

TITLE:

**AN ASSESSMENT OF LOAN ACCESSIBILITY AND ITS IMPACT ON GROWTH OF
SMALL AND MEDIUM ENTEPRISES IN MALAWI: A CASE STUDY OF SENTI
MARKET (SMEs)**

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ABSTRACT

This study evaluates loan accessibility and its implications for the growth and sustainability of small and medium enterprises (SMEs), focusing specifically on the case of Senti Market. SMEs are vital for economic development, yet they often face significant barriers in accessing finance, the main objectives of the study were to examine the key factors affecting access to loan facilities by SMEs, to assess the extent to which loan accessibility influences the growth and sustainability of SMEs and lastly to analyze the challenges faced by SMEs in meeting loan requirements set by financial institutions. Through a mixed-methods approach, The study was based on both qualitative and quantitative techniques, the researcher used a self-administered questionnaire and interviews to collect primary data. Secondary data was collected from Ministry of trade and industries and Small and Medium Enterprise Institute, Journals and different websites. Data was then analyzed and presented in graphs, charts and tables, followed by critical and logical explanations to provide better understanding of the results.

The findings reveal that improved loan accessibility directly correlates with enhanced growth metrics, including increased revenue, job creation, and innovation within these enterprises. Furthermore, the research highlights the critical role of tailored financial products that accommodate the unique needs of SMEs, which can foster not only immediate business growth but also long-term sustainability.

In Conclusion from this study the researcher would recommend for policy interventions aimed at lowering barriers to financial access by SMEs, enhancing financial literacy programs, and developing supportive financing schemes that encourage SME development. By addressing these issues, stakeholders can contribute to the robust growth of SMEs, thereby bolstering Malawi's economic stability and resilience.

INTRODUCTION

Background of Study

Internationally, gaining access to business capital, having the necessary skills in business, as well as high-level managerial dedication, are viewed as important success factors in the success of small to medium enterprises. In first-world countries like America, Foundations like the U.S Small Business Administration (SBA) are in place to offer low-interest financing, as well as training or mentoring programs, to help small businessmen or -women obtain access to capital without as much collateral requirement. Therefore, small-to-medium enterprises in first-world economies are said to exhibit higher skills in finance management, as well as higher dedication to business.

In Africa, SMEs still play a crucial role in the continent's economies but are constrained severely. For West Africa, countries like Nigeria are faced with problems of interest rates, collateral, and entrepreneurial skills. For East Africa, Kenya is doing somewhat well through mobile banking, although SMEs are still faced with problems of business planning and repayment of loans. For Southern Africa, countries like South Africa have somewhat developed financial sectors, although SMEs still experience problems of compliance and managerial capabilities. Overall, the problems of business capital, business skills, and business commitment still pose challenges for SME growth in Africa.

In Malawi, the SME sector similarly faces more pronounced challenges. The 2013 study conducted by Small and Medium Enterprises Development Institute SMEDI established that over 70% of indigenous investors, which are predominantly the SMEs, are constrained by lack of business capital, inadequacy of business skills, and weak commitment to business/lifestyle management. Lack of business capital limits the SMEs' capability to invest in inventories, technology, and expansion. On the other hand, this inadequacy of business skills, especially in financial management, record keeping, and business planning, lowers the credibility of SMEs in the eyes of financial institutions. Weak commitment to business, reflected through poor time management, mixing business and personal finances, and long-term planning, contributes even more to business failure and loan default.

Problem Statement

Finscope,2023, argue that despite the importance of SMEs to the economy, many retailers in Malawi struggle to access loans from formal financial institutions. Factors such as lack of financial literacy, inadequate collateral, high interest rates, and unfavorable loan terms

contribute significantly to this challenge. This limited access to finance constrains SMEs' ability to expand, innovate, and achieve sustainable growth. According to the Finscope (2023) Consumer Survey Report, interest rates on commercial loans in Malawi are among the highest in the Southern Africa Development Community (SADC) region, ranging from 20% to 40%, with some private financial institutions pegging rates as high as 55%. As of July 2025, the National Bank of Malawi reported that the commercial banks' lending or reference rate stood at 25.30%. (National Bank Report July, 2025) These high costs of borrowing, coupled with stringent lending requirements, make it difficult for small-scale business owners to access loans. Consequently, limited access to affordable finance remains a major barrier to the growth and sustainability of SMEs in Senti and Malawi at large.

Research Objectives

The research had the following primary and secondary objectives.

Primary Objectives

- To Assess Loan Accessibility and Its Impact on the Growth of Small and Medium Enterprises in Malawi.

Secondary Objectives

- To examine the key factors affecting access to loan facilities by SMEs in Senti Market.
- To assess the extent to which loan accessibility influences the growth and sustainability of SMEs in Senti Market.
- To analyze the challenges faced by SMEs in meeting loan requirements set by financial institutions.

Research Questions

With reference to the above-mentioned research problem, the research was guided by the following questions:

- i. What are the key factors affecting access to loan facilities by SMEs in Senti Market?
- ii. To what extent does loan accessibility influence the growth and sustainability of SMEs in Senti Market?
- iii. What challenges do SMEs face in meeting loan requirements set by financial institutions in Senti Market?

RESEARCH METHODOLOGY

Research Design

A mixed research design has been adopted which involved the analysis and presentation of numerical and non-numerical data to make reasonable and concrete conclusions based on the findings obtained from the respondents. The qualitative method emphasizes understanding of social phenomena through direct observation (or interaction with participants), or textual analysis (Saunders, 2007). The researcher used interviews to collect qualitative data. The quantitative method on the other hand deals with statistical data which is capable of being measured or expressed in numbers and often presented numerically. This method provides inferential statistics for generalization of findings; and the findings are presented numerically. The researcher used questionnaire to collect quantitative data. This design allowed for a comprehensive understanding of the factors influencing loan access by SMEs. The quantitative component involves the collection of numerical data to identify trends and patterns, while the qualitative component provides deeper insights into the experiences and perceptions of SME owners.

Population and Sampling

Population

The targeted population in this study entails SMEs retailing in Lilongwe. Based on the 2018 Malawi Population and Housing Census by the NSO, Lilongwe is projected to have an estimated population of about 1,122,000 people. While it is not clearly documented as to how many SMEs are in Lilongwe, it is estimated that the city hosts a considerable number of small and medium-scale enterprises. For instance, Senti Market, being one of the major trading centers in Lilongwe, has an estimated 150 SMEs retailing products such as groceries, clothing, hardware, and general goods.

Sampling Method

A random sampling technique was employed to ensure representation across different categories of retailers, including grocery stores, clothing shops, and service-oriented businesses. This method allows for the inclusion of diverse perspectives and experiences related to loan access.

Sample Size

The study was limited to selecting a sample of 50 SMEs selected from Senti Market due to resource constraints and for practicality. The sample size was determined using Slovin's formula:

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

Where:

- n = sample size
- N = population size (150 SMEs at Senti Market)
- e = margin of error (10%) = 0.10

Targeted sample size:

$$n = 150 / (1 + 150(0.10^2)) = 150 / (1 + 150(0.01)) = 150 / (1 + 1.5) = 150 / 2.5 = 60$$

Therefore $n= 60$ respondents.

This sample size is considered adequate to provide representative and reliable data for the study at 90% confidence level. However, due to limited resources the researcher used a sample of 50 respondents then the findings from the sample have been generalized and extrapolated to a large population.

Data Collection Techniques

Quantitative Data Collection

A structured questionnaire was developed to collect quantitative data, and 30 questionnaires were circulated to the respondents with a 100% response rate. The questionnaire included closed-ended questions designed to assess various factors affecting loan access, such as financial literacy, creditworthiness, collateral requirements, and banking relationships.

Qualitative Data Collection

In-depth interviews were conducted with a subset of 20 chosen SME owners to gather qualitative data. These interviews aimed at exploring personal experiences, challenges, and perceptions regarding access to loans. Open-ended questions were used to encourage participants to share their insights freely.

Data Analysis

The quantitative data was analyzed by using statistical software, and for this purpose, Microsoft Excel was used. For the analysis of the qualitative data generated from the interviews, the process of transcription was used, and thereafter, the themes associated with the issues of access to loan services were identified using themes analysis. The analysis entails the process of assigning themes to the identified information throughout the transcripts to establish the themes associated with access to loan services.

Ethical Considerations

Ethical considerations were considered paramount throughout the research process. Informed consent was obtained from all participants, ensuring they have understood the purpose of the study and their right to withdraw at any time. Confidentiality has also been maintained by anonymizing responses and securely storing data.

RESULTS

Introduction

This chapter presents a detailed interpretation of the analyzed results derived from the raw data collected through questionnaires administered to respondents. The data was thoroughly analyzed to address the research questions, meet the study's objectives, and generate meaningful findings. Statistical analysis was conducted using Microsoft Excel, which facilitated the computation of figures and the development of relevant charts and graphs.

DEMOGRAPHICS AND BACKGROUND INFORMATION

Gender of the Respondents

The data obtained via the questionnaires highly stipulates that out of the 50 respondents from Senti market 32 of the respondents were males which represents 64% of the sample population while Females made up the 18 respondents which represents 36% of the sample population.

S/N	GENDER RESPONDENTS	AMOUNT	PERCENTAGE
1	Male	32	64
2	Female	18	36

Table 1:Gender of Respondents

Age of the Respondents

The age distribution of the respondents reveals that the majority, 15 out of 50 respondents (30%), were aged between 35 and 44 years, followed closely by another 15 respondents (30%)

who were 45 years and above. Meanwhile, 10 respondents (20%) fell within the 25–34 age bracket, and another 10 respondents (20%) were below 25 years. These findings suggest that most SME operators at Senti Market are mature individuals aged 35 years and above, representing 60% of the total respondents. This indicates that the SME sector in the area is largely driven by experienced entrepreneurs, although there is still a notable proportion of youth involved in business activities.

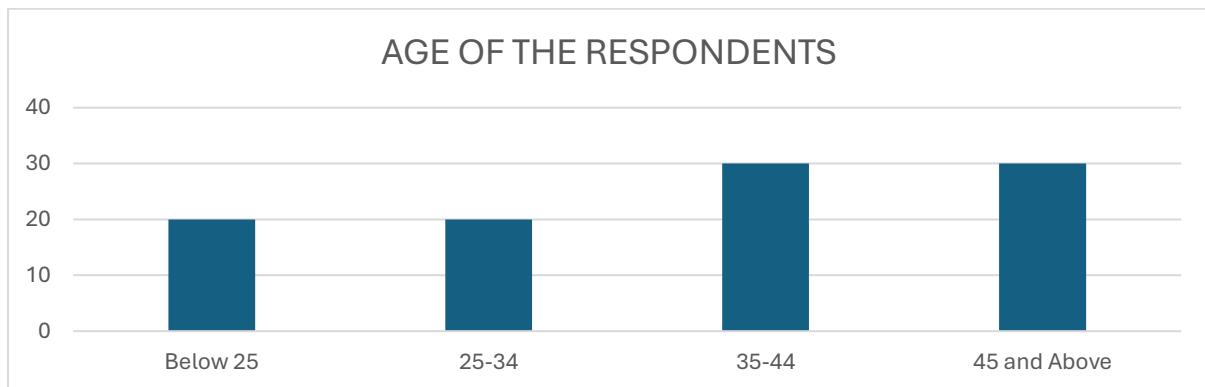


Figure 1:Age of Respondents

Education Level of the Respondents

The educational background of the respondents shows that the majority, 20 out of 50 respondents (40%), had attained primary education, while an equal number, 20 respondents (40%), had reached the secondary education level. Additionally, 10 respondents (20%) possessed a diploma or degree qualification, and none had pursued postgraduate studies. These findings indicate that most SME operators at Senti Market have attained basic or secondary education, which may influence their access to and management of financial resources. The relatively low number of respondents with higher education qualifications suggests a potential need for business and financial literacy programs to enhance SME growth and sustainability.

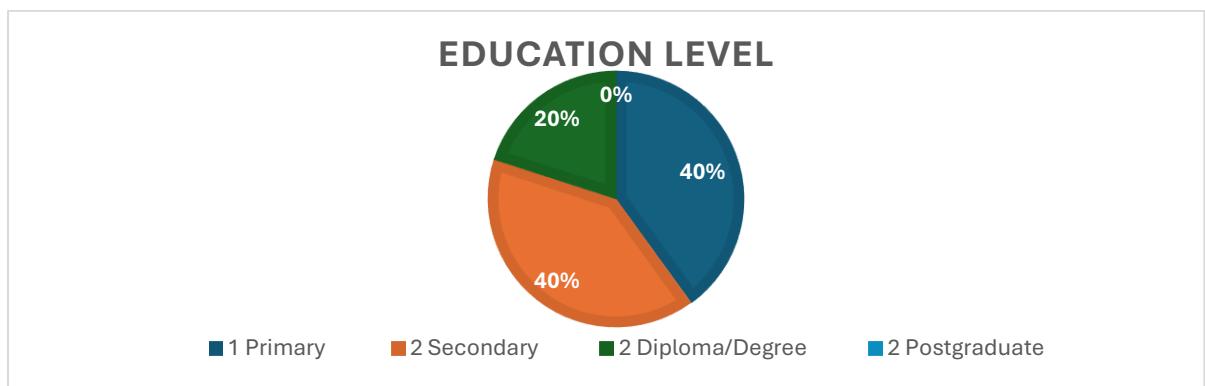


Figure 2: Education level of Respondents

Years in Business

The findings indicate that most respondents had been in business for 1 to 3 years, accounting for 30 out of 50 respondents (60%). This was followed by those with less than 1 year of business experience, representing 15 respondents (30%). A smaller proportion, 5 respondents (10%), had operated their businesses for 4 to 6 years, while none had been in business for more than 6 years (0%).

S/N	YEARS IN BUSINESS	AMOUNT	PERCENTAGE
1	Less than 1 year	15	30
2	1-3	30	60
3	4-6	5	10
4	More than 6 years	0	0

Table 2 : Years in Business

Type of Business

The results show that the majority of respondents, 25 out of 50 (50%), operated grocery businesses. This was followed by retail shops, accounting for 10 respondents (20%). A smaller group, 5 respondents (10%), were involved in clothing and accessories businesses, while none fell under the 'other' category.

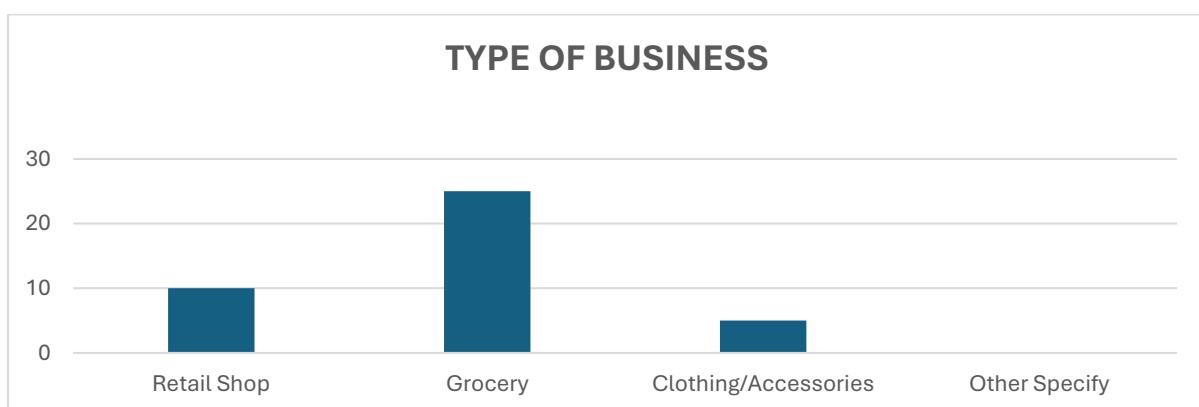


Figure 3: Type of Business

Number of Employees

The findings reveal that most businesses were small, with 30 out of 50 respondents (60%) employing 1 to 5 workers. Another 10 respondents (20%) had between 6 and 10 employees. A

smaller proportion, 5 respondents (10%), reported having 11 to 20 employees, while another 5 respondents (10%) had more than 20 employees.

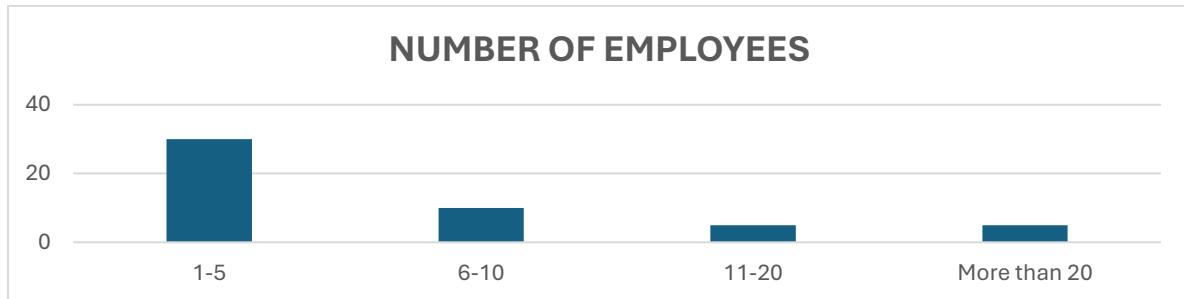


Figure 4: Number of employees

FACTORS AFFECTING ACCESS TO LOAN FACILITIES

I have adequate knowledge about different loan products and their requirements

The results show that a significant proportion of respondents had a positive perception of their knowledge of loan products. 20 respondents (40%) agreed that they had adequate knowledge, while 5 respondents (10%) strongly agreed. However, a notable number expressed limited knowledge, with 15 respondents (30%) disagreeing and 10 respondents (20%) strongly disagreeing. None of the Respondents selected the neutral option.

S/N	ADEQUATE KNOWLEDGE ON LOAN PRODUCTS	AMOUNT	PERCENTAGE
1	Strongly Agree	5	10
2	Agree	20	40
3	Neutral	0	0
4	Disagree	15	30
5	Strongly Disagree	10	20

Table 3: Adequate Knowledge on Loan Products

I maintain proper financial records that can support a loan application

The findings reveal that respondents generally held negative perceptions regarding the maintenance of proper accounting records. A majority, 30 respondents (60%), disagreed that proper records were maintained, while none strongly disagreed. On the other hand, 20 respondents (40%) agreed that accounting records were properly maintained, though no respondent strongly agreed. Additionally, none of the respondents selected the neutral option, showing that views on this matter were clearly defined without any undecided responses.

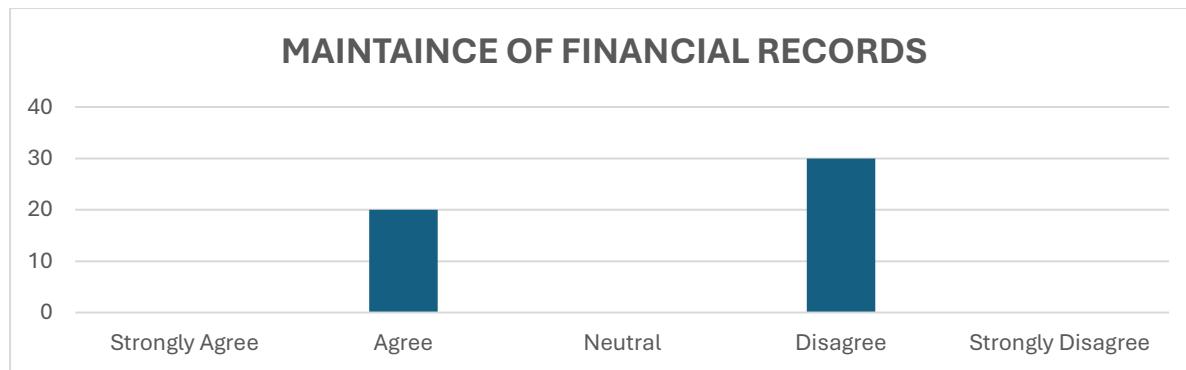


Figure 5: maintenance of financial records

Lack of collateral is a major obstacle to obtaining a loan for my business

The results show that most respondents viewed lack of collateral as a major obstacle to loan accessibility. A significant number, 30 respondents (60%), strongly agreed with this statement, while 15 respondents (30%) agreed. Only 5 respondents (10%) disagreed, and none strongly disagreed. Additionally, no respondent selected the neutral option, indicating that most participants held a clear and firm opinion on this issue.

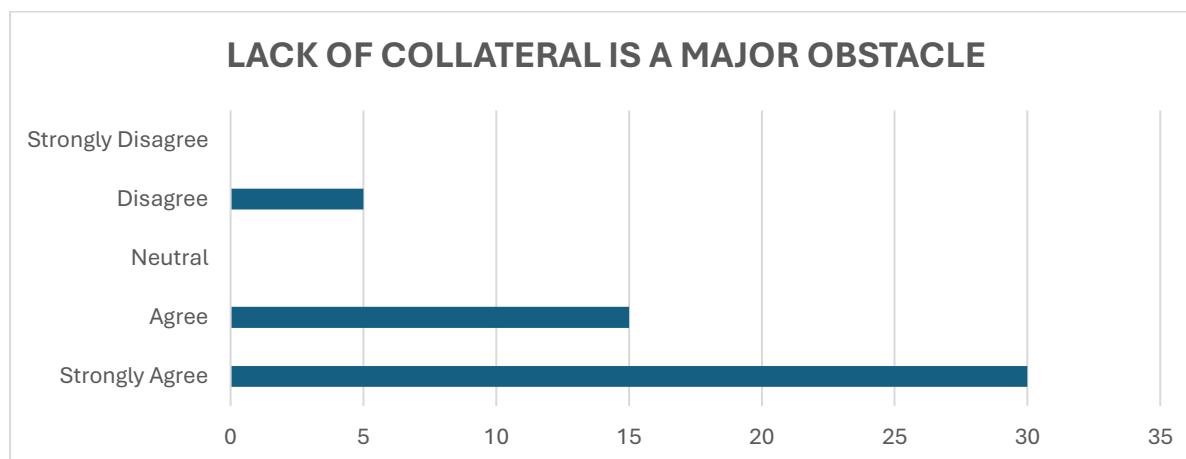


Figure 6: Lack of collateral

High interest rates discourage me from applying for loans

The results indicate that respondents overwhelmingly felt that high interest rates discourage them from accessing loans. A total of 26 respondents (52%) strongly agreed with this statement, while 20 respondents (40%) agreed. Only 4 respondents (8%) disagreed, and none strongly disagreed. Like previous findings, no respondent selected the neutral option, suggesting that opinions on this matter were clear and firmly held.

S/N	HIGH INTEREST RATES DISCOURAGE ME	AMOUNT	PERCENTAGE
1	Strongly Agree	26	52
2	Agree	20	40
3	Neutral	0	0
4	Disagree	4	8
5	Strongly Disagree	0	0

Table 4: High interest rates Discourage Me

The loan application procedures are too complicated for SME's

The findings show that many respondents perceived the loan application procedures as overly complicated. A substantial number, 30 respondents (60%), strongly agreed with this view, while 10 respondents (20%) agreed. An equal proportion, 10 respondents (20%), disagreed that the procedures were too complicated, and none strongly disagreed. As with earlier results, no respondent selected the neutral option, indicating that respondents had clear and definite opinions on this issue.

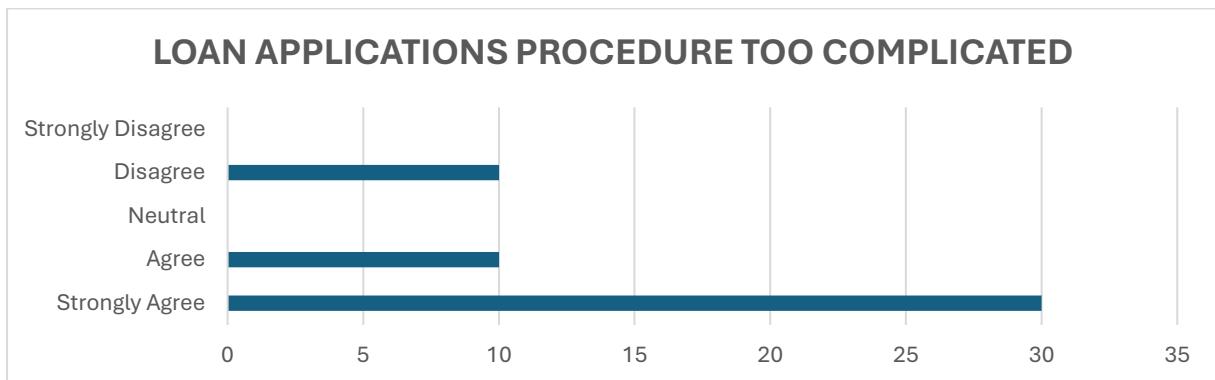


Figure 7: Loan Application procedure

My Relationship with Financial institutions is strong and supportive

The results indicate that most respondents did not feel they had strong and supportive relationships with financial institutions. The majority, 30 respondents (60%), disagreed with the statement, while 10 respondents (20%) strongly disagreed. On the positive side, only 5 respondents (10%) agreed, and another 5 respondents (10%) strongly agreed that their relationship with financial institutions was supportive. None of the respondents selected the neutral option, showing that opinions on this matter were clearly defined and leaned heavily toward a negative perception.

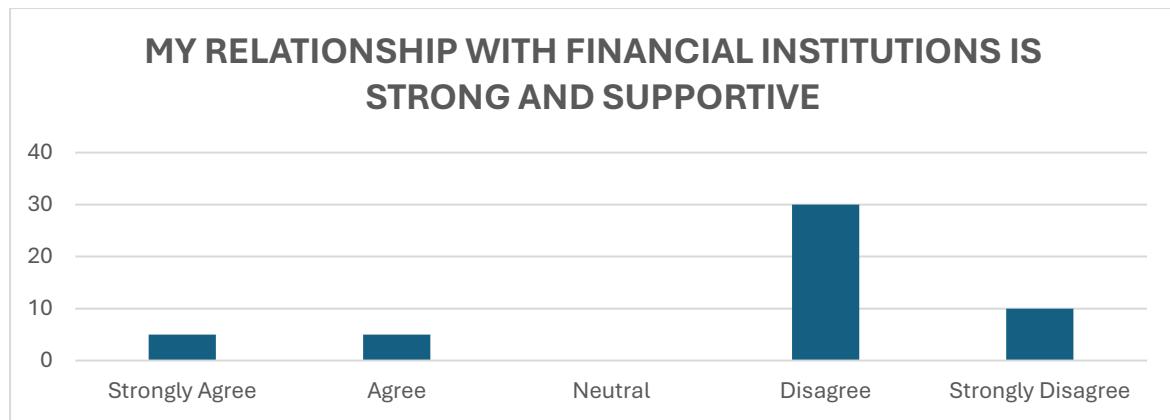


Figure 8: Relationship with financial institutions

Lack of Financial literacy contributes to the difficulty of obtaining loans

The findings show that most respondents believed that a lack of financial literacy contributes to difficulties in obtaining loans. A significant proportion, 32 respondents (64%), agreed with this view, while 8 respondents (16%) strongly agreed. In contrast, 5 respondents (10%) disagreed, and another 5 respondents (10%) strongly disagreed. None of the respondents selected the neutral option, indicating that participants held clear and definite opinions on this issue.

S/ N	LACK OF FINANCIAL LITERACY CONTRIBUTES TO THE DIFFICULTY TO OBTAINING LOANS	AMO UNT	PERCE NTAGE
1	Strongly Agree	8	16
2	Agree	32	64
3	Neutral	0	0
4	Disagree	5	10
5	Strongly Disagree	5	10

Table 5: Lack of Financial Literacy contributes to the difficulty to obtaining loans

Government Regulations make it difficult for small Business to access credit

The results indicate that many respondents believe government regulations make it difficult for small businesses to access credit. An equal number, 20 respondents (40%), strongly agreed and 20 respondents (40%) agreed with this statement. A smaller group, 10 respondents (20%), selected the neutral option, while none disagreed or strongly disagreed. These findings suggest that most respondents viewed government regulations as a significant barrier, with no participants expressing an opposing view.

GOVERNMENT REGULATIONS MAKE IT DIFFICULT FOR SMALL BUSINESS TO ACCESS CREDIT

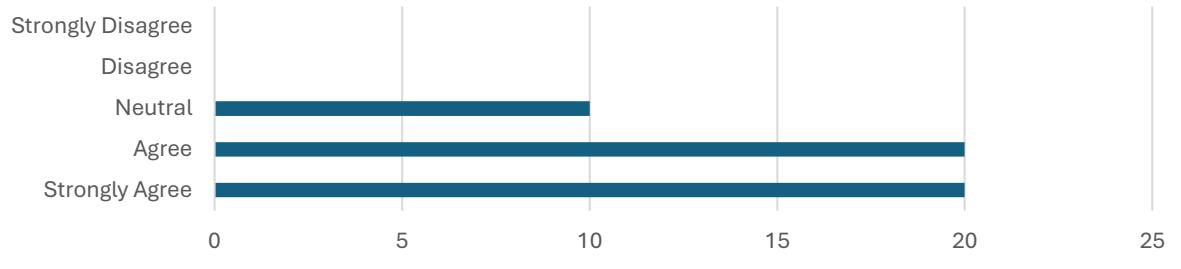


Figure 9: Government regulations

Economic instability makes lenders more reluctant to give loans to SME's

The findings reveal that most respondents perceived economic instability as a factor that makes lenders more reluctant to provide loans to SMEs. A total of 25 respondents (50%) agreed with this statement, while 20 respondents (40%) strongly agreed. A smaller portion, 5 respondents (10%), selected the neutral option, and none disagreed or strongly disagreed. This suggests that most respondents view economic instability as a significant barrier to accessing credit for small businesses.

S/N	ECONOMIC INSTABILITY MAKES LENDERS MORE RELUCTANT TO GIVE LOANS TO SMES	AMOUNT	PERCENTAGE
1	Strongly Agree	20	40
2	Agree	25	50
3	Neutral	5	10
4	Disagree	0	0
5	Strongly Disagree	0	0

Table 6: Economic instability makes lenders more reluctant to give loans to smes

Commercial banks prefer to give loans to large businesses rather than SME's

The results indicate that most respondents believed commercial banks prefer to give loans to large businesses rather than SMEs. A majority, 30 respondents (60%), agreed with this statement, while 15 respondents (30%) strongly agreed. Only 5 respondents (10%) disagreed, and none strongly disagreed. No respondent selected the neutral option, showing that perceptions on this issue were largely clear and tilted toward the view that SMEs face a disadvantage in accessing credit.

COMMERCIAL BANKS PREFER TO GIVE LOANS TO LARGE BUSINESS RATHER THAN SMES

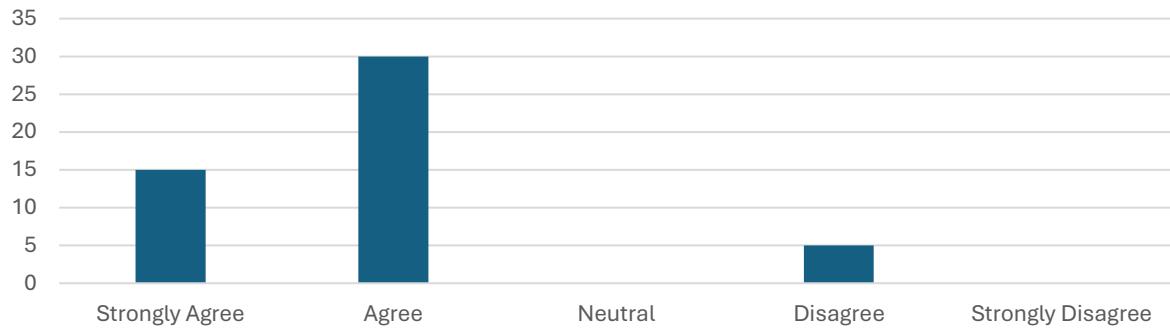


Figure 10: Commercial banks preference

INFLUENCE OF LOAN ACCESSIBILITY ON GROWTH AND SUSTAINABILITY OF SMES'S

Access to Loans has helped my business grow

The results show that 20 out of 50 respondents (40%) agreed that access to loans has helped their businesses grow, while an equal proportion, 20 respondents (40%), disagreed with this statement. Additionally, 10 respondents (20%) remained neutral, indicating uncertainty or mixed experiences regarding the impact of loan access on business performance. None of the respondents strongly agreed or strongly disagreed. These findings suggest that while some SME operators at Senti Market have benefited from loan access, a significant number may be facing challenges in effectively utilizing borrowed funds. This highlights the need for improved loan support mechanisms, financial guidance, and tailored loan products to ensure SMEs can fully benefit from credit facilities.

S/N	ACCESS TO LOANS HAS HELPED MY BUSINESS GROW	AMOUNT	PERCENTAGE
1	Strongly Agree	0	0
2	Agree	20	40
3	Neutral	10	20
4	Disagree	20	40
5	Strongly Disagree	0	0

Table 7:Access to loans has helped my Business grow

Loan Financing has improved my business profitability

The findings indicate that 22 out of 50 respondents (44%) agreed that loan financing has improved their business profitability, while 20 respondents (40%) disagreed with this statement. Additionally, 10 respondents (20%) remained neutral, suggesting that they were either unsure of the impact or had mixed experiences regarding profitability after accessing loans. None of the respondents strongly agreed or strongly disagreed. These results imply that although a notable proportion of SME operators at Senti Market have experienced profitability improvements from loan financing, a considerable number have not observed similar benefits. This points to the need for enhanced financial management support, better-designed loan products, and continuous monitoring to ensure SMEs can effectively translate borrowed funds into increased profitability.



Figure 11: Loan financing profitability

Affordable loans increase the sustainability of my Business

The results show that a majority of the respondents, 30 out of 50 (60%), strongly agreed that affordable loans increase the sustainability of their businesses, while an additional 10 respondents (20%) agreed with this statement. A further 10 respondents (20%) disagreed, and none remained neutral or strongly disagreed. These findings indicate that most SME operators at Senti Market believe that access to affordable loan facilities plays a crucial role in supporting and sustaining their business operations. The minority who disagreed may be experiencing challenges related to loan conditions or repayment capacity. Overall, the results highlight the importance of providing affordable and accessible credit to promote long-term SME stability and growth.

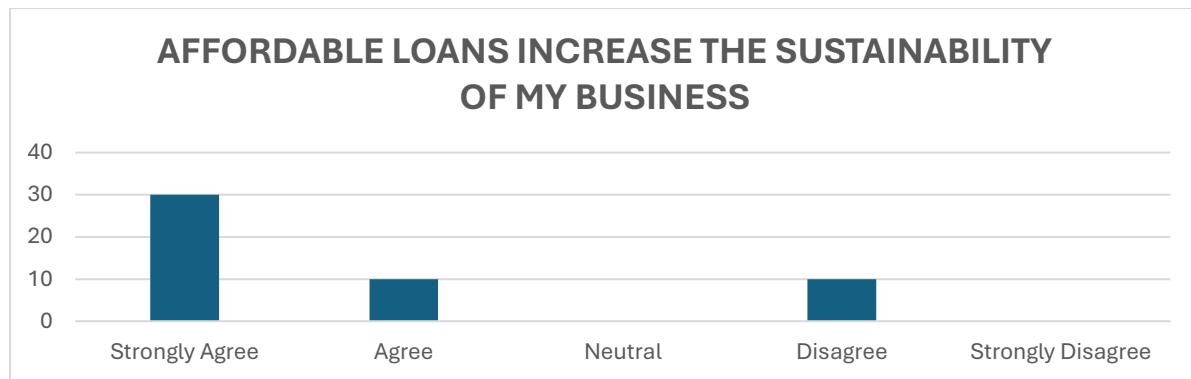


Figure 12: Affordability of Loans

Availability of credit has enabled me to employ more people

The findings reveal that 20 out of 50 respondents (40%) strongly agreed that the availability of credit has enabled them to employ more people, while 10 respondents (20%) agreed. Additionally, 5 respondents (10%) remained neutral, indicating uncertainty or limited impact of credit on employment decisions. However, 20 respondents (40%) disagreed with the statement, and none strongly disagreed. These results suggest that although a portion of SME operators at Senti Market have been able to expand their workforce through access to credit, an equally large proportion have not experienced similar outcomes. This may reflect differences in loan utilization, business size, or profitability. Overall, the findings highlight that while credit availability can support job creation for some SMEs, its impact is not uniform across all enterprises.

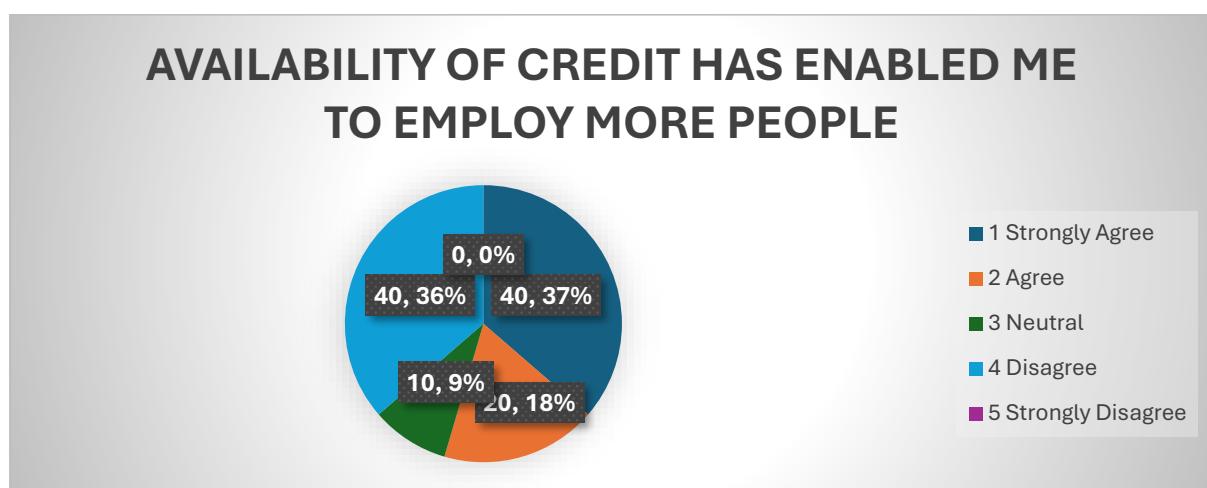


Figure 13: Availability of Credit

Easy access to credit encourages me to invest more in my business

The findings show that 20 out of 50 respondents (40%) agreed that easy access to credit encourages them to invest more in their businesses, while 10 respondents (20%) were neutral on this statement. Additionally, 5 respondents (10%) disagreed, and none strongly agreed or strongly disagreed. These results suggest that for many SME operators at Senti Market, access to credit serves as a motivation to increase business investment. However, the presence of neutral and disagreeing respondents indicates that not all SMEs feel encouraged to invest more, possibly due to concerns about loan conditions, repayment challenges, or limited confidence in credit systems. Overall, the findings highlight that while credit access can stimulate business investment, its influence varies among different operators.

S/N	EASY ACCESS TO CREDIT ENCOURAGES ME TO INVEST MORE IN MY BUSINESS	AMOUNT	PERCENTAGE
1	Strongly Agree	0	0
2	Agree	20	40
3	Neutral	10	20
4	Disagree	5	10
5	Strongly Disagree	0	0

Table 8:Easy access to credit encourages me to invest more in my business

Loan accessibility is crucial for my business expansion

The findings show that 30 out of 50 respondents (60%) agreed that easy access to credit encourages them to invest more in their businesses, while 10 respondents (20%) remained neutral. Additionally, 10 respondents (20%) disagreed with this statement, and no one strongly agreed or strongly disagreed. These results indicate that for many SME operators at Senti Market, access to credit acts as an incentive to increase business investment. However, the presence of neutral and disagreeing respondents suggests that not all SMEs feel motivated to invest more, possibly due to concerns related to loan terms, repayment difficulties, or limited confidence in financial institutions. Overall, the findings highlight that while easy credit access can promote business investment, its impact is not uniform across all operators.

S/N	LOAN ACCESSIBILITY IS CRUCIAL FOR MY BUSINESS EXPANSION	AMOUNT	PERCENTAGE
1	Strongly Agree	24	48

2	Agree	6	12
3	Neutral	10	20
4	Disagree	10	20
5	Strongly Disagree	0	0

Table 9: Loan accessibility is crucial for my Business Expansion

Loans Help me Maintain good cash flow and operations

The findings reveal that 20 out of 50 respondents (40%) strongly agreed that loan accessibility is crucial for their business expansion, while an equal number, 20 respondents (40%), agreed. Additionally, 10 respondents (20%) disagreed, and none were neutral or strongly disagreed. These results indicate that the majority of SME operators at Senti Market recognize the importance of accessible loans in supporting business growth and expansion. The minority who disagreed may face challenges related to loan terms, repayment capacity, or past experiences with credit facilities. Overall, the findings underscore the critical role of loan accessibility in enabling SMEs to scale and sustain their operations.

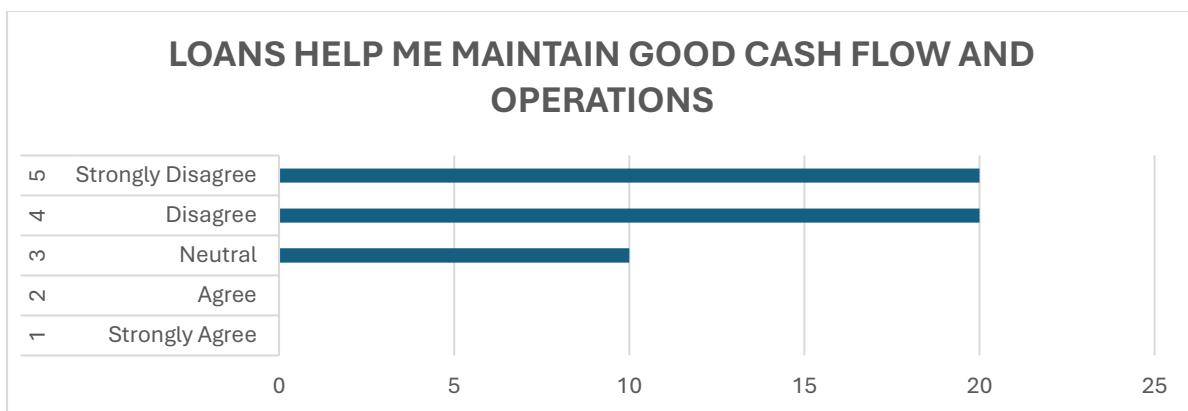


Figure 14: maintaining Good cashflow with loans

Access to credit has made my Business more competitive

The findings reveal that none of the respondents agreed or strongly agreed that access to credit has made their businesses more competitive. Instead, a majority, 30 out of 50 respondents (60%), strongly disagreed with the statement, while an additional 15 respondents (30%) disagreed. Only 5 respondents (10%) remained neutral. These results indicate that most SME operators at Senti Market do not perceive credit access as contributing to improved competitiveness. This may be due to challenges such as high interest rates, unfavorable loan

terms, limited loan amounts, or the inability to effectively channel borrowed funds into competitive business strategies. Overall, the findings suggest that access to credit alone may not be sufficient to enhance competitiveness among SMEs without supportive business development services and better loan conditions.

S/ N	ACCESS TO CREDIT HAS MADE MY BUSINESS MORE COMPETITIVE	AMOUN T	PERCENTAG E
1	Strongly Agree	0	0
2	Agree	0	0
3	Neutral	5	10
4	Disagree	15	30
5	Strongly Disagree	30	60

Table 20: Access to credit has made my Business more competitive

Without access to loans, my business would grow slower

The findings show that 30 out of 50 respondents (60%) agreed that without access to loans, their businesses would grow slower, while 10 respondents (20%) strongly agreed. An additional 10 respondents (20%) were neutral, and none disagreed or strongly disagreed. These results suggest that a significant majority of SME operators at Senti Market perceive access to loans as essential for sustaining and accelerating business growth. The neutral respondents may be uncertain about the impact of loans or have limited experience with credit facilities. Overall, the findings highlight that loan access plays a crucial role in promoting faster business development among SMEs.

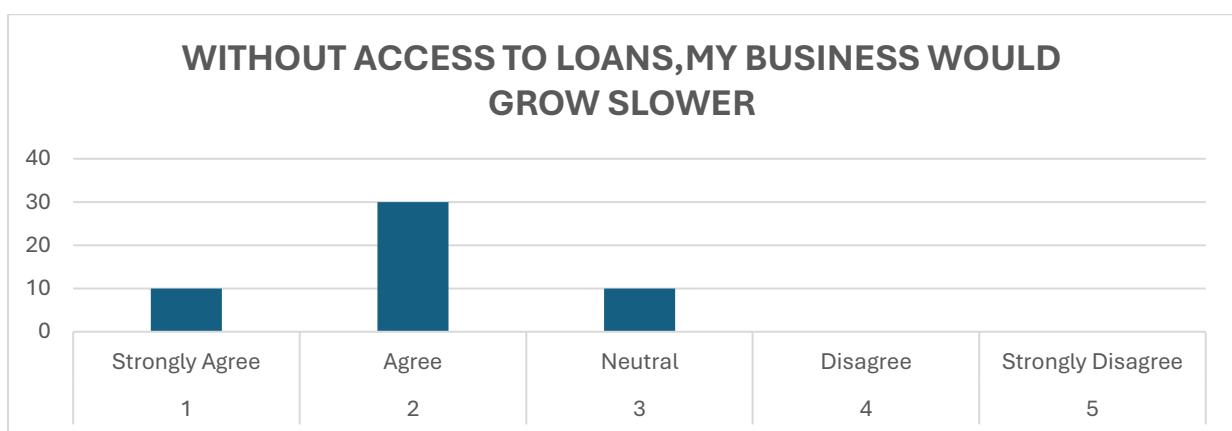


Figure 15: without access to loans

Loan availability improves innovation in my business

The findings indicate that 20 out of 50 respondents (40%) agreed that loan availability improves innovation in their businesses, while 5 respondents (10%) strongly agreed. An additional 5 respondents (10%) were neutral, and 20 respondents (40%) disagreed with the statement. None of the respondents strongly disagreed. These results suggest that while a portion of SME operators at Senti Market perceive access to loans as a driver of business innovation, an equal proportion do not see such benefits. This variation may reflect differences in how loans are utilized, the size or nature of the business, or the capacity of operators to apply funds toward innovative activities. Overall, the findings highlight that loan availability can support innovation, but its impact is dependent on effective financial management and business strategy.

S/N	LOAN AVAILABILITY IMPROVES INNOVATION IN MY BUSINESS	AMOUNT	PERCENTAGE
1	Strongly Agree	5	10
2	Agree	20	40
3	Neutral	5	10
4	Disagree	20	40
5	Strongly Disagree	0	0

Table 11: Loan availability improves innovation in my Business

CHALLENGES FACED BY SME'S IN MEETING LOAN REQUIREMENTS

Collateral requirements are too strict for SME's

The findings show that 20 out of 50 respondents (40%) strongly agreed that collateral requirements are too strict for SMEs, while 15 respondents (30%) agreed. A further 5 respondents (10%) were neutral, and 10 respondents (20%) disagreed. None of the respondents strongly disagreed. These results suggest that a significant majority of SME operators at Senti Market perceive collateral requirements as a major obstacle to accessing credit. This indicates that strict lending conditions may limit SME growth and expansion, emphasizing the need for more flexible collateral policies or alternative financing options to better support small businesses.

S/N	COLLATERAL REQUIREMENTS ARE TOO STRICT FOR SME'S	AMOUNT	PERCENTAGE
1	Strongly Agree	20	40
2	Agree	15	30

3	Neutral	5	10
4	Disagree	10	20
5	Strongly Disagree	0	0

Table 12: Collateral requirements are too strict for Smes

High interest rates make it difficult to afford bank loans

The findings reveal that 30 out of 50 respondents (60%) strongly agreed that high interest rates make it difficult to afford bank loans, while 20 respondents (40%) agreed. None of the respondents were neutral, disagreed, or strongly disagreed. These results indicate that all SME operators at Senti Market perceive high interest rates as a significant barrier to accessing bank credit. This highlights the financial constraints faced by SMEs and underscores the need for more affordable loan products or flexible interest rate structures to support small business growth and sustainability.

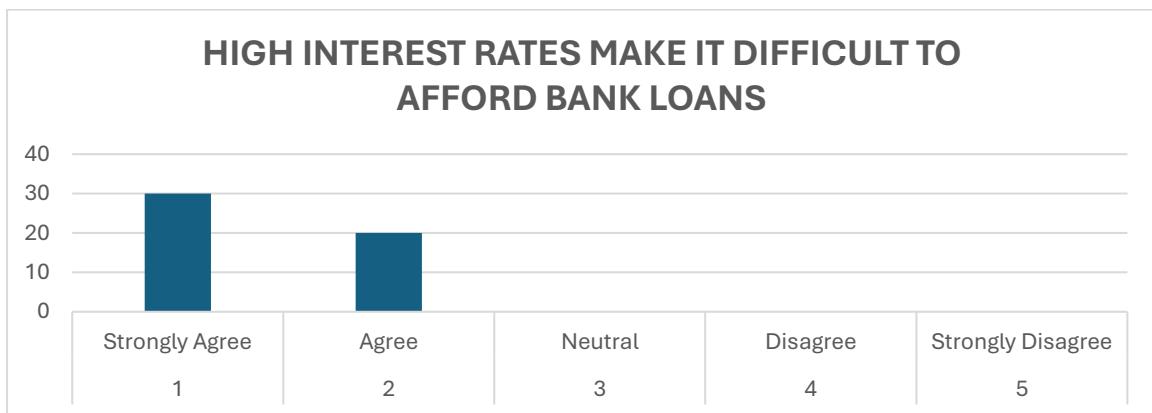


Figure 16: high interest rates

Lengthy application procedures discourage me from applying for loans

The findings show that 20 out of 50 respondents (40%) strongly agreed that lengthy application procedures discourage them from applying for loans, while an equal number, 20 respondents (40%), agreed. Additionally, 5 respondents (10%) disagreed, and another 5 respondents (10%) strongly disagreed. None were neutral. These results suggest that most SME operators at Senti Market find the loan application process cumbersome, which may limit their willingness or ability to access credit. The minority who disagreed may have experienced smoother application processes or have sufficient knowledge to navigate the procedures. Overall, the findings highlight the need for streamlined loan application processes to enhance credit accessibility for SMEs.

LENGTHY APPLICATION PROCEDURES DISCOURAGE ME FROM APPLYING FOR LOANS

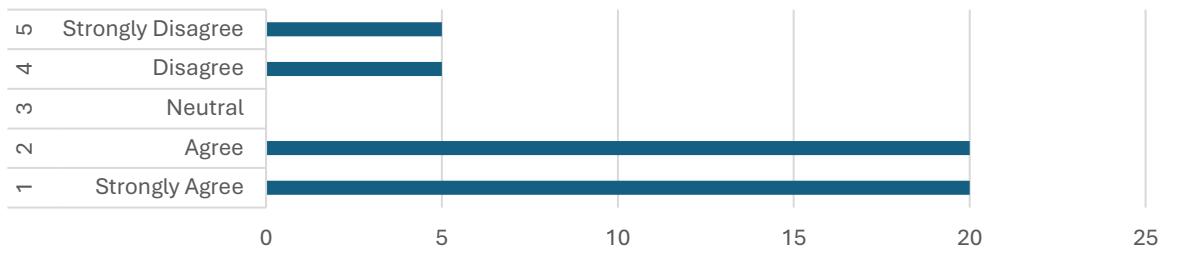


Figure 17: Lengthy application procedure

Lack of Business registration documents has limited my access to loans

The findings reveal that the absence of proper business registration documents is a significant barrier to loan accessibility for SMEs in Senti Market. A majority of respondents, 25 out of 50 (50%), agreed that lacking registration documents had limited their access to loans, while an additional 22 respondents (44%) strongly agreed. This means that a combined 94% of respondents acknowledged business documentation as a major obstacle to securing credit. Only a small minority, 3 respondents (6%), disagreed with the statement, and none strongly disagreed or remained neutral. These results indicate that most SMEs operate informally and struggle to meet the documentation requirements demanded by financial institutions, highlighting the importance of business formalization in improving access to finance.

LACK OF BUSINESS REGISTRATION DOCUMENTS HAS LIMITED MY ACCESS TO LOANS

■ 1 Strongly Agree ■ 2 Agree ■ 3 Neutral ■ 4 Disagree ■ 5 Strongly Disagree

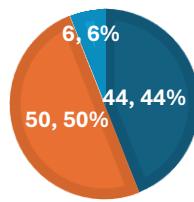


Figure 18: Lack of business registration

My Business has been denied a loan due to strict requirements

The findings reveal that 20 out of 50 respondents (40%) agreed that their businesses have been denied a loan due to strict requirements, while 15 respondents (30%) strongly agreed. Additionally, 10 respondents (20%) disagreed, and 5 respondents (10%) strongly disagreed.

None of the respondents were neutral. These results indicate that a significant proportion of SME operators at Senti Market face challenges in accessing loans because of stringent lending requirements. The minority who disagreed may have successfully met the conditions or accessed alternative financing. Overall, the findings underscore the need for more flexible loan policies to improve credit accessibility for SMEs.

S/N	MY BUSINESS HAS BEEN DENIED A LOAN DUE TO STRICT REQUIREMENTS	AMOUNT	PERCENTAGE
1	Strongly Agree	15	30
2	Agree	20	40
3	Neutral	0	0
4	Disagree	10	20
5	Strongly Disagree	5	10

Table 13: *My Business has been denied a loan due to strict requirements*

Lack of credit history prevents me from accessing loans

The findings reveal that 30 out of 50 respondents (60%) strongly agreed that a lack of credit history prevents them from accessing loans, while 10 respondents (20%) agreed. Additionally, 10 respondents (20%) disagreed, and none were neutral or strongly disagreed. These results indicate that most SME operators at Senti Market face difficulties in obtaining credit due to insufficient or non-existent credit histories. The minority who disagreed may have existing credit records or alternative means of accessing loans. Overall, the findings underscore the importance of developing mechanisms, such as credit scoring systems or alternative collateral options, to improve loan accessibility for SMEs lacking formal credit histories.

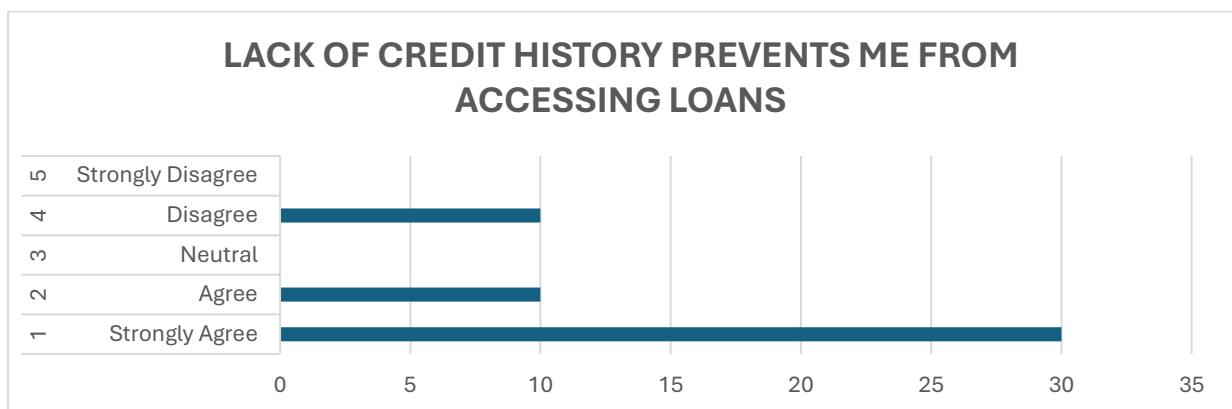


Figure 19: *Lack of Credit History*

Loan repayment terms are not flexible for small businesses

The findings show that 25 out of 50 respondents (50%) strongly agreed that loan repayment terms are not flexible for small businesses, while 15 respondents (30%) agreed. Additionally, 10 respondents (20%) disagreed, and none were neutral or strongly disagreed. These results indicate that most SME operators at Senti Market perceive loan repayment terms as rigid and unsuitable for the financial realities of small businesses. The respondents who disagreed may have accessed loans with more manageable terms or from institutions offering flexible repayment options. Overall, the findings highlight the need for financial institutions to design more adaptable repayment structures that align with SME cash flow patterns and business cycles.

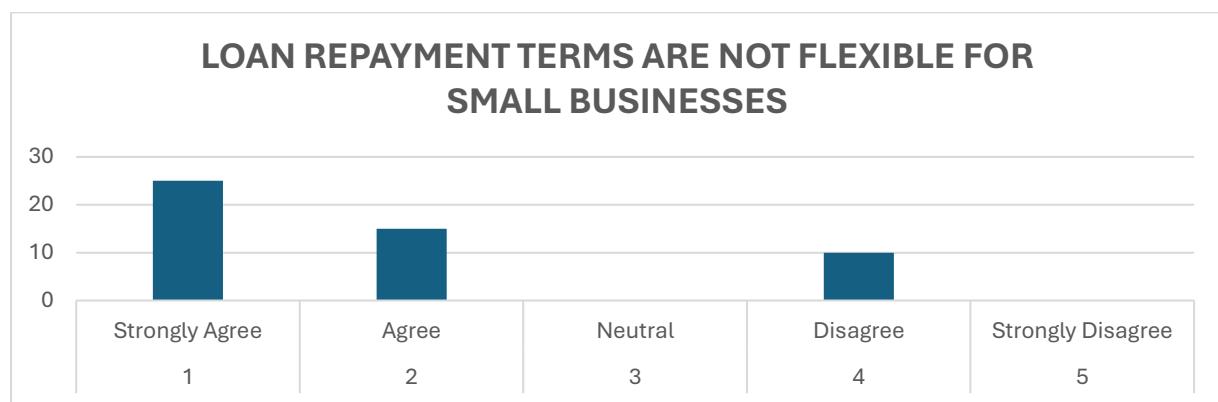


Figure 20: Loan repayment terms

Financial Institutions do not understand SME needs

The findings indicate that 15 out of 50 respondents (30%) strongly agreed that financial institutions do not understand SME needs, while an equal number, 15 respondents (30%), agreed. Additionally, 10 respondents (20%) were neutral, and another 10 respondents (20%) disagreed. None of the respondents strongly disagreed. These results suggest that a significant proportion of SME operators at Senti Market feel that financial institutions lack a clear understanding of their unique business needs and challenges. The neutral and disagreeing respondents may have had more positive interactions or limited engagement with financial providers. Overall, the findings highlight the need for financial institutions to improve their understanding of SME operations and tailor their products and services to better address SME requirements.

S/N	FINANCIAL INSTITUTIONS DO NOT UNDERSTAND SME NEEDS	AMOUNT	PERCENTAGE
1	Strongly Agree	15	30

2	Agree	15	30
3	Neutral	10	20
4	Disagree	10	20
5	Strongly Disagree	0	0

Table 14: Financial Institutions do no understand SME's Needs

There is little transparency in how loan decisions are made

The findings show that 20 out of 50 respondents (40%) agreed that there is little transparency in how loan decisions are made, while 10 respondents (20%) strongly agreed. Additionally, 10 respondents (20%) were neutral, indicating uncertainty or mixed experiences regarding transparency in loan processing. A further 7 respondents (14%) disagreed, and 3 respondents (6%) strongly disagreed. These results suggest that a notable proportion of SME operators at Senti Market feel that financial institutions do not clearly communicate or justify their loan decision-making processes. The presence of neutral and disagreeing respondents indicates that some SMEs may have experienced more transparent interactions or have limited exposure to formal lending processes. Overall, the findings highlight the need for improved communication and clearer guidelines from financial institutions to promote fairness and trust in loan assessments.

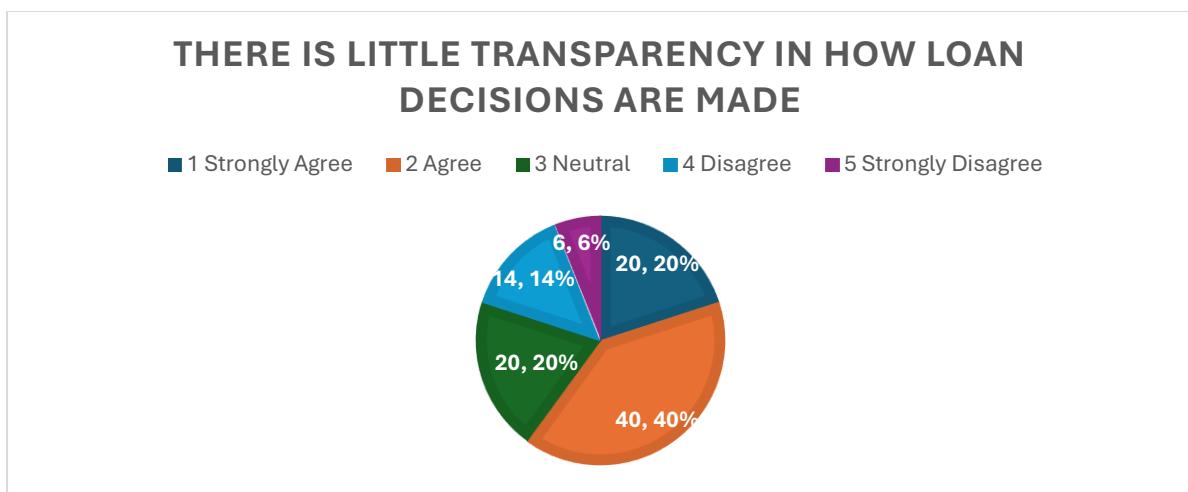


Figure 21: Little transparency

Eligibility conditions for loans are not SME-Friendly

The findings show that 30 out of 50 respondents (60%) strongly agreed that eligibility conditions for loans are not SME-friendly, while the remaining 20 respondents (40%) agreed. None of the respondents were neutral, disagreed, or strongly disagreed. These results indicate

that all SME operators at Senti Market perceive loan eligibility requirements as unsuitable or overly demanding for small businesses. This highlights a widespread concern that existing loan conditions do not adequately consider the capacities and circumstances of SMEs. Overall, the findings underscore the need for financial institutions to revise and simplify eligibility criteria to better accommodate the needs of small enterprises and enhance their access to credit.

S/N	ELIGIBILITY CONDITIONS FOR LOANS ARE NOT SME-FRIENDLY	AMOUNT	PERCENTAGE
1	Strongly Agree	30	60
2	Agree	20	40
3	Neutral	0	0
4	Disagree	0	0
5	Strongly Disagree	0	0

Table 15:Eligibility conditions for loans are not SME-Friendly

DISCUSSION

Major findings

The Major findings of the study were as follows:

To examine the key factors affecting access to loan facilities by SMEs in Senti Market.

First and foremost, financial knowledge is a significant factor in determining loan accessibility. Although 40% of respondents agreed and 10% strongly agreed that they have appropriate knowledge of loan products (4.3.1), a significant proportion were skeptical of their understanding, with 30% disagreeing and 20% strongly disagreeing. Similarly, many operators do not maintain the proper financial records required to support loan applications, with 60% disagreeing (4.3.2). This shows that a lack of information and poor financial management skills remain significant barriers to obtaining loans.

Findings also highlight concerns regarding loan application procedures, as 60% of respondents *strongly agreed* and 20% *agreed* that these procedures are too complicated for SMEs (4.3.5). In terms of relationships with lenders, most respondents felt unsupported by financial institutions, with 60% *disagreeing* and 20% *strongly disagreeing* that they have strong and supportive banking relationships (4.3.6). This shows that weak institutional relationships further hinder loan accessibility.

Additionally, lack of financial literacy was again emphasized, with 60% *agreeing* and 20% *strongly agreeing* that it contributes to difficulties in obtaining loans (4.3.7). Respondents also identified government regulations as an impediment, with 40% *strongly agreeing* and another 40% *agreeing* that regulatory frameworks make it difficult for SMEs to access credit.

To assess the extent to which loan accessibility influences the growth and sustainability of SMEs in Senti Market.

Findings show that access to loans has had a moderate impact on business growth. While 40% of respondents *agreed* that access to loans helped their businesses grow, an equal proportion (40%) *disagreed*, and 20% remained *neutral* (4.4.1). This indicates that although some SMEs benefit from loans, others do not experience significant growth, possibly due to unfavorable loan conditions or challenges in utilizing borrowed funds effectively.

Regarding profitability, responses were similarly divided. A total of 44% *agreed* that loan financing improved their business profitability, whereas 40% *disagreed* and 20% remained *neutral* (4.4.2). This suggests that while some businesses experience financial gains from loan funding, others face repayment burdens that offset potential profitability.

With respect to business sustainability, results were more positive. A significant 60% *strongly agreed* and 20% *agreed* that affordable loans increase the sustainability of their businesses, while 20% *disagreed* (4.4.3). These findings demonstrate that when loans are affordable, they play a critical role in supporting continuous operations and long-term business survival.

Access to credit also appears to influence employment capacity. A combined 60% (40% *strongly agreeing* and 20% *agreeing*) stated that the availability of credit has enabled them to employ more people; however, 40% *disagreed* and 10% remained *neutral* (4.4.4). This shows that loan accessibility can support job creation, although the benefits are not uniform across all SMEs.

Furthermore, 40% *strongly agreed* and another 40% *agreed* that loan accessibility is crucial for business expansion, while 20% *disagreed* (4.4.6). This clearly indicates that most SME owners recognize credit as a key driver for expanding operations.

To analyze the challenges faced by SMEs in meeting loan requirements set by financial institutions.

The study found that SMEs in Senti Market face numerous challenges when attempting to meet loan requirements imposed by financial institutions. A significant proportion of respondents, 40% agreed and 30% strongly agreed, reported that their businesses had been denied loans due

to strict lending requirements (**4.5.5**). One of the major constraints identified was the lack of credit history, with 60% of respondents strongly agreeing and 20% agreeing that insufficient credit records prevent them from accessing loans (**4.5.6**). This indicates that many SMEs operate informally and outside systems that generate financial profiles acceptable to lenders.

Loan repayment terms were also highlighted as a key challenge. Half of the respondents, 50% strongly agreed and 30% agreed that repayment terms are not flexible enough for small businesses (**4.5.7**), suggesting that rigid repayment schedules do not align with the fluctuating cash flows typical of SMEs. Additionally, findings showed that SMEs perceive financial institutions as lacking an understanding of their operational realities. A combined 60% of respondents agreed or strongly agreed that financial institutions do not understand SME needs, while 20% remained neutral and another 20% disagreed (**4.5.8**). This indicates a significant disconnect between SMEs and lenders.

Transparency in the loan decision-making process was also cited as a concern. According to the results, 40% agreed and 20% strongly agreed that there is little transparency in how loan decisions are made, while only a minority disagreed (**4.5.9**). This lack of clarity contributes to mistrust and discourages SMEs from engaging with formal lending institutions.

Finally, respondents overwhelmingly indicated that the eligibility conditions set by financial institutions are not SME-friendly. All respondents either strongly agreed 60% or agreed 40% that the eligibility criteria are too demanding or unrealistic for small businesses (**4.5.10**). This finding underscores the perception that lending frameworks are designed with larger enterprises in mind, rather than accommodating the realities of SMEs.

CONCLUSIONS

In summary, this study has demonstrated that loan accessibility is a crucial factor in the expansion and sustainability of SMEs in the Senti Market; yet many small enterprises still encounter substantial obstacles when attempting to obtain credit from financial institutions. SMEs are severely hampered from getting the funding required for growth and competitiveness by a number of major obstacles, such as low financial literacy, inadequate financial record-keeping, stringent collateral requirements, high interest rates, complicated loan procedures, and a lack of institutional assistance. Even while the results show that having access to reasonably priced and well-structured loans can have a significant impact on profitability, business expansion, and job creation, many SMEs are unable to fully benefit because of adverse lending circumstances and institutional limitations

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