

**Access to Finance and Its Effects on the Performance of Local Businesses in Freetown, Sierra Leone**

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**Abstract**

Access to finance is a critical factor influencing the growth and sustainability of small and medium-sized enterprises (SMEs), particularly in developing economies. This study investigates the effect of access to finance on the performance of local businesses in Freetown. The research identifies the sources of finance available, the challenges encountered in obtaining external funding, and the overall impact of financing on business performance.

The study employs a mixed-method approach, involving questionnaires distributed to staff, suppliers, and customers, alongside semi-structured interviews with management. The data were analysed using descriptive statistics and thematic analysis.

The findings reveal that businesses, especially Goodies Supermarket, rely on both debt and equity financing. Businesses face significant challenges such as high interest rates, strict collateral requirements, and seasonal revenue fluctuations. These constraints hinder operational consistency and limit expansion opportunities. Nevertheless, access to finance was shown to be vital for inventory management, technological investment, and competitiveness in the retail sector.

The study recommends strong financial record-keeping, creation of reserve funds, and gradual adoption of modern technologies. It also highlights the need for flexible financial products, supportive government policies, and further research into informal financing and comparative retail studies.

**Keywords:** Small and Medium Enterprises, Financial Challenges, Retail sector; Debt Financing, Equity Financing.

## **1.0 Introduction**

Access to finance has always been a key factor for the success and growth of businesses everywhere. In Sierra Leone, retail businesses form a huge part of the local economy, providing goods, services, and employment opportunities. Yet, for many of these businesses, getting access to finance remains a serious challenge. Without enough funding, it becomes difficult for them to stock up goods, invest in better infrastructure, adopt new technologies, or even expand to meet growing customer demands.

Local businesses in Freetown, Sierra Leone—especially small and medium-sized enterprises (SMEs)—are the engine of the domestic economy. They contribute significantly to employment creation, poverty alleviation, and grassroots economic development. However, despite their importance, these businesses often encounter major challenges in accessing adequate and affordable finance from formal financial institutions.

Common obstacles include stringent collateral requirements, high interest rates, limited financial literacy, weak credit history, and underdeveloped financial infrastructure. These constraints limit their ability to meet working capital needs, invest in new technologies, expand market presence, and improve overall productivity.

Over the years, various initiatives by the government, development partners, and financial institutions have aimed to improve financial inclusion and support local enterprises. Nevertheless, access to finance remains one of the most persistent bottlenecks undermining the performance and growth potential of the local business sector. Understanding the link between finance and business performance is therefore crucial to formulating effective policies and financial solutions that are responsive to the realities on the ground.

This study is focused on exploring the experiences of businesses including Goodies Supermarket regarding access to finance—what challenges they face, how they manage those challenges, and most importantly, how all of these affect their overall performance. By using real experiences and practical examples, the goal is to get a clearer and deeper understanding of the relationship between finance and business performance of local retail businesses in Freetown.

Sierra Leone economy has gone through several phases of struggle and recovery over the past few decades. The country is still dealing with the long-term consequences of the civil war (1991–2002), which destroyed much of its infrastructure and set back development by years. Following that, the Ebola outbreak of 2014–2016 created another major setback by disrupting trade, slowing down economic activities, and discouraging foreign investment. Just as the economy was beginning to stabilise, the COVID-19 pandemic emerged in 2020, once again creating serious challenges for businesses and households alike. These overlapping crises have left lasting scars on the nation's economic growth and resilience.

Despite these challenges, Sierra Leone is a country with immense potential. It is rich in natural resources such as diamonds, bauxite, rutile, and gold, and its fertile land supports agriculture

which employs the majority of the population. However, the paradox is that while the country has abundant resources, it remains heavily dependent on importation of essential goods, particularly food and other manufactured products. This reliance on imports often puts pressure on foreign exchange reserves and exposes the economy to global market fluctuations.

The private sector, especially small and medium-sized enterprises (SMEs), plays a vital role in driving economic activity. Retail businesses in particular are at the heart of urban life, meeting the daily needs of citizens while also providing employment opportunities for many young people. Supermarkets and small shops alike are key in ensuring that goods reach consumers in a reliable and timely way. However, their growth is frequently held back by issues such as limited access to affordable credit, high interest rates, inadequate infrastructure, and an underdeveloped financial system.

Another challenge facing the economy is high inflation, which has reduced people's purchasing power and made it difficult for businesses to maintain stable prices. Exchange rate instability and rising costs of imports also affect the ability of local businesses to stock products competitively. For retail businesses, including supermarkets, this means constant struggles to balance between meeting customer needs and staying profitable.

Overall, Sierra Leone's economy shows resilience, but it is still fragile. The government has introduced several reforms aimed at improving financial inclusion, strengthening the banking sector, and encouraging investment, yet progress is retarded. For businesses like Goodies Supermarket, operating in this kind of environment requires creativity, adaptability, and, most importantly, access to sustainable financing options to expand, compete, and survive in a competitive retail market.

## **2. The Problem Statement**

Access to finance remains a critical challenge for local businesses in Sierra Leone, particularly for small and medium-sized enterprises (SMEs), which constitute the backbone of the country's private sector. Despite their potential to drive economic growth, create jobs, and reduce poverty, many local businesses struggle to obtain the financial resources needed to start, sustain, or expand their operations. The financial sector in Sierra Leone is characterised by limited credit availability, high collateral requirements, unfavorable interest rates, and weak financial infrastructure, all of which constrain the ability of businesses to secure funding.

This financial gap has significantly hindered the performance and competitiveness of local enterprises, resulting in low productivity, poor innovation, limited market reach, and business closures. While government and donor-funded programmes have made efforts to improve access to finance, the impact remains uneven, and the root causes of financial exclusion persist.

There is a critical need to examine how the availability—or lack—of financial resources affects the operational efficiency, growth prospects, and long-term sustainability of local businesses in Sierra Leone. Understanding these dynamics is essential for policymakers, financial institutions,

and development partners to design targeted interventions that enhance financial inclusion and stimulate private sector development.

This study seeks to explore the extent to which access to finance influences the performance of local businesses in Sierra Leone, identify the key barriers they face in obtaining finance, and assess the effectiveness of existing financial support mechanisms.

The heart of the problem is that without easier and more reliable access to finance, even strong businesses like Goodies can find themselves stuck or left behind. This study, therefore, looks closely at these issues and tries to understand how they play out in the real-world setting of a leading retail business in Freetown.

### **3. Literature Review**

#### *3.1 Theoretical Literature*

Several theories provide a framework for understanding the link between access to finance and the performance of businesses. These theories help to explain why some firms thrive when they have financial backing while others struggle under financial constraints. Such theories include:

#### ***Pecking Order Theory***

Proposed by Myers and Majluf (1984), this theory explains how businesses prioritise their financing options. It argues that firms generally prefer internal financing, such as reinvesting profits, before turning to external funds like bank loans or issuing shares. The reason is that external financing often comes with high costs, interest burdens, and sometimes loss of control. For instance, a business-like Goodies Supermarket may prefer gradual expansion using retained earnings instead of bank credit, mainly because of the high interest rates and repayment risks associated with borrowing in Sierra Leone.

#### ***Resource-Based View***

According to Barney (1991), a firm's resources—both tangible and intangible—are the main drivers of its sustained competitive advantage. Access to finance is seen as a critical resource that allows firms to acquire stock, upgrade systems, and improve services. For example, if Goodies secures consistent financing, it can enhance its customer experience and stand out from competitors who may be struggling with liquidity.

#### ***Trade-Off Theory***

Kraus and Litzenberger (1973) introduced the Trade-Off Theory, which suggests that firms balance the benefits and costs of debt financing. While debt offers tax advantages, it also comes with risks of bankruptcy and financial distress. For a business like Goodies, this means carefully weighing the benefits of using debt to expand against the potential risks of being unable to meet repayments in difficult times.

***Financial Constraint Theory***

Fazzari, Hubbard, and Petersen (1988) developed this perspective, highlighting how firms facing financial constraints are unable to invest in profitable opportunities, even when such opportunities exist. This theory is particularly relevant in developing countries like Sierra Leone, where businesses often miss growth chances because banks demand collateral or impose strict conditions that SMEs cannot meet.

***Agency Theory***

Jensen and Meckling (1976) proposed Agency Theory, which looks at conflicts of interest between managers and owners, especially in relation to financing. When businesses rely heavily on external finance, lenders often impose monitoring and control measures. This can affect how resources are used. For Goodies, relying too much on loans might mean stricter oversight by banks, which could limit managerial flexibility in making operational decisions.

***Modern Growth Theory***

Romer (1986) introduced ideas that became central to modern growth theory, which sees finance as a key driver of innovation and business expansion. The theory argues that financial access allows businesses to invest in technology, training, and infrastructure, which in turn contributes to long-term growth. Applied to Goodies, consistent financing could support investments in modern retail systems, supply chain efficiency, and customer experience, all of which boost long-term performance.

These theories help to frame the way financial access influences decision-making and outcomes in a real business setting.

***3.2 Empirical Literature***

Several empirical studies have been conducted across different countries to examine the relationship between access to finance and business performance.

Beck, Demirgüç-Kunt, and Maksimovic (2005) examined cross-country study, analysed data from 54 nations using firm-level surveys and econometric modeling. The findings highlighted that access to finance is one of the most significant determinants of firm's growth, especially in developing economies, where financial constraints are more severe.

Abor and Biekpe (2007) assessed the impact of financing options on business growth using survey data from small and medium enterprises (SMEs) in Ghana. The study employed regression analysis and found that businesses with access to long-term financing demonstrated significant improvements in growth and profitability compared to those relying mainly on short-term credit.

Akingunola (2011) explored the link between access to finance and survival rates in Nigeria. The study adopted a correlation analysis method using financial data from SMEs. The study revealed

that without reliable financing sources, many SMEs were unable to withstand even minor operational challenges, which often led to business collapse.

Beck and Cull (2014) assessed how financial development influences SME growth using a panel data approach across African countries. The findings showed that stronger banking systems and microfinance programmes reduce financing constraints and improve firm's performance.

Muriithi (2017) examined financing constraints in technology and market expansion. The study employed a descriptive survey design with 200 SMEs. The study revealed that limited credit access restricted investment in technology and market expansion, resulting in slow growth and vulnerability to shocks in Kenya.

Fowowe (2017) examined the role of credit in enhancing firm performance in Sub-Saharan Africa. The study used World Bank Enterprise Survey data and econometric analysis. The study showed that financial access constraints significantly reduced firm growth, productivity, and employment creation, underscoring the role of credit in enhancing firm performance.

Sesay (2021) examined the impact of personal savings and informal lending circles ("osusu") in Sierra Leone. The study adopted a qualitative case study approach using interviews with small business owners. The study found that most entrepreneurs relied heavily on personal savings and informal lending circles, citing distrust in banks due to high charges and bureaucracy.

Conteh and Fornah (2022) investigated the effect of external financing on economic growth in Sierra Leone. This study employed a combined surveys and financial statement reviews. The findings revealed that some of the most successful businesses expanded significantly only after gaining access to foreign-backed loans or donor grants, showing how external financing can provide a breakthrough for growth.

## **4. Research Methodology**

### *4.1 Research design*

The research design used for this study is a case study approach. This approach was chosen because it helped to focus closely on one specific business, Goodies Supermarket and it helped in understanding its internal challenges and experiences when it comes to accessing finance. A case study gives the space to look at the issue in depth rather than broadly. It also allowed the study to explore the situation as it exists in a real-life context, which makes the findings more practical and relatable.

In addition to the case study structure, a qualitative method of research was embraced. This was done because of the kind of questions that needed answers such as "what has been your experience with applying for a loan?" or "how has financial limitation affected your ability to grow the business?" which requires explanation and reflection. These are not just yes-or-no questions; they are lived realities that need more than numbers to explain.

The qualitative approach presented the opportunity to hear directly from the people involved—the staff, management, and even a few customers who could speak on the visible changes they've noticed in Goodies over time. In doing so, significant-information that felt real, honest, and specific to the business were collected.

#### *4.2 Research Approach*

This study is grounded in an interpretative approach. Interpretivism focuses on understanding the meaning people attach to their experiences. Since this study was interested in the “why” and “how” behind people’s experiences with finance in the business, this approach was the most appropriate. The investigation was more interested in people’s personal stories, opinions, and day-to-day challenges than it was in statistics or graphs. This helped to understand not just the surface problem, but the deeper emotional and practical effects that lack of finance has had on the business and its employees.

For instance, instead of just recording that Goodies has not expanded in the past five years, hearing directly from management about what their plans were, why they haven’t moved forward, and what role finance or the lack of it played in that decision was more insightful. This is the kind of insight that was needed.

#### *4.3 Target population*

The targeted population of this study includes staff, management, and others connected to Goodies Supermarket in Freetown, Sierra Leone. These are the people who are either directly involved in financial planning or close enough to observe its impact. The population was not very large, but it was focused and intentional.

Individuals who had knowledge about the supermarket’s financial realities or could give informed opinions on how finance (or the lack of it) was affecting performance were selected such as the general manager, the finance officer, mid-level staff (such as section heads and procurement staff), loyal customers who have been shopping at Goodies for years, and local supplier who provides stock to the supermarket. Even though this is a small group, it was enough to give a rounded and accurate picture of the situation.

#### *4.4 Sampling method*

This study used a purposive sampling method. The people were selected based on their relevance to the topic. There was no interest in random answers from people who had no connection to the issue. Instead, only people who had real knowledge of Goodies’ business operations or financial background were targeted.

This method allowed the study to focus on quality over quantity. The goal was not to generalize to the whole of Freetown, but to understand one case well and in detail. This kind of approach provides a much deeper insight, especially when the subject matter is as specific as access to finance in a single retail business.

#### *4.5 Data collection methods*

For this study, only primary source of data was used in order to collect information, relying on three main data collection methods to conduct data analysis:

##### ***Interviews***

Semi-structured interviews with key staff members at Goodies were conducted. The interviews were mostly informal and conversational in tone, but a guide that helped keep things on track was followed. Questions like “Have you ever applied for a loan for this business?” or “In what ways has finance limited your operations over the years?” were asked. These types of questions gave participants space to open up and talk freely.

It came to light that people were more honest when they didn’t feel like they were being interrogated. The interviews lasted between 20 and 40 minutes, and notes were taken throughout. Some of them gave very personal and insightful responses that added a lot of value to the research.

##### ***Open-Ended Questionnaires***

In addition to interviews, open-ended questionnaires were made available to collect views from staff who were unavailable for long interviews. These questionnaires allowed them to respond at their own pace. Questions about their role in the business, their awareness of any financial challenges, and their thoughts on how things could be improved were incorporated in the questionnaires.

##### ***Observations and Informal Conversations***

During the investigation, some time was spent on the supermarket observing how things worked, how stocks were managed, how customers were served, and how staff engaged with one another. These observations were not formal, but they gave extra understanding of the business environment. The study also engaged in casual conversations with suppliers and a couple of customers to hear their views about Goodies and its performance over the years.

#### *4.6 Data analysis technique*

After collecting the data, a thematic analysis method using the reflective thematic analysis approach, was preferred to make sense of the data collected. All the interviews and questionnaire response and identified common patterns were familiarised with. For example, when several people mentioned that high bank interest rates discouraged them from applying for loans, those responses were grouped under a theme like “limited access to formal financial institution.”

Other themes that emerged included “financial limitations impacting operational performance,” “internal financing strategies,” and “missed growth opportunities.” These themes helped to organize the findings in a way that could clearly show the relationship between access to finance and business performance at Goodies.

The original words of the participants were much more preferable because they were paramount for the study to reflect their voices.

#### *4.7 Ethical considerations*

Throughout this study, ethical standards were considered and maintained at all times. Before collecting any data, each participant was thoroughly briefed on what the research was about and how their information would be used. Everyone gave their full consent before participating. And they were also assured that their names and personal details would not be included in the final report, and that promise has been kept.

No one was pressured to participate, and no personal or sensitive-questions were asked. And also, no confidential or internal financial data from Goodies was disclosed or included in the study. The main focus of the study was on understanding the situation, not exposing private business details.

### **5. Data Presentation and Analysis**

This section presents the findings from the data collected during the fieldwork. Since this research adopted a qualitative case study approach, it focused more on depth than breadth trying to uncover the personal and institutional realities of how access to finance influences the operations and performance of Goodies Supermarket. Through interviews, observation, and open-ended questionnaires, a clearer understanding of the lived experiences of the people running and interacting with the business on a daily basis was obtained.

#### *5.1 Findings from the pilot study*

In this section, the study analyses the demographic attributes of the participants including age and gender. Also, the results from the pilot survey were discussed using a structured questionnaire.

#### ***Response rate***

Results in Table 1 below show that although the overall response rate is fair (60%), the variation across categories suggests that higher level staff were more cooperative, whilst suppliers and middle-level staff were less responsive. This uneven participation could influence the balance of perspectives in the findings.

Table 1: Response rate

Category of Participants	No. of Questionnaires Distributed	No. of Responses	Rate (%)
Upper-level Staff	2	2	20
Customers	3	2	20
Suppliers	2	1	10
Middle-level Staff	3	1	10
Total	10	6	60

Source: Author’s Survey Conducted

**Demographic of the Respondents**

This section covers the gender, and age distributions and analysis of the respondents.

*Gender of the Respondents*

Results in Table 2 show a higher female participation rate, which could reflect the gender composition of Goodies Supermarket’s staff and customer base. The relatively balanced distribution strengthens the reliability of the findings, as both genders are adequately represented.

Table 2: Gender distribution of respondents

Gender	Frequency	Rate (%)
Male	4	40
Female	6	60
Total	10	100

Source: Author’s Survey Conducted

*Age of Respondents*

Results in Table 3 suggest that most participants fall within the active working and middle-aged category, which is typical for both employees and engaged customers. The absence of younger respondents (18–25) may be because younger individuals are less represented in senior staff roles or as suppliers. The strong presence of the 26–45 bracket ensures that the study captures the views of the most active demographic in retail business activities.

Table 3: Age of Respondents

Age Group	Frequency	Rate (%)
18–25	0	0
26–35	4	40
36–45	5	50
46 & above	1	10
Total	10	100

Source: Author’s Survey Conducted

*5.2 Thematic presentation of findings*

This study relied on Nvivo 15, a well-established qualitative data analysis tool to conduct the reflective thematic analysis. The reflective thematic analysis included the following steps in analysing the qualitative data.

- Familiarising with the data
- Generating initial codes
- Generating initial themes
- Reviewing potential themes
- Naming themes
- Producing report

Following these steps the data were familiarised with by transcribing the interview transcripts. General understanding was derived by reading through the response provided by each participant.

After familiarising with the data, the initial codes were generated. These codes generated in Nvivo 15 are shown in the Table 4 below.

Table 4: Codes

Name	Files	References	Created on	Created by	Modified on	Modified by
Financial Instability	0	0	21/08/2025 19:11	NC	21/08/2025 19:53	NC
High financial pressure	1	1	21/08/2025 15:51	NC	21/08/2025 15:51	NC
Increased tax duties	1	1	21/08/2025 17:44	NC	21/08/2025 19:39	NC
Inflation	1	1	21/08/2025 17:44	NC	21/08/2025 19:39	NC
Sales fluctuations	1	1	21/08/202 5 16:05	NC	21/08/202 5 19:38	NC

Seasonal fluctuations		1	1	21/08/202 5 15:59	NC	21/08/202 5 19:38	NC
Financial limitations impacting operational performance		0	0	21/08/202 5 19:19	NC	21/08/202 5 19:56	NC
Economic dependence		1	1	21/08/202 5 15:45	NC	21/08/202 5 15:45	NC
Product unavailability		1	1	21/08/202 5 18:13	NC	21/08/202 5 18:19	NC
Reduce operational Efficiency		2	2	21/08/202 5 15:29	NC	21/08/202 5 15:49	NC
Salary reduction		2	2	21/08/202	NC	21/08/202	NC
				5 16:00		5 16:23	
Stagnant growth		2	2	21/08/202 5 16:02	NC	21/08/202 5 16:24	NC
Internal financial Strategies		0	0	21/08/202 5 18:20	NC	21/08/202 5 20:05	NC
No default payment		1	1	21/08/202 5 16:30	NC	21/08/202 5 16:30	NC
Retained earnings		1	1	21/08/202 5 18:08	NC	21/08/202 5 18:08	NC
Revenue inflow		1	1	21/08/202 5 18:25	NC	21/08/202 5 18:25	NC
Shared ownership and Control		1	1	21/08/202 5 15:45	NC	21/08/202 5 15:45	NC
Shareholder investment		1	2	21/08/202 5 15:43	NC	21/08/202 5 15:54	NC
Strategic partnership		1	1	21/08/202 5 17:39	NC	21/08/202 5 17:39	NC
Limited access to finance from financial Institutions		0	0	21/08/202 5 17:20	NC	21/08/202 5 20:08	NC
Bank loans		1	1	21/08/202 5 17:08	NC	21/08/202 5 17:08	NC
High interest rate		1	1	21/08/202 5 17:04	NC	21/08/202 5 17:04	NC
Many formalities		1	1	21/08/202 5 15:26	NC	21/08/202 5 15:26	NC

Presenting collateral	1	1	21/08/202 5 15:28	NC	21/08/202 5 15:28	NC
Suggested improvements in financial management and access	0	0	21/08/202 5 19:28	NC	21/08/202 5 20:02	NC
Customer attraction and retention	1	1	21/08/202 5 16:25	NC	21/08/202 5 16:25	NC
Excellent service quality	1	1	21/08/202 5 16:38	NC	21/08/202 5 18:19	NC
Good relationship	1	1	21/08/202 5 16:29	NC	21/08/202 5 16:29	NC
High profit	1	1	21/08/202 5 17:39	NC	21/08/202 5 17:39	NC
Improve Accountability and reliability	1	1	21/08/202 5 16:32	NC	21/08/202 5 16:32	NC
Improved economic Environment	1	1	21/08/202 5 15:35	NC	21/08/202 5 15:35	NC
Optimise operations	2	2	21/08/202 5 15:38	NC	21/08/202 5 16:02	NC
Positive impact	1	1	21/08/202 5 15:57	NC	21/08/202 5 15:57	NC
Sales promotion	1	1	21/08/202 5 17:46	NC	21/08/202 5 17:46	NC
Team work	1	1	21/08/202 5 17:48	NC	21/08/202 5 17:48	NC
Unity and understanding	1	1	21/08/202	NC	21/08/202	NC

After generating initial codes in Nvivo 15, it is important to initial themes to enhance the thematic presentation of the findings.

Table 5: Themes

Name	Description
Financial Instability	This includes the factors and activities that affect the financial stability of Goodies’ supermarket.
High financial pressure	
Increased tax duties	
Inflation	
Sales fluctuations	
Seasonal fluctuations	
Financial limitations impacting operational performance	This describes how limited access to finance impacts the overall operations of Goodies’ supermarket

Economic dependence		
Product unavailability		
Reduce operational efficiency		
Salary reduction		
Stagnant growth		
Internal financing strategies	This includes the internal sources that the business relies on when obtaining external funds becomes difficult.	
No default payment		
Retained earnings		
Revenue inflow		
Shared ownership and control		
Shareholder investment		
Strategic partnership		
Limited access to formal financial institutions		This portrays the major factors that makes accessing funds from financial institutions becomes challenging.
Bank loans		
High interest rate		
Many formalities		
Presenting collateral		
Suggested improvements in financial management and access		This theme highlights various suggestions from participants to improve the financial situation of Goodies supermarket.
Customer attraction and retention		
Excellent service quality		
Good relationship		
High profit		
Improve Accountability and Reliability		
Improved economic environment		
Optimise operations		
Positive impact		
Sales promotion		
Team work		
Unity and understanding		

***Review of Potential Themes***

After analysing the interview transcripts and questionnaire responses using the thematic analysis method described earlier, several recurring patterns emerged. These themes represent the shared experiences and views of the respondents regarding Goodies Supermarket's access to finance and its impact on performance.

***Theme 1: Financial instability***

A common observation was that Goodies' revenue patterns are influenced by seasonal demand, with peaks during festive periods and dips in off-peak months. This fluctuation impacts cash availability, making it harder to plan for consistent growth.

Participants noted that in low-sales months, the business struggles to keep up with inventory stocking, sometimes leading to empty shelves for certain items.

***Theme 2: Financial Limitations Impacting Operational Performance***

The consequences of restricted finance are felt most strongly in the business growth potential. 'Goodies' has a strong brand name and a loyal customer base, yet their inability to expand or upgrade has left them vulnerable to competition. One team member in sales described the situation as "fluctuating": "We are doing okay, but we are not financially stable enough to move forward. Other supermarkets with investors or foreign backing are overtaking us." This fluctuating situation not only limits the business reach but also affects its image in the eyes of consumers and suppliers. Even customers interviewed admitted they've noticed a slowdown in the supermarket's vibrancy. Employees were honest about how financial struggles impact morale and service delivery. One floor staff member said: "Sometimes you feel demotivated because you know the business is doing its best, but there is no extra support.

Moreover, we feel the pressure when customers complain. "Even though management tries to be transparent with staff, the underlying stress caused by limited resources creates a tense work environment. Despite this, most staff still expressed loyalty to the brand, noting that they believe in the supermarket's potential if only better financial support was available. One major finding was how these financial limitations trickle down into everyday operations. For instance, staff shortages during peak hours, delays in restocking high-demand products, and occasional salary delays were all reported. A customer shared: "I love Goodies, but sometimes I come and the shelves are half-empty, but that has not been the usual pattern." Another customer added: "You can tell when a business is struggling, fewer product options, slow service, and sometimes the place is understaffed." Respondents agreed that limited access to finance has a direct effect on Goodies' ability to expand, introduce new product lines, or invest in modern technology. Several others mentioned delays in upgrading equipment, missed opportunities for strategic partnerships, and inability to open additional branches. One participant summarised it as: "We have the vision, but not always the resources to bring it to life."

***Theme 3: Internal Financing Strategies***

Due to the barriers in securing external funding, Goodies Supermarket has come to rely mostly on internal financing. This includes retained earnings, reinvestment from owners, and day-to-day

sales revenue. The manager admitted: “We are operating in survival mode. It’s like we are always just managing, instead of expanding or leading the market. “A sales representative explained, “We work with what we have; if sales are good, we invest more. If sales are slow, we just hold on until things improve.”

A staff member from procurement shared: “When we want to bring in new product lines or restock aggressively during festive seasons, we depend only on what we have on hand. There’s no backup from the bank.” When external funding is difficult to obtain, Goodies tends to depend on its internal cash flow, retained profits, and supplier credit arrangements. This practice of self-financing may have kept the business afloat, but it limits their ability to take risks, purchase in bulk for discounts, or even innovate. Respondents observed that while this approach keeps the business independent and debt-free in some cases, every decision has to be calculated cautiously, and this can sometimes mean passing up growth opportunities just to remain stable.

***Theme 4: Limited Access to Formal Financial Institutions***

One of the most common and powerful themes that came up was the difficulty in accessing finance from formal financial institutions. From the manager down to the middle-level staff, it was clear that this challenge cuts across every function. The finance officer expressed the problem this way: “We have a solid customer base and proven income streams, but whenever we apply for a loan, the banks treat us like we are a start-up. The collateral they ask for is beyond our capacity.” The manager also noted that although the business has survived over the years, it has been held back from growing simply because they couldn’t secure external capital when they needed it most. According to him: “There have been countless moments where we could have scaled up or opened another branch. But the lack of finance always stalls the vision.” Even though the business has accounts with major banks in Freetown, the perceived risk associated with local retail operations often results in either rejection or unfavorable loan terms.

They both highlighted that accessing finance from formal institutions such as banks is a major challenge for Goodies. Common issues mentioned include high interest rates, strict collateral requirements, and lengthy approval processes. One participant expressed that “even though the business has a good reputation, banks still treat it with a lot of caution, almost as if it was just starting out.” This limitation means that Goodies often cannot rely on bank loans for quick capital needs, especially during periods of high demand or sudden market opportunities.

***Theme 5: Suggested Improvements in Financial Management and Access***

Participants offered various suggestions to improve the situation, including building stronger relationships with banks, improving financial record-keeping, exploring micro-finance or investment partnerships, and increasing customer loyalty programs to boost sales and cash flow. A long-term staff member suggested that “if we can show banks consistent financial statements and growth potential, maybe they’ll take us more seriously.”

Each of these themes reinforces the central argument of this research — that access to finance is not just a financial issue but a deeply rooted operational and strategic one that affects every aspect of a retail business performance.

*5.3 Analysis of the findings*

Based on the evidence-based responses obtained from various respondents, starting from sources of finance, challenges faced in obtaining external financing, effect of unavailability of finance on operations, effect of lack of finance on expansion, growth status of the business, methods of payment, business reliability, and onto consistency rate of operations, the response of the queries is represented in both tabular and graphical forms for better understanding.

**Source of Finance**

The results in Table 6 show that, majority of respondents (8 out of 10) indicated that Goodies Supermarket relies on a combination of debt and equity financing, whilst only 2 respondents mentioned debt financing alone. This is also illustrated in figure 1. This indicates a preference for blended sources of finance, likely to balance risks and maintain liquidity.

Table 6: Sources of Finance Query

Survey Question	Response Options	Number of Responses
Source of Finance	Debt financing	2
	Both (Debt & Equity)	8

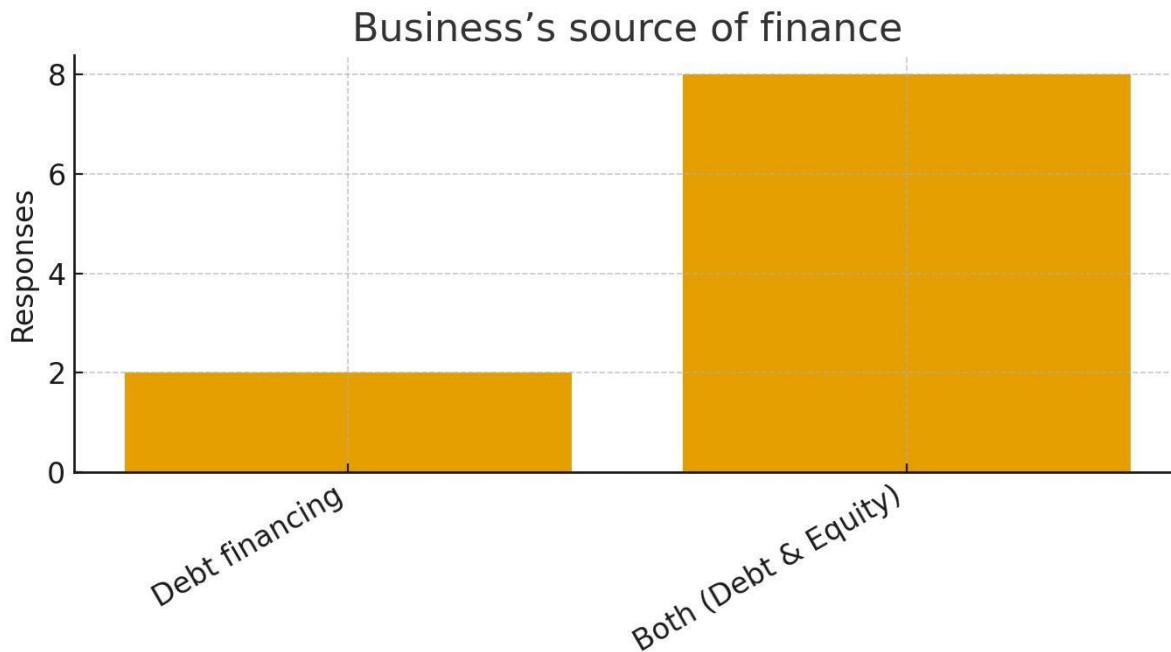


Figure 1: Business Source of Finance

***Challenges Faced in Obtaining External Financing***

In Table 7 below, the most pressing challenge identified is the high interest rate (7 responses), followed by collateral requirements (3 responses). None of the respondents considered low credit ratings as a major challenge. This can also be seen in figure 2. This highlights that the cost of borrowing is the central barrier to accessing finance for Goodies.

Table 7: Challenges in External Financing Query

Survey Question	Response Options	Number of Responses
Challenges faced in obtaining external financing	High interest rate	7
	Collateral requirements	3
	Low credit ratings	0

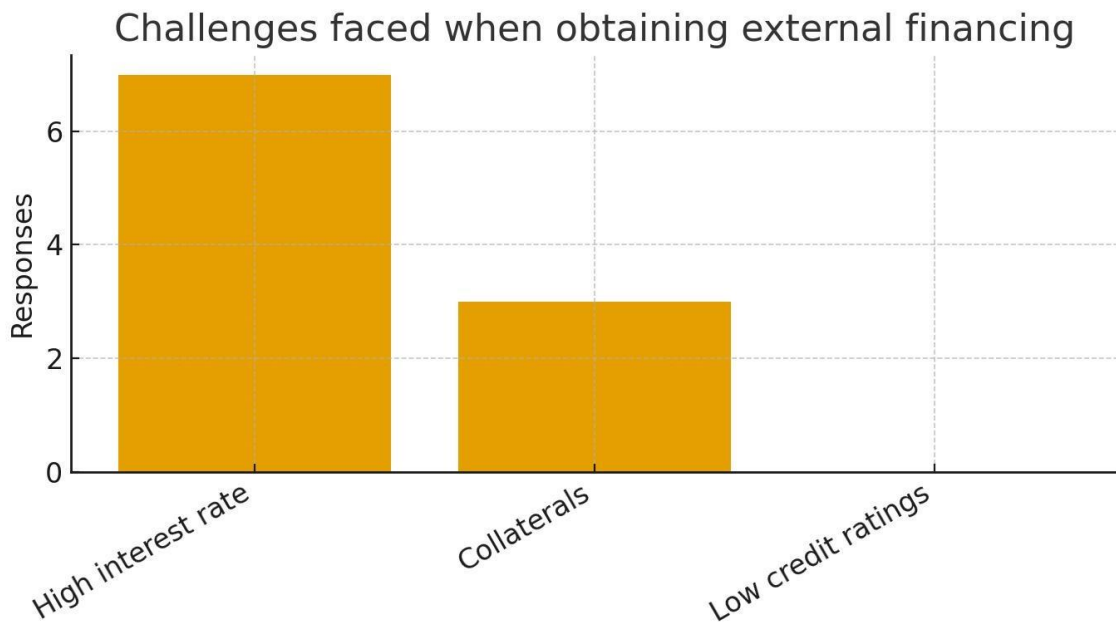


Figure 2: Challenges in External Financing

***Effect of Unavailability of Finance on Operations***

Findings in Table 8 reveal that all respondents (10 out of 10) agreed that the unavailability of finance negatively affects business operations. This is also illustrated in figure 3. This

demonstrates a strong consensus that without finance, operational efficiency, stocking, and service delivery are compromised.

Table 8 : Effects of Unavailability of Finance Query

Survey Question	Response Options	Number of Responses
Effect of unavailability of finance	Positively	0
	Neutral	0
	Negatively	10
	No effect	0

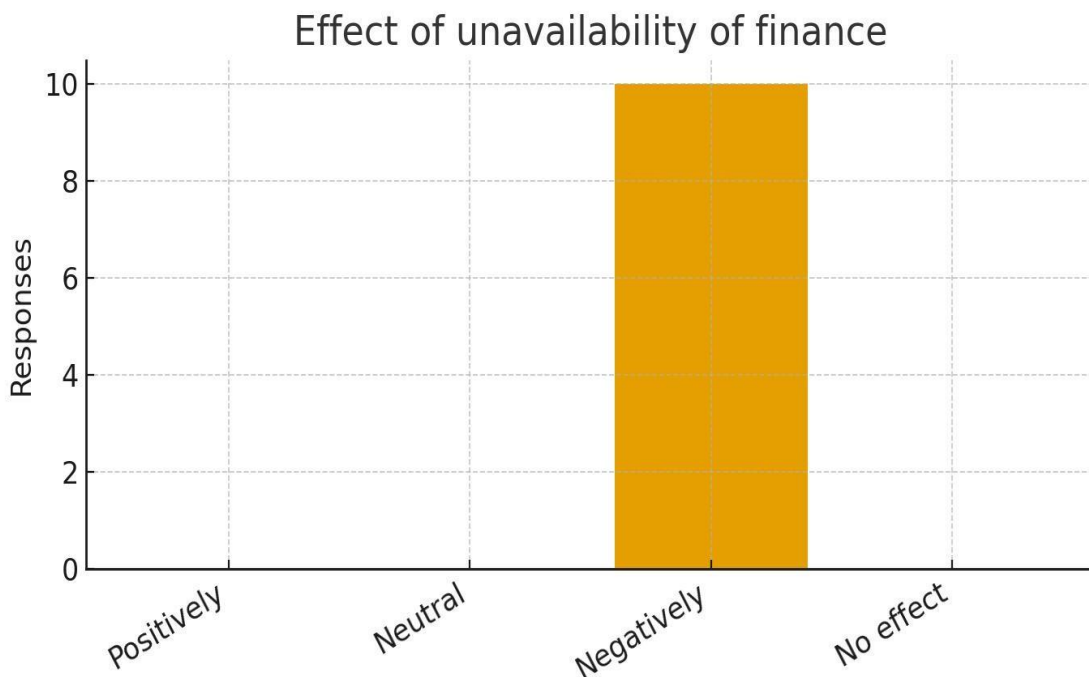


Figure 3: Effects of Unavailability of Finance

***Effect of Lack of Finance on Expansion***

Results in Table 9 show the unanimous response of “Yes” (10/10) indicates that lack of finance is a significant barrier to Goodies’ expansion. This is also illustrated in figure 4. This finding emphasises that limited financial access has restricted business growth potential.

Table 9: Financial Expansion Query

Survey Question	Response	Number of Responses
	Options	
Has lack of finance prevented expansion?	Yes	10
	No	0

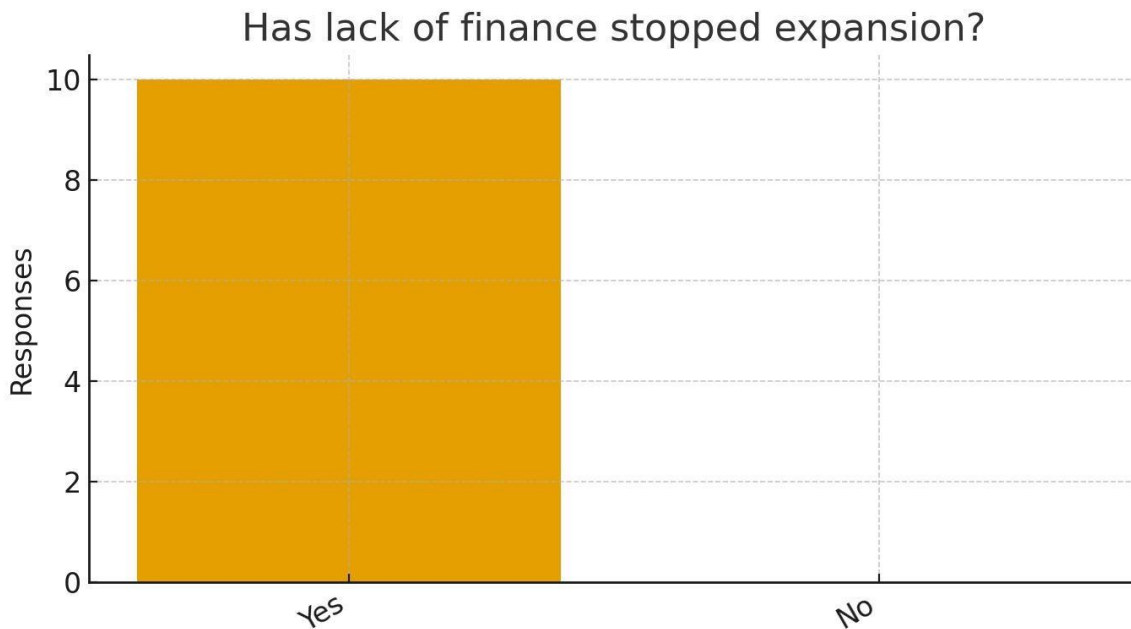


Figure 4: Financial Expansion

**Growth Status of the Business**

The findings in Table 10 show that the majority of respondents (7 out of 10) perceive the business as stagnant, whilst 3 indicated it is struggling. This is also seen in figure 5. None considered the business to be growing. This reflects limited financial strength and restricted development capacity

Table 10: Growth Status of the Business Query

Survey Question	Response Options	Number of Responses
Growth status of the business	Growing	0
	Stagnant	7
	Struggling	3

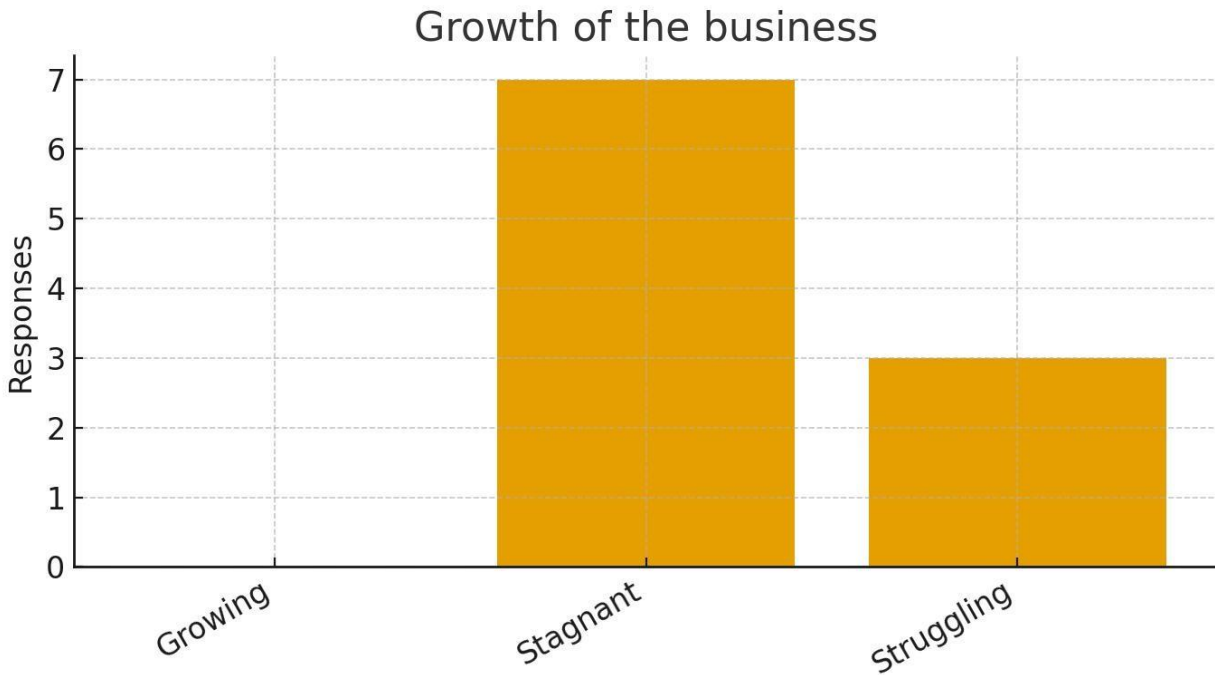


Figure 5: Growth Status of the Business

**Methods of Payment**

The results in Table 11 show that, all respondents indicated that cash is the only payment method used. See also figure 6. The absence of credit transactions highlights the limited flexibility in customer purchasing options, which could affect competitiveness in the retail market.

Table 11: Methods of Payment Query

Survey Question	Response Options	Number of Responses
Preferred payment methods	Cash	10
	Credit	0

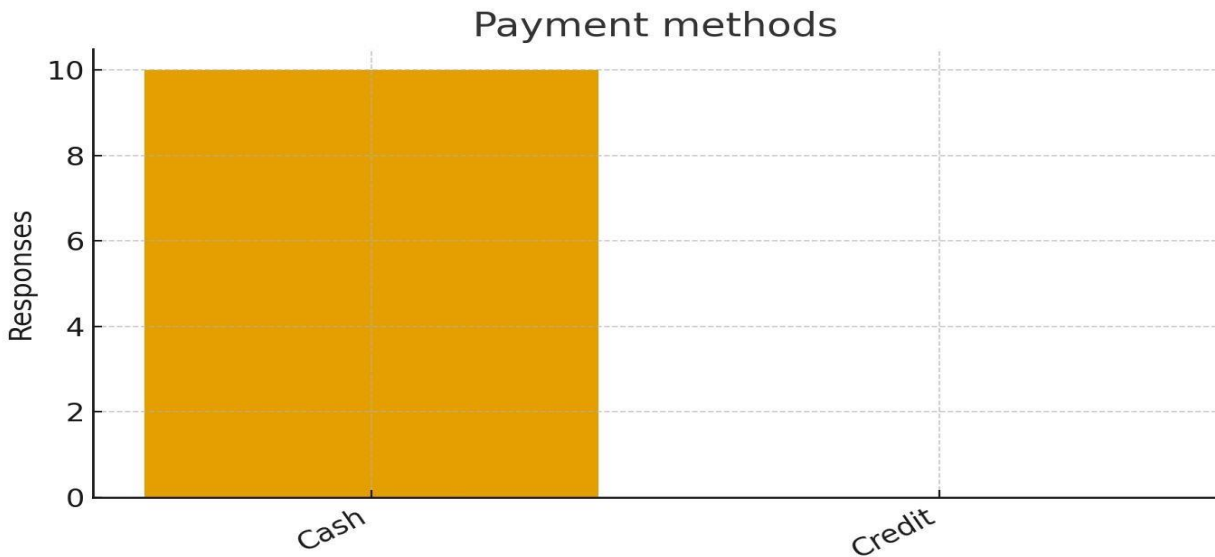


Figure 6: Payment Methods

**Perceived Reliability of the Business**

The results in Table 12 reveal that while 8 respondents consider the business “reliable,” only 2 viewed it as “very reliable.” This is also illustrated in figure 7. This suggests that although Goodies maintains operational trustworthiness, there is still room to strengthen its credibility and reliability in the market.

Table 12: Business Reliability Query

Survey Question	Response Options	Number of Responses
Reliability	Very reliable	2
	Reliable	8
	Unreliable	0

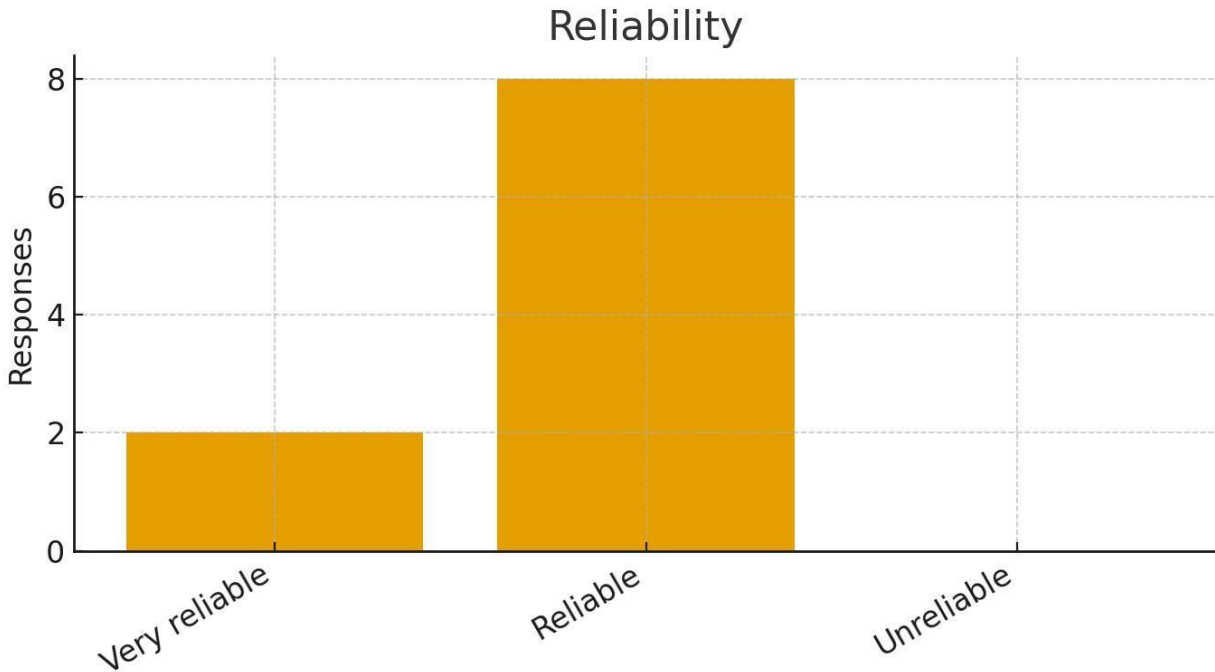


Figure 7: Business Reliability

**Consistency Rate of Operations**

The findings in Table 13 show that the majority (8 out of 10) viewed the business as consistent, with 1 describing it as very consistent and another as inconsistent (see also figure 8). This indicates moderate reliability in maintaining operations, though occasional inconsistencies are present.

Table 13: Consistency Rate Query

Survey Question	Response Options	Number of Responses
Consistency rate	Very consistent	1
	Consistent	8
	Inconsistent	1



Figure 8: Consistency Rate

### 6. Summary of main findings

The study on "Access to Finance and Its Effects on the Performance of Retail Businesses" reveals crucial insights into the financial dynamics of retail businesses in Sierra Leone, particularly Goodies Supermarket. The findings indicate that Goodies Supermarket relies on a combination of internal and external financing, including retained earnings, bank loans, and micro-financing. However, the business faces significant constraints in accessing diverse financing options due to limited external support from banks and suppliers.

The study identifies several challenges that retail businesses face in accessing finance, including stringent collateral requirements, high interest rates, and bureaucratic processes in banks. These obstacles restrict the ability of businesses to secure adequate funding, thereby limiting their potential for expansion and innovation. The analysis demonstrates a clear link between access to finance and business performance, with financing enhancing sales growth, inventory expansion, and customer satisfaction. Conversely, limited financing constrains growth opportunities, operational efficiency, and competitiveness.

### 7. Policy recommendations

Based on the findings of the study, the following recommendations are proposed to improve access to finance for retail businesses in Freetown, in Sierra Leone.

***For Policymakers***

- Improve Financial Infrastructure: Enhance financial literacy programs and develop digital payment systems to increase access to financial services.
- Strengthen Institutional Frameworks: Improve the rule of law, property rights, and contract enforcement to attract foreign investment and promote financial sector growth.
- Implement National Financial Inclusion Strategy: Promote financial inclusion, especially for women, youth, rural populations, and MSMEs, through the National Financial Inclusion Strategy (NFIS) 2022-2026.

***For Financial Institutions***

- Simplify Loan Application Processes: Streamline loan application processes and reduce bureaucratic hurdles to make access to finance easier for retail businesses.
- Offer Alternative Financing Models: Promote alternative financing models, such as mobile banking and fin-tech solutions, to increase financial inclusion and reduce reliance on traditional banking infrastructure.
- Enhance Financial Literacy: Provide financial literacy programs and training to retail businesses to improve their financial management practices.

***For Retail Businesses***

- Adopt Better Financial Management Practices: Improve financial planning, budgeting, and record-keeping to enhance financial management practices.
- Explore Alternative Financing Options: Consider alternative financing models, such as mobile banking and fin-tech solutions, to increase access to finance.
- Build Relationships with Financial Institutions: Strengthen relationships with financial institutions to improve access to finance and reduce borrowing costs.

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