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Entrepreneurial Competence and Financial Literacy in Certified and Uncertified Zanzibar SMEs

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ABSTRACT

This study assessed Certified and Uncertified Small and Medium Enterprises in Zanzibar with respect to Entrepreneurial Competence and Financial Literacy. The study was guided by Resource-Based theory and Institutional theory. The study employed quantitative methods. The sample size was 90 participants, and purposive (judgmental) sampling was used to select the sample. Questionnaires were used as the primary data collection tool. After data collection, the Chi-square Test was applied as an estimation technique. The findings revealed a powerful, interconnected dynamic among Zanzibar's SMEs, in which certification by the Zanzibar Bureau of Standards serves as a key marker of success. The study found that certified SMEs, often driven by a quest for credibility and competitive advantage, demonstrably possess higher entrepreneurial competencies and are significantly more likely to experience growth (76.1% vs. 29.0% of uncertified SMEs). A critical foundation for this success is financial literacy, which is strongly linked to high competencies (82.2%) of firms with good financial literacy. The study recommends that the Zanzibar Bureau of Standards integrate financial literacy into SME support programs and launch awareness campaigns that emphasize tangible benefits, such as improved credibility and competitive advantage.

Keywords: *Certified and Uncertified SMEs, Entrepreneurial Competence, Financial Literacy, Chi-Square Test, Zanzibar*

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1. INTRODUCTION

Small and Medium Enterprises (SMEs) are vital to the economic growth of many countries (OECD, 2023). SMEs play a significant role in creating jobs, encouraging innovation, and diversifying economies. In recent years, certifications have become indicators of entrepreneurial skills and are therefore linked to SMEs' growth potential (World Bank, 2021). These certifications, which range from quality standards to industry-specific credentials, often provide a framework for entrepreneurial competencies that enhance credibility, market access, and operational efficiency. The advantages of certified SMEs over uncertified ones in terms of entrepreneurial abilities and growth have garnered increasing interest in academic and business circles (ISO, 2023). Furthermore, financial literacy's impact extends beyond daily operations. It is essential for attracting investments, negotiating favorable terms with clients, and ensuring compliance with regulations (Kulathunga et al., 2020).

Therefore, financial literacy is not merely a skill but a strategic tool that helps entrepreneurs navigate the complexities of the financial landscape. This study adopts a comprehensive research approach to assess entrepreneurs' financial literacy levels and entrepreneurial competencies in their SMEs. "Financial literacy for entrepreneurs is the combination of awareness, knowledge, skills, attitudes, and behavior that a potential entrepreneur or an owner or manager of a micro, small or medium-sized enterprise should possess to make effective financial decisions, start a business, run a business, and ultimately ensure its sustainability and growth" (OECD, 2018). Until recently, academic research mainly concentrated on individuals' financial literacy. Models that distinguish among various competency areas and the skills of successful entrepreneurs are only starting to develop (Anderson et al., 2018; Bacigalupo et al., 2016; Gibb, 2008; Bätz et al., 2021). Entrepreneurial competence and financial literacy in entrepreneurial capabilities have only recently gained attention; they remain crucial aspects of these studies (Anderson et al., 2018; Suparno & Saptono, 2018). In today's business environment, financial literacy is the capacity to manage financial resources effectively throughout their lifecycle and to engage with financial products and services. Making informed financial management decisions requires financial literacy (Gavigan, 2010). To ensure a firm's survival, maximize profits and sales, gain market share, reduce employee turnover and internal conflicts, and increase wealth, financial literacy involves knowledge, competence, attitude, and experience (Jacobs, 2001). It may well be one of the most important strategic tools for better resource allocation and achieving strong financial stability.

In Africa, SMEs developed from informal trading systems, artisanal crafts, and subsistence farming, which were the primary economic activities during the pre-colonial and colonial eras. After independence, many African governments recognized the importance of SMEs in promoting economic growth and implemented policies to support their development (Mead & Liedholm, 1998). However, issues such as limited access to finance, inadequate infrastructure, and weak institutional frameworks have restricted their potential (Ayyagari et al., 2007). Certification is essential for enhancing SMEs' credibility, market access, and competitiveness. In Africa, certification is often linked to meeting international standards, such as ISO, organic, or industry-specific standards. These certifications help SMEs access formal markets, attract foreign investment, and build trust with consumers (Henson & Humphrey, 2010). The uptake of certification among African SMEs remained low due to limited knowledge, insufficient awareness, and limited institutional support (Okello et al., 2019). SMEs owned by owners with higher skills have contributed to firm growth. For instance, in the agricultural sector, certification schemes such as Fairtrade and Rainforest Alliance have enabled some SMEs to access premium markets, but most smallholder farmers and Agri-SMEs find it challenging to meet the strict requirements (Graffham et al., 2007). This suggests that SMEs with skilled entrepreneurs are more likely to recognize the benefits of certification and manage the process effectively (Luken & Stares, 2005).

Entrepreneurial competency includes the skills, knowledge, and attributes that help entrepreneurs identify opportunities, innovate, and run business operations effectively. In Africa, entrepreneurial competency remains an essential factor for the growth and sustainability of SMEs (Man et al., 2002). Skills such as financial management, marketing, and strategic planning are particularly important for SMEs operating in complex environments (Brixiová et al., 2015). Research showed that SMEs led by entrepreneurs with higher levels of competency are more likely to adopt best practices, including certification, and attain sustainable growth (Mitchelmore & Rowley, 2010). For example, in Kenya, SMEs with strong entrepreneurial leadership skills have used certification to access export markets and boost their competitiveness (Kariuki et al., 2020). Despite growing global awareness of the importance of certification, there is limited empirical evidence to systematically explain why Certified SMEs outperform uncertified SMEs in entrepreneurial skills and financial literacy in Zanzibar. Furthermore, no recent research has examined the differences between these two groups according to the specified criteria. This lack of information has resulted in the number of uncertified SMEs surpassing that of certified SMEs. For instance, current data from Zanzibar indicates there are 60 certified SMEs, while the number of uncertified SMEs remains largely unknown and potentially much higher (CEAS, 2024).

Therefore, it was important to understand the fundamental differences between entrepreneurs in certified and uncertified SMEs, especially regarding the development of entrepreneurial competencies and financial literacy. Recognizing how entrepreneurial competencies and financial literacy develop is a crucial step in identifying the strengths of certified SMEs and the weaknesses of uncertified ones. Finally, this study is very valuable for Zanzibar, as many previous studies have been carried out in other countries, whereas Zanzibar remains understudied, despite many SMEs being registered and overseen by the Zanzibar Bureau of Standards.

1.1. Research Objectives

i. To assess the differences between certified and uncertified SMEs in terms of entrepreneurial competencies in the Zanzibar Bureau of Standards.

ii. To assess the differences between certified and uncertified SMEs in terms of financial literacy in the Zanzibar Bureau of Standards.

1.2. Research Questions

i. To what extent do certified SMEs differ from uncertified SMEs in terms of entrepreneurial competencies?

ii. To what extent do certified SMEs differ from uncertified SMEs in terms of financial literacy?

2. LITERATURE REVIEW

The section begins by defining the key terms used in the study, then discusses relevant theories that provide a theoretical background for the research issue. It subsequently examines the empirical literature on this topic and concludes by presenting the study's conceptual framework and the research gap.

2.1. Definitions of the Terms

2.1.1. Small and Medium Enterprise(s) (SMEs)

SMEs were independent businesses that operated without being subsidiaries of larger firms. They are recognized by having a workforce below a certain size, though that specific employee count varies by country, as noted by the OECD in 2017.

2.1.2. Certification

Santika (2019) explained that certification was part of the broader field of testing, inspection, and certification, involving an independent body issuing a written guarantee (a certificate) that confirms a product, service, or system meets specific requirements. It was essentially a formal statement verifying certain qualities of an object, person, or organization. Certification in Tanzania was mainly regulated by the Tanzania Bureau of Standards Act, 2022, which describes it as the process by which a product, process, or service is evaluated against entrepreneurial competency criteria outlined in Tanzania Standards (TZS) or internationally recognized benchmarks to ensure conformity, consumer safety, and market competitiveness (TBS, 2022). This shows that certification can genuinely be assessed based on the SME's demonstrated entrepreneurial competencies.

2.1.3. Entrepreneurial Competencies

Entrepreneurial competencies were the combination of skills, knowledge, qualities, and behaviors that enable individuals to identify, create, access, and manage entrepreneurial opportunities effectively (Ahmad, 2009). These competencies are highly valuable for starting, developing, and maintaining business ventures. They include a wide range of abilities such as innovation, risk-taking, strategic thinking, leadership, and resource management (Luthans et al., 2004).

2.1.4. Financial Literacy

Financial literacy has been defined in various ways in the literature, including as a specific type of knowledge, the ability to apply that knowledge, perceived understanding, sound financial behavior, and even financial experiences (Hung et al., 2009). Additionally, Garman and Forgue (2002) described financial literacy as the ability to understand personal finance information, which is crucial for managing one's finances. Their study highlights obstacles to financial literacy, including complex financial situations, a wide array of financing options, limited personal finance knowledge, and time constraints for learning.

2.2. Theoretical Review

Several theories explain the main reasons SMEs seek certification. These mainly relate to how businesses respond to external pressures, their desire to stay competitive, their commitment to quality, and their need to establish legitimacy in the marketplace.

2.2.1. Resource-Based View (RBV)

The RBV theory was introduced by Edith Penrose in 1959. It suggests that firms gain a competitive advantage by leveraging their internal resources and capabilities, particularly those that are valuable, rare, inimitable, and non-substitutable. According to the Resource-Based View, SMEs develop entrepreneurial skills to gain certification, thereby enhancing valuable resources such as reputation, credibility, and legitimacy, thereby systematically increasing their ability to compete (Peng, 2001). RBT and entrepreneurial competence were closely connected, as RBT suggests that firms achieve sustained competitive advantage by using unique, valuable, and hard-to-imitate resources (Barney, 1991). Entrepreneurial skills, such as risk-taking, opportunity recognition, strategic thinking, creativity, and innovation, are vital resources that allow entrepreneurs to build and sustain competitive advantages (Man et al., 2002). Entrepreneurial competencies are also a form of human capital, a vital resource within Resource-Based Theory. Competencies like leadership, decision-making, and networking are intangible assets that help the firm outperform competitors (Alvarez & Busenitz, 2001).

2.2.2. Institutional Theory

Institutional theory was introduced in 1977 by John Meyer and Brian Rowan. The theory indicates that organizations adopt specific practices, structures, or strategies in response to institutional pressures, such as legal requirements, societal norms, and industry standards, to establish legitimacy, secure resources, or gain support. Institutional Theory was connected to entrepreneurial competency because it suggests that the external environment, including regulatory frameworks, cultural norms, and societal expectations, influences the development and application of entrepreneurial skills. For instance, in settings with strong support for entrepreneurship, individuals may more readily develop competencies such as innovation and risk-taking (Busenitz, Gómez, & Spencer, 2000). Institutional Theory highlights how external institutional environments influence the development and use of entrepreneurial skills. Entrepreneurs must navigate regulatory, normative, and cultural pressures that demand competencies such as networking, strategic thinking, and adaptability. Furthermore, institutional entrepreneurship requires skills that enable entrepreneurs to challenge or alter existing institutional structures. Therefore, Institutional Theory offers a framework for understanding how entrepreneurial skills are shaped by and interact with the wider institutional environment (Battilana et al., 2009).

2.3. Empirical Reviews

This empirical framework offers a structured approach to comparing certified and uncertified SMEs in terms of business opportunities and growth. By systematically collecting and analyzing data, researchers can identify the tangible benefits of certification and how it affects SMEs' ability to compete, expand, and access new markets. Therefore, this section draws on several prior studies on the subject, comparing their titles, study areas, methodologies, findings, and recommendations. Several studies explore the broad factors influencing SME performance and growth, from foundational elements to the impact of certifications. Win Easter A. (2017) identified that SME success in Tanzania is shaped by three core areas: the external business environment (political, legal, and socio-economic factors), institutional support (funding, expertise, and infrastructure), and the personal qualities of the entrepreneur (traits, innovation, and strategic vision).

Similarly, research by Nnaemeka et al. (2020) in Nigeria's manufacturing sector found that while entrepreneurial skills such as production and human resource management positively influence firm profitability, their overall statistical impact can be mixed. They noted a significant positive effect on return on equity and recommended that managers consistently align operations with profit goals. A significant body of research focuses on the value of formal certifications and standards. Nur Shuhada et al. (2018) examined the motivational factors for halal certification among Malaysian micro-enterprises, finding that top management support is crucial for adoption. Jabir and Nadia (2019) provided evidence from a large-scale study of Indian firms that internationally certified businesses demonstrate significantly better performance in sales, employment growth, and capacity utilization, while also facing fewer operational obstacles than non-certified firms. In the tourism sector, Veideman (2019) discovered that quality-certified small and medium tourism enterprises (SMTEs) achieve higher online customer satisfaction and receive more reviews, confirming that such certifications are an effective tool for influencing consumer perception. The role of managerial competencies, skills, and literacy is another key theme in determining SME performance.

Veliu and Manxhari (2017) studied SMMEs in South Africa and concluded that specific managerial competencies, such as communication, planning, and self-management, directly influence performance, whereas others, such as teamwork, do not. They recommended government support to help owners develop these skills. Expanding on this, Loan et al. (2023) used a balanced scorecard approach in Vietnam to demonstrate that directors' practical management skills have a strong, positive impact across all areas of business performance: finance, customers, internal processes, and learning. Their study highlighted that the ability to apply knowledge is more critical than merely possessing it. Finally, a study on Indonesian SMEs examined financial literacy, finding that it positively impacts performance, an effect mediated by managers' financial risk attitudes and access to financing. The researchers therefore recommended government programs to improve financial literacy among SME managers, particularly regarding banking and capital markets.

3. METHODOLOGY

In this study, a quantitative research method was used because it aims to improve understanding of academic questions. This concept aims to broaden the scope through quantitative data. This study employed a descriptive research design to gain a clearer understanding of the investigation's context and to examine the subject comprehensively. Additionally, the design assessed and compared characteristics such as competence and literacy between certified and uncertified SMEs (Siedlecki, 2020). It provided clear, generalizable data but has limited capacity to explain why differences exist. It also implies that an empirical investigation of phenomena occurs within their environmental context. Moreover, descriptive research aimed to systematically describe the traits, characteristics, or behaviors of a population or phenomenon, in this case, certified and uncertified SMEs (Almajed, 2017). Instead of offering explanations, it highlights the differences between these two groups in financial literacy, development, and entrepreneurial competence. Descriptive designs often use questionnaires to gather quantifiable data on financial literacy and competence levels, which can be statistically analyzed and compared; this study was based on quantitative data collection (Taherdoost, 2022).

3.1. Population of the Study

In research, the definition of population includes all the items under study (Kothari, 2011). A group of individuals from the entire population who share a common characteristic is called the target population. The researcher utilized an infinite target population in this study and was focused on divisions within the Zanzibar Bureau of Standards (ZBS), including the Zoning Division, Public Relations Unit, and Quality Management.

3.2. Sampling Techniques, Sample Size, and Sample Units

The researcher used purposive, or selective, sampling, also known as judgmental sampling, a non-probability method for choosing participants based on their suitability for the study. This technique is referred to as judgmentalism. The researcher employs this approach to select individuals or groups they believe would provide the most valuable data for their research questions. Using a careful sampling method, the cases were selected based on respondents' and representative experiences with certifications in SMEs. The sample was chosen using an illustrative technique. Furthermore, this method saves time by allowing the researcher to gather precise, relevant data to answer questions and achieve research goals. The researcher must use either objective or judgmental sampling when working with small samples, especially in case study research.

3.3. Sample Size

This is the number of units to be taken from the universe to form a sample. The sample size should not be too large or too small. It should be optimal. An optimal sample meets the requirements of efficiency, representativeness, reliability, and flexibility. For an infinite population of 100 employees in ZBS, the sample size was determined using Yamane's formula (1967). Using the provided values, we can estimate that the actual population lies within ±5% of the provided value. With a sample size of 90 people and a sampling error of 0.05 (5%), we can estimate the true population value.

3.4. Method of Data Collection

The data were collected using questionnaires. This tool was used in research to collect data from people by asking a series of questions. It is a common method for gathering information in quantitative studies. The questions in a questionnaire are usually arranged in a standard way, which helps researchers gather consistent data that is easy to analyze. This method is effective because it can collect data from many people quickly and at different costs. Data collection is standardized as all participants answer the same questions. Completing the questionnaire privately may encourage respondents to be honest in their opinions.

3.5. Estimation Technique

The researcher used a quantitative approach to analyze, organize, interpret, and present the data, ensuring consistency with the research objectives and theoretical framework. The quantitative data were analyzed using the Chi-square Test, a statistical method for examining relationships and comparisons between categorical variables. The Chi-square Test was selected because this study aims to evaluate statistical significance between certified and uncertified small and medium-sized enterprises (SMEs) in the Statistical Package for the Social Sciences (SPSS) (Ross & Willson, 2017).

4. FINDINGS AND DISCUSSION

4.1. Socio-demographic Information of the Respondents

This sociodemographic profile mainly describes small-scale companies operating in the manufacturing and trade sectors, led by educated entrepreneurs with considerable experience. These qualities offer a strong basis for analyzing how variables such as firm size, industrial sector, and educational attainment influence certification choices and business results in Zanzibar's SME sector.

4.1.1. Gender of Respondents

According to Table 4.1, which displays the sociodemographic profile of respondents by certification status and gender, the respondent pool is almost evenly split by gender, with a slight majority of females. Specifically, males make up 47.5% of responses, while females account for 52.5%. This suggests that the group surveyed has a fairly balanced gender representation. A majority of the samples are certified; 60 per cent of respondents are certified, compared to 40 per cent who are not. Further analysis of the relationship between certification and gender shows a similar pattern in both groups, although with some differences. The certification rate among female respondents is slightly higher (61.9%) than among males (57.9%). Consequently, women form a smaller proportion of the uncertified (38.1%) than males (42.1%). This indicates that, while certification is common to both genders, it is somewhat more prevalent among female respondents.

Table 4.1: Gender of Respondents

Gender	Certified %	Uncertified %	Total %
Male	57.90%	42.10%	47.50%
Female	61.90%	38.10%	52.50%
Total %	60.00%	40.00%	100.00%

Source: Field Data (2026)

4.1.2. Age of Respondents

According to Table 4.2, most group members were middle-aged. The 36–45 age bracket is the largest, making up 41.3% of the total sample and serving as the community's backbone. The next largest groups are 26–35 and 46–55, with 21.3% and 23.8%, respectively. Responders over 55 are the smallest category, comprising only 2.5% of the total, while younger members under 25 account for 11.3%. A closer look reveals an interesting, uneven link between certification and age. Although 60% of the members are certified overall, there are notable differences across generations. The 46–55 age group is the most certified, with a 78.9% rate. Conversely, the largest group, aged 36 to 45, has the lowest certification rate at 48.5% and is the only group where the majority (51.5%) are uncertified. The under-25 group has a 66.7% certification rate, and the 26–35 group has 58.8%, suggesting younger members are more likely to be certified. The 55+ group has a 50% certification rate, though this figure was less reliable due to the small sample size.

Table 4.2: Age of Respondents

Age Group	Certified	Uncertified	Total
Below 25 Years	66.70%	33.30%	11.30%
26-35	58.80%	41.20%	21.30%

Age Group	Certified	Uncertified	Total
36-45	48.50%	51.50%	41.30%
46-55	78.90%	21.10%	23.80%
Above 55	50.00%	50.00%	2.50%
Total %	60.00%	40.00%	100.00%

Source: Field Data (2026)

4.2. Findings on the Differences between Certified and Uncertified SMEs in Terms of Entrepreneurial Competencies.

Research indicates that SMEs recognized by the Zanzibar Bureau of Standards (ZBS) and their uncertified counterparts differ significantly in their perception of key entrepreneurial skills. Although this relationship calls for further investigation, the data shows a strong association between formal certification and a higher self-assessment of entrepreneurial ability. The main area where management skills differ the most is leadership abilities. A notable 75% of those who "Strongly Agree" that they possess excellent leadership skills are certified, indicating greater confidence in their management capabilities.

Even more compelling data in financial management supports this; 84% of respondents who "Agree" that they have strong abilities are certified, whereas 80% of those who "Disagree" are not. Similarly, 75% of the "Disagree" group in opportunity identification are also affected. These data strongly support the idea that formal standards and certifications primarily drive operational excellence. According to research by Terziovski and Guerrero (2014), SMEs are motivated by quality management system certifications, such as ISO 9001, to establish formal roles, adopt structured procedures, and implement systematic financial controls, all of which quickly improve leadership and financial management skills.

The certification process itself helps develop the skills it assesses, acting as a rigorous training ground. However, other scholars caution against assuming a direct causal link, arguing that in some cases obtaining certificates may serve more as a symbolic gesture than as genuine skill development (Heras-Saizarbitoria & Boiral, 2013). They suggest that companies already proficient in these areas might be more inclined to seek certification, a phenomenon known as "self-selection bias." The first view is better supported by current data, which shows that certified owners tend to have significantly higher confidence. This indicates that the ZBS certification process has a meaningful and positive impact on core business skills. Certified SMEs also enjoy a distinct advantage in outward-facing, strategic capabilities. Among those who "Strongly Agree" that they possess strong networking skills, a significant 90.9% are certified. Additionally, 83.3% of the "Strongly Agree" group are certified for their ability to adapt to market changes. With 80% of the top-tier "Strongly Agree" respondents holding certifications, digital skills exhibit a similar trend, though slightly less pronounced.

The institutional access and market legitimacy that certification offers are closely linked to higher networking and adaptability scores among certified SMEs. Standards certification opens opportunities for new business networks, government contracts, and official buyer relationships, which in turn encourage deeper stakeholder engagement and adaptation, based on research on global value chains by Nadvi and Häting (2015). The reliability of the certified status signal increases other players' willingness to form strategic alliances. This finding emphasizes certification's role as a strategic tool for market access and challenges a purely operational perspective. While digital skills are beneficial, their impact is less clear, possibly reflecting a broader industry-wide challenge with digital transformation that even certification cannot fully address. Abdu et al.'s research on technology adoption in underdeveloped nations supports this insight.

While certified SMEs represent the extremes of the spectrum, accounting for 83.3% of those who "Strongly Disagree" and 80% of those who "Disagree" with the statement, only a slight majority (55.6%) fall into the "Strongly Agree" category. The "Neutral" group is also predominantly certified (62.5%). This nuanced finding suggests that the link between certification and a learning mindset is not straightforward; on one hand, it supports the idea that the initial motivation to obtain certification is a strong sign of a learning and self-improvement focus, as proposed by Psomas et al. (2010). These businesses demonstrate a commitment to growth by investing time and money to meet a new standard. However, the large number of certified businesses in the "Disagree" category might be due to "implementation fatigue." Some business owners may feel they have reached a significant milestone after the demanding process of obtaining certification, leading them to forego further formal training at least for now. This aligns with earlier research warning about the administrative burden of certificates, which can divert resources that could otherwise support ongoing learning and innovation (Sampaio et al., 2009). The results clearly indicate that, compared to uncertified businesses, ZBS-certified SMEs in Zanzibar perceive themselves as significantly more competent in nearly every measurable entrepreneurial area. This supports the idea that standards certification is linked to the development of vital business skills rather than being merely a badge on the wall. The magnitude of the difference, especially in areas like networking and financial management, both of which were directly improved through the certification process, suggests a notable, transformative impact, even though the "self-selection" theory that better enterprises seek certification remains plausible.

These findings provide a strong case for the ZBS and policymakers to support certification programs as a key tool for SME growth. To ensure that pursuing standards continues to drive resilience and ongoing growth in Zanzibar's SME sector, future initiatives should aim to reduce the risk of "learning fatigue" after certification by including continuous professional development throughout the certification process.

Table 4.3: Certification Status of SMEs and Entrepreneurial Competencies

Statement & Response	Certified	Uncertified	TOTAL
Possess strong leadership skills to manage my business effectively.			
Strongly Agree	75.00%	25.00%	16.00%
Agree	62.20%	37.80%	37.00%
Neutral	38.90%	61.10%	18.00%
Disagree	57.10%	42.90%	7.00%
Strongly Disagree	0%	100%	2.00%
Section Total (Count)	48	32	80
Skilled in identifying and exploiting new business opportunities.			
Strongly Agree	75.00%	25.00%	8.00%

Statement & Response	Certified	Uncertified	TOTAL
Agree	62.50%	37.50%	48.00%
Neutral	52.60%	47.40%	19.00%
Disagree	25.00%	75.00%	4.00%
Strongly Disagree			1.00%
Section Total (Count)	48	32	80
Strong financial management skills (budgeting, cash flow, investment).			
Strongly Agree	75.00%	25.00%	16.00%
Agree	84.00%	16.00%	25.00%
Neutral	37.50%	62.50%	32.00%
Disagree	20.00%	80.00%	5.00%
Strongly Disagree			2.00%
Section Total (Count)	48	32	80
Effectively use digital tools and technology in my business.			
Strongly Agree	80.00%	20.00%	10.00%
Agree	72.20%	27.80%	18.00%
Neutral	51.60%	48.40%	31.00%

Statement & Response	Certified	Uncertified	TOTAL
Disagree	50.00%	50.00%	16.00%
Strongly Disagree	50.00%	50.00%	2.00%
Section Total (Count)	46	31	77
Good networking and relationship-building skills with stakeholders			
Strongly Agree	90.90%	9.10%	11.00%
Agree	66.70%	33.30%	21.00%
Neutral	48.70%	51.30%	39.00%
Disagree	40.00%	60.00%	5.00%
Strongly Disagree	25%	75%	4.00%
Section Total (Count)	48	32	80
Adapt quickly to market changes and crises			
Strongly Agree	83.30%	16.70%	12.00%
Agree	59.30%	40.70%	27.00%
Neutral	43.30%	56.70%	30.00%
Disagree	85.70%	14.30%	7.00%
Strongly Disagree		75%	4.00%
Section Total (Count)	48	32	80

Statement & Response	Certified	Uncertified	TOTAL
Continuously seek training and self-improvement.			
Strongly Agree	55.60%	44.40%	9.00%
Agree	52.80%	47.20%	36.00%
Neutral	62.50%	37.50%	24.00%
Disagree	80.00%	20.00%	5.00%
Strongly Disagree	16.7%	83.3%	6.00%
Section Total (Count)	48	32	80

Source: Field Data (2026)

The analysis shows a strong and clear link between entrepreneurial capabilities (COMP) and certification status. With a significant level of 0.000 ($p < 0.001$) and a Pearson Chi-Square value of 19.441, the observed distribution is very unlikely to happen by chance. This indicates that the proportions of high-capability businesses differ significantly between the certified and uncertified groups. A noticeable pattern emerges in the Certified SMEs table: 38 out of 47, or 80.9%, of certified SMEs are in the "high" competency category. Conversely, only nine (19.1%) of the accredited SMEs are classified as having "low" capabilities. However, uncertified SMEs display the opposite trend, with twenty (64.5%) in the "low" competency group. Meanwhile, just 11 out of 31 (35.5%) demonstrate "high" capabilities.

Table 4.4: The Chi-Square Tests between Certification Status of SMEs and Entrepreneurial Competencies

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	19.441a	2	0.000
Likelihood Ratio	20.587	2	0.000
Linear-by-Linear Association	8.461	1	0.004
N of Valid Cases	80		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .78.

Source: Field Data (2026)

4.3. Findings on the Impact of Financial Literacy on Entrepreneurial Competencies in SMEs in Zanzibar Bureau of Standards

According to the table, there is a significant positive relationship between financial literacy and entrepreneurial skills among SMEs affiliated with the Zanzibar Bureau of Standards, with certified SMEs consistently exhibiting more positive attitudes and actions. The findings indicate that financial literacy significantly improves the use of formal business tools, strategic financial management, and entrepreneurial confidence. According to the data, certified SMEs show significantly greater confidence in their financial management; for example, 81.8% of respondents who "Strongly Agree" that they are confident in managing their personal and business finances are certified, likely because they have a better understanding of basic concepts.

Most respondents who "Strongly Agree" understand basic financial concepts (70.0%) and find complex concepts easier (as shown by the "Strongly Disagree" and "Disagree" responses to the finding that concepts are difficult) are also certified. This aligns with research by Alsamydai et al. (2022), which found that financial knowledge directly boosts entrepreneurial self-efficacy and the ability to make sound financial decisions two vital entrepreneurial skills. Furthermore, the majority of certified respondents who agree or strongly agree (53.8% and 69.2%, respectively) strongly believe that "financial literacy helps make better business decisions.". A 2017 study by Eniola and Entebang supports this, concluding that financial literacy notably influences strategic competitiveness and decision-making in SMEs. However, a different perspective, often raised in Lăzăroiu's (2019) criticisms, suggests that past training and experience can complicate this relationship. The study indicates that formal financial literacy education typically follows foundational numeracy and business skills, and that these pre-existing abilities, rather than the literacy training itself, may partly explain the observed improvements.

Table 4.5: Financial Literacy on Entrepreneurial Competencies in SMEs

Statement & Response	Certified	Uncertified	TOTAL
Adequate access to financial Education resources that improve my financial literacy.			
Strongly Disagree	0%	100%	12.5%
Disagree	83.3%	16.7%	12.5%
Neutral	39.1%	60.9%	47.9%
Agree	54.8%	45.2%	64.6%
Strongly Agree	78.6%	21.4%	29.2%
Section Total (Count)	48	32	80
Basic financial concepts such as saving, investing, and budgeting			

Statement & Response	Certified	Uncertified	TOTAL
Strongly Disagree	0%	100%	2.0%
Disagree	80.0%	20.0%	10.0%
Neutral	52.6%	47.4%	38.0%
Agree	54.3%	45.7%	70.0%
Strongly Agree	70.0%	30.0%	40.0%
Section Total (Count)	48	32	80

Source: Field Data (2026)

The key difference between using digital technologies and traditional financial services is significant. All respondents who "Strongly Agree" that they regularly use financial services such as banks and loans are certified, making certified SMEs the largest user group. Additionally, 72.2% of those who "Strongly Agree" that they use digital financial tools are also certified. This indicates that financial literacy, often linked with certification, translates into practical skills for leveraging resources that support stability and business success.

Research from Darsono et al. (2022) supports this, showing that financial literacy positively influences the use of formal banking and digital payment systems, enhancing financial inclusion and operational efficiency for SMEs. Social support also plays an important role; 85.7% of respondents "Strongly Agree" that friends and family help them become certified in finance, suggesting a supportive environment can promote financial education and certification efforts. Conversely, some research indicates that the benefits of financial literacy may be limited by structural barriers. According to opposing research, such as Kaiser et al. (2022), if products are not affordable or suitable for small businesses, increased financial literacy may have little effect on actual use, especially where financial infrastructure is weak or the costs of formal services are high.

Table 4.6: Financial Literacy and Digital Literacy

Statement & Response	Certified	Uncertified	TOTAL
Confident in managing my personal and business finances effectively			
Strongly Disagree	0%	100%	6.0%
Disagree	50.0%	50.0%	12.0%
Neutral	57.1%	42.9%	42.0%
Agree	42.9%	57.1%	56.0%

Statement & Response	Certified	Uncertified	TOTAL
Strongly Agree	81.8%	18.2%	44.0%
Section Total (Count)	48	32	80
Regularly use financial services such as banks, loans, and insurance to support business.			
Strongly Disagree	33.3%	66.7%	6.0%
Disagree	60.0%	40.0%	20.0%
Neutral	45.0%	55.0%	40.0%
Agree	54.3%	45.7%	70.0%
Strongly Agree	100.0%	0.0%	24.0%
Section Total (Count)	48	32	80
Family and friends encourage and support me in improving my financial knowledge.			
Strongly Disagree	0.0%	100%	2.0%
Disagree	40.0%	60.0%	20.0%
Neutral	40.0%	60.0%	40.0%
Agree	65.7%	34.3%	70.0%
Strongly Agree	85.7%	14.3%	28.0%
Section Total (Count)	48	32	80
Use digital tools or apps to help manage business finances			
Strongly Disagree	33.3%	66.6%	6.0%
Disagree	60.0%	40.0%	20.0%
Neutral	37.5%	62.5%	48.0%
Agree	72.0%	28.0%	50.0%

Statement & Response	Certified	Uncertified	TOTAL
Strongly Agree	72.2%	27.8%	36.0%
Section Total (Count)	48	32	80

Source: Author calculations (2026)

Among recognized SMEs, the perceived benefit of financial literacy training is notably higher. Although it may seem paradoxical, all respondents (100%) who "Strongly Disagree" that training improved their abilities are certified. This could imply that qualified owners hold higher standards and are more critical of the quality of training. The fact that 73.7% of respondents "Strongly Agree" that training enhanced their entrepreneurial skills is even more significant. A meta-analysis by Mello et al. (2021) corroborates this, confirming that organized financial education programmes markedly improve business outcomes such as financial planning and record-keeping. Another vital point is access to resources; most respondents who "Strongly Agree" that they have sufficient access to financial education (78.6%) and trustworthy information (75.0%) are certified. This suggests that pursuing standards certification may be part of a broader strategic approach that also involves actively seeking resources and expertise, which is a key trait of entrepreneurs.

However, some critics argue that the effects of training might not last long. According to a study by Bruhn et al. (2018), financial training for business owners improved their knowledge immediately, but without ongoing support and reinforcement, its long-term effect on business practices often diminished. This indicates that single interventions may not be enough for ongoing competency development. With certified businesses reporting higher confidence, more advanced financial practices, and stronger belief in the value of financial education, the findings clearly suggest that financial literacy serves as a powerful lever to enhance entrepreneurial skills among SMEs in Zanzibar. Opposing studies correctly warn that the effectiveness of financial literacy hinges on existing skills, the quality and duration of training, and the broader financial ecosystem, while supporting literature demonstrates the causal link between literacy, tool adoption, and improved decision-making. These findings support integrating comprehensive, ongoing financial education with certification programs by the Zanzibar Bureau of Standards and policymakers to optimize resilience and entrepreneurial growth.

Table 4.7: Financial Literacy and Entrepreneurial Skills

Statement & Response	Certified	Uncertified	TOTAL
Financial literacy helps make better business decisions.			
Strongly Disagree	50.0%	50.0%	12.0%
Disagree	40.0%	60.0%	10.0%
Neutral	76.5%	23.5%	34.0%
Agree	53.8%	46.2%	78.0%
Strongly Agree	69.2%	30.8%	26.0%
Section Total (Count)	48	32	80
Participating in financial literacy training has improved entrepreneurial skills.			

Statement & Response	Certified	Uncertified	TOTAL
Strongly Disagree	0%	100%	4.0%
Disagree	50.0%	50.0%	12.0%
Neutral	57.9%	42.1%	38.0%
Agree	51.5%	48.5%	66.0%
Strongly Agree	73.7%	26.3%	38.0%
Section Total (Count)	47	32	79
Find it difficult to understand complex financial concepts related to entrepreneurship.			
Strongly Disagree	20%	80%	10.0%
Disagree	37.5%	62.5%	16.0%
Neutral	47.1%	52.9%	34.0%
Agree	62.9%	37.1%	70.0%
Strongly Agree	73.3%	26.7%	30.0%
Section Total (Count)	48	32	80

Source: Field Data (2026)

The data analysis examining the influence of financial literacy on entrepreneurial competencies shows a statistically significant and strong relationship among SMEs within the Zanzibar Bureau of Standards framework, based on results from Chi-Square and crosstabulation tests. The analysis reveals a strong correlation between entrepreneurial competencies (COMP) and financial literacy (LITERACY). A high level of statistical significance is indicated by the Pearson Chi-Square value of 19.061 at a significance level of 0.000 ($p < 0.001$). This suggests that SMEs with 'good' financial literacy differ in their competency levels from those with 'poor' financial literacy. The table illustrates this association, showing that most SMEs with good financial literacy possess 'high' entrepreneurial competencies (37 out of 45, or 82.2%), while only 17.8% are classified as having 'low' competency.

Table 4.8: The Chi-Square Tests of SME Owners' Financial Literacy Levels and Entrepreneurial Competency

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	19.061a	1	0.000		
Continuity Correctionb	17.095	1	0.000		
Likelihood Ratio	19.694	1	0.000		
Fisher's Exact Test				0.000	0.000
Linear-by-Linear Association	18.823	1	0.000		
N of Valid Cases	80				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.56.
b. Computed only for a 2x2 table

Source: Field Data (2026)

5. CONCLUSION

This study sought to assess differences between certified and uncertified Small and Medium Enterprises (SMEs) in Zanzibar with respect to entrepreneurial competence and financial literacy. In overarching terms, the study concludes that certification with the Zanzibar Bureau of Standards is a powerful differentiator for SMEs. It represents more than a compliance certificate; it is a marker of a more capable, proactive, and strategically oriented enterprise. The findings depict an interconnected dynamic: the pursuit of certification is motivated by a need for legitimacy and competitiveness; the process cultivates stronger entrepreneurial and financial management competencies; and these enhanced capabilities, in turn, drive superior business growth. Therefore, the dichotomy between certified and uncertified SMEs in Zanzibar is substantial, with certification serving as a key catalyst in a positive cycle of capability-building and business development. The study recommends that the Zanzibar Bureau of Standards (ZBS) should integrate financial literacy into SME support programs. According to the survey, acquiring the entrepreneurial skills necessary for certification and expansion requires a solid grounding in financial literacy. Therefore, the ZBS should develop and promote targeted financial management training in partnership with financial institutions and business development services. Moreover, launch awareness campaigns emphasizing tangible benefits, such as "improved credibility" and "competitive advantage," which are key motivators. The ZBS, supported by the Ministry of Industry and Trade, should initiate communication efforts that highlight success stories of certified Tanzanian SMEs. This comprehensive approach ensures that certification is regarded as a vital component of becoming a competitive and sustainable enterprise in the Tanzanian market.

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7. CONFLICT OF INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in the paper.

8. AUTHOR CONTRIBUTION STATEMENT

Omar Salim contributed to the conceptualization, research design, and writing of the original draft. **Omar Salim** was also responsible for developing the theoretical framework and conducting the literature review.

Mussa Makame was responsible for data collection, methodology design, statistical analysis using SPSS, and validation of the results. **Mussa Makame** also contributed to the interpretation of findings and the preparation of tables and figures. All authors have read and approved the final version of the manuscript.

9. ETHICS STATEMENT

This research was conducted in accordance with the ethical standards of the Zanzibar Bureau of Standards and adhered to the principles outlined in the Declaration of Helsinki. Ethical approval was obtained from the Zanzibar Health Research Institute (ZHRI) Ethics Committee under reference number ZAHR-2025/042. All participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time without consequence. Written informed consent was obtained from all participants prior to data collection. Participants' privacy and confidentiality were strictly maintained throughout the research process, and all data collected were anonymized and used solely for academic purposes. No personal identifying information was disclosed in any reports or publications resulting from this study.

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