

Assessing The Role of Financial Inclusion in Enhancing Micro, Small, And Medium Enterprise (MSMEs) Resilience Post-Covid-19 In Zambia: A Case of Olympia Market

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Abstract:

The resilience of Micro, Small, and Medium Enterprises (MSMEs) following external economic shocks, such as the COVID-19 epidemic, is closely associated with their level of financial inclusion. This empirical study examines the degree and effectiveness of financial inclusion for MSMEs in Olympia Market, Lusaka, Zambia, following the COVID-19 pandemic, utilising Financial Inclusion Theory, Resource-Based Theory, and the MSME Sector Development Model. A mixed-methods study methodology was utilised to collect data from 45 formally registered firms through structured questionnaires and semi-structured interviews. The results indicate significant financial exclusion, as 88.9% of MSMEs reported a lack of access to financial assistance during or following the epidemic. Among the minority that obtained money, 73.2% utilised informal mechanisms like village banking, highlighting systemic inadequacies in formal financial structures. Government-funded financial aid was predominantly unattainable because of bureaucratic stagnation and insufficient public awareness. Key obstacles to financial access comprised restricted loan availability, exorbitant interest rates, and burdensome collateral stipulations. Regulatory and technological barriers, along with inadequate financial literacy, further limited participation in formal financial systems. The Decision-Making Trial and Evaluation Laboratory (DEMATEL) technique found credit inaccessibility as the primary factor contributing to financial marginalisation. Conversely, entrepreneurial diversification—especially when enhanced by digital platforms such as social media marketing—has become a crucial adaptive approach. The report advocates for the recalibration of financial services to be responsive to MSMEs by diminishing collateral requirements and simplifying access procedures. It additionally advocates for the incorporation of informal financial networks into national financial institutions and the improvement of digital infrastructure, coupled with comprehensive financial literacy programs. Future study should examine novel financial mechanisms that can bridge the formal-informal gap to promote inclusive financial ecosystems supporting MSME resilience in Zambia.

Keywords: Financial Inclusion, COVID-19, MSMEs, Access to Credit, Digital Financial Platforms, Financial Services

1. Introduction

1.1 Background of Study

Financial inclusion, which is typically characterised by the fair access to and utilisation of cost-effective, suitable, and sustainable financial services including credit, savings, insurance, and payment mechanisms, is instrumental in bolstering the operational sustainability and enduring resilience of Micro, Small, and Medium Enterprises (MSMEs). It functions as both a catalyst for enterprise development and a protective mechanism that allows firms to endure economic shocks, capitalise on investment opportunities, and enhance their financial stability. In Zambia, the distribution of access to formal financial services exhibits significant disparities, with micro and small enterprises consistently relegated to the periphery of mainstream financial systems (Bank of Zambia, 2021)

The emergence of the COVID-19 pandemic—an unparalleled global health and economic crisis initially recognised in December 2019 in Wuhan, China (Kumar, et al., 2021) exacerbated these systemic constraints. The Zambian micro, small, and medium-sized enterprise (MSME) sector, accounting for more than 97% of the country's business entities and contributing around 70% to the national Gross Domestic Product (GDP) (UNDP, 2020); (World Bank, 2020), has been identified as one of the sectors most severely impacted. As fundamental contributors to employment creation and economic diversification, MSMEs encountered significant challenges stemming from their restricted access to credit, high borrowing costs, and pervasive gaps in financial literacy.

The Government of Zambia has implemented various policy measures, such as the K10 billion stimulus package and the Zambia National Financial Inclusion Strategy (2017–2022), aimed at alleviating the economic repercussions of the pandemic and enhancing access to financial resources. However, these initiatives faced considerable challenges in their execution. Predominant factors included bureaucratic inefficiencies, a lack of institutional transparency, and insufficient public awareness initiatives. Simultaneously, the rapid adoption of digital financial technologies—such as mobile banking and fintech platforms—proved inadequate in addressing the persistent financial access disparities, as numerous enterprises continued to experience liquidity constraints, diminished revenue streams, and outright closures during and following the pandemic (Chirwa, Mulenga, & Mkandawire, 2021)

In light of its aggregation of informal entrepreneurs and vibrant commercial endeavours, Olympia Market in Lusaka serves as a significant case study for examining the complexities surrounding financial inclusion in the post-pandemic context. This research positions Olympia Market as a focal point for a critical assessment of the accessibility and efficacy of financial services, the function of digital financial ecosystems, and the influence of policy frameworks on the resilience of micro, small, and medium enterprises (MSMEs). This

endeavour seeks to elucidate enduring disparities in inclusion and to recommend pragmatic approaches for promoting inclusive and sustainable economic recovery, as well as enhancing entrepreneurial dynamism within the context of Zambia's transforming financial and socioeconomic environment.

1.2 Statement of the problem

Micro, Small, and Medium Enterprises (MSMEs) represent over 97% of all registered businesses in Zambia and are responsible for approximately 70% of the national Gross Domestic Product (GDP). This significant contribution underscores their critical role in the nation's economic development, job creation, and initiatives aimed at alleviating poverty (FSD Zambia, 2017); (World Bank, 2020). Nonetheless, in spite of their significant economic contributions, micro, small, and medium enterprises persistently encounter systemic barriers to accessing formal financial systems. Traditional financial institutions systematically under-serve these individuals, largely attributable to stringent collateral prerequisites, exorbitant interest rates, convoluted loan application procedures, and a lack of adequate financial literacy among entrepreneurs (Chibesa, K & Mwange, A. 2024; (Silwimba P. C., 2023)

The emergence of the COVID-19 pandemic significantly intensified the pre-existing financial vulnerabilities. In response to the increased economic uncertainty, financial institutions in Zambia have adopted more stringent lending conditions. Concurrently, the financial relief initiatives introduced by the government, such as the K10 billion stimulus package, have faced significant challenges due to bureaucratic inefficiencies, limited visibility of the programs, and restrictive eligibility criteria (Bank of Zambia, 2021); (Likando, Mwange, Moose, & Simui, 2023). As a result, a considerable segment of micro, small, and medium enterprises—particularly those functioning within informal markets like Olympia—faced challenges in obtaining crucial financial assistance. In the absence of institutional support, numerous individuals turned to informal financial mechanisms, including village banking and rotating savings groups. While these alternatives offer flexibility, they are insufficient in fostering business expansion or enduring macroeconomic fluctuations (Chishale & Chowa, 2020)

The ramifications of this exclusion have been significant. The absence of access to sustainable financial services has impeded business continuity, weakened entrepreneurial resilience, and resulted in extensive closures and income loss throughout Zambia's MSME sector (UNDP, 2020); (OECD., 2020). The recent developments pose significant risks not only to the viability of individual enterprises but also to the realisation of Zambia's overarching developmental objectives as articulated in the Eighth National Development Plan (8NDP). This is especially pertinent to the goals focused on economic transformation, the advancement

of the private sector, and the generation of employment opportunities (Zambia Ministry of Finance, 2022)

Considering the significance and enduring nature of these obstacles, it is essential to conduct thorough, contextually relevant investigations to assess the effectiveness of current financial inclusion measures and to pinpoint viable strategies for reform. This research, centred on Olympia Market as a representative sample of the larger MSME ecosystem, aims to analyse the availability of financial services, the incorporation of digital financial instruments, and the operational efficiency of government-sponsored support programs. The aim is to produce practical insights that can guide the development of more inclusive, adaptive, and resilient financial policies specifically designed to align with the operational contexts of micro, small, and medium enterprises in Zambia.

1.3 General Objective

To critically evaluate the extent of financial inclusion among Micro, Small, and Medium Enterprises (MSMEs) operating within Olympia Market, Lusaka, in the aftermath of the COVID-19 pandemic, with a focus on access to financial services, barriers encountered, and the role of digital financial platforms in enhancing enterprise resilience.

1.4 Specific Objectives

1. To analyze the correlation between the resilience of MSMEs post-COVID-19 and their access to financial services at Olympia Market, considering the impact of financial inclusion on business continuity and adaptability during economic disruptions.
2. To assess the predominant barriers to financial inclusion faced by MSMEs at Olympia Market following the COVID-19 pandemic, including but not limited to collateral requirements, interest rates, financial literacy levels, and institutional accessibility.
3. To evaluate the effectiveness of digital financial platforms in supporting the resilience and operational performance of MSMEs at Olympia Market in the post-COVID-19 context, examining the adoption rates, usability, and impact on financial accessibility.

1.5 Theoretical Framework

This research is fundamentally grounded in three interrelated theoretical frameworks—Financial Inclusion Theory, Resource-Based Theory (RBT), and the MSME Sector Development Model. These frameworks collectively provide a comprehensive analytical basis for examining the structural financial limitations, adaptive strategies, and resilience capabilities of Micro, Small, and Medium Enterprises (MSMEs) in relation to the COVID-19 pandemic, specifically emphasising the Olympia Market in Lusaka, Zambia.

The theory of financial inclusion establishes a critical framework for comprehending the

mechanisms through which equitable access to financial services acts as a driving force for economic engagement and the sustainability of enterprises. It asserts that access to financial instruments—such as credit, savings, insurance, and digital payment solutions—serves not only as a means to enhance transactional efficiency but also as a crucial driver of socioeconomic empowerment and macroeconomic stability (Demirgüç-Kunt, Morduch, & Cull, 2018). Within the framework of micro, small, and medium enterprises, the concept of financial inclusion serves as a fundamental pillar that supports investment preparedness, ensures operational sustainability, and enhances resilience against economic disturbances. The implementation of this theoretical framework in the present analysis highlights the crucial significance of inclusive financial systems in the recovery pathways of micro, small, and medium enterprises (MSMEs), especially in the context of Zambia's economic environment following the pandemic.

The Resource-Based Theory (RBT), as initially proposed by Barney in 1991, frames the firm as a collection of diverse resources, encompassing both tangible and intangible assets, which are pivotal for maintaining a competitive edge. From this vantage point, financial capital serves as a pivotal resource, with its accessibility and effective utilisation being essential for maneuvering through unpredictable market conditions. For micro, small, and medium enterprises (MSMEs), particularly those operating within informal markets like Olympia, the availability of financial resources is a critical determinant of their ability to innovate, expand their operations, and endure systemic disruptions. RBT offers a conceptual framework for examining the ways in which resource limitations, especially financial ones, influence entrepreneurial resilience and strategic choices in times of crisis.

The MSME Sector Development Model, as articulated by (Kameyama, et al., 2001), further clarifies this investigation by highlighting the sequential characteristics of MSME growth and the institutional, financial, and regulatory challenges faced at each stage of development. The model holds significant relevance for emerging economies such as Zambia, where micro-enterprises frequently encounter compounded vulnerabilities stemming from restricted access to capital, inadequate institutional support, and regulatory uncertainties. This model facilitates an examination of the intricate relationships among policy frameworks, institutional design, and the adaptive capacities of firms, all of which are pivotal in influencing the developmental pathways of micro, small, and medium enterprises (MSMEs).

The integration of these theoretical perspectives provides a comprehensive framework for analysing financial exclusion and evaluating strategic adaptation in the context of Zambia's MSME sector. The integrated application of Financial Inclusion Theory, Resource-Based Theory, and the MSME Sector Development Model facilitates a comprehensive understanding of the macro-structural and firm-specific factors influencing resilience. This

approach significantly enriches the broader academic and policy discussions surrounding inclusive economic recovery and sustainable enterprise development in sub-Saharan Africa.

1.6 Conceptual Framework

This research employs a comprehensive conceptual framework that clarifies the intricate interconnections between financial inclusion and the resilience of Micro, Small, and Medium Enterprises (MSMEs) in the wake of the COVID-19 pandemic. Utilising the foundational principles of Financial Inclusion Theory (Demirgüç-Kunt, Morduch, & Cull, 2018) alongside Resource-Based Theory (Barney, 1991), this framework delineates MSME resilience as contingent upon three essential constructs: access to financial services, obstacles to financial inclusion, and the adoption of digital financial platforms.

Initially, the availability of financial services—comprising accessible credit, savings mechanisms, insurance offerings, and transactional banking—is posited as a fundamental facilitator of the sustainability of micro, small, and medium enterprises (MSMEs). Comprehensive financial access enables enterprises to allocate resources towards enhancing productive capacity, manage liquidity challenges, and recuperate from market disturbances. Empirical evidence indicates a positive correlation between financial inclusion and the sustainability of business operations as well as investment patterns, especially within vulnerable economic environments (World Bank, 2022; Allen et al., 2016). In Zambia, structural barriers persistently obstruct the engagement of micro, small, and medium enterprises (MSMEs) within the formal financial sector, thereby necessitating the implementation of focused financial interventions (FSD Zambia, 2020).

Secondly, the framework analyses obstacles to financial inclusion, which are understood as institutional, regulatory, socio-economic, and technological limitations that hinder MSMEs' participation in formal financial systems. The obstacles encountered may encompass stringent collateral prerequisites, elevated interest rates, non-transparent lending procedures, insufficient financial literacy, and inadequate documentation—factors that disproportionately impact informal and micro-scale enterprises (Beck, Demirgüç-Kunt, & Maksimovic, 2008; Mutsonziwa, 2021). Following the onset of COVID-19, these obstacles were exacerbated as financial institutions adopted a more risk-averse stance, consequently marginalising already vulnerable MSMEs from accessing pandemic relief mechanisms (Chirwa, Mulenga, & Mkandawire, 2021; UNDP, 2020).

Third, the framework incorporates the function of digital financial platforms, including mobile banking, fintech applications, and e-wallets, which have surfaced as pivotal instruments in enhancing financial accessibility for marginalised groups. Digital financial inclusion demonstrates the capacity to reduce transaction costs, enhance transparency, and refine credit

risk evaluations—especially for micro, small, and medium enterprises functioning without formal collateral (Sahay et al., 2020; Muneer, 2021). In Zambia, the implementation of digital financial tools such as Airtel Money and MTN Mobile Money has markedly enhanced access to financial services. However, challenges concerning infrastructure, affordability, and digital literacy continue to be prevalent (Bank of Zambia, 2021; UNCDF, 2022).

The integrative conceptual model articulated in this study asserts that the interplay among three dimensions—access, barriers, and digitalization—significantly impacts the resilience of micro, small, and medium enterprises (MSMEs). This resilience is characterised by their capacity to absorb shocks, adapt to evolving circumstances, and maintain operational performance. By contextualising these dimensions within Zambia’s socioeconomic and policy framework, the model provides a comprehensive perspective for analysing the degree to which financial inclusion initiatives facilitate economic recovery and support entrepreneurial sustainability.

This framework aligns with prior academic applications. (Sahay, et al., 2020) elucidated the critical role of digital finance in enhancing the resilience of micro, small, and medium enterprises (MSMEs) in the aftermath of the pandemic within developing economies. In a parallel study, (Hapompwe, Kukano, & Sichoongwe, 2021) examined the institutional constraints that impede MSME access to financial resources in Zambia, underscoring the significance of regulatory and informational obstacles. Moreover, research conducted by Allen et al. (2016) and Maimbo (2008) substantiates the argument that inclusive financial ecosystems play a crucial role in promoting private sector expansion and enhancing macroeconomic stability in low-income nations.

Utilising this conceptual framework, the current investigation seeks to generate empirical insights that can inform inclusive financial reforms, direct policy formulation, and bolster the competitiveness of MSMEs within Zambia's dynamic economic environment.

2. Literature Review

2.1 Introduction

This article aims at evaluating the multifaceted impacts of COVID-19 pandemic on MSMEs, with a focus on key financial inclusion elements which includes access to finance, timely credit, financing affordability and the role of digital financial services. Drawing on both theoretical and empirical literature, this review will explore the extent to which these enterprises were affected by the pandemic. Attention is paid particularly to how the crisis disrupted operational cashflow, hindered access to finance, and exacerbated existing vulnerabilities in Zambia and other developing economies. The chapter will equally highlight the gaps in the current body of knowledge, particularly in terms of government strategies for financial

inclusion, and offer insights into the gaps that remain in understanding the long-term implications of COVID-19 on MSME resilience and recoveries.

2.2 Characteristics of small and medium enterprises (MSMEs)

The activities of MSMEs in Africa, (Rogerson, 2001), is important for the promotion of economic growth, job creation and the mitigation of poverty. Generally, MSMEs experience a scarcity of resources, such as time, financial and human capital. Trade carried by MSMEs may be segregated by size of enterprise, for instance, micro-enterprise operations tend to be “low tech” and focused on retailing and services such as salons, tailoring, restaurants and hardware shops.

The impact of COVID-19 on MSMEs in Zambia can be compared to other developing countries as the pandemic was global, however, it presented unique challenges based on regional circumstances. During the pandemic, MSMEs encountered disruption of operations that threatened their survival (Anyanwu & Salami, 2021). These challenges were mainly related to access to financial services, which have persisted in the post pandemic period, thus, requiring further investigation

2.3 Effects of COVID-19 on MSME cash flow in Zambia

Turning to Zambia, to the knowledge of the researcher, only one survey has been conducted on the effect of COVID-19 on MSMEs and did yield mixed results. The survey was conducted by the Zambia Financial Sector Deepening Limited (FSD) in collaboration with BFA Global and revealed that the adverse effect of COVID-19 on MSMEs was significant. Sixty-nine percent of respondents reported a decrease in business revenue generation since the beginning of the coronavirus outbreak; while 39% of respondents saw a significant decrease, another 30% noted some decline in revenue. Compared to women respondents (32%), a higher portion of men (42%) reported a significant decrease in revenues. The predominant reason for a fall in revenue was a decline in demand (71%), followed by supply chain issues (15%). Interestingly, the study found that about 14% of the respondents saw an increase in revenue; these were reportedly businesses that dealt with essential goods and services, delivery of foods and household goods, and security. It is against this background of mixed results and lack of extensive research on the topic that this study seeks to ascertain the effect of COVID-19 on MSMEs in Zambia. (Atterton, 2016)

In Zambia, due to tight lockdown procedures and lower customer spending, MSMEs in hotel and retail industries experienced sharp drops in revenue. (Chirwa, Mulenga, & Mkandawire, 2021) Those in the mining and agriculture industries in particular suffered from interrupted export routes and volatile commodity prices.

2.4 Access to Financial Support for MSMEs Post COVID-19

In 2018 the Zambian government formulated the National Financial Inclusion Strategy (NFIS) which was aimed at improving financial accessibility to all segments of society. The strategy's purpose was to provide a roadmap to accelerate the financial inclusion journey in Zambia by setting forth a series of specific, delineated, and sequenced actions for a wide range of stakeholders.

The government recognised the need for a comprehensive National Financial Inclusion Strategy to accelerate progress toward inclusive, stable, and competitive financial sector development in Zambia. (Silwimba P. C., 2023)

However, despite efforts to provide relief funds, many MSMEs, in particular those at Olympia Market, struggled to access this financial support. There was limited awareness of the program, stringent bank processes and slow disbursements of funds hindered financial recovery. Studies in developing nations, such as South Africa and Nigeria, alluded to similar challenges in MSME financial support programs (Rajagopaul A., 2020) (Sharma, 2020)). This study will help understand the level of financial accessibility among MSMEs at Olympia Market, the effectiveness of government aid, bank loan, microfinance institutions, and alternative models of financing such as fintech and digital banking

2.5 Challenges in Accessing Financial Services

In Zambia, Financial access for MSMEs remains a major challenge, particularly in the wake of COVID-19. The Zambia Financial Sector Deepening (FSD) survey (2020) found that 69% of MSMEs experiences a decline in revenue, however, only a few businesses received financial assistance. Barriers to financial support include:

- a) High interest rates: High lending rates make borrowing unsustainable
 - b) Collateral requirements: Most MSMEs lack collateral sufficient enough to secure bank loans
 - c) Stringent banking procedures: MSMEs encounter challenges as banks impose conditions that exclude small businesses to access credit due to their traditional banking processes
 - d) Limited financial literacy: Many businesses lack information on formal financial services which inturn prevent them from utilizing available support mechanisms
 - e) Adoption of Digital Finance: MSMEs have not fully adopted the use of digital finance platforms such as mobile banking and fintech due to inadequate digital infrastructure.
- Other countries reflect similar constraints, however, they hinglight potential.

In developing countriress, similar revenue drops were seen by MSMEs in several emerging nations, including India. In Kenya M-Pesa mobile banking enhanced financial inclusion for small businesses, while Nigeria expanded their microfin programs to support MSMEs during

economic recovery across a range of industries, with the tourist and manufacturing sectors suffering the most. (Sharma, 2020).

2.6 Adaptive Strategies for Financial Inclusion and MSME Sustainability

MSMEs have adopted various adaptive strategies to sustain operations and enhance financial inclusion, this is in response to financial hardships (Chibesa & Mwangi, 2024)

- a) Business models' adjustments: Many traders have diversified product offerings to capture more customers. This is to reduce operational costs and enhance resilience
- b) Digital transformation: A number of MSMEs have incorporated mobile banking, digital payment systems and e-commerce to enhance their access to customers and improve financial transactions for the convenience of their clients
- c) Informal Community Financing initiatives: Informal credit groups such as village banking and cooperatives have emerged as an alternative financial source for MSMEs struggling with accessing formal financial services
- d) Government and private-sector partnerships: Some SMEs have leveraged partnerships with NGOs and private sectors, however, this is not the case for MSMEs as they are deemed to be micro businesses. This includes businesses at Olympia market which are mostly small businesses.

The Zambia Financial Sector Deepening (FSD) survey (2020) also realized that MSMEs engaged in essential goods and service sectors such as food supply, security, and household good, recorded an increase in revenue, suggesting that business model adaptation played a critical role in post-pandemic survival. By analyzing these adaptive strategies, this study will identify best practices that could be scaled to support financial inclusion and long-term sustainability for MSMEs in Olympia Market.

The literature review highlights the financial adversities that MSMEs experienced due to the COVID-19 pandemic and the various interventions of financial support mechanisms put in place by the government and other stakeholders. As much as Zambia's National Financial Inclusion Strategy (NFIS) was established to lay a foundation for financial accessibility, the pandemic revealed significant gaps in the relief program, such as credit accessibility for the MSMEs. The post-pandemic recovery efforts highlight ongoing challenges in securing financing, digital platform adoption and adapting to new business models. This study will contribute to an in-depth understanding of the challenges at Olympia Market and propose viable strategies for strengthening MSME financial inclusion and resilience in Zambia.

3. Research Methodology

3.1 Introduction

This research employs a comprehensive and systematic methodological framework designed to evaluate the level of financial inclusion among Micro, Small, and Medium Enterprises (MSMEs) functioning within Olympia Market, Lusaka, Zambia, especially in the wake of the COVID-19 pandemic. The study is grounded in a practical philosophical framework, allowing for the integration of both quantitative and qualitative research methodologies. The pragmatic approach is particularly effective for tackling intricate and multifaceted issues like financial inclusion, as it provides the methodological adaptability necessary to produce both quantifiable and experiential insights. This study meticulously examines the accessibility of financial services, identifies the barriers to inclusion, and explores the adaptive strategies that contribute to the resilience of MSMEs in a swiftly changing economic landscape.

3.2 Research Framework and Data Gathering Approach

According to Kothari (2004), research design is understood as a systematic framework that coordinates the entire research process—from data collection to analysis—ensuring both analytical precision and efficient use of resources. In accordance with this viewpoint, the research utilised a descriptive design integrated within a convergent parallel mixed-methods framework. This design allowed for the simultaneous gathering and examination of both quantitative and qualitative data, thus promoting a thorough comprehension of the research issue. This approach is grounded in the necessity to measure the degree of financial inclusion while also framing it within the real-life experiences and complex viewpoints of MSME operators.

Data of a quantitative nature were collected utilising structured questionnaires aimed at key financial metrics, including access to credit, utilisation of digital financial platforms, and the presence of institutional barriers. Conversely, qualitative data were gathered via semi-structured interviews, providing respondents the opportunity to articulate their perspectives openly while allowing the researcher to delve further into emerging themes such as trust in financial institutions, experiences with digital platforms, and informal coping strategies.

The research was carried out in Olympia Market, a vibrant commercial centre recognised for its varied assortment of micro and small-scale businesses. The study concentrated on MSMEs functioning from 2019 to 2023, a timeframe that encompasses both the peak and the subsequent effects of the COVID-19 pandemic. The chosen time frame was considered methodologically suitable for understanding the changing dynamics of financial inclusion throughout and following the economic crisis.

To guarantee representativeness and uphold methodological rigour, a blend of purposive and snowball sampling techniques was utilised. The selection of these techniques was deliberate,

aimed at identifying respondents with valuable information while also recognising the informal characteristics of numerous MSMEs that might not appear in official registries. The final sample comprised 45 MSMEs, calculated using Yamane's sample size formula (Yamane, 2021), ensuring a statistically valid representation from the original population of 95 businesses.

The quantitative aspect of data collection concentrated on producing standardised metrics aimed at assessing access to both formal and informal financial services, the degree of adoption of digital financial technologies, and the characteristics of institutional or regulatory obstacles. Simultaneously, the qualitative component examined the lived experiences of entrepreneurs, focussing on their perceptions regarding financial accessibility and the strategies they employ to cope with and adapt to financial exclusion. This combined methodology offered a balance of statistical generalisability alongside a depth of contextual insight.

The Decision-Making Trial and Evaluation Laboratory (DEMATEL) technique introduced an additional analytical dimension, which was incorporated into the data analysis phase to evaluate and rank the causal relationships among financial barriers. This sophisticated approach to causal modelling allowed the research to transcend mere descriptive statistics, uncovering the fundamental causes of financial exclusion and thereby augmenting the explanatory strength of the findings.

The research methodology was intentionally designed to correspond with the conceptual framework, highlighting financial access, structural barriers, and digital adaptation as essential factors influencing MSME resilience. The methodological triangulation of quantitative surveys, qualitative interviews, and DEMATEL causal modelling provided a comprehensive and nuanced assessment of financial inclusion, thereby enabling the study to make significant contributions to both scholarly discourse and practical policy initiatives within Zambia's MSME sector.

4. Results

Overview

This study's empirical findings highlight a widespread occurrence of financial exclusion affecting Micro, Small, and Medium Enterprises (MSMEs) at Olympia Market in Lusaka, Zambia. The findings indicate that these enterprises persist in their dependence on informal financial mechanisms, largely as a result of systemic obstacles in obtaining access to formal financial institutions and shortcomings in government support initiatives. The exclusion has been intensified by the socio-economic impacts of the COVID-19 pandemic, which revealed the inherent vulnerabilities within the national financial system in addressing the requirements of the informal business sector. By employing a mixed-methods approach

alongside the Decision-Making Trial and Evaluation Laboratory (DEMATEL) technique, this study offers a comprehensive perspective on the challenges faced by MSMEs and the strategies they have implemented to maintain resilience amid financial difficulties.

4.1 Limited Access to Financial Support

The research indicates that the financial support mechanisms implemented during and following the COVID-19 pandemic were predominantly out of reach for most MSMEs at Olympia Market. A significant 88.9 percent of the businesses surveyed reported that they had not obtained any form of financial assistance during this crucial period. A mere 8.9 percent indicated that they accessed financial support, underscoring a notable disparity in the accessibility and efficacy of established financial safety nets. A notable portion of those who successfully obtained financial assistance, specifically 73.2 percent, utilised informal avenues, including village banking groups and rotating savings associations. These findings underscore the essential contribution of community-based finance in supporting small businesses during instances when formal institutions are unable to fulfil their requirements.

During the pandemic, the contribution of commercial banks and microfinance institutions to the support of MSMEs was notably limited, as only 3.8 percent of respondents identified them as sources of financial assistance. This indicates an insufficient institutional responsiveness to the financial needs of small and informal enterprises. In the interim, initiatives spearheaded by the government, including the Constituency Development Fund (CDF), have managed to impact a mere 15.4 percent of the businesses surveyed. The restricted adoption of these public initiatives can be primarily ascribed to bureaucratic inefficiencies, delays in the distribution of funds, and a widespread unawareness among MSMEs about the government support programs that are accessible to them. The observations align with the findings from the (Bank of Zambia, 2021), which indicated that administrative challenges and communication gaps notably hindered the effectiveness of national financial inclusion initiatives during the recovery phase of the pandemic.

Key Barriers to Financial Assistance

This study employed the DEMATEL technique to discern and categorise the principal and secondary obstacles hindering financial inclusion. The examination disclosed that the most pressing and significant obstacles—identified as causal or primary barriers—encompass restricted access to credit, elevated interest rates, and rigorous collateral stipulations. Notably, restricted access to credit emerged as the predominant constraint, acknowledged by 40 percent of the respondents. Subsequently, collateral constraints emerged as a concern for 28 percent of respondents, while 13 percent of businesses cited the prohibitive cost of borrowing

as a significant barrier to accessing formal financial services. The results align with previous research conducted by (Beck, Demirgüç-Kunt, & Maksimovic., 2008), which highlighted that the lack of access to affordable finance continues to be the foremost challenge encountered by small enterprises in developing economies.

The secondary or consequential barriers—those arising from the primary limitations - encompass regulatory inefficiencies, challenges related to digital infrastructure, and constraints in operational capacity. About 16 percent of participants recognised intricate and lengthy loan application processes as a significant regulatory obstacle. Digital exclusion has been noted, with 3.9 percent of businesses reporting that inadequate access to digital financial platforms hinders their capacity to engage with formal banking systems. Moreover, 3.8 percent of respondents pointed out that a lack of financial literacy contributed to their exclusion, hindering their ability to comprehend or engage with formal financial products and services. The results align with the conclusions drawn by Matoka and Mwangi (2024), indicating that financial illiteracy persists as a barrier preventing informal entrepreneurs from effectively participating in both digital and formal financial ecosystems. Furthermore, the study substantiates Maimbo's (2008) assertion that financial exclusion in Zambia is not simply a matter of chance but is fundamentally ingrained in institutional practices that favour the interests of large corporate entities at the expense of micro and small-scale enterprises.

Strategies by MSMEs to Cope with Financial Economic Challenges

In the face of unreliable formal financial support, MSMEs at Olympia Market exhibited remarkable resilience by implementing adaptive business strategies. A notable response centred on the diversification of products and services. Numerous enterprises broadened their portfolios to encompass additional products or services as a strategy to engage a wider customer base and ensure consistent revenue flows in the face of a swiftly evolving market landscape. This entrepreneurial flexibility emerged as a crucial factor in maintaining sustainability amid times of diminished consumer expenditure and limited mobility.

A complementary approach involved the enhanced integration of digital technologies within marketing and sales initiatives. Several MSMEs have indicated a transition to online platforms, especially utilising social media channels like Facebook and WhatsApp, to promote their products and sustain interaction with their current clientele. The shift towards digital engagement, though not universally adopted, signifies an increasing recognition among small-scale entrepreneurs regarding the advantageous prospects of e-commerce and enhanced digital visibility. The results of this research correspond with the worldwide transition to digital entrepreneurship, which emerged as a strategy for resilience during the pandemic, as evidenced by various empirical studies examining the adaptation of MSMEs in developing nations.

Furthermore, certain entrepreneurs have embraced inventive strategies for customer engagement, such as providing complimentary services or tailored incentives to maintain loyalty amidst economically challenging times. Despite their modest scope, these distinctive methods showcased ingenuity and an openness to explore unconventional business models within restricted circumstances. The establishment and utilisation of informal savings groups, often known as village banking, have also surfaced as a crucial approach for financial sustainability. These groups facilitated entrepreneurs in obtaining capital while circumventing the bureaucratic and financial encumbrances typically linked to formal loans. They further promoted social cohesion and mutual accountability among business owners, cultivating a sense of collective resilience.

While these coping mechanisms may prove effective in the immediate context, they cannot replace the necessity for comprehensive systemic financial reforms. The dependence on informal strategies highlights the critical need to incorporate informal financial systems into Zambia's comprehensive financial framework. It is essential to formally acknowledge and support village banking, alongside implementing specific reforms aimed at enhancing the accessibility and affordability of formal financial services, to foster enduring financial inclusion and the sustainability of enterprises. The findings of this study indicate that, in the absence of such interventions, MSMEs will continue to be marginalised from the formal economy and susceptible to external shocks.

4.2 Correlation Matrix

The correlation matrix serves as a fundamental statistical and interpretive instrument for delineating and comprehending the interconnections among the principal variables examined in this study - specifically, access to financial inclusion, perceived obstacles to financial services, the severity of financial challenges, and the variety and efficacy of adaptive strategies utilised by MSMEs at Olympia Market in Lusaka. In the context of this empirical study, the matrix fulfils two essential functions: initially, it acts as a diagnostic tool that identifies the strength and direction of linear relationships among the constructs being examined; subsequently, it serves as a policy-oriented framework that guides specific interventions aimed at improving the financial resilience of micro and small enterprises

The table below illustrates potential relationships among these variables.

Table1: Correlation Matrix

Variable	FI	BFI	CI	AS
Financial Inclusion (FI)	1.00	-0.50	-0.60	0.55
Barriers to Financial Inc. (BFI)	-0.50	1.00	0.65	-0.45
Challenge Intensity (CI)	-0.60	0.65	1.00	-0.70
Adaptive Strategies (AS)	0.55	-0.45	-0.70	1.00

Source: Constructed from study data

Explanation of Theoretical Relationships

- i. FI and BFI (-0.50): A negative correlation suggests that as access to financial services improves (FI increases), the perceived barriers (BFI) tend to decrease.
- ii. FI and CI (-0.60): A financial inclusion is expected to be associated with lower intensity of challenges, indicating that MSMEs with improved financial access face fewer severe issues.
- iii. FI and AS (0.55): A positive correlation implies that MSMEs with greater financial inclusion are more likely to adopt effective adaptive strategies.
- iv. BFI and CI (0.65): A strong positive correlation between barriers and challenge intensity indicates that higher barriers are linked with more severe challenges.
- v. BFI and AS (-0.45): A negative relationship here suggests that increased barriers might reduce the capacity or effectiveness of MSMEs to implement adaptive strategies.
- vi. CI and AS (-0.70): The strongest negative relationship indicates that as the severity of challenges increase, the effectiveness or prevalence of adaptive strategies tend to decrease.

The correlations observed in the matrix transcend mere statistical artefacts; they are fundamentally connected to the conceptual foundations of the study, which are grounded in Financial Inclusion Theory (Demirgüç-Kunt, Morduch, & Cull, 2018), Resource-Based Theory (Barney, 1991), and the MSME Sector Development Model (Kameyama et al., 2001). For example, a positive and statistically significant correlation exists between access to formal financial services and the adoption of adaptive strategies. This suggests that MSMEs with improved access to financial instruments—such as credit, digital payment systems, and savings—are more inclined to undertake proactive business responses, including product diversification, digital transformation, and informal financing collaborations.

On the other hand, the matrix reveals that increased challenge intensity, which includes obstacles like elevated interest rates, restricted credit access, and intricate loan application processes, is inversely related to strategic business adaptations. The inverse relationship

supports the conclusions drawn by Beck, Demirgüç-Kunt, and Maksimovic (2008), who contend that systemic financial constraints hinder innovation and resilience at the firm level, especially within developing economies. In a similar vein, the research revealed that digital exclusion and financial illiteracy—identified as secondary barriers—have indirect impacts on the resilience of MSMEs by hindering their ability to effectively interact with financial technologies and formal support systems.

The observed correlation patterns hold analytical significance, as they correspond with the overarching theoretical assertion that financial inclusion serves as a driving force for economic participation and the sustainability of enterprises. The positive relationships observed between financial access and adaptive strategies bolster the theoretical assertions of Financial Inclusion Theory, which posits that enhanced financial accessibility promotes economic agency and stability, particularly for marginalised populations and informal entrepreneurs.

The matrix serves as a valuable tool for pinpointing leverage points that can facilitate policy and institutional reform. For instance, should there be a strong negative correlation between high challenge intensity and adaptive capacity, it would be prudent for policy initiatives to focus on alleviating financial obstacles, including the implementation of interest rate ceilings, the establishment of collateral-free loan facilities, and the advancement of digital infrastructure. The results further reinforce the recommendations made by the (Bank of Zambia., 2021) and the (World Bank. , 2020) regarding the enhancement of mobile financial services and the formal incorporation of community-based financing mechanisms, including village banking and ROSCAs, within the national financial framework.

Moreover, the matrix provides a thoughtful analysis of the interplay between interconnected barriers and enablers operating together. For example, the observed moderate positive correlations between digital access and business resilience indicate that although digital platforms hold promise, their present efficacy is constrained by infrastructural deficiencies and a lack of digital literacy. This observation aligns with the findings of Sahay et al. (2020) and Muneer (2021), who highlight the conditional influence of digital financial services based on institutional preparedness and user proficiency.

The correlation matrix functions as both an analytical checkpoint and a strategic framework, directing reforms in the financial sector, the reconfiguration of MSME financing instruments, and the reengineering of support programs to better align with the complex realities faced by small enterprises. The incorporation of this element into the research effectively connects empirical evidence with policy formulation, thereby reinforcing the case for inclusive, data-informed strategies designed to cultivate resilient and competitive MSME ecosystems in Zambia.

4.3 Discussion

Introduction

This section offers a comprehensive analysis of the findings outlined in this article, situating them within pertinent theoretical perspectives, conceptual frameworks, and the broader academic discourse. This examination centres on the condition of financial inclusion for Micro, Small, and Medium Enterprises (MSMEs) at Olympia Market in Lusaka, Zambia, especially in the context of the COVID-19 pandemic and its aftermath. The organisation of the discourse aligns with the research aims: examining access to financial support, identifying barriers to financial inclusion, exploring the functions of informal and digital financial platforms, and analysing the strategic measures taken by MSMEs to endure financial and economic challenges. The findings are analysed using the frameworks of Financial Inclusion Theory (Demirgüç-Kunt, Morduch, & Cull, 2018), Resource-Based Theory (Barney, 1991), and the MSME Sector Development Model (Kameyama, et al., 2001) to offer a cohesive perspective on MSME resilience and systemic exclusion.

Financial Inclusion and MSME Resilience

Financial inclusion plays a vital role in enhancing the financial and operational resilience of MSMEs, especially during periods of crisis. The Financial Inclusion Theory asserts that widespread access to financial services—such as credit, savings, and insurance—improves the capacity of economic participants to navigate risks, invest in development, and sustain financial stability. The results of the study substantiate this viewpoint: Micro, small, and medium enterprises that did not have access to formal financial instruments faced significant challenges during the COVID-19 pandemic. This aligns with the findings of (Sahay, et al., 2020), which illustrate that financial services play a crucial role in enhancing resilience by facilitating timely investments and providing a buffer against shocks in developing economies. Furthermore, the Resource-Based Theory underscores the notion that financial capital serves as a pivotal resource crucial for MSMEs in establishing a competitive edge, especially in the face of uncertainty. Without readily available financial resources, numerous enterprises find themselves in a state of stagnation or even face collapse, highlighting the crucial role of inclusive finance in promoting sustainable entrepreneurship.

Access to Financial Support

Limited Access to Financial Support

The research revealed that a significant 88.9% of MSMEs at Olympia Market did not obtain any type of financial assistance during or following the COVID-19 pandemic. This reflects wider national patterns in which informal MSMEs continue to be marginalised from formal

financial systems. The noted exclusion aligns with previous research conducted by (Chikuba, 2017) and (Maimbo, 2008), which underscored systemic challenges including unclear application processes, information disparities, and the sidelining of informal enterprises by formal financial institutions. The results indicate a continual structural shortfall in Zambia's financial framework, highlighting the need for institutional reforms to enhance financial access for informal MSMEs.

Dominance of Informal Financial Mechanisms

A notable segment of businesses that obtained support, specifically 73.2%, utilised informal financial mechanisms such as village banking and community savings groups. This significant dependence indicates a profound scepticism or incapacity to engage with formal institutions, a notion supported by (Chishale & Chowa, 2020), who noted a comparable reliance among social cash transfer recipients in Lusaka District. (Muriithi, 2021) emphasises the crucial, albeit constrained, function of informal mechanisms in times of crisis. Although adaptable and rooted in community engagement, these systems fall short in financial resources necessary for business growth, thereby underscoring the importance of their incorporation into national financial frameworks.

Minimal Role of Formal Financial Institutions

A mere 3.8% of MSMEs have successfully obtained support from banks and microfinance institutions, as the majority are deterred by elevated interest rates, stringent collateral demands, and cumbersome application processes. The institutional constraints observed here resonate with the findings of (Rogerson, C. M. , 2021), who identified comparable patterns of financial exclusion within South Africa's SMME sector, as well as those of (Zeidy, 2020), who highlighted access limitations faced by African MSMEs during the pandemic. A significant transformation in financial inclusion necessitates that formal institutions develop loan products tailored for MSMEs, simplify application procedures, lessen collateral requirements, and implement targeted financial literacy programs.

Limited Impact of Government Assistance

Only 15.4% of the businesses surveyed utilised government-led assistance programs, notably the Constituency Development Fund (CDF). The constrained adoption can be ascribed to administrative obstacles, insufficient program visibility, and biases in the distribution of funding based on political considerations. The challenges observed align with the research conducted by (Rajagopaul, Nyalungu, & Phillips, 2020), which identified comparable inefficiencies within the MSME support frameworks of the South African government. Additionally, (Silwimba M. , 2023) highlighted the disconnect between Zambia's financial inclusion goals and the implementation of related policies. Resource-Based Theory emphasises the significance of institutional and financial capital as essential resources for the

success of enterprises, highlighting that their lack results in systemic exclusion. It is essential for government support schemes to enhance transparency, simplify application processes, and broaden their accessibility to businesses operating in the informal sector.

Barriers to Financial Inclusion

The Resource-Based Theory provides a significant framework for analysing the phenomenon of financial exclusion. It suggests that the ability to access and manage essential resources, including capital and knowledge, plays a crucial role in establishing competitive advantage and ensuring survival. This study reveals that the most significant financial obstacles encountered include restricted access to credit, elevated interest rates, and rigorous collateral stipulations. These constraints correspond with earlier findings by Beck, Demirgüç-Kunt, and Maksimovic (2008), who recognised analogous patterns of exclusion among small enterprises worldwide. The assessment of limited credit received a severity rating of 4.9, while interest rates were evaluated at 4.8, and the absence of collateral was rated at 4.6. The empirical data presented by (Demirgüç-Kunt, Morduch, & Cull, 2018) reinforces these findings, highlighting the ongoing structural barriers that SMEs encounter in securing capital, especially within sub-Saharan Africa. (Noombo, Mwange, & Mwale, 2024) illustrated that a lack of adequate financial resources significantly hampers the ability of Zambian MSMEs to innovate and invest, thereby threatening their long-term viability.

Regulatory inefficiencies, particularly the complexities surrounding loan application processes, were noted with a rating of 4.3. Additionally, issues of digital exclusion received a rating of 3.9, while financial illiteracy was rated at 3.8. The presence of these additional barriers bolsters the assertions made by (Gabor & Brooks, 2020) as well as Matoka and Mwange (2024), who contend that both digital and institutional divides contribute to the perpetuation of financial marginalisation in the Global South. 5.4.2 Systemic Impact of Financial Barriers.

The study employed the Decision-Making Trial and Evaluation Laboratory (DEMATEL) technique to categorize financial barriers into causal and effect types. Among these, limited credit availability, high interest rates, and lack of collateral emerged as the primary causal variables—systemic limitations that influence and exacerbate other access-related challenges. The classification reflects a broader structural deficiency within Zambia's financial ecosystem, where formal finance continues to privilege larger, more established firms over micro and small enterprises. These primary constraints—consistently rated among the highest in severity—serve as bottlenecks that intensify regulatory, operational, and digital challenges. Addressing them would not only improve MSMEs' access to finance but also reduce the need to rely heavily on informal mechanisms, ultimately enabling a more inclusive financial architecture.

The ripple effect that such systemic reforms could initiate aligns closely with arguments advanced by (Demirgüç-Kunt, Morduch, & Cull, 2018), who posit that when core access constraints are removed, enterprises become more embedded within formal financial channels, thereby enabling improved capital flows and greater financial discipline.

Digital and Operational Barriers

The study also highlights digital exclusion and operational inefficiencies as significant secondary barriers. Limited access to digital financial platforms (rated 3.9 out of 5) and low levels of financial literacy (rated 3.8) prevent many MSMEs from integrating into formal financial ecosystems. These challenges are particularly pronounced in informal markets like Olympia, where digital infrastructure and digital financial education remain underdeveloped. The MSME Sector Development Model by (Kameyama, et al., 2001) underscores the need for technological adaptation and human capital development as core enablers of MSME growth. The observed reliance on informal financial mechanisms—reported by 73.2 percent of the MSMEs surveyed—reflects the dual exclusion from both physical banking services and emerging digital platforms. Demirgüç-Kunt et al. (2018) confirm that digital finance can help bridge the formal-informal divide if it is inclusive, affordable, and aligned with enterprise capabilities.

Adaptive Strategies Employed by MSMEs

In response to these barriers, MSMEs in Olympia Market adopted a spectrum of adaptive strategies aligned with both the Resource-Based Theory and the MSME Sector Development Model. These frameworks recognize that in the face of external shocks and institutional constraints, survival and competitiveness hinge on firms' ability to mobilize internal and external resources, innovate processes, and restructure offerings.

Product and Service Diversification

Over 56 percent of the surveyed MSMEs diversified their products and services to maintain cash flow and market relevance. This strategy, rated 4.5 on a 5-point scale, proved highly effective in enabling firms to pivot toward customer segments that remained active during the pandemic. The findings resonate with (Anyanwu & Salami, 2021), who argue that diversification enhances resilience and reduces the vulnerability of firms to economic downturns in the African context.

Online Sales Expansion

Approximately 20 percent of MSMEs leveraged digital platforms such as Facebook and WhatsApp to expand their market reach. Rated 3.5 in effectiveness, this strategy illustrates the growing centrality of digital commerce in enhancing firm resilience, especially during restricted physical mobility. (Rajagopaul, Nyalungu, & Phillips, 2020) found similar outcomes

in South Africa, where MSMEs that embraced digital platforms were more likely to survive and thrive under pandemic conditions.

Social Media Marketing

Seventeen percent of MSMEs adopted social media as a primary marketing tool, although the average effectiveness was rated at a modest 3.0. This indicates that while digital engagement is recognized as essential, MSMEs lack the necessary skills, tools, and strategic orientation to fully capitalize on these platforms. (Chipongoma & Mwange, 2025) found that MSMEs in Zambia often adopt digital marketing tools without a clear framework or training, which limits impact and return on investment.

Unique Approaches and Partnerships

A minority of respondents employed unconventional strategies—such as providing free services to retain clients (5 percent)—or engaged in collaborative financing mechanisms like village banking partnerships (2 percent). Though these strategies scored lower in effectiveness (2.5 and 2.0 respectively), they highlight the importance of grassroots innovation and social capital. Gabor and Brooks (2020) affirm that even limited-scale community financial innovations have the potential to scale when properly supported by institutional and regulatory frameworks.

The array of strategies demonstrates the innovative spirit of MSMEs and suggests significant implications for policy development. Although digital finance and diversification have demonstrated their worth, there is a pressing need for more organised support through training, incentives, and infrastructure specifically tailored for MSMEs to fully harness the potential of these innovations.

The discourse elucidates significant insights regarding financial inclusion within MSMEs at Olympia Market. There is a strong focus on the necessity for better access to financial interventions, specific policy initiatives, and the advancement of digital financial services. The persistent challenges posed by elevated interest rates, restricted access to credit, and insufficient collateral necessitate comprehensive reforms aimed at fostering inclusivity within financial systems. The adaptive strategies employed by MSMEs illustrate a remarkable resilience; nonetheless, there is a pressing need for more organised support to ensure the protection of sustainable financial inclusion.

Moreover, the findings of the study substantiate the theoretical and conceptual frameworks, illustrating that financial inclusion plays a crucial role in enhancing the resilience and growth of MSMEs. The theory of financial inclusion elucidates the systemic obstacles encountered by MSMEs in obtaining financial services, whereas the resource-based theory highlights the critical role of financial resources in ensuring business sustainability. The MSME Sector

Development Model offers a comprehensive perspective on financial limitations and the associated policy ramifications

Through addressing these challenges and utilising informal and digital financial mechanisms, Zambia has the potential to improve financial inclusion and promote the growth of MSMEs. Future research ought to explore inventive and groundbreaking financial models that harmonise informal and formal financial systems, thereby addressing the existing disparities in financial inclusion.

5. Conclusion and Recommendations

5.1 Introduction

This chapter integrates the key findings of the study, formulating conclusions that are intricately connected to the research objectives and the empirical evidence discussed in the earlier chapters. This analysis delves into the critical challenges related to financial inclusion for Micro, Small, and Medium Enterprises (MSMEs) at Olympia Market in Lusaka, Zambia, especially within the framework of recovery following the COVID-19 pandemic. Drawing from these insights, the chapter puts forth strategic recommendations designed to address the identified challenges and promote financial inclusion in informal business settings. Furthermore, guidance for subsequent research is outlined to promote ongoing academic exploration and support informed policymaking efforts based on empirical evidence.

5.2 Summary

The research aimed to investigate the intricacies of financial inclusion for MSMEs at Olympia Market, emphasising the obstacles to access, systemic issues, and the innovative strategies businesses adopted in response to the COVID-19 pandemic. The findings clearly indicate that financial inclusion serves as a crucial factor in the resilience, sustainability, and growth of MSMEs. Access to formal financial services, including credit, savings, and insurance, is essential for the stability and growth of businesses. However, a considerable number of MSMEs still find themselves outside the formal financial ecosystem.

This exclusion can be primarily ascribed to systemic obstacles, including restricted access to formal financial assistance, elevated interest rates, and rigorous collateral stipulations, which hinder MSMEs from assimilating into established credit frameworks. As a result, numerous MSMEs turn to informal financial mechanisms, such as community savings groups and cooperatives. Although these options are readily available, they frequently fall short in providing the financial resources essential for substantial business growth. Moreover, financial initiatives spearheaded by the government, especially the Constituency Development Fund (CDF), have proven to be largely ineffective in effectively supporting MSMEs. (Silwimba M.

, 2023) This ineffectiveness stems from bureaucratic inefficiencies, inadequate dissemination of information, and the politicisation of allocation processes.

The research further emphasises a variety of obstacles to financial inclusion that exacerbate these difficulties. The ongoing exclusion of MSMEs from formal financial systems can be attributed to various factors, including regulatory hurdles, operational inefficiencies, limited access to digital financial platforms, and a lack of adequate financial literacy. This study's utilisation of the DEMATEL technique offered a significant analytical perspective, uncovering that fundamental systemic elements like restricted credit access and elevated borrowing expenses act as key causal obstacles, initiating a series of subsequent challenges.

In light of these financial and operational challenges, MSMEs at Olympia Market exhibited remarkable entrepreneurial resilience through the implementation of various adaptive strategies. The strategies encompassed a range of initiatives, including the diversification of products and services, the enhancement of online sales, active participation in social media marketing, and the establishment of informal financial partnerships, exemplified by village banking. While these strategies improved business resilience in times of economic uncertainty, their overall impact was hindered by ongoing issues related to restricted financial access and gaps in digital literacy.

The empirical findings produced by this research bolster significant theoretical understandings. The Financial Inclusion Theory underscores the structural obstacles that impede MSME engagement in financial markets, whereas the Resource-Based Theory accentuates the essential role of financial and strategic resources in ensuring business sustainability. The MSME Sector Development Model offers a comprehensive policy framework, indicating that institutional reforms, technological adaptation, and focused capacity building are essential to create a supportive environment for MSMEs. Collectively, these theoretical frameworks underscore the necessity of establishing inclusive financial systems to bolster the resilience of MSMEs, promote economic participation, and ensure long-term sustainability.

5.3 Suggestions for Consideration

Considering the findings of the study, a range of strategic interventions is suggested to enhance financial inclusion for MSMEs at Olympia Market and comparable informal business sectors in Zambia. Initially, it is essential for financial institutions to create financial products that cater to MSMEs, featuring reduced collateral demands, adaptable repayment terms, and interest rates that correspond to the distinct risk profiles of smaller enterprises. Streamlining the loan application process and improving transparency in financial institutions would foster increased engagement from MSMEs. Furthermore, the enhancement of digital financial

services designed explicitly for micro and small enterprises—like mobile banking solutions and online lending options—would effectively close the accessibility divide and enable MSMEs to interact more proficiently with established financial systems.

Furthermore, it is imperative that government-led financial assistance programs, such as the CDF, undergo reform to improve their overall effectiveness. This necessitates the implementation of more comprehensive public awareness initiatives to guarantee that MSMEs are well-informed regarding the financial support opportunities that are accessible to them. Moreover, it is essential to streamline application processes and reduce bureaucratic obstacles to enhance accessibility. It is essential to enhance transparency mechanisms to guarantee that government financial resources are allocated fairly and devoid of political favouritism, thus fostering trust and engagement among informal MSMEs.

Thirdly, it is essential to formally acknowledge and incorporate informal financial mechanisms, such as community savings groups, into the established financial framework. Achieving this objective may involve collaborations between established financial institutions and informal networks, facilitating the delivery of micro-loans, financial education, and organised assistance to micro, small, and medium enterprises (MSMEs). The formal acknowledgement of these informal collectives, paired with suitable regulatory backing, would significantly bolster their ability to deliver reliable and sustainable financial services to micro-entrepreneurs.

Fourth, substantial investment in programs aimed at enhancing financial and digital literacy is essential. Capacity-building initiatives ought to be meticulously crafted to empower MSMEs with essential financial management skills vital for ensuring business sustainability, encompassing areas such as budgeting, investment, and credit management. Concurrent efforts aimed at enhancing digital literacy would facilitate the embrace of digital banking, e-commerce platforms, and online marketing tools, empowering MSMEs to utilise technology for their advancement and sustainability. Collaborative initiatives such as workshops, training programs, and partnerships among financial institutions, government agencies, and MSMEs are essential for addressing the current knowledge deficiencies.

Ultimately, promoting innovation and collaboration within MSMEs is crucial for strengthening financial resilience. Micro, small, and medium enterprises ought to be motivated to adopt digital platforms, including social media and online marketplaces, to broaden their market presence and tap into various revenue opportunities. It is essential to introduce business development programs that emphasise product diversification and market adaptability, thereby providing MSMEs with the strategic flexibility required to effectively respond to future economic challenges. Moreover, it is essential to encourage the establishment of cooperative groups among MSMEs, as the strength of collective bargaining

can lead to enhanced loan conditions, lower operational expenses, and foster collaborative innovation and resource exchange.

5.4 Suggestions for Future Inquiry

This study offers essential insights into the financial inclusion challenges encountered by MSMEs in Olympia Market, while also highlighting multiple areas that necessitate further research. Comprehensive investigations into innovative financial models are essential, as they can effectively integrate both formal and informal financial systems, thereby creating pathways to address the existing gaps in financial inclusion. Furthermore, longitudinal studies that investigate the enduring effects of digital financial services on the growth, profitability, and sustainability of MSMEs would provide significant insights into the influence of digitalisation on the transformation of the informal sector. Future research ought to evaluate the efficacy of governmental policies designed to enhance financial inclusion for MSMEs across various regions and informal markets in Zambia. This approach would yield comparative insights that could guide more precise and contextually relevant policy interventions.

In conclusion, this research has highlighted significant obstacles to financial inclusion for MSMEs within Zambia's informal economy and has put forth practical strategies for reform. By tackling systemic financial obstacles, fostering technological adaptation, strengthening institutional capacity, and empowering MSMEs through innovation and collaboration, Zambia can achieve meaningful progress towards inclusive economic growth, business resilience, and sustainable development.

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