



# “Sustaining small and medium-sized enterprises through financial awareness, access to digital finance in South Africa”

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## ARTICLE INFO

Thabiso Sthembiso Msomi and Ka Muzombo Kandolo (2023). Sustaining small and medium-sized enterprises through financial awareness, access to digital finance in South Africa. *Investment Management and Financial Innovations*, 20(1), 317-327. doi:[10.21511/imfi.20\(1\).2023.27](https://doi.org/10.21511/imfi.20(1).2023.27)

## DOI

[http://dx.doi.org/10.21511/imfi.20\(1\).2023.27](http://dx.doi.org/10.21511/imfi.20(1).2023.27)

## RELEASED ON

Tuesday, 28 March 2023

## RECEIVED ON

Saturday, 24 December 2022

## ACCEPTED ON

Monday, 30 January 2023

## LICENSE



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## JOURNAL

"Investment Management and Financial Innovations"

## ISSN PRINT

1810-4967

## ISSN ONLINE

1812-9358

## PUBLISHER

LLC “Consulting Publishing Company “Business Perspectives”

## FOUNDER

LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

42



NUMBER OF FIGURES

0



NUMBER OF TABLES

5

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**BUSINESS PERSPECTIVES**


LLC "CPC "Business Perspectives"  
Hryhorii Skovoroda lane, 10,  
Sumy, 40022, Ukraine  
[www.businessperspectives.org](http://www.businessperspectives.org)

**Received on:** 24<sup>th</sup> of December, 2022

**Accepted on:** 30<sup>th</sup> of January, 2023

**Published on:** 28<sup>th</sup> of March, 2023

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**Conflict of interest statement:**

Author(s) reported no conflict of interest

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# SUSTAINING SMALL AND MEDIUM-SIZED ENTERPRISES THROUGH FINANCIAL AWARENESS, ACCESS TO DIGITAL FINANCE IN SOUTH AFRICA

**Abstract**

Small and medium-sized enterprises (SMEs) have several critical challenges that threaten their capacity to survive and thrive. However, access and awareness to digital platform is fundamental to moderate the financial costs and develop financial productivity and sustain SMEs financially. Considering this, the purpose of this study is to get empirical information on the level of management awareness and usage of digital platforms in SMEs in South Africa. The methodological framework included a quantitative research strategy and positivist paradigm. Purposive sampling was utilized to collect data from 321 out of 700 SMEs owners, and the Cochran formula was used to explain the sample size. There were 321 surveys sent out, and 304 were filled out and returned (95% response rate). Descriptive analysis, Pearson's correlation, and regression analyses from the Statistical Package for Social Sciences were used. The results of Pearson's correlation coefficient establish a statistically significant relationship between access to digital finances and SME Sustainability ( $r = 0.334$ ), as well as a statistically significant relationship between financial awareness and SME Sustainability ( $r = 0.549$ ). The findings alert SMEs managers of the need to improve their digital platforms awareness in order to meet current financial demands and make better informed financial choices to improve company success. The results explain the advantages of trading using many digital platforms available in the country to improve the performance of their enterprises.

**Keywords**

digital platforms, digital finance, financial awareness,  
financial services, SME sustainability

**JEL Classification**

E42, M13, G20

## INTRODUCTION

Small and medium-sized enterprises (SMEs) play a vital role in almost all economies, but especially in developing countries with greatest obstacles in terms of high rate of unemployment, inequalities, and distribution of income, such as South Africa (Sylvana, 2021). Although in South Africa SMEs make up 98.5% of the country's economy, these enterprises do not make it through the second year of business with collapse rates as 63% (Ngibe & Lekhanya, 2019). Consequently, numerous constraints face this sector that impede its productivity and growth, among those are lack of access to digital platforms as well as poor financial awareness which subsequently threatens the sustainability of SMEs (Msomi & Olarewaju, 2022). However, many studies found that having access to cash has a substantial influence on the sustainability of a firm, and that having a solid understanding of digital platforms is necessary to get funding as the impact of financial awareness on the efficiency with which SMEs are managed is both beneficial and significant (Hussain et al., 2018; Abdulaali et al., 2019; Tuffour et al., 2022; Msomi, Yearwood & Msomi, 2022). As a result, access to digital

platform systems could reduce costs by utilizing economies of scale, to boost the speed, efficiency, and openness of transactions, and to provide more SMEs managers financial services that are geared toward serving the underprivileged (Belitski et al., 2022). For that reason, this study seeks to examine the financial awareness and access to digital finance on sustainability of SMEs in South Africa. In this paper, the development of economies, poverty alleviation and employments creation, depend on SMEs use and access to digital financial services.

## 1. LITERATURE REVIEW

The growth of SMEs in unequal economies like South Africa depends heavily on the availability, awareness and the managerial access to digital platforms. Small enterprises play and continue to play a vital part in raising the lives of many poor people in numerous developing nations like South Africa that engage in entrepreneurial activities. However, there is still a problem with a lack of business skills such as financial awareness and digital finance, especially the use of these platforms by owners and managers. Therefore, the transformation of a company depends on the use and growth of its digital finance and financial awareness at managerial level. This is because these financial services if used by managers may aid in relieving the limits that are placed on entrepreneurial endeavours via innovation, which improves SMEs (Luo, 2022). Access to these facilities needs to benefit every SMEs manager if they are aware of and utilize equally and at an affordable price (Ozili, 2020), despite the fact that the digital platform gives opportunities to financial services such as cell phone and internet banking. This is because the development of digital finance eases the financial risk of businesses if used by managers, particularly those with lower debt levels (Wang, 2022). Because digital finance encourages small and medium-sized enterprises managers to boost economic growth, combining internet technology and financial institutions is essential to the promotion of entrepreneurship and innovation in economies that are still in the process of emerging (Jiang et al., 2021). The importance of combining these digital platforms ultimately leads in innovation among SMEs managers who possess financial awareness skills.

The management's understanding and usage of digital platforms is essential to the value creation process that results in the success and sustainability of SMEs. This financial system contributes to an organization's knowledge base, helping man-

agers of small businesses to adapt to changes in the business environment and profit from opportunities presented for sustainability of SMEs. Therefore, firms' managers should understand the importance of digital platforms, their utility and their strategic role in SME sustainability in order to increase the knowledge capabilities of the enterprises. Financial awareness of managers has recently attracted a lot of interest due to the quick shift in digital platforms and the significant interest of managers' financial awareness skills and role playing for SME sustainability in both developed and developing countries. Growing data suggests that less digital platforms are more likely to experience difficulties managing debt, saving money, and obtaining financing, as well as being less likely to make long-term plans, all of which could have an impact on the sustainability of SMEs. Such evidence suggests that there is a certain relationship between financial awareness and access to digital finances which results in SME sustainability. For example, the study by Miller et al. (2009) indicates that the lack of financial awareness is often tied to the lack of access to digital platform services, including credit or failure to use them even when they are available to support SME sustainability. Households with high digital platform awareness and greater financial sophistication are more likely to participate in risky assets' markets and invest more efficiently (Calvert et al., 2005) showing a sense SMEs sustainability. However, the lack of individuals' knowledge and being comfortable with digital platforms awareness excludes not only the demand of such financial products (Beck et al., 2007), but also negatively affects the sustainability of SMEs. Therefore, there is a need of a considerable body of research demonstrating a positive impact of digital platform awareness and SME sustainability performance. For a better performance of firms, the management awareness and usage of digital platforms must demonstrate an improved insight into the financial aspects of SMEs sustainability approach.

Access and awareness to digital platform is fundamental to moderate the financial costs and develop financial productivity and sustain SMEs financially (Fan et al., 2022). Although the use of digital platform worldwide is improving, financial systems usage by businesses managers is still very low in many developing countries compared to developed countries. In many developing economies, some reasons include the lack of government commitment to technology innovation, lack of skills training, overall hatred of technology by people with religious and traditional dogmas, especially the lack of smart mobile phones ownership, which affects the use of internet banking (Ozili, 2020). This results in a lack of a digital platform in entrepreneurial activities as most of SME owners and managers reject the use of technology. However, in Tanzania, the use of a digital platform through emerging mobile payment solutions assists poor people to send money home, pay for bills, or buy pre-paid electricity and facilitate informal traders to improve their SMEs (Ephraim et al., 2016). The need to control the progress of digital platforms and Fintech is crucial as they balance innovation and growth as well as financial firmness (Weihuan et al., 2015). Since a digital platform is the method among the best devices for the progress of inclusive finance in developing countries such as South Africa, financial sector authorities need to sustain SME managers in order to support innovation and the use of technology to advance inclusive finance and customer security (Hasan et al., 2020). Given that SME managers' values and beliefs are fundamental to the adoption of a sustainable vision and sustainable practices by entrepreneurial initiatives, they are the primary agent of change in SMEs (Spence et al., 2011). As a result, accessing a digital platform by SME managers may guarantee the sustainability of entrepreneurial activities in a developing economy such as South Africa.

However, the lack of individuals' knowledge and comfortable with digital platforms awareness exclude not only the demand of such financial products (Sapovadia, 2018), but impacts SME sustainability negatively as well. Therefore, there is a need for a considerable body of research demonstrating a positive impact of digital platform awareness and SME sustainability performance. For firms to be more efficient, the management awareness and usage of digital platforms must demonstrate an

improved insight into the financial aspects of an SME sustainability approach.

In South Africa, inequalities in the employment rate, income distribution, and poverty are all problems that can be addressed by small and medium-sized enterprises. Despite accounting for 98.5% of the nation's businesses, only 63% of small businesses survive into their second year of operation (Ngibe & Lekhanya, 2019). This is because of many obstacles that prevent its productivity and expansion, some of which include limited access to digital financing and a lack of financial awareness, both of which endanger the long-term viability of SMEs. For that reason, the usage of digital platforms by management of SMEs is essential to the growth of South Africa's economy. Therefore, the aim of this paper is to provide empirical data on how much management of small and medium-sized firms is aware of and using digital platforms.

## 2. METHODOLOGY

The positivist theoretical framework was combined with a quantitative approach to research methods. According to the Durban Chamber of Commerce, there are around 700 small and medium-sized enterprises that hold licenses. The Cochran formula was used to provide an explanation for the sample size used in this investigation. According to Hoaglin (2016), the Cochran formula indicates that the target group in question is either unknowable or too huge. According to Msomi and Olarewaju (2021b), the audience consisted of 700 small and medium-sized enterprises located in Durban, KwaZulu-Natal. For this study, data were collected from a total of 321 SMEs. Therefore, a non-probability sampling technique, also known as a purposeful sampling approach, was shown to be the most suitable sampling technique to use when the characteristics of a populace are unknown. For starters, an email requesting participation was sent to every possible participant listed in the Durban Chamber of Commerce and Industry's database (DCCI). Small and medium-sized enterprises operating within the Central Business area of Durban, KwaZulu-Natal, South Africa were surveyed to collect data for the evaluation of the financial awareness, access to digital fi-

nances and SME sustainability in South Africa. In all, 103 questionnaires were distributed and collected from participants throughout the retail, industrial, agricultural, and construction industries. The entire response rate was broken down into categories and analyzed. To ensure the dependability and validity of the data that were obtained, the surveys were sent to various researchers and academics.

Data analysis was performed using SPSS 25.0, the Statistical Package for Social Sciences. A descriptive analysis was performed and supplied in the form of tables and statistics to determine the level of disagreement and agreement between the respondent's viewpoints on the evaluate the financial awareness, access to digital finances and SMEs sustainability.

### 3. RESULTS AND DISCUSSION

A descriptive assessment of survey participants' replies on financial awareness, access to digital finances, and the sustainability of small and medium-sized enterprises in South Africa was conducted.

The investigation regarding financial awareness, access to digital financing, and the sustainability of SMEs proved inconclusive with the following outcome (Table 1).

Table 1 shows that less than half of respondents (34.5%) stated that through financial facilities they may frequently analyze the financial performance of their innovations. These findings related to Omondi and Jagongo (2018) who showed that only few (15%) SME owners in Kisumu County, Kenya, had financial skills training to maintain their businesses for a regular financial performance of their enterprises. A lack of financial awareness disempowers entrepreneurs to perform regularly financial management of their enterprises. Many respondents (36.12 %) disagreed having financial awareness. While 24.3% remained neutral about having financial services to perform their financial administration frequently.

Results for the statement: I always create a budget before I spend any of my money, 40.12% of re-

spondents agreed with the statement. These results together with the abovementioned results coincided with Schubert and Kirsten's (2021) research who showed that budgeting creation and control has a substantial positive relationship with the financial performance of SMEs in Germany, since SMEs are a major contributor to both employment and economic growth in such a developed country's current economic climate.

59.12% of respondents indicated they were familiar with the fundamental of accounting. These findings, as well as the results above, concurred by Sibanda and Manda (2016) show that many SME owners believe there is no need to preserve accounting record and that doing so would reveal their financial situation, SMEs frequently fail due to a lack of core accounting practices including maintaining complete accounting records, which limits company information essential for decision-making.

Nearly 40% of those who took the survey said their company has benefited from banks' digital financial services. While 32.6 percent of people said the digital loan solution offered by the bank is exactly what they need to satisfy their financial needs. These findings corroborated the findings of Awinja and Fatoki's (2021) research, which established that the digital economy is a novel economic environment in which businesses may run and provide their products and services using digital media such as the Internet. The authors also noted that when SME customers get more used to using various payment methods, they encourage more commerce to occur. So, to promote economic development, it is essential to increase the variety of financial products available on digital platforms and reduce the price at which they can be accessed in order to benefit the small and medium-sized enterprise sector (Rasheed et al., 2019).

About 69.13% of respondents mentioned that the introduction of digital finance, their companies have been able to save money while also having more time to focus on SMEs growth. These results concurred with Luo (2022) who stated that the growth of digital finance can have a big impact on how businesses transition digitally as the degree of an enterprise's digital transformation increases with the level of digital finance development.

**Table 1.** Analysis of responses to survey questions

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
<b>Financial Awareness</b>					
Through financial services, I may regularly analyze the financial performance.	48 (15.8%)	65 (21.4%)	74 (24.3%)	86 (24.3%)	31 (10.2%)
I am responsible for preparing monthly income statements.	53 (17.4%)	82 (27.0%)	56 (18.4%)	80 (26.3%)	33 (10.9%)
I have been educated in the practices of bookkeeping.	71 (23.4%)	80 (26.3%)	52 (17.1%)	63 (20.7%)	38 (12.5%)
I always create a budget before I spend any of my money.	57 (18.8%)	68 (22.4%)	55 (18.1%)	73 (24.0%)	51 (16.8%)
We can grasp and manage a wide range of financial combination methods.	9 (3.0%)	47 (15.5%)	93 (30.6%)	108 (35.5%)	47 (15.5%)
We keep these financial instruments active at financial institutions to minimize the risk of their experiencing financial difficulties.	0	20 (6.6%)	35 (11.5%)	61 (20.1%)	188 (61.8%)
I understand the advantages and disadvantages of using credit.	6 (2.0%)	49 (16.1%)	78 (25.7%)	118 (38.8%)	53 (17.4%)
I can make accurate calculations of both interest rates and monthly payments for the loan.	8 (2.6%)	30 (9.9%)	73 (24.0%)	124 (40.8%)	69 (22.7%)
I am equipped with the knowledge necessary to analyze the company's future financial prospects.	1 (0.3%)	40 (13.2%)	94 (30.9%)	117 (38.5%)	52 (17.1%)
I have expertise for reducing losses by lowering bad debts	4 (1.3%)	33 (10.9%)	81 (26.6%)	105 (34.5%)	81 (26.6%)
I am familiar with the fundamentals of accounting.	6 (2.0%)	41 (13.5%)	74 (24.6%)	120 (39.5%)	63 (20.7%)
<b>Access to digital finances for SMEs</b>					
The digital financial services offered by the bank have led to an improvement in the business.	20 (6.6%)	45 (14.8%)	116 (38.2%)	90 (29.6%)	33 (10.9%)
I use the digital finance platform to purchase insurance, etc.	21 (6.9%)	51 (16.8%)	94 (30.9%)	105 (34.5%)	33 (10.9%)
We can pay our monthly utility payments via the bank's digital banking services.	20 (6.6%)	44 (14.5%)	109 (35.9%)	99 (32.6%)	32 (10.5%)
I can use the digital savings product that is made available by the bank.	11 (3.6%)	43 (14.1%)	132 (43.4%)	104 (34.2%)	14 (4.6%)
The digital investment product that the bank provides is risk-free for us to use.	5 (1.6%)	42 (13.8%)	93 (30.6%)	134 (44.1%)	30 (9.9%)
The bank's digital loan solution is just what we were looking for to meet our financial demands.	13 (4.3%)	49 (16.1%)	143 (47.0%)	82 (27.0%)	17 (5.6%)
I am in a good position about the terms and circumstances of digital loans.	8 (2.6%)	38 (12.5%)	150 (49.3%)	81 (26.6%)	27 (8.9%)
We can conduct our financial transactions without risk using the bank's digital services.	10 (3.3%)	29 (9.5%)	122 (40.1%)	106 (34.9%)	37 (12.2%)
The advent of digital finance has not only helped my company save money but also given me more time to devote to growing business.	11 (3.6%)	18 (5.9%)	61 (20.1%)	126 (41.4%)	88 (28.9%)

### 3.1. Pearson correlation coefficient relationship between financial awareness and SME sustainability

Pearson's correlation coefficient was formulated to establish the relationship between financial awareness and SME sustainability. The outcome of the Pearson's correlation coefficient is presented in Table 2.

**Table 2.** Correlation between financial awareness and SME sustainability

Construct A	Construct B	Pearson's correlation I	p-value
Financial Awareness	SMEs Sustainability	0.549**	<.0005

The findings of the Pearson's correlation coefficient, which are shown in Table 2, demonstrate that there is a statistically significant connection between financial awareness and the sustainability of SMEs, with a value of ( $r = 0.549$ ,  $P < 0.0005$ ). The presence of a positive correlation is evidence of a connection between the two different constructs A and B.

In fact, a large body of research demonstrates a beneficial relationship between financial awareness and SME sustainability (Msomi & Olarewaju, 2021; Agyei, 2018; Buchdadi et al., 2020). For example, Msomi and Olarewaju (2021) investigate the relationship between the availability of finance and its effect on the sustainability of SMEs in South Africa. The researchers conclude that most SMEs that obtain financing to support their firms have seen a correlation in the success and viability of such operations. The results of the study by Buchdadi et al. (2020) show the beneficial effects of financial awareness, financial availability, and a risk-taking mindset on the sustainability of SMEs. In addition, financial risk mindset and availability to capital have a mediating role in the link between financial awareness and SME performance (Buchdadi et al., 2020). The findings of the study

are in agreement with those of Agyei (2018), who draws the conclusion that the link between financial awareness and the expansion of SMEs is contingent on the cultural environment. The author alludes to the fact that owners of small and medium-sized enterprises who adhere to different theological teachings that frown upon materialism and placing an excessive focus on worldliness are less likely to be financially prosperous.

This supports Andriamahery and Qamruzzaman (2021), who reveal that enterprise risk management practices and SME sustainability are directly and favorably impacted by both technology and financial awareness, with enterprise risk management practices acting as a partial mediator between financial awareness and SME sustainability. Kulathunga et al. (2020) find that the foundation for theories about the relationship between techno-financial awareness and SME sustainability have managerial ramifications for improving SME sustainability. This means that the conceptual background above illustrates the connection between financial awareness, financial access, budgeting and accounting abilities, and the financial sustainability of SMEs (Msomi & Olarewaju, 2021).

A regression analysis was then performed to determine the degree of the relationship between the two constructs. Table 3 demonstrates the outcome of the linear regression.

According to the findings of the regression analysis, which are outlined and summarized in Table 3, the  $R^2$  value is 0.312, which suggests that access to finance accounts for 31.2% of the variation in capital structure. The  $R^2$  score represents the percentage of the total variance in the dependent variable (SME Sustainability) that can be accounted for by the variables that are independent (financial awareness). In this instance, there is a substantial linear link between financial awareness and the sustainability of SMEs, with  $F(1;152) = 68.979$

**Table 3.** Linear regression

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	16.599		7.067	<.0005	.312	68.979	1; 152	<.0005
financial awareness	.566	.549	8.305	<.0005				

Note: a. DV – SME Sustainability. b Predictor – financial awareness.

and a significance level of less than 0.0005 for the test.  $P < 0.0005$  is a value that is less than 0.05 and indicates that the independent variable (financial awareness) strongly predicts the dependent variable (SMEs Sustainability),  $B = 0.549$ ;  $P < 0.0005$ .

Knowledgeable with the financial aspects of small businesses, adept at handling their financial affairs, and possessing the mentality of SMEs who utilize business funds exclusively for the good of the company. The expansion of businesses is made possible thanks to the financial awareness of those involved in SMEs. Despite the fact that there was no growth in the number of consumers, there was nevertheless a rise in earnings that occasionally happened while the firm was being managed. Small firms have a very excellent potential to have business continuity if they have fairly solid management of their business finances and if they prepare for the inevitable growth of their company.

The Pearson correlation coefficient was conducted to determine the access to digital finances and SME Sustainability. Table 4 showcases the outcome of the Pearson correlation coefficient conducted to determine the relationship between the two variables.

**Table 4.** Correlation between access to digital finances and SME sustainability

Construct A	Construct B	Pearson's correlation	p-value
Access to digital finances	SME Sustainability	0.334**	<.0005

The results of the Pearson correlation coefficient illustrated in Table 4 establish a statistically significant relationship between access to digital finances and SME Sustainability ( $r = 0.334$ ,  $P < 0.0005$ ). The positive correlation indicates a direct relationship between the two constructs.

According to Fan et al. (2022), the access and improvement of digital finance have the capacity

**Table 5.** Linear regression

Variables in the equation	B	Beta	t	p-value	R <sup>2</sup>	F	df	p-value
Constant	43.563		14.839	<.0005	.105	17.806	1, 152	<.0005
Access to digital finances	.027	.334	4.220	<.0005				

Note: a. DV – SMEs Sustainability. b. Predictor – access to digital finances.

to increase the enterprises' internal financing of green technology innovation by decreasing financing costs and improving economic manageability. This simply shows that the growth of digital finance may stimulate the liberation of SMEs, which in turn promote economic development and SME sustainability (Jiang et al., 2021). Furthermore, the access to digital finance growth plays a substantial role in encouraging the digital revolution of enterprises, and the promotion result is stronger for non-state-owned corporates (Luo, 2022). As Liu et al. (2021) notice, strengthening and campaigning for digital financial inclusion, especially in rural areas, can sustain SMEs in various developing countries as banks may access SMEs in these areas easily. Digital finance, a financial innovation that combines internet information technology and traditional finance in light of the swift expansion of the digital economy, is crucial to the financial risk of microenterprises and macroeconomic activities (Wang, 2022). Therefore, for improving performance, having access to digital finance is just as important as having financial awareness as trading on digital platforms would improve SMEs sustainability (Frimpong et al., 2022).

A regression analysis was further conducted to establish the level of influence between the two constructs. The result of the linear regression is shown in Table 5.

The results of regression analysis summarized in the Table 5 indicate R<sup>2</sup> value of .105 which suggests that access to digital finances accounts for 10.5% of the variance in SMEs Sustainability. The R<sup>2</sup> value indicates how much of the total variation the dependent variable (SME Sustainability) can be explained by the independent variable (access to digital finances). In this case, there is significant linear relationship between access to digital finances and SME Sustainability,  $F(1,152) = 17.806$ ;  $P < 0.0005$ .  $P < 0.0005$  is less than the dependent variable (SMEs Sustainability),  $B = 0.334$ ,  $P < 0.0005$ .



The access to digital finances in developing nations is directly responsible for SMEs Sustainability. The access to digital finances can help SMEs improve their financial performance and enterprise sustain-

ability. Digital finances will assist business owners in managing their finances in order to achieve a goal or target, such as generating large profits so that the enterprise's competitiveness becomes satisfactory.

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## CONCLUSIONS AND RECOMMENDATION

The purpose of this study was to provide actual data on how much management of small and medium-sized enterprises is aware of and using digital platforms. Moreover, it looked into how financial awareness and access to digital finance are related, as well as how these two factors relate to the sustainability of small and medium-sized firms. The study's final purpose, which was to regulate the relationship between financial awareness and the viability of SMEs, was access to digital financing.

The findings revealed that the need of access to digital platform services and the link between financial awareness and SME sustainability remain important to both beneficiaries and benefactors, the government should support SMEs through innovation and technology. The findings show that there is a need for managers of SMEs to practice digital financial awareness to develop the economy and create more opportunities. Although less than half of candidates recognize accomplishing their SMEs' financial performance regularly, most of them disagree possessing financial awareness. This lack of access to digital financial services, such as credit, or failure to use them even when they are available to help SME sustainability, are frequently linked to lack of financial awareness. The study concluded that there is a statistically significant relationship between access to digital finances and SME Sustainability ( $r = 0.334$ ), as well as a statistically significant relationship between financial awareness and SMEs Sustainability ( $r = 0.549$ ). The study demonstrates that sustainability of small and medium-sized enterprises, through financial management and access to digital finance systems create opportunities for disadvantaged people in many developing economies.

The study recommends that governments should support the growth of small and medium enterprises by helping them access digital platform services more easily and affordably. It should also do more to support digital financial inclusivity. SME managers need to improve their digital platform awareness to meet current financial demands and make better informed financial choices to improve company success. It explains the advantages of trading using the many digital platforms available in the nation to improve the performance of their enterprises. To improve the efficiency of SMEs and increase their longevity, policymakers such as the government, regulatory authorities of digital financial services, the Ministry of Trade and Industries, and other lawful policymakers should enact legislation that makes room for various legal forms of digital financial services. In addition, the government should develop policies that lower the charge of accessing digital financial services and increase the financial product portfolio. The South African government needs to focus on entrepreneurial policies that empower managers through access to digital financial services and poverty alleviation because of equal opportunity.

It has been suggested that more research should be carried out on how an individual's level of financial technology literacy influences their use of digital financial platforms. Additionally, research needs to be done to investigate to what extent age affects how people utilize fintech and how many times they do so.

## AUTHOR CONTRIBUTIONS

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