate about a variety of financial products and services that are always dynamic or fluctuate.

5. Research Methodology

The study employed both qualitative and quantitative approaches. These clothing and accessory stores involve the importing of their goods, and they trade in foreign currencies. Hence, there is a barrier in the case of the devaluation of the Malawian currency since they are spending a lot of money to purchase the items for resale. In this case, the prices of the commodities are going high,

causing people to have low purchasing power. The total population of the local businesses that deal in the selling of clothing and accessories is of the total of 86, that of which is referenced (Saunders et al., 2009).

The sample size is the number of participants or entities that were included in the study. The method for calculating the sample size for this study was based on the population of respondents, hence the number of questionnaires.

The sample size for the study and interviews was determined using a confidence level of 85% and a confidence interval of 15%. The formula for calculating the sample size for a population was $n = N / 1 + N(e)^2$ (Iddon, 2023)

Where, Total Population = 86

Sample Size = 29

Statistical analysis software was used to analyze the quantitative data, which is called SPSS, while qualitative data was analyzed to identify key themes and patterns. This study employed the different techniques for analyzing the data collected from different respondents to the questionnaire.

6. Data Analysis, Interpretation and Presentation

The main purpose of the study was to assess the impact of the financial literacy initiative on the growth and survival of the local business owners amidst the prevailing economic condition in Malawi. The researcher used descriptive analysis to present the result of the study.

6.1 The Rate of Response

The researcher accommodated 29 respondents as the sample size used. All questionnaires were printed and distributed to the respective respondents by the researcher. Within the period of 2 weeks, the researcher collected all the questionnaires, which were dully filled by all the respondents, representing a 100% response rate.

Table 1 shows the rate of response from the respondent.

Sl.No	Response	Rate
1.	Valid	29
2.	Missing	0

Table 1. Rate of Response from the Respondent

6.2 Impact of Financial Literacy on the Growth and Survival of the Local Business

The researcher asked the respondents to express their views on whether the financial literacy initiative had an impact on the growth and survival of local businesses. The researcher had to know how the respondents perceive if there is any impact of financial literacy initiatives or training. Figure 1 shows the impact of financial literacy on the growth and survival of the business.

The results showed that the majority agreed with the statement that financial literacy has an impact on the survival and growth of the business. (75.9% strongly agree and 17.2% agree). However, some of the respondents were not sure of the statement, and those were about 6.9%. It has to be mentioned that among all participants, none opted for neither strongly disagree nor disagree.

6.3 The Level of Financial Literacy Knowledge of the Respondents

The researcher's first secondary objective was to determine the level of financial literacy among the business owners. To determine the level, the researcher used the four choices in order for them to rate their own capacity and their own knowledge, and it was used to determine whether they are experts, beginners, or even at a moderate level.

Table 2 shows the level of financial literacy knowledge of the respondents. The results obtained from the questionnaires given to the respondents and their

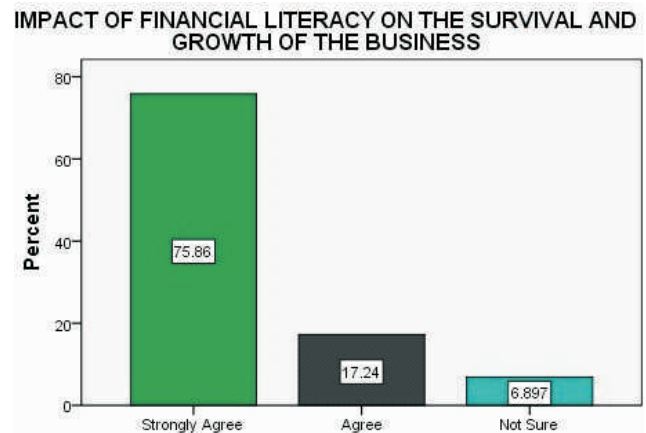


Figure 1. Impact of Financial Literacy on Growth and Survival of Business

	Frequency	Percent	Valid Percent	Cumulative Percent
Expert level	2	6.9	6.9	6.9
Proficient level	14	48.3	48.3	55.2
Valid Intermediate level	9	31.0	31.0	86.2
Beginner level	4	13.8	13.8	100.0
Total	29	100.0	100.0	

Table 2. The Level of Financial Literacy Knowledge of the Respondents

statistics. Those that were of the expert level were of the percentage of 6.9%, the proficient level was 48.3%, the intermediate level was 31.0%, and the beginner level was 13.8%. The results show that not many of them have a great level of financial literacy knowledge; only a few are of the expert level. Figure 2 shows the level of financial literacy knowledge of the respondents. There are a number of people who are under the proficient level (48.3%), and a few are under the expert level (6.9%), and the beginner level (13.8%). This shows that more local business owners are not fully equipped and aren't much ventured into the financial literacy training programs. Some of the people haven't acquired their financial knowledge through the financial literacy institutions but through school, and some even through friends.

6.4 Main Difficulties Encountered When Integrating Financial Literacy in Day To Day Operations

The researcher had to know the main difficulties that the local business encounters in the day-to-day operations of their business. The local business owners face different

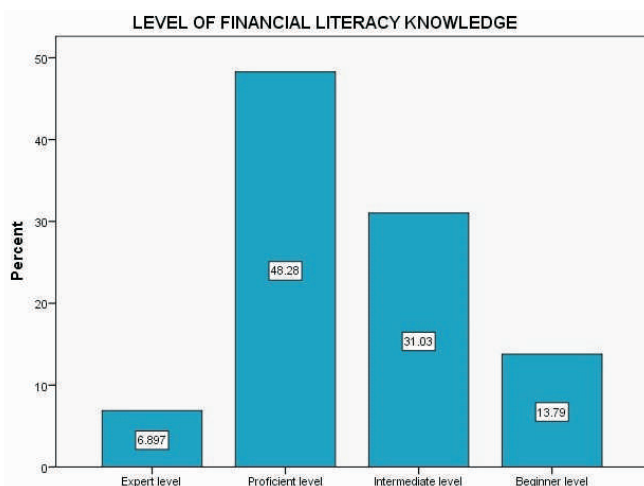


Figure 2. The Level of Financial Literacy Knowledge of the Respondents

problems in their day-to-day operations that limit their ability to function, and the researcher had to know and gather all the necessary problems and information that the owners face. Figure 3 shows the main difficulties encountered when integrating financial literacy in day-to-day operations. The main difficulties encountered by local business owners as they integrate their day-to-day activities.

It shows that the local business owners face different problems, such as the complexity of financial concepts, which was the percentage of 51.7% of the respondents, and the other problem was a lack of tailor support, which was 27.6%, and the other one was cultural norms and social attitude towards money, which was 20.7%. The other included option was that there was poor infrastructure, such as electricity and unreliable internet, which had no selection by the respondents.

6.5 Solutions to Address the Barriers of Implementing Financial Literacy Initiatives

The researcher wanted to discover the solutions to help the local business owners find and provide solutions that are to help address the barriers of implementing financial literacy initiatives. There were a couple of solutions that were to be used to address the barriers of implementing financial literacy programs. The researcher added a few solutions to help the business owners eliminate some barriers to financial literacy implementation.

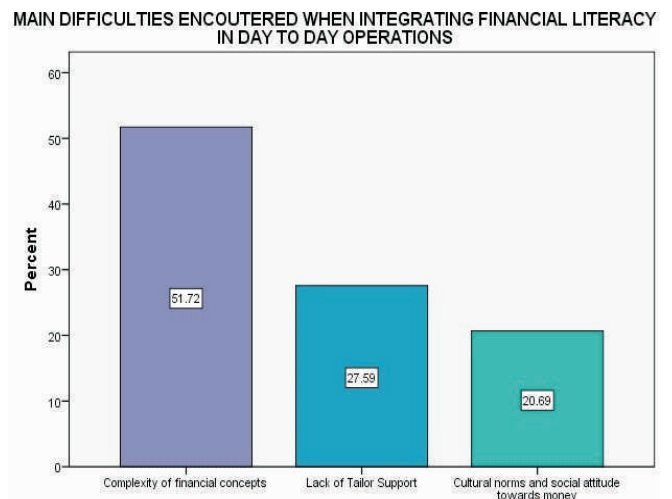


Figure 3. Main Difficulties Encountered When Integrating Financial Literacy in Day to Day Operations

Figure 4 shows the results of the respondents regarding the solutions to address the barriers of implementing the financial literacy initiative. The results show that there is a need for offering incentives for businesses to participate and also creating mentorship programs for businesses. The businesses need to rely on one another for the growth by learning even from other business owners who have gone ahead of them.

Figure 4 shows that the respondents opted to offer incentives or subsidies for businesses to participate in; 31.0% and 27.6% of the respondents chose creating mentorship programs for businesses; the other 24.1% chose the option of collaborating with local financial institutions for support; and the remaining 17.2% of the respondents selected the option of providing education training on financial literacy. The researcher had also given the respondents the opportunity to give in or specify their responses to gain a wider range of responses.

6.6 Ways for More Access and Benefit of the Financial Literacy to a Wider Range

The researcher also had to obtain information from the sources to make sure to get information on ways for which financial literacy would be more accessible and beneficial to a wider range. The researcher had to discover ways in which financial literacy can reach a wide range of people. Figure 5 shows the results on how financial literacy can benefit and be more accessible to

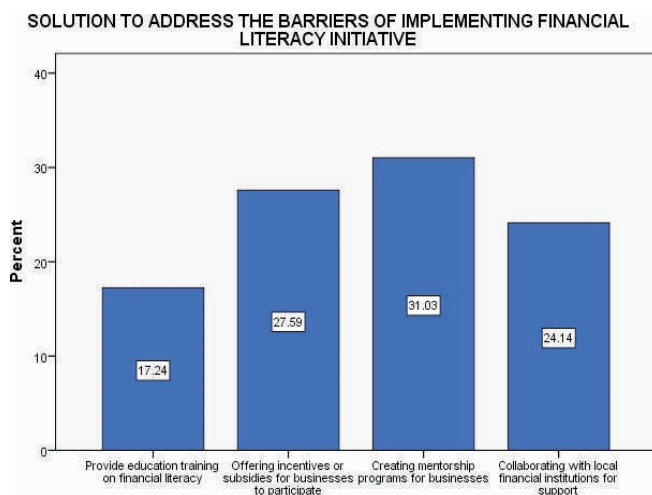


Figure 4. The Solution to Address the Barriers of Implementing Financial Literacy Initiative

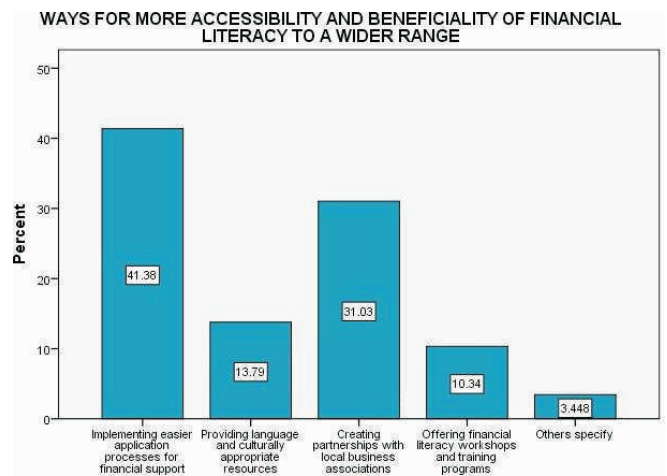


Figure 5. Ways for More Accessibility and Beneficial of the Financial Literacy Programs to A Wider Range

a wider range of local businesses. The results show that implementing easier application processes for financial support had a percentage of 41.4%, creating partnerships with local business associations 31.0%, providing language and culturally appropriate resources 13.8%, and offering financial literacy workshops and training programs 10.3%.

The results show that there is a need to implement easier processes and collaborate or partner up with other local businesses. According to the statistics, it shows that these solutions are the ways that help to access and benefit a wide range of the local businesses. The other respondents recommended that all of the options were the ways in which the financial literacy initiative can be accessible to a wider group of local business owners.

Conclusion

This study concludes that businesses that have implemented the skills and knowledge gained from financial initiatives have demonstrated resilience in the face of economic challenges, such as fluctuations in exchange rates and inflation. Furthermore, it has also helped them in understanding their finances and making informed decisions, and local businesses have been better equipped to navigate uncertain economic conditions and sustain their operations. The findings of the study suggest that financial literacy initiatives play a crucial role in supporting the growth and survival of local businesses in Malawi. By continuing to invest in these

programs and tailoring them to the specific needs of small businesses, they can help foster a more vigorous and resilient business environment in the country. The study also discovered that financial literacy initiatives are not without challenges. Limited access to training programs, lack of awareness about the importance of financial literacy, and cultural barriers all pose obstacles to the successful implementation of such initiatives. It is clear that a more comprehensive and targeted approach is needed to ensure that all local businesses in Malawi can benefit from financial literacy training.

Government Support

The government should continue to support financial literacy initiatives for local businesses through funding and partnerships with financial institutions and non-profit organizations. This support can help ensure the sustainability and effectiveness of these initiatives. The government should put more effort into implementing the training programs and also hosting some of these financial training programs. They are to enforce much on these financial literacy programs to help in developing the country in entrepreneurship. The study highlights the need for government and private sector support for financial literacy programs, particularly for small and medium-sized enterprises (SMEs) in Malawi. This support can come in the form of funding, partnerships, and the creation of enabling policies and regulations that promote financial literacy.

Tailored Training

Financial literacy training programs should be tailored to the specific needs and challenges faced by local businesses in Malawi. Providing practical, hands-on training that addresses the unique financial management issues of small businesses can have a significant impact on their growth and survival. The financial institutions have to find ways to advertise their trained programs to keep the local business owners up to date on their next step to upgrade their financial knowledge.

Access to Financial Service

Efforts should be made to increase awareness of financial services for local businesses to improve. Hence the

access to these services. can help businesses manage cash flow, invest in growth opportunities, and mitigate financial risks. In this case also they have to provide not only intellectual support but also financial support such as grants and offering the microloans.

Monitoring and Evaluation

It is important to continuously monitor and evaluate the impact of financial literacy initiatives on local businesses to ensure that they are achieving their desired outcomes. Regular assessments can help identify areas for improvement and inform future program design. When these mentorship programs are in action and in motion, they are able to monitor their mentees and also evaluate their performance.

Recommendation for Further Studies

This study investigated the impact of financial literacy initiatives on the growth and survival of local businesses in Malawi. Both during the study of the literature review and during the collection of primary data from the selected area and sample size, the researcher was stunned with the different suggestions that could be feasible for further research in reference to the financial literacy initiatives.

As the scope of this study was limited to the impact of financial literacy initiatives only, future studies on financial literacy initiatives should be conducted to compare the effectiveness of different types of financial literacy training programs on business growth and survival.

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