

## A STUDY ON ANALYSIS OF FINANCIAL CHALLENGES OF SMALL AND MEDIUM SIZED ENTERPRISES (SMEs) IN INTERNATIONAL MARKETS-WITH SPECIAL REFERENCE TO BLANTYRE COMMERCIAL CENTER-MALAWI, CENTRAL AFRICA

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### ABSTRACT

*Small and Medium-Sized Enterprises (SMEs) play a pivotal role in economic development, particularly in emerging markets like Malawi. However, these enterprises face significant financial challenges when venturing into international markets from hubs such as Blantyre Commercial Centre. This study examines the multifaceted financial barriers that impede SMEs' ability to compete effectively in global trade. This study employs a mixed-methods approach, incorporating quantitative data analysis from SME financial records and qualitative insights gathered through interviews with key stakeholders, including SME owners, financial institutions, and government officials. The study focuses on identifying and analyzing the primary financial challenges encountered by SMEs in Blantyre, Malawi, including limited access to finance, high transaction costs, exchange rate volatility, and stringent regulatory environments. Findings reveal that SMEs in Blantyre face substantial hurdles in accessing financing due to high collateral requirements and exorbitant interest rates imposed by traditional financial institutions. Moreover, the high costs associated with currency conversion, international shipping, and compliance with diverse regulatory frameworks amplify the financial burden on SMEs, constraining their capacity for international expansion and competitiveness. The study underscores the urgent need for tailored financial solutions and supportive policies to address these challenges effectively. Recommendations include developing specialized financial products that cater to SME needs, negotiating preferential trade agreements to reduce transaction costs, and enhancing SME capacity in financial risk management and regulatory compliance. By addressing these financial barriers, stakeholders can foster a more conducive environment for SME growth and internationalization in Blantyre Commercial Centre, thereby contributing to sustainable economic development and inclusive prosperity in Malawi and Central Africa.*

**Keywords:** Financial Challenges, SMEs, International Markets, Blantyre Commercial Center, Malawi.

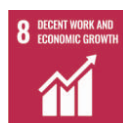
### INTRODUCTION

Small and Medium-Sized Enterprises (SMEs) are regarded as the backbone of economic development, especially

in developing countries. They play a crucial role in job creation, innovation, and income generation, significantly contributing to the Gross Domestic Product (GDP) of many nations (Ayyagari et al., 2014). In Malawi, SMEs account for a significant portion of the economy, providing employment to approximately 1.5 million people and contributing to about 40% of the GDP (World Bank, 2020). However, despite their vital role, SMEs face



This paper has objectives related to SDGs



numerous financial challenges that hinder their growth and internationalization. Access to finance is one of the most significant barriers for SMEs, limiting their ability to expand, innovate, and compete in international markets (Ndala & Moto, 2019). In Blantyre Commercial Centre, the financial landscape for SMEs is characterized by high-interest rates, stringent collateral requirements, and limited access to formal financial institutions (Ndala & Moto, 2019). These challenges are compounded by the broader economic environment in Malawi, where the financial sector is underdeveloped, and capital markets are relatively nascent. Access to finance is a critical issue for SMEs in Blantyre, Malawi. According to Humphrey (2003), over 70% of SMEs in Malawi report difficulties in securing loans from banks due to high collateral demands and unfavorable interest rates. Traditional banks view SMEs as high-risk borrowers, leading to reluctance in extending credit facilities to these enterprises. As a result, many SMEs rely on informal sources of finance, such as family and friends, which are insufficient to meet their capital needs (Mzungu, 2019). Compliance with international trade regulations is another hurdle for SMEs. The complexity and diversity of regulatory requirements across different countries can be overwhelming for SMEs, particularly those with limited resources and expertise (Dalitso & Peter, 2000). For SMEs in Blantyre, navigating these regulations requires additional time and financial resources, further straining their limited capacities.

## 1. Objectives of the Study

### 1.1 Main Objective

The main objective of this study is to analyze the financial challenges faced by Small and Medium-Sized Enterprises (SMEs) in Blantyre Commercial Centre, Malawi, as they engage in international markets, with the aim of identifying key constraints, evaluating the impact on their operations, and proposing strategic recommendations for enhancing their financial resilience and competitiveness.

### 1.2 Specific Objectives

- To identify the primary financial constraints faced by SMEs in Blantyre Commercial Center when accessing international markets.

- To assess the impact of foreign exchange rate volatility on the financial performance of SMEs in international markets.
- To evaluate the role of financial institutions and government policies in supporting SMEs' financial needs in Blantyre.
- To investigate the challenges SMEs face in accessing international financing and investment opportunities.
- To analyze the level of financial literacy and management skills among SME owners and managers in Blantyre.
- To explore the compliance costs and regulatory challenges encountered by SMEs when operating internationally.
- To compare the financial challenges of SMEs across different industries within Blantyre Commercial Center.
- To evaluate the influence of technological advancements on the financial operations of SMEs in international markets.
- To develop strategic recommendations to enhance the financial resilience and competitiveness of SMEs in Blantyre Commercial Center in the global market.

## 2. Literature Review

### 2.1 Literature and Empirical Evidence

The global business environment presents numerous financial challenges for Small and Medium-Sized Enterprises (SMEs), particularly those operating in international markets. These challenges are exacerbated in developing countries such as Malawi, where SMEs face unique obstacles. SMEs play a crucial role in the global economy, accounting for approximately 90% of businesses and more than 50% of employment worldwide (World Bank, 2021). In Malawi, SMEs represent a substantial portion of the private sector and are instrumental in driving economic growth (International Labour Organization, 2019). The Malawian government has recognized the importance of SMEs and has implemented various policies to support their growth. However, these enterprises still face numerous

challenges, particularly in accessing finance (Nyasa Times, n.d.). In the context of Blantyre, a major commercial hub in Malawi, SMEs are vital in promoting regional economic development (Dalitso & Peter, 2000). This gap is even more pronounced in Malawi, where limited access to credit and high interest rates hinder SMEs' ability to grow and compete in international markets (Agbenyo, 2015).

In Malawi, the volatility of the Malawian Kwacha against major currencies like the US Dollar and the Euro poses a considerable risk to SMEs engaged in import and export activities (Munthali et al., 2010). SMEs lack the financial instruments and expertise needed to manage foreign exchange risks effectively. While larger corporations may utilize hedging strategies to mitigate these risks, SMEs typically have limited access to such financial instruments due to cost constraints and lack of knowledge (Mayungbe et al., 1993). Furthermore, the lack of support and resources to achieve compliance exacerbates this challenge, leaving many SMEs unable to compete on an international scale (Humphrey, 2003). A lack of financial literacy and management skills among SME owners is a significant barrier to accessing finance and managing financial challenges effectively (Cole et al., 2009).

In Malawi, many SMEs lack the necessary financial management skills to maintain proper accounting records, prepare financial statements, and present convincing business plans to potential investors or lenders (Mazibuko, 2023). Improving financial literacy among SME owners is crucial for enhancing their ability to manage resources efficiently, access finance, and mitigate financial risks. However, educational and training opportunities for SME owners in Malawi are limited, contributing to the persistence of this challenge (Graña-Alvarez et al., 2024). High interest rates and inflation are significant challenges for SMEs in Malawi. The cost of borrowing is prohibitive, making it difficult for SMEs to invest in growth and expansion. Additionally, inflation erodes the purchasing power of SMEs and their customers, impacting sales and profitability. SMEs operating in international markets face additional challenges related to currency depreciation, which can increase the cost of

imported goods and materials (Zidana, 2017). The combination of high interest rates, inflation, and currency depreciation creates a challenging financial environment for SMEs in Malawi, limiting their competitiveness and growth potential in international markets.

### 3. Research Methodology

This study adopts a mixed-methods approach combining both quantitative and qualitative research methods. This approach enables a comprehensive analysis of the financial challenges faced by SMEs in Blantyre Commercial Center by leveraging statistical data and in-depth insights from stakeholders. Inductive research is concerned with collecting and developing theory as a result of research data analysis. Primary data was collected using a questionnaire, while secondary data were collected using the Malawi Confederation Chamber of Commerce and Industry, journals, and books. 43 SMEs were sampled randomly. The questionnaires were administered to the different SMEs entrepreneurial owners.

#### 3.1 Sample Size

The researcher used purposive sampling, also known as judgmental or subjective sampling. The study applied purposive sampling as an appropriate method available due to the limited number of primary data sources who could contribute to the study and also enabled exploring in anthropological situations where the discovery of meaning could benefit from an intuitive approach. The population of small and medium-sized businesses in the Malawi under study will be used to calculate the sample size. The convenience sampling approach was employed to obtain the data, and fifty respondents who own small and medium businesses in Blantyre Commercial Centre of Malawi were surveyed in order to create a random sample. Google will be used to share online survey questionnaires with study participants. Convenience sampling techniques conducted in Malawi were used to apply the random sampling approach. The questionnaire had a closed-ended format, and Likert sampling was used to analyze the respondents' answers.

The worksheet analysis method, which analyzes a minimal amount of data, has been used to analyze the responses.

## 3.2 Research Design and Strategy

For the purpose of this study, a descriptive research design was employed (Brughn & Zia, 2011). The researcher conducted the survey by using a questionnaire to collect data associated with the four variables being investigated. To emphasize the challenges affecting the SMEs in Blantyre Commercial Center, the study adopted the mixed-methods approach, where the study used both quantitative data collected during the survey and qualitative data collected through questionnaires (Bruhn & Zia, 2011). The research study is evaluative. Data that is collected during interviews will be evaluated by the researcher through comparing, contrasting, analyzing, and synthesizing all points of view on the effects of financial challenges to SMEs in the international market. This was done to fill a research gap (Fatoki & Asah, 2011).

## 4. Results and Discussion

### 4.1 Respondents' Response

The total of 50 questionnaires were distributed to various SMEs in Blantyre Commercial Centre, Malawi, central Africa. This study managed to collect 43 responded questionnaires, which represented 86 percent of the response, which was positive development. Table 1 shows the responses received from respondents.

### 4.2 Age Range of the Respondents

The results showed that the majority of the participants were in the age range of 20–30 years, representing 40%, this was followed by the age range of 31–40 years, representing 37%. The age range of 41 and above accounted for 23% of the entire participants. This, according to records at Blantyre Commercial Centre, shows a better age range of 20-30 years, followed by the 31-40, as most of them are actively involved and well matured. (Table 1) This implies that the study was biased towards the above-41 age group, as these were to ensure the younger are involved to learn responsibility. The outcome clearly showed that the 40%, including the 37%, are dynamic and fit into the trading industry. Figure 1 shows the age range of respondents.

### 4.3 Gender of Respondents

Out of the total number of participants (Figure 2), 20 were male, representing 47% of the total participants, whereas 23 were female, representing 53% of the total.

This implies that there was bias in terms of gender representation of the participants, which gradually affected the results of the study. This study is dominantly

Category	Questionnaires	Frequency	Percentage%
Blantyre Commercial Centre	50	43	86
Total	50	43	86

Table 1. Responses Received from Respondents

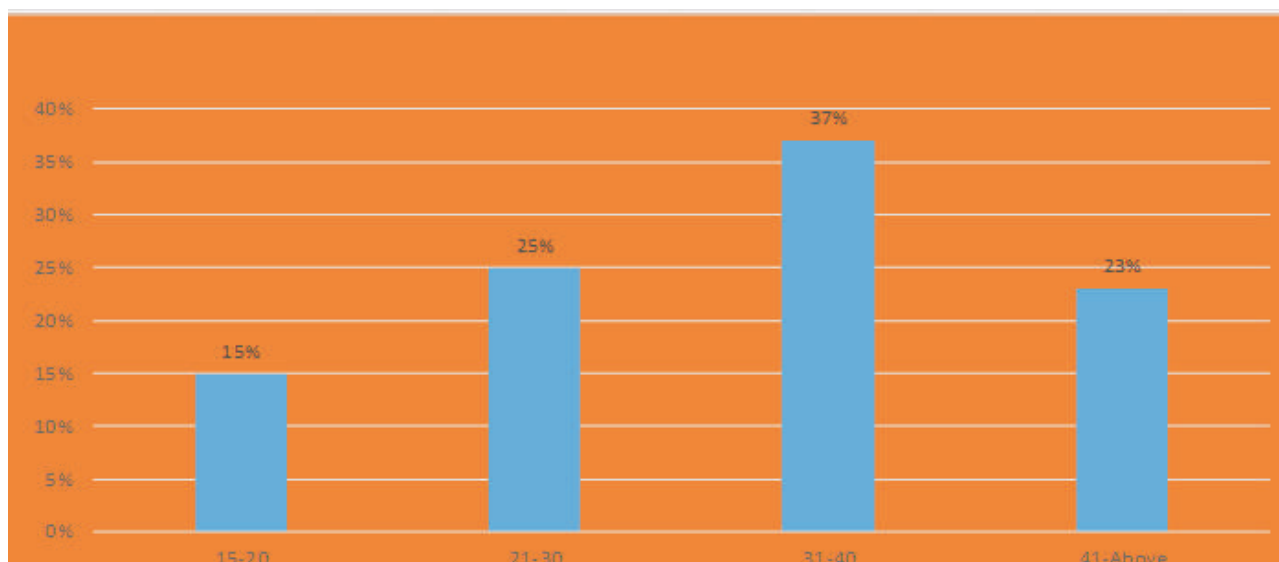


Figure 1. Age Range of Respondents

characterized by the majority of the female entrepreneurs. Figure 2 shows the gender of respondents.

## 4.4 Qualification of the Respondents

From the data the researcher collected (Table 2), it was found that 37% of the respondents had a secondary qualification, while 35% had a college qualification, and 28% had a university qualification, and there was no respondent with a primary school certificate qualification, which represents a 0%. The highest percentage is of the secondary leavers who ventured into small and medium enterprises business at Blantyre Commercial Centre-Malawi, Central Africa. This second population is of the college-graduated people; this shows that the young people are keen to promote themselves financially through SMEs businesses. Table 2 shows the qualifications of the respondents.

## 4.5 Research Questions

### 4.5.1 How Easy Is Your Business To Access External Financing?

This study wanted to find out if small and medium

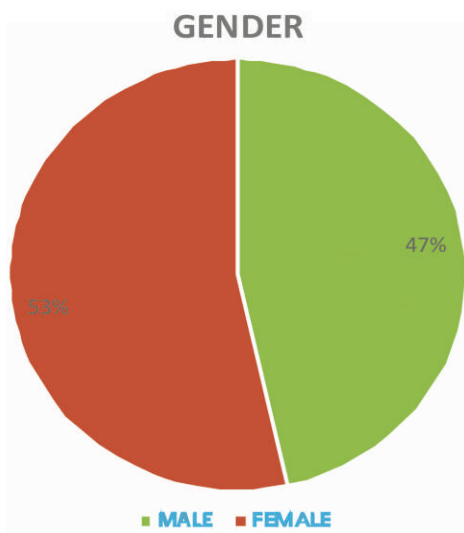


Figure 2. Gender

Qualification	Frequency	Percent
University	12	28
College	15	35
Secondary	16	37
Total	43	100

Table 2. Qualification of the Respondents

enterprises could easily access external financing to venture into the international market. The results of access to external financing are shown in Figure 3.

The majority of 35 percent of the respondents disagreed with the statement as difficult. The remaining 33 percent disagreed with the statement as very difficult. The 21 percent was sure that small and medium enterprises were easy to access external finances (Figure 3).

Only 11 percent strongly agreed that it was easy to access external finances. The challenges financially for small and medium enterprises were really on the ground at Blantyre Commercial Centre in Malawi. The results typically showed that the statement on whether it was easy to access external finances by small and medium enterprises was disagreed by the larger population. It showed that the small and medium enterprises were keen to have flexible modalities to access external finances to enter the international market.

### 4.5.2 How Would You Rate Your Financial Literacy?

The study wanted to find out the literacy level of small and medium enterprise owners on the financial aspects pertaining to international market practices. Figure 4 shows the financial literacy rate.

The majority of 47 percent rated their literacy level as average. 33 percent strongly felt they were good. 19 agreed to be excellent in financial literacy. Only 2 percent rated themselves as poor in financial literacy level. The majority agreed with the statement in the way that for

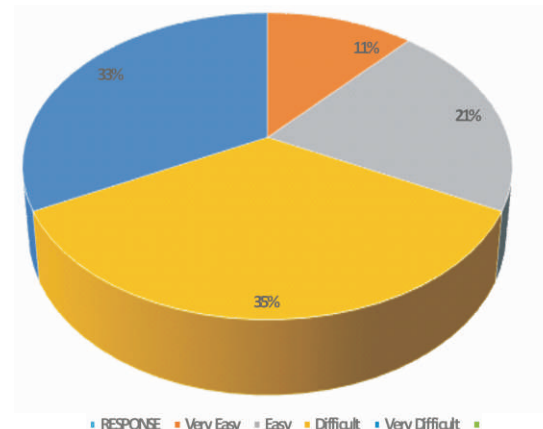


Figure 3. Respondents' Response on Whether It Was Easy To Access External Financing For The Businesses

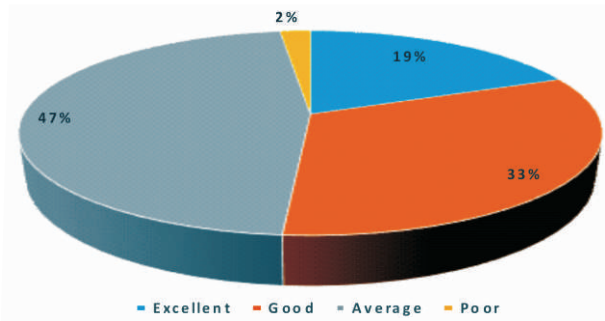


Figure 4. Respondents' Response on the Statement, How would you Rate your Financial Literacy?

clearly being averaged in the literacy of the finances when conducting their business. Small and medium enterprises are owned by literate individuals for them to perform well in their business activities. The study clearly explains that there are a good number of the owners of SMEs that believe strongly that literacy is key to trading businesses into the international markets. It is only the eye opener to facilitate and explore the international markets without haste. The Malawi Confederation Chamber of Commerce and Industry has on several occasions and every year conducted a trade fair that accommodates and attracts international businesses. It has given opportunities to businesses like Banthi, which trades in leather and manufactures shoes that are selling like hot cakes to Mozambique, Zambia, Tanzania, and America.

#### 4.5.3 How Frequently Do You Prepare Financial Statements?

The study wanted to find out how frequently the SMEs prepare their financial statements. Figure 5 shows the financial statement preparation frequency.

The majority of 37 percent expressed their views that financial statements are prepared quarterly in their businesses to give returns to the Malawi Revenue Authority. A closer percentage of 35 percent gave their views on financial preparation as done on an annual basis. These two response percentages were totally different in their views. 16 percent agreed to have been preparing their financial statements on a monthly basis. Only 12 percent said that they never prepare financial statements. This is strongly backed up by the 2 percent illiteracy problem from the previous statement. This study expresses that the

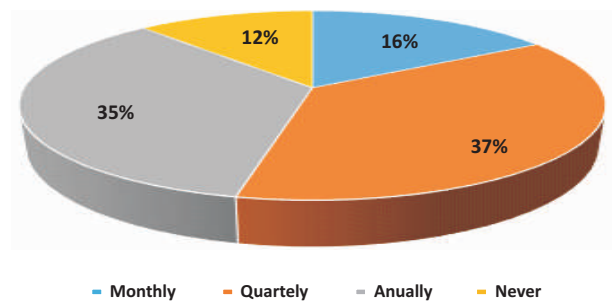


Figure 5. Respondents' Response On The Statement, How Frequently Do You Prepare Financial Statements?

Tax Regulation Body, MRA, has got a big task to civic educate the SMEs on the need and benefits of preparing financial statements so that they are able to understand their status financially in the businesses and they are able to translate the financial statements into other countries currency internationally. This will also give them the opportunities to be able to hedge financial risks in the international markets. These SMEs obviously do their businesses with neighboring countries like the Republic of South Africa, Mozambique, Tanzania, and even Zambia, which need the knowledge of hedging in the financial markets to trade appropriately.

#### 4.5.4 How Do Transaction Costs Impact Your Business Operations?

The study wanted to find out how the transaction costs impact their SMEs business operations. Figure 6 shows the impact of transaction costs.

The greatest percentage of 42 percent acknowledged

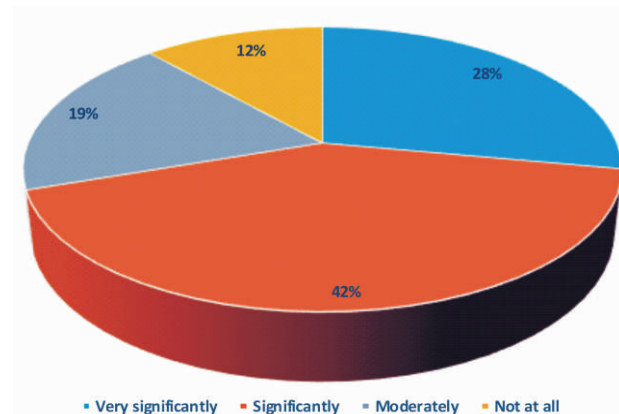


Figure 6. Respondents' Response on the Statement , How do Transaction Costs Impact Your Business Operations?



that the transaction cost played a huge impact on their business operations. This showed that the transaction cost had an adverse impact on the operations of the SMEs. This, however, blocked them from venturing into international markets. A back-up by another 28 percent strongly agreed that the transaction costs had a negative impact on the business operations. A package of 19 percent agreed moderately that the transaction cost had an impact on the operations of their businesses, as it indicated to them that they fairly operated on the international markets. The least result was 12 percent, which indicated that the transaction cost had no impact on their business operations. In an actual sense, it meant that it had nothing to do with their businesses as SMEs in the international markets. They penetrated well without hassles. It frantically explained that they are well conversant with the international market trading issues. The study concluded that the transaction costs still had an adverse impact on the operations of the businesses on the part of SMEs on the international markets (Agbenyo, 2015).

#### 4.5.5 What Are The Main Components Of Transaction Costs Of Your Business?

The study wanted to find out what are the main components of transaction costs of the SMEs business operations. The respondents were given the options to select all that applied. Figure 7 shows the main components of transaction costs.

The largest percentage, 44 percent, complained that costs on the currency exchange fees had a negative impact on the SMEs businesses. A following component of banking fees also played another role in the hardships of SMEs businesses in the international markets. This sample

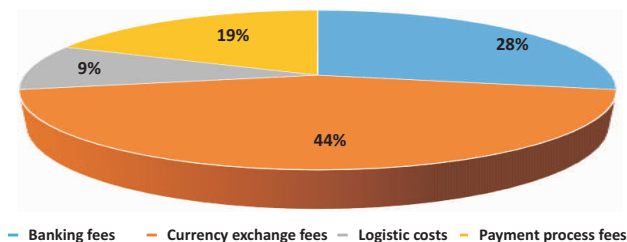


Figure 7. Respondents' Response on the Statement, What are the Main Components of Transaction Costs of Your Business?

enrolled 28 percent of the surveyed SMEs, expressed as banking fees were an obstacle component amongst other components that were experienced. Another component of payment process fees registered a 19 percentage as another following component apart from the currency exchange fees and the banking fees. These components were selected as they were applying triumphantly in the transaction costs of the SMEs in the international markets (Figure 7).

There was a component of logistic costs, which was included as one of them. This component was ignored by most of the respondents who did not consider it the impacting object for the SMEs on the international markets. This component registered only 9 percent, which is not embraced by the majority of the respondents. The study showed that the main components were the currency exchange fees and the banking fees. The payment process fees came third on the listing, the logistic costs were not an impacting component on the international market in terms of financial challenges as faced by the SMEs in Blantyre Commercial Centre-Malawi, Central Africa (Njeru, 2018).

#### 4.5.6 How Would You Rate The Regulatory Environment For SMEs In Blantyre?

The study wanted to find out how the respondents rate the regulatory environment for SMEs in Blantyre Commercial Centre in Malawi, Central Africa. Figure 8 shows the rate of regulatory environment.

A majority of 35 percent responded, rating the regulatory environment as favorable for the SMEs in Blantyre Commercial Centre. The positive response denoted that the SMEs are able to venture into the international market

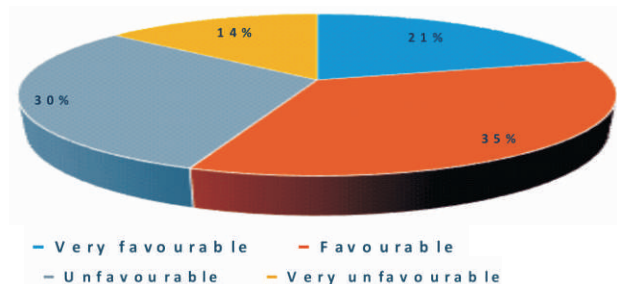


Figure 8. Respondents on the Statement; How Would You Rate the Regulatory Environment for SMEs In Blantyre?

without difficulties. This was an indicator that the Government of Malawi at least gives room to the SMEs an opportunity to invest internationally on the global market businesswise. A backing percentage expressed that the regulatory environment was very favorable for the SMEs from Blantyre Commercial Market in Central Africa. This also expresses that definitely the regulatory environment is favorable for the SMEs generally. The entrance to the international market by these SMEs is not a problem, as the challenges are not monetary here. (Figure 8)

A lean percentage of 21 percent expressed that the regulatory environment is not favorable. Another lean percentage of 14 percent did explain that the regulatory environment was not favorable.

As a result of this study, it has been enhanced that the SMEs are crucially promoted in international markets. Therefore, more SMEs in Blantyre Commercial Centre in Central Africa. The financial challenges of course play a crucial role and are therefore a demeaning stance for the SMEs (Dalitso & Peter, 2000).

The presence of the government financial institutions would be better involved in the activities for the SMEs. These SMEs acknowledge the idea of flexibility in the regulatory environment at Blantyre Commercial Center.

#### 4.5.7 What Are The Main Regulatory Challenges Your Business Faces?

The study wanted to find out, based on the statement, the main regulatory challenges businesses face in the Blantyre Commercial Centre in Malawi, Central Africa. Figure 9 shows the main regulatory challenges.

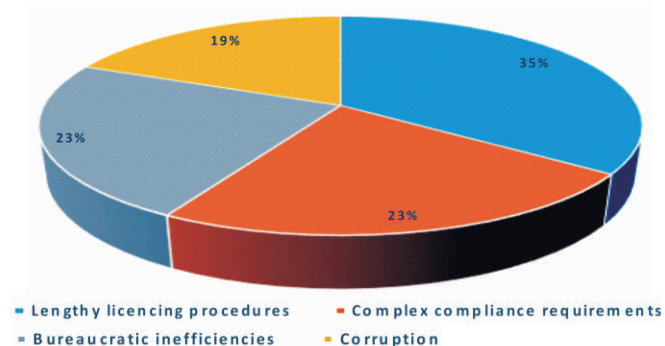


Figure 9. Main Regulatory Challenges

The results showed the majority, with a percentage of 35 percent, are concerned with the time it takes for licensing procedures. They explained that the process is quite lengthy to get a license for the SMEs in Blantyre Commercial Centre in Malawi with the Registrar General of Companies, who is based in Lilongwe. This discourages most SMEs from complying with the registration of their SMEs. Most of the SMEs end up shutting down their businesses, fearing of being regarded as criminalizing their SMEs businesses. Another 23 percent of the SMEs surveyed relayed the message that complex compliance requirements were a problem as a main challenge faced by the SMEs in the Blantyre Commercial Centre in Malawi, Central Africa (Figure 9).

The lot of another population at a percentage of 23 expressed bureaucratic inefficiencies tied with the complexity of compliance requirements. The SMEs of these two opinions shared the sentiments of the challenges as the main in Blantyre Commercial Centre in Malawi in Central Africa. The least of all was the 19 percentage, which emphasized that corruption is a main challenge for the SMEs to venture into international markets in the interest of perpetrating the global markets to do business.

The statement mainly expresses that complex compliance requirements and bureaucratic inefficiencies are the main challenges that are really faced by the SMEs in Blantyre Commercial Centre Malawi in Central Africa. The study also deduced the proposed resolution by SMEs as they digested their idea of the possible consideration by the Malawi government to flex these pointed-out stresses on the SMEs challenges (World Bank, 2021).

#### 4.5.8 Economic Instability and International Market Challenges

The study wanted to find out on the statement, How does economic instability (e.g., inflation, currency fluctuations) affect business in Blantyre Commercial Centre, Malawi, Central Africa? Figure 10 shows the economic instability.

The study caught the majority of almost half of the population of 47 percent complaining that the economic instability heavily affects the businesses in Blantyre



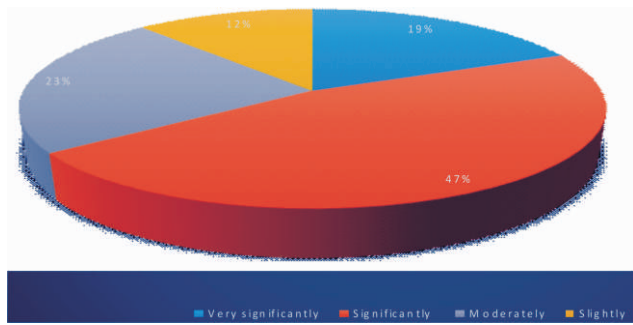


Figure 10. Economic Instability

Commercial Centre in Malawi, Central Africa. Almost all the respondents were in agreement of the significant effect on their businesses. The entrance into the international market is critically difficult for the SMEs in Blantyre Commercial Centre.

This result was slightly supported by the 23 percent, which indicated that the economic instability affects the SMEs businesses very significantly. Additionally, a percentage of 12 did not fully agree with the economic instability as a problem to their financial challenges in the SMEs in Blantyre Commercial Centre, Malawi, in Central Africa. The respondents were all in agreement with these sentiments about the significant effect of the economic instability on the SMEs businesses financially (Figure 10).

This challenge has a very negative impact on the growth and penetration of the international markets globally. The respondents said it fluently that their businesses are hurt significantly by the economic instability on the Malawi platform. This has seen the SMEs closing down their businesses prematurely. The obvious answer and reasons are that the economy of Malawi is hash. With the current financial policies introduced by the Reserve Bank of Malawi, which have seen the Malawi Kwacha devalued on a monthly basis as a situation to stabilize the inflation in Malawi, this is actually failing the SMEs. The respondents frankly expressed that the act is harshly hurting their businesses on the aspect of finances. The Malawi currency fluctuations are so volatile that budgeting and planning financially in their businesses is very unpredictable (Mazibuko, 2023).

## 4.5.9 To Find Out How Financing Can Help SMEs Penetrate International Markets

The study wanted to find out on the statement, How likely would the financing boost the entrance to international marketing for the product for SMEs from Blantyre Commercial Centre, Malawi, Central Africa?

Figure 11 shows the financial boost to international marketing for products. The majority of the population, with a percentage of 33, agreed with the option that it was extremely likely that financing the SMEs through various ways would boost the entrance to international marketing for the product.

The various ways of financing would be accessing loans from the local banks, which include the National Bank of Malawi, Standard Bank PLC, PLC, and FDH Bank. Bank. New Building Society Bank, Centenary Bank, the newly arrived bank in the banking sector in Malawi, and First Discount House Bank, wholly owned by a prominent Malawian businessperson. Other financial institutions like Poly Sacco, Sycamore Limited, and Civil Servant Sacco, to name a few, are on the financial platform. There was a tie of the two options, which are most likely and very likely, which resulted in a 26 percent each (Figure 11).

The populations of the two options agreed that the financing of these SMEs would help them grow and enter well on the international market. For the SMEs to win international market penetration, that means they have enough financing strategies. The financial issues include licensing of their businesses and affiliations with international trade organizations so that they are not faced with the barriers on the international market.

The World Trade Organization enhances the SMEs to have

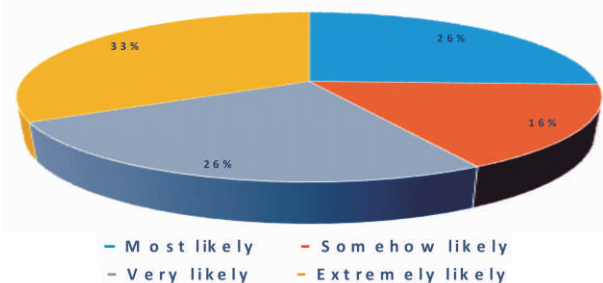


Figure 11. Financial Boosting Entrance to International Marketing for Products

the trading platform on the global market. The Malawi government has gone through the Malawi Confederation Chamber of Commerce of Malawi, which has its chamber in Blantyre, which is the hub of businesses in Malawi, Central Africa.

There was a lean response with a percentage of 16, which had a burden of doubting SMEs about the statement on boosting the SMEs to enter the international market. The population did not agree with the statement, indeed. This percentage indicated that the larger percentage was against the idea of somehow likely. It also gave a true picture that financing the SMEs was a key to the prosperity of the SMEs entering international marketing for their products on the global market. The global market is occupied with SMEs from other economically developed countries like Zimbabwe, Zambia, India, and England.

#### 4.5.10 Recommendations and Support

The study wanted to find out on the statement, What type of financial support would most benefit business in Blantyre Commercial Centre, Malawi, Central Africa? Figure 12 shows the financial support benefit.

The result of the population shows that 37 percent opted and lobbied for the lower interest rates. When borrowing finances from lending banks and other financial

institutions like FINC Malawi, Civil Servant Sacco and Poly Sacco should be lowered for the Blantyre Commercial Centre, Malawi, Central Africa. All these financial institutions are based in Blantyre, which can benefit the SMEs in Blantyre Commercial Centre. (Figure 12)

25 percent opted for more accessible loans from the lending intuitions. With this, it does not only mean that more accessible loans should be available and the sentiment lobbies for lower interest rates. As the SMEs are interested in getting into the international markets, this demands a lot on financial literacy. Financial literacy encompasses a good number of ideologies. The ideologies include the preparation of financial statements that are accepted by the Malawi Revenue Authority and other regulatory bodies like the Malawi Confederation Chamber of Commerce and Industry. The Ministry of Trade and Industry encourages the SMEs to learn the transaction motives in the businesses in order to match with the international standards of running their businesses in the Blantyre Commercial Centre, Malawi, in Central Africa.

Another population of 15 percent brought in an ideology of grants and subsidies to the SMEs in Blantyre Commercial Centre, Malawi, in Central Africa. The ideas

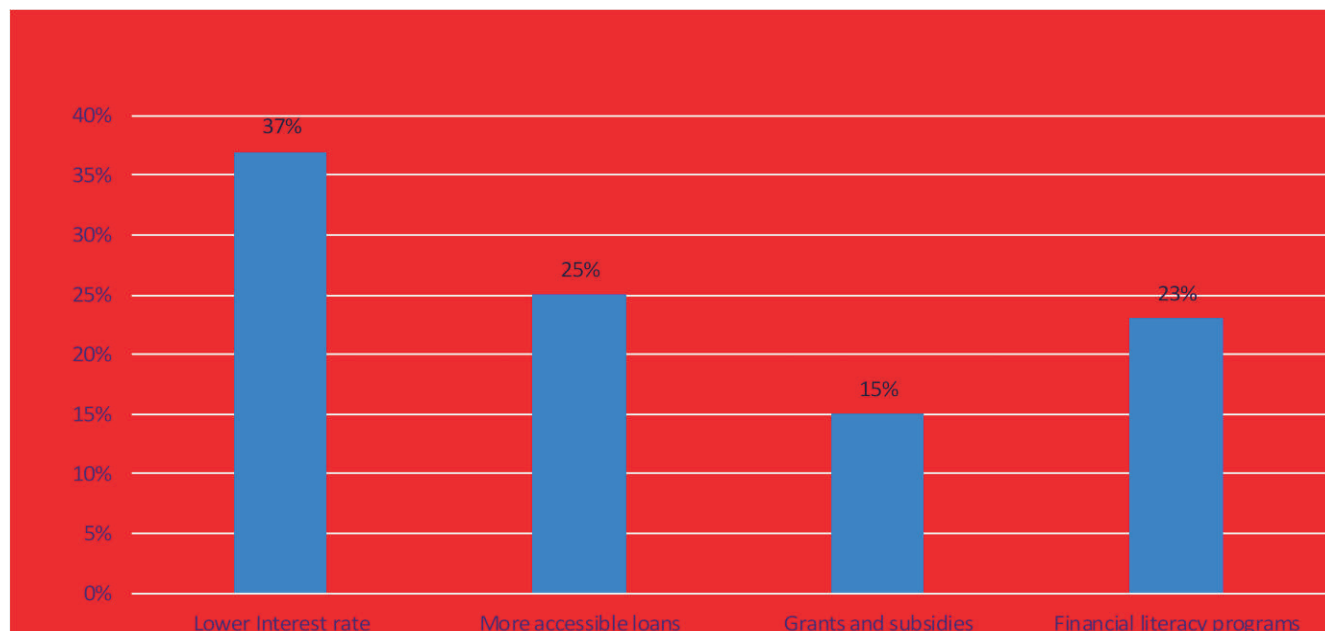


Figure 12. Financial Support Benefit

of grants and subsidies will help the SMEs venture into the businesses that demand capital capacity. The subsidies in the era of the late President of Malawi, Professor Bingu wa Mutharika. The government, under the leadership of Dr. Lazarus Chakwera, has several grants and subsidies granted to large businesses. This opportunity, which is rare, should also be extended to the SMEs of the Blantyre commercial market so that they should be able to compete on the global market in trading in various businesses. These prospects are likely to support the SMEs financially and operationally. The survey concludes that lower interest rates, more accessible loans, and financial literacy are the main issues that are regarded as very supportive aspects to SMEs in the international markets. It is extremely advisable for the Government of Malawi to consider the preferred options by the SMEs in Blantyre Commercial Markets (Majanga, 2015).

## 4.5.11 What Other Types Of Support Would Help Your Business Overcome Financial Challenges In International Markets?

The study wanted to find out if other types of support would help your business overcome financial challenges in international markets for the SMEs in Blantyre Commercial Centre, Malawi, Central Africa. Figure 13 shows the types of support.

The majority of 35 percent had their view that market research and information was an ideal method that could help their businesses overcome the financial challenges in international markets. It is actually true that the market research is the key to the businesses for the SMEs in Blantyre Commercial Center, Malawi, Central Africa.

This was backed up by the networking opportunities with a 27 percent. These two options work hand in hand with each other as the governments try to boost SMEs for their citizens. That is why a greater population opted for these two options. On the other hand, 25 percent of the population surveyed responded that government incentives are a crucial issue for the SMEs to be able to overcome the financial challenges in the international markets. Although the lean population of 13 percent opted for the export training programs. This is supposed to be conducted by the government through the ministry of trade and industry in collaboration with the Export and Import Council of Malawi. The reserve bank of Malawi has involved itself in the export and trade promotions for the business people of Malawi.

All the options are the responsibility of the Malawi government to support the SMEs in the Blantyre Commercial Centre. The larger population has appealed to the government of Malawi to put much effort into them. (Figure 13)

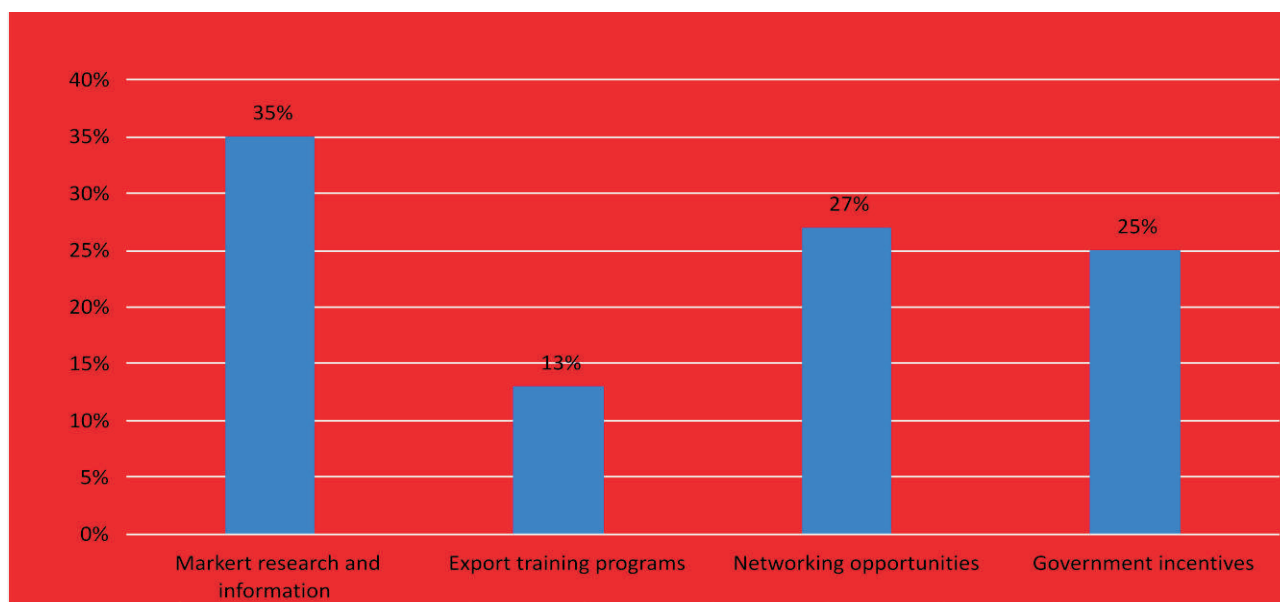


Figure 13. Types of Support

## 5. Recommendations

SMEs in Blantyre face significant difficulties accessing capital, with high interest rates and limited access to diverse financial products. Approximately, 70% of SMEs reported that high interest rates were a major barrier to obtaining loans from local banks (Kira, 2013). SMEs in the manufacturing sector have been particularly affected, with many citing a lack of collateral as a primary reason for loan rejections (Dalitso & Peter, 2000). Foreign exchange rate volatility has a substantial impact on the financial performance of SMEs engaged in international trade. 60% of surveyed SMEs indicated losses due to unpredictable currency fluctuations, affecting their pricing strategies and profit margins (Nyasa Times, n.d.). Compliance with international trade regulations and local tax laws poses significant challenges for SMEs. SMEs involved in cross-border trade face delays due to customs regulations, affecting their delivery schedules and customer satisfaction (Majanga, 2015).

Financial institutions should develop tailored financial products for SMEs with lower interest rates and flexible collateral requirements. The government can incentivize banks through subsidies or guarantees to offer lower interest rates to SMEs. The government should simplify tax codes and reduce bureaucratic hurdles in cross-border trade. The government should also develop policies that support SME growth and build the necessary infrastructure to facilitate international trade. Additionally, the government should create a conducive policy environment that fosters SME development through the SME Development Institute. These actions will enhance the competitiveness of SMEs in international markets and promote sustainable growth.

## Conclusion

When analyzing the financial challenges of small and medium-sized enterprises (SMEs) in international markets, particularly with a focus on Blantyre Commercial Centre in Malawi, several key insights and conclusions were drawn. The findings of this study have several implications for policymakers, financial institutions, and SME owners. There is a need for policy interventions aimed at improving

access to financing for SMEs, such as the introduction of more flexible lending criteria and support for collateral requirements. Additionally, streamlining regulatory processes and providing financial literacy programs can alleviate some of the financial pressures faced by SMEs. Investing in financial management training and support for SME owners can enhance their ability to manage financial risks and make informed decisions. This study provides a foundation for further exploration into various aspects of SME financial management and international trade.

Future research could benefit from longitudinal studies that track the financial performance and challenges of SMEs over an extended period to understand the long-term impacts of policy changes and economic conditions. Expanding the study to include SMEs from other regions or countries with similar economic contexts could provide a broader perspective on the financial challenges and solutions applicable to SMEs in developing markets. Evaluating the effectiveness of specific policy interventions and financial support programs designed for SMEs can help refine strategies and enhance their impact. While the study highlights critical financial challenges faced by SMEs in Blantyre Commercial Centre, it also opens avenues for addressing these challenges through targeted interventions and further research. Addressing these issues effectively can significantly enhance the sustainability and growth prospects of SMEs in international markets.

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