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An Analysis of Microfinance Credit's Impact on MSMEs' Performance in The Gambia

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List of abbreviations

ACU	Agricultural Credit Unit	**ICT**	Information and Communication Technology
ADF	African Development Fund	**IEG**	Independent Evaluation Group
AfDB	African Development Bank	**IFAD**	International Fund for Agricultural Development
AmCham	American Chamber of Commerce	**IFC**	International Finance Corporation
APEC	Asia-Pacific Economic Cooperation	**ILCUF**	Irish League of Credit Union Foundations
AUDA-NEPAD	African Union Development Agency - New Partnership for Africa's Development	**ITC**	International Trade Centre
C	Collateral	**KfW**	Kreditanstalt Fuer Wiederanfbau
CA	Credit Amount	**LDC**	Least Developed Countries
CAR	Capital Adequacy Ratio	**LGA**	Local Government Areas
CBG	Central Bank of The Gambia	**MFI**	Microfinance Institutions
CIDR	International Centre for Development & Research	**MOTIE**	Ministry of Trade, Industry, Regional Integration, and Employment
CSIP	Community Skills Improvement Project	**MOYS**	Ministry of Youth and Sports
EC	European Commission	**MSME**	Micro Small and Medium Enterprise
EDF	Enterprise Development Fund	**NACCUG**	National Association of Cooperative Credit Unions of The Gambia
EIF	Enhanced Integrated Framework	**NBFI**	Non-Banking Financial Institutions
EO	Entrepreneur Orientation	**NDP**	National Development Plan
EU	European Union	**NEDI**	National Enterprise Development Initiative
FC	Finance Companies	**NEP**	National Entrepreneurship Policy
FDI	Foreign Direct Investment	**NGO**	Non-Governmental Organization
FFI	Fiduciary Financial Institutions	**OECD**	Organization for Economic Cooperation and Development
FIA	Financial Institutions Act	**PC-GNI**	Per Capita Gross National Income

GAIN	Gambia Angel Investors Network	**PRP**	Poverty Reduction Project
GAWFA	Gambia Women's Finance Association	**RFCIP**	Rural Finance and Community Improvement Project
GBA	Greater Banjul Area	**RFP**	Rural Finance Project
GBoS	Gambia Bureau of Statistics	**RFS**	Reliance Financial Services
GCCI	The Gambian Chamber of Commerce	**ROA**	Return On Assets
GDP	Gross Domestic Product	**ROSCA**	Rotating Savings and Credit Associations
GEDI	Global Entrepreneurship and Development Institute	**RP**	Repayment Period
GEI	Global Entrepreneurial Index	**SDF**	Social Development Fund
GEM	Global Entrepreneurship Monitor	**SFS**	Supersonicz Financial Service
GIEPA	Gambia Investment and Export Promotion Agency	**SMFE**	Small and Medium Forest Enterprises
GIZ	Deutsche Gesellschaft fur Internationale Zusammenarbeit	**SPSS**	Statistical Package for Social Sciences
GMD	Gambia Dalasi	**UNCDF**	United Nations Capital Development Fund
HDI	Human Development Index	**UNCTAD**	United Nations Conference on Trade and Development
I	Interest Rate	**UNDP**	United Nations Development Programme
IAS	International Accounting Standards	**USAID**	United State Agency for International Development
USD	United State Dollar	**WTO**	World Trade Organization
VISACA	Village Savings and Credit Associations	**YEP**	Youth Empowerment Project
WBG	World Bank Group		

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Abstract

This study investigates the impact of microfinance credit on the performance of Micro, Small, and Medium Enterprises in the Greater Banjul Area of The Gambia. Utilizing a combination of descriptive survey and cross-sectional research designs, the study explores the role of microfinance institutions in supporting MSMEs in the Greater Banjul Area. It aims to analyse how microfinance institutions affect MSME performance, assess credit utilization patterns, identify growth-influencing factors, and offer policy recommendations. Data was collected via questionnaires distributed to MSME owners and managers, focusing on business profiles, credit usage, and financial performance. The sample was selected using simple random sampling, and the analysis was conducted using SPSS and R programming.

The findings reveal that microfinance credit significantly impacts MSMEs' financial performance, particularly in revenue growth and market expansion. Credit utilization patterns show that MSMEs primarily use microfinance credit for equipment purchases, working capital, and business expansion. The regression analysis identified credit amount, interest rates, and repayment periods as critical factors significantly influencing MSMEs' financial performance, whereas collateral requirements and entrepreneurial orientation have less pronounced effects.

The study concludes that favourable credit conditions are essential for MSME sustainability and growth in Greater Banjul Area. Policy recommendations include implementing tax incentives for lenders, government-backed loan programs, and supportive Central Bank policies. MFIs are encouraged to develop flexible repayment terms and targeted financial assistance programs. Additionally, enhancing financial literacy and entrepreneurial training for MSMEs is vital. Further studies are suggested to explore the impacts of refinancing facilities, collateral requirements, and entrepreneurial orientation on MSMEs' performance.

Introduction

Globally, micro, small, and medium-sized enterprises (MSMEs) are increasingly recognized as integral drivers of economic growth and equitable sustainable development. MSMEs, characterized by their relatively smaller scale compared to large corporations, play a pivotal role in various economies worldwide. In the European Union (EU) countries, MSMEs are defined as enterprises with fewer than 250 employees (OECD), while in many developing nations, any enterprise employing below one hundred employees is considered an MSME.

Governments across the globe have heightened their focus on MSMEs, implementing deliberate policies and legislation to foster them as engines of economic growth and employment creation. Notably, MSMEs constitute over 95% of total enterprises in most economies, significantly contributing to employment growth (Maastricht University). Their impact extends to increased industrial production and exports, with countries like the USA and EU attributing over 60% of employment, 40-60% to Gross Domestic Product (GDP), and 30-60% to exports (Rotar et al. 2019, SBA 2019, World Bank). Similarly, Asian countries, including Thailand, Indonesia, Malaysia, and Singapore, boast thriving MSME sectors contributing between 60-80% to employment, approximately 40% to GDP, and 20% to total export value (Tan, 2022). In the Sub-Saharan Africa context, the economic giants like Nigeria, South Africa, Ethiopia, and Kenya estimate MSMEs to contribute over 70% to employment and about 50% to GDP (Cooper, 2023). This global recognition of the crucial role played by MSMEs sets the stage for a deeper exploration of their significance and challenges within the specific context of The Gambia's economy.

Acknowledging their importance, The Gambia recognizes MSMEs as crucial instruments for economic development. In 2021, The Gambia Bureau of Statistics (GBoS)[1] reported a GDP of approximately USD $2.068 billion. With a population of 2.4 million, The Gambia faces urbanization challenges, particularly in the Greater Banjul Area[2] and Brikama, leading to high population density.

Despite registering a GDP growth rate of 4.3% in 2021, The Gambia remains among the world's

[1] The Gambia Bureau of Statistics (GBoS) is a government department under the Ministry of Finance and Economic Affairs responsible for the collection, analysis, and dissemination of statistical data. www.gbosdata.org

[2] Greater Banjul Area - which includes the local government areas (LGAs) of Banjul and Kanifing, the country's hub for key economic activities- occupying an area of 93 sq. km (less than 1% of Gambia's land area).

poorest countries, with 53.4% of the population living below the poverty line as of 2020 (GBoS). With a Human Development Index (HDI, 2021) of 0.500, The Gambia is positioned in the Low Human Development category, ranked 174 out of 191 countries and territories. Moreover, the Gini Index, a measure of income inequality, increased from 35.9 in 2015 to 38.8 in 2020, signifying moderate inequality with a higher rate in urban areas.

The MSME sector contributes around 20% to The Gambia's GDP and employs 60% of the active labour force, with 70% being self-employed (MSME, 2013). Despite this potential, the sector faces challenges, including limited access to finance, technological constraints, human capital shortages, and an unreliable electricity supply (UNDP, 2020). Additionally, a burdensome tax regime and an unfriendly regulatory environment hinder the sector's growth. The firm-level analysis underlines the significance of finance, tax rates, and labour regulations in determining performance[3].

Recognizing MSMEs' potential, The Government of The Gambia since 1996 has formulated various policies and has created institutions to improve the conditions of MSMEs. These include the Investment Policy and the GIEPA Act. It also formulated the National Policy for MSMEs (2019-2024), the National Entrepreneurship Strategy (2014–2018) and a notable emphasis on the role of MSMEs in the National Development Plan (2018-2021) (outlined in Box 1.1. below). However, challenges persist, necessitating a holistic approach to enhance the legal and regulatory environment, improve capital access, and support innovation and capacity-building.

In response to the challenges faced by MSMEs, microfinance has emerged as a critical financial tool. Microfinance, defined by Duru et al. (2017) as banking services for low-income individuals, offers small business loans to those lacking access to traditional financial services. Microfinance allows people to take on reasonable small business loans safely and in a manner that is consistent with ethical lending practices. This study aims to investigate the impact of microfinance credit on the performance of MSMEs operating in developing countries, focusing, specifically on The Gambia. Delving into the Gambian market, this research seeks to provide valuable insights into the interconnected dynamics of MSMEs, the Gambian economy, and Microfinance Institutions (MFIs) in the pursuit of socioeconomic development.

[3] World Bank, Systematic Country Diagnostics for the Republic of The Gambia, p. 38, para. 60.

The study is organized into five distinct chapters, each contributing to a comprehensive understanding of the subject matter.

- Chapter One set the stage by offering a background on the current state of MSME financing in The Gambia. It articulates the problem statement, outlines the study's objectives and hypotheses, and justifies the significance of the study.

- Chapter Two presents a precise review of existing empirical literature. This chapter begins by examining the historical evolution and theoretical frameworks shaping microfinance credit within the Gambian context. It explores the concepts of microfinance and microfinance institutions, and further provides an overview of MSMEs in The Gambia. The conceptual framework serves as a guide for assessing the impact of microfinance credit on MSMEs' performance, paving the way for the study's unique contribution.

- Chapter Three focuses on conducting the SWOT analysis. This chapter delves into the strengths, weaknesses, opportunities, and threats faced by MSMEs in the entrepreneurial ecosystem in The Gambia. Each component of the SWOT analysis is thoroughly examined to provide insights into the internal and external factors influencing MSMEs' performance.

- Chapter Four outlines the research methodology, detailing the approaches and techniques employed for data collection and analysis. The research design, including sample selection and sampling procedures, data collection instruments, and procedures, are thoroughly discussed. The framework for data collection is presented, emphasizing the reliability of measurements. Ethical considerations guiding the study are also addressed to ensure the robustness and integrity of the research process.

- Chapter Five presents the empirical findings, providing a comprehensive analysis of the research outcomes. Both descriptive and regression analyses were employed to offer a statistical understanding of respondents’ answers to the questionnaires. The regression models explore the nuanced impact of microfinance credit on various facets of MSMEs' business operations.

Collectively, these five chapters illustrate how access to microfinance credits by MSMEs has influenced their performance in The Gambia. The study then consolidates the outcomes by briefly summarizing the findings, draws meaningful conclusions, and formulates recommendations based on the research insights. Suggestions for future research were emphasize, providing a roadmap for further exploration in the dynamic intersection of microfinance and MSMEs in The Gambia.

Chapter 1: Background and Objective of The Study

1.1. Background of the Study

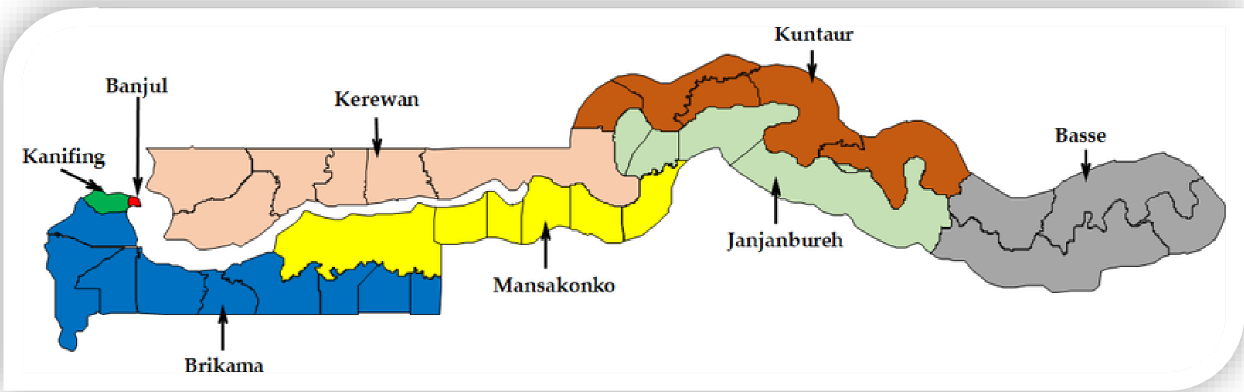
The transition from traditional agricultural practices to the growing MSMEs sector in The Gambia highlights a profound shift in the country's economic landscape. The momentum behind this transformation is multifaceted and deeply rooted in the socio-economic challenges faced by the Gambian population. With limited employment opportunities in the public sector and vulnerability to weather-related shocks for traditional agricultural activities, an increasing number of Gambians, both in rural and urban areas, are turning to the MSME sector for employment and livelihood opportunities as highlighted by various studies, including the Formulating the National Entrepreneurship Policy (2017). This transition is not merely a matter of choice but often driven by the necessity for survival, particularly for those without formal paid employment (NEP, 2017).

The rural areas of The Gambia, constitute six out of the eight Local Government Areas (LGAs) in The Gambia. According to GBoS (2017), extreme poverty persists in LGAs such as Mansakonko, Kuntaur, Janjanbureh, and Basse, with a pronounced annual growth rate of 1.3 percent among the youthful rural inhabitants (Abatan, 2022). The challenges are compounded by The Gambia's small economy, which poses significant developmental obstacles. Despite fertile land and flourishing sectors in agriculture and tourism, the country faces connectivity issues, limited integration with neighbouring countries, and vulnerability to extreme weather events and climate change.

The Gambia's small GDP of about USD $2.068 billion in 2021 and a population of 2.4 million further highlight its economic constraints, ranking it as the sixth-smallest economy in Sub-Saharan Africa (data.worldbank.org/indicator/). The unique geography, characterized by the Gambia River dividing the country into two narrow strips, creates challenges for economic and social integration. Urban areas experience overcrowding and increasing population density, aggravating pressure on natural resources. Climate change, manifested through changing rainfall patterns and more frequent extreme weather events, poses a threat to agriculture, fishing, and tourism, further driving the shift from traditional practices to the dynamic MSME sector.

This transition is not only a response to economic challenges but also an acknowledgment of the potential of MSMEs to serve as catalysts for economic growth, diversification, and transformation in The Gambia. The government's recognition of MSMEs' significance is evident in strategic initiatives outlined in the National Policy for MSMEs (2019–2024), the National Entrepreneurship Strategy (2014–2018), and the emphasis on MSMEs' role in the National Development Plan (2018-2021). See Box 1.1 to understand how the Government of The Gambia, through its National Development Plan, highlights the pivotal role of MSMEs as the driving force behind growth, transformation, and job creation in the country.

Figure 1: Map of The Gambia showing the Eight administrative LGAs.



Source: Jasseh. M., Sanyang. N., Bittaye. M., et al (2023)

Box 1.1. Gambia National Development Plan (2018-2021) Emphasizing MSMEs' Role

In alignment with its commitment to fostering economic advancement, The Gambia, through its National Development Plan (2018-2021), envisions a vibrant private sector as the engine of growth, transformation, and job creation. The plan emphasizes significant growth in manufacturing, industry, and trade, recognizing the pivotal role of MSMEs in contributing to economic development and employment.

Key interventions outlined in the plan include diversifying local production with a focus on high-value products such as findi, moringa, sesame, honey, cashew, and horticulture for both domestic and international markets. The strategy involves creating market linkages, enhancing quality and hard infrastructure for agricultural products, improving custom clearance capacity, establishing a Single Window Custom Clearance system, and strengthening trade in services data management.

Additionally, the plan addresses critical aspects such as improving trade and investment negotiations, enhancing consumer welfare through competitive markets, strengthening the Weights and Measures Bureau, and undertaking tax reforms. Specific attention is given to access to finance, investment incentives policy reforms, promoting the Gambian brand, and reinforcing the Gambia Investment and Export Promotion Agency (GIEPA).

Notably, there is a strong emphasis on MSME and industry development to create employment opportunities. The plan also highlights measures to strengthen labour administration through the review and implementation of the Labour Act and the Trade Union Act and regulations, highlighting the government's comprehensive approach to harnessing the potential of MSMEs for holistic socioeconomic development.

(Government of The Gambia, 2017)

1.2. Problem Statement

Despite the key role MSMEs play in the Gambian economy, a concerning trend has emerged—many Gambian-owned MSMEs face operational challenges leading to closures within a brief period. This phenomenon raises critical questions about the effectiveness of the introduced MFIs designed to support MSMEs. The Gambia, a small and fragile country in West Africa, has struggled with creating sustainable home-based entrepreneurial ventures. Despite government efforts, as noted in the Gambia National Development Plan (2018-2021) and documented in various studies, including Darboe and Jallow (2023) and Krubally et al. (2019), there is a persistent challenge in fostering successful and long-lasting MSMEs.

The education system in the country, though evolving, has struggled to impart the necessary skills and knowledge required for entrepreneurial success. Government programs aimed at entrepreneurial development have faced challenges fostering creativity and inclusive growth, leading to a mass illegal migration of the youthful population, as reported by Darboe and Jallow (2023). This highlights a disconnect between implemented policies and their impact on entrepreneurship.

Furthermore, as emphasized by Krubally et al. (2019), MSMEs in The Gambia encounter funding issues, management difficulties, and leadership challenges. In 2019, the Global Entrepreneurship and Development Institution (GEDI)[4] ranks The Gambia at 113th out of 137 countries, indicating low entrepreneurial performance. MSME failure is prevalent in developing countries, and The Gambia is no exception. Despite access to credit, Gambian small business owners, as noted by Zagrodny (2011), may not consistently follow rational and planned steps for business development. Factors such as family relationships and the

[4] The Global Entrepreneurship and Development Institute (The GEDI Institute) is the leading research organization advancing knowledge on the relationship between entrepreneurship, economic development, and prosperity.

demotivation of business expansion further contribute to the challenges faced by MSMEs.

Understanding business failure as a complex phenomenon, involving terms like firm closure, insolvency, liquidation, dissolution, and bankruptcy, as highlighted by Krubally et al. (2019), is crucial. The failure of MSMEs is not solely due to financial difficulties but encompasses stages of growth, consolidation, and recovery, as explained by Howard (2005). Access to finance emerges as a key determinant of MSME failure in Sub-Saharan Africa, according to Okpara and Wynn (2007).

In the context of The Gambia, where the Global Entrepreneurship Index is low at 17.1 (Acs et al. 2019), the business environment challenging, and government policies struggling to curb unemployment and nurture entrepreneurship, this study aims to analyse whether the credit facilities provided by MFIs have had a substantial impact on the sustained growth and longevity of MSMEs. The comparison of government initiatives, educational gaps, and inherent challenges within the MSME sector raises critical questions about the efficacy of MFIs in addressing the root causes of MSME failures in The Gambia.

1.3. Purpose of the Study

The primary purpose of this study is to comprehensively examine and understand the impact of microfinance credit on the growth and sustainability of MSMEs in The Gambia. By delving into the dynamics of credit provision by MFIs, the study aims to explain the factors contributing to the operational challenges faced by MSMEs in The Gambia and, in turn, identify potential avenues for improvement.

1.4. Research Objectives and Hypotheses

1.4.1. Research Objectives:

1. **Analysing the Impact of Microfinance Credit:** Evaluate the effect of microfinance credit on the performance of MSMEs in The Gambia.
2. **Assessing Credit Utilization Patterns:** Investigate the utilization patterns of microfinance credit by MSMEs in The Gambia.
3. **Examining Factors Influencing Growth:** Examine the factors influencing sustained growth and longevity of MSMEs in the Gambian context.

4. **Providing Policy Suggestions:** Offer practical suggestions to policymakers, microfinance institutions, entrepreneurs, and other key players in The Gambia for enhancing the microfinancing system, aiming to alleviate poverty and reduce the unemployment rate further.

1.4.2. Hypotheses:

Drawing on the distinction between research and statistical hypotheses outlined by Navarro et al. (2019), this study formulates the following hypotheses:

Null Hypothesis ($\boldsymbol{H_0}$): There is no significant relationship between access to microfinance credit and the financial performance of MSMEs in The Gambia.

Alternative Hypothesis ($\boldsymbol{H_1}$): Microfinance credit has a substantial positive impact on the financial performance of MSMEs in The Gambia.

This hypothesis is characterized as a research hypothesis, aligning with Navarro et al.'s definition, as it entails making a substantive, testable scientific claim regarding the relationship between access to microfinance credit and MSMEs' performance in The Gambia. It asserts a specific relationship between two constructs - access to microfinance credit and MSMEs' performance - and is thus empirically evaluable. This research hypothesis addresses a scientifically relevant question about the impact of microfinance credit on MSMEs in The Gambia, aligning with the broader purpose of this study.

1.5. Significance of the Study

This study holds paramount significance as it contributes significantly to the existing body of knowledge by providing crucial insights into the intricate relationship between microfinance credit and MSMEs in The Gambia. The findings will offer valuable information to a diverse array of stakeholders, including policymakers, microfinance institutions, entrepreneurs, and other key players. By shedding light on the impact of microfinance credit on the performance of MSMEs, the study will guide these stakeholders in formulating targeted strategies to enhance the growth and sustainability of MSMEs, fostering a more robust and resilient economic landscape.

The Government of The Gambia has outlined its strategic priority to transform the private sector and trade into the engine of growth, transformation, and job creation, as per the National

Development Plan 2018-2021. Understanding the role of MFIs and evaluating the impact of their credit on MSMEs becomes instrumental in aligning with this national agenda. This study will provide insights into how microfinance credits contribute to the performance of MSMEs, supporting The Gambia's transition from an agriculture-based economy to a modern, globally connected economic entity.

Notably, this research stands out as a pioneering endeavour dedicated to comprehensively understanding and interpreting the impact of microfinance credit on MSMEs' performance in The Gambian context. With limited existing research explicitly addressing this crucial subject, the study aims to fill a significant gap in the existing body of knowledge. By providing a comprehensive analysis, the research becomes a cornerstone for future investigations and policy formulations related to MSME financing in The Gambia.

In addressing the constraints faced by MSMEs in The Gambia, particularly the critical constraint of limited access to finance, this study gains further significance. Microfinance emerges as a potential solution to reach entrepreneurs and segments of the population that conventional banks cannot serve. The multifaceted finance-related challenges, including high interest rates and lack of appropriate financing, make it imperative to assess the effectiveness of microfinance credit in addressing these issues and supporting the diverse categories of MSMEs, especially microenterprises that are most disadvantaged.

Furthermore, the study aligns with the directive for concerted action outlined in the MSME policy. By delving into the impact of microfinance credit on MSMEs, the research provides valuable insights that can guide initiatives aimed at making greater levels of financial resources available to MSMEs. Recommendations such as promoting Angel investing and finalizing the MSME fund underscore the practical implications of the study, emphasizing actionable strategies to encourage the flow of finance to MSMEs through various channels, including MFIs.

Therefore, the significance of this study extends beyond its immediate findings, shaping the discourse on MSME financing in The Gambia and informing strategic interventions for sustained economic growth, job creation, and poverty alleviation.

1.6. Contribution of MSMEs to the Economic Development of The Gambia

MSMEs form the backbone of The Gambia's economy, comprising a diverse range of businesses that contribute substantially to employment, income generation, and overall economic dynamism (UNDP, 2020). Operating across sectors such as agriculture, manufacturing, services, and technology, the versatility and resilience inherent in the MSME sector play a pivotal role in shaping the Gambian economic landscape. This subsection aims to elaborate on the multifaceted contributions made by MSMEs, outlining their impact on various dimensions of the economy.

Employment Generation:

MSMEs are major contributors to employment generation in The Gambia, accounting for a significant portion of total employment in the country. According to the 2013 MSME mapping study, MSME employ over 60% of the active labour force, including both formal and informal sectors (MSME, 2013). This highlights the crucial role of MSMEs in mitigating unemployment and poverty by providing job opportunities to a significant segment of the population.

Despite efforts to locate more recent data on MSME employment generation, no updated information was found. It is noteworthy that the data presented in this study serves as a valuable reference point, as it is frequently cited in recent publications on the subject matter, reflecting its significance in understanding the employment landscape of MSMEs in The Gambia.

Contribution to GDP Growth:

While MSMEs play a crucial role in employment generation in The Gambia, their contribution to the country's GDP appears disproportionate. Despite employing over 60% of the active labour force, MSMEs contribute only approximately 20% to the GDP, as evidenced by the 2013 MSME mapping study (MSME, 2013). This disparity highlights a significant gap between employment generation and economic output, indicating potential inefficiencies or barriers hindering the optimal performance of MSMEs in contributing to GDP growth.

Addressing this gap is essential for maximizing the potential of MSMEs as engines of economic growth and development. Strategies aimed at enhancing MSME productivity, fostering innovation and entrepreneurship, improving access to finance and markets, and providing supportive regulatory environments can help bridge this divide. By unlocking the full potential of MSMEs, The Gambia can harness their substantial employment generation capacity more effectively while concurrently boosting their contribution to overall GDP growth.

Promotion of Entrepreneurship and Innovation:

MSMEs serve as a breeding ground for entrepreneurship and innovation, fostering creativity and dynamism within the Gambian economy. Studies, such as the one conducted by the United Nations Conference on Trade and Development (UNCTAD, 2023), emphasize the pivotal role of MSMEs in nurturing entrepreneurial talents. These enterprises provide aspiring entrepreneurs with opportunities to initiate and expand their businesses. Moreover, MSMEs often function as hubs for innovation, introducing new products, services, and business models that contribute to economic diversification and enhance competitiveness.

Enhancing Export Potential:

MSMEs play a significant role in enhancing The Gambia's export potential and promoting international trade. As outlined in The Gambia National Development Plan (2018-2021), MSMEs contribute to increasing total exports as a percentage of GDP from 9.4% (2015) to 17%. Additionally, there is a targeted increase in Foreign Direct Investment (FDI) as a percentage of GDP from 2.4% (2014) to 5% (NDP, 2018-2021). MSMEs engaged in sectors such as handicrafts, textiles, and food processing contribute to export earnings, thereby strengthening the country's external trade position and foreign exchange reserves.

In summary, the multifaceted contributions of MSMEs extend beyond employment and GDP growth, encompassing the realms of entrepreneurship promotion, innovation, and international trade. These underline the pivotal role of MSMEs in driving the economic development of The Gambia and emphasize the need for targeted support and policies to reinforce and increase their positive impact on the nation's economic landscape.

1.7. Sources of Funding and Capacity-Building for MSMEs in The Gambia

Understanding the key role of MSMEs in The Gambia’s economic development, it becomes imperative to explore the primary sources of funding and capacity-building that sustain their activities. Numerous studies have highlighted the significance of securing adequate funding as a critical challenge faced by MSMEs in their attempts to initiate, expand, or sustain operations. The strength of diverse funding sources is crucial for the growth and development of these enterprises within the Gambian economic context. In this section, the study embark on an exploration of the various avenues through which MSMEs in The Gambia can access the essential funding and capacity-building for their sustained success.

Government Grants and Projects:

The Gambian government, recognizing the importance of MSMEs in economic development, actively provides grants and programmes to support their growth. These financial aids and capacity-buildings, designed to encourage entrepreneurship, job creation, and innovation within the MSME sector, can be accessed through government-sponsored programs and initiatives. Notably, the Empretec-Gambia project, implemented by GIEPA and supported by UNCTAD, plays a significant role in capacity-building for MSMEs through demand-driven training and business development services[5]. Additionally, initiatives like the Youth Empowerment Project (YEP) and the "Make It in The Gambia -Tekki Fii" programme, funded by the European Union, are pivotal in supporting MSMEs through grants, training, and entrepreneurship opportunities[5].

YEP, in particular, provides a grant scheme offering up to D250,000 (approximately US$ 5,000) in seed funding to early-stage entrepreneurs who have completed an entrepreneurship training programme, facilitating the formalization of MSMEs through financial support and training integration. Furthermore, the National Enterprise Development Initiative (NEDI), operating under the Ministry of Youth and Sports, empowers Gambian youth and women through training, microloans, and support for various business sectors, contributing significantly to job creation and economic sustainability[5].

Moreover, the GIEPA Act of 2015 established the Enterprise Development Fund (EDF) to specifically support MSMEs across The Gambia. The EDF, currently being developed by GIEPA, will encompass money allocated by the National Assembly, private sector contributions, donations, grants, and funds raised by the Agency. This fund aims to provide sustained financial support for MSMEs, reinforcing their role in the economic landscape[6].

Commercial Banks and Financial Institutions:

MSMEs in The Gambia have the option to secure financing from commercial banks and financial institutions. These entities offer a range of financial products, including business loans, working capital loans, and trade finance. However, challenges exist within the Gambian

[5]UN- Department of Economic and Social Affairs: 'Promoting Formalization of Micro, Small, and Medium Size Enterprises [MSMEs] in The Gambia'.
[6] GIEPA http://www.giepa.gm

financial sector that affect MSMEs' access to credit.

Commercial banks in The Gambia face disincentives to lend to MSMEs due to higher interest rates offered by the government on treasury bonds, leading to a reluctance to engage with private sector lending (World Bank, 2022). While some commercial banks have entered the microfinance industry, their focus remains on formal sector entrepreneurs in urban areas, limiting the scope and accessibility of their financial products for emerging micro-enterprises (ADF, 2006).

Despite these challenges, certain banks, such as AGIB Bank, Ecobank, and MegaBank, have shown commitment to supporting MSMEs. AGIB Bank, as an Islamic bank, has been providing MSME Loans since its inception, emphasizing support for the growth and development of small and medium-sized enterprises[7]. Ecobank offers various products tailored to suit MSMEs' needs, including savings, micro-loans, business loans, and advisory services[8]. MegaBank, through its YOKUTEH Account, targets small business owners with a tailor-made product to meet their specific needs[9].

Microfinance Institutions:

The role of microfinance institutions in providing financial and non-financial services tailored to the specific needs of MSMEs is crucial. As the focus of this study is to examine and understand their credit impact on the growth and sustainability of MSMEs, the upcoming chapter will comprehensively explore the concept of Microfinance and Microfinance Institutions, focusing on their credit impact on the growth and sustainability of MSMEs in The Gambia.

MFIs specialize in offering microloans, savings accounts, and other financial products designed to cater to the requirements of these enterprises. Unlike traditional banks, MFIs often adopt a more flexible approach to lending, making financial services accessible to entrepreneurs who may not meet the strict requirements of conventional banking institutions. This inclusivity is vital for fostering the growth and sustainability of MSMEs in The Gambia, particularly those operating in rural or underserved areas.

[7] AGIB Bank http://www.agib.gm/
[8] EcoBank https://www.ecobank.com/gm/products-and-services/microfinance
[9] MegaBank https://megabankgambia.gm/#1489503963784-5b2be039-5cee

The Social Development Fund (SDF) in The Gambia serves as a significant player in the microfinance landscape. As a Trust Company, the SDF identifies and mobilizes resources on behalf of the Government of The Gambia and donors, channelling funds to retail financial intermediaries across the country. With a country-wide coverage spanning all six regions of The Gambia, the SDF plays a crucial role in wholesaling funds to prudently managed financial institutions, thereby enhancing access to finance for MSMEs across the nation[10].

International Organizations:

International organizations and development agencies also play a crucial role in supporting MSMEs in developing countries like The Gambia. These organizations often provide grants and support aimed at promoting sustainable development, job creation, and poverty reduction. Notable international organizations involved in supporting MSMEs in The Gambia include the United Nations Capital Development Fund (UNCDF), International Trade Centre (ITC), United Nations Development Programme (UNDP), World Trade Organization (WTO), Enhanced Integrated Framework (EIF), and the African Development Bank (AfDB) among others[11] [12] [13] [14] [15].

The UNCDF, in partnership with InSIST Global Gambia Ltd., supports initiatives like Afrijula, an online business platform in The Gambia. Afrijula enables MSMEs to record and manage their financial transactions, helping them build a financial record and gain access to financial products and services, with a particular focus on youth and women groups[16].

The ITC provides small businesses, policymakers, and business support organizations in developing countries with practical training, advisory services, and business intelligence data. Their efforts aim to help MSMEs become more competitive, creating better regulatory environments for trade, and fostering global transition to green, sustainable trade[12].

The UNDP, in collaboration with MOTIE, organized a policy forum to address challenges facing MSMEs in The Gambia, emphasizing the sector's significant contribution to the

[10] https://sdfgambia.gm/
[11] UNCDF https://www.uncdf.org/the-gambia
[12] ITC https://intracen.org/about-us
[13] UNDP https://www.undp.org/gambia/news/high-level-policy-forum-msmes
[14] WTO https://www.wto.org/english/news_e/news22_e/msmes_08feb22_e.htm
[15] EIF https://enhancedif.org/en/who-we-are
[16] https://www.afrijula.gm/impact.html

Gambian economy[13].

The WTO's Trade4MSMEs website serves as a platform to support MSMEs engaging in international trade, providing valuable resources for policymakers and researchers working at the nexus of MSME and trade issues[14].

The EIF partnership, comprising 51 countries, 24 donors, and eight partner agencies, collaborates closely with governments, development organizations, and civil society to assist least developed countries (LDCs) in using trade as an engine for development and poverty reduction. The partnership between The Gambia and the EIF began with country-led research and analysis to identify pro-poor trade priorities[15].

The AfDB and IFAD are major donors supporting MSMEs through the microfinance sector in The Gambia. While the IFAD-supported Rural Finance and Community Improvement Project (RFCIP) focuses on strengthening financial services, the AfDB has supported various projects, including the Community Skills Improvement Project (CSIP) and the Artisanal Fisheries Development Project[5]. Additionally, the European Union Emergency Trust Fund supports initiatives like the Mini-Loans Scheme, increasing access to finance for youth-led MSMEs[17].

Trade Credit:

MSMEs in The Gambia can leverage trade credit as a source of financing. This involves obtaining goods or services on credit from suppliers, allowing the business to operate and generate revenue before making payment. Effective management of trade credit relationships can provide MSMEs with essential working capital.

Community-Based Financing:

Community-based financing, including rotating savings and credit associations (ROSCAs) or ‘osusu’, provides an informal way for MSMEs to access funds (Aryeetey & Steel, 1995). Members contribute regularly to a common fund, and each member takes turns receiving a lump sum that can be used for business purposes. This type of funding gives the MSMEs another options to access funds to initiate, expand, or sustain their operations.

[17] https://trust-fund-for-africa.europa.eu/news/mini-loans-scheme-young-gambian-entrepreneurs-launched- yep-2018-10-30_en

Venture Capital, Private Equity and Angel Investors:

The presence of venture capital, private equity, and angel investors play a vital role in fostering innovation and fuelling the growth of MSMEs in any economy. However, in the Gambian context, these forms of financing are currently absent, presenting a significant gap in the funding landscape for entrepreneurs. The absence of venture capital, private equity, and angel investors can be attributed to various factors, including the lack of a developed investment ecosystem, limited awareness among potential investors, and a perceived high level of risk associated with investing in early-stage ventures (National Policy for MSMEs, 2019-2024).

Efforts to address this gap are underway, with initiatives like the Gambia Angel Investors Network (GAIN) being established to connect potential investors with high-potential local businesses[18]. GAIN serves as a platform for assessing investment opportunities in the country and provides mentorship and networking opportunities for entrepreneurs. The network aims to facilitate investments ranging from $20,000 to $300,000, thereby helping to develop the nascent start-up and investment ecosystem in The Gambia[19].

Despite these initiatives, challenges persist, including a lack of information about investment opportunities and a reluctance among investors to part with significant amounts of capital in the early stages of setting up a network[18]. Additionally, the regulatory environment and institutional capacity for screening potential deals need further strengthening to instil confidence in local and international investors[18].

[18] ITC https://intracen.org/news-and-events/news/gambia-angel-investors-network
[19] GAIN https://gain.gm/

Chapter 2: Literature Review

2.1. Introduction

The Literature Review presented in this chapter embarks on a critical exploration of both empirical and theoretical perspectives on the subject under study. Beginning with the evolution of microfinancing, the chapter will delve into the fundamental concepts of microfinance and microfinance institutions, providing an overview of MSMEs in The Gambia. The primary focus then shifts to an in-depth examination of the empirical literature, specifically addressing the impact of microfinance services, particularly the provision of credit, on the growth activities of MSMEs.

The comprehensive exploration of the literature extends to an analysis of the interrelationships within the conceptual framework. This framework explains the intricate connections between various credit terms—such as credit amount, interest rate, collateral requirements, and credit repayment period—and the entrepreneurial orientation that, collectively, explains the financial performance of MSMEs. This examination is paramount in understanding the intricate dynamics influencing the success of MSMEs in The Gambian.

At the core of this literature review is a focused investigation into the impacts of microfinance credit on the performance of MSMEs in developing countries, with specific attention given to the unique landscape of The Gambia. Through synthesizing existing research and findings, this review aims to provide a comprehensive understanding of the implications and nuances surrounding the vital connection between microfinance credit and the prosperity of MSMEs in the Gambian context.

2.2. Historical Evolution and Theoretical Frameworks

The historical evolution of microfinance traces back to various global movements. The Grameen Bank in Bangladesh, founded by Muhammad Yunus in the 1970s, is often considered the pioneering institution in the realm of microcredit, emphasizing the provision of small loans to entrepreneurs unable to access traditional financial institutions (Jaabi & Chandran, 2015). The success of Grameen Bank laid the groundwork for microfinance's widespread adoption in developing countries, introducing the concept of collateral-free lending and group-based lending methodologies (Armendáriz de Aghion & Morduch, 2005).

In the Gambian context, the historical evolution of microfinance is deeply intertwined with the country's socioeconomic landscape. Informal savings and credit associations, particularly in rural areas, laid the foundations for mutual financial support and community-based lending. Traditional systems like Rotating Savings and Credit Associations (ROSCAs) or 'osusu' were instrumental in fostering financial cooperation (Aryeetey & Steel, 1995).

The formalization of microfinance initiatives commenced in the late 1970s and early 1980s. The NEDI emerged as one of the pioneering formal entities providing financial support to small businesses (UNCTAD, 2017). Simultaneously, the Gambia Women's Finance Association (GAWFA), established in 1987, focused on extending financial services, specifically to women entrepreneurs through microfinance (AUDA-NEPAD, 2022). GAWFA's transition to a Savings and Credit Company in 1997 marked a significant milestone, reflecting the formal sector's evolution (www.accessgambia.com).

In the late 1980s, government-sponsored institutional credits encountered challenges, leading to policy reforms as highlighted by Jaabi & Chandran (2015). This period saw the establishment of the Agricultural Credit Unit (ACU) in 1989, later upgraded to a Microfinance Department in 2001. The revised Financial Institutions Act (FIA) of 1992 played a pivotal role in emphasizing the need to diversify the intermediation base, incorporating grassroots community-owned institutions. As a result, Village Savings and Credit Associations (VISACAs) emerged with support from International Centre for Development & Research (CIDR), Kreditanstalt Fuer Wiederanfbau (KfW), and International Fund for Agricultural Development (IFAD), contributing significantly to rural economic development (Jaabi & Chandran, 2015).

VISACAs mobilize local savings to expand their funding base, operating revolving loans to rural entrepreneurs and farmers. Despite success, challenges like governance issues and the need for alternative financing post-Rural Finance Project (RFP) expiry in 2013 persist (Jaabi & Chandran, 2015).

The commercialization of microfinance in the Gambia further accelerated with the licensing of institutions like Reliance Financial Services Co. Ltd (RFS) and Supersonicz Financial Service Ltd (SFS). The RFS licensed in 2006, offers Micro and SME loans, while Supersonicz, licensed in 2015, operates as a Non-Bank Financial Institution (NBFI) providing microfinance services. The National Association of Cooperative Credit Unions of The Gambia (NACCUG), formed in 1992, serves as the apex body for Cooperative Credit Unions in The Gambia, contributing to the formalization of the microfinance sector (www.accessgambia.com).

This historical evolution highlights the transformation of microfinance in the Gambia, from informal community-based systems to a diversified sector with a range of formal institutions, contributing significantly to MSMEs' financial landscape.

The application of theoretical frameworks within the Gambian microfinance landscape draws from the principles of Financial Systems View and Institutional Theory. The Financial Systems View, as proposed by Robinson (1952), underlines the significance of financial services in fostering economic development by channelling investments into productive enterprises. In the context of the Gambia, this theory substantiates the necessity for inclusive financial services to stimulate MSME growth and consequently overall economic development.

Simultaneously, Institutional Theory, as discussed by Mersland and Strøm (2007), highlights the impact of institutional settings on the efficacy of microfinance within different economic contexts. In the Gambian scenario, this theory might help in understanding the interplay between formal institutions, regulatory policies, and the effectiveness of microfinance institutions catering to MSMEs.

The utilization of these historical milestones and theoretical underpinnings provides an understanding into the development of microfinance and its relevance to MSMEs in the Gambia. It also sets the stage for evaluating the impact of microfinance credit on the performance of MSMEs in the specific socio-economic landscape of the Gambia.

2.3. Overview of Micro, Small and Medium Enterprises

The overview of MSMEs begins with defining what a micro, small and medium enterprise means within the framework of this study. This involves a critical examination of MSME classification and characteristics. Understanding this comprehensive overview is paramount for the study since MSMEs exhibit substantial variations in size, structure, and operational trait on a country-to- country basis. This clear overview will enable the paper to concentrate on specific MSME types pertinent to the study, ensuring a more precise and meaningful analysis.

2.3.1. Definitions and Key Concepts

Research has proven that there is no single universally accepted definition of MSMEs due to differences in economic structures and developmental stages. The classification of these enterprises serves purposes such as credit extension and the formulation of government policies (Kushnir, 2007). Definitions of MSMEs vary among countries and international organizations, with each nation typically having its distinct, officially documented definition tailored to its economic context. The aim is to create effective policies and programs for MSMEs. This unique definition not only aids in policymaking but also offers guidance to researchers, ensuring more consistent and efficient statistical measurements within the sector (GNP, MSME 2019-2024).

Based on an evaluation conducted by the International Finance Corporation (IFC), the predominant criteria in MSME definitions across one hundred and twenty (120) economies include variables such as the number of employees, assets, turnover, and investment. The assessment reveals that a significant majority, comprising 96% (115 out of 120 countries), incorporate the number of employees as a defining factor, while 51%, equivalent to 61 out of 120 countries, utilize a combination of Assets/Turnover/Capital/Investment (GNP, MSME 2019-2024). Turnover, number of employees, and invested capital serve as criteria, particularly for statistical purposes. However, for tax purposes, business turnover stands out as the most utilized criterion to define MSMEs. The reliance on gross turnover as a criterion enables more precise targeting of tax incentives and facilitates the application of simplified tax regimes for businesses in need of special treatment (USAID, 2007).

2.3.1.1. International Definitions

This section explores international definitions of MSMEs, beginning with perspectives from prominent organizations such as the European Commission (EC), World Bank Group (WBG), and the Asia-Pacific Economic Cooperation (APEC). All these organisations have different threshold of MSMEs as summarized in the table 1 below:

Table 1: MSME Definition by different Organisations

Enterprise Category		EC	WBG/IFC	APEC
Number of Employees	Micro	1 – 9	1 - 9	1 - 4
	Small	10 – 50	10 - 50	5 - 19
	Medium	51 – 250	51 - 300	20 - 99
Annual Turnover	Micro	≤ \$2.2m	\$0 - \$0.1m	-
	Small	\$2.2m - \$11m	\$0.1m - \$3m	-
	Medium	\$11m - \$55m	\$3m - \$15m	-

Total Assets	Micro	≤ $2.2m	$0 - $0.1m	-
	Small	$2.2m - $11m	$0.1m - $3m	-
	Medium	$11m - $55m	$3m - $15m	-

Sources: (USAID, 2007)

As observed from the table 1 above, the three criteria frequently employed for MSME definition encompass the number of employees, annual turnover, and total assets. Notably, the European Commission and WBG/IFC require that enterprises must satisfy the threshold for any two of these three parameters to fall into the categories of micro, small, or medium enterprises (Jassim and Khawar, 2018). It's worth emphasizing that the specific thresholds for these parameters may differ across various organizations. In contrast, the Asia Pacific Economic Cooperation focuses only on the number of employees as the decisive criterion (Jassim and Khawar, 2018).

Gonzales et al. (2014) noted that there is a consensus among high-income OECD countries, Europe and Central Asia, Latin America and the Caribbean, and South Asia in terms of MSME definitions based on the number of employees, as indicated by the low dispersion of values. In contrast, regions such as the Middle East and North Africa, Sub-Saharan Africa, East Asia, and the Pacific exhibit a noticeable divergence in data, indicating a lack of unanimity in the definitions within these geographical areas (Gonzales et al., 2014). Additionally, it was observed that the threshold values for the number of employees, turnover, and assets tend to decrease with country incomes, with lower-income countries employing lower thresholds.

For instance, in the United States, an enterprise with a gross turnover of less than USD $5 million is categorized as a small enterprise, whereas in numerous other countries, such turnover would classify it as a large enterprise (Vasak, 2018). Table 2 shows a comparison of MSME definitions of several countries by taking the employment and annual turnover (US Dollar) parameter into consideration.

Table 2 : Definition of MSMEs specific to each country[20]

Country	Income Group	Region	Number of Employees			Annual Turnover		
			Micro	Small	Medium	Micro	Small	Medium
Bermuda	High Income	North America	1 - 4	5 - 9	10 > 50	< $0.05m	$0.05m - $0.25m	$0.25m - $0.75m
Norway		Europe	0 - 9	10 - 49	50 > 250	< $2.2m	< $11m	< $55m
United Kingdom		Europe	0 - 9	10 - 49	50 > 250	≤ $2.2m	≤ $11m	≤ $55m

[20] Exchange Rate Used (obtained from www.xe.com, on 6th Jan. 2024):
1 USD = 0.913299 EUR; 1 USD = 828.709 AOA; 1 USD = 2.01520 BZD; 1 USD = 4.87533 BRL; 1 USD = 599.085 XAF; 1 USD = 2.22406 FJD; 1 USD = 7.82461 GTQ; 1 USD = 15,516.3 IDR; 1 USD = 154.413 JMD; 1 USD = 157.381 KES; 1 USD = 599.085 XOF; 1 USD = 16.8805 MXN; 1 USD = 0.385048 OMR; 1 USD = 29.8137 TRY; 1 USD = 38.1261 UAH; 1 USD = 39.2887 UYU; 1 USD = 67.1965 GMD.

Portugal	Economies	Europe	< 10	10 - 49	50 - 250	< $2.2m	$2.2m - $11m	$11m - $55m
Oman		Middle East & North Africa	1 - 5	6 - 25	26 > 100	< $0.26m	$0.26m - $1.3m	$0.26m - $7.8m
Uruguay		Latin America & Caribbean	< 5	5 - 19	20 > 100	< $0.05m	$0.05m - $0.25m	$0.25m - $2m
Brazil	Upper Middle-Income Economies	Latin America & Caribbean	< 10	10 - 49	50 > 250	< $0.50m	$0.50 - $3.3m	$3.3m - $18.5m
Turkey		Europe	1 - 9	10 - 49	50 > 250	< $0.03m	< $0.27m	< $1.3m
Mexico		North America	0 - 10	11 - 50	51 - 250	< $0.24m	$0.24m - $6m	$6m - $14.8m
Ecuador		Latin America & Caribbean	1 - 9	10 - 49	50 > 200	< $0.1m	$0.1 - $1m	$1m -$5m
Jamaica		Latin America & Caribbean	< 6	6 - 20	21 - 50	< $0.01m	< $0.01m - $0.5m	$0.5m - $3m
Guatemala		Latin America & Caribbean	1 - 10	11 - 80	81 - 200	< $0.06m	$0.06m - $1.1m	$1.1m - $4.7m
Fiji		East Asia & Pacific	0 - 6	7 - 20	21 - 50	< $0.03m	$0.03m - $0.1m	$0.1m - $0.5m
Indonesia		East Asia & Pacific	1 - 4	5 - 19	20 > 100	< $0.02m	$0.02m - $0.16m	$0.16m - $3.2m
Ukraine	Lower Middle-Income Economies	Europe	< 11	11 - 49	50 - 250	< $0.05m	$0.05m - $0.26m	$0.26m - $1.3m
Kenya		Sub-Saharan Africa	1 - 9	10 - 49	50 > 100	< $0.003m	$0.0003m - $0.03m	$0.03m - $5m
Angola		Sub-Saharan Africa	< 11	11 - 100	101 - 200	< $0.25m	$0.25m - $3m	$3m - $10m
Cameroon		Sub-Saharan Africa	< 6	6 - 20	21 - 100	< $0.03m	$0.03m - $0.42	$0.42 - $5m
Mali	Low Income Economies	Sub-Saharan Africa	< 10	10 - 50	51 - 200	< $0.08m	$0.08m - $0.33	$0.33m - $1.7m
Niger		Sub-Saharan Africa	1 - 3	4 - 10	11 - 50	≤ $0.02	$0.02m - $0.08m	$0.08m - $0.83

Sources: (MSME-EI Database, 2019)

The definitions of selected countries have been ranked according to the Per Capita Gross National Income (PC-GNI)[21]. A comparative analysis of countries has been conducted to determine if differences in the country's PC-GNI can better explain the variations in MSMEs' definitions. When examining the definition of MSMEs in terms of annual turnover, countries classified as high-income and upper-middle-income economies show significant differences. On average, most of them define a medium enterprise as having an annual turnover less than or equal to USD $5.6 million, while others, such as EU member states, define a medium enterprise as having an annual turnover of less than or equal to USD $55 million. This suggests that the definition of MSMEs in terms of annual turnover between countries has no correlation with their PC-GNI (Zafar, 2016). Although annual turnover is a crucial component of an MSME definition, this highlights the idea that relying on a single parameter for classifying an enterprise may be insufficient (Zafar, 2016).

Furthermore, Zafar argues that there is no correlation between PC-GNI, and the number of employees used to define MSMEs. For instance, despite Oman and Cameroon having PC-GNI values of $20,150 and $1,660 (US Dollars) as of 2022, respectively, one might expect different MSME definitions in terms of the number of employees. However, the definitions are relatively

[21] The Gross National Income (GNI) per capita is the dollar value of a country's final income in a year divided by its population using Atlas methodology. In other word, GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad (World Bank).

similar. Similarly, Norway and Ukraine, with PC-GNI values of $95,510 and $4,270 (US Dollars), apply the same classification for MSMEs based on the number of employees.

The analysis of table 2 highlights that variations in the country's PC-GNI does not consistently align with differences in their MSME definitions, whether in terms of annual turnover or the number of employees. This underlines the complexity and diversity in MSME classification across countries, emphasizing the need for a nuanced understanding that goes beyond economic indicators. The observed discrepancies indicate that a holistic approach considering multiple parameters is crucial for a comprehensive and accurate classification of enterprises as MSMEs.

2.3.1.2. Definition for The Gambia

As highlighted earlier, different countries employ varied parameters to define MSMEs based on their respective economic structures. The absence of a universally accepted definition leads each country to tailor its MSME classification to its economic context. In the case of The Gambia, the National Entrepreneurship Policy (NEP)[22] guides the definition of MSMEs, adapting it to the country's economic circumstances.

The classification of MSMEs in The Gambia can be approached through diverse criteria, such as size, type of ownership, sector of operation, and level of development. This paper adheres to the official classification outlined by the NEP, which primarily focuses on size.

In The Gambia, an enterprise's size is determined by considering both the number of employees and the size of investment. Table 3 below provides a breakdown of the threshold values for these parameters, offering insight into the criteria used to define MSMEs in The Gambia.

Table 3: Definition of MSME in The Gambia

Enterprise Category	Number of Employees	Size of Investment
Micro	-	< D75,000
Small	≤ 5	D75,000 ≤ D150,000
Medium	> 5	> D150,000

Source: (MSME-EI Database, 2019)

Size-based Classification and Characteristic

As illustrated in Table 3, MSMEs in The Gambia are classified into three distinct groups based

[22] The National Entrepreneurship Policy (NEP) was crafted in response to the Government of Gambia's request, utilizing the Entrepreneurship Framework (EPF) methodology proposed by the United Nations Conference on Trade and Development (UNCTAD).

on their size: micro, small, and medium enterprises. According to the Gambian government's stipulated criteria, a micro enterprise is characterized by an average investment of less than GMD 75,000 (approximately $1,116.13 USD) and is typically operated by self-employed individuals. Small enterprises, on the other hand, employ up to a maximum of five individuals and possess an average investment ranging from GMD 75,000 to below GMD 150,000 (approximately $2,232.37 USD). Finally, medium-sized enterprises employ more than five individuals and exhibit an average investment exceeding GMD 150,000 (UNCTAD, 2017).

Micro enterprises:

Enterprises classified as micro in The Gambia typically involve self-employed individuals. These businesses predominantly operate within the informal sector, characterized by an absence of formal registration, which, in turn, restricts access to formal services (Donath et al., 2018). With modest capital investments, frequently falling below GMD 75,000 (excluding land and buildings), these entities are exempt from enterprise-related taxes. The management of microenterprises often demonstrates weaknesses in terms of educational qualifications and administrative capabilities (Bloem, 2012). Record-keeping practices are commonly limited or non-existent, as these businesses primarily function to supplement household income. Consequently, a lack of separation between household and business accounts is often observed.

Small enterprises:

These entities are classified as very small-scale operations, employing a maximum of five individuals, often consisting of family members. Their valuation, excluding land, buildings, and working capital, falls below GMD 150,000 (UNCTAD, 2017). While these businesses exhibit a slightly more formal structure than microenterprises, the majority operate within the informal sector in The Gambia without a business license and remain unregistered with tax and social security authorities (ADF, 2006). Managed by their owners, these enterprises often have the capacity to generate relatively fewer employment opportunities for unskilled labour, with proprietors doubling as managers who may hire staff to oversee day-to-day operations. They typically maintain limited records and face restricted access to formal financial institutions, although some may still secure funding from microfinance institutions.

Medium enterprises:

These entities are relatively bigger than small enterprises and fall within the category of enterprises that employ more than five individuals. Their valuation, excluding land, buildings, and working capital, exceeds GMD 150,000 (UNCTAD, 2017). Typically, these businesses are formally registered, operating within the formal economy, although there are instances where very small operations remain informal. Those with a business license are also registered with tax and social security authorities, following the guidelines of The Gambia National Policy for MSMEs. Managed by their owners, these enterprises often have the capacity to generate employment for both skilled and unskilled labour, with the proprietors acting as managers who may hire staff to oversee day-to-day operations. While they maintain records, these may not always adhere to International Accounting Standards (IAS). Despite limited access to formal financial institutions, some may still secure funding from microfinance institutions.

As previously mentioned, the argument posits that the thresholds for the number of employees, turnover, and assets tend to decrease with a country's income, leading to lower thresholds for economies classified as low-income. The Gambia falls into the category of a low-income economy, with a PC-GNI value of USD $810 as of 2022. In 2014, a mapping study conducted in The Gambia identified a total of 88,940 MSMEs, with approximately 70% of them being unregistered. Most of these enterprises were characterized as micro and small entities operating within the informal sector (UNCTAD, 2017).

2.4. The Concept of Microfinance and Microfinance Institutions

This section aims to provide a comprehensive overview of microfinance and microfinance institutions, shedding light on their crucial role in shaping The Gambia's financial landscape. The goal is to establish a foundational understanding of how MFIs impact the financial environment for MSMEs within the broader economic context.

According to the United Nations, "*Microfinance can be broadly defined as the provision of small-scale financial services, including savings, credit, and other essential financial services, to poor and low-income people. The term 'microfinance institution' now encompasses a wide range of organizations dedicated to providing these services, including non-governmental organizations, credit unions, cooperatives, private commercial banks, non-bank financial institutions, and segments of state-owned banks*". Beck (2015), through the Independent Evaluation Group (IEG) of the World Bank Group, further elaborates by stating that microfinance endeavour to extend financial services to households and micro-enterprises excluded from traditional banking services. These often include low-income, self-employed, or informally employed individuals without formalized ownership titles on their assets and possessing limited formal identification papers.

Microfinance is based on the premise that the poor have the capability to repay credits, cover the real cost of credits, and generate savings (Kyale, 2013). Microfinance institutions can serve a population segment unreachable by traditional banks (UNCTAD, 2017). They play a crucial role in promoting financial inclusion and facilitating the development of micro, small and medium-sized enterprises across diverse economies.

2.4.1. Lending Methodology in Microfinance

Microfinance lending involves two primary methodologies: individual and group lending[23]. Group lending, often recognized as the "most celebrated innovation of microfinance" (Morduch, 1999), has evolved into a symbol of microfinance, and is widely adopted as a predominant lending mechanism by many MFIs globally (Stiglitz, 1990). Nevertheless, group lending exhibits different forms in terms of the number of members and organizational structure (Ario, 2020). Here, the study provides an overview of these two lending methodologies:

Individual Lending:

This approach involves a direct credit model, where microcredits are provided directly to individual borrowers without forming groups or utilizing peer pressure for repayment. Unlike group lending, this approach demands rigorous monitoring by MFIs to prevent loan diversion for immediate consumption needs (Lehner, 2008). However, it poses higher risks to these institutions as it heavily relies on the individual borrower's creditworthiness, often challenging to determine due to the absence of documented credit histories for many borrowers (Lehner, 2008). This lending model highlights the importance of robust risk management strategies for MFIs engaging in individual lending.

Group Lending:

Group lending, on the other hand, shifts the monitoring responsibility to the borrowers through joint liability, ensuring strong incentives for group members to monitor each other for mutual success (Stiglitz, 1990). Stiglitz (1990) highlighted that higher risks are assumed by borrowers when they are not only accountable for themselves but also for their group partners. In this lending model, if any group member defaults, it becomes the responsibility of the peers to repay the loan. Economists widely believe that group lending plays a crucial role in mitigating information asymmetries, thereby increasing repayment rates (Waelde, 2011). Group lending

[23] Group lending is often credited to the Grameen Bank in Bangladesh

achieves self-selection of borrowers and serves as a screening device (Van Tassel, 1999).

While joint liability group loans are commonly associated with microfinance, a substantial number of MFIs opt for individual lending (Lehner, 2008). Lehner's analysis reveals that MFIs tend to offer group credits when the credit size is relatively large, refinancing costs are high, and there is low competition among microfinance institutions. Conversely, individual loans are favoured under different circumstances. The analysis predicts that the importance of individual lending in microfinance is likely to grow in the future, especially if MFIs continue to gain improved access to capital markets and face increased competition (Lehner, 2008). This perspective highlights the evolving landscape of microfinance methodologies, emphasizing the potential rise of individual lending models.

2.4.2. The Microfinance Sector in The Gambia

The microfinance sector in The Gambia plays a crucial role in advancing the country's socioeconomic development by providing essential financial services to rural communities and addressing the financial needs of low-income and vulnerable segments of the population. Recognizing its significance, the Central Bank of The Gambia (CBG) has established a comprehensive regulatory framework to guide licensed MFIs in their operations. The Financial Institutions Act of 1992, supplemented by the Financial Regulations Act of 1994, forms the legal backbone for microfinance activities in the country under the oversight of CBG's Microfinance Department, comprising the Development Unit and the Supervision Unit.

Aligned with the National Financial Inclusion Strategy's objective, the microfinance sector actively contributes to the goal of achieving a 70 percent financial inclusion rate by 2025 in The Gambia (CBG, 2021). Ceesay (2011) highlighted that while formal financial services in The Gambia are primarily delivered by commercial banks, the microfinance landscape primarily thrives in rural areas, where most microfinance recipients reside. Notably, the microfinance sector in The Gambia operates through a blend of formal, informal, and semi-formal institutions, with a focus on serving individuals and groups in rural communities, as emphasized by Ceesay in 2011.

The driving force behind The Gambia's microfinance sector lies in the promotion and development of MSMEs, catering to entrepreneurs in both the formal and informal sectors. A report by the African Development Fund (ADF) in 2006 highlights the sector's commitment to poverty reduction by fostering the growth of MSMEs. Key to this initiative is the informal sector clientele, reported by Non-Banking Financial Institutions (NBFIs), especially those with rural outreach, reaching up to 65 percent. As the demand for value-added products continues to rise within the country and the region, the microfinance sector emerges as a vital instrument for uplifting communities and fostering economic growth in The Gambia.

The CBG classifies the microfinance sector in The Gambia into three main categories: Village Savings and Credit Associations (VISACA), Finance Companies (FCs), and Fiduciary Financial Institutions (FFIs). Each category plays a distinct yet interlinked role in supporting the microfinance infrastructure, contributing to the sector's resilience and adaptability in the pursuit of national developmental goals.

Village Savings and Credit Associations (VISACA)

Originating in 1988, VISACAs have emerged as integral elements in The Gambia's microfinance landscape, with a mission to empower rural communities. The inaugural VISACA was established through collaborative efforts involving the French NGO CIDR, the German development bank KfW, and the Gambian-based Jahally Pacharr Rice Project. Over the years, the number of active VISACAs has grown to 74 by 2011, highlighting their sustained impact and reach (Ceesay, 2011).

VISACAs operate on a user-owned and managed model, functioning as community-driven entities with the primary goals of mobilizing local savings, expanding funding bases, and providing revolving loans to support rural entrepreneurs, farmers, and community groups. Membership is inclusive, welcoming individuals and Kafos[24], often requiring a non-refundable membership fee. The governance structure involves a management committee elected by the general assembly, overseeing day-to-day administration, loan appraisal, and recovery. Cashiers, selected from members, handle financial management, and while these positions are voluntary, some may receive monetary incentives or fixed salaries (Ceesay, 2011).

The regulatory framework for VISACAs evolved with the Financial Institutions Act of 1992, facilitating the decentralization of NBFIs to institutionalize low-tiered financial organizations. CIDR played a pivotal role in supporting the establishment of VISACAs in the Central River Region. Despite two decades of operation dispelling the myth that rural communities cannot manage their financial institutions, challenges persist. Jaabi & Chandran (2015) highlighted

[24] Groups of individuals coming together and engaging in a business venture

issues such as weak governance, managerial controls, and capacity limitations. In 2021, the CBG reported that only 10 VISACAs were partially operating due to low capital levels and governance issues, emphasizing the need for improvement in viability and sustainability (CBG, 2021). The journey of VISACAs in The Gambia reflects a blend of achievements and challenges, underlining their indispensable role in rural financial markets.

Finance Companies (FCs)

Finance Companies in The Gambia plays a vital role as MFIs granted licenses to operate as Savings and Credit Companies under the 1992 Financial Institutions Act. These entities, including Reliance Financial Services (RFS), Supersonicz Financial Service (SFS), Bayba, GAWFA, and National Association of Cooperative Credit Unions of The Gambia (NACCUG), cater to both urban and rural areas, focusing on MSMEs.

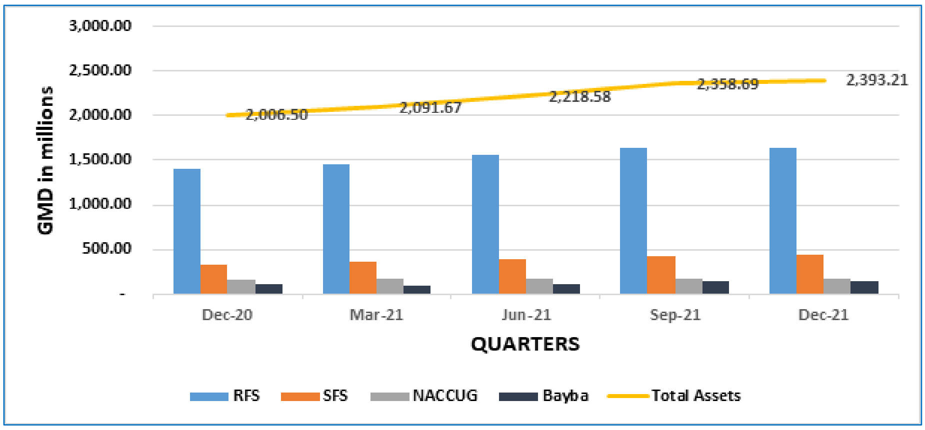
GAWFA, established in 1987, stands out as a non-profit NGO initially founded to provide financial services to women, addressing poverty through small credits and financial support. GAWFA became the first MFI licensed as a Savings and Credit Company by the CBG in 1997. Operating on a membership-based model limited to women, GAWFA offers various loans to low-income women entrepreneurs, with a notable 95% of its clients being women. The organization's holistic approach includes individual and group (solidarity, and large group) credits, along with savings opportunities for both men and women.

NACCUG, formed in 1991, serves as the apex body for Credit Unions in the country. NACCUG plays a pivotal role in promoting and supporting the development of cooperative Credit Unions, contributing to poverty alleviation by creating accessible savings and credit associations. Affiliated with the Irish League of Credit Union Foundations (ILCUF), NACCUG emerged in response to the government's Economic Recovery Program in 1985, aiming to restructure existing credit unions and establish new ones to facilitate financial access for the poor.

According to CBG (2021), FCs lead the NBFIs sector in terms of asset base and deposit size. The FCs have demonstrated robust financial performance, meeting regulatory requirements, including a minimum capital of GMD 50 million (approximately $744,086.37 US Dollars), Capital Adequacy Ratio (CAR) of 20%, Gearing Ratio of 10 times, Required Reserve of 8%, liquidity ratio of 30%, and Return on Assets (ROA) of 1%. The capital base of FCs has grown steadily, with a 2% increase to GMD 378.1 million (approximately $5.6m US Dollars) in 2021.

Asset size, largely concentrated in gross loans and government treasury bills, expanded by 18.9%, reaching GMD 2.4 billion (approximately $35.7m US Dollars) at end-December 2021.

Figure 2: Total Assets of Finance Companies, FCs



Source: CBG Annual Report, 2021.

Fiduciary Financial Institutions (FFIs)

Fiduciary Financial Institutions represent the highest echelon of MFIs in The Gambia, operating at the apex level. Classified as such by the CBG, FFIs are key players in shaping the microfinance landscape. In 2006, the Social Development Fund (SDF), a notable entity, transitioned into an FFI, marking a pivotal moment in microfinance evolution.

Established in 1998 by the Government of The Gambia, SDF emerged as a key player in poverty alleviation, originally conceived as an autonomous charitable funding agency. Over the years, SDF evolved into a significant supporter of community micro-projects and a catalyst for rural entrepreneurship. Recognizing its impactful outreach, the Gambian government approved its transformation into an FFI in April 2006, elevating SDF to the highest category among MFIs.

SDF's primary operational focus centres on wholesale and retail lending of microfinance, with a specific emphasis on promoting rural entrepreneurship and MSMEs across the country. The fund's participatory and demand-driven approach has been instrumental in channelling resources to impoverished communities. Under the Poverty Reduction Project (PRP), SDF successfully supported 560 community-based micro-projects, spanning schools, health clinics, and direct loans to numerous individual clients, predominantly women, through various groups and NBFIs.

The transformation into an FFI aimed at ensuring sustained impact and influence within the microfinance industry. Retaining its physical and financial existence, SDF incorporated as a Not-For-Profit Fiduciary Financial Trustee Company. This new status empowered SDF to mobilize resources for wholesaling to NBFIs, coordinate industry policy issues, and act as an Apex Funding Institution for the development of the microfinance sector in The Gambia.

SDF's operational scope encompasses wholesale and retail lending, providing credits, equity capital, and training to enterprises, co-operatives, institutions, and individuals. Its financing model relies on third-party investment funds, primarily sourced from donor agencies, aimed at developing entrepreneurship and MSMEs for poverty reduction. SDF manages credit funds for various African Development Bank (AfDB) projects and other donors, demonstrating its commitment to financial inclusion and poverty alleviation. The fund plays a crucial role in screening loan applications, evaluating business proposals, preparing loan agreements, disbursements, and monitoring. Additionally, SDF organizes credit workshops, business and financial management training, and other networking activities on behalf of donor agencies.

2.4.3. Other Institutions and Programs providing support services to Entrepreneurs and MSMEs in The Gambia

Since entrepreneurship is the driving force behind the establishment and growth of MSMEs, it is important to look at the important institutions and programs that provide support to entrepreneurs and MSMEs in The Gambia.

Table 4: Institutions and programmes providing support services to entrepreneurs and MSMEs in The Gambia

Governmental Institutions	Ministry of Trade, Industry, Regional Integration, and Employment (**MOTIE)** facilitates trade and promotes labour-intensive employment initiatives by leveraging the country's resources and forging strong partnerships with the private sector for the transformation of The Gambia into a trading and export-oriented nation. MOTIE often have specific programs and initiatives aimed at supporting the growth and sustainability of MSMEs.
	GIEPA is the national agency responsible for promoting and facilitating investment, business and export development, support to MSMEs and regulation of designated export processing zone in The Gambia.
Non-Governmental Organizations	The Gambian Chamber of Commerce, Industry, Agriculture and Employers' Association (**GCCI**) is a non-governmental voluntary and private sector organisation representing trade and commerce, agriculture, industry, transport, telecommunication services, banking, and finance.
	The American Chamber of Commerce (**AmCham**) is a non-governmental organization which aims towards promoting and facilitating trade between The Gambia and United States of America.
Programmes	The **Empretec programme** in The Gambia was set up in partnership with UNCTAD. It is funded by several agencies including the United Nations Development Programme (UNDP), the International Trade Centre (ITC), Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ), the African Development Bank (AfDB) and the Government of The Gambia and is anchored at GIEPA. It has been operational since September 2014 and support program of UNCTAD that promotes the creation of sustainable support structures that help promising entrepreneurs build innovative and internationally competitive MSMEs.
	The National Enterprise Development Initiative (**NEDI**) was established in 2004 under the Office of the Vice President. It also reports to the Ministry of Youth and Sports (MOYS). Its main purpose is to empower the Gambian youth and women through the provision of training in business entrepreneurship, and funding to enable them to operate businesses in the informal sector, as well as provision of business-related advice to ensure sustainability.
	The Youth Empowerment Project (**YEP**) was launched in The Gambia in February 2017 with funding from the European Union Emergency Trust Fund for Africa. The International Trade Centre is the implementing agency in collaboration with MOTIE and MOYS of The Gambia.
	The **Startup Incubator** - a private sector-led initiative - is designed to support the successful development of young Gambian entrepreneurs through an array of business support services.

Source: The Gambia National Entrepreneurship Policy 2017– 2021 (adapted).

2.5. Review of Empirical Literature

Before delving into the conceptualization of the impact of microfinance credit on the financial performance of MSMEs, it is imperative to conduct a thorough review of previous studies on the subject. The impact of microfinance on the financial performance of MSMEs has garnered substantial attention, revealing a spectrum of both positive and nuanced effects. This empirical literature review intentionally focuses on studies conducted in developing countries, with a specific emphasis on the African and few Asian contexts. This deliberate concentration on developing countries stems from the recognition that these nations grapple with economic and structural challenges distinct from those faced by MSMEs in more developed economies. By centring on research conducted in such settings, the empirical review seeks to offer insights directly applicable to the unique circumstances and dynamics prevalent in The Gambia.

2.5.1. Studies in African and Few Asian Countries:

The existing studies collectively emphasize the positive impact of microfinance credit on the financial performance of MSMEs, particularly in developing countries. For example, a study by Wakaba (2014) revealed that microfinance credit significantly influences SMEs' financial performance in Kiambu County, Kenya. The study found a direct relationship between access to credit and the financial performance of SMEs. This highlights the instrumental role microfinance plays in influencing the economic health of these enterprises. The study further identified factors driving SMEs to seek financial assistance from MFIs, including interest rates, ease of loan repayment, and the amount offered. This emphasizes the importance of tailored financial solutions for SMEs.

Another study in Kenya by Kamau and Kalio (2014), further supported this positive contribution of microfinance credits towards promoting SMEs' financial stability, operational efficiency, and profitability. The study utilized a cross-sectional survey research design, providing a snapshot of the SME landscape in Nakuru East Sub County, Kenya. The study critically appraises the effects of microfinance lending on the financial performance of SMEs, addressing the ongoing debate on the subject. It emphasizes the crucial role of access to affordable microcredit and business development services for the growth and profitability of micro and small enterprises.

Oleka et al, (2014) research in Nigeria reinforced the notion that microfinance institutions significantly enhance the growth of SMEs. The study utilized both primary and secondary data, gathered from questionnaires and annual reports of 300 randomly selected SMEs that accessed funds from MFIs in Nigeria. The study employed regression analysis to determine the relationship between the variables under consideration and covered a period of ten years from 2003-2013. The empirical findings of the study found that access to microfinance credit significantly enhances the growth of small and medium enterprises. The operation of MFIs is identified as a catalyst for the performance and growth of these enterprises. Moreover, microfinance credit factors such as credit amount, and credit repayment period are identified as additional factors positively influencing enterprise growth.

Additionally, several studies have found that microfinance credit can help to improve the financial sustainability of SMEs in developing countries. Pei-Wen et al. (2016) found that microfinance credit access was positively associated with the financial sustainability of SMEs in Malaysia. The study specifically examines the effect of microfinance facilities on SMEs in Malaysia, utilizing primary data collected through questionnaires distributed to microenterprises in the Klang Valley. The results of the regression analysis indicate a substantial positive impact of microfinancing on SMEs' incomes.

Al-Absil (2016) assesses the impact of microcredit from microfinance banks on the spread of small businesses in Yemen. The research employed a simple random sampling technique to select participants who provided primary data for the empirical investigation. The collected data underwent both descriptive and inferential analysis using statistical tools on SPSS. Upon examining the relationship between the five components of microcredit service (collaterals, credit amount, credit duration, credit repayment, and interest rate), it was observed that each of these components exhibited a substantial positive correlation with business spread. This correlation remained consistent when the components were assessed collectively. The study identified credit repayment as the most influential component of microcredit service on small business spread, followed by credit duration, interest rates, and credit amount, respectively. Notably, collateral was determined to have no significant influence on the expansion of small businesses.

Kapool and Dhaka (2017) conducted an empirical investigation to examine the influence of MFIs on the development of MSMEs in the Uttar Pradesh region of India. The study utilized a multistage sampling technique to select owners of MSMEs who provided primary data through a survey instrument. Subsequently, data analysis was performed using Microsoft Excel and SPSS. The Chi-Square result indicated a positive correlation between MFIs credit and sales revenue, physical assets, and capital structure. However, Pearson’s Correlation revealed an insignificant relationship between profitability and MFI credit. This suggests that MFI credit has a positive impact on the development and growth of MSMEs, particularly in terms of sales revenue, physical assets, and capital structure.

Moreover, various studies argued that the positive effects of microfinance credit on MSMEs' financial performance are contingent on numerous factors. For example, a study done in Oshana region, Namibia by Uusiku (2018), found that a combination of microcredit and training, along with the number of years in existence, significantly influenced productivity. The study further argued that microcredit alone did not contribute significantly to growth of SMEs. Implying that access to credit alone may not guarantee growth, and other variables such as education, business experience, and effective management play crucial roles.

Omwono and Hakizimana (2019) delves into the influence the microcredit has on the MSMEs in Muhanga District, Rwanda. The research utilized an ex-post facto research design, employing both stratified and random sampling techniques to select 50 respondents from 58 MSMEs. Questionnaires, observation guides, and document analysis were employed as primary and secondary data tools. Descriptive and inferential statistical methods were used for data analysis. The findings of the study strongly indicated a positive effect of microfinance credit on the financial performance of MSMEs in Muhanga District. The positive relationship suggests the crucial role of microfinance credit in enhancing the financial well-being of MSMEs. High interest rates and credit ceilings were identified as challenges in accessing credit facilities from MFIs. Despite these challenges, the study concluded that MFIs had a positive impact on the financial performance of MSMEs in the district.

Furthermore, Semegn and Bishnoi (2021) analysed the effect of microcredit on the performance of SMEs in Amhara National Regional State, Ethiopia. The study included 340 randomly selected SMEs, utilizing average sales volume as a metric for performance measurement. The study confirmed that credit amount has a significant positive effect on SMEs' performance due to a significant difference in sales, total assets, employment, and net profit performance of SMEs in Amhara National Regional State, Ethiopia after receiving credit from MFIs.

Recognizing the potential value of microfinance credit as a crucial tool, it becomes essential to acknowledge that its impact on the financial performance of MSMEs is nuanced. Numerous studies converge on the notion that while access to microfinance credit holds promise, it may not invariably translate into enhanced financial outcomes for MSMEs. Odongo (2014) conducted a cross-sectional survey and descriptive research to understand how the conditions and agreements governing the microfinance credit provided to SMEs interact with their financial performance in Soroti district, Uganda. The research reveals that lending terms (interest rate, credit period, and credit amount) explain 26.6% variations in the performance of SMEs that borrowed. This finding suggests that other factors beyond lending terms play a substantial role in determining SMEs' financial outcomes.

Olugbenga and Mashigo (2017) found that microfinance had not yielded a positive impact on microenterprises in Ga-Rankuwa township, South Africa. The findings revealed a notable absence of standalone MFIs in Ga-Rankuwa that could provide essential financial support to microenterprises. Consequently, microenterprise operators faced challenges in developing their businesses, particularly as a significant portion earned an average monthly income below R6,000.00 (approximately to $462.00 US Dollars as of February 2017 with an exchange rate of 1 South African Rand to 0.077 U.S. Dollars). Despite the participation of the microfinance sections of First National Bank (FNB) and Nedbank in the study, the microenterprises in Ga-Rankuwa did not derive benefits from their presence, as none received financial support. The study highlighted that many microenterprises failed to meet the stringent requirements set by the banks, resulting in their financial exclusion. A substantial number of these microenterprises lacked proper registration with the South African Department of Trade and Industry (DTI) and maintained inadequate records of their transactions, leading to their exclusion from government-initiated financial assistance mechanisms. The absence of dedicated MFIs in Ga-Rankuwa was identified as a significant barrier to the financial development of microenterprises and their potential contribution to the economy. Despite the presence of microfinance sections in FNB and Nedbank, the stringent financial requirements rendered these services inaccessible to most microenterprises. However, the researchers acknowledged that these findings might not be universally applicable to all South African black townships where MFIs are physically present.

Moreover, various research has demonstrated that individual factors associated with microfinance credit, such as credit amount, interest rate, collateral requirement, repayment period, and entrepreneur orientation, yield diverse effects on the financial performance of MSMEs. To illustrate, the study conducted by Amsi et al. (2017) in Kenya found that the effect of interest rate, collateral requirement, and repayment period were found to have negative effect on SMEs' financial performance. However, the same study highlighted positive effects attributed to entrepreneur orientation and credit amount on SMEs' financial performance. There findings emphasize the multifaceted nature of microfinance's impact, showcasing both challenges and opportunities. The study was carried out over a sample size of 210 SMEs in Kenya. Stratified and simple random sampling technique was employed and a reliability of

Cronbach’s alpha 0.7 was observed.

Another similar study was conducted by Longo et al. (2023). They aimed to assess the effects of microcredit on SMEs' performance in Tanzania, exploring the contribution of credit amount, interest rate, and among other factors. Their research included 274 SMEs benefiting from microcredit services in Iringa Municipality. However, their study indicated that interest rates did not have a statistically significant impact on SMEs' performance in Iringa Municipality, Tanzania.

Benjamin (2013) aimed to establish the effect of microfinance credit on the growth of SMEs in Mwanza Region, Tanzania. The research employed a descriptive design, targeting all SMEs in Mwanza, with a sample size of 70 SMEs from five business categories. The study revealed that there is negative relationship between access to microfinance credit and SMEs growth; a unit increase in access to microfinance credit led to a decrease in enterprise growth in Mwanza Region, Tanzania. This finding implies that the cost of loan surpasses the revenue generated from the investment, primarily due to the payment of high-interest rates and the principal amount.

2.5.2. Studies on Microfinance in the Gambia

This section is dedicated to conducting an in-depth review of empirical literature in The Gambia, with a specific focus on interpreting the complex relationship between the microfinance sector and the performance of MSMEs. Notably, it is crucial to acknowledge the limited existing research explicitly addressing the impact of microfinance credit on the financial performance of MSMEs in The Gambia. This study stands out as the pioneering research endeavour dedicated to comprehensively understanding and interpreting the impact of microfinance credit on MSMEs financial performance in The Gambian context. In the absence of direct research on this subject, this study is poised to fill a critical gap in the existing body of knowledge.

Nevertheless, to construct a comprehensive understanding of the dynamics between Gambian MFIs and MSMEs, the study will broaden its review to include analogous studies that explore microfinance and MSME development. This broader exploration aims to provide a preliminary overview of the relations between MFIs and MSMEs in The Gambia, setting the stage for this unique contribution to this unexplored topic. The following research will be reviewed as follows:

Tomaselli et al (2013) investigation provide valuable insights into the landscape of financial services for small and medium forest enterprises (SMFEs) in The Gambia. The data underscore a notable trend of expansion among financial institutions, particularly banks, in the country. However, despite this expansion, the delivery of financial services to forest-based enterprises, particularly in terms of credit accessibility, remains constrained. The study highlights that SMFEs encounter challenges in obtaining credit from financial institutions, although access to deposit accounts for savings is relatively unencumbered. A significant observation from the study is the pivotal role played by cooperative credit unions in delivering microcredits to SMFEs. Nevertheless, it is noted that entities external to the financial sector have taken the lead in meeting the credit demands of SMFEs. The study proposes a range of strategies, including the implementation of group-based lending, forging partnerships among institutions, ensuring stable forest policies, fostering formality and sustainability among forest-based enterprises, and timely delivery of community forest management plans. These strategies are posited as potential avenues through which SMFEs in The Gambia can enhance their access to financial services, particularly credit.

Kamara (2018) investigate the challenges impacting the growth of SMEs in Ghana and Gambia. The study highlighted the significance of effective government policies, encompassing taxes, regulations, and low-interest loans, along with essential public infrastructural development. The findings underscored the crucial role of economic education in fostering innovation and creativity among entrepreneurs. Additionally, effective enterprise leadership, characterized by flexibility and ethical values, was identified as pivotal for SME growth. Challenges in accessing financial institutions, marked by a lack of comprehensive SME policy frameworks and bureaucratic hurdles, were noted, emphasizing the need for collaborative efforts among policymakers, NGOs, and financial institutions. Leadership training deficiencies among SME owners were identified, impacting their ability to build effective teams and motivate employees. The study concludes by recommending comprehensive business financing policies to address these challenges, highlighting their importance in facilitating the growth and development of SMEs in both countries.

Faal (2020) critically reviews the binding constraints that hinder the growth and investment of SMEs in The Gambia. Adopting a research design based on critical literature review, the study identifies key factors impeding the expansion of SMEs in the Gambian context. The primary constraints highlighted include the lack of access to credit, inadequate managerial knowledge and skills, limited access to markets, and a dearth of business development services. These constraints collectively hinder the long-term economic growth of SMEs in The Gambia, limiting their potential contributions to the overall economic landscape. The research thus emphasizes the urgency of implementing supportive measures and arrangements to empower SMEs, enabling them to realize their full potential and contribute meaningfully to the socio-economic development of the Gambian economy.

Camara and Olanipekun (2021) investigates the intricate relationship between microfinance bank services and the performance of SMEs in the Gambia. The focus of the research is to address the pressing issue of limited access to credit, a predominant challenge hindering the optimal functioning of SMEs and impeding their envisioned role in fostering economic growth and development. The research employs a descriptive survey research design, utilizing a structured questionnaire as the primary data collection tool. The findings of the study reveal that microfinance bank services have a significant impact on the performance of SMEs in the Gambia. The correlation coefficients of all independent variables were reported to be less than 0.05, indicating a noteworthy association between microfinance provision and SMEs' performance.

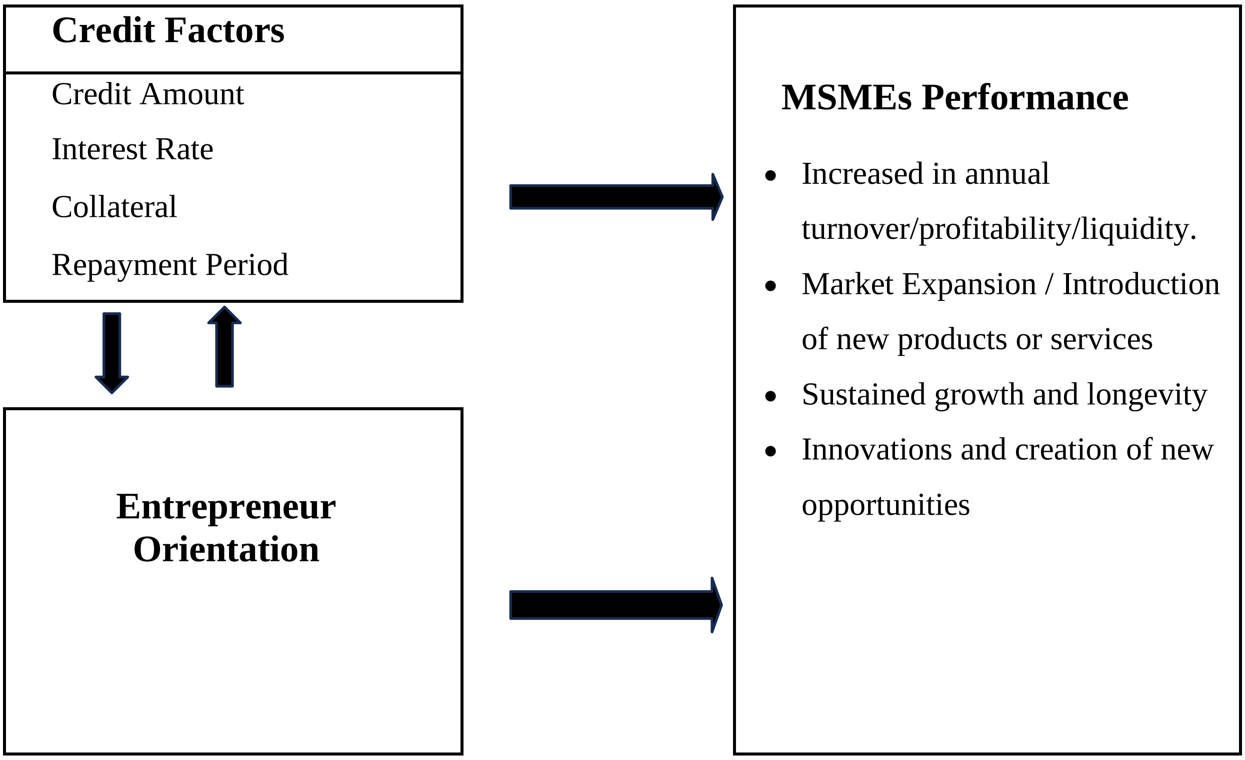
Darboe and Jallow (2023) focused on understanding the factors influencing the sustainable growth of SMEs owned by Gambians in the Gambia. The research aims to distinguish between Gambian-owned SMEs and those owned by non-Gambians, particularly from neighbouring countries like Senegal, Guinea, Mali, and Nigeria. While the Gambian business environment is perceived as an opportunity for non-Gambian entrepreneurs, many Gambian-owned SMEs face challenges leading to operational losses and closures within a short period. The findings reveal a significant factor hindering the sustainable growth of Gambian-owned SMEs – 80% of the respondents lack the necessary skills and knowledge crucial for entrepreneurial success. This inadequacy has led to a prevalence of necessity-based entrepreneurship among a large majority of participants. Moreover, the low level of skills proves to be a major obstacle for these entrepreneurs in overcoming challenges in the macro environment, ultimately impacting their ability to sustain their ventures.

2.6. Conceptualizing Financial Performance in MSMEs: An Impact Evaluation Framework

The Impact Evaluation Framework is a systematic approach to assess how the evaluated intervention, in this case, 'microfinance credit,' influences outcomes (Khandker et al., 2010). This study considers microfinance credit as the intervention that potentially impacts the financial performance of MSMEs, making the impact evaluation framework highly relevant.

Understanding the nuanced relationships among key credit factors—specifically, credit amounts, interest rates, collateral, repayment periods—and entrepreneur orientation is crucial for interpreting their collective impact on the financial performance of MSMEs (Odongo, 2014; Al-Absil, 2016; Amsi et al., 2017). This comprehension is pivotal for both MFIs and MSMEs, allowing the customization of credit factors to precisely align with the unique needs and capacities of enterprises, thereby fostering growth. This section aims to lay the foundation for understanding the relationship between credit factors and entrepreneur orientation, providing a clear structure and design for the subsequent analyses.

Figure 3: Proposed Conceptual Framework



2.6.1 Credit Factors

Credit size, costs of borrowing, collateral requirements, and repayment periods, collectively defining the terms under which credit is extended. In-depth studies conducted by Prah (2016), Amsi et al. (2017), and Omwono & Hakizimana (2019) emphasize the impact of strict credit conditions, identifying them as substantial barriers to the effective utilization of microfinance credit by MSMEs. An adept recognition and strategic navigation of these nuanced dynamics have the potential to refine the design and implementation of microfinance initiatives, promoting a more favourable environment for the financial success and resilience of MSMEs.

Credit Amount

The amount of credit constitutes a vital lifeline for MSMEs, acting as a mechanism for their enhanced performance. The magnitude of credit extended to MSMEs assumes a key role in shaping their financial performance by providing essential financial resources to fuel operations, facilitate expansion, and navigate the dynamic business landscape. This argument is supported by the findings of various researchers, including Wakaba (2014), Oleka et al. (2014), Al-Absil (2016), and Amsi et al. (2017). Credits are allocated based on the enterprise's savings with the MFI and its track record of credit repayment (Odong, 2014). Furthermore, rational credit utilization is posited to contribute significantly to improved liquidity, heightened revenue generation, and enhanced competitiveness. These outcomes collectively stand as critical determinants of the overall financial well-being of MSMEs.

Interest Rate

The cost of borrowing, associated with microfinance credit, exerts a direct influence on the profitability of MSMEs (Njiru, 2014). Within this financial landscape, the interest rate emerges as a pivotal factor shaping the impact of microcredit on the financial performance of MSMEs. A lower interest rate is instrumental in enhancing affordability, reducing costs, amplifying profitability, and strengthening the financial resilience of MSMEs. This, in turn, fosters a conducive economic environment for the growth and success of these enterprises. Omwono and Hakizimana (2019) highlighted the challenge posed by high-interest rates, identifying them as a significant impediment for MSMEs in accessing credit facilities from MFIs.

Collateral

Defined as an asset pledged by a borrower to a lender until the loan is repaid, holds significant sway over the accessibility of credit for MSMEs. This condition, wherein the lender reserves the right to seize and sell the collateral in the event of default, poses a challenge for many MSMEs lacking tangible or acceptable assets (Lehner, 2008). Recognizing the pivotal role of collateral requirements in the realm of microcredit is crucial for grasping how this financial instrument shapes the financial performance of MSMEs. It not only affects credit accessibility but also plays a role in risk management, growth opportunities, and the overall dynamics of the borrower-lender relationship. The flexibility in collateral requirements emerges as a key determinant in unlocking the potential benefits of microcredit for enhancing the financial well-being of micro, small, and medium-sized enterprises.

Repayment Period

The repayment period for microfinance credit is a critical factor that significantly influences MSME’s cash flow. As emphasized by Endris (2022), a thoughtfully structured credit repayment schedule empowers MSMEs to coordinate their investment decisions with the anticipated timing of returns. This temporal alignment is crucial in comprehending how microcredit’s impact extends to the financial performance of MSMEs. The credit repayment period exerts influence over various aspects, including liquidity, resource allocation, risk management, business planning, and the overall relationship dynamics between MSMEs and lenders. These factors collectively contribute to the long-term sustainability and success of MSMEs.

2.6.2. Entrepreneur Orientation

Entrepreneurial Orientation (EO) plays a pivotal role in shaping the performance and success of MSMEs, as highlighted by various studies. Khan et al. (2020) established positive relationships between EO and entrepreneurial competencies and performance. Additionally, entrepreneurial competency emerged as a mediator between EO and performance. The resource-based view underscores the significance of entrepreneurs as competent resources, contributing significantly to the heightened performance of MSMEs. Lumpkin and Dess (2005) define EO as encompassing decision-making styles, practices, processes, and behaviours’ leading to market entry with new or existing goods or services. Firms adopting a corporate entrepreneurship strategy, as noted by Lumpkin and Dess, can pursue growth through new venture opportunities and strategic renewal. Amsi et al. (2017) stresses the crucial role of EO in understanding how microcredit impacts the financial performance of MSMEs. This orientation influences various aspects, including innovation, risk-taking, customer focus, resource allocation, and relationship-building, aligning with effective and strategic utilization of microcredit and contributing to positive financial outcomes for MSMEs. These findings collectively emphasize the importance of entrepreneurial orientation in driving innovation, risk-taking, and strategic decisions, ultimately enhancing the financial performance of MSMEs.

2.6.3. Financial Performance

The interaction between credit terms and EO plays a crucial position in shaping the financial performance of MSMEs. Through the lens of key financial metrics such as revenue growth, profitability, and liquidity, we can determine the impact of microfinance credits on the overall financial health of MSMEs.

These credit terms collectively influence the financial performance of MSMEs. They dictate the accessibility and affordability of credit, directly impacting the business's ability to generate revenue, manage costs, and maintain adequate cash flow. A favourable credit arrangement can lead to increased turnover, enhanced profitability, and improved liquidity, reflecting positively on the business's financial performance.

Furthermore, EO interacts with these credit terms to further amplify their impact. EO encompasses the business owner's proactiveness, innovativeness, and risk-taking propensity. MSMEs with a strong EO are better equipped to leverage microfinance credits effectively, seizing opportunities for market expansion, product innovation, and sustainable growth. The synergy between EO and favourable credit terms fosters a conducive environment for financial success, driving sustained growth and long-term viability.

Thus, the combined effect of credit terms and EO explains the intricate dynamics underlying the impact of microfinance credits on MSMEs' financial performance. By analysing these variables collectively, the study can gain valuable insights into how access to microfinance credit and entrepreneurial mindset collectively contribute to the financial well-being of MSMEs.

2.7. Chapter Summary

The empirical literature review offers a comprehensive examination of the impact of microfinance credit on MSMEs, with a specific emphasis on developing countries, particularly in Africa and few Asia countries. The identification of varying factors influencing this impact, coupled with the recognition of challenges and opportunities, contributes to a nuanced understanding crucial for tailoring effective financial solutions and fostering MSME growth in developing nations, specifically in The Gambia. It is noteworthy that the literature highlights the contingency of microfinance credit impact on factors such as interest rates, credit amount, collateral, and credit repayment period. Moreover, a nuanced perspective on the microfinance impact emerges, acknowledging that factors beyond credit terms, including entrepreneurial orientation, business experience, and effective management, play pivotal roles in determining the financial outcomes of MSMEs.

Chapter 3: SWOT Analysis

3.1. Introduction

The SWOT analysis serves as a methodological framework to assess both the internal strengths and weaknesses of an entity and the external opportunities and threats present in its environment (Rozmi et al., 2018; Taherdoost & Madanchian, 2021). Internal factors pertain to aspects within the control of the entity, while external factors extend beyond the entity's influence (Benzaghta et al., 2021). Recognized as an effective planning and management tool, the SWOT analysis assists entities in optimizing resources to achieve specific goals within defined timeframes (Benzaghta et al., 2021).

In the context of this study, the SWOT analysis is employed to unravel the complex dynamics shaping the current state of MSMEs in The Gambia. MSMEs, driven by entrepreneurial forces, exhibit dynamic and resilient characteristics.

This study leverages the Global Entrepreneurship Index (GEI) as a crucial tool to assess the entrepreneurial ecosystem and activities of MSMEs in The Gambia (Acs et al., 2019). According to Acs et al., entrepreneurial ecosystems consist of sub-systems (pillars) aggregated into systems (sub-indices) that can be optimized for system performance at the ecosystem level. They define entrepreneurial ecosystems as "*...dynamic institutionally embedded interaction between entrepreneurial attitudes, abilities, and aspirations by individuals, driving the allocation of resources through the creation and operation of new ventures*."

Refer to Box 3.1 for an overview of the GEI, emphasizing its evolution, significance, and impact as a valuable resource for scholars, policymakers, and institutions worldwide in analysing the entrepreneurial ecosystem of a country.

Box 3.1. Global Entrepreneurship Index (GEI)– at the forefront of entrepreneurship ecosystem measure

The Global Entrepreneurship Index (GEI) is a comprehensive project initiated by Zoltan J. Acs of George Mason University and László Szerb of the University of Pécs in 2008. Its primary objective is to offer a robust, theory-based, and multidimensional measure of entrepreneurship, providing insights into the role of entrepreneurship in economic development.

Before the introduction of GEI, prevalent entrepreneurship measures primarily relied on indicators like the Global Entrepreneurship Monitor's (GEM) Total early-phased entrepreneurial activity (TEA), which focused on self-employment. However, these measures were deemed inadequate in providing a consistent narrative about the impact of entrepreneurship on development.

The inaugural version of the Global Entrepreneurship Index was launched in 2009, and since then, subsequent editions have been published annually. Over the years, the GEI has reported on the state of the entrepreneurship ecosystem for countries across five continents. The number of participating nations has steadily increased, starting with 64 in 2009 and reaching 137 in 2018 and 2019, although some data may be based on partial estimations.

The GEI has garnered significant attention among entrepreneurship scholars, students, policymakers, and think-tank institutions. The last two editions of the GEI have collectively amassed over 50,000 downloads, indicating a growing interest in the index as a valuable resource for understanding and analysing entrepreneurship globally.

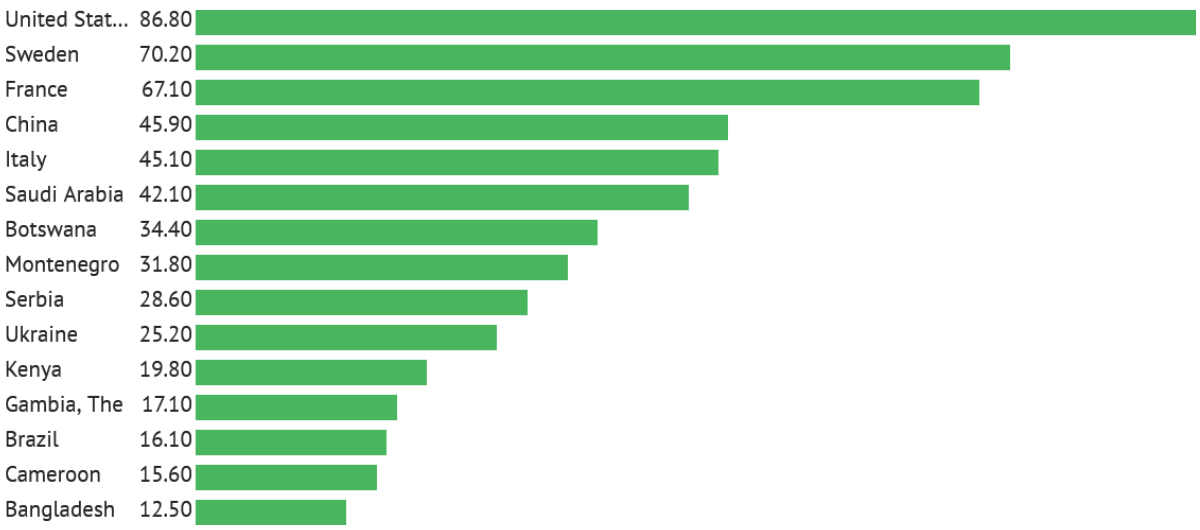
It's worth noting that, according to the information provided, the eleventh edition of the GEI is considered the final report, and the Global Entrepreneurship and Development Institute (GEDI) does not plan to publish any further GEI reports. The index has played a crucial role in advancing our understanding of entrepreneurship's multifaceted impact on economic development, providing a valuable tool for researchers and policymakers alike.

(The Global Entrepreneurship and Development Institute, 2020)

The GEI comprises three building blocks, termed the 3As: entrepreneurial attitudes, entrepreneurial abilities, and entrepreneurial aspirations. A detailed description of these 3As is provided in Appendix A. The GEI ranking, based on these 3As, highlights the top ten countries for 2019, predominantly European nations with high-income economies, including the United States, Switzerland, Canada, Denmark, United Kingdom, Australia, Iceland, Netherlands, Ireland, and Sweden. Notably, The Gambia is ranked 113th out of the 137 countries, while Botswana leads in Sub-Saharan Africa, securing the 51st position, surpassing several European nations mainly from the Balkan Peninsula and East Europe (Acs et al., 2019).

The figure 4 below shows 15 selected countries out of the 137, for the purpose of showing their 2019 GEI scores in descending order. The 2019 full GEI ranking of all the countries is provided in Appendix B.

Figure 4: The Global Entrepreneurship Index Score of 15 selected countries, 2019.

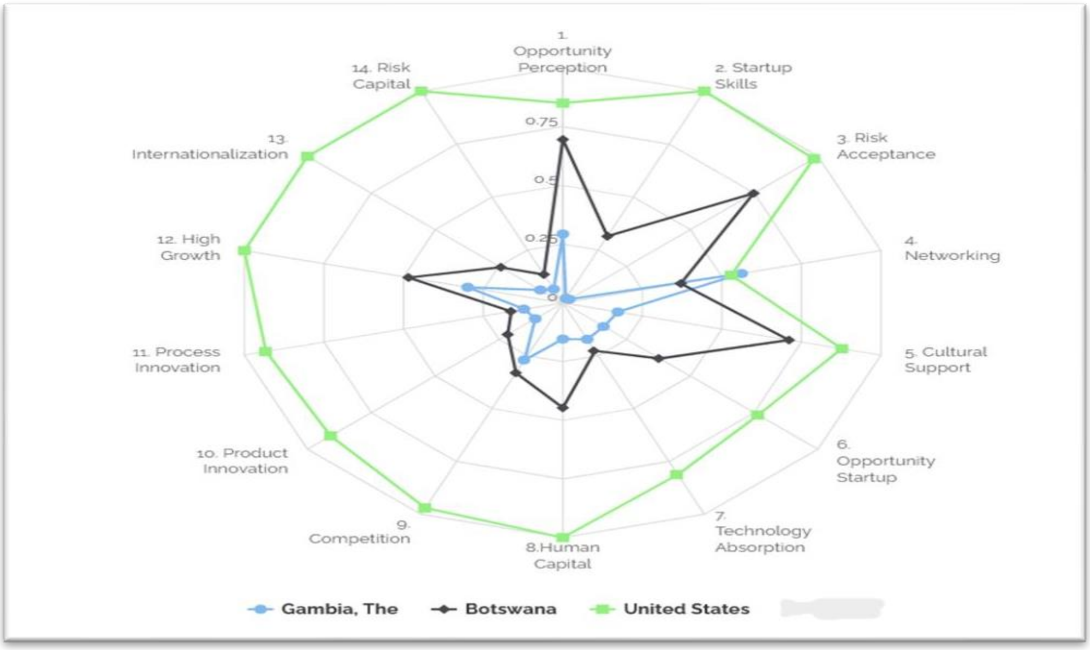


Source: https://public.knoema.com/jnlci/global-entrepreneurship-index

The study aims to contextualize the SWOT analysis by comparing the GEI scores of these selected countries with that of The Gambia. These scores, typically ranging from 0 to 100, signify the entrepreneurial environment's favourability, encompassing supportive policies, infrastructure, and cultural attitudes (Acs et al., 2019). The Gambia, with a modest score of 17.10, demonstrates a notably low performance compared to highly developed countries such as the United States and Sweden, achieving GEI scores of 86.80 and 70.20, respectively (Acs et al., 2019). Notably, Botswana, a Sub-Saharan African country, exhibits a GEI score of 34.40, surpassing The Gambia's score significantly.

For benchmarking, this study selects Botswana and the United States to assess and comprehend The Gambia's strengths and weaknesses in fostering entrepreneurship, thereby influencing the development of MSMEs.

Figure 5: The Comparative Performance of The Gambia with Benchmark Countries: Botswana and United States



Source: http://thegedi.org/tool/

3.2. The Strength, Weakness, Opportunities, and Threats (SWOT) Analysis for The Gambia's MSMEs:

Strengths Analysis for The Gambia's MSMEs:

The strength analysis of The Gambia's entrepreneurial ecosystem, as revealed by the GEI, provides crucial insights. Benchmarking against Botswana and the United States, this analysis focuses on variables that showcase The Gambia's highest scores in the three A’s dimensions of the GEI: Entrepreneurial Attitudes, Aspirations, and Abilities.

In terms of entrepreneurial attitudes, under opportunity perception, The Gambia's score of 0.29

suggests a comparatively lower perception of entrepreneurial opportunities, yet Botswana's higher score (0.70) contributes significantly to its regional leadership. The networking aspect, however, paints a contrasting picture, with The Gambia scoring 0.56, surpassing both Botswana (0.37) and the United States (0.52). This highlights The Gambia's strength in fostering collaboration and community support, compensating for perceived opportunity challenges.

Within the entrepreneurial aspirations pillar, The Gambia demonstrates a notable inclination towards high-growth aspirations (Score: 0.30). Despite trailing Botswana (0.49) and the United States (1), this resilience signals The Gambia's potential for future entrepreneurial development.

These scores reflect The Gambia's current entrepreneurial landscape, shaped by educational programs, cultural influences, and economic conditions. The lower opportunity perception may be attributed to factors such as limited access to information or perceived barriers to entry. Conversely, the higher networking score suggests a supportive community that compensates for perceived opportunity challenges.

While acknowledging areas for improvement, The Gambia's entrepreneurial strengths shine through, particularly in fostering networking. The networking score of 0.56 stands out as a beacon of strength, illustrating a collaborative and interconnected entrepreneurial community that positions The Gambia for sustainable growth and resilience in the dynamic business landscape. Strategic interventions targeting opportunity perception and supporting high-growth aspirations could propel The Gambia's MSMEs towards a more robust entrepreneurial future.

Weakness Analysis for The Gambia's MSMEs:

In identifying areas of improvement, The Gambia's entrepreneurial ecosystem shows weaknesses in startup skills (Score: 0.02) and risk acceptance (Score: 0.02) compared to Botswana (0.32 and 0.75) and the United States (1 and 0.98) respectively. This signals a lower perceived skill readiness to start a business and a reluctance towards high-risk ventures.

Furthermore, The Gambia lags in terms of entrepreneurial abilities, particularly in competition (Score: 0.27) and human capital (Score: 0.15) compared to Botswana (0.33 and 0.45) and the United States (0.97 and 1). This indicates the need to strengthen competitiveness within the entrepreneurial landscape and reinforce investments in education to foster a healthy workforce for the future growth of MSMEs. Addressing these weaknesses will not only harden The Gambia's entrepreneurial foundation but also contribute to sustained economic development.

To address these weaknesses, policy interventions focusing on enhancing startup skills, fostering risk-taking behaviour, investing in human capital, and promoting competition are essential. Improving access to information, reducing regulatory burdens, and providing targeted support for high-growth ventures can bolster The Gambia's entrepreneurial ecosystem. Additionally, investments in education and skills development are crucial to empower entrepreneurs with the necessary capabilities to thrive in competitive markets. Strengthening institutional support for venture capital and private equity can also facilitate access to risk capital, enabling entrepreneurs to pursue ambitious growth strategies.

Opportunities Analysis for The Gambia's MSMEs:

The entrepreneurial landscape in The Gambia presents a multitude of opportunities that, when harnessed strategically, can significantly contribute to the growth and resilience of its MSMEs. An in-depth analysis of the opportunities within the GEI framework sheds light on areas where The Gambia can focus its efforts for fostering a more robust MSME sector.

Global Connectivity and Collaboration:

The Gambia's strength in networking, as reflected in a high GEI score of 0.56, positions it favourably for global connectivity. Leveraging this strength, MSMEs in The Gambia have an opportunity to establish international collaborations, access global markets, and participate in cross-border ventures. Initiatives that encourage networking events, business forums, and international partnerships can further strengthen this opportunity.

Entrepreneurial Education Programs:

Recognizing the influence of education on entrepreneurial attitudes and skills, there is an opportunity to enhance educational programs tailored for aspiring entrepreneurs. Investments in curriculum development, vocational training, and workshops focused on startup skills can empower individuals with the knowledge and skills needed to initiate and manage successful MSMEs.

Innovation and Technology Adoption:

The Gambia's GEI scores in areas like technology absorption (0.17) and product innovation (0.11) indicate untapped potential. Encouraging the adoption of modern technologies and fostering a culture of innovation can open new avenues for MSMEs. Initiatives such as technology hubs, innovation grants, and mentorship programs can drive technological advancement within the sector.

Government Policies and Support:

There is an opportunity for the government to play a pivotal role in creating a conducive environment for MSMEs. Tailoring policies that provide financial incentives, ease regulatory burdens, and offer targeted support for startups and small businesses can significantly enhance the entrepreneurial ecosystem (Kamara, 2018). Proactive engagement with industry stakeholders can ensure that policies are aligned with the evolving needs of MSMEs.

Access to Risk Capital:

Addressing the low score in risk capital (0.06) presents an opportunity to cultivate an environment where entrepreneurs can access the necessary funding for their ventures. Developing venture capital networks, fostering relationships with financial institutions, and promoting investment-friendly policies can contribute to a more vibrant and resilient MSME sector.

Cultural and Social Support:

Building on the cultural support pillar (0.17), there is an opportunity to further strengthen the positive perception of entrepreneurship within the society. Awareness campaigns, highlighting success stories, and fostering a culture that celebrates entrepreneurial achievements can contribute to creating an environment where MSMEs are valued and supported.

In seizing these opportunities, The Gambia's MSMEs cannot only address existing challenges but also position themselves for sustained growth, increased competitiveness, and active participation in the global entrepreneurial landscape. Strategic initiatives that align with these opportunities will play a pivotal role in shaping a vibrant and resilient future for The Gambia's MSMEs.

Threats Analysis for The Gambia's MSMEs:

The entrepreneurial landscape in The Gambia is not without its challenges, and a thorough analysis of potential threats is essential to reinforce the MSMEs operating within the country. This threats analysis focuses on two critical aspects: Economic Challenges and Policy Constraints.

1. Economic Challenges:

Assessing economic factors influencing the GEI scores reveals potential threats that could impact The Gambia's MSMEs adversely.

Economic Instability:

Economic instability poses a significant threat to MSMEs. Fluctuations in currency values, inflation rates, and overall economic uncertainty can hinder business operations and long-term planning. MSMEs are particularly vulnerable to economic shocks, and strategies to mitigate such risks are crucial for their sustainability (Erdiaw-Kwasie et al. 2023).

Lack of Access to Funding:

Limited access to funding remains a persistent threat for MSMEs (IFC, 2017). Insufficient financial resources can impede growth, limit innovation, and hinder competitiveness. Addressing this threat requires interventions that enhance financial inclusivity, such as the development of accessible financing options and the facilitation of connections with financial institutions.

Unfavourable Market Conditions:
The presence of unfavourable market conditions, such as intense competition, saturation, or sudden shifts in consumer behaviour, can pose a threat to MSMEs. Robust market research, adaptability, and support mechanisms to navigate market challenges are essential for MSMEs to thrive despite adverse conditions.

2. Policy Constraints:

Examining policy constraints reveals potential threats stemming from regulatory hurdles, bureaucracy, and insufficient support for start-ups.

Regulatory Hurdles:

Excessive regulatory requirements and bureaucratic complexities can pose a significant threat to MSMEs. Cumbersome processes for registration, compliance, and licensing may deter potential entrepreneurs and burden existing businesses (Kamara, 2018). Streamlining regulatory procedures and promoting transparency can mitigate this threat.

Bureaucracy:

Excessive bureaucracy in governmental processes can create delays and hinder the agility of MSMEs (Kamara, 2018). Quick decision-making and timely approvals are vital for entrepreneurial ventures. Simplifying administrative procedures and promoting efficiency within government agencies can alleviate this threat.

Lack of Support for Start-ups:

A lack of comprehensive support for start-ups, including mentorship programs, incubators, and educational initiatives, poses a threat to the development of a thriving entrepreneurial ecosystem. Encouraging government-backed initiatives and partnerships with private entities can address this threat by fostering a supportive environment for emerging businesses.

Understanding and mitigating these threats are imperative for the resilience and sustained growth of The Gambia's MSMEs. Strategic initiatives that address economic challenges and policy constraints will not only enhance the overall entrepreneurial ecosystem but also contribute to the economic development of the nation. Collaboration between the government, private sector, and relevant stakeholders is essential to navigate and overcome these threats effectively.

3.3. Chapter Summary

The utilization of the Global Entrepreneurship Index to assess the entrepreneurial ecosystem and activities in the Gambia, benchmarking it against Botswana and the United States, provides this study with a holistic understanding of the current MSME financing landscape of the Gambia. Strengths of the MSMEs in the Gambia include networking capabilities and high-growth aspirations, while their weaknesses encompass startup skills and risk acceptance. The opportunities lie in global connectivity, entrepreneurial education, innovation, government policies, access to risk capital, and cultural support. Threats include economic instability, lack of funding, unfavourable market conditions, regulatory hurdles, bureaucracy, and inadequate support for startups. Understanding and addressing these aspects are crucial for enhancing the resilience and growth of The Gambia's MSMEs, necessitating strategic collaboration between stakeholders.

Chapter 4: Research Design and Methodology

4.1. Introduction

In this chapter, the study sets out the comprehensive research design and methodology employed, explaining the approaches and techniques used for data collection and subsequent analysis. This chapter carefully details the research design, present on the target population, sample selection, and sampling procedures. Additionally, it expands on the data collection instruments, procedures, and the main framework guiding the process, with a keen focus on the reliability of measurements. Ethical considerations are thoughtfully addressed to fortify the research process's strength and integrity.

4.2 Research Design

This study adopts a comprehensive research design that combines the descriptive survey and cross-sectional designs to investigate the impact of microfinance credit on the performance of MSMEs in the Greater Banjul Area of The Gambia. The selected research design aligns with the need to capture both quantitative aspects of the study and the distribution of variables in the sampled population.

4.2.1. Descriptive Survey Design:

The descriptive survey design is employed to gain insights into the quantitative aspects of the study, focusing on the variables of interest, credit amount, interest rate, credit repayment period, collateral, and entrepreneurial orientation. This design allows for the collection of detailed information, following the principles highlighted by Zikmund et al. (2010) and Aggarwal & Ranganathan (2019). It facilitates the understanding of the current state of MSMEs in relation to microfinance credit.

4.2.2. Cross-Sectional Design:

The cross-sectional design, as discussed by (Thomas, 2020; Aggarwal & Ranganathan, 2019), is instrumental in capturing a "snapshot" of the prevalence and characteristics of variables of interest at a specific point in time. This design is well-suited for assessing the current impact of microfinance credit on MSMEs' performance in the GBA. It enables the study to provide a holistic view of the prevalence of credit factors and entrepreneurial orientation in the sampled population.

Aggarwal & Ranganathan (2019) highlight the importance of selecting study designs based on the research question. In this context, the descriptive survey design is suitable for capturing the quantitative aspects, while the cross-sectional design aligns with the need to understand the prevalence and relationships between variables.

4.3 Target Population

The target population for this research include MSMEs situated within The Greater Banjul Area of The Gambia. The GBA, comprising the capital city, Banjul, and the Kanifing Municipality Council, is chosen as the primary focus due to its pivotal role as an economic hub with a notable concentration of both MFIs and a diverse array of MSMEs.

As the economic, administrative, and cultural centre of The Gambia, this region serves as a vital point for examining the multifaceted relationship between MFIs and MSMEs. The GBA's proximity to Banjul, the capital city, contributes to its economic vibrancy, attracting a range of local and international business activities (GBA 2040 Development Plan).

The GBA is renowned for its economic significance, acting as a magnet for various business ventures. It not only represents a microcosm of The Gambia's economic landscape but also offers insights into the diverse challenges and opportunities faced by MSMEs operating in an environment characterized by rapid expansion and sustained economic activity. According to estimates by the World Bank[25], the percentage of The Gambia’s population living in urban areas increased from 57.8% in 2013 to 62.6% in 2020, with the GBA accounting for most of this urban population increase. Its estimated growth rates over the past two decades ranging from 3 to 7% per year (GBA 2040 Development Plan) further reflects its economic appeal and potential for business development.

The growing population in the GBA reflects its economic allure and potential for business development. This inclusivity ensures that the study captures the diverse nature of businesses and the impact of microfinance credit across different sectors within the region.

4.4. Sample Size and Sampling Technique

The determination of an appropriate sample size and sampling technique is crucial in ensuring the representativeness and reliability of the data collected for this study. As outlined by Taherdoost (2016), sampling methods play a vital role in research methodology, facilitating the selection of a subset from a chosen sampling frame or entire population for analysis. Given the constraints of time and resources, it is impractical to analyse data from the entire population; hence, a sample must be selected to represent the target population accurately.

4.4.1 Sampling Technique:

[25] World Bank population estimates and projections, https://databank.worldbank.org

In line with the guidelines provided by Taherdoost (2016), the sampling technique employed for this study is probability sampling, specifically simple random sampling. This technique ensures that every MSME within the Greater Banjul Area of The Gambia has an equal probability of being included in the sample. By using this method, potential biases are minimized, and the sample is more likely to be representative of the population.

4.4.2. Sample Size Determination:

To calculate the required sample size, the formula proposed by Bartlett et al. (2001) is utilized:

$$n = p(100 - p)z^2/E^2 \tag{1}$$

Where:

- n represents the required sample size.
- p is the estimated percentage occurrence of a state or condition within the population.
- E is the margin of error or the maximum acceptable level of precision.
- z corresponds to the value associated with the desired level of confidence.

For this study, a population size of approximately 4,781 MSMEs within the GBA, as reported by the UNDP and The Gambia in 2020, is considered. Given the lack of precise data on the estimated percentage occurrence of the variables of interest, a conservative estimate of 50% is used for p to maximize variance. Furthermore, a confidence level of 95% and a margin of error of 5% are deemed appropriate for this study.

By applying these parameters to the formula, the calculated sample size is found to be 357 (Gill et al., 2010; Taherdoost, 2016). This sample size reflects the number of obtained responses required for the study and may need to be adjusted to account for potential non-response rates commonly observed in surveys.

4.5. Data Collection Instruments and Procedures

The data collection process for this study utilized a carefully constructed questionnaire distributed to MSME owners and managers in The Gambia. The questionnaire, designed in collaboration with the MoTIE, aimed to gather comprehensive insights into the impact of microfinance credit on the financial performance of MSMEs.

4.5.1. Data Collection Instruments: Questionnaire Design and Scale

The questionnaire, modelled after established research protocols (Kabir, 2016), consisted of multiple sections structured to obtain specific information from respondents. It began with an invitation letter, introducing the study's objectives and emphasizing the importance of participation. The questionnaire itself comprised sections covering the business profile, credit history, purpose of microfinance credit, credit amount, repayment terms, interest rates, impact on revenue growth, challenges, entrepreneurial orientation, and demographic information (refer to appendix C for the questionnaire).

The sections contained a mix of closed-ended and few open-ended questions, ensuring clarity and ease of response while allowing participants the opportunity to provide detailed insights where necessary (Zaza et al., 2000). The Likert scale of five points was utilized in some sections to gauge respondents' perceptions and attitudes towards certain variables (Amsi et al., 2017). This design facilitated standardized data collection while accommodating variations in respondents' experiences and perspectives.

4.5.2. Data Collection Procedures: Electronic through Google Forms

The questionnaire was administered electronically using Google Forms, enabling efficient distribution and data collection. With the assistance of MoTIE, the questionnaire was disseminated to a targeted population of MSME owners and managers across various industry segments in the GBA of The Gambia.

To ensure the integrity and reliability of the data collection process, close monitoring was implemented throughout. Participants were given clear instructions on how to complete the questionnaire, and any queries or issues encountered were promptly addressed. For respondents unable to complete the questionnaire immediately, additional time was provided to ensure maximum participation (Kyale, 2013).

4.6. Reliability of Research Instrument

Reliability, as defined by Drost (2011), refers to the consistency and repeatability of measurements across different conditions and occasions. In the context of this study, reliability pertains to the consistency of the research instrument in measuring the intended constructs. Internal consistency reliability is particularly relevant, focusing on the consistency between different items measuring the same construct within the instrument.

Cronbach's alpha coefficient, as described by Cronbach (1951), is a widely used measure of internal consistency reliability. It assesses the extent to which items within a test correlate with each other, indicating the degree to which the items collectively measure the underlying construct. A higher Cronbach's alpha value suggests greater internal consistency among the items.

In this study, the research employed this Cronbach's alpha coefficient to assess the internal consistency of the research instrument. As a rule of thumb, George and Mallery (2003) provide a helpful guideline for interpreting Cronbach's alpha. They suggest that a Cronbach's alpha value of at least 0.7 is generally considered acceptable, indicating sufficient internal consistency among the items.

Table 5: Reliability Analysis

Case Processing Summary

		N	%
Cases	Valid	149	80.1
	Excluded[a]	37	19.9
	Total	186	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.832	20

Source: Author's computation using SPSS

A Cronbach's alpha value of 0.832 was obtained in this study, indicating good internal consistency among the items of the research instrument. This suggests that the instrument reliably measures the intended constructs and provides consistent results across different conditions and occasions.

4.7 Ethical considerations

Confidentiality and ethical considerations were paramount throughout the data collection process. Participants were assured that their responses would be handled with the utmost confidentiality, and their privacy would be respected (Kabir, 2016). Informed consent was obtained from all participants, and participation in the study was entirely voluntary.

4.8 Data Analysis and Presentations

In this study, primary data collected through questionnaires formed the basis of analysis. Given the inherent challenge of accessing reliable financial data from MSMEs, the utilization of primary data from questionnaires was imperative.

Quantitative data obtained from closed-ended questions underwent a systematic process of coding. This involved assigning numerical values to differentiate between various response categories, facilitating the organization and analysis of the data. The use of numerical coding ensured consistency and ease of interpretation during the subsequent stages of analysis.

To conduct the analysis, a statistical package for social sciences (SPSS) and R programming language were employed. Their robust features enable the study to explore and interpret quantitative data effectively, thereby extracting meaningful insights from the dataset.

The combination of primary data collection through questionnaires, systematic coding of quantitative responses, and utilization of SPSS and R for analysis ensures a rigorous and methodical approach to examining the research objectives and presenting the findings effectively.

Chapter 5: Empirical Findings: A Comprehensive Examination of Research Findings

5.1 Introduction

This chapter presents the empirical findings derived from the analysis of questionnaires administered to MSME owners and managers within the study's targeted population. The primary objective of this chapter is to present a comprehensive analysis of these findings, organized into two main sections: descriptive and regression analysis.

The descriptive analysis section is divided into three parts, each exploring different facets of MSMEs and their interactions with MFIs in the region. Part 1 provides an overview of the demographic profile of surveyed participants, their business category, operational tenure, workforce size, credit history, and services obtained from MFIs.

In part 2, a detailed examination of responses concerning credit factors and entrepreneur orientation is provided. This analysis categorizes responses into sections such as credit amount, credit repayment, interest rates, collateral, and entrepreneur orientation.

Part 3 of the descriptive analysis addresses the research objectives outlined in Chapter One. It evaluates the impact of microfinance credit on the financial performance of MSMEs, examines utilization patterns of microfinance credit by MSMEs, and identifies factors influencing sustained growth and longevity of MSMEs in the GBA of The Gambia. However, it's important to note that the discussion of policy suggestions arising from these findings will be deferred to the subsequent chapter of this study.

The second part of the chapter focuses on regression analysis, employing multiple regression models and Pearson correlation coefficients to explore the nuanced impact of microfinance credit on MSMEs' financial performance, aligned with the null hypotheses outlined in Chapter One.

Finally, this chapter concludes with a discussion of findings, offering a holistic overview of observation from both descriptive and regression analyses. This contributes to a deeper understanding of the relationship between microfinance credit and MSMEs' performance in the Greater Banjul Area of The Gambia.

5.2. Exploring the Impact of Microfinance Credit on MSMEs Performance through Descriptive Analysis

5.2.1 Part 1:

Response Rate

The study targeted 357 MSMEs respondents from the Greater Banjul Area. Out of this target group, 186 MSMEs actively participated in the study, forming a response rate of 52%.

This response rate of 52% was deemed adequate for analysing the impact of microfinance credit on the performance of MSMEs in the GBA of The Gambia. It surpassed the threshold of 44% recommended by Wu et al. (2022), signifying a satisfactory level of participation from the targeted population. It is important to stress that there is no universally defined threshold for what constitutes a 'good' response rate across all types of research studies. Response rates can vary depending on factors such as the nature of the research, the characteristics of the target population, and the methods of data collection (Saleh & Bista, 2017).

In the context of this study, the achieved response rate of 52% reflects a meaningful level of engagement from MSMEs in the GBA. Despite not reaching a much higher rate, the response rate provides a substantial amount of data for the analysis, allowing for robust insights into the relationship between microfinance credit and MSME performance.

Table 6: Participants Business Category

Business Category/Industry Segments:

	Frequency	Percent
Agricultural Products	31	16.7
Fashion	15	8.1
Health Services	3	1.6
Information and Communication Technology Services	11	5.9
Manufactured Products	37	19.9
Restaurant and Entertainment	33	17.7
Skill Centre	3	1.6
Tourism and Hospitality	28	15.1
Workshops and Repair Contractors	25	13.4
Total	186	100

Source: Author's computation from the administered questionnaire

From the responses, table 6 above shows the categories of businesses that participants belong to, based on random sampling. The business categories include Agricultural Products, Workshops and Repair Contractors, Restaurant and Entertainment, Tourism and Hospitality, and Manufactured Products, which jointly make up 82.8% of the total responses. The remaining 17.2% of the participants were Skill Centre, Health Services, Fashion, and ICT services.

As illustrated on the table, the distribution of respondents across different business categories demonstrates the diversity of MSMEs represented in the study and sets the stage for further analysis of the impact of microfinance credit on various sectors of the economy.

Demographic Profile of Participants

This section provides a comprehensive overview of the key characteristics of the study's participants. The study explores the demographic factors such as gender distribution, age demographics, and levels of educational attainment. The findings presented in Table 7 provide a detailed breakdown of these variables, providing valuable insight into the composition of the research sample.

Table 7: Demographic Profile of the Respondents

Gender		
	Frequency	Percent
Female	106	57.0
Male	80	43.0
Total	186	100.0
Age group:		
	Frequency	Percent
18 to 28	22	11.8
29 to 40	109	58.6
Above 40	55	29.6
Total	186	100.0
Level of education:		
	Frequency	Percent
No Formal Education	29	15.6
Primary Education	9	4.8
Secondary Education	68	36.6
Tertiary Education	28	15.1

	Vocational Training	52	28.0
	Total	186	100.0

Source: Author’s computation from the administered questionnaire

On the gender distribution, the findings reveal a slight majority of female respondents, comprising 57% of the total participants, while males represent 43%. This distribution suggests a significant representation of women within the MSME sector in the GBA of The Gambia. It is worth noting that both male and female participants contributed to the discussion, indicating a balanced representation across genders. This suggests that views on the role of microfinance credit on MSME’s performance are not confined to any specific gender. Therefore, no single gender can be exclusively associated with a particular viewpoint.

Regarding age demographics, most of the participants fall within the age bracket of 29 to 40 years, accounting for 58.6% of the sample. This indicates that the MSME sector in the GBA predominantly consists of early middle-aged adults. This demographic trend aligns with the active working age group, suggesting a dynamic workforce driving the MSME activities in the region.

Examining their educational attainment, the distribution reveals varied levels of educational backgrounds among participants. Notably, secondary education is the most prevalent, representing 36.6% of respondents, followed by vocational training at 28%. This suggests a diverse educational landscape within the MSME sector, with a significant proportion of individuals possessing skills acquired through vocational training programs. However, it's essential to note the presence of respondents with no formal education at 15.6%, highlighting the inclusive nature of the sector, where individuals from diverse educational backgrounds participate.

Operational Characteristics of Participants

This section delves into the aspects of the participants' businesses, considering their years in operation and the size of their workforce. Understanding these operational dynamics is important as it provides insights into the longevity and scale of the enterprises involved in the study.

As mentioned in Chapter 2, Subsection 2.3, under the definition of MSMEs for the Gambia, there is a diverse criterion for classifying MSMEs in the country, including size. This paper adheres to the official classification outlined by the National Enterprise Policy, primarily focusing on size. This approach ensures consistency and comparability with existing research and policy frameworks.

Moreover, referencing the findings of Darboe and Jallow (2023), they highlight the challenges faced by Gambian-owned SMEs, including operational losses and closures within a short period. By examining the participants' years in operation, this study seeks to provide deeper insights into the duration and sustainability of their businesses.

Table 8: Operational Characteristics of Participants

Years in Operation:	Frequency	Percent
Less than a year	31	16.6
2 to 4 years	68	36.6
Over 5 years	87	46.8
Total	186	100.0
Number of Employees	Frequency	Percent
None	56	30.1
1 to 5	80	43.0
Above 5	50	26.9
Total	186	100.0

Source: Author's computation from the administered questionnaire

The data analysis reveals several significant findings regarding the years in operation and the number of employees among the participants. Firstly, it is notable that a considerable portion of respondents, accounting for 16.6%, reported operating their businesses for less than a year. This suggests a relatively high turnover rate or a prevalence of new entrants into the MSME sector. Additionally, 36.6% of respondents indicated operating their businesses for a duration ranging from 2 to 4 years, indicating a substantial presence of relatively established enterprises within this timeframe.

Most noticeably, the majority of respondents claimed to have been operating for more than 5 years, implying a significant level of longevity and sustainability within the MSME sector. This finding aligns with the broader context of MSMEs in The Gambia, where many businesses operate informally and sustain themselves over extended periods despite facing various challenges.

Regarding the number of employees, a significant proportion (30.1%) of respondents stated that their businesses are operated solely by self-employed individuals. This indicates a prevalence of micro-enterprises within the sample, consistent with the definition of micro-enterprises as involving only self-employed individuals.

Furthermore, the majority of respondents reported employing between 1 to 5 employees, indicative of small-scale enterprises. Conversely, 26.9% of respondents were categorized as medium-sized enterprises, suggesting a diverse range of business sizes within the sample.

These findings are in line with the 2014 mapping study conducted in The Gambia, which highlighted the predominance of micro and small entities within the MSME sector.

Credit History and Services Obtained by Participants

The study explores the financial engagement and support received by the participants specifically from MFIs. This section focuses on whether participants have utilized credit from MFIs for their businesses and explores if their businesses have obtained multiple credits from MFIs. Additionally, it investigates the types of services participants have received from MFIs, which may encompass microcredit, business advisory services, equipment, and training. Understanding the credit history and services obtained by participants from MFIs is essential for assessing the accessibility and effectiveness of the financial support mechanisms available to MSMEs in The Gambia.

Table 9: Credit History of Participants

Have you utilized credit from a Microfinance Institution (MFI) for your business?

	Frequency	Percent
No	33	17.7
Yes	153	82.3
Total	186	100.0

If yes, has your business obtained more than one loan from a MFIs?

	Frequency	Percent
Non-Respondents	27	14.5
No	65	34.9
Yes	94	50.5
Total	186	100.0

Source: Author's computation from the administered questionnaire

The data observed reveals a substantial proportion of respondents, totalling 82.3%, indicating that they have acquired credit from MFIs for their businesses. This high percentage suggests a significant reliance on microfinance credit as a source of financing for MSMEs in The Gambia. The widespread utilization of microfinance credit highlights its importance in addressing the financing needs of small businesses, particularly in contexts where access to traditional banking services is limited.

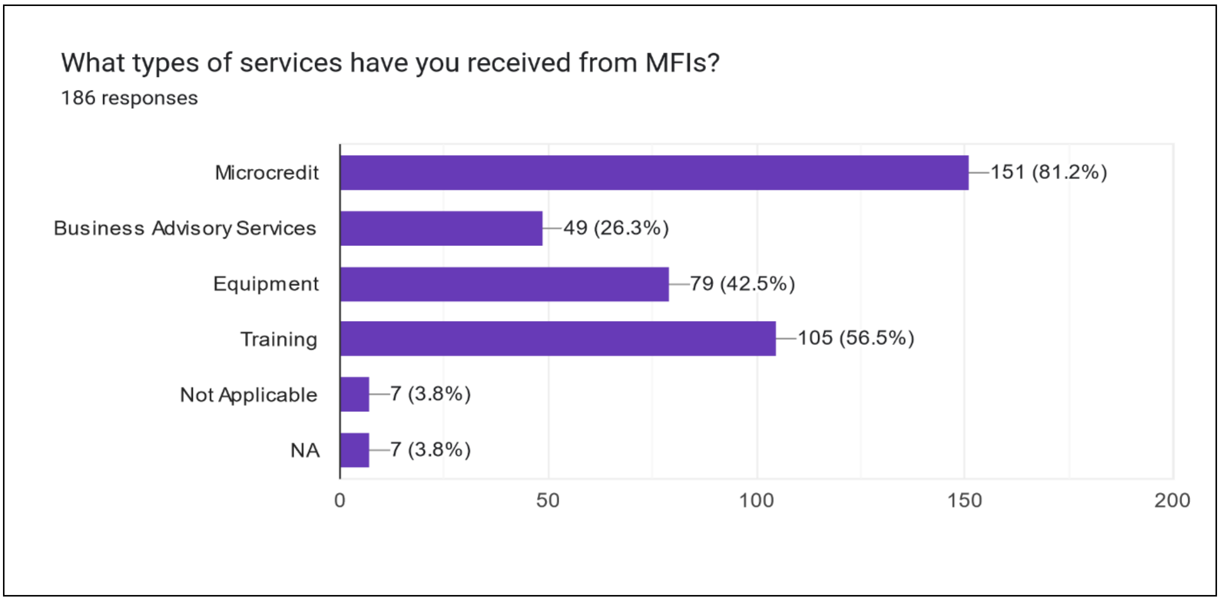
Conversely, 17.7% of respondents stated that they have not utilized any microfinance credit for their businesses. This could indicate several possibilities. It may suggest that these businesses have alternative sources of financing, such as personal savings, investments, or loans from family and friends. Alternatively, it could reflect challenges or barriers in accessing microfinance services, such as strict eligibility criteria, high interest rates, or lack of awareness about available opportunities. The study aims to explore some of these challenges in the subsequent sections.

Among the respondents who claimed to have acquired credit from MFIs, a notable finding is that 50.5% had received more than one credit from these institutions. This suggests a pattern of repeat borrowing, where businesses rely on successive credits to meet ongoing financial needs or to fund expansions and investments. This finding highlights the role of microfinance in providing flexible and accessible financing options to support the growth and sustainability of MSMEs over time.

Additionally, 34.9% of respondents reported having received only one loan from MFIs. While this percentage is lower than those receiving multiple loans, it still signifies a significant portion of businesses that have benefited from microfinance credit on at least one occasion. This could indicate a mix of businesses that have successfully leveraged microfinance for specific purposes or those that may have faced challenges in accessing additional financing.

Overall, the observed data suggest a strong reliance on microfinance credit among MSMEs in The Gambia, with a notable proportion of businesses accessing multiple loans from MFIs. This highlights the importance of MFIs in providing vital financial support to small businesses and promoting entrepreneurship and economic development in the region.

Figure 6: Services Obtained by Participants



Source: Author's computation from the administered questionnaire

The figure 6 above shows a diverse range of services obtained by participants from MFIs in The Gambia. A significant majority, comprising 81.2% of respondents, claimed to have received microcredit. Microcredit serves as a crucial lifeline for businesses, enabling them to invest in operations, expand their activities, and navigate financial challenges.

Furthermore, 56.5% of respondents reported receiving training from MFIs. This finding highlights the importance of capacity-building initiatives offered by MFIs in enhancing the entrepreneurial skills and knowledge of MSME owners. Access to training programs equips business owners with valuable insights and expertise to effectively manage their enterprises and adapt to market dynamics.

In addition to microcredit and training, 42.5% of respondents stated that they have received equipment from MFIs. This indicates the role of MFIs in facilitating access to essential resources and assets necessary for business operations. Access to equipment can enhance productivity, efficiency, and competitiveness, thereby contributing to the growth and sustainability of MSMEs.

Moreover, 26.3% of respondents reported receiving business advisory services from MFIs. This highlights the value-added support provided by microfinance institutions in offering guidance, mentorship, and strategic advice to MSME owners. Business advisory services can assist entrepreneurs in making informed decisions, identifying opportunities, and overcoming challenges, thereby fostering business success and resilience.

5.2.2 Part 2:

Credit Factors

Credit Amount

The credit amount examines the aspect of the amount of microfinance credit obtained by MSMEs and its significance in driving their business performance. Participants were asked about the typical amount of microfinance credit their businesses apply for, with a focus on understanding the alignment between the applied loan amount and the approved credit amount by MFIs. Furthermore, the study investigates participants' perceptions regarding the sufficiency of the credit amounts offered by MFIs in implementing their business ideas.

Table 10: Credit Amount and MSME's Performance

On average, what is the typical amount of microfinance credit your business applies for?

	Frequency	Percent
Non-Respondents	19	10.2
Less than GMD 10,000	8	4.3
GMD 10,001 – GMD 50,000	28	15.1
GMD 50, 001 - GMD 100,000	82	44.1
More than GMD 100,000	49	26.3
Total	186	100.0

The approved credit amount aligns with the initially applied loan amount submitted to the microfinance institutions.

	Frequency	Percent
Non-Respondents	21	11.3
Strongly Agree	57	30.6
Agree	75	40.3
Neutral	16	8.6
Disagree	15	8.1
Strongly Disagree	2	1.1
Total	186	100.0

To what extent do you believe that the credit amounts offered by MFIs are sufficient for implementing your business ideas?

	Frequency	Percent
Non-Respondents	21	11.3

Very Adequate	41	22.0
Adequate	76	40.9
Neutral	23	12.4
Inadequate	22	11.8
Very Inadequate	3	1.6
Total	186	100.0

Source: Author's computation from the administered questionnaire

It is notable that a small percentage (4.3%) of respondents stated that they have applied for a microfinance credit of less than GMD 10,000 (approximately $148.82 USD)[26]. This suggests that a segment of MSMEs in The Gambia require relatively small amounts of financing to support their business activities, possibly indicating micro-enterprises or businesses in early stages of development.

Conversely, a substantial proportion of respondents (26.3%) claimed to have applied for a credit amount exceeding GMD 100,000 (approximately $1,488.17 USD). This indicates a demand for larger-scale financing among MSMEs, possibly for expansion projects, investment in equipment, or scaling up operations.

Interestingly, most respondents reported applying for a typical amount of microfinance credit between GMD 50,001 and GMD 100,000 (approximately between $744.10 and $1,488.17). This range represents a significant segment of MSMEs seeking moderate levels of financing to support their business activities.

Regarding the alignment between applied and approved credit amounts, the majority of the respondents, 70.9%, either strongly agree or agree that the approved credit amount aligns with the initially applied loan amount. This indicates a perceived consistency between the requested and approved credit amounts by microfinance institutions, reflecting a degree of satisfaction among MSMEs regarding the credit approval process.

Furthermore, regarding the sufficiency of the credit amounts offered by MFIs for implementing business ideas, a considerable portion of respondents (62.9%) expressed satisfaction, with 22% considering the credit amount to be very adequate and 40.9% deeming it adequate. However, it's noteworthy that a notable proportion (13.4%) expressed some level of dissatisfaction, with 11.8% considering the credit amount to be inadequate. This suggests that while the majority of MSMEs find the credit amounts sufficient, there is still a subset of businesses that may require

[26] 1 USD = 67.1965 GMD.

additional financing or feel that the offered amounts are insufficient to fully implement their business ideas.

Credit Repayment Period

The study explores participants' perspectives on microfinance credit repayment. Through the analysis of responses to questions regarding repayment management, perceived favourability of the repayment period, and its impact on the business cash flow, this section aims to provide insights into the dynamics of credit repayment among MSMEs in The Gambia. By understanding participants' views on these aspects, the study seeks to assess the effectiveness and suitability of existing credit repayment structures in supporting business sustainability and financial health.

Table 11: Credit Repayment Period and MSME's Performance

How do you manage the repayment of microfinance credit?

	Frequency	Percent
Non-Respondents	30	16.1
Monthly Instalments	115	61.8
Bi-monthly Instalments	7	3.8
Quarterly Instalments	31	16.7
Lump Sum Payment	3	1.6
Total	186	100.0

To what extent do you find the credit repayment period favourable to your business?

	Frequency	Percent
Non-Respondents	19	10.2
Highly Favourable	69	37.1
Somewhat Favourable	64	34.4
Neutral	12	6.5
Somewhat Unfavourable	16	8.6
Highly Unfavourable	6	3.2
Total	186	100.0

The time given to repay the loan does not negatively influence the business cash flow?

	Frequency	Percent

Non-Respondents	25	13.4
Strongly Agree	45	24.2
Agree	76	40.9
Neutral	23	12.4
Disagree	15	8.1
Strongly Disagree	2	1
Total	186	100.0

Source: Author's computation from the administered questionnaire

The majority of respondents, 61.8%, indicated that they manage the repayment of microfinance credit through monthly instalments with the MFI. This preference for monthly instalments suggests a structured approach to repayment, allowing businesses to allocate funds more effectively and manage cash flow over shorter intervals.

Additionally, a significant proportion of respondents,16.7%, reported repaying their credit with quarterly instalments, indicating a less frequent but still structured repayment plan. This approach may provide businesses with flexibility in managing their finances while ensuring timely repayment to the MFI.

Interestingly, only a small percentage, 1.6%, claimed to be repaying the credit on a lump sum payment plan. This suggests that most businesses prefer instalment-based repayment methods, which may align better with their cash flow cycles and financial management practices.

Regarding the favourability of the credit repayment period on their business, most respondents (71.5%) expressed satisfaction with the repayment period, with 37.1% finding it highly favourable. This indicates that most businesses perceive the repayment period as conducive to their financial stability and operational efficiency, allowing them to meet their obligations without undue strain on resources.

Furthermore, a significant portion of respondents (40.9%) agreed that the time given to repay the loan does not negatively influence their business cash flow, with an additional 24.2% strongly agreeing with this statement. This suggests that majority of businesses believe that the repayment period is well-aligned with their cash flow needs, allowing them to maintain financial stability and continue operating smoothly.

Overall, the data indicates a generally positive perception of the credit repayment process among MSMEs in The Gambia, with businesses largely favouring structured instalment plans and finding the repayment period favourable to their financial health and operational sustainability.

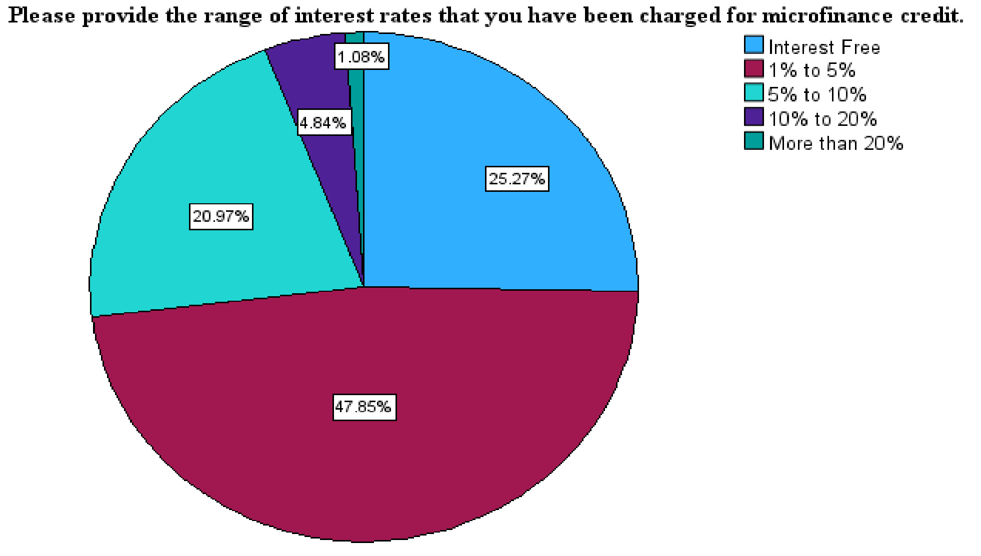
Interest Rates

In examining Interest Rates, this section aims to analyse participants' perspectives on the interest rates linked with microfinance credit and their consequential effects on business performance. Through a comprehensive analysis of responses to inquiries about the standard interest rates applied to accessed microfinance credit, the range of interest rates experienced, and the extent to which these rates have influenced business cash flows, the study aims to gain insights into the implications of the interest rate on business viability, financial resilience, and overall sustainability.

Table 12: Interest Rate and MSME's Performance

What is the standard interest rate associated with the microfinance credit your business has accessed?

	Frequency	Percent
Non-Respondents	27	14.5
Don't Know	27	14.5
Fixed	117	62.9
Variable	15	8.1
Total	186	100.0



To what extent has the interest rate on the microfinance credit affected your

business's cash flows?

	Frequency	Percent
Non-Respondents	25	13.4
Significantly increased	6	3.2
Slightly increased	10	5.4
No significant impact	79	42.5
Slightly decreased	60	32.3
Significantly decreased	6	3.2
Total	186	100.0

Source: Author's computation from the administered questionnaire

The data shows 14.5% of the respondents stated that they were unsure of the standard interest rate associated with the microfinance credit they have accessed. This suggests a lack of clarity regarding interest rate terms among some MSMEs, which could potentially hinder informed decision-making and financial planning. Conversely, the majority of respondents 62.9% indicated that the standard interest rate applied to their accessed microfinance credit was a fixed rate. This preference for fixed rates may indicate a desire for stability and predictability in interest payments, allowing businesses to better plan and manage their finances.

Regarding the interest rate charges, nearly half of the respondents (47.8%) reported being charged between 1% to 5% for the microfinance credit. This moderate range of interest rates reflects a balance between affordability and profitability for both MSMEs and MFIs. Interestingly, a significant percentage (25.2%) of respondents claimed to have been charged interest-free for the credit they accessed. This could indicate the presence of subsidized or promotional lending programs aimed at supporting MSMEs, although it may also reflect variations in interest rate structures among different MFIs.

On the impact of interest rates on business cash flow, a substantial portion of respondents (42.5%) stated that the interest rate has no significant impact on their business cash flow. This suggests that these businesses can absorb interest payments without experiencing significant disruptions to their financial operations. However, it's noteworthy that a considerable percentage (32.3%) of respondents indicated that the interest rate slightly decreased their business cash flow. While this may not represent a major impediment to business operations, it highlights the potential for interest rate charges to exert some degree of financial strain on MSMEs, particularly those operating on narrow profit margins.

Collateral Requirement

This section aims to analyse participants' perspectives on the collateral requirements associated with microfinance credit and their implications for business performance. Through an examination of responses to inquiries regarding the presence of collateral requirements, the perceived difficulty level in meeting these requirements, and the importance of collateral value in qualifying for microfinance credit, the study seeks to gain insights into the relationship between collateralization and business viability among MSMEs in The Gambia. Understanding participants' views on these aspects will provide valuable insights into the challenges and opportunities surrounding collateral requirements in the context of MSME financing.

Table 13: Collateral and MSME's Performance

Are there collateral requirements associated with the microfinance credit you have applied?

		Frequency	Percent
	Non-Respondents	12	6.5
	No	70	37.6
	Yes	104	55.9
	Total	186	100.0

If yes, please assess the difficulty level in meeting these collateral requirements.

		Frequency	Percent
	Non-Respondents	79	42.5
	Extremely Difficult	5	2.7
	Very Difficult	20	10.8
	Slightly Difficult	30	16.0
	Not Difficult	52	28.0
	Total	186	100.0

The collateral value is not a key requirement for the business to qualify for microfinance credit.

		Frequency	Percent
	Non-Respondents	7	3.8
	Strongly Agree	5	2.7
	Agree	47	25.2

	Neutral	10	5.4
	Disagree	85	45.7
	Strongly Disagree	32	17.2
	Total	186	100.0

Source: Author's computation from the administered questionnaire

The majority of respondents, 55.9%, reported the existence of collateral requirements associated with the microfinance credit they have applied for. This indicates that a significant portion of MSMEs may be required to provide collateral as a condition for accessing financing, potentially posing barriers to credit access for some businesses.

Regarding the difficulty level in meeting these collateral requirements, a notable percentage of respondents, 28% stated that the collateral requirements were not difficult to meet. This suggests that for a considerable portion of MSMEs, providing collateral may not pose significant challenges and could be within their means.

However, it's noteworthy that a substantial proportion of respondents found meeting collateral requirements to be challenging, with 16% stating it was slightly difficult, 10.8% finding it very difficult, and 2.7% describing it as extremely difficult. These findings highlight the potential barriers that collateral requirements may pose for some MSMEs, particularly those with limited assets or financial resources.

Furthermore, most of the respondents (62.9%) disagreed with the statement that collateral value is not a key requirement for qualifying for microfinance credit. This indicates that a significant portion of MSMEs perceive collateral as an important factor in determining their eligibility for credit, contradicting the notion that collateral may not be a primary consideration for microfinance institutions.

Entrepreneurial Orientation

In this section, the study aims to analyse participants' perspectives on the entrepreneurial behaviours and strategies adopted by their businesses and their subsequent impact on business performance. Through an in-depth analysis of responses to inquiries regarding the continuity of business activities, the proactive pursuit of new opportunities and innovations, the willingness to undertake calculated risks, and the active engagement with customer feedback, the study seeks to gain insights into the EO of MSMEs in The Gambia. By understanding participants' views on these critical aspects, the section aims to assess the alignment of entrepreneurial behaviours with business objectives, competitive positioning, and overall performance.

Table 14: Entrepreneurial Orientation and MSME's Performance

I have been doing the same business since its establishment

	Frequency	Percent	Male	Female
Strongly Agree	47	25.2	32.5%	19.8%
Agree	76	40.9	31.3%	48.1%
Neutral	20	10.8	11.3%	10.4%
Disagree	34	18.3	18.8%	17.9%
Strongly disagree	9	4.8	6.3%	3.8%
Total	186	100.0	100.0	100.0

To what extent does your business actively seek out new opportunities and innovations to stay ahead in the market?

	Frequency	Percent	Male	Female
Very High	34	18.3	20.0%	17.0%
High	78	41.9	41.3%	42.5%
Moderate	58	31.2	28.8%	33.0%
Low	14	7.5	8.8%	6.6%
Very Low	2	1.1	1.3%	0.9%
Total	186	100.0	100.0	100.0

How willing is your business to take calculated risks to achieve long-term objectives?

	Frequency	Percent	Male	Female
Very Willing	49	26.4	26.3%	26.4%
Willing	93	50.0	53.8%	47.2%
Neutral	38	20.4	16.3%	23.6%
Unwilling	5	2.7	2.5%	2.8%
Very Unwilling	1	.5	1.3%	0.0%
Total	186	100.0	100.0	100.0

Does your business actively seek feedback from customers and use it to improve products or services?

	Frequency	Percent	Male	Female
Always	51	27.4	36.3%	20.8%

Often	59	31.7	27.5%	34.9%
Occasionally	31	16.7	16.3%	17.0%
Rarely	28	15.1	16.3%	14.2%
Never	17	9.1	3.8%	13.2%
Total	186	100.0	100.0	100.0

How quickly does your business adapt to changes in the market or industry trends?

	Frequency	Percent	Male	Female
Very Quickly	40	21.5	27.5%	17.0%
Quickly	81	43.5	37.5%	48.1%
Moderately	52	28.0	30.0%	26.4%
Slowly	12	6.5	3.8%	8.5%
Very Slowly	1	.5	1.3%	0.0%
Total	186	100.0	100.0	100.0

Source: Author's computation from the administered questionnaire

A significant majority of respondents, 66.1%, indicated that they have been doing the same business since establishment. This suggests a degree of stability and continuity in business operations, with a substantial portion of MSMEs maintaining consistency in their activities over time. Among male participants, 32.5% strongly agree with this statement, while 48.1% of female participants agree.

Regarding the proactive pursuit of new opportunities and innovations, 60.2% of respondents reported being either very high or high in actively seeking out new opportunities and innovations to stay ahead in the market. This indicates a strong orientation towards innovation and adaptability among a significant portion of businesses, contributing to their competitiveness and resilience in dynamic market environments. Specifically, 42.5% of female participants and 41.9% of male participants reported high levels of activeness in this regard.

Similarly, a large proportion of respondents, 76.4%, expressed a high willingness to take calculated risks to achieve long-term objectives. This willingness to embrace risk suggests a proactive approach to business growth and development, with businesses recognizing the importance of strategic risk-taking in pursuing long-term success. Among male respondents, 53.8% claimed to be willing to take calculated risks, compared to 47.2% of female.

In terms of customer feedback utilization, a considerable percentage of respondents (31.7%)

claimed to often seek feedback from customers and use it to improve products or services, with an additional 27.4% claiming to always seek feedback. This suggests a commitment to customer-centricity and continuous improvement among a significant portion of MSMEs, which could enhance their competitiveness and customer satisfaction levels. Among male participants, 36.3% claimed to always seek feedback, while 34.9% of female participants often seek feedback.

Furthermore, 65.0% of respondents reported being either very quick or quick to adapt to changes in market trends. This agility in responding to market dynamics reflects a proactive approach to business management, enabling businesses to capitalize on emerging opportunities and mitigate risks associated with market fluctuations. Specifically, 48.1% of female participants and 37.5% of male participants reported being quick to adapt to market changes.

5.2.3. Part 3:

Impact of Microfinance Credit on Financial Performance

This section of the descriptive analysis aims to address one of the research objectives, which is to evaluate the impact of microfinance credit on the financial performance of MSMEs. Through an analysis of responses to questions regarding the perceived impact of microfinance credit on various aspects of financial performance, including revenue growth, profitability, and business expansion into new markets, the study seeks to gain insights into the role of microfinance in enhancing the financial viability and sustainability of MSMEs in The Gambia. By understanding participants' views on these aspects, the section aims to assess the effectiveness of microfinance credit in driving positive financial outcomes for MSMEs and contributing to their overall growth and success.

Table 15: Impact of Microfinance Credit on Financial Performance

How has microfinance credit impacted your business's revenue growth in the last 24 months?

		Frequency	Percent
	Non-Respondents	31	16.7
	Significantly Increased	38	20.4
	Slightly Increased	96	51.6
	No Impact	16	8.6
	Slightly Decreased	5	2.7
	Significantly Decreased	0	0
	Total	186	100.0

Have you observed an improvement in your business profitability since utilizing microfinance credit?

	Frequency	Percent
Non-Respondents	29	15.6
Significant Improvement	41	22.0
Slight Improvement	98	52.7
No Change	18	9.7
Total	186	100.0

How has the availability of microfinance credit impacted your business's expansion into new markets?

	Frequency	Percent
Non-Respondents	31	16.7
Significantly facilitated expansion into new markets	25	13.4
Slightly facilitated expansion into new markets	96	51.6
No noticeable impact on expansion into new markets	34	18.3
Total	186	100.0

Source: Author's computation from the administered questionnaire

A total of 51.6% indicated that microfinance credit slightly increased their business's revenue growth in the last 24 months. Additionally, 20.4% argued that it significantly impacted their revenue growth, indicating a substantial positive effect on business performance. However, it's important to note that a small percentage of 2.7% claimed a slight decrease in revenue growth, suggesting that microfinance credit may not always result in positive outcomes for every business.

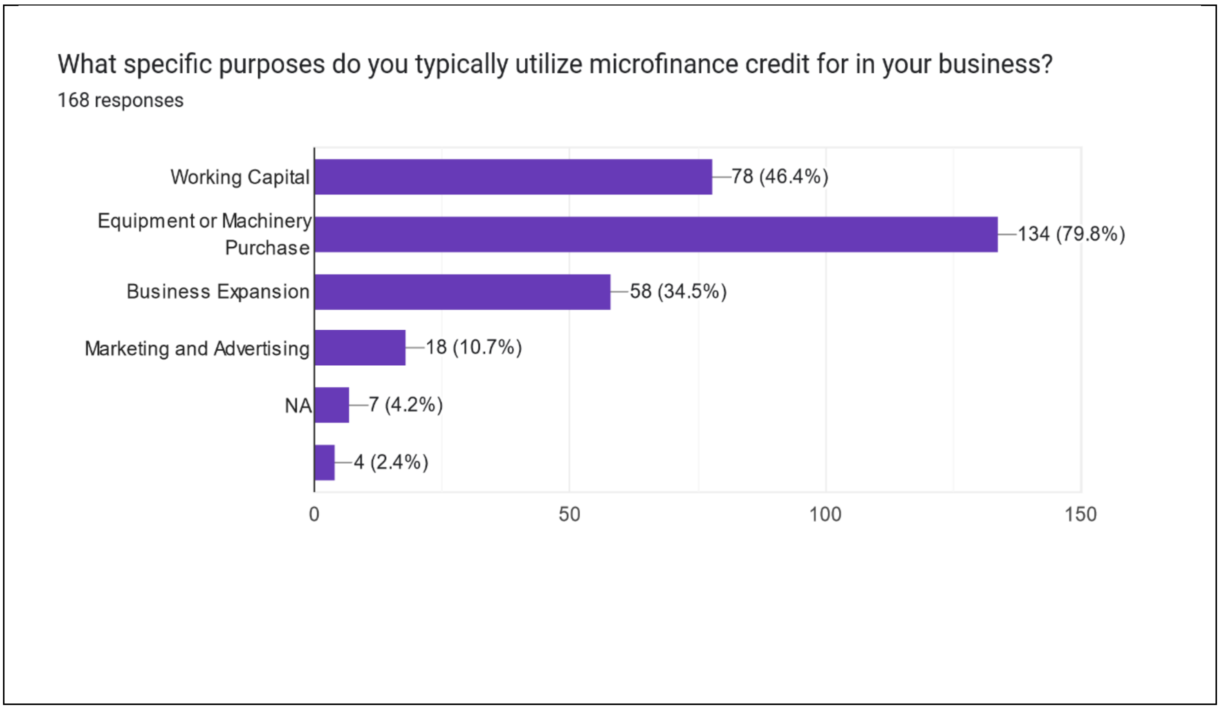
The majority of the respondents, 52.7%, reported that observed a slight improvement in their business profitability since utilizing microfinance credit. Moreover, 22% observed a significant improvement, indicating that microfinance credit has contributed positively to their bottom line. Conversely, 9.7% claimed no change in profitability, suggesting that the impact of microfinance credit on profitability may vary among businesses.

In terms of expansion into new markets, over half of the respondents (51.6%) stated that the availability of microfinance credit slightly facilitated their expansion efforts. This indicates that microfinance credit has played a role in supporting business growth and market penetration. However, it's noteworthy that only 13% reported significant facilitation of expansion, and 18.3% observed no noticeable impact, suggesting that the role of microfinance credit in facilitating market expansion may be limited for some businesses.

Assessment of Credit Utilization Patterns

This section aims to address another research objective of the study, which is to examine the utilization patterns of microfinance credit by MSMEs. Through an analysis of responses to question regarding the specific purposes for which microfinance credit is typically utilized in their business, the study seeks to gain understandings of the diverse ways in which MSMEs utilize credit to support their operations, investments, and growth initiatives. By understanding participants' patterns of credit utilization, the section aims to assess the alignment of credit usage with business needs, objectives, and strategic priorities, thereby providing valuable insights into the effectiveness of microfinance credit in meeting the financial requirements of MSMEs in The Gambia.

Figure 7: MSMEs Credit Utilization



Source: Author's computation from the administered questionnaire

A significant majority of respondents, 79.8% indicated that they typically utilize microfinance credit for the purchase of equipment or machinery. This suggests that businesses often leverage credit to invest in essential assets that enhance their operational capabilities, productivity, and efficiency. Such investments can contribute to long-term growth and competitiveness.

Additionally, a substantial portion of respondents, 46.4% selected working capital as a typical utilization of microfinance credit. This indicates that businesses rely on credit to fund day-to-day operations, manage cash flow fluctuations, and meet short-term financial obligations. Access to working capital can facilitate smooth business operations and support growth initiatives.

Furthermore, a considerable percentage of respondents, 34.5% identified business expansion as a purpose for which they utilize microfinance credit. This suggests that businesses use credit to finance expansion initiatives, such as entering new markets, launching new products or services, or scaling up existing operations. Expansion investments can help businesses capitalize on growth opportunities and reach new customers.

Interestingly, a smaller proportion of respondents, 10.7% claimed to utilize microfinance credit for marketing and advertising purposes. While this percentage is relatively lower compared to other purposes, it still highlights the importance of credit in funding promotional activities aimed at increasing brand visibility, attracting customers, and driving sales growth.

Analysis of Factors Influencing Growth

Examine factors influencing sustained growth and longevity of MSMEs in the Gambia is the third research objective of this study, which this section aims to address. Through an analysis of responses to questions regarding various factors that may influence business growth, including access to microfinance credit, introduction of new products or services, regulatory environment, and technology adoption, the study seeks to gain understandings of the multifaceted nature of factors impacting MSME growth. By understanding participants' perceptions of these influential factors, the section aims to assess their relative importance and the extent to which they contribute to the growth and sustainability of MSMEs in The Gambia.

Table 16: Factors Influencing Growth

Rate the influence of access to microfinance credit on the sustained growth of your business.

		Frequency	Percent
	Non-Respondents	17	9.2
	Strongly Agree	46	24.7
	Agree	88	47.3
	Neutral	25	13.4

	Disagree	9	4.9
	Strongly Disagree	1	.5
	Total	186	100.0

How has the availability of microfinance credit contributed to the introduction of new products or services in your business?

		Frequency	Percent
	Non-Respondents	18	9.7
	Significantly	35	18.8
	Moderately	89	47.8
	Slightly	23	12.4
	Not at all	21	11.3
	Total	186	100.0

To what extent do you believe that the regulatory environment in The Gambia influences the sustained growth and longevity of MSMEs?

		Frequency	Percent
	Very Positively	22	11.8
	Positively	65	34.9
	Neutral	52	28.0
	Negatively	43	23.1
	Very Negatively	4	2.2
	Total	186	100.0

How would you rate the impact of technology adoption (e.g., digital platforms, online marketing) on the growth and sustainability of your business?

		Frequency	Percent
	Very Positive	53	28.5
	Positive	106	57.0
	Neutral	27	14.5
	Negative	0	.0
	Very Negative	0	.0
	Total	186	100.0

Source: Author's computation from the administered questionnaire

The analysis reveals that 72% of respondents agreed that access to microfinance credit influences the sustained growth of their business. This indicates the significant role microfinance credit plays in facilitating business growth and development among MSMEs in The Gambia. Businesses rely on this credit to invest in expansion initiatives, purchase equipment, and fund day-to-day operations, contributing to their long-term sustainability and competitiveness.

Regarding the contribution of microfinance credit to the introduction of new products or services, a substantial proportion of respondents indicated varying degrees of impact. While 18.8% reported a significant contribution, the majority (47.8%) cited a moderate contribution. This highlights the role of microfinance credit in fostering innovation and diversification within MSMEs, enabling them to introduce new products and adapt to changes in market demands.

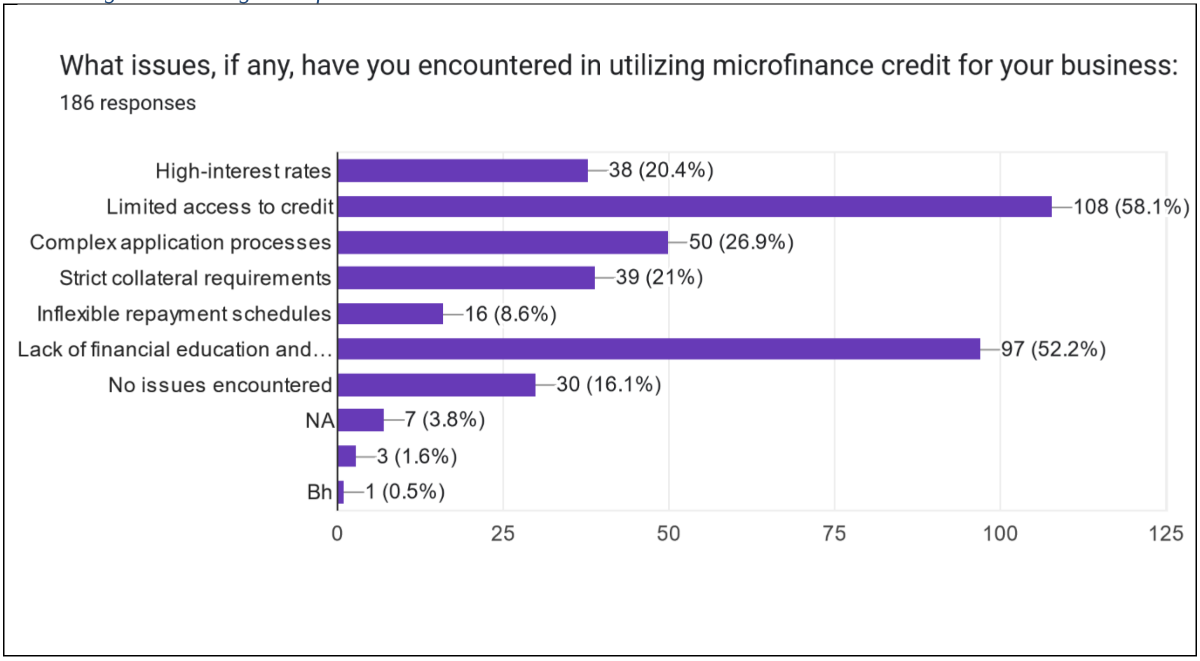
Perceptions regarding the influence of the regulatory environment on business growth were more divided. While 46.7% of respondents believed the regulatory environment has a positive influence on sustained growth and longevity, a significant percentage (25.3%) expressed concerns about negative or very negative influences. This emphasizes the importance of a conducive regulatory framework supporting business growth while addressing regulatory challenges hindering MSME development.

Moreover, an overwhelming majority of respondents (85.5%) reported that technology adoption has a positive impact on the growth and sustainability of their business. This highlights the transformative role of technology, including digital platforms and online marketing, in enhancing business efficiency, expanding market reach, and driving innovation.

Challenges in Utilizing Microfinance Credit

The study aims to delve into the challenges faced by MSMEs in utilizing microfinance credit for their business operations. Through an analysis of respondents' views on the obstacles hindering their growth and expansion, the study seeks to analyse the factors impeding effective utilization of microfinance credit in The Gambia. The question posed to participants seeks to uncover the various issues encountered in accessing and leveraging microfinance credit, providing valuable insights into the barriers faced by MSMEs in harnessing this financial resource for business development. This analysis serves to identify key challenges and inform strategies for addressing them, ultimately fostering a more conducive environment for MSME growth and sustainability.

Figure 8: Challenges in Utilizing Microfinance Credit



Source: Author's computation from the administered questionnaire

The analysis reveals several noteworthy insights. Among the challenges identified, limited access to credit stands out as the most common issue, affecting 58.1% of respondents. This suggests that many MSMEs in The Gambia face difficulties in obtaining the necessary financing to support their business activities, potentially hindering their growth and expansion initiatives.

Following closely, lack of financial education and guidance emerges as the second most prevalent challenge, with 52.2% of respondents highlighting this issue. This highlights the importance of enhancing financial literacy among MSMEs, as a lack of understanding regarding financial management and credit utilization may impede their ability to effectively leverage microfinance resources for business development.

Complex application processes were identified as a challenge by 26.9% of respondents, indicating that bureaucratic hurdles and administrative requirements pose barriers to accessing microfinance credit. Similarly, 21% of participants cited strict collateral requirements as an impediment, suggesting that these constraints may limit MSMEs' ability to qualify for and utilize microfinance credit.

High-interest rates emerged as another notable challenge, with 20.4% of respondents expressing concerns about the cost of borrowing. This highlights the significance of credit affordability for MSMEs, as high-interest rates may erode profitability and strain financial resources. Additionally, inflexible repayment schedules were identified as a challenge by a smaller percentage of respondents, with only 8.6% citing this issue. Nonetheless, rigid repayment terms may pose difficulties for MSMEs in managing their cash flow and meeting their debt obligations.

It is noteworthy that 16.1% of respondents claimed to have encountered no issues in utilizing microfinance credit. While this proportion is relatively modest, it suggests that a segment of MSMEs may have successfully navigated the challenges associated with accessing and utilizing microfinance credit effectively.

5.3. Regression Analysis of Microfinance Credit Impact on MSMEs Financial Performance

In this section, the study investigates the impact of microfinance credit on MSMEs financial performance through regression analysis. The research aims to examine whether access to microfinance credit significantly influences the financial performance of MSMEs in the Greater Banjul Area of The Gambia.

Hypotheses Testing: The study tests the formulated hypotheses.

- Null Hypothesis ($\boldsymbol{H0}$): There is no significant relationship between access to microfinance credit and the financial performance of MSMEs.

To test this hypothesis, regression analysis was utilized, considering various factors related to microfinance credit (credit amount, interest rate, collateral requirement, credit repayment period, and entrepreneurial orientation). The regression model was constructed to assess the extent to which these factors collectively impact the financial performance of MSMEs.

The analysis involved computing multiple regression models and Pearson Coefficients correlation to determine the relationships between microfinance credit factors and MSMEs financial performance. The subsequent discussion will provide insights into the regression results and their implications for understanding the dynamics of microfinance credit utilization among MSMEs in The Gambia.

Table 17: Description of the model variables and coding process

Variables	Factors	Factors Abbreviations	Coding
Dependent Variable	MSMEs Financial Performance		Measured using a Likert scale with responses from '1' (Significantly Decreased) to '5' (Significantly Increased).

		MSMEs Financial Performance	
Independent Variables	Credit Amount	CA	Coded as follows: - Less than GMD 10,000: 0.05 - GMD 10,000 – GMD 50,000: 0.3 - GMD 50,001 – GMD 100,000: 0.75 - More than GMD 100,000: 1
	Collateral	C	Coded as a binary variable where '1' represents the presence of collateral requirements and '0' represents the absence of collateral requirements.
	Entrepreneurial Orientation	EO	Measured using a Likert scale with responses from '1' (Never) to '5' (Always).
	Repayment Period	RP	Measured using a Likert scale with responses from '1' (Highly Unfavourable) to '5' (Highly Favourable).
	Interest Rate	I	Measured using a Likert scale with responses from '1' (Significantly Decreased) to '5' (Significantly Increased).

The data processing in this study involved several steps, including filtering, coding, and running the regression model using R programming language. Initially, the responses contained 186 entries. To ensure the accuracy and reliability of the analysis, the data were filtered to eliminate incomplete entries. After this filtering process, the total data used for the model was reduced to 159 entries.

Furthermore, the study coded the independent variables and the dependent variable as explained in Table 17. The coding details are as follows:

Credit Amount (CA):

- Less than GMD 10,000: Coded as 0.05

- GMD 10,000 – GMD 50,000: Coded as 0.3

- GMD 50,001 – GMD 100,000: Coded as 0.75

- More than GMD 100,000: Coded as 1

Interest Rate (I): Measured using a Likert scale with responses from '1' (Significantly Decreased) to '5' (Significantly Increased).

Collateral (C): Coded as a binary variable where '1' represents the presence of collateral requirements and '0' represents the absence of collateral requirements.

Repayment Period (RP): Measured using a Likert scale with responses from '1' (Highly Unfavourable) to '5' (Highly Favourable).

Entrepreneurial Orientation (EO): Measured using a Likert scale with responses from '1' (Never) to '5' (Always).

MSMEs Financial Performance: The dependent variable in this study, MSMEs' financial performance, was measured based on the participants' assessment of the impact of microfinance credit on their business's revenue growth over the past 24 months. This assessment was captured through a specific question in Section 7 of the questionnaire. See appendix C for the questionnaire. Participants were provided with five response options to this question, each reflecting a different level of impact. The responses were then coded using a Likert scale to facilitate quantitative analysis. The precise coding of the responses is as follows:

- Significantly Decreased: Coded as 1
- Slightly Decreased: Coded as 2
- No Impact: Coded as 3
- Slightly Increased: Coded as 4
- Significantly Increased: Coded as 5

This Likert scale coding converts the qualitative responses into quantitative data, allowing for standardized measurement of the perceived impact of microfinance credit on revenue growth.

The reason for employing this technique is that obtaining direct access to sales records or financial statements from the businesses was challenging due to privacy concerns and the reluctance of MSME owners to share detailed financial information. By using a self-assessment method, the study was able to gather consistent and reliable data on financial performance without requiring sensitive financial documents from the participants. The coded responses were then utilized in the regression analysis as the dependent variable, representing the MSMEs' financial performance. This approach ensures that the data is captured in a consistent format, enabling a detailed examination of the relationships between microfinance credit and business performance.

After coding the variables, the regression analysis was performed using R. The regression model was defined with MSMEs Financial Performance as the dependent variable and the other variables as independent variables.

The regression model used is:

$$MSMEs\ financial\ performance = \beta_0 + \beta_1(CA) + \beta_2(RP) + \beta_3(I) + \beta_4(C) + \beta_5(EO) + \varepsilon \quad (2)$$

This model helps to assess the impact of different microfinance credit factors on the financial performance of MSMEs in The Gambia.

Table 18: Summary of regression model

Model Summary[b]					
	Min	1Q	Median	3Q	Max
Residuals	-2.26600	-0.26694	-0.0806	0.30449	1.69586
Residual standard error	0.5881 on 153 degrees of freedom				
Multiple R-squared	Adjusted R-squared	F-statistic:			P-value
0.2953	0.2723	12.83 on 5 and 153 DF			2.03e-10
a. Predictors: (Intercept), EO, C, I, CA, RP					
b. Dependent Variable: MSMEs Financial Performance					

Source: Author's computation from the administered questionnaire using

Table 18 presents the results of the regression analysis conducted to examine the impact of microfinance factors on MSMEs' financial performance. The coefficient of determination, R-squared, is 0.2953, indicating that the model can explain approximately 30% of the variability in MSMEs' financial performance in the Greater Banjul Area.

Additionally, the adjusted R-squared value is 0.2723. The adjusted R-squared considers the number of predictors in the model and provides a more accurate measure of the model's explanatory power. This means that approximately 27% of the variability in MSMEs' financial performance in GBA can be explained by the variables included in the regression model, after adjusting for the number of predictors. The model reports a p-value of 2.03e-10, indicating that the overall regression model is statistically significant.

Table 19: Regression Coefficients

Coefficients[a]				
Model	Estimate	Std. Error	t value	Pr(>|t|)
(Intercept)	2.4022	0.28587	8.403	2.79e-14 ***
CA	0.6131	0.19164	3.199	0.00168 **
I	0.1528	0.0536	2.8510	0.00496 **
RP	0.2290	0.04831	4.7400	4.86e-06 ***
C	0.0230	0.10083	0.228	0.82008
EO	-0.0489	0.03664	-1.334	0.18427
Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1				
a. Dependent Variable: MSMEs Financial Performance				

Source: Author’s computation from the administered questionnaire using R

$$MSMEs\ \widehat{financial}\ performance = 2.402 + 0.613(CA) + 0.153(I) + 0.230(RP) + 0.023(C) - 0.049(EO) \quad (3)$$

The regression coefficients reveal the distinct contributions of each independent variable to the overall financial performance of MSMEs in the GBA. The credit amount exhibits a positive coefficient of 0.613, with a p-value of 0.00168. This indicates a statistically significant positive relationship, suggesting that higher credit amounts are associated with an improved financial performance of MSMEs. Similarly, the repayment period shows a positive coefficient of 0.230, with a highly significant p-value of 0.0000, highlighting the importance of flexible repayment terms in enhancing the financial performance of MSMEs. The interest rate also portrays a positive coefficient of 0.153, with a p-value of 0.00496, highlighting that more favourable interest rates conditions positively impact MSMEs' financial performance. These three explanatory variables—credit amount, repayment period, and interest rate—are all positively associated with MSMEs' financial performance and are statistically significant. This suggests that providing larger credit amounts, offering favourable interest rates, and ensuring flexible repayment terms significantly enhance the financial outcomes of MSMEs in the GBA. Notably, the credit amount emerges as the most influential factor among the significant variables, emphasizing the importance of the microcredit amount received by MSMEs in driving their financial performance.

Conversely, the collateral requirement and the entrepreneurial orientation demonstrate different trends. The collateral requirement displays a positive coefficient of 0.023, with a p-value of 0.82008. This positive but statistically insignificant relationship suggests that collateral requirements may not have a substantial impact on MSMEs' financial performance. The entrepreneurial orientation exhibits a negative coefficient of -0.049, with a p-value of 0.18427.

This negative relationship is not statistically significant, implying that while the entrepreneurial orientation is crucial, it may not directly correlate with the financial performance in this context. This suggests that collateral requirement and entrepreneur orientation may not exert a substantial impact on MSMEs' financial performance in the Greater Banjul Area.

Table 20: Pearson's product-moment correlation Analysis

Correlations		
	Pearson Correlation	p-value
	MSMEs Financial Performance	MSMEs Financial Performance
MSMEs Financial Performance	1.000	-
CA	0.323	3.234e-05***
RP	0.434	1.106e-08***
I	0.304	9.858e-05***
C	0.143	0.07206
EO	-0.071	0.3751

Source: Author's computation from the administered questionnaire

As observed from Table 20, there is a moderate positive correlation between credit amount and MSMEs financial performance, with a Pearson correlation coefficient of 0.323. The p-value indicates that this correlation is statistically significant, suggesting that higher credit amounts are associated with better financial performance of MSMEs. A similar trend is observed with the repayment period of credit, with a Pearson correlation coefficient of 0.434 and a highly significant p-value. This implies that more favourable repayment terms significantly enhance MSME financial performance. Additionally, the interest rate also appears to play a role in influencing how well MSMEs perform financially with a Pearson correlation coefficient of 0.304. This significant correlation suggests that favourable interest rates positively impact the financial performance of MSMEs.

On the other hand, collateral requirement shows a weak positive correlation with MSMEs' financial performance, with a Pearson correlation coefficient of 0.143 and a p-value of 0.07206. Although this is a positive correlation, it is not statistically significant, indicating that collateral requirements may not have a substantial impact on MSMEs' financial performance. Moreover, entrepreneurial orientation demonstrates a weak negative correlation with MSMEs' financial performance, with a Pearson correlation coefficient of -0.071 and a p-value of 0.3751. This indicates a weak and statistically insignificant relationship, suggesting that entrepreneurial orientation may not be a significant predictor of MSMEs' financial performance in this context.

5.4. Discussion of Findings

This study has yielded valuable insights into the dynamics of microfinance utilization and its implications for MSMEs sustainability and growth. This section aims to discuss the findings of the study's objectives and to draw a more meaningful understanding of the relationship between microfinance credit and MSMEs' performance in the GBA of The Gambia, leading to the subsequent chapter that will provide conclusions and recommendations, including policy suggestions for policymakers and MFIs.

5.4.1. Descriptive Analysis: Impact of Microfinance Credit

Addressing the first research objective, the descriptive analysis shows that microfinance credit has a significant impact on the financial success of MSMEs, contributing to their growth and overall success. Many respondents noted that microfinance credit positively influenced their revenue growth, with over half seeing a slight increase and a notable portion experiencing a significant impact. This highlights the vital role of microfinance credit in driving business growth and generating additional income for MSMEs.

The analysis also pointed out that microfinance credit positively affects business profitability, with most respondents reporting improvements since they started using microfinance credit. This suggests that access to credit helps these MSMEs improve their financial performance and strengthen their market position. However, it is worth noting that a small percentage of businesses reported no change in profitability, indicating that the impact of microfinance credit can vary across different business contexts.

Regarding market expansion, the findings indicated that microfinance credit aids business growth and market penetration. A significant number of respondents attributed their ability to expand to the availability of microfinance credit. While the majority saw slight facilitation of expansion, a noteworthy portion experienced significant support, highlighting the critical role of microfinance credit in helping businesses grow and diversify.

Overall, this analysis provides strong evidence of the positive impact of microfinance credit on the financial performance and growth of MSMEs in the GBA. By giving businesses access to financial resources, MFIs play a crucial role in promoting entrepreneurship and reducing poverty in the region. These findings emphasize the need for continued investment in microfinance initiatives and for policymakers to create an environment that supports the growth and sustainability of MSMEs in The Gambia.

5.4.2. Descriptive Analysis: Assessment of Credit Utilization Patterns

In line with the second research objective, the study finds diverse patterns in which MSMEs in the GBA utilize microfinance credit. Microfinance credit proves to be a crucial financial lifeline for many MSMEs. A notable number of respondents mentioned that they use the credit primarily for purchasing equipment. This investment is key to enhancing operational capabilities, productivity, and efficiency, which are essential for long-term growth and competitiveness.

Additionally, a significant portion of respondents indicated that they use microfinance credit for working capital. This highlights its importance in managing day-to-day operations, addressing cash flow fluctuations, and meeting short-term financial obligations. Access to working capital is vital for maintaining smooth business operations and supporting growth initiatives, highlighting the critical role of microfinance credit in sustaining business viability.

The findings also showed that microfinance credit is a catalyst for business expansion. Many respondents reported using credit to finance growth initiatives such as entering new markets, launching new products or services, or scaling up existing operations. These expansion investments are crucial for capitalizing on growth opportunities and reaching new customers, highlighting the important role of microfinance credit in fostering business growth and market penetration.

Interestingly, while fewer respondents used microfinance credit for marketing and advertising, this still highlights the importance of credit in funding promotional activities aimed at increasing brand visibility, attracting customers, and driving sales growth. Even though this use was less common, it demonstrates how microfinance credit supports businesses' efforts to enhance their market presence and competitiveness.

5.4.3. Descriptive Analysis: Analysis of Factors Influencing the Growth

Access to microfinance credit is crucial for driving sustained growth among MSMEs, as highlighted by the third research objective. Many respondents reported that microfinance credit had a positive impact on their business growth. This emphasizes the importance of accessible credit for funding expansion initiatives, purchasing equipment, and managing daily operations, all of which contribute to long-term sustainability and competitiveness.

Regarding the introduction of new products or services, a significant number of respondents attributed positive changes to microfinance credit. While many acknowledged its role in fostering innovation and diversification within their businesses, others noted a more moderate impact. This variation suggests that while microfinance credit helps MSMEs explore new opportunities and adapt to market demands, its influence on innovation may differ depending on specific business contexts.

Opinions on the regulatory environment's effect on MSMEs growth were mixed. While many respondents saw it as a positive influence, a notable portion expressed concerns about regulatory challenges hindering MSME development. This stresses the need for a supportive regulatory framework that promotes business growth while addressing barriers that can impede entrepreneurial activities.

Additionally, the majority of respondents recognized the positive impact of technology adoption on their business growth and sustainability. This highlights the transformative role of technology—such as digital platforms and online marketing—in improving operational efficiency, expanding market reach, and driving innovation within MSMEs. Technology is evidently a key factor in the ongoing growth and success of these businesses.

5.4.4. Regression Analysis: Factors Influencing Financial Performance

The findings of the regression analysis offer valuable insights into the factors influencing the financial performance of MSMEs. Among the variables examined, credit amount, interest rate, and credit repayment period stand out as the most influential factors, each showing a positive and statistically significant relationship with financial performance. This highlights the crucial role of favourable credit conditions in supporting MSMEs profitability and sustainability. MSMEs benefit greatly from higher credit amounts, lower interest rates, and extended repayment periods, which empower them to effectively manage cash flow, invest in growth initiatives, and enhance their competitive edge in the market.

In contrast, factors like collateral requirement and entrepreneurial orientation exhibit varying degrees of influence on financial performance, although not statistically significant. While collateral shows a positive trend, suggesting a potential contribution to financial performance, its lack of statistical significance implies a less pronounced impact compared to credit amount, interest rates, and repayment terms. Similarly, entrepreneurial orientation appears to have minimal effects on financial performance, indicating that these factors may not significantly influence MSMEs profitability in The GBA's context.

Additionally, the correlation analysis sheds further light on the relationships between microfinance credit factors and MSMEs' financial performance. While interest rate, credit repayment period, and credit amount demonstrate moderate correlations with financial performance, collateral requirement and entrepreneurial orientation show weaker correlations. These findings agree with the results of the regression analysis, providing further validation of the identified patterns.

Overall, the regression analysis highlights the critical importance of credit amount, interest rates, and repayment terms in shaping MSMEs' financial performance in The Gambia. Armed with this understanding, policymakers and MFIs can tailor interventions and policies to cultivate favourable credit conditions, prompt MSMEs growth, and strengthen their overall sustainability in the GBA. The subsequent chapter will draw meaningful conclusions from these findings and offer actionable recommendations, including policy suggestions for policymakers and MFIs, in line with the fourth research objective.

Conclusions and Recommendations

In this section, the study consolidates the findings drawn from the comprehensive analysis conducted in the preceding chapter. It presents a summary of the findings, set out meaningful conclusions, and formulates actionable recommendations based on the research insights. Additionally, the study underlines recommendations for future research, providing a roadmap for further exploration in the dynamic intersection of microfinance and MSMEs in The Gambia.

Summary of Findings

The findings of the study reveal various aspects of microfinance credit and its impact on the performance of MSMEs in The Gambia. The study found almost equal gender distribution among MSMEs participants, with 57% females and 43% males, indicating a diverse range of perspectives within the sector. Additionally, most of the participants fell within the age bracket of 29 to 40 years, highlighting the active working age group driving MSME activities. The analysis also showcased varied levels of educational backgrounds, with secondary education being the most prevalent at 36.6%, followed by vocational training at 28%.

Regarding business operation, a considerable portion of respondents, 16.6%, reported operating their businesses for less than a year. Additionally, 36.6% of respondents indicated operating their businesses for a duration ranging from 2 to 4 years, indicating a substantial presence of relatively established enterprises within this timeframe. Most notably, most of the respondents claimed to have been operating for more than 5 years, implying a significant level of longevity and sustainability within the MSME sector. Furthermore, the study revealed that a significant proportion of businesses are operated solely by self-employed individuals (30.1%), with the majority employing between 1 to 5 employees.

The findings highlight the significance of microfinance credit as a vital financial resource for MSMEs in The Gambia, with diverse usage patterns observed, including equipment purchase, working capital, and business expansion. While a majority of MSMEs find the credit amounts sufficient, challenges such as limited access, lack of financial education, and complex application processes persist for some businesses.

The regression analysis demonstrates that credit amount, interest rates, and credit repayment periods significantly impact MSMEs' financial performance, emphasizing the importance of favourable credit factors in driving business profitability and sustainability. However, other factors such as collateral requirement and entrepreneurial orientation do not show statistically significant relationships with financial performance, suggesting that while these factors may play a role, their influence is less pronounced compared to credit amount, interest rates, and repayment terms.

Conclusions

Based on the findings, the study draws several conclusions regarding the role of microfinance credit on the performance of MSMEs in The Gambia. Microfinance credit emerges as a vital tool for fostering the growth and sustainability of MSMEs, primarily by providing access to capital for investment and expansion. The influence of microfinance credit factors on MSMEs' financial performance is evident, particularly in terms of the credit amount, interest rates, and the credit repayment periods.

The regression analysis highlights the critical importance of credit amount, revealing a statistically significant impact on MSMEs' financial performance. Notably, the credit amount emerges as the most influential factor, showing a coefficient of 0.6131. This highlights the necessity to heighten the number of credits offer to MSMEs to further enhance their financial performance.

However, the study also reveals non-statistically significant effects for factors such as collateral requirement and entrepreneurial orientation. While these factors may not directly influence financial performance to the same extent as credit amount, interest rates, and repayment periods, their nuanced roles warrant further investigation. The complexity of these variables suggests the need for additional research to explain their effects on MSMEs' financial performance comprehensively.

Recommendations

Based on the findings and conclusions of the study, several recommendations were proposed to enhance the role of microfinance credit in supporting the improvement of MSMEs in The Gambia:

Policy Suggestions

Policy Support:

Policymakers should prioritize creating an enabling environment for MSMEs by implementing policies that promote access to affordable credit, streamline collateral requirements, and support entrepreneurial development. Key initiatives could include:

- Tax incentives for lenders: Providing tax breaks and other incentives to banks and financial institutions that offer loans to MSMEs at reduced interest rates. This can make it more attractive for lenders to engage more with the MSME sector in The Gambia.

- Government-backed loan programs: Implementing credit guarantee schemes to encourage banks to lend to MSMEs at lower interest rates, thereby reducing the financial risk for banks and the MFIs.

- Central Bank Policies: The CBG can offer low-interest refinancing facilities to commercial banks specifically for loans to MSMEs. Setting priority sector lending targets for banks ensures that a portion of their lending caters to MSMEs, potentially at lower interest rates.

Microfinance Institutions Practices

Product Innovation:

Microfinance institutions should focus on developing innovative credit products tailored to the needs of MSMEs. This may include:

- Flexible repayment terms: Offering repayment schedules that align with the cash flow patterns of MSMEs, reducing financial burden and improving loan performance.

- Targeted financial assistance programs: Designing loan products that address specific financing needs of MSMEs, such as working capital loans, equipment financing, or business expansion loans. By offering customized credit solutions, microfinance institutions can better meet the diverse financing needs of MSMEs and support their growth aspirations.

Financial Literacy Programs:

MFI should prioritize the implementation of financial literacy programs targeted at MSMEs. These programs can empower entrepreneurs with the knowledge and skills necessary to make informed financial decisions, manage credit effectively, and optimize the use of microfinance resources for business growth.

MSMEs Strategies

Entrepreneurial Training:

MSMEs should prioritize investing in entrepreneurial training and capacity-building initiatives. By enhancing their entrepreneurial skills and mindset, business owners can better navigate challenges, seize opportunities, and drive business growth.

Collaboration and Partnership:

MSMEs should actively seek out collaborative partnerships with MFI, policymakers, and other stakeholders. By leveraging these partnerships, MSMEs can access valuable resources, expertise, and support services to strengthen their business operations and enhance their growth prospects.

These recommendations aim to address the diverse needs and challenges faced by MFIs and MSMEs in The Gambia, ultimately fostering an environment conducive to MSME growth, which will further contribute to economic development. Additionally, leveraging existing financial inclusion initiatives, such as the National Financial Inclusion Strategy led by the Central Bank of The Gambia, can further support the goals of enhancing access to finance for MSMEs and promoting financial inclusion for vulnerable groups.

Suggestion for further study

While this study has provided valuable understandings into the role of microfinance credit in supporting MSMEs in The Gambia, there are several areas for further research that could expand our understanding and contribute to the ongoing development of the microfinance sector. Some potential areas for future study include:

Exploring Refinancing Facilities: Investigate the potential impact of introducing refinancing facilities specifically tailored for MSMEs in The Gambia. This study would delve into the feasibility and effectiveness of such facilities, assessing their potential to influence commercial banks' lending practices, improve MSMEs' access to credit, and ultimately enhance their financial performance. By examining the viability and implications of introducing refinancing facilities, policymakers and stakeholders can gain valuable insights to inform decisions aimed at bolstering the microfinance landscape and supporting this small business development.

Effects of Collateral Requirement: Investigate the nuanced effects of collateral requirement on MSME financial performance. While this study found non-statistically significant relationships for this credit factor, further research could explore its indirect influences on business outcomes. By conducting qualitative interviews or case studies, researchers can show how variations in collateral requirement impact MSMEs' investment decisions, growth paths, and risk management strategies.

Role of Entrepreneurial Orientation: Delve deeper into the role of entrepreneurial orientation in shaping MSME performance. Despite not showing statistically significant relationships in this study, the entrepreneurial orientation remains a crucial determinant of business success. Future research could examine how factors such as innovativeness, risk-taking propensity, and proactive business strategies influence MSME growth and resilience. By gaining insights into the drivers of entrepreneurial behaviour, policymakers and practitioners can design targeted interventions to foster an entrepreneurial ecosystem conducive to MSME development.

Generalizability Across LGAs: Given that this study focused on the Greater Banjul Area, future research could replicate the study in other regions to determine the applicability of findings nationwide. By examining variations in microfinance access, utilization patterns, and business dynamics across different LGAs, researchers can identify region-specific challenges and opportunities for MSMEs and tailor interventions accordingly.

Appendices

Appendix A: Detailed Description of the 3As in the Global Entrepreneurial Index (GEI)

The Three A's	Pillars	Descriptions
Entrepreneurial Attitudes Pillars	Pillar 1: Opportunity Perception:	• Individual Variable - Opportunity Recognition: Measures the percentage of the population capable of identifying viable opportunities for starting a business in their locality. • Institutional Variable - Freedom and Property: Comprises Economic Freedom and Property Rights, reflecting the overall regulatory burden and property rights enforcement, essential for successful opportunity exploitation.
	Pillar 2: Startup Skills:	• Variable - Skill Perception: Evaluates the percentage of the population believing they possess sufficient startup skills. • Education's Role: Emphasizes the role of education, especially postsecondary, in imparting formal entrepreneurial skills and supporting business activities.
	Pillar 3: Risk Acceptance:	• Variable - Risk Perception: Measures the percentage of the population not hindered by fear of failure, a crucial factor in startup initiation. • Country Risk: Reflects the transfer and convertibility risk of a country, correlating with business risk perception.
	Pillar 4: Networking:	• Variable - Know Entrepreneurs: Gauges the percentage of the population personally acquainted with entrepreneurs who started businesses within two years. • Connectivity Variables: Includes Urbanization and Infrastructure, assessing the country's networking potential.
	Pillar 5: Cultural Support:	• Variable - Career Status: Average percentage of the population endorsing entrepreneurship as a good career choice with high status. • Institutional Variable - Corruption: Measures the impact of corruption on the status and career paths of legitimate entrepreneurs.
Entrepreneurial Abilities Pillars	Pillar 6: Opportunity Startup:	• Variable - Opportunity Motivation: Indicates the percentage of Total Entrepreneurial Activity (TEA) businesses started to exploit good opportunities. • Good Governance and Taxation: Reflects overall government service effectiveness and governance costs.

	Pillar 7: Technology Absorption:	• Variable - Tech Absorption: Measures a country's capacity for firm-level technology absorption. • Technology Level: Reflects the prevalence of businesses in technology sectors.
	Pillar 8: Human Capital:	• Variable - Educational Level: Captures the quality of entrepreneurs based on their level of education. • Institutional Variables - Labor Freedom and Staff Training: Assess labor market freedom and investment in business training and employee development.
	Pillar 9: Competition:	• Variable - Competitors: Indicates the percentage of TEA businesses facing only a few competitors. • Institutional Variable - Competition: Combines Regulation and Market Dominance, assessing the effectiveness of regulatory bodies.
Entrepreneurial Aspirations Pillars	Pillar 10: Product Innovation:	• Variable - Technology Transfer: Measures the potential for new product innovation related to technology and innovation transfer.
	Pillar 11: Process Innovation:	• Variable - New Tech: Measures the percentage of businesses with technology less than five years old. • Institutional Variable - Science: Combines R&D, quality of scientific institutions, and availability of scientists and engineers
	Pillar 12: High Growth:	• Variable - High Growth: Combines the percentage of high-growth businesses, business strategy sophistication, and venture capital financing possibility.
	Pillar 13: Internationalization:	• Variable - Internationalization: Captures the degree of a country's entrepreneurs' internationalization, measured by exporting potential.
	Pillar 14: Risk Capital:	• Variable - Informal Investment: Measures informal investment as a percentage of the population age 18-64. • Institutional Variable - DCM: Complex measure of the size and liquidity of the stock market, IPO, M&A, and debt and credit market activity.

Source: Global Entrepreneurship and Development Institute, 2019

Appendix B: The Global Entrepreneurship Index Rank of All Countries, 2019

Global rank	Country	Score
1	United States	86.8
2	Switzerland	82.2
3	Canada	80.4
4	Denmark	79.3
5	United Kingdom	77.5
6	Australia	73.1
7	Iceland	73.0
8	Netherlands	72.3
9	Ireland	71.3
10	Sweden	70.2
11	Finland	70.2
12	Israel	67.9
13	Hong Kong	67.9
14	France	67.1
15	Germany	66.7
16	Austria	64.9
17	Belgium	62.2
18	Taiwan	62.1
19	Chile	58.3
20	Luxembourg	58.1
21	Korea	58.1
22	Estonia	57.8
23	Slovenia	56.5
24	Norway	56.1
25	United Arab Emirates	54.2
26	Japan	53.3
27	Singapore	52.4
28	Qatar	51.6
29	Poland	49.5
30	Puerto Rico	48.7
31	Spain	46.9
32	Portugal	46.3
33	Hungary	46.2
34	China	45.9
35	Cyprus	45.6
36	Italy	45.1
37	Lithuania	44.1
38	Bahrain	43.8
39	Oman	43.6
40	Czech Republic	43.5
41	Slovakia	42.6
42	Saudi Arabia	42.1
43	Malaysia	40.1
44	Turkey	39.8
45	Latvia	39.3
46	Romania	38.6
47	Kuwait	37.4
48	Brunei Darussalam	36.5
49	Croatia	36.1
50	Greece	35.4
51	Botswana	34.4
52	Colombia	34.1
53	Tunisia	34.0
54	Thailand	33.5
55	Barbados	32.2
56	Azerbaijan	32.1
57	Montenegro	31.8
58	South Africa	31.6
59	Kazakhstan	31.0
60	Uruguay	30.1
61	Bulgaria	30.1
62	Namibia	30.0
63	Jordan	29.4
64	Iran	29.4
65	Costa Rica	28.8
66	Lebanon	28.8
67	Serbia	28.6
68	Morocco	28.3
69	Peru	27.7
70	Mexico	27.1
71	Georgia	26.2
72	Belize	26.2
73	Vietnam	26.0
74	Argentina	26.0
75	Indonesia	26.0
76	Panama	25.5
77	Ukraine	25.2
78	India	25.1
79	Jamaica	24.8
80	Russia	24.8
81	Egypt	24.6
82	Armenia	24.3
83	Gabon	23.8
84	Dominican Republic	23.6
85	Macedonia	23.1
86	Philippines	23.0
87	Albania	22.5
88	Algeria	22.4
89	Bolivia	22.1
90	Trinidad and Tobago	21.7
91	Ghana	21.6
92	Nigeria	20.8
93	Senegal	20.3
94	Moldova	20.2
95	Rwanda	20.0
96	Kenya	19.8
97	Bosnia and Herzegovina	19.5
98	Tajikistan	19.4
99	Kyrgyz Republic	19.2
100	Côte d'Ivoire	19.1
101	Sri Lanka	19.1
102	Lao PDR	19.1
103	Swaziland	18.8
104	Guatemala	18.7
105	Ecuador	18.5
106	Suriname	18.4
107	Myanmar	18.1
108	Cambodia	17.7
109	Pakistan	17.3
110	Tanzania	17.3
111	Ethiopia	17.2
112	Honduras	17.2
113	Gambia, The	17.1
114	Libya	16.6
115	Paraguay	16.6
116	Zambia	16.3
117	Guyana	16.3
118	Brazil	16.1
119	Nicaragua	16.1
120	El Salvador	15.7
121	Cameroon	15.6
122	Guinea	15.5
123	Mali	15.3
124	Angola	15.1
125	Uganda	14.8
126	Liberia	14.8
127	Burkina Faso	13.4
128	Benin	13.3
129	Venezuela	13.1
130	Mozambique	12.8
131	Sierra Leone	12.7
132	Bangladesh	12.5
133	Malawi	11.6
134	Mauritania	10.5
135	Burundi	10.2
136	Madagascar	9.1
137	Chad	8.8

Source: Global Entrepreneurship and Development Institute, 2019

Appendix C: Questionnaire for Assessing the Impact of Microfinance Credit on MSMEs' Financial Performance:

Section 1: Business Profile

1. Business Category/Industry Segments:

   [ ] Agricultural Products [ ] Health Services [ ] Manufactured Products

   [ ] Information and Communication Technology Services [ ] Restaurant and Entertainment [ ] Tourism and Hospitality [ ] Workshops and Repair Contractors

   [ ] Fashion [ ] Skill Center [ ] Others

2. Years in Operation:

   [ ] Less than a year [ ] 2 to 4 years [ ] Over 5 years

3. Number of Employees:

   [ ] None [ ] 1 to 5 [ ] Above 5

4. Is your business registered?

   [ ] Yes [ ] No

Section 2: Credit History

1. Have you utilized credit from a Microfinance Institution (MFI) for your business?

   [ ] Yes [ ] No

2. If yes, has your business obtained more than one loan from a MFIs?

   [ ] Yes [ ] No [ ] Not Applicable

3. What types of services have you received from MFIs?

   [ ] Microcredit [ ] Business Advisory Services [ ] Equipment

   [ ] Training [ ] Not Applicable [ ] Others

4. How did you become aware of the services offered by MFIs?

   [ ] Social Media (Company's Website) [ ] MFIs' Outreach Programs

   [ ] Word of Mouth/A Friend [ ] Advertisement (Radio, Local Newspaper, and/or Television)

   [ ] Other

5. How would you rate the process of obtaining a loan from MFIs?

   [ ] Very Satisfactory [ ] Satisfactory [ ] Neural

   [ ] Unsatisfactory [ ] Very Unsatisfactory

6. How long did it take to obtain a loan from MFIs, including the duration from application submission to approval and eventual disbursement?

[ ] Less than a month [ ] 1 to 6 months [ ] 6 to 12 months [ ] More than a year

Section 3: Purpose of Microfinance Credit

1. What specific purposes do you typically utilize microfinance credit for in your business? (Select all that apply)

   [ ] Working Capital [ ] Equipment or Machinery Purchase [ ] Business Expansion

   [ ] Marketing and Advertising [ ] Others, please specify ….

Section 4: Credit Amount

1. On average, what is the typical amount of microfinance credit your business applies for?

   [ ] Less than GMD 10,000 [ ] GMD 10,001 – GMD 50,000

   [ ] GMD 50,001 – GMD 100,000 [ ] More than GMD 100,000

2. To what extent do you believe that the credit amounts offered by MFIs are sufficient for implementing your business ideas?

   [ ] Very Inadequate [ ] Inadequate [ ] Neutral [ ] Adequate [ ]Very Adequate

3. The approved credit amount aligns with the initially applied loan amount submitted to the microfinance institutions.

   [ ] Strongly Disagree [ ] Disagree [ ] Neural [ ] Agree [ ] Strongly Agree

Section 5: Credit Repayment:

1. How do you manage the repayment of microfinance credit? Please select the most applicable option:

   [ ] Monthly Instalments [ ] Lump Sum Payment [ ] Bi-monthly Instalments

   [ ] Quarterly Instalments [ ] Other

2. To what extent do you find the credit repayment period favourable to your business?

   [ ] Highly Favourable [ ] Somewhat Favourable [ ] Neutral [ ] Somewhat Unfavourable

   [ ] Highly Unfavourable

3. The duration of loan repayment is flexible.

   [ ] Strongly Agree [ ] Agree [ ] Neutral [ ] Disagree [ ] Strongly Disagree

4. The time given to repay the loan does not negatively influence the business cash flow.

   [ ] Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree

Section 6: Interest Rates:

1. What is the standard interest rate associated with the microfinance credit your business has accessed?

   [ ] Fixed [ ] Variable [ ] Don’t know.

2. Please provide the range of interest rates that you have been charged for microfinance credit.

[ ] Interest Free [ ] 1% to 5% [ ] 5% to 10% [ ] 10% to 20% [ ] More than 20%

3. To what extent has the interest rate on the microfinance credit affected your business's cash flows?

[ ] Significantly decreased. [ ] Slightly decreased. [ ] No significant impact

[ ] Slightly increased. [ ] Significantly increased.

Section 7: Impact on Revenue Growth:

1. How has microfinance credit impacted your business's revenue growth in the last 24 months?

   [ ] Significantly Decreased [ ] Slightly Decreased [ ] No Impact

   [ ] Slightly Increased [ ] Significantly Increased

2. Have you observed an improvement in your business profitability since utilizing microfinance credit?

   [ ] Significant Decline [ ] Slight Decline [ ] No Change [ ] Slight Improvement

   [ ] Significant Improvement

3. How has the availability of microfinance credit impacted your business's expansion into new markets?

   [ ] Significantly facilitated expansion into new markets

   [ ] Slightly facilitated expansion into new markets

   [ ] No noticeable impact on expansion into new markets

Section 8: Sustained Growth and Longevity

1. How would you rate the influence of access to microfinance credit on the sustained growth of your business?

   [ ] Strongly Disagree [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly Agree

2. How has the availability of microfinance credit contributed to the introduction of new products or services in your business?

   [ ] Significantly [ ] Moderately [ ] Slightly [ ] Not at all

3. To what extent do you believe that the regulatory environment in The Gambia positively influences the sustained growth and longevity of MSMEs?

   [ ] Very Positively [ ] Positively [ ] Neutral [ ] Negatively [ ] Very Negatively

4. How would you rate the impact of technology adoption (e.g., digital platforms, online marketing) on the growth and sustainability of your business?

[ ] Very Positive [ ] Positive [ ] Neutral [ ] Negative [ ] Very Negative

Section 9: Challenges

1. What issues, if any, have you encountered in utilizing microfinance credit for your business:

   [ ] High-interest rates [ ] Limited access to credit [ ] Complex application processes

   [ ] Strict collateral requirements [ ] Inflexible repayment schedules

   [ ] Lack of financial education and guidance [ ] No issues encountered. [ ] Others

2. Are there collateral requirements associated with the microfinance credit you have accessed?

   [ ] Yes [ ] No

3. If yes, please assess the difficulty level in meeting these collateral requirements.

   [ ] Not Difficult [ ] Slightly Difficult [ ] Very Difficult [ ] Extremely Difficult

4. During your application for microfinance credit, which type(s) of collateral were you asked to provide/did you provided?

____

____

5. The collateral value is not the key requirement for the business to qualify for microfinance credit.

   [ ] Strongly Agree [ ] Agree [ ] Neural [ ] Disagree [ ] Strongly Disagree

Section 10: Entrepreneurial Orientation

1. I have been doing the same business since its establishment.

   [ ] Strongly disagree. [ ] Disagree [ ] Neutral [ ] Agree [ ] Strongly agree.

2. To what extent does your business actively seek out new opportunities and innovations to stay ahead in the market?

   [ ] Very High [ ] High [ ] Moderate [ ] Low [ ] Very Low

3. How willing is your business to take calculated risks to achieve long-term objectives?

   [ ] Very Willing [ ] Willing [ ] Neural [ ] Unwilling [ ] Very Unwilling

4. To what degree does your business encourage and support proactive behaviors among its employees?

   [ ] To a Very High Degree [ ] To a High Degree [ ] To a Moderate Degree

   [ ] To a Low Degree [ ] To a Very Low Degree

5. How would you rate the level of innovation within your business operations?

[ ] Very Innovative   [ ] Innovative   [ ] Neural

[ ] Not Very Innovative   [ ] Not Innovative at All

6. Does your business actively seek feedback from customers and use it to improve products or services?

   [ ] Always   [ ] Often   [ ] Occasionally   [ ] Rarely   [ ] Never

7. How quickly does your business adapt to changes in the market or industry trends?

   [ ] Very Quickly   [ ] Quickly   [ ] Moderately   [ ] Slowly   [ ] Very Slowly

<u>Section 11: Owner's Information</u>

1. Gender

   [ ] Male   [ ] Female

2. Age group

   [ ] Below 18   [ ] 18 to 28   [ ] 29 to 40   [ ] Above 40

3. Level of education

   [ ] No Formal Education   [ ] Primary Education   [ ] Secondary Education

   [ ] Vocational Training   [ ] Tertiary Education

<u>Section 12: Additional Comments or Recommendation</u>

Please use this space to provide any additional comments or insights regarding the impact of microfinance credit on your business.

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