



The Role of Mobile Money in Enhancing Digital Financial Inclusion & Efficiency of Small and Medium Enterprises (SMEs) in Zambia - A Case Analysis in Kasama District, Zambia

Martin Kalaluka Liyungu
Master of Education in Physics

Abstract- Small and Medium Enterprises (SMEs) are vital to Zambia's economic development, yet their efficiency is constrained by limited access to finance and macro-economic challenges such as inflation and exchange rate volatility among others. The Zambian government established the Ministry of Small and Medium Enterprises Development (MSMED) to spearhead the growth of SMEs in the country and as a strategy to boost economic growth. The rise of mobile money platforms, such as Airtel and MTN Money, offer a potential solution to the enhancement of SME efficiency as they provide faster and more accessible financial transactions. However, limited research exists on how mobile money impacts SMEs efficiency in Zambia. This study investigates the effects of mobile money on SME efficiency in Kasama District in 2024, guided by the Technology Acceptance Model and Keynesian Economic Recession Theory. Using a qualitative descriptive sample survey design, data was collected from eighty (80) respondents selected through simple random and purposive sampling. The objectives were to assess SME growth in 2024, evaluate mobile money's impact on SME efficiency, and propose ways to enhance efficiency through mobile money adoption. Findings reveal that over seventy percent (70%) of SMEs used mobile money, leading to increased annual revenue and employee numbers, though physical expansion remained limited. Mobile money enhanced efficiency by increasing transaction speed and sales volume, aligning with its perceived usefulness and ease of use. Key barriers include unreliable networks, security concerns, and low technological literacy, particularly in rural areas. The study recommends that SMEs integrate mobile money into transactions, employees undergo technology training, and the government implements the National Information and Communication Technology (ICT) Policy to improve network reliability and cybersecurity while addressing macro-economic factors to support SME growth.

Keywords- Mobile Money, Digital Financial Inclusion and Efficiency; Small and Medium Enterprises (SMEs).

I. Introduction

A mobile money service is an electronic wallet service which allows users to store, send and receive money using their mobile phone as provided by their mobile service provider. In recent years, mobile money has emerged as a transformative tool for financial inclusion across Sub-Saharan Africa. According to the World Bank (2022), digital financial services, particularly mobile money, have bridged access gaps to formal financial systems, especially in low-income and remote communities. The Global System for Mobile Communications Association (GSMA, 2023) notes that



Africa accounts for more than 70% of the world's mobile money transactions, underscoring the continent's leadership in mobile-led financial innovation.

In Zambia, mobile money banking is a growing part of the country's financial sector. Early service providers include Western Union which relies on use of special codes sent to the recipient of the funds by the sender. Advancements in technology have now allowed direct transactions between sender and receiver of the funds. Consequently, this sector has expanded rapidly, with key service providers including MTN (MoMo), Airtel Money, ZAMTEL's ZAMKWACHA, Zoono, Speed Pay, and Swift Cash by the Zambia Postal Services. These services have grown in popularity due to their accessibility, convenience, and relatively low transaction costs.

The mobile phone number effectively serves as an account number, allowing users to deposit, withdrawal, send and receive funds, pay for utilities, purchase goods, and access savings and credit products, all via mobile phones. For Zambia's Small and Medium Enterprises (SMEs), this digital transformation presents both opportunities and challenges. SMEs are a critical driver of economic growth, employment, and poverty reduction. According to the International Labour Organization (ILO, 2015), SMEs contribute approximately 70% of Zambia's GDP and employ 88% of the country's workforce.

Statement of the Problem

Although mobile money services have flourished in Zambia, there has been inadequate study that generates empirical evidence on their actual impact on SME efficiency and growth. While the financial inclusion potential is well-documented globally (World Bank, 2022; GSMA, 2023), local studies have either lacked specificity or failed to address recent macroeconomic shifts such as inflation volatility, COVID-19 recovery, and International Monetary Fund (IMF)-mandated austerity.

Studies by Chiwati (2023) and Tembo (2023) have acknowledged factors such as access to capital and market conditions, but have overlooked critical variables like digital literacy, entrepreneurial skills, and technological infrastructure. Similarly, Idris (2012) focused on the macroeconomic environment without analyzing how mobile money interacts with specific economic indicators such as exchange rates and transaction costs. There is therefore a need for updated, context-specific research on the impact of mobile money on SME efficiency, particularly considering Zambia's unique socioeconomic conditions. Sally (2017) argues that gaps in data and inconsistencies in findings justify new research. This study addresses that call by evaluating how mobile money services have influenced SME performance in Zambia in 2024.

Study Objectives

The study sought to meet the following specific objectives:

- To assess the growth of SMEs in Zambia in 2024.
- To analyze how the use of mobile money influences business efficiency among SMEs in Zambia.
- To recommend strategies for enhancing SME efficiency through mobile money integration.

Study Rationale



This study contributes to the growing body of knowledge on digital financial inclusion in Zambia. The findings will be useful for SME owners seeking to optimize their business operations through mobile money. Policymakers, including the Ministry of Finance and the Ministry of Small and Medium Enterprise Development, will benefit from insights to support inclusive financial strategies. Stakeholders such as the Zambia Marketeers Association and the Zambia Small and Medium Scale Entrepreneurs (ZSMSE) can use the research to design advocacy and support interventions. Finally, scholars and researchers will find the study a valuable resource for further academic study.

II. Literature Review

Recent literature highlights that mobile money has dramatically expanded financial inclusion in developing economies. The World Bank notes that Sub-Saharan Africa has seen “significant growth in financial inclusion over the past decade, much of it driven by mobile money account adoption” By 2022, about 28% of adults in SSA held a mobile money account (World Bank, Global Findex 2021). For SMEs, this means many small businesses now have access to basic payment and transfer services outside traditional banking channels. Studies report that mobile money’s efficiency benefits include “increased convenience, increased speed, and decreased cost of financial transfers” compared to cash or informal methods. These advantages translate into tangible business gains: by reducing transaction time and fees, mobile money can help SMEs improve cash flow and sales. In short, mobile money serves as an important enabler of SME financial inclusion and operational efficiency across the region.

Mobile money adoption continues to rise globally and especially in Africa. By 2024, over 2.1 billion registered mobile money accounts and 514 million active accounts were reported worldwide (GSMA, 2025). Sub Saharan Africa (SSA) remains the leader. Adoption growth in SSA has been remarkable, though uneven. On average 28% of adults have mobile money accounts while some economies have near zero uptake. Factors driving this growth include expanded network coverage, supportive regulation, and demand for digital payments (especially during COVID-19 lockdowns). The Global System for Mobile Communications Association (GSMA) reports that emerging markets continue to see double-digit growth in active mobile money users, indicating strong momentum (e.g. active accounts grew 11% year-on-year in 2024). Nonetheless, millions of potential customers remain outside the system, indicating room for further penetration.

III. Methodology

The study used a qualitative descriptive sample survey design, data was collected from 80 respondents as the study sample selected through simple random and purposive sampling. Data included confidentiality and protection of human subjects.

IV. Results



Objective 1: The Growth of SMEs in Zambia in 2024

Figure 1 shows that the majority of SMEs (70%) had posted a growth in terms of average annual revenue increase to the tune of between 30-50%. This was followed by those who had posted a between 10-30% increase (20%). Lastly, 10% recorded revenue increase of less than 10%. The researcher therefore concludes that the majority of the SMEs had an average annual increase of between 30-50% annual revenue.

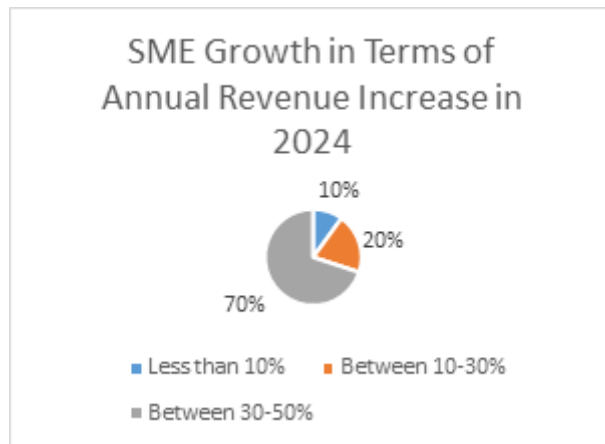


Figure 1: SMEs Growth in Terms of Increase in Average Annual Revenue

Source: Field Data, 2025.

Objective Two: To Analyze how the use of mobile money influences business efficiency among SMEs in Zambia.

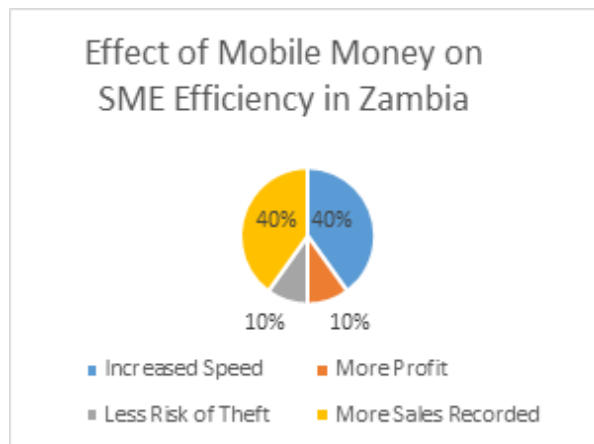


Figure 2 Effect of Mobile Money on SME Efficiency in Zambia

Source: Field Data, 2025.



Figure 2 shows that the most effect of the usage of mobile money on SME's efficiency was both increased speed in doing business and more sales made, each of which was at 40%. Lastly, the effect was increased profit and less risk of theft of cash, each of which was at 10%.

Objective Three: To Recommend Strategies for Enhancing SME Efficiency Through Mobile Money Integration.

Table 3 below shows the thematic presentation of findings which included respondent's recommendations on the strategies that need to be employed for SME Efficiency through Mobile Money Integration.

Table 3

Subtheme	Code	Participants Voice
Enhancing SME Growth	Ways of Enhancing SME Growth	<p>There is need for effective policy management by the government.</p> <p>There is need to reduce inflation and stabilise the exchange rate.</p> <p>There is need to support SMEs through cheap loans such as those from the CEEC.</p>

Discussion of Findings

The findings of this study on the impact of mobile money on SME efficiency align with previous research while offering new insights specific to the Zambian context. The study confirms that SME growth and efficiency are influenced by factors such as access to capital, entrepreneurial skills, and macro-economic conditions, with mobile money playing a pivotal role in enhancing operational efficiency. The findings resonate with Whitten (2000), who investigated women's participation in SMEs in Europe and found that growth depends on capital availability, entrepreneurial skills, financial discipline, and macro-economic factors like inflation and exchange rates. Similarly, this study identifies access to capital as a critical determinant of SME efficiency, with mobile money providing a low-cost, accessible alternative to traditional banking for Zambian SMEs. Whitten's recommendation for government support and associations to promote entrepreneurship aligns with this study's observation that policy interventions could enhance mobile money adoption among SMEs.

This study also corroborates Jamerson (1999), who found that SME growth in the United States is driven by market viability, business type, and the owner's skills. The current research extends this by noting that mobile money enhances market access for SMEs by enabling faster transactions and reducing reliance on cash-based systems, thus improving efficiency. Jamerson's call for incentives like start-up capital and low interest rates supports this study's finding that affordable financial services, such as



mobile money, are vital for SME growth. Entrepreneurial skills, including dedication, effective management, and tenacity, were found to significantly influence SME efficiency, aligning with Kiosaki (2000), who highlighted tenacity as critical for businesses to withstand economic challenges in Japan. This study adds that mobile money adoption enhances these skills by simplifying financial management, allowing SME owners to focus on strategic growth.

V. Conclusions and Recommendations

Conclusions

The study found that in 2024, over 70% of SMEs in Zambia utilized mobile money for transactions, leading to growth in annual revenue and employee numbers, though 90% did not expand by opening new branches. This aligns with findings from Chapter four, which noted that SME growth is primarily driven by revenue increases and operational improvements rather than physical expansion. Thus, mobile money significantly contributes to SME growth through enhanced financial performance and workforce expansion. Regarding SME efficiency, mobile money increased transaction speed and sales volume, supporting the Technology Acceptance Model (TAM) from Chapter two, which emphasizes perceived usefulness and ease of use as drivers of technology adoption. These improvements enhance cashflow management and market access, critical for SME efficiency in Zambia's challenging macro-economic environment. To enhance mobile money's role in SME efficiency, the study concludes that promoting its adoption, improving security against online theft, ensuring reliable and fast mobile networks, and increasing technological literacy, particularly in rural areas, are essential. These align with Chapter two's findings on accessibility and security as key adoption factors. On ways of enhancing the usage of Mobile Money to enhance the efficiency of SMEs, this study concludes that there is need for promotion of the usage of mobile money, enhance security from online theft and scammers as well as ensure that mobile network is fast and efficient as well as enhance technology literacy especially in rural areas.

Recommendations

SMEs should integrate mobile money into all business transactions to leverage its benefits, such as faster payments and increased sales, as evidenced in Chapter four. SMEs should train staff on mobile money platforms to enhance operational efficiency, aligning with the need for entrepreneurial skills. The study by Finscope (2020) recommended that the globalized world has become digitized and this has led to easy of doing business. Traditional way of doing business such as reliance on printed documents has been overtaken by the use of electronic devices and hence the need for businesses to integrate electronic commercial techniques in their operations. This is similar to the recommendations that were made by the study that was carried out by Chanda (1996) on the use of Information Communication Technologies (ICTs) in business activities as a way of speeding up businesses activities and being able to handle many clients at once. This study thus conforms to the recommendations of previous studies that business transactions should integrate mobile money services.

It is further being recommended that the Government of the Republic of Zambia (GRZ) should fully implement the National ICT Policy to improve mobile network



infrastructure and accessibility, particularly in rural areas, as recommended in two Address macro-economic challenges, such as inflation and exchange rate volatility, through sound policies to create a conducive environment for SMEs, as noted in Chapter four. Additionally, promote technological literacy programs and strengthen cybersecurity measures to boost confidence in mobile money, addressing concerns raised in Chapter two. Previous studies have made similar recommendations on the need to promote and fully implement the National ICT policy. This came out in the study by Chanda (1996), Lisulo (2010) and the Bankers Association of Zambia (2010).

References

1. Addison, J. T., & Blackburn, M. L. (1999). Economic theory. *Industrial and Labor Relations Review*, 52(3), 393-409.
2. Bankers Association of Zambia (2010) *The Banking Sector and SME Growth in Zambia*. Lusaka: BAZ.
3. Banoub, Micheil (2024). *Exploring Currency Hedging in Zambia*. MIT Kuo Sharper Initiative. Available at <https://mitsloan.mit.edu/centers-initiatives/ksc/exploring-currency-hedging-zambia>
4. Chiwati, A. D (2011) *SME Growth and the Banking Sector in Zambia. A Study*. Lusaka: UNZA Press.
5. Chanda, K.P (1996). *Successful Women Entrepreneurs in Zambia*. Lusaka: Image Publishers.
6. Dambisa, K.O (2003). *Factors that Affect Women Businesses in Zimbabwe*. Harare: University of Harare Press.
7. Deakins, D.; Freel, M. S. (2009). *Entrepreneurial Activity, the Economy and the Importance of Small Firms*. London: McGraw-Hill Education.
8. Dwivedi, DN (2005). *Macroeconomics: Theory and Policy*. Tata McGraw-Hill
9. Government of the Republic of Zambia (2000) *National Gender Policy*. Lusaka: Government Printers.
10. Jamerson, T.K (1999) *Women Businesses in America*. New Jersey: SAGE.
11. Kalaluka, L.O (2008) *Does Level of Education Affects One's Business Success?* Ndola: Mission Press.
12. Katz, M. L.; and Harvey S. (1997). *Microeconomics*. McGraw-Hill/Irwin,
13. Kiosaki, L.K (2000) *Women in Commerce. The Modern Businesses and its Challenges*. Tokyo: University of Tokyo.
14. Lisulo, M. L (2010) *Women Business in Mongu: Factors that Affect their Performance*. Lusaka: Care International
15. Mankiw, N. G (2007). *Macroeconomics (6th ed.)*. New York: Worth Publishers.
16. Ministry of Finance (2014) *Revised Sixth National Development Plan (R-SNDP)*. Lusaka: Government Printers.
17. Okonkwo, N.O (2001) *Women Entrepreneurs in Modern Nigeria*. Lagos: University of Lagos Press.
18. Samuelson, P. A., and Nordhaus, W.D (2004). *Economics, The Process of Economic Growth*. New York: McGraw-Hill.