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Bridging Financial Literacy Gaps for Women-Owned SMEs: Insights from Morogoro Municipality, Tanzania

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Abstract: *This study investigated the financial literacy levels among women-owned small and medium enterprises (SMEs) in Morogoro Municipality, Tanzania, revealing significant gaps in financial knowledge and management practices. Using a survey methodology, data were collected from 142 female entrepreneurs through structured questionnaires and analyzed using descriptive statistics via SPSS software. The analysis uncovered a moderate overall level of financial literacy but identified critical deficiencies in key areas. Notably, 56% of respondents lacked knowledge of optimal investment practices, highlighting a major obstacle to capital growth and long-term wealth accumulation. Weaknesses in financial planning were also prevalent, with 55% of participants not maintaining written business objectives, and 50% failing to compare business performance with their set goals—exposing a lack of strategic foresight crucial for sustainable growth. The study further found that 69% of the businesses operated in the low-margin trading sector and were largely sole proprietorships, which limited their capacity for growth and diversification. A significant concern emerged regarding risk management, where 73% of the respondents lacked business insurance knowledge, and 83% were unfamiliar with life insurance, leaving both their businesses and personal welfare highly vulnerable to financial shocks. Despite these alarming gaps, the study identified a basic understanding of core financial concepts, indicating that women entrepreneurs could improve their financial decision-making with targeted interventions. To address these deficiencies, the study recommended a multifaceted strategy that included financial literacy training programs tailored to the specific needs of women-owned SMEs, promoting financial inclusion through accessible loan products and services, and fostering a supportive ecosystem with mentorship programs and mobile financial resources. By addressing these gaps, women entrepreneurs could be better positioned to achieve sustainable business growth and contribute significantly to the economic development of their families and the broader region.*

Keywords: *Financial literacy, women-owned SMEs, Morogoro Municipality, investment practices, risk management*

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1. Background Information

Small and Medium Enterprises (SMEs) have been recognized as the lifeblood of Tanzania's economic development. These businesses play a vital role in job creation, fostering economic growth, and alleviating poverty. According to the World Bank (2023), SMEs constituted a staggering 95 percent of all businesses in Tanzania and employed over 60 percent of the workforce, highlighting their immense contribution to the nation's economic landscape. Beyond national figures, SMEs significantly drove innovation and entrepreneurship, often operating in niche markets that catered to specific local needs, thus fostering a more diversified and adaptable economy (Kweka *et al.*, 2022). Furthermore, SMEs have promoted regional development by creating jobs and economic opportunities outside major urban centers (International Finance Corporation (IFC), 2023).

Within this dynamic SME sector, women-owned businesses have emerged as a powerful force (Aparicio *et al.*, 2022). The International Labour Organization (2023) reported that women-owned businesses represented a substantial portion of the Tanzanian SME landscape, accounting for over 43 percent of all registered SMEs as of 2023. These businesses not only contributed to overall economic growth but also empowered women entrepreneurs, fostering their financial independence.

However, despite their undeniable contributions, women-owned SMEs faced numerous challenges that hindered their growth and success (Demirguc-Kunt *et al.*, 2017; Djauhari Sitorus, 2017; Klapper & Lusardi, 2020). Research conducted by the Centre for International Private Enterprise (CIPE, 2022) highlighted that a lack of financial literacy constituted a key challenge for women entrepreneurs. Limited financial knowledge and skills restricted women's abilities to make informed financial decisions, manage their businesses effectively, and navigate the complexities of the financial landscape.

Furthermore, a 2023 report by the United Nations Development Programme (UNDP) emphasized that women entrepreneurs in Tanzania faced a significant funding gap compared to their male counterparts. The report revealed that limited financial literacy made it challenging for women to present compelling business plans, understand loan terms, and negotiate effectively with lenders. Strong financial literacy equips women entrepreneurs with the skills to develop well-structured business plans that accurately forecast financial needs and demonstrate growth potential. Additionally, understanding loan terms allows women to make informed decisions about interest rates, repayment schedules, and potential risks (Mutalemwa & Makindara, 2022). Finally, effective negotiation skills enable women to advocate for their businesses and secure favourable loan terms (UNDP, 2023).

This study made a situational analysis of financial literacy among women-owned SMEs operating in Morogoro Municipality, Tanzania. By examining the current state of financial knowledge and skills among women entrepreneurs, this research aimed to bridge the knowledge gap in this critical area. The findings generated valuable insights that empowered women entrepreneurs, informed policy decisions, and supported the development of effective financial literacy programs specifically designed for women-owned businesses in Tanzania.

The definition of SMEs varies depending on the level of a country's economic development. According to the World Bank (2023), SMEs are businesses that fall below certain thresholds in terms of employee size and annual turnover. These thresholds vary by country but generally comprise businesses with fewer than 250 employees and an annual revenue range specific to the economic context. In developing countries, SMEs play a crucial role in economic development, significantly contributing to job creation and national economic output. Studies by the World Bank suggest that SMEs constitute over 90 percent of businesses globally and employ a large portion of the workforce (World Bank, 2023).

Since there is no universally agreed-upon definition of SMEs, different criteria are used based on size metrics or characteristics (Gamba, 2019). In Tanzania, SMEs are classified based on the number of employees and the amount of capital invested. Micro enterprises have fewer than five employees, small businesses have 5 to 49 employees, medium businesses have 50 to 99 employees, and large businesses have more than 100 employees. According to the Small and Medium Enterprise Development Policy (2003), SMEs involve capital investments of up to 800 million TZS (URT, 2003).

The Organisation for Economic Co-operation and Development (OECD) defines financial literacy as the ability to understand and use financial products and services to make informed financial decisions (OECD, 2023). Elsewhere, Nithyananda and Maiya (2020) define financial literacy as the ability to make appropriate decisions in managing one's personal finances. The OECD breaks down financial literacy further into core competencies: (i) Financial knowledge, which entails the understanding of basic financial concepts such as savings, budgeting, interest rates, and risk; (ii) Financial skills, which is the ability to apply financial knowledge to solve everyday financial problems, such as creating a budget, tracking expenses, and comparing loan options; and (iii) Financial behavior, which advocates for making informed financial choices based on knowledge and skills, considering future goals and potential risks (OECD, 2023). Therefore, financial literacy empowers individuals to navigate the financial complexities of everyday life and make sound financial decisions that contribute to their long-term financial well-being (OECD, 2023). This definition highlights the importance of not just possessing financial knowledge but also the ability to apply it effectively in various financial contexts to manage resources optimally for long-term benefits. In addition, the OECD (2023) emphasized that financial literacy should embody personal finance, financial inclusion, and financial products (Were, Odongo & Israel, 2021).

In practical terms, financial literacy is the capability to use financial knowledge and skills to make informed and effective financial decisions. It is crucial because the decisions individuals make can have long-lasting impacts on their financial health. For instance, wise financial choices can lead to beneficial outcomes over a prolonged period, while poor decisions can have detrimental effects (OECD, 2023). Thus, managing finances—especially for SMEs—presents additional challenges. Some SME managers must navigate a complex array of financial needs and instruments, making financial literacy even more critical. Enhanced financial literacy helps these managers understand various financial concepts and apply them effectively, thereby improving the financial state of their businesses. This competence in handling financial matters is essential for the sustainability and growth of SMEs (Lusardi & Mitchell, 2023; Nithyananda & Maiya, 2020).

2.0 Theoretical Framework

The current study was grounded in two key theoretical frameworks: Human Capital Theory and Competence-Based Theory.

Human Capital Theory, developed by economist Gary Becker, posited that knowledge and skills constituted a form of capital that significantly contributed to economic success (Becker, 1964). Within the context of women-owned SMEs, financial literacy emerged as a crucial component of human capital. It equipped women entrepreneurs with the necessary knowledge and skills to manage the financial aspects of their

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businesses effectively. This included making informed decisions regarding resource allocation, pricing strategies, and investment opportunities. Enhanced financial literacy allowed women entrepreneurs to improve their business performance, achieve sustainable growth, and increase their economic contributions (REPEC, 2023). A study by the International Federation of Accountants (IFAC) highlighted that financial literacy enabled women entrepreneurs to develop strategic financial planning skills, vital for long-term business sustainability and success (IFAC, 2023). Consequently, programs aimed at developing and supporting women-owned enterprises needed to ensure that financial literacy was included among the areas developed as human capital. This focus increased women's productivity, thereby enabling them to contribute significantly to family and community economic development.

Competence-Based Theory, championed by researchers such as Richard Boyatzis, emphasized the importance of specific skills for successful performance in particular roles or domains (Boyatzis, 1982). Financial literacy was essential for women-owned SMEs as it provided them with the competencies needed for effective financial management. These competencies included bookkeeping, financial analysis, and understanding loan terms. Financial literacy empowered women entrepreneurs to negotiate effectively with lenders, access necessary financial resources, and manage their finances efficiently, thereby fostering business growth and resilience (REPEC, 2023; IFAC, 2023). Studies suggested that financial literacy directly influenced the financial decision-making abilities of women entrepreneurs, allowing them to navigate complex financial environments and leverage financial opportunities more effectively. This competency was crucial for overcoming barriers to financial access and achieving business scalability (Lusardi and Mitchell, 2020; Caplinska and Ohotina, 2019).

By integrating these theoretical frameworks, this study emphasized the complex effects of financial literacy on women-owned SMEs. Financial literacy, viewed as human capital, not only enhanced individual entrepreneurial skills but also contributed to broader economic empowerment. Additionally, competence in financial management ensured that women entrepreneurs could sustain and grow their businesses in competitive markets, thus meeting their personal objectives.

At empirical level, several recent studies explored the critical role of financial literacy in enhancing the performance and sustainability of women-owned SMEs. For instance, Ye and Kulathunga (2019) examined the impact of financial literacy on the sustainability of SMEs in developing countries, finding that financial literacy directly influenced SMEs' ability to access finance and manage financial risks, positively affecting their sustainability. This finding was particularly significant for women entrepreneurs, who often faced additional barriers in accessing financial resources and managing financial risks effectively.

Further studies (Mabula and Ping, 2018; Mang'ana et al., 2023, 2024) demonstrated that financial knowledge was pivotal for the survival of new ventures. These studies indicated that entrepreneurs with higher financial literacy levels were better equipped to navigate financial challenges, leading to higher business survival rates. This was especially relevant for women-owned SMEs, which stood to benefit from targeted financial literacy programs to enhance their business longevity and success.

In another study, Klapper and Lusardi (2020) reinforced the importance of financial literacy in making informed financial decisions. They revealed that individuals with higher financial literacy were more likely to engage in sound financial planning and management practices, essential for the growth and stability of SMEs. This insight underscored the need for financial education initiatives tailored to women entrepreneurs to help them build the necessary skills for strategic financial decision-making.

Elsewhere, Garg and Singh (2018) explored gender disparities in financial literacy and found that women generally possessed lower financial literacy levels compared to men. This disparity hindered the growth potential of women-owned SMEs. Garg and Singh advocated for gender-specific financial literacy programs to bridge this gap and empower women entrepreneurs with the knowledge and skills needed to drive their businesses forward.

Another study by Jain and Roy (2019) assessed financial literacy among women in India, examining how they acquired financial knowledge and its impact on their financial resources. Their findings indicated that while government institutions offered financial training, greater emphasis was needed on women, as proper financial management was a collective concern impacting national economic development.

In Tanzania, Mabula and Dongping (2019) assessed the contribution of entrepreneurship training towards achieving the sustainability of SMEs. Their findings revealed that entrepreneurship training positively affected entrepreneurs' business sustainability, as improved performance in conducting activities led to increased sales and profits, ultimately promoting growth and sustainability. However, they noted that training costs and other criteria set by training providers hindered entrepreneurs from attending such training, leading to poor performance and unstable SMEs.

While existing research established a positive link between financial literacy and business performance, further studies were warranted to explore this connection within specific contexts. Many existing studies focused on general entrepreneurial populations and were conducted outside Tanzania. For example, Lê and Nguyen (2020) explored the financial literacy of small business owners in Vietnam, highlighting limitations that might not apply directly to Tanzania. Similarly, the Global Findex Database by the World Bank (2021) revealed a persistent gender gap in financial literacy globally. Therefore, this study aimed to bridge this gap by examining the situational analysis of financial literacy among women-owned SMEs operating in Morogoro Municipality, Tanzania.

3.0 Methodology

This study employed a survey methodology to collect data from women-owned SMEs in Morogoro Municipality, Tanzania. The survey approach was selected for its efficiency in gathering quantitative data from a large number of respondents, allowing for statistical analysis and generalization of findings to the broader population of women entrepreneurs in the region (Creswell, 2014). Morogoro was chosen as the study area due to its emerging role as a center for entrepreneurial activities and the notable increase in women-led businesses. This region presents a unique opportunity to explore the intersection of gender and entrepreneurship, as it has been identified as a key area for women's economic empowerment initiatives (Mabula & Dongping, 2019).

A purposive sampling technique was utilized to target female entrepreneurs operating registered businesses for at least one year. This approach ensured that the participants had sufficient experience and insights relevant to the study, as previous research indicates that business longevity is associated with increased financial acumen (Klapper & Lusardi, 2020). The sample size consisted of 142 respondents, which was determined to be adequate for statistical analysis while allowing for meaningful comparisons across different dimensions of financial literacy.

Data were collected using a structured questionnaire developed based on established financial literacy frameworks, including the Financial Literacy and Education Commission (FINRA) Financial Literacy Assessment Tool. This tool has been recognized for its validity in measuring financial literacy components (Baker *et al.*, 2021). The questionnaire was carefully adapted to the context of women-owned SMEs in Tanzania to ensure its relevance, addressing key areas such as financial awareness, planning, bookkeeping, knowledge of business terminology, risk management, and diversification strategies. This comprehensive approach is critical, as financial literacy encompasses various competencies essential for the success of SMEs (Lusardi & Mitchell, 2014). Prior to full deployment, the questionnaire was piloted to test for clarity and reliability, ensuring that the questions were understandable and that the responses were consistent, a necessary step in quantitative research to enhance instrument validity (DeVellis, 2016).

In gathering data, the study collaborated with the Morogoro Municipal Council, which provided access to a comprehensive sampling frame of registered women-owned SMEs. Collaborating with local government institutions is crucial in ensuring that the sample is representative and that the research findings can inform local policy and practice (Creswell & Poth, 2018). Outreach efforts included leveraging networks within Women's Business Associations (WBAs) and utilizing online platforms frequented by SMEs, such as social media groups and online directories. These strategies helped to enhance participation and engagement among potential respondents, as community ties are vital for reaching targeted populations in qualitative and quantitative studies (Babbie, 2021). Informed consent was obtained from all participants, ensuring the confidentiality of their responses, in line with ethical research standards (American Psychological Association, 2020).

The collected data were analyzed using the Statistical Package for Social Sciences (SPSS) software. Descriptive statistics, including percentages and means, were used to summarize participant demographics and financial literacy scores, providing a clear overview of the data. To assess the level of financial literacy among participants, a structured questionnaire was developed incorporating established financial literacy frameworks. A five-point Likert scale (1 = low awareness, 5 = high awareness) was employed throughout the questionnaire to measure respondents' knowledge, attitudes, and engagement in various financial practices. This approach allowed for the quantification of financial literacy levels and the calculation of meaningful mean scores that reflect the overall financial awareness of the women entrepreneurs participating in the study (Wang *et al.*, 2022).

4.0 Results and Discussion

4.1 General Demographic Information of the Respondents

The demographic analysis (Table 1) revealed notable patterns in age distribution and marital status among women entrepreneurs. The majority of respondents, 52 (37%) in the age group of 18-35 years and 78 (55%) in the 36-50 years bracket, reflected a diverse representation of mid-career and younger individuals actively driving entrepreneurial activities. This demographic diversity underscored the multi-generational nature of entrepreneurship, showcasing how women from various age groups contribute to innovation, job creation, and economic growth (Brush *et al.*, 2017). Furthermore, the prevalence of married women entrepreneurs (51%) suggests that spousal support plays a crucial role in women's entrepreneurial success, aligning

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with findings that indicate the importance of family dynamics in fostering business resilience and growth (Aparicio *et al.*, 2022).

Educational attainment emerged as a critical determinant of entrepreneurial success and innovation. The distribution of educational levels among respondents indicated a high prevalence of individuals with bachelor's degrees (28%) and diplomas (23%), indicative of a well-educated entrepreneurial workforce. This educational profile equips women with the skills, knowledge, and networks necessary to navigate competitive markets, capitalize on emerging opportunities, and overcome barriers to growth (Aydin *et al.*, 2023). The presence of individuals with master's degrees (5%) further emphasizes a commitment to lifelong learning and professional development, contributing to a culture of innovation within the entrepreneurial community. This finding aligns with recent studies highlighting the significance of human capital in fostering robust entrepreneurial ecosystems (Bakker & McMullen, 2023).

The analysis of business characteristics revealed that trading was the dominant sector among the women-owned SMEs (Table 1). This finding corroborated the results of a study by UNCTAD (2021) on the strategic importance of trade and commerce in driving economic development. The prevalence of trading businesses (58%) illustrated the dynamic nature of global supply chains and market integration, presenting opportunities for women entrepreneurs to access diverse markets, source inputs, and create value-added products and services (World Trade Organization [WTO], 2020). However, this concentration in the trading sector also highlighted potential challenges, such as market saturation, price competition, and supply chain disruptions. These challenges necessitated strategic diversification and resilience-building measures (World Bank, 2022). Recent studies emphasize the role of digital technologies and e-commerce platforms in enhancing market access, reducing transaction costs, and facilitating cross-border trade for women entrepreneurs (World Bank, 2022).

Ownership structure emerged as a critical determinant of entrepreneurial autonomy, risk-sharing, and growth potential. The prevalence of sole proprietorship (69%) indicated a preference for autonomy, flexibility, and simplicity in business operations, enabling women to pursue their entrepreneurial aspirations independently. However, recent research pointed out the limitations of sole proprietorships in accessing formal finance, scaling operations, and sustaining growth (Van Thiel *et al.*, 2023). Alternative ownership structures, such as partnerships and joint ventures, presented opportunities for resource pooling, risk-sharing, and collaborative innovation, fostering synergies and collective action among women entrepreneurs (Stefenon & Gimenez, 2023). The distribution of capital levels highlighted significant disparities in access to finance, with the majority (67%) of SMEs reporting capital levels below 200 million Tanzanian Shillings (Table 1). This finding underscored the urgent need for targeted interventions to improve access to finance, enhance financial literacy, and promote women's participation in formal banking and financial markets. Recent studies emphasized the role of microfinance institutions, angel investors, and impact investors in providing tailored financial products and services to women entrepreneurs, thereby fostering inclusive economic growth and poverty reduction (International Finance Corporation [IFC], 2023).

Table 1: General characteristics of respondents

Characteristic	Category	Frequency	Percentage
Age	18-35	52	37%
	36-50	78	55%
	50+	12	8%
Marital Status	Single	47	33%
	Married	72	51%
	Widowed	8	6%
	Divorced	15	10%
Education Level	Primary	14	10%
	Secondary	31	22%
	Certificate	17	12%
	Diploma	33	23%
	Bachelor	40	28%
	Masters	7	5%
Business Type	Trading	83	58%
	Service	28	20%
	Manufacturing	20	14%
	Others	11	8%
Form of Ownership	Sole Proprietorship	98	69%
	Joint Venture	17	12%
	Partnership	12	8%
	Private Ltd Company	15	11%
Age of Business	Less than 5 years	55	39%
	5-10 Years	59	41%
	More than 10 years	28	20%
Level of Capital	0-5M	36	25%
	5-200M	95	67%
	200-800M	11	8%

4.2 The Level of Financial Literacy of Women Owning SMEs in Morogoro Municipality

To explore the level of financial literacy among women owning SMEs, various aspects of financial literacy were measured, including finance-related awareness, financial planning knowledge, bookkeeping and accounting knowledge, knowledge about business terminologies, risk management knowledge, and knowledge about diversification.

4.2.1 Finance-related Awareness

The findings indicated that a significant portion of respondents demonstrated low levels of finance-related awareness. Specifically, 56% of the participants did not know how to invest in financial markets, and 51% did not engage in activities to enhance their financial knowledge. However, a majority (51%) of the respondents contributed to

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their savings accounts regularly, and 55% compared their purchase receipts to monthly statements, reflecting some positive financial behaviors. The overall mean value for finance-related awareness was 3.11, indicating somewhat limited awareness among the respondents (Figure 1).

These results aligned with recent studies, suggesting that while some financial habits were in place, there was a critical need for enhanced financial education to improve investment knowledge and proactive financial learning (Lusardi & Mitchell, 2020). Targeted educational programs could empower women entrepreneurs to make more informed financial decisions, thereby strengthening their business operations.

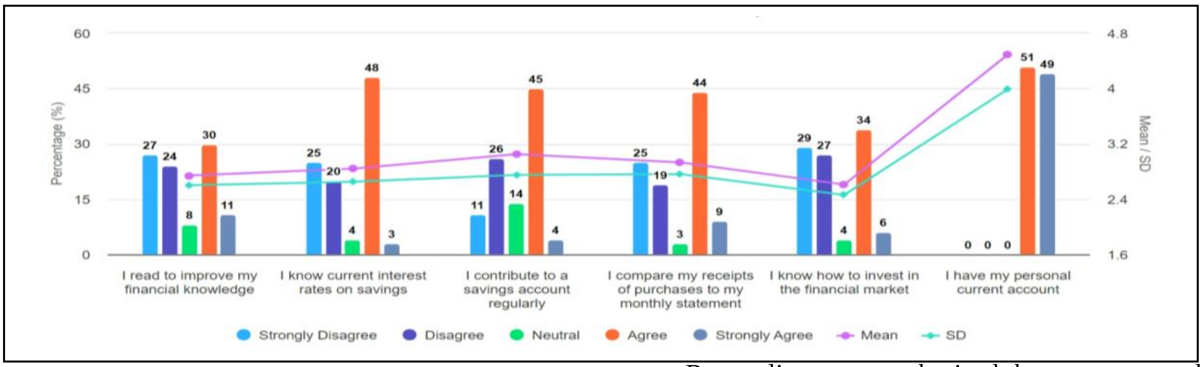

Figure 1: Status of Finance-related Awareness

4.2.2 Financial Planning Knowledge

The assessment of financial planning knowledge (Figure 2) revealed mixed results. While 55% of the respondents disagreed that their business objectives were documented, 55% reported having prepared a business plan, and 63% prepared an income and expenditure budget. However, 50% did not compare their financial performance with set objectives, indicating gaps in strategic financial management. The overall mean value for financial planning knowledge was 3.00, suggesting a limited application of financial planning principles. These findings were consistent with prior research indicating that many small business owners, particularly women, often lacked comprehensive financial planning skills (Oggero *et al.*, 2020; Tuffour *et al.*, 2022). Developing robust financial planning capabilities was deemed essential for long-term business sustainability and growth.

4.2.3 Bookkeeping and Accounting Knowledge

The study found that 53% of the respondents used computers to record transactions, 59% prepared a cashbook, and 81% maintained sales and purchase books. Additionally, 83% understood the purpose of preparing income statements, and 92% acknowledged the importance of maintaining records for business transactions. However, 59% reported that they had not prepared quarterly reports. The overall mean value for bookkeeping and accounting knowledge was 3.24, indicating a moderate level of knowledge (Figure 3). These findings underscored the importance of basic bookkeeping and accounting skills for effective financial management.

Recent literature emphasized that proper record-keeping and financial reporting were crucial for transparency and informed decision-making (Andriamahery & Qamruzzaman, 2022; Mang'ana et al., 2024). Training programs focusing on these areas could significantly enhance the financial management practices of women entrepreneurs.

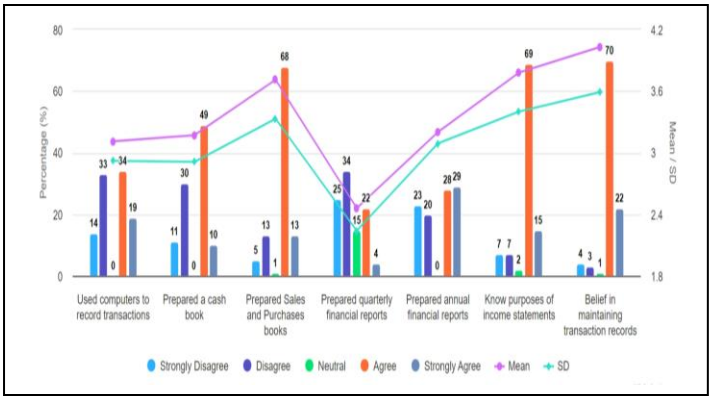

Figure 3: Status of Bookkeeping and Accounting Knowledge

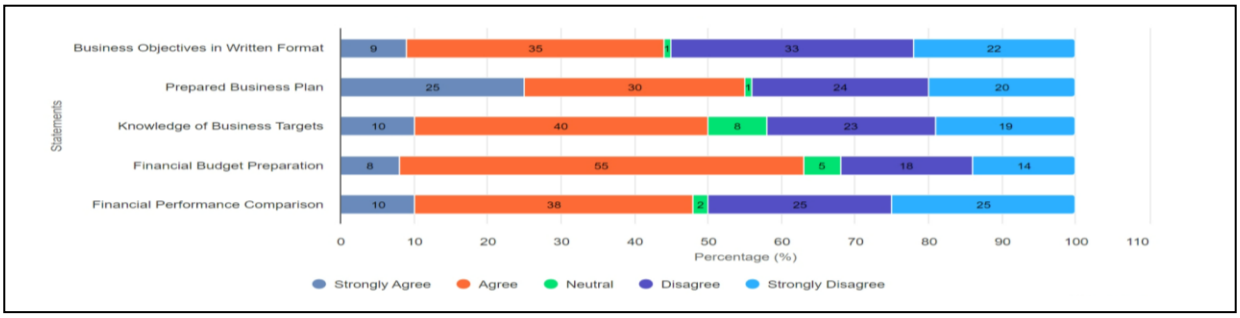

Figure 2: Status of Financial Planning Knowledge

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4.2.4 Knowledge About Business Terminologies

The findings indicated that 48% of the respondents were aware of the difference between credit and debit cards, while 91% understood the concept of collateral. However, only 52% knew about interest rates, and 50% understood exchange rates and retirement plans. The overall mean value was 3.37, suggesting a modest understanding of essential business terminologies. This finding highlighted the potential need for educational programs or resources to enhance financial literacy and strengthen understanding of these critical business concepts (Figure 4).

Knowledge of business terminologies was fundamental for navigating the financial aspects of entrepreneurship. Previous studies have shown that understanding key financial terms and concepts can significantly influence business success and sustainability (Alles *et al.*, 2021; Klapper & Lusardi, 2020). Enhancing financial literacy in this area could provide women entrepreneurs with the tools needed to manage their businesses more effectively.

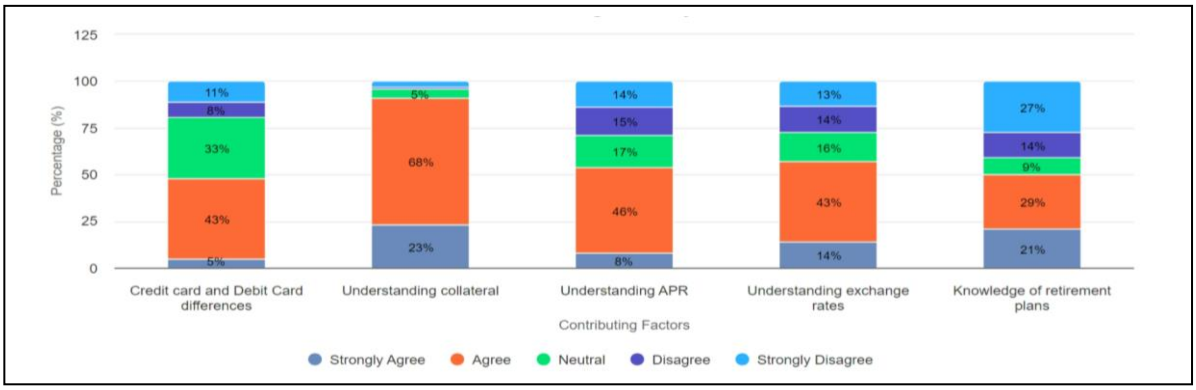

Figure 4: Knowledge of Business Terminologies

4.2.5 Risk Management Knowledge

Risk management knowledge among the respondents was found to be relatively low. A significant majority (83%) lacked life insurance, and 73% did not insure their businesses. Furthermore, 40% disagreed with the statement that they could survive for at least six months if their businesses went bankrupt. The overall mean value for risk management knowledge was 2.49, indicating a general lack of risk management practices (Table 2).

These findings aligned with other studies that highlighted the importance of risk management in ensuring business continuity and resilience (Klapper & Lusardi, 2020; Kuchciak & Wiktorowicz, 2021). Implementing risk management strategies, such as obtaining insurance and establishing emergency savings, was critical for mitigating potential business disruptions.

Table 2: Risk Management Knowledge of the Respondents

Contributing factor	1	2	3	4	5	TOTAL%	MEAN	SD
I have my life Insurance policy	23	60	4	10	3	100	2.10	1.80
I have Insured my Business	26	37	1	25	11	100	2.58	2.45
If my business bankrupt, I can survive for at least six months from the savings	24	16	23	32	5	100	2.78	2.56
1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree (figures are in Percentage)								

4.2.6 Knowledge About Diversification

The survey findings regarding diversification presented a complex picture (Table 3). On a positive note, 81% of the respondents expressed agreement with the idea of expanding their businesses into different sectors, indicating an openness to diversification strategies. However, a limited understanding of diversification concepts was also evident, as indicated by a mean score of 3.09 on a 1-5 scale. Notably, nearly half (49%) of the respondents reported having never heard of stock market portfolio diversification, and a significant portion (51%) relied solely on their business for income, potentially missing out on the risk-reduction benefits that diversification offers. These findings underscored the need for educational initiatives aimed at explaining the advantages of diversification and providing practical guidance on implementing diversification strategies beyond merely expanding product lines.

Diversification is a key strategy for managing business risks and ensuring steady income streams. Literature has suggested that diversification can enhance business resilience and growth prospects (Ben Lahouel *et al.*, 2024; Xie *et al.*, 2022). Encouraging women entrepreneurs to diversify their income sources and invest in various financial instruments could strengthen their financial stability.

Table 3: Respondents' Knowledge About Financial Diversification

Contributing factor	1	2	3	4	5	TOTAL %	MEAN	SD
I deposit excess money in fixed deposits	11	35	13	34	7	100	2.91	2.64
I am planning to expand my business into different sectors	7	11	1	56	25	100	3.81	3.46
My only income is from this business	9	37	3	36	15	100	3.11	2.87
I have heard about the stock market portfolio diversification	34	15	15	35	1	100	2.54	2.37
1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree(figures are in Percentage)								

5.0 Conclusion and Recommendations

5.1 Conclusion

This study explored the financial literacy levels of women-owned businesses in Morogoro Municipality, Tanzania. The demographic data revealed that the majority of women entrepreneurs fell within the mid-career age range, with a substantial representation of younger entrepreneurs. This diversity highlighted the multi-generational engagement in entrepreneurial activities. Notably, the educational attainment among these women was relatively high, as many possessed diplomas or bachelor's degrees. This level of education provided a solid foundation for understanding and applying financial concepts; however, the study identified significant gaps in specific areas of financial literacy.

In terms of financial literacy, the respondents exhibited moderate awareness and knowledge. While many displayed positive financial behaviours, such as regular savings and basic bookkeeping, there were notable deficiencies in more advanced financial planning, risk management, and diversification strategies. For instance, a significant portion of the women did not understand investment concepts or the importance of diversifying income sources, reflecting a clear need for targeted financial education.

The analysis of business characteristics indicated that trading was the predominant sector among the women-owned SMEs. While this sector offered various opportunities, it also posed challenges such as market saturation and supply chain issues. The preference for sole proprietorships pointed to a desire for autonomy but also highlighted potential limitations in accessing formal finance and scaling operations. Overall, the findings of this study emphasized the importance of enhancing financial literacy to support the sustainability and growth of women-owned SMEs.

5.2 Recommendations

Based on the findings of this study, the following recommendations were proposed to improve the financial literacy of women-owned SMEs in Morogoro Municipality, Tanzania:

First, developing and implementing targeted financial literacy training programs was deemed crucial. These programs should have been designed specifically for women entrepreneurs, addressing their unique needs and focusing on areas where knowledge gaps were identified, such as investment strategies, financial planning, bookkeeping, and risk management. Collaboration with local financial institutions, NGOs, and government agencies could have ensured that these programs were accessible and offered in various formats, such as workshops, online modules, or mentorship programs. The training should have prioritized practical applications and case studies relevant to the challenges faced by women entrepreneurs in the local business environment.

Second, promoting financial inclusion was essential. Collaboration between financial institutions and women-owned SMEs was vital to developing accessible loan products and financial services tailored to their specific needs. Financial literacy workshops held within banks could have educated women entrepreneurs about available financial products such as savings accounts, credit facilities, and investment opportunities. Advocacy for policies that promote access to financial resources for women entrepreneurs, such as microfinance initiatives and loan guarantee programs, could further empower them to make informed financial decisions.

Building a supportive ecosystem was another key recommendation. Establishing mentorship programs that connected experienced entrepreneurs with women-owned SMEs could have provided valuable guidance on financial management practices. Creating business development centers or co-working spaces could have offered financial literacy resources, training opportunities, and networking events for women entrepreneurs. Additionally, leveraging technology and mobile platforms to disseminate financial literacy information and resources in a user-friendly and accessible manner could have further bridged the knowledge gap.

Finally, conducting further research was recommended to gain a deeper understanding of the challenges and financial management practices of women entrepreneurs in different sectors. Evaluating the effectiveness of various financial literacy training programs could have helped determine the best approaches to improve financial outcomes for women-owned SMEs. Investigating the role of social and cultural factors in shaping financial decision-making among women entrepreneurs could provide valuable insights for tailored interventions and support systems.

6.0 Limitations and Future Research

It is important to acknowledge the limitations of this study. The research relied on a quantitative survey approach within Morogoro Municipality, Tanzania, which potentially limited the generalizability of the findings to other regions or countries. Further research employing qualitative methods could have provided deeper insights into the lived experiences and specific challenges faced by women entrepreneurs. Additionally, exploring the role of social and cultural factors that influenced financial decision-making among women in this context would have been valuable. Longitudinal studies tracking the impact of financial literacy interventions on the financial performance of these businesses would also contribute valuable knowledge to the field. By acknowledging these limitations and identifying avenues for future research, this study paved the way for a more comprehensive understanding of financial literacy among women-owned SMEs and informed the development of effective support programs to empower them for long-term success.

Declaration of Conflict of Interest

We declare that there are no known competing financial interests or personal relationships that could have influenced the work reported in this paper.

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