THE IMPACT OF A CASHLESS SOCIETY ON PERFORMANCE AND GROWTH OF SMALL TO MEDIUM ENTERPRISES (SMEs) IN BINDURA.

REGISTRATION NUMBER

Marvellous Nkhwazi

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE BACHELOR OF COMMERCE IN BANKING AND FINANCE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE.

SUBMITTED IN MARCH 2019
APPROVAL FORM

The undersigned certify that they have supervised the student Marvellous Nkhwazi

Dissertation titled THE IMPACT OF CASHLESS ECONOMY ON PERFORMANCE AND GROWTH OF SMALL TO MEDIUM ENTERPRISES submitted in partial fulfilment of the requirements of the Bachelor Commerce in Banking and Finance Bindura University of Science Education.

SUPERVISOR

DATE

CHAIRPERSON

DATE
RELEASE FORM

REGISTRATION NUMBER: B1336939

DISSERTATION TITLE
The impact of cashless policy on performance
and growth of small to medium enterprises in
Bindura.

DEGREE TITLE: Bachelor of Commerce in Banking and Finance
(BCom.BAF)

Permission is hereby granted to the Bindura University of Science Education Library to
produce single copies of this dissertation and to lend or sell such copies for private, scholarly
or scientific research purpose only. The author does not reserve other publication rights and
the dissertation nor may extensive extracts from it be printed or otherwise reproduced without
the author’s written permission.

SIGNED

..............................................................

PERMANENT ADRESS:

House No 11A clinic

Trojan nickel mine

P.O box 35

Bindura
DEDICATION

I dedicate this study to my husband Tatenda Kondwelani who was my source of inspiration and encouragement. You believed in me and capitalized so much in me even when you possessed so little of your own. God bless you my dear.
ABSTRACT

In Zimbabwe, majority of the population used cash to make payments before the transition to cashless economy that came as a way to curb cash shortages. People embraced electronic payments purely out of necessity since it was the only alternative available. The study seeks to find out the influence of electronic payment system on performance and growth of SMEs. A descriptive research design was used. The study consisted a sample of 80 small enterprise owners and managers randomly selected from SMEs in the retail industry. Primary data was collected using questionnaires and face-to-face interviews. Microsoft excel was used to analyse data and to make graphs and charts. Findings showed that transactional cost on electronic payments have a negative effect on SMEs growth and performance. The study recommended the government to reduce the taxes to reduce business cost. Further examination is recommended on how the cashless economy system have influenced other sectors.
ACKNOWLEDGEMENTS

I am very grateful to the all mighty for taking me this far. It has certainly been a long and tedious journey. I would like to recognize my husband for his steady love and support for the four years of my studies. You have been persistent may the noble Lord bless you. I would also like to prolong my sincere gratitude to my friends and relatives who have been supportive. I greatly appreciate the assistance you provided especially in data collection and analysis. Finally, I would also like to thank Mrs. Mauchi my supervisor for her guidance in this research project. Your efforts are really appreciated.
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPROVAL FORM</td>
<td>i</td>
</tr>
<tr>
<td>RELEASE FORM</td>
<td>ii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iv</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>v</td>
</tr>
<tr>
<td>CHAPTER I</td>
<td>1</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.0 Introduction</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Problem Statement</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Objectives of the study</td>
<td>4</td>
</tr>
<tr>
<td>1.4 Research Questions</td>
<td>5</td>
</tr>
<tr>
<td>1.5 Significance of the study</td>
<td>5</td>
</tr>
<tr>
<td>1.6 Research Assumptions</td>
<td>5</td>
</tr>
<tr>
<td>1.7 Research Delimitations</td>
<td>6</td>
</tr>
<tr>
<td>1.8 Limitations of the study</td>
<td>6</td>
</tr>
<tr>
<td>1.9 Definition of key terms</td>
<td>6</td>
</tr>
<tr>
<td>1.10 Chapter summary</td>
<td>7</td>
</tr>
<tr>
<td>LITERATURE REVIEW</td>
<td>9</td>
</tr>
<tr>
<td>2.0 Introduction</td>
<td>9</td>
</tr>
<tr>
<td>2.1 Conceptual framework</td>
<td>9</td>
</tr>
<tr>
<td>2.2 Theoretical framework</td>
<td>13</td>
</tr>
<tr>
<td>2.3 Empirical evidence</td>
<td>14</td>
</tr>
<tr>
<td>2.4 Gap analysis</td>
<td>16</td>
</tr>
<tr>
<td>2.5 Chapter summary</td>
<td>16</td>
</tr>
<tr>
<td>CHAPTER III</td>
<td>17</td>
</tr>
<tr>
<td>RESEARCH METHODOLOGY</td>
<td>17</td>
</tr>
<tr>
<td>3.0 Introduction</td>
<td>17</td>
</tr>
<tr>
<td>3.1 Research Design</td>
<td>17</td>
</tr>
<tr>
<td>3.2 Research Population</td>
<td>18</td>
</tr>
<tr>
<td>3.3 Sources of Data</td>
<td>20</td>
</tr>
<tr>
<td>3.4 Research instruments</td>
<td>21</td>
</tr>
</tbody>
</table>
List of tables

Table 1.1: Response rate ................................................................. 27
Table 1.2: Academic qualifications .............................................. 27
Table 1.3: Position of respondents .............................................. 28
Table 1.4: Legal status of SMEs .................................................. 29
List of figures

Figure 1: The conceptual framework................................................................. 10
Figure 2: Number of SMEs using electronic payments................................. 29
Figure 3: Electronic payment channels used.................................................. 31
Figure 4: Electronic payments benefits......................................................... 32
Figure 5: Ways in which electronic payments contribute to growth .............. 33
Figure 6: Reasons why electronic payments increase growth ...................... 34
Figure 7: Cost of electronic payments............................................................ 36
Figure 8: Electronic transactions performed by SMEs.................................... 36
CHAPTER 1

INTRODUCTION

1.0 Introduction
This chapter covers the background of the study, statement of the problem, research objectives, research questions, and significance of the study. It also covers assumptions, limitations, delimitations, and definition of key terms.

1.1 Background of study
From barter system to cash to checks to online banking, money is an evolving technology that has been part of human history for thousands of years. However ever since the Institution of computers in the retail banking system in 1960s, there has existed the dream of a future world where cash is outmoded. Academics suggest that nonetheless cashless payments are increasing rapidly across the world, hard currency remains strong. While cash is anticipated to remain a important payment mechanism in the near future nevertheless factors such as contactless payment systems, growth of mobile penetration and high cost of cash (currency printing for government, cash storage for business, ATM fees for individuals and so forth) are stimulating society to reconsider its insignificance.

Overly cash has begun to fall out of favour as a method of conducting businesses, as in other parts of the globe it seems as if its existences is numbered. Technology and customer predilections both are changing the way disbursements are made in the industrialised world. Some nations such as Sweden, more than half of the republic’s banks do not embrace cash or accept it. Thus, they are considerably closer than others are to an effectively cashless society. Cashless society is a society where there is fewer physical cash inflow and payment are done by electronic means. Chauffeurs of Swedish vans no longer take coins and banknotes. More so, the universal use of debit and credit cards by Swedes has also headed many supplies to discard cash payments. Faster service and generating a safer atmosphere, these factors
inspired them to become cashless. More so, shop owners trust the elimination of cash lowers the risk of pilfering Kirigano (2015).

Advanced republics are not the merely ones embracing cashless system. Emerging nations are also captivating on the initiative. For the previous years inventions in the commercial service division in Africa has seen introduction of mobile money, internet and multicurrency cards amid other things. In 2011, the Central Bank of Nigeria presented the cashless scheme in a vision to address some of the appeared ills of the cash centered societies. According to the Central Bank of Nigeria, the policy was presented for a number of motives including, to drive expansion and modernisation of the payment structure in line with nation’s vision 2020 goal of being amid the top 20 economies by 2020 Okeke (2017). The central bank of Nigeria also announced the program to lessen the cost of banking facilities (comprising cost of credit) and determine financial inclusion by providing additional efficient transaction choices and better reach and to advance the efficiency of monetary policy in dealing with inflation and motivating economic growth.

Correspondingly, in 2007 Safaricom a mobile phone operator in Kenya presented MPESA in Kenya as a lesser cost-automated system accessed from normal mobile phones. It was presented to help low-income earners to make monetary dealings across protracted distances with their cell phones, hence decreasing travelling cost and getting purged of the risk of carrying money and a rejecting some banking charges Okeke (2017).

Zimbabwe was smashed by cash scarcities since 2015, this extremely affected the societal and economic welfare of the inhabitants. The cash deficiencies was triggered by a number of factors that comprise the inequalities between importations and exports as well as over dependence on one legal tender, the USD in a nation that used multicurrency scheme Diza (2017). The USD cash scarcities in the nation shown by long queues at some banks and limited cash accessibility on numerous ATMs. Banks were successively out of cash and individuals were enforced to queue for hours outside the banking halls for a chance to draw a minimum of 50 dollars even 30 dollars from their accounts each day and some were even turned away simply for the reason that the banks did not have enough cash in their cupolas.

The Reserve Bank employed a numeral policy procedures to address the cash challenges. Methods included withdrawal limits, multicurrency basket, introduction of Bond notes and promotion of the use of plastic money through transferes, point of sale (POS) machines, online banking and other automated banking system RBZ (2016a). Nonetheless, the outline of Bond
notes made individuals to be scared of a repetition of 2009’s hyperinflation. Individuals started making dread withdrawals because of the dread that the state was running out of cash and that some shops were not likely to receive payment in bond notes. Specialists debated that, this was the perfect chance for Zimbabwe to hold the latest technical advances. Acceptance of plastic money was another resolution to its catastrophe because cash continued to be a limited resource.

Though the notion of a cashless society was new, Zimbabwe started accepting digital payments only out of need. It was no longer an matter of choice, but as an alternative that was existing to everybody as a way of making transactions. Electronic payments became inevitable with cash attesting to be firmer to access with each passing day. The republic’s cashless drift sustained shown by mobile payments transactions (use of Eco cash, mobile banking) advancement by 37.9 percent in second quarter of 2018. At that time use of plastic money constantly increased till date where we comprehend more dealings being done automatically. Electronic payment channels used include Point of Sale (POS), internet banking, RTGS and mobile payments.

In the last decade or so Zimbabwe experienced tough economic adversities that pressed individuals to the edge in terms of earning and leaving. Redundancy rate was at its highest because businesses were dying and reducing people. Things got so unscrupulous that people had to dig deep in their bags of skills and tricks to remain feeding and providing for their children. That impulsion became a blessing in disguise for some who realised strengths and abilities they never knew they had. Those that discovered the entrepreneurship talents in themselves were better prepared to survive the years of adversity. Zimbabwe turn out to be a hub of small firms as proper corporations and businesses assembled due to economic destitutions. Sufferings fuelled the formation of small firms that were previously in existence but they improved their numbers due the high redundancy rate Zindiye (2014).

The nation’s SMEs make up to more than 70% of all dealings and they are the country’s major employer and becoming the mainstay of our economy. The antiquity of economic expansion tells us that advancement of small industries is one of the main drivers behind the success of industrialization in Europe Rostow (1960). Small to medium enterprises have occupied a centre stage in the economic and social improvement of many nations. In Zimbabwe SMEs in both formal and informal sectors have since acted as engines of economic growth. Storey (1994) regards SMEs as the seedbed for the improvement of large companies and are the
lifeblood of commerce and industry at large. The existence and growth of SMEs is important feature in the sustainable improvement of emerging economies. It is against this background that this study seeks to evaluate the impact of cashless society on performance and development of SMEs in Zimbabwe. The study seeks to find out how electronic payments have influenced the growth and performance of small firms.

1.2 Problem Statement
Zimbabwe is a country where a large segment of population depended on cash when making small or big payments before the transition into cashless economy. This transition came because of cash shortages rather than as a way of a planned innovation like other countries. Long ques at some banks and unavailability of cash on ATMs evidenced the cash shortages. Some of the causes of cash shortages were loss of confidence in the financial sector, externalization of the domestic currency and shortage of special ink and printing paper. To avoid production of fake notes the government imports the paper for producing notes hence, lack of foreign currency can reduce the central bank’s aptitude to produce notes and coins Diza (2017). RBZ has been facing foreign currency shortages to import such material. To curb the cash shortages cashless society was introduced that is the use of electronic payments. The transition was not a planned innovation hence the country did not have enough infrastructure to support the initiative. Thus, this study seeks to investigate how this cashless system affects performance and development of small and medium enterprises since they are very important entities in our country especially in eradicating poverty.

1.3 Objectives of the study
The following are the objectives of this study:

1. To examine the impact of electronic payments on performance of Small to Medium Enterprises in Bindura
2. To examine the influence of electronic payments on growth of Small to Medium Enterprises in Bindura
3. To analyse the effects of transaction cost charged on electronic payments on performance and development of Small to Medium Enterprises in Bindura
1.4 Research Questions

1. How has electronic payment adoption affected performance of Small and Medium Enterprises in Bindura?

2. To what degree has, electronic payment system influenced the growth of Small to Medium Enterprises in Bindura?

3. To what extent has transaction cost charged on electronic payments affected the performance and development of Small and Medium Enterprises in Bindura?

1.5 Significance of the study

To the university

The findings of the study will be important to scholars because it will offer measures that may form a base for future research and those scholars or members of stuff who may want to carry out their researches related to this topic may use it as reference material.

To SMEs

The study is essential because it will edify them on the advantages and disadvantages of adopting cashless system and the ways that their business operation are affected by or by not using them.

To government

It might also be imperative to government bureaucrats accountable for conveying strategies in that the outcomes may assist them in expressing policies and tactics that improves SMEs performance and development.

To the researcher

To the researcher it will intensify her knowledge regarding cashless system that is the different kinds of electronic payments used globally.

1.6 Research Assumptions

The sample size will be a true symbol of the population. Convenience
Respondents will be accommodating in giving reliable information.

The investigator will have admittance to all related information for the study.

Research instruments will be lawful in order to enrich the collection of truthful data.

1.7 Research Delimitations
The study seeks to find the impact of cashless society on performance and development of Small to Medium enterprises in Bindura. The study was restricted to Small and Medium enterprises within Bindura. Small to medium enterprises from the retail business were the target populace of the study. The period of the study is 2016 to 2019.

1.8 Limitations of the study
1. Limited resources, the researcher did not have sufficient resources to undergo the project such as monetary resources to print more questionnaires. Hence interviews were embark on to surge the sample size of the respondents. This was done to ensure reliability and validity of the data
2. Time was another restrictive factor. The researcher had limited time due to other academic responsibilities. However, she had to work for long periods to strike a balance between the two
3. Initially the respondents were unwilling to disclose their business information especially those who were not the holders because of the discretion expected from them by the employer. Secrecy of information provided was granted and I provided the approval form from the university to reassure them that the material provided was going to be used for educational purposes
4. There were no responses from other respondents thus interviews were undertaken to complement results from the questionnaires

1.9 Definition of key terms
Cashless society

Cashless society entails a society where transactions are done without necessarily carrying physical cash. However, it does not mean a complete absence of cash but a drastic reduction in
the usage of cash and goods and services are paid for through electronic means. In addition, it is also defined as a financial environment where the use of physical cash is reduced by providing alternative ways of making transactions. Akiindende (2011) defines it as an environment where physical cash as a means of payment is minimised to its barest minimum substituted by electronic payment system in one form or another. Cashless society policy aims at decreasing the amount of cash circulating in an economy and thus encouraging more electronic based payments. The electronic modes of payments that are available are point of sale (POS) mobile banking, internet banking and ATMs.

Electronic payment (E-payment) has been defined to refer to the transaction of goods and services using electronic payment means such as computer networks, the internet and digital systems to transfer money electronically or digitally between two parties Wyllie et al, (2010).

Business Performance

Fitzgeral (1991) defines performance as the efficiency that refers to corporate capability to produce and aid what is wanted by the consumers in the market at a specific time efficiency that is meeting the goals at lowest likely cost with the uppermost possible benefit. In this study, performance will be measured in terms of profits and sales. Though SMEs usually have poor record keeping skills, they assign high significance to sales information as an pointer of corporate performance. Olawane (2010) et al supports the use of sales data as a more proper measure of business performance.

Growth

Growth of a firm is defined as the capability of the firm to constantly advance, speedily and healthy. According to Mcpherson (1996) in employment expressions as the annual alteration in employment that is from when they started to use electronic payments to the time of survey, inclusive of the owner. Employment figures are more preferable because it is readily available for most small firms Corvori (2013).

1.10 Chapter summary

This chapter looked at the background of the study, statement of the problem, research objectives, and research questions to be used, assumptions guiding the study as well as
delimitations, limitations and definition of terms. The following chapter looks at the review of related literature.
CHAPTER II

LITERATURE REVIEW

2.0 Introduction
The focus of this section is to examine different empirical literatures written on the subject matter, impact of cashless system and SMEs performance. It presents the conceptual framework of the study. Various literatures from books, journals and research papers is reviewed. It also presents the theories that explain the research objectives.

2.1 Conceptual framework
The conceptual framework model gives an overview of the research. The variables to be studied are the independent variables and dependent variables chosen for the study so that the relationship is established. The conceptual framework model adapted for this study, as shown in the figure below, illustrates that cashless system channels (mobile banking, internet banking and point of sale) influences business performance and development due to convenience, lower transaction cost and accessibility.

World Bank (2010) states that convenience, accessibility, efficiency, transaction time and cost of cashless payment networks surges the attractiveness of automated payments services to small firms and the subsequent proceeds like increased sales, profits and micro credit accessibility will be achieved. The variables are discussed below.
INDEPENDENT VARIABLES

- Cashless system
- Mobile payments
- Internet banking
- Point of sale (POS)

DEPENDANT VARIABLES

- Performance & development

CONVENIENCE
- LOWER TRANSACTION COST
- EFFICIENCY & RELIABILITY

SMES PERFORMANCE
- Profitability (increased sales, boost in cash flows, competitive advantage)

SMES DEVELOPMENT
- Firm growth (increased customer base, increased market share, employment growth)

**Figure 1: The conceptual framework**

Source (researcher’s computation)

The figure demonstrates the relationship between the independent and dependent variables.
2.1.1 Cashless system channels
A cashless economy is an environment in which money is spent without being physically carried from one place to another. It is an economic setting in which many goods and services are paid for through electronic media according to Woodford (2003). Information technology plays an important role in bringing about sustainable development in every nation. Without an optimal use of information technology, no country can attain a speedy social-economic growth and development. The future of all business particularly those in the services industry lies in information technology. In fact, information technology has been changing the ways companies and banks compete.

Hord (2005) further emphasizes the fact that digital payment lowers costs for companies. The more payments that is handled electronically, the less money is spent on paper and postage. Offering electronic payment can also aid industries improve client retention. With advent, use of plastic money due to cash scarcities in Zimbabwe clienteles will always go back and purchase to the firms that are using electronic payments.

2.1.2 Mobile Banking
Mobile banking refers to the endowment of banking and financial services with the help of mobile telecommunication devices. The system allows clients of a financial organization to conduct a number of financial transactions through a mobile device such as mobile phone. Mobile banking podium will enable one to make third (3rd) party payments from his mobile phones, anytime, anywhere there is network coverage. Mobile banking is popular and exciting to customers, given the low infrastructure requirements and a rapidly growing mobile phone penetration in Zimbabwe. Services covered by this product include account enquiry, funds transfer, phone vending, changing password, and bill payments

2.1.3 Internet Banking
It involves steering banking transaction on the internet using automated tools such as the computer without visiting the banking hall. Internet banking, like mobile banking, uses the
electronic card infrastructure for executing payment instructions and final settlement of goods and services over the internet between the merchant and the customers. Internet banking platform enables one to make third party payments such as transfers, subscriptions, and taxes across Zimbabwe banks or outside Zimbabwe using computers or mobile devices iPad, mobile phones anytime and anywhere across the globe. Internet banking also referred to as online banking. Daniel, (2002). Online business platforms are very fast and cost effective.

2.1.5 Convenience
Point of sale, internet banking and mobile banking, from the mentioned channels of electronic payments mobile banking is the most convenient one. This is so because it can be transacted anytime anywhere without the need to go to an agent, except the need to deposit or withdraw money arises. Even so, mobile money agents particularly Ecocash agents are many and are located almost everywhere in Zimbabwe Ecocash is available at most in every business are some are even homebased. According to World Bank (2012), mobile money is liquid enough to allow for fast and easy conversion to cash and with slightest loss on value compared to other assets owned by the SME

Electronic payment convenience are also comes in form of security and safety. When a mobile phone is lost or stolen, one does not lose his or her money in the wallet provided the PIN is not known because wallet services cannot be accessed with a wrong pin Omwansa, (2009). Unlike cash, mobile plastic money can be recovered from the service provider. This can improve performance since no loss can be encountered through theft and because it saves time, the firms can make bill payments without going for example to ZESA directly to make electricity payment. Therefore, the study attempted to verify if convenience contribute to the increase of electronic transactions (sales).

2.1.6 Lower transaction cost
Cobb (2005) states that electronic payments lowers transaction cost and stimulate higher consumption. Some researchers opines that cashless system reduces transfer processing fee and processing transaction time. ‘When transferal cost is low the saving is either passed on to clients or the money saved from the lower can may be kept and contribute to profits’ Nyaga (2017). Mallat (2007) asserts that the cost transaction payment cost influences consumer adoption if
the cost is passed on to customers. For total cost of transaction to be competitive transaction, cost should be lower. The research attempted to ascertain if lower transaction cost contributed to the performance of SMEs.

2.1.7 Efficiency and reliability
Electronic payment platforms allow the sender to instantly receive confirmation data of the recipient as the receiver is receiving the payment. This information is stored within the computer, phone short message service (SMS) stowing option allowing for future retrieval and tracking if the need arises. Additional data services that can be made through electronic means include requests for and viewing of bank statements, viewing for bank balances and many more. Keck (2011) states that mobile money was originally designed to assist microfinance institutions rationalize their operations, improving efficiency and enhancing business growth. The researcher examined if increased efficiency from using electronic payments had any impact on business performance and growth.

2.2 Theoretical framework
The study will be guided by Technology acceptance theory (TAM) and The Leaning Model theory.

2.2.1 Technology Acceptance Model (TAM)
Fred Davis (1989) developed a technology acceptance model (TAM). It is an information system theory that shows how users come to accept and use new technology. It suggests that whenever a new technology is introduced there are a number of factors, which determine user’s decision about how and when they will use it. According to Davis (1989), these factors are perceived usefulness (PU) and perceived ease of use (PEOU). He defined perceived usefulness as the degree in which a person believes that making use of a specific system would improve his work performance. Perceived ease of use was defined as the extent to which users believe that using a specific system would be free from effort that is it will be easy to learn and to use. In short, the theory states that consumers will decide whether to use electronic means of payment or not because of their perception in regards to the above factors that are the recognition of the benefits and usability of the system.
Cashless society which introduced the use of electronic payments came in to the country as a new technology. Its use during introduction was determined by its usefulness and the advantages of using it. Thus those who afforded to use it quickly adopted to the new system so as to gain competitive advantage and survive the stiff competition in the market.

2.2.2 The Learning Model
The Learning Model by Jovanovic, (1982) theorized that administrative efficiency and learning were the key elements of firm growth. The Model assumes that firms become alert of their efficiency level after the firm starts operating and they have to modernize their prior predictions through experience (McPherson 1992). Growth is therefore said to be a function of the accuracy of the managers in predicting their ability and approximation of this efficiency improves as the firm ages. The model points slower rate of growth on older firms to the low variance between actual efficiency and the anticipated efficiency. The growth of firms ascribed to management effort is hence the difference between the true efficiency of management and their predictions of their managerial efficiencies. The implication of the Learning Model is that firms that are inefficient exit the market while those that are efficient survive the competition and grow.

The model also proposes that bigger companies have gentler growth rates compared to smaller firms due to their efficiency and confidence in predicting their costs, resulting in a decrease in the mean and variance of its growth rate. The model is condemned as being “passive” because it depends heavily on the efficiency of managers. Pakes et al (1987) modified the Learning Model with the efficiency restriction altering through human capital expansion. The active model by Pakes and Erickson implies that firms that invest in human capital and research and development are presumed to be extra efficient and grow faster. Gebreeyesus (2007) concludes that as a result of the model by Parkes and Erickson, investment in human capital through education and experience is critical for the growth of SMEs in developing countries.

2.3 Empirical evidence on cashless society and performance SMEs.
Several studies had been carried out on cashless policy, electronic payments and mobile payments. Okeke (2017) examined the effects of cashless policy on development of Small to Medium enterprises in a paper titled Effects of Cashless policy on Development of Small to Medium scale Enterprises in Anambra State Nigeria. A survey method was used and data was
collected using questionnaires. His main objective was to investigate the effects of a cashless economy on small-scale business looking at the variables of a cashless economy, namely ATMs, Mobile money, internet and point of sale. Results of the study showed that internet banking, mobile payments and ATMs positively and significantly affect return on assets while point of sale has no influence on the development of SMEs. The study thus concluded that cashless policy has a positive influence on the development of SMEs in Anambra State.

In addition, Simiyu et al (2015) in their paper titled Mobile money transfer and the growth of Small to Medium sized Enterprises in Kenya. In respect of the conceptual framework of the study mobile banking convenience, accessibility and transactional cost all have been shown to affect growth of SMEs. They argued that the factors above would enhance firm competitiveness because of increased profits resulting in higher profits due to variability of transaction options when applied in a business. Cobb (2005) added that electronic payments lowers transaction cost and stimulate higher consumption. This study seeks to explore if electronic payment channels usage certainly contribute to the growth and performance of small firms.

Furthermore, Igbara, (2015) et al in their study titled The impact of cashless policy on Small-scale businesses in Ogoni land of River State Nigeria. They found that there was a negative influence of the introduction of cashless policy have negative influence on the operations and growth of small-scale businesses in Ogoni Land. They argue that a shift to the use of electronic payment channels by operators of SMEs without knowledge of ICT could hinder firms operations and growth. Thus leading to low total turnover on investment as well as slow rural economic ventures.

A study by Nyoni et al, (2018) done in Zimbabwe supported the above study stating that technological capabilities or lack of knowledge about technology is the primary reason for continual growth challenges in small firms in developing countries despite support granted by government and other organisations. Lack of technological implementation hinder small businesses growth. They also added that ‘technology is now part of the day-to-day running of literally all businesses through the world’. In order to establish alternate ways of sustaining competitive advantage small firms in Zimbabwe ought to respond to technology according to Nyoni (2018). Thus, this study ought to find out if the adoption of cashless system technology by small firms in Bindura has in any way influenced firm growth.
A related study done in Kenya by Karigano (2014) in an article titled Effects of mobile phone transfer services on performance of micro and small enterprises showed that digital innovations cannot be wished away from the success of any business. The results from time series trends showed that those small firms using innovations in their business were in better positions than those who were not using. The study recommended a reduction of tax on all digital gadgets, mobile phones and related technologies so that as many as possible (firms) can afford them and apply them in their businesses.

2.4 Gap analysis
From the theoretical and empirical literature above it shows that little research has been carried out in Zimbabwe on the impact of a cashless society on performance of small to medium enterprises. Most of the studies has been carried out in other countries having different operating environment from that in Zimbabwe. Therefore there is need to carry out more studies in order to ascertain the validity of the findings. Most of the studies researched more on the impact of mobile banking on small to medium enterprises, thus this study seeks to explore more on how other electronic payment channels influence business performance and growth, and these include POS and internet banking.

2.5 Chapter summary
This chapter looked at the literature review consisting of the theoretical framework with the technology acceptance model and diffusion of innovation theories, and the empirical evidence. The following chapter looks at the research methodology.
CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction
This chapter explains how the data was collected from the field. It explains all the activities and procedures undertaken during data collection. These aspects are research design, population, sample, data collection instruments, data validity and reliability. It also covers data presentation and analysis as well as the chapter summary.

3.1 Research Design

There are three types of research designs, namely, explanatory research, exploratory research and experimental (causal) research. From the different research designs listed above, a quantitative descriptive approach has been chosen mostly, complemented by the gathering of related qualitative data. According to Ghauri et al, (1995), descriptive studies are meant to describe a subject by summarizing a group of people, hitches or events by gathering data and arranging the research variables’ occurrences or their interaction. This type of research design defines the event or phenomena being studied, as they exist without operation. The research problem is very clear and well structured. The data collection methods associated with descriptive studies are case studies, observations and surveys. Descriptive studies are quantitative in nature and very conclusive.

Justification for using a descriptive research design

This method has been selected because of the designed nature of the problem under study, which has existing claims. For the drive of this research descriptive research design was used as it is offers either quantitative or qualitative communication from the respondents and it enables the researcher to attain a picture of respondents’ sentiments of a particular situation. Again, this tactic matches methodologies used in similar studies carried out in this area. The
research is also not exploratory which would have required the use of exploratory or a qualitative approach. Three types of descriptive research design are case study, observation method and survey method. Survey technique was chosen for this study. The data was therefore collected using questionnaires, which are a comparatively cheaper and easier method of surveying. Questionnaires also dovetail with descriptive research designs.

3.2 Research Population
According to Tackman (1994), the study population is the combination fundamentals that the researcher is interested in creating inferences.

3.2.1 Target Population
Best et al, (1993), describes population as any group of persons that have one or more characteristics in conjoint, that are of interest to the researcher. For the tenacity of this research, the researcher will consider SMEs situated in Bindura. Study population consisted of 100 randomly selected SME owners or management in Bindura from the retail sector. The selected SMEs are expected to be a true representative all SMEs in Bindura, which can then extrapolated to the entire country.

3.2.2 Sample size
Sampling is a way in which fundamentals in a population are selected to signify the whole population Cooper et al, (2003). The purpose for sampling is to assist the researcher to draw inferences about some boldness, characteristic or behavior of the entire population. According to Farber, (1974), sampling is a minor part of the whole, designed to represent its nature and quality. Ideally, a sample must be representative and allows the researcher to produce accurate approximations of the behavior and opinions of the larger population Bhattacherjee, (2012). the sample size was calculated using the following formula.

\[ n = \frac{N}{1+N(e)^2} \]

Where \( n \) = sample size
\( N \) = total population
\( e \) = sampling error (precision level @ 5% (95% confidence level)

Therefore sample size of the study: \( n = \frac{100}{1+100(0.05)^2} \)
3.2.3 Sampling techniques

In this study, the researcher used a stratified research method, where SMEs were stratified according to the service or products offered. The stratifications were tuck-shops flea markets, hardware, vendors, and boutiques. The simple random sampling and the judgmental sampling was then applied to pick the respondents from each of the categories.

Stratified random sampling

Bhattacherjee (2012) states that in stratified sampling, the sampling structure is split into similar and non-overlapping subgroups called “strata”, and a mere random sample is drawn amongst each subgroup. According to Kothari, (2004) it is sampling within unusual sections of the target groups which results in more detailed and reliable information.

Justification of stratified random sampling

The researcher had to use stratified random sampling to make sure specific groups within the retail sector are signified by selecting individuals from strata list, which guarantees a high level of representativeness of all strata in the target population. Stratified random sampling had to be used by the investigator as it leads to advanced exactness because there is less variability among the groups given that similar features are grouped together and it assisted the researcher to reduce the accidental of human prejudice in the choice of cases to be integrated in the sample.

Simple Random Sampling

Simple random sampling is randomly selection of activities (a sample) from the entire population MacDonald et al, (2006). It is one in which everybody in the population have an equal chance of being nominated and simply it is a random sample from the entire population.

Justification for using stratified random sampling and simple random sampling

The researcher had to use simple random sampling as well to guarantee that there is no bias in the strata that would have been established using stratified random sampling. The use of these two sampling methods minimises the disadvantages associated with each one of them as the researcher had been able to save time at the same time the element of bias had be minimized.
3.3 Sources of Data

3.3.1 Primary data
The primary data is that data that is composed for the first time, and hence occur to be original Kothari, (2004). Primary data is that data which is taken at the origin that is that which is acquired after carrying out investigation of the issue for the first time Wegner (2010). This data is not analysed or organised. Primary data is collected in many ways mainly in descriptive and surveys researches. They include observation method, interview method, through questionnaires, through programs and using automated devices (Kothari, 2004). Personal interviews and self-administered questionnaires had been used as primary sources to collect primary data in this research. The questionnaires had been used as a support method to interviews to broaden the scope of data collection for the researcher to collect both the quantitative and qualitative data so to gather sufficient data for this study.

Justification for primary data
The researcher used primary data in this research as it gives the researcher access to first-hand information, as the information would have been collected straight from the respondents with questionnaires and interviews. Primary data was also considered by the researcher so that the researcher have human judgment and be able to draw own conclusions to areas which respondents could not have fully answered.

3.3.2 Secondary data
Secondary data consist of data which have been collected by somebody else and which have been passed through the statistical process (Kothari, 2004). Journals and thesis had been useful in making literature review to clarify gaps existing in literature.

Justification for using secondary data.
The researcher had used secondary data as it had been obtained from trustworthy sources in the form of journals. Secondary data had been used, as it was easily available to the researcher as it is historic. It was used to find what other researchers found about the cashless economy
and performance of small firms so that the researcher will be able to identify and fill the research gape.

### 3.4 Research instruments

Bhattacherjee, (2012) identifies research tools as methods of data gathering used in gathering raw data from numerous respondents. Bogdan et al (2003) supported this when they stated that the research devices relate to the tools used to collect information from the respondents. In collection of the appropriate and relevant data, the researcher made use of questionnaires and interviews due to the nature of the research topic to have reliable information. Qualitative and quantitative research devices will be used to collect data. The investigator used questionnaire and interview guides to gather data. This guarantees data triangulation such that the advantages of each data collection method complements the other. This also enhances research validity and reliability.

#### 3.4.1 Questionnaire

The primary method of collecting data for this study was the questionnaire. According to Kervin, (1999), a questionnaire is an device for collecting data in quantitative survey research from respondents who record their own answers. Questionnaires consist of structured questions that are designed to bring out opinions and facts from the respondents. The benefit of using questionnaires in survey study is that it can be administered to a large number of research matters at the same time and is cost effective Fraenkel, (1996). Questionnaires permits the collection of large amounts of information within a short period of time and in a relatively cost effective way Questionnaires also allow respondents to be anonymous and this result in more honest responses. More so, greater feelings of anonymity by respondent’s results in free expression of feelings and views hence minimized research bias.

**Demerits of questionnaires**

The major drawback of using questionnaires is that of a low response rate. Kervin, (199) argue that respondent usually fail to fill and return the questionnaires to the researcher. It is also difficult to ascertain the individual who would have finished the questionnaire as in some cases the questionnaires are completed away from the researcher. Furthermore, the lack of contact or communication between the researcher and respondents does not give room for clarification
and confirmation of facts. In cases where the questionnaire is completed in the absence of the researcher, respondents may have problems in answering certain questions. It dependent on the ability and willingness of the respondents to provide the information needed.

3.4.2 Interviews
Interviews will also be used to collect data from the respondents. Interviews are a purposeful discussion between two or more people. Face to face, interviews will be conducted in particular with the owners of SMEs since these are the people who know the challenges they face in getting finance. The interview questions will be designed to obtain answers pertinent to the research questions and objectives. The interaction between the researcher and respondents enables the researcher to get instant feedback that allows her to record responses at site and this saves time.

However, interviews have their own weaknesses; interviewees may feel uneasy about the presence of the researcher and might be tempted to give biased information. In an attempt to confirm the reliability and the validity of the interviews, the researcher will undertake a pilot study. Triangulation also helps the researcher to counter the limitations posed by the use of interviews.

Justification of interviews
Personal interviews were used to collect the qualitative data that the questionnaire might have failed to discourse as the personal interviews cancel the shortfalls of the questionnaire. The use of structured interviews helped the researcher to gather valid and reliable data. The researcher used personal interviews in this research to encourage interaction and verbal communication with the respondents giving instant responses for the field under assessment.

3.5 Data collection procedure
Data collection process is the way that the researcher composed data. Wegner (2010) states that there are two types of data sources that are primary data sources for primary data and secondary data sources for secondary data. The study utilized data collected in the field that is the primary data. Survey method was used to collect data from respondents using questionnaires. The questionnaire had guidelines on how to respond to each question. The researcher distributed and collected the questionnaire to the selected respondents.
3.6 Data validity and reliability

Validity refers to the extent to which a test measures what it is supposed to and the appropriateness with which conclusions can be made based on the test results Hart, (2008). According to Saunders (2003), reliability is the degree to which measures are free from random error and therefore provides consistent data. A pilot testing was carried out to enhance the reliability and validity of the data. More so, triangulation, which entails the use of different data sources and methods to collect data, was used to ensure that the data gathered was valid. Primary data was collected through questionnaires and interviews. Microsoft Excel and graphs, tables, pie charts and the descriptive summaries were used to give viable results on an assessment of the impact of cashless system on performance of SMEs.

3.7 Data Presentation and analysis

The data generated will then be presented in the form of tables, graphs, percentages, frequencies and charts for easy reading. Tables and graph were used to organise and group data for it to be easy to interpret and controllable. The role of tables makes the presenting of summarised information concisely effective and more defined and the use of graphs makes the presentation of visually stimulating information effective.

3.7.1 Data Analysis

Kothari (2004) opposed that data analysis is the analysis and exposition of collected information with emphasis on determining indispensable information, facilitating decision making and recommendation. The researcher organised the data collected and checked the questionnaires for significance and inclusiveness, incomplete and not relevant questionnaires were screened from the ones analysed. The analysis and presentation of this research finding was completed using Microsoft Excel and graphs, tables, pie charts and the descriptive summaries were used to give viable results on an assessment of the impact of cashless system on performance of SMEs. The researcher made use of the mean for the data analysis as the mean can be engaged on a large quantities of data and it gives rise to the outcomes that are indicative of the whole population feelings. However, the use of the mean only comes with its limitations as it takes time to calculate a large set of data.
3.8 Ethical Research
The research subjects will be properly informed before answering the research questions that the study is meant for the academic purposes only and not to unleash their personal position in relation to their business operations. The data collected will be kept confidentially for the research purpose only. During both the interviews and the questionnaire answering there will be no name required for the sake of the respondents’ privacy.

3.9 Chapter summary
This chapter covered research design, population, research instruments, validity and reliability. The chapter also dealt with data collection, data presentation and analysis procedures as well as ethical considerations in research.
 CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter discusses the analysis and interpretation of the research findings to the problem specified in chapter one and linking them to the relevant literature discussed in Chapter 2. The analysis was derived from primary data that was collected using questionnaires. The questionnaires were administered to find out the impact of a cashless society on performance of small to medium enterprises. Demographic characteristics of the respondents are presented first, followed by that of the business enterprise such as nature of business, size of business and registration status. The data had been presented and analysed using graphs, tables, pie charts and descriptive summaries.

4.1 Response rate

Response rate is defined as feedback given as a reply or reaction to a previous action Saunders et al (2009). It is the total numbers of replies divided by the sample after unreached and disqualified respondents have been excluded, that is the achieved sample over the target sample expressed as a percentage according to Saunders et al, (2009). The responses to the questionnaires distributed and the interviews held were analysed to determine the response rate of the respondents. The achieved sample was expressed as a percentage of the target sample to determine the active response rate.

4.1.1 Questionnaires response rate

60 questionnaires were distributed to owners and managers (workers) of SMEs. The response rate was realized as shown on the table below.
Table 1.1: Response rate

<table>
<thead>
<tr>
<th>Type of questionnaire</th>
<th>Questionnaires administered</th>
<th>Questionnaires responded</th>
<th>% response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire</td>
<td>60</td>
<td>47</td>
<td>78.3%</td>
</tr>
<tr>
<td>Structured Interviews</td>
<td>20</td>
<td>14</td>
<td>70%</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>61</td>
<td>76.3%</td>
</tr>
</tbody>
</table>

Source: (Primary data)

The table above shows the target number of questionnaires administered to selected categories or sectors of small firms. In this study, 47 of the questionnaires were successful out of the 60, which were distributed. This represented a response rate of 78.3% that is high enough to ensure validity and reliability of the research findings. According to Saunders et al, (2009), this response rate is adequate for data analysis. They argue that a response rate of between 50% and 92% is an acceptable response rate for quantitative research studies.

4.1.2 Interview response rate

From the 20 planned interviews, 14 were conducted ensuring a response rate of 70%. Since the response rate is above 50%, the degree of validity and reliability for the data collected using interviews is considered more reliable for this study. The other six failed due to the reasons beyond the researcher.

4.2 Demographic data of respondents

Table 2.1: Academic qualifications
The information shown on the table indicates that the large number of the respondents have a degree, it also shows a significant number have O and A Level and a Diploma. Fewer respondents had no qualifications. The researcher was thus able to obtain valid and reliable information since the respondents were educated hence it was easy for them to understand the subject matter. More so, the researcher did not have to explain much to them and this made the researcher’s job easier.

Table 3.1: Position of respondents

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>48</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Manager</td>
<td>32</td>
<td>40%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

From the table above the larger number of the respondents were the owners of the business other than the workers. This added on as an advantage to the researcher because it made the researcher to be able to find in-depth information about the research subject. This is so because employee information disclosure is limited due to the confidential policies among them and their employees. They are urged protect companies private information. However, some researchers argue that owners do not have enough info since they lack expertise and employees are appointed according to their qualifications. This also shows that more of the SMEs in Zimbabwe are owner managed.
4.3 Demographic Data of SMEs

Table 4.1: Legal status of SMEs

<table>
<thead>
<tr>
<th>Status</th>
<th>Frequency</th>
<th>Percentage %</th>
<th>Cumulative percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered</td>
<td>30</td>
<td>37.5%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Not registered</td>
<td>50</td>
<td>62.5%</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Primary data)

From the table it shows that more SMEs are not registered. This is so because they want to evade taxes and other government regulations. Registering is important because it facilitates access to resources from government, financial institutions and other donors. The findings showed that those who were not registered use mobile payments and they are unbanked.

4.4 Impact of electronic payments on SMEs performance

4.4.1 Use of electronic payments

Findings from the questionnaires and interviews showed that a large number of the respondents admitted using electronic payments evidenced by the data above. According to the research, SMEs have
resorted to the use of electronic payments because of cash shortages in the country. The government encouraged the use of plastic money to curb the cash crisis. Hence, SMEs are using electronic payments to acquire competitive advantage since the majority of the consumers are using plastic money. The majority of the population or customers are purchasing their goods and services from those who offer the mode of payment they have. The implications to business is that if a customer comes with ecocash and the firm does not accept it as a mode of payment the customer will go to the next provider offering what he/she wants regardless of the price. There firms are adapting to the use of electronic payments to keep up with the competition.

The facts above are supported by the findings of Nyoni (2018). ‘In order to establish alternate ways of sustaining competitive advantage small firms in Zimbabwe ought to respond to technology’.

More so the findings from above also showed that there is still a few number of SMEs who are not using electronic payments. The interview results showed that some of these firms are still using cash because they import their products from other countries; hence, they said it is cheaper to buy foreign currency with cash than with ecocash or transfer. This is so because the rate differs with the mode of payment used.

### 4.4.2 Electronic payment channels used

The researcher wants to know the types of electronic payment channels used by SMEs
Figure 3 Electronic payment channels used

Source: (Primary data)

From the above data, the majority of the research participants indicated that they use mobile payment systems. A significant number reported that they used point of sale. It also shows that few SMEs use internet banking and a smaller portion of the SMEs uses all the three electronic payment channels. The findings also show that some SMEs do not use electronic payments that means they still use cash only on their business transactions. An analysis of the research findings will lead to the conclusion that the mobile payment system is the major electronic payment system used by small firms followed by POS.

SMEs prefer using mobile payments because of its convenience, accessibility and it is easy to use. This was supported by the Technology acceptance model theory by Fred David (1989) which states that perceived ease of use determines how and when people will use the technology. More so most SMEs are unbanked thus, they find mobile banking convenient as people without bank accounts also participate in electronic payments This increased convenience offered by mobile money leads to increased usage of the service other than the other channels.

The research showed the few firms are using POS and internet banking. From the respondents feedback this is so because of they do not have the resources. The reason being the cost of acquiring it, for instance POS requires one to have a bank account and the rent the swipe
machine from the bank. Thus, some firms find it difficult to undergo all that process. Igbara (2015) opines that small-scale businesses do not rely in heavy capital hence the introduction of cashless economy system could be a hindrance on its operations. In simpler terms, Igbara asserts that some SMEs do not have more capital, which they can use to acquire new technology, thus failure to do so will result in them being out competed by those firms who use modern technology.

4.4.3 Contribution of electronic payments to performance
Use of electronic payments has contributed in the following ways to the financial performance. The researcher investigated how the use of electronic payments affected performance.

![Chart Title](chart.png)

**Figure 4 Electronic payments benefits**
Source : (Primary data)

Majority of the respondents strongly agrees that use of electronic payments increases sales and improves competitive advantage. A significant number also agreed that it boost cash flow and increases profits. From the investigations, the researcher found that the introduction of cashless society system resulted in many firms shutting down due to economic hardships. This reduced the number of players in the market. Those who exploited the situation and adopted to the plastic money payments survived and gained competitive advantage.
These findings are supported by a study by Kirigano (2014) which showed that digital innovations cannot be wished away from the success of any business. The results from time series trends showed that those small firms using innovations in their business were in better positions than those who were not using. It supports the notion above those firms which failed to adapt to the new technology (cashless system) closed their business and those who adapted to it are still surviving.

Simiyu et al (2015) also argued that electronic payments convenience, efficiency and transaction cost would enhance firm competitiveness because of increased profits resulting in higher profits due to variability of transaction options when applied in a business.

### 4.5 Electronic payments and growth

Electronic payments contribute or influences growth in the following ways

![Chart Title](chart)

**Figure 5 Ways in which electronic payments contribute to growth**

Source (Primary data)

The findings from the study show that electronic payments enhanced customer service and extended customer base. It shows that it has not led to the increase of workers employed and not influenced access to capital. Customer service improved in a way that those who are using electronic payments have managed to meet consumer taste and preferences by providing more options of payments to them. This resulted in increased customer base because the customers continue to come back where they were satisfied. The results from the interviews showed that
electronic payments are insignificant in increasing access to capital especially to those who use mobile payments only.

A few SMEs agreed that electronic payments led to the increase of number of workers. Those who use POS and mobile payments are the ones who increased the number of workers such that the other one will serve those with cash and the other will serve those using mobile banking.

The growth in customer base shown above is supported by Nyoni et al (2018) they asserts that without technology firms find it difficult to neither compete nor grow. They say that the primary reason why small firms continue to face growth challenges their lack of technological capabilities such as use of electronic payments, new machinery and the modern ways of doing business. In addition more authors have confirmed the importance of adapting to new technology in growth development and success of SMEs.

4.5.1 Reasons why electronic payments increase customer base

To investigate if convenience and efficiency of electronic payments influence growth

![Chart showing reasons why electronic payments increase customer base](image)

**Figure 6 Reasons why electronic payments increase growth**

Source: (Primary data)

The above graph shows that convenience has a positive influence on growth. This is so because this convenience is the other factor, which influences people to use these electronic payments.
For example mobile money which is more convenient than all the others are, it can be used anywhere anytime where there is network. This convenience made Small firms to open all day because there are some days when one would close the shop and go to pay water and electricity bills. However, nowadays it is easier these bills can be paid via Eco cash, no need to close this result in customer retention since whenever the customers come they will be served.

A study done by Acha (2008) agrees with this study that electronic payments increases customer base. Their findings showed that the use of e-transaction gives more convenience and option of services to customers. Electronic payments will help business people grow their customer base and resource pool, far beyond the limitations of their immediate geographic area. Using a payment card gives convenience and security than making cash withdrawal and moving to where to make purchase.

In addition, majority disagreed that efficiency led to the increase in customer base. This is so because of some of the problems faced during the use of electronic payments. The interview findings showed that sometimes these electronic payments are affected by network challenges. In addition, when there is no network there is no business. In general, the respondents were saying that these services are not that reliable.

**4.6 Electronic payments service cost.**

The researcher needs to explore on how transaction charges on electronic payments affects growth and performance

**4.6.1 Cost of transaction charges**
The findings show that transactional charges on electronic payments are very expensive. This is because of the 2% tax on every dollar introduced by the government in October last year. This tax is costly to business because it is charged on every transaction done. Responses from the interview showed that this tax was reducing their competitiveness because of the cumulative impact of the tax because of their numerous electronic transactions they conduct. Some said that they even see this as a punishment on business, which are already paying a number of taxes to the government. This has added to business cost.

This contradicts with other studies; Simiyu found out that study mobile banking convenience, accessibility and transactional cost all have been shown to affect growth of SMEs. They argued that the factors above would enhance firm competitiveness because of increased profits resulting in higher profits due to variability of transaction options when applied in a business. Cobb (2005) added that electronic payments lowers transaction cost and stimulate higher consumption, which is different from the findings of this study.

### 4.6.2 Electronic transactions available to SMEs

![Chart Title]

**Figure 8** Electronic transactions performed by SMEs

Source: (Primary data)
From the diagram above it shows that electronic payments apply in every aspect of the business. Those who use mobile payments (sales) also purchase their raw materials or good also using ecocash. They also use electronic payments to pay their bills and salaries. However, majority shows that they use cash to pay bills and salaries. This is so because electronic transaction charges in Zimbabwe are high due to the 2% tax. More so, on mobile banking the service providers also have their charges. Thus, the 2% is adding up to business costs. In addition the higher prices charged might turn away customers.

The effect of the tax is low to purchases because they can easily pass the burden to customers in form of high prices. The impact on paying bills and salaries is heavy because it is difficult to pass to the customers. This implies that cost have a negative impact to performance and growth.

This differs from the study done by Cobb, (2005) which found out that lower transaction cost is one of the advantages of electronic payments. Mallat (2007) asserts that the transaction payment cost influences consumer adoption if the cost is passed on to customers. For total cost of transaction to be competitive transaction, cost should be lower. When transfer cost is low the saving is either passed on to customers or the money saved from the lower may be kept and contribute to profits. This is different with the Zimbabwean situation because transaction cost are high.

4.7 Chapter Summary

This chapter presented the data gathered in graphical and tabular form. The findings proved that cashless economy positively influence performance and growth of small firms. However, the results also showed that transaction charges on electronic payments negatively affects growth and performance.
5.0 Introduction

This chapter focuses on the summary of the findings, draws conclusions and recommendations. In addition, it presents an area of further study.

5.1 Summary

The study revealed that:

- Educated people run majority of the SMEs from the findings few respondents had no qualifications at all.
- Majority of the SMEs are owner managed this is also because of the high unemployment thus majority of the population are becoming entrepreneurs. (Self-employed).
- A large number of the SMEs use electronic payments. Mobile banking being the mostly used mode of electronic payment.
• Showed that electronic payment increased business performance due to increased sales.
• Electronic payment convenience positively influence growth due to increase in customer base.
• Transaction charges are expensive and impact business negatively

5.2 Conclusion

• The study find out that cashless economy impacts positively to the performance of small business. The findings showed that electronic payments increase profits through an increase in sales, increase in profits and increased in competitive advantage. This is so because of its convenience and ease of use
• Electronic payment increases firm growth through an increase in customer base and enhance customer efficiency. The reason being customers are going to those firms which offer them a variety of payment options, because of the cash crisis electronic payment have been the alternative to make payments thus, firms using the are at an advantage than firms who have not started using it.
• Transaction cost has a negative impact on growth and performance. Poor results being attributed to the increase in tax. The 2% tax have increased business cost. More so on mobile banking charges charged by service providers are high.

5.3 Recommendations

Recommend all SMEs to embrace the new technology so that they survive and gain competitive advantage. As seen from the study more researchers were arguing that survival and growth is gained through technological investments.

The government to provide workshops for the SMES educating them on how to manage businesses. This notion is supported by the leaners theory, which states that firm’s growth depends on managerial skills.

Improve networks especially in rural areas such that when SMEs want to expand they may exploit the rural and with networks in place business will be as usual.

Recommend the government to reduce or revise its tax such that business cost will be reduced
5.4 Suggestion for future research

A further examination is recommended on how cashless economy that is the use of electronic payments affects other sectors other than the retail sector. Sectors such as manufacturing mining and the service industry.

5.5 Chapter summary

This chapter looked at the summary and conclusion of the study and the recommendations. It presented suggestion for future study.

REFERENCES


Aris, N. M (2007). SMEs: Building blocks for economic growth, Department of Statistics, Malaysia


Interconnected World), New York Prentice Hall.


Reserve Bank of Zimbabwe Monetary Policy (2014).

Reserve Bank of Zimbabwe Monetary Policy (2018).


Appendix 1

Questionnaire
A last year student studying a Bachelor of Commerce Honors Degree in Banking and Finance at Bindura University has prepared this questionnaire. In partial fulfilment of the program, every student is required to undertake a research on a topic of her/his choice.

Research Topic
The Impact of a cashless economy on performance and growth of Small to Medium Enterprises in Bindura.

Kindly assist by completing the questionnaire. Information provided shall be treated with strict confidentiality and used for academic purposes only.

Instructions
Please indicate your response by ticking in the box corresponding your desired response.

Please do not write your name anywhere on this questionnaire.

Section A Demographics of respondents
Please tick where applicable

1. Academic qualifications held.

O -level. [ ] A-level. [ ] Diploma. [ ]
Degree. [ ] Masters. [ ] None [ ]

2. Position held

Owner. [ ] Employee [ ]

Section B Demographic of the firm

3. Legal status

Registered. [ ] Not Registered [ ]
Section C. Use of electronic payment system and performance of small firms

4. Do you use any electronic payment system?

Yes. [ ] No [ ]

5. If yes which channel do you use?

<table>
<thead>
<tr>
<th>Electronic channel</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile banking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Point of sale (POS)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet banking</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Do you use other electronic channels not mentioned above

Yes. [ ] No [ ]

7. If yes fill the other channels in the space below

............................................................................................................

8. Electronic payments system influence profitability in the following ways

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boosting cash flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section D. Cashless system and growth

9. Electronic payment system has contributed in the following ways to the growth of small firms

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in customer base</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhances customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in number of workers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faster access to capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. The following influenced the increase in customer base and workers

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Not sure</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency and reliability</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section D. Transactional cost on electronic payments and their impact to business performance and growth

11. Transaction charges are:

Cheap [ ]  Costly [ ]
12. Transactions performed using electronic payments

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying salaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paying bills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receiving money /sales</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

End of questionnaire

THANK YOU
Appendix 2

Interview guide

My name is Marvellous Nkwazi. I am a final year student studying Bachelor of Commerce honours Degree in Banking and Finance at Bindura University. This interview is meant for a research topic on the impact of Cashless society on performance and growth of SMEs.

1. Do you use any electronic payment system?
2. Since electronic payments adoption have you noted any chance on performance or growth of your business?
3. What key differences have you noted before and after the adoption of electronic payments?
4. Do you think your business have benefitted from the adoption of electronic payments over its competitors?
5. What is your personal view on cost of electronic payments charges? (Yes / No) cheap or costly.