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Evaluating the Effectiveness of Government Capital Financing Schemes on Business Investment Growth: A Case Study of Small and Medium Enterprises (SMEs) In Eswatini

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Abstract

This study evaluated the effectiveness of government capital financing schemes in promoting business investment growth among Small and Medium Enterprises (SMEs) in Eswatini. The study was guided by four specific objectives: (i) to establish the types of government capital financing schemes available to SMEs, (ii) assess their accessibility, (iii) analyse their effects on business investment growth, and (iv) identify the limitations associated with these schemes. A quantitative-dominant research approach was adopted using a descriptive cross-sectional research design, with qualitative information embedded in the quantitative data collection process through open-ended questionnaire questions. Data were collected from 100 SME owners, owner-managers and managers using structured questionnaires. Stratified random sampling was employed to select respondents from different business sectors. Quantitative data were analysed using descriptive statistics, including frequencies, percentages and mean scores, while qualitative responses were analysed thematically to provide further explanations of the findings. The findings established that government financing support was available through soft or low-interest loans, government-backed loans, grants, youth enterprise financing, women enterprise financing and other targeted financing programmes. Although 64% of respondents were aware of government financing schemes, only 48% had accessed financing, indicating a gap between awareness and actual access. Regarding accessibility, 56% of respondents reported that accessing government financing schemes was difficult or very difficult. The findings further demonstrated a positive contribution of government financing to business investment growth, with an overall investment growth mean score of 3.77. Additionally, 64% of respondents reported overall investment growth, while 61% indicated that their investments would not have been achieved, or would only have been achieved to a small extent, without government financing. However, the major limitations included lengthy approval processes, excessive documentation requirements, complicated application procedures, collateral requirements, inadequate information, strict eligibility conditions and limited funding. Furthermore, 64% of respondents indicated that these limitations affected their investment and business expansion activities to a large or very large extent. The study concludes that government capital financing schemes contribute positively to SME investment growth in Eswatini, although their effectiveness remains constrained by accessibility and administrative challenges. It recommends simplifying application procedures, reducing approval periods, reviewing collateral requirements, improving information dissemination, increasing funding availability and strengthening business development support.

Keywords: Government Capital Financing, Small and Medium Enterprises, Business Investment Growth, Accessibility, Financing Schemes, Eswatini.

1.0 Introduction

Globally, the role of Small and Medium Enterprises (SMEs) has been extensively documented in scholarly literature. According to the OECD (Schreyer, 2000), SMEs form the backbone of most economies, contributing significantly to industrial innovation and employment creation. According to the World Bank (2022), SMEs stimulate innovation, create employment opportunities, and contribute significantly to inclusive growth across both developed and developing economies. Empirical studies by Beck & Demirgüç-Kunt (2006) similarly highlight that SMEs represent more than 95% of registered firms worldwide and play a central role in stimulating entrepreneurial activity and economic diversification. Recent literature indicates that access to adequate and affordable finance remains an important factor influencing the growth and development of small and medium-sized enterprises (SMEs), particularly in developing economies. The World Bank (2024) reports that financing constraints continue to limit the ability of SMEs in emerging and developing economies to invest, expand their operations and improve productivity. Similarly, Didier and Cusolito (2024) found that smaller firms face significant financing constraints, which can restrict their investment capacity and overall productivity. More recent evidence from the World Bank (2025) further indicates that access to formal loans can contribute to improvements in SME employment, sales and profitability. These findings demonstrate that the availability, affordability and accessibility of finance remain important considerations in promoting sustainable SME growth.

Regionally, in Sub-Saharan Africa, SMEs account for nearly 60% of total employment and remain essential drivers of inclusive development (Abor & Quartey, 2010, Journal of African Business). However, the region continues to experience structural financing gaps, estimated at over USD 300 billion, which restrict SME expansion and competitiveness (Fowowe, 2017). Within the SADC region, Mutula & Brakel (2006) note that SMEs face persistent constraints related to collateral, financial literacy, and high lending risks, leading to limited uptake of formal credit. These challenges directly influence the performance of SMEs at national and local levels across Southern Africa.

In the context of Eswatini, SMEs hold a particularly strategic role, supporting economic diversification, reducing poverty, and enhancing social stability. As highlighted by the United Nations Economic Commission for Africa (2023), the SME sector in Eswatini contributes over 50% of national Gross Domestic Product (GDP) and provides employment for more than 65% of the labour force an indicator of its indispensable role in addressing persistent unemployment and underemployment.

Despite their recognised potential, SMEs in Eswatini face numerous constraints, the most notable being limited access to formal capital. In the words of the FinScope MSME Survey (2023), only 12 - 15% of SMEs secure credit from formal financial institutions, a situation echoed by the Central Bank of Eswatini (2023). This entrenched financial exclusion remains a barrier to business expansion, productivity enhancement, and competitiveness. As noted by the African Development Bank (2024), the challenge is intensified by alarmingly high unemployment levels 35.4% overall and nearly 48.7% among youth making the strengthening of SME financing an urgent policy priority.

In response, the Government of Eswatini has, since the early 1990s, implemented various capital financing initiatives aimed at improving SME access to credit. These include credit guarantee schemes, subsidised loans, development finance mechanisms, and more recently, targeted programmes aligned with the National Financial Inclusion Strategy (NFIS) 2023 - 2028. According to the Central Bank of Eswatini

(2023), these interventions were designed to address structural barriers such as collateral shortages, risk aversion among lenders, and limited financial literacy. As highlighted in the Government of Eswatini (2024) NFIS policy framework, the country is committed to expanding financial inclusion, stimulating entrepreneurship, and promoting equitable wealth creation.

However, despite these efforts, uptake of government-backed financing schemes remains suboptimal. Studies show that many SMEs still rely on informal financing sources such as personal savings, family contributions, and community lending circles. This reliance is largely shaped by systemic barriers, including high collateral requirements, bureaucratic loan procedures, limited financial education, and widespread perceptions of high credit risk. In addition, more than 60% of SME loan applications face rejection, limiting their ability to invest in modern technology, improve managerial capacity, expand operations, and enhance competitiveness at local and regional levels.

The question of how effective government capital financing schemes are in supporting SME growth therefore becomes a critical area of inquiry. As noted by the World Bank (2022) and reinforced by the SADC regional development agenda, effective SME financing is essential for fostering employment, promoting economic resilience, and enhancing productivity. Given the dominance of agriculture, manufacturing, and services in Eswatini's economy, understanding the performance and challenges of capital financing schemes is essential. This study therefore fills a significant empirical gap by assessing the accessibility, effectiveness, and limitations of government-backed financing schemes in driving SME development, business growth, and long-term sustainability.

1.3.1 General Objective

The main objective of this thesis is To evaluate the effectiveness of government capital financing schemes on the business growth of SMEs in Eswatini.

1.3.2 Specific Objectives

1. To establish the types of funding schemes currently available to SMEs.
2. To assess the accessibility of government capital financing schemes among SMEs in Eswatini.
3. To analyze the effect of government capital financing schemes on business investment growth among SMEs in Eswatini
4. To identify limitations associated with government capital financing schemes for SMEs

1.4.1 Theoretical/Conceptual Framework

1.4.2 Conceptual framework

This study is anchored on the Credit Rationing Theory, principally associated with Stiglitz and Weiss (1981). The theory explains why some firms may be unable to obtain the amount of external finance they require even when they are willing to pay the prevailing interest rate. According to the theory, lenders face information asymmetry because borrowers generally possess more information about their businesses, investment opportunities and ability to repay than lenders. As a result, financial institutions may use collateral requirements, eligibility conditions, documentation and other screening mechanisms to manage lending risks. These mechanisms can restrict access to finance, particularly for small and less established enterprises.

The theory is particularly relevant to SMEs because such businesses often have limited collateral, shorter operating histories, inadequate financial records and higher perceived risk compared with larger enterprises. Consequently, SMEs may experience difficulties accessing formal external finance, which can restrict their ability to undertake productive investments and expand their operations. Beck and Demirgüç-Kunt (2006) similarly observe that financing constraints are more significant for smaller firms

and can prevent them from reaching their optimal size. Evidence from African countries also indicates that firms facing financing constraints experience slower growth than firms with better access to finance. Within the context of this study, Credit Rationing Theory provides a basis for understanding how government capital financing schemes can address financing constraints faced by SMEs. Government-supported loans, grants, subsidised financing and government-backed loans are intended to increase the availability of capital to enterprises that may otherwise have difficulty obtaining finance from conventional financial institutions. By providing additional sources of capital or reducing the financing barriers faced by SMEs, such schemes can enable businesses to acquire machinery and equipment, purchase stock, finance working capital, expand premises, adopt technology and enter new markets. Research on SME finance similarly shows that access to external finance can influence firm growth by relaxing financial constraints and enabling investment.

The theory also helps explain the importance of the accessibility and conditions attached to government financing schemes. The availability of a financing scheme does not necessarily mean that SMEs can benefit from it. Requirements such as collateral, complicated application procedures, strict eligibility conditions, extensive documentation and lengthy approval processes may continue to ration access to finance. Thus, the effectiveness of government financing depends not only on the existence of funding programmes but also on whether SMEs can successfully access and utilise the funds. Berger and Udell (2006) emphasise that government policies, financial structures and lending technologies influence the availability of credit to SMEs.

For this study, the theory therefore establishes a relationship between government capital financing schemes, access to finance, SME business performance and business investment growth. The availability and accessibility of financing are expected to influence the extent to which SMEs can obtain financial resources for productive activities. When financing constraints are reduced, SMEs may be better positioned to invest in productive assets, increase productive capacity, improve sales and profitability, create employment, adopt new technologies and expand their operations. Conversely, when financing remains difficult to obtain because of collateral requirements, complicated procedures, inadequate information or delays, SMEs may postpone or abandon investment opportunities.

The theory further supports the three specific objectives of the study. First, it provides a basis for examining the types of government capital financing schemes available to SMEs, since different financing instruments may address different forms of financing constraints. Second, it supports the assessment of the impact of government capital financing schemes on SME business performance, since access to adequate external finance can facilitate productive investment and business expansion. Third, it explains the limitations associated with government financing schemes, particularly those barriers that continue to restrict access to finance despite the existence of government-supported programmes.

Therefore, Credit Rationing Theory provides an appropriate theoretical foundation for evaluating the effectiveness of government capital financing schemes on business investment growth among SMEs in Eswatini. The theory suggests that reducing financing constraints can improve SMEs' ability to make productive investments and enhance business performance. However, the extent of these benefits depends on whether financing schemes are accessible, affordable, adequately funded and delivered through processes that do not unnecessarily exclude eligible SMEs. The theory consequently enables the study to assess not only whether government financing exists, but also whether it effectively reaches SMEs and contributes to their investment and performance outcomes.

1.4.3 Conceptual Framework

The conceptual framework illustrates the relationship between government capital financing schemes and business investment growth among Small and Medium Enterprises (SMEs) in Eswatini. It identifies government capital financing schemes as the independent variable, accessibility of financing as the intervening variable, and business investment growth as the dependent variable. The framework further recognises the limitations associated with government financing schemes, which may influence the relationship between the variables by restricting the ability of SMEs to obtain and effectively utilise financial support. This relationship is important because access to finance remains a major consideration in the development and expansion of MSMEs, particularly in developing economies (United Nations Economic Commission for Africa, 2020).

The independent variable is government capital financing schemes. These are the financial support programmes introduced or supported by the government to provide SMEs with capital for establishing, improving and expanding their businesses. In this study, the independent variable comprises government loans, grants, subsidised financing and credit guarantee schemes. Government loans provide businesses with funds that can be repaid over an agreed period, while grants offer financial support that generally does not require repayment. Subsidised financing provides loans at reduced interest rates or more favourable conditions, whereas credit guarantee schemes help reduce the risks faced by financial institutions when lending to SMEs. These financing schemes are expected to provide businesses with the capital needed to invest in productive assets, improve operations and pursue expansion opportunities. Crawford, Cui and Kewley (2024) explain that governments use direct financing instruments, including loans, grants and guarantees, to support SME development and address financing constraints.

The intervening variable is accessibility of government capital financing schemes. This variable explains how the availability of government financing translates into actual financial support for SMEs. It is reflected through awareness of available schemes, eligibility requirements, application procedures, affordability of financing, collateral requirements, availability of information and processing time. For government financing schemes to contribute meaningfully to business investment growth, SMEs must be aware of their existence, understand the application requirements and be able to meet the conditions for accessing the funds. For example, even where government loans and grants are available, complicated application procedures, strict eligibility conditions, high collateral requirements and lengthy approval processes may prevent eligible businesses from benefiting. The World Bank (2025) observes that MSMEs in Eswatini, particularly microenterprises, continue to experience difficulties accessing finance, demonstrating the importance of addressing barriers that limit access to available financial products.

The dependent variable is business investment growth among SMEs in Eswatini. This represents the expected outcome of accessing and utilising government capital financing schemes. In this study, business investment growth is reflected through business expansion, acquisition of assets and equipment, increased production capacity, employment growth, sales or revenue growth and investment in technology. When SMEs obtain adequate financing and utilise it effectively, they may be able to purchase machinery and equipment, increase their stock, improve production processes, introduce new products, employ additional workers and establish new business outlets. These developments indicate improvements in the investment capacity and operational performance of SMEs. Crawford, Cui and Kewley (2024) identify business development and improved SME performance as important intended outcomes of government financial support programmes. Similarly, the Eswatini National MSME Policy 2024–2029 identifies the

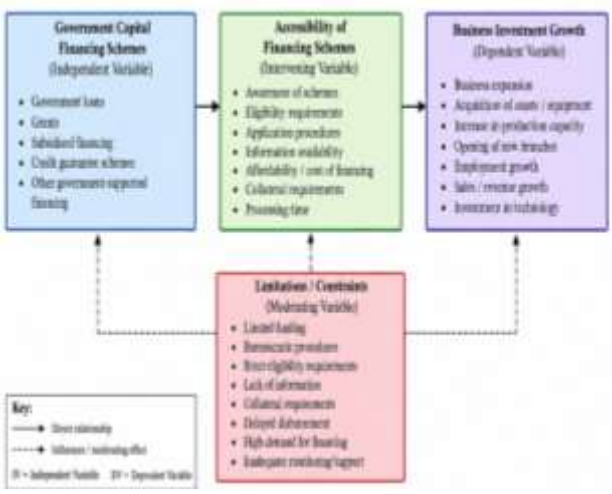
development and competitiveness of MSMEs as important priorities for increasing business activity, employment and national income (Government of Eswatini, 2024).

The framework also recognises limitations associated with government capital financing schemes. These include inadequate funding, bureaucratic procedures, strict eligibility requirements, lack of information, collateral requirements and delayed disbursement of funds. Although these limitations are not presented as a separate principal variable, they may influence the relationship between the independent, intervening and dependent variables. For instance, inadequate funding may restrict the amount of financial support available, while bureaucratic procedures and delayed disbursement may prevent SMEs from obtaining funds when investment opportunities arise. Similarly, strict collateral requirements may exclude businesses that lack sufficient assets to secure loans. Istuk (2025) highlights continuing financing difficulties among MSMEs in Eswatini, while the United Nations Development Programme (2025) reports that access to finance remains a significant constraint on the operation and growth of small businesses in the country.

This conceptual framework is relevant to the study because it provides a clear explanation of how government capital financing schemes are expected to promote business investment growth among SMEs in Eswatini. It establishes the relationship between the availability of government financing, the ability of SMEs to access such financing and the investment outcomes that may result from its utilisation. It also provides a basis for examining why the existence of financing schemes does not always lead to improved business investment. This is particularly important in Eswatini, where recent evidence indicates that although access to formal financial products has improved, access to formal banking services among MSMEs has declined (United Nations Development Programme, 2025).

Furthermore, the framework directly guides the study's four research objectives. The independent variable relates to the first objective, which seeks to establish the types of government capital financing schemes available to SMEs. The intervening variable relates to the second objective, which assesses the accessibility of these schemes. The dependent variable relates to the third objective, which analyses the effects of government capital financing schemes on business investment growth. Finally, the limitations identified in the framework relate to the fourth objective, which seeks to identify the challenges associated with government capital financing schemes.

Figure 1: conceptual framework



2.0 Literature Review

2.1 To establish the types of government capital financing schemes available to SMEs in Eswatini

Government capital financing schemes are financial support programmes introduced or supported by the government to provide Small and Medium Enterprises (SMEs) with capital for establishing, improving and expanding their businesses. These schemes include government loans, grants, subsidised financing and credit guarantee schemes. Each financing instrument provides a different form of financial assistance to address the capital requirements of SMEs.

Government loans provide businesses with repayable financial resources, while grants offer financial assistance that does not generally require repayment. Subsidised financing enables SMEs to access loans at reduced interest rates or more favourable repayment conditions, whereas credit guarantee schemes reduce the lending risks faced by financial institutions when providing loans to small businesses (Crawford, Cui and Kewley, 2024).

These financing schemes are intended to address financial constraints among SMEs by providing capital for acquiring machinery and equipment, purchasing stock, improving business operations and financing expansion activities. Therefore, examining the types of available schemes helps establish the forms of government support accessible to SMEs and their potential contribution to business development (Crawford, Cui and Kewley, 2024).

2.2 To assess the accessibility of government capital financing schemes among SMEs in Eswatini

The accessibility of government capital financing schemes refers to the extent to which SMEs can obtain and benefit from available government financial support. Accessibility is influenced by several factors, including awareness of financing opportunities, availability of information, eligibility requirements, application procedures, affordability, collateral requirements and the time taken to process applications.

Although government financing schemes may be available, SMEs may experience difficulties accessing them because of complicated application procedures, strict eligibility conditions, inadequate information and high collateral requirements. Such barriers may prevent eligible businesses from benefiting from financial assistance, particularly smaller enterprises with limited financial records and assets. The World Bank (2025) observes that MSMEs in Eswatini, particularly microenterprises, continue to experience difficulties accessing finance.

Therefore, assessing accessibility is important in determining whether government financing programmes effectively reach their intended beneficiaries. It also helps establish whether the conditions attached to these schemes enable or discourage SMEs from obtaining financial support. The existence of financing programmes alone does not guarantee improved access to capital if businesses cannot meet the requirements for benefiting from them (World Bank, 2025).

2.3 To analyse the effects of government capital financing schemes on business investment growth among SMEs in Eswatini

Government capital financing schemes are expected to promote business investment growth by providing SMEs with financial resources to undertake productive investments. Access to adequate capital enables businesses to acquire machinery and equipment, increase stock, improve production processes, introduce new products and expand their operations. These investments may contribute to increased productivity, business efficiency and overall performance (Crawford, Cui and Kewley, 2024).

The effects of government financing can also be reflected through business expansion, increased production capacity, employment creation, sales and revenue growth, and investment in modern technology. When SMEs obtain and effectively utilise financial support, they may improve their

competitiveness, increase their operational capacity and explore new business opportunities. Such developments contribute to the growth and sustainability of small businesses.

The importance of these outcomes is recognised in the Eswatini National MSME Policy 2024–2029, which identifies MSME development and competitiveness as important priorities for increasing business activity, employment and national income (Government of Eswatini, 2024). Therefore, examining the effects of government financing helps establish whether the financial support provided translates into tangible improvements in business investment and operational performance.

2.4 To identify the challenges associated with government capital financing schemes among SMEs in Eswatini

Despite the potential benefits of government capital financing schemes, SMEs may experience several challenges that limit their ability to access and utilise available financial support. These include inadequate funding, bureaucratic application procedures, strict eligibility requirements, insufficient information, high collateral requirements and delays in the disbursement of funds. Such challenges may discourage businesses from applying for financing or prevent them from receiving the required financial assistance.

Furthermore, inadequate funding may limit the number of SMEs benefiting from government programmes, while lengthy approval processes and delayed disbursements may cause businesses to miss important investment opportunities. Similarly, collateral requirements may disadvantage smaller enterprises that lack sufficient assets to secure loans. These challenges may consequently undermine the effectiveness of government financing interventions in promoting business investment growth (Istuk, 2025).

Evidence from Eswatini indicates that access to finance remains a significant constraint affecting the operations and growth of small businesses (United Nations Development Programme, 2025). Identifying these challenges is therefore important in understanding the factors limiting the effectiveness of government financing schemes and establishing areas that require improvement to enhance financial inclusion and SME development.

2.4 Literature gap

The literature reviewed demonstrates that various government capital financing mechanisms exist to support SME development, including government grants, loans, loan guarantee schemes and targeted financing programmes. Lerner (2009) and Quartey et al. (2017) recognise the importance of government financing interventions in addressing financial constraints and promoting entrepreneurship. In Eswatini, institutions such as SEDCO, SIDC, the Youth Enterprise Revolving Fund and the Women Enterprise Fund contribute to the SME financing environment (Ministry of Commerce, Industry and Trade, 2017). However, there is limited empirical evidence establishing the extent to which SMEs are aware of, access and utilise these different financing schemes. The present study therefore addresses this gap by identifying the available government capital financing schemes and examining their actual utilisation among SMEs in Eswatini.

Secondly, existing literature identifies several factors affecting SME access to finance, including inadequate collateral, limited financial literacy, information asymmetry, restrictive eligibility requirements and complicated application procedures (Beck, Demirgüç-Kunt and Maksimovic, 2005; Beck and Demirgüç-Kunt, 2006). Studies conducted in Eswatini also identify limited awareness, lengthy application processes and restrictive financing conditions as barriers to accessing financial support (Dlamini and Masuku, 2021; Central Bank of Eswatini, 2023). However, there is insufficient empirical evidence explaining how these factors influence the actual accessibility of government capital financing

schemes among SMEs in Eswatini. This study addresses the gap by examining awareness, eligibility requirements, application procedures, affordability, collateral requirements and processing time.

Thirdly, although previous studies acknowledge that access to external finance promotes business investment and SME development, there is limited evidence establishing the specific effects of government capital financing schemes on business investment growth in Eswatini. Berger and Udell (1998) explain that external financing enables SMEs to acquire productive assets, expand operations and adopt new technologies, while Lerner (2009) highlights the role of government financing in stimulating private investment. Similarly, Crawford, Cui and Kewley (2024) associate government financial support with improved SME development and performance. However, existing literature does not sufficiently establish whether government financing enables SMEs to acquire machinery and equipment, increase inventory, expand business premises, improve production capacity, create employment and invest in technology. The present study addresses this empirical gap by examining the contribution of government capital financing to specific business investment activities among SMEs in Eswatini.

Finally, the literature identifies several challenges affecting the effectiveness of SME financing programmes, including high collateral requirements, complicated application procedures, high financing costs, inadequate funding and limited technical assistance (International Labour Organization, 2022; OECD, 2024). In Eswatini, Dlamini and Masuku (2021) highlight limited awareness and restrictive eligibility conditions, while Ajetomobi et al. (2025) identify financing constraints affecting female-owned enterprises. Nevertheless, there is insufficient empirical evidence establishing the most significant challenges experienced by SMEs when accessing government capital financing schemes and how these limitations affect their investment and expansion activities. The present study addresses this gap by identifying the major financial, administrative and institutional challenges associated with government financing schemes and examining their implications for SME investment growth.

RESEARCH METHODS

3.1 Research Design

The study adopted a quantitative-dominant descriptive cross-sectional research design in which qualitative data were embedded within the quantitative data collection process. The quantitative approach was appropriate because the study sought to measure the availability and accessibility of government capital financing schemes, the extent to which SMEs had benefited from such schemes, changes in business investment and the limitations experienced when accessing financing. Quantitative research enables researchers to examine measurable variables, identify patterns and establish statistical relationships between variables through systematic data collection and analysis (Creswell and Creswell, 2018).

The cross-sectional design involved collecting information from SME owners, owner-managers and managers at a single point in time. This enabled the researcher to obtain a current assessment of respondents' experiences with government capital financing schemes without requiring prolonged observation of individual businesses. The descriptive aspect of the design facilitated the presentation of respondents' characteristics, awareness of financing schemes, accessibility experiences, investment outcomes and financing limitations using frequencies, percentages and mean scores. According to Saunders, Lewis and Thornhill (2019), cross-sectional research is suitable for examining characteristics, experiences and relationships within a defined population at a particular point in time.

Although the study was predominantly quantitative, qualitative information was embedded within the quantitative data collection process through open-ended questions included in the structured questionnaire.

These questions allowed respondents to explain their experiences, provide reasons for difficulties encountered when applying for financing, describe the benefits obtained from government support and recommend measures for improving the financing schemes. The qualitative information was therefore not collected as a separate and independent research component. Instead, it was incorporated into the quantitative questionnaire to provide explanations and additional context for the numerical findings. This approach is consistent with an embedded research design, in which one form of data is incorporated into a dominant research approach to strengthen the interpretation of findings (Creswell and Plano Clark, 2018).

The use of embedded qualitative information was particularly important because numerical findings alone could not adequately explain why some SMEs experienced difficulties accessing government financing or why certain businesses recorded greater investment improvements than others. The study was also guided by a positivist-oriented philosophical position in relation to the quantitative component. This position enabled the researcher to examine measurable information and use statistical procedures to identify patterns and relationships between government financing and business investment growth. However, the embedded qualitative responses were interpreted contextually to ensure that respondents' explanations were not reduced to numerical measurements alone. The combination of these approaches provided a more comprehensive understanding of the effectiveness of government capital financing schemes among SMEs in Eswatin

3.2 Target population

According to Saunders, Lewis, and Thornhill (2009), a population referred to the entire group of individuals or units that were relevant to a particular research study. The target population comprised Small and Medium Enterprises operating in Eswatini. The study focused on SMEs because they constitute an important component of the private sector and require adequate capital to support business operations, productive investment, expansion, employment creation and long-term sustainability. The population included businesses operating in different sectors of the Eswatini economy, including retail, agriculture, manufacturing, information and communication technology, tourism, construction, transport and other business activities.

The respondents were primarily business owners, owner-managers and managers because these individuals were considered capable of providing relevant information concerning their businesses' sources of capital, awareness and accessibility of government financing schemes, utilisation of financing, investment decisions and challenges experienced when seeking government-supported financing. Saunders, Lewis and Thornhill (2019) explain that the identification of an appropriate target population is important because it ensures that information is collected from individuals or units that are relevant to the research problem.

3.3 Sampling design

The study employed a stratified random sampling technique to select SMEs from the target population. The SMEs were divided into relevant strata based on their business sectors, after which respondents were selected from each stratum using random sampling procedures. This approach was appropriate because SMEs operating in different sectors may have different financing requirements, investment activities and experiences when accessing government capital financing schemes.

The sampling process targeted SME owners, owner-managers and managers who were actively involved in business decision-making. Particular attention was given to respondents who could provide information regarding whether their businesses were aware of government financing schemes, whether they had

applied for or accessed such financing, how the funds had been utilised and whether financing had contributed to business investment growth.

Stratification was based on sectors such as retail, agriculture, manufacturing, ICT, tourism, construction, transport and other relevant business activities. This ensured that the study did not concentrate on one category of business but captured experiences from different economic activities. Stratified sampling is useful where a population consists of identifiable subgroups because it helps improve the representation of relevant categories within the sample (Saunders, Lewis and Thornhill, 2019).

3.4 Sample Size determination

The study used a sample size of 100 SME respondents. The sample consisted of business owners, owner-managers, and managers from SMEs operating in different sectors of the Eswatini economy. A sample of 100 respondents was considered adequate for the descriptive quantitative nature of the study because it provided sufficient observations for calculating frequencies, percentages, means, and other descriptive statistics

3.5 Data Presentation

The primary data collection method used in this study was a structured questionnaire administered to SME owners, owner-managers, and managers. The questionnaire was selected because it enabled the researcher to collect standardized information from a relatively large number of respondents in a consistent manner. The questionnaire consisted mainly of closed-ended questions, Likert-scale statements and multiple-choice questions, with a limited number of open-ended questions included to obtain additional explanations from respondents. The instrument was organised into sections covering respondent and business characteristics, types and availability of government capital financing schemes, accessibility and effectiveness, utilisation of financing, business performance, investment growth, limitations associated with financing schemes and overall effectiveness. The responses from the closed-ended questions were coded and analysed quantitatively using appropriate descriptive and inferential statistical techniques, while responses to the open-ended questions were reviewed, grouped according to common themes and used to provide supplementary explanations for the quantitative findings.

The questionnaire enabled the researcher to obtain quantitative information on the extent to which SMEs were aware of and had accessed government financing schemes. It also collected information on the purposes for which financing was used, including working capital, machinery and equipment, stock, business expansion, productive assets, and technology.

3.6 Data Analysis

3.5.1 Qualitative Data

Qualitative data obtained through open ended questions, was analysed using thematic analysis. The process involved familiarisation with data, transcription of responses, coding, categorisation, identification of themes, reviewing themes, and interpretation of meanings emerging from participant responses (Braun & Clarke, 2021).

3.6.2 Quantitative analysis

Data collected through questionnaires were coded, organised and analysed using Stata and Microsoft Excel. Both descriptive and inferential statistical techniques were employed. Frequencies and percentages were used to summarise respondents' demographic characteristics, awareness, accessibility, financing experiences and challenges, while mean scores were used to analyse five-point Likert scale responses relating to financing accessibility, business performance and investment growth. Inferential analysis involved the Chi-square test of independence to establish whether statistically significant associations

existed between access to government capital financing, financing limitations and business investment growth, with statistical significance set at 0.05. Where expected cell frequencies were insufficient, Fisher's Exact Test was considered as an alternative. Additionally, multiple regression analysis was used to examine the extent to which access to financing, adequacy of financing and utilisation of funds predicted business investment growth. The analysis considered regression coefficients, p-values, overall model significance and the coefficient of determination (R^2) to establish the direction, significance and explanatory power of the relationships between the variables.

4.0 FINDINGS AND RESULTS

4.1 Characteristics of Respondents (Bio Data)

1.1 Demographic and Business Characteristics of Respondents

Understanding the demographic and business characteristics of respondents is important because the effectiveness and accessibility of government capital financing schemes may vary according to the characteristics of the enterprises seeking and utilizing such financing. The characteristics examined include gender, age and educational attainment, position in the business, years of operation, sector, legal status and number of employees, annual turnover and business registration status.

The study examined the gender composition of the respondents to establish the extent to which male- and female-owned or managed SMEs were represented in the study. The findings show that 58% respondents were male, while 42% respondents were female.

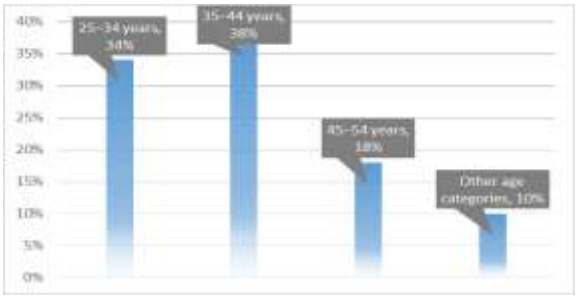
4.1.1 Gender of Respondents



Source: Primary data, 2026

The age distribution of respondents was examined to determine the demographic composition of SME owners and managers participating in the study. The findings show that respondents were predominantly within the economically active age groups. Respondents aged 35 to 44 years constituted the largest group, with 38% respondents, followed by those aged 25 to 34 years, representing 34% respondents. Respondents aged 45 to 54 years accounted for 18% of respondents while the remaining 10% respondents fell within age categories that were not specified in the supplied summary.

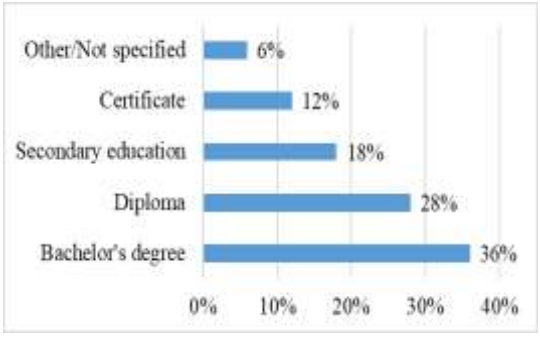
4.1.2 Age of Respondents



Source: Field Data 2026

On the educational background, the findings indicate that 36% respondents possessed a Bachelor's degree, making this the largest educational category. This was followed by 28% respondents with a Diploma, while 18% respondents had secondary education and 12% respondents possessed a certificate qualification. The remaining 6% respondents were not specified in the supplied summary.

4.1.3 Educational Level of Respondents



Source: Field Data 2026

The study examined respondents' positions within their businesses to establish whether the information was obtained from individuals with sufficient knowledge of business operations and financing decisions. The findings show that 41% respondents were business owners, while 35% respondents were both owners and managers. A further 18% respondents were managers, with the remaining 6% respondents falling into categories not specified in the supplied summary.

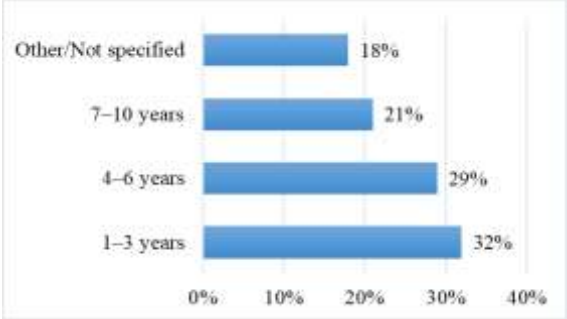
4.1.4 Position of Respondents in the Business



Source: Primary data, 2026

The study examined the number of years that the businesses had been operating to determine whether the sample included relatively new as well as established SMEs. The results show that 32% respondents operated businesses that had been established for 1 to 3 years, while 29% respondents had businesses operating for 4 to 6 years. A further 21% respondents had operated their businesses for 7 to 10 years. The remaining 18% were not specified in the supplied summary.

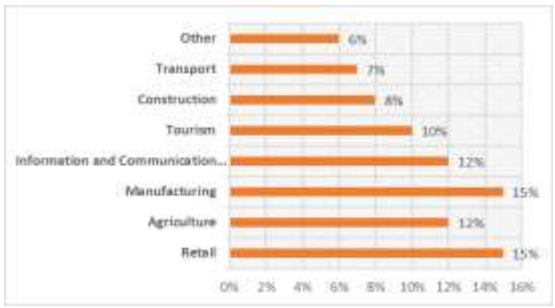
4.1.5 Years of Business Operation



Source: Primary data, 2026

The sectoral distribution of SMEs was examined to determine the major economic activities represented in the study. The findings indicate that retail was the most represented sector, accounting for 24% SMEs, followed by agriculture with 18% SMEs and manufacturing with 15% SMEs. ICT accounted for 12 SMEs, tourism for 10% SMEs, construction for 8 SMEs (8%), transport for 7% SMEs, while other sectors accounted for 6% SMEs.

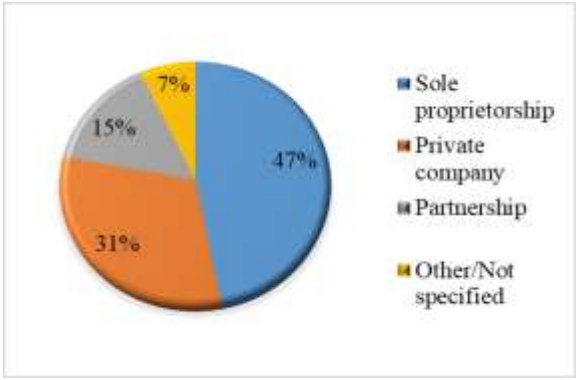
4.1.6 Sector of Business Operation



Source: Primary data, 2026

The legal status of the businesses was examined to establish the organizational forms represented in the sample. The results show that sole proprietorships constituted the largest category, with 47% businesses, followed by private companies at 31% businesses and partnerships at 15% businesses. The remaining 7% were not specified in the supplied summary.

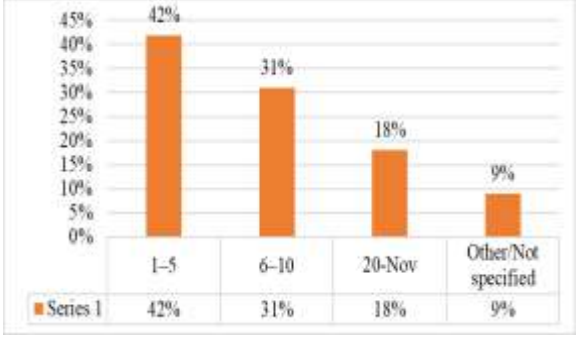
4.1.7 Legal Status of Businesses



Source: Primary data, 2026

The number of employees was examined as an indicator of business size. The findings indicate that 42% SMEs employed between 1 and 5 workers, while 31% SMEs employed between 6 and 10% workers. A further 18% SMEs employed between 11 and 20 workers, while the remaining 9% were not specified in the supplied summary.

4.1.8 Number of Employees

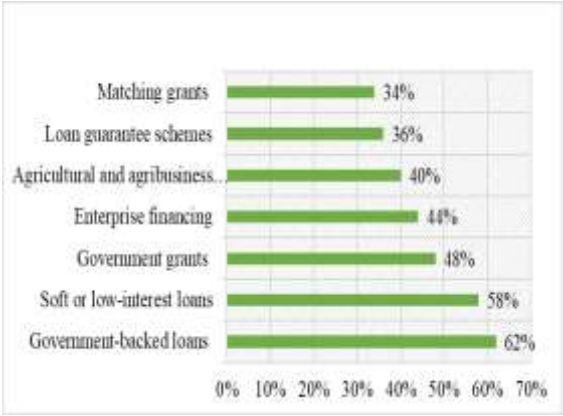


Source: Primary data, 2026

1.2 Types of Government Capital Financing Schemes Available to SMEs

This first objective of the study established the types of government capital financing schemes currently available to SMEs in Eswatini. To start with, Respondents were asked to identify the government-supported financing schemes they were aware of. The findings indicate that soft or low-interest loans were the most widely recognised financing option, identified by 62% of respondents. Government-backed loans followed at 58%, while government grants were identified by 48%. Youth enterprise financing accounted for 44%, while women enterprise financing was identified by 40%. Agricultural and agribusiness financing accounted for 36%, while loan guarantee schemes were recognised by 34%. Matching grants were the least recognised option, identified by 30% of respondents.

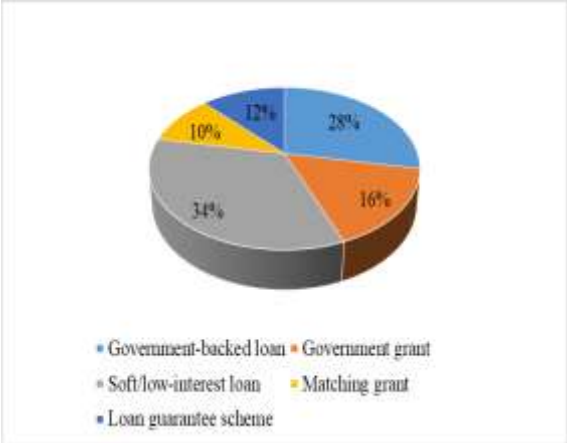
1.2.1 Types of Government Financing Schemes Known to SMEs



Source: Primary data, 2026

Respondents were asked to identify the types of government capital financing schemes accessed by their businesses. The findings show that soft or low-interest loans were the most commonly accessed financing option, accounting for 34% of respondents. Government-backed loans followed with 28%, while government grants accounted for 16%. Loan guarantee schemes represented 12%, while matching grants accounted for 10%.

1.2.2 Types of Government Financing Schemes Accessed by SMEs



Source: Primary data, 2026

When respondents were asked to identify other government capital financing schemes or financial support programmes the qualitative responses revealed several additional forms of support that respondents believed could contribute to SME development. Some respondents mentioned business development support programmes, which provide training, mentorship and business advisory services alongside

financial assistance. Others identified agricultural input financing and equipment support as important programmes, particularly for SMEs operating in agriculture and agribusiness. "Government should provide more support to small agricultural businesses, especially through affordable financing for farming equipment, seeds and irrigation facilities." On the other hand, other respondents mentioned start-up support for newly established businesses, export financing for SMEs seeking international markets and equipment financing for manufacturing enterprises.

The researcher further asked about the types of Government Capital Financing Schemes that Should Be Introduced or Strengthened to support SMEs in Eswatini. The responses revealed that affordable financing was a major priority, particularly through low-interest loans with flexible repayment arrangements.

Several respondents recommended expanding grant programmes for start-up businesses, arguing that newly established enterprises often lack the collateral and financial records required by conventional financing institutions. "Government should introduce more grants for small businesses because not every business can afford to repay a loan, especially when it is still developing." Another respondent recommended: "There should be special financing programmes for women and young entrepreneurs who have good business ideas but lack the capital to implement them."

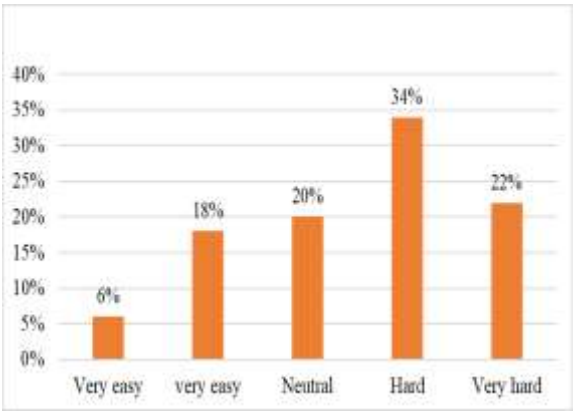
In addition, other respondents recommended strengthening agricultural financing, establishing loan guarantee programmes, increasing funding for manufacturing SMEs and introducing equipment financing schemes.

1.3 Accessibility of Government Capital Financing Schemes among SMEs

This objective of the study sought to examine the accessibility of government capital financing schemes among SMEs in Eswatini. The study assessed the ease of accessing financing, eligibility requirements, application procedures, clarity of financing conditions and difficulties experienced by SMEs when seeking government financial assistance.

Respondents were asked to indicate how easy it was for SMEs to access government capital financing schemes. The findings show that 34% (17) considered the schemes hard to access, while 22% (11) indicated that access was very hard. A further 20% (10) expressed a neutral position, while 18% (9) considered the schemes easy to access. Only 6% (3) indicated that accessing the schemes was very easy.

4.3.1 Ease of Accessing Government Capital Financing Schemes



Source: Primary Data, 2026

Respondents were asked to identify the eligibility requirements and application procedures they had encountered when applying for government financing. The findings show that national identification documents were the most commonly encountered requirement, identified by 84% of respondents.

Completion of application forms followed at 80%, while business plans or investment proposals accounted for 76%.

Collateral or security requirements were identified by 70% of respondents, while valid business licenses accounted for 64%. Financial statements or business records were identified by 58%, followed by evidence of business profitability or cash flow at 54%. The requirement for a minimum period of business operation was identified by 48%.

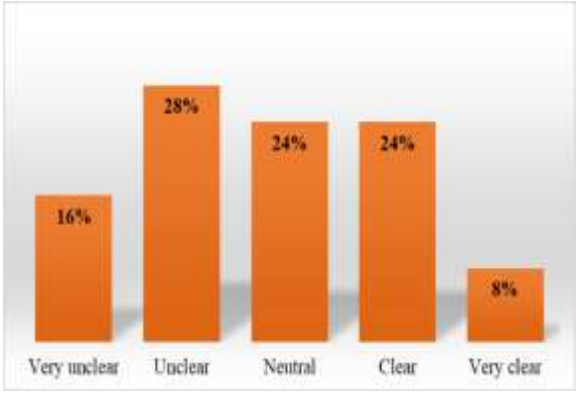
Figure 4.3.2: Eligibility Requirements and Application Procedures Encountered by SMEs

Requirement encountered	Frequency	Percentage
a. Valid business license	32	64%
b. Business plan or investment proposal	38	76%
c. Financial statements or business records	29	58%
d. Collateral or security	35	70%
e. National identification documents	42	84%
f. Minimum period of business operation	24	48%
g. Evidence of profitability or cash flow	27	54%
h. Completion of application forms	40	80%

Source: Primary Data, 2026

Furthermore, respondents were asked to rate the clarity of eligibility requirements and application procedures for government financing schemes. The findings show that 28% (14) considered the requirements unclear, while 16% indicated that they were very unclear. A further 24% expressed a neutral opinion. On the other hand, 24% considered the requirements clear, while only 8% (4) indicated that they were very clear. These findings indicate that 44% of respondents experienced or perceived a lack of clarity regarding financing requirements and application procedures.

Figure 4.3.3: clarity of eligibility requirements and application procedures for government financing schemes



Source: Primary Data, 2026

Respondents were asked to identify the eligibility requirements and application procedures they had encountered when applying for government capital financing schemes. The findings show that national identification documents were the most commonly encountered requirement, identified by 84% of

respondents. This was followed by completion of application forms at 80% (40), while business plans or investment proposals accounted for 76%. Collateral or security requirements were identified by 70% of respondents, while valid business licences accounted for 64%. Furthermore, 58% of respondents identified financial statements or business records as a requirement, while 54% reported evidence of business profitability or cash flow. The requirement for a minimum period of business operation was identified by 48% of respondents.

These findings indicate that accessing government capital financing schemes involves several administrative and financial requirements. The high proportion of respondents identifying documentation and collateral requirements suggests that SMEs must demonstrate their legal status, financial capacity and ability to manage borrowed funds before qualifying for government assistance.

Figure 4.3.4: eligibility requirements and application procedures

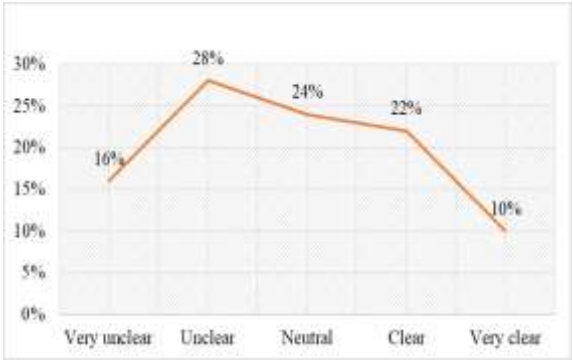
Eligibility requirements and procedures	Frequency	Percentage
a. Valid business license	32	64%
b. Business plan or investment proposal	38	76%
c. Financial statements or business records	29	58%
d. Collateral or security	35	70%
e. National identification documents	42	84%
f. Minimum period of business operation	24	48%
g. Evidence of business profitability or cash flow	27	54%
h. Completion of application forms	40	80%

Source: Primary Data, 2026

In connection with the above information, respondents were asked to rate the clarity of eligibility requirements and application procedures for government capital financing schemes. The findings show that 28% of respondents considered the requirements unclear, while 16% indicated that they were very unclear. A further 24% expressed a neutral opinion regarding the clarity of the requirements. On the other hand, 24% considered the requirements clear, while only 8% indicated that they were very clear.

These findings indicate that 44% of respondents perceived the eligibility requirements and application procedures as unclear or very unclear. This suggests that information concerning financing conditions, documentation requirements and application processes may not always be adequately communicated to SMEs.

4.3.3 Clarity of Eligibility Requirements and Application Procedures



Source: Primary data, 2026

Respondents were asked to explain the difficulties they had experienced or observed when attempting to access government capital financing schemes. The qualitative findings revealed several recurring challenges. A major concern raised by respondents was the requirement for collateral and security. Some respondents explained that their businesses lacked sufficient assets or property to provide as security, making it difficult to qualify for financing.

For example, one respondent explained: "The biggest challenge is collateral. Even when a business has a good investment proposal, it becomes difficult to access financing when the owner does not have property to use as security." Another one highlighted the difficulty of preparing application documents: "The application process requires many documents, including business plans and financial records. Small businesses that do not have professional accountants often struggle to prepare everything correctly." Other respondents identified lengthy approval processes, limited information about available financing opportunities and uncertainty regarding application outcomes. Some also indicated that financing institutions required businesses to demonstrate a longer operating history, which disadvantaged newly established SMEs.

Because of the said challenges, respondents were asked to recommend ways through which government could improve the accessibility of capital financing schemes for SMEs in Eswatini. The qualitative findings revealed that simplifying application procedures was one of the most frequently recommended measures. Respondents suggested reducing unnecessary documentation, introducing simplified application forms and providing assistance to SME owners who experience difficulties preparing business plans and financial statements. "Government should simplify the application process because many small businesses fail to access financing not because they are not qualified, but because the procedures are too complicated." One respondent observed.

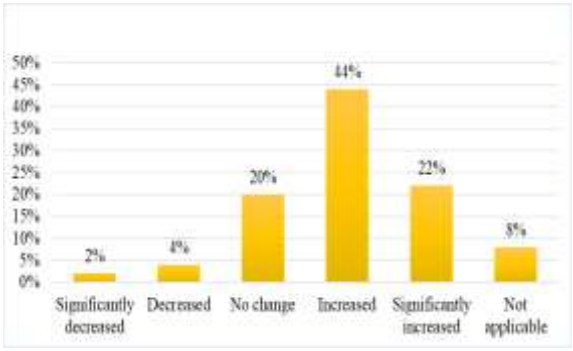
Apart from that, other recommendations included reducing collateral requirements, introducing flexible security arrangements, providing clear information through radio and business associations, establishing online application platforms and reducing the time taken to approve financing applications.

4.4 Effect of Government Capital Financing Schemes on Business Investment Growth

The third objective of the study sought to assess the effect of government capital financing schemes on business investment growth among SMEs in Eswatini. The study examined the influence of financing on investment in machinery and productive assets, stock and inventory, expansion of business premises and market coverage, as well as the specific investments undertaken by businesses.

Respondents were asked to indicate how government capital financing had influenced their businesses' investments in machinery, equipment and other productive assets. The findings show that 44% of respondents indicated that investment in productive assets had increased, while 22% (11) reported a significant increase. A further 20% indicated that there had been no change. Meanwhile, 4% reported a decrease, while 2% indicated a significant decrease. The remaining 8% indicated that the question was not applicable to their businesses.

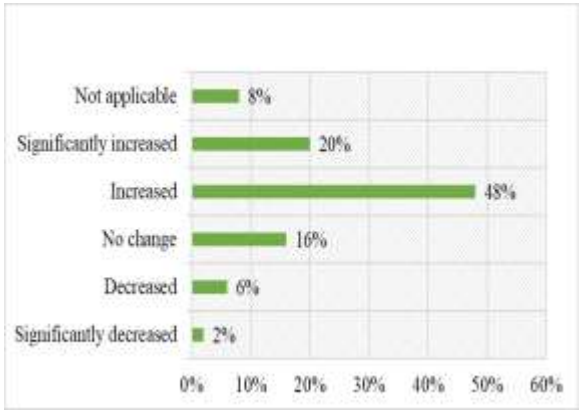
4.3.1 Influence of Government Financing on Investment in Machinery, Equipment and Productive Assets



Source: Primary data, 2026

Additionally, respondents were asked to indicate how government financing had affected their businesses' investment in stock, inventory and raw materials. The findings show that 48% of respondents reported an increase in investment, while 20% indicated a significant increase. A further 16% reported no change. Meanwhile, 6% indicated a decrease, while 2% reported a significant decrease. The remaining 8% indicated that the question was not applicable to their businesses.

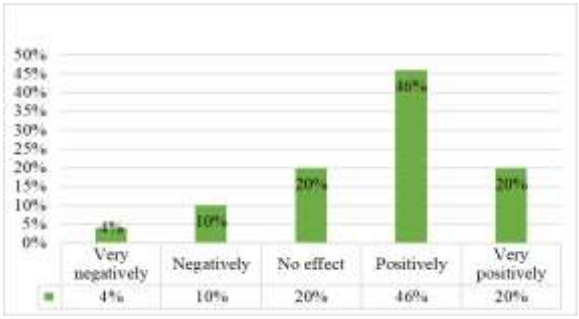
4.3.2 Influence of Government Financing on Investment in Stock, Inventory and Raw Materials



Source: Primary Data, 2026

Respondents were asked to indicate how government financing had influenced their ability to expand business premises, operations or market coverage. The findings show that 46% of respondents indicated that government financing had positively influenced business expansion, while 20% reported a very positive influence. A further 20% indicated that financing had no effect. Meanwhile, 10% reported a negative influence, while 4% indicated a very negative influence. These findings suggest that government financing contributed positively to business expansion among many SMEs. The combined 66% reporting positive or very positive effects indicates that financial assistance can help businesses increase their operational capacity, establish additional business outlets and reach new markets. However, the 20% who reported no effect suggests that financing alone may not always be sufficient to achieve business expansion.

4.3.3 Influence of government financing on expansion of business premises, operations and market coverage



Source: primary data, 2026

When asked to explain the specific ways in which government capital financing had contributed to investment growth in respondents' businesses the findings indicated that financing supported investment in productive assets, increased business stock, improved working capital and facilitated the introduction of new business activities. For example, some respondents explained that access to government financing enabled them to purchase machinery and equipment that they previously could not afford. Others indicated that the funds helped them increase their inventory, allowing them to purchase larger quantities of goods and raw materials. In view of this, one respondent said explained: "The financing helped us purchase additional equipment which improved our production capacity. Before accessing the funds, we depended on manual processes that limited the amount of work we could complete." Another respondent added that: "We were able to increase the amount of stock we purchase. This helped us serve more customers and reduced the problem of running out of goods."

Additionally, other respondents indicated that government financing helped them improve business premises, purchase delivery vehicles, employ additional workers and introduce new products. Because of these assertions, the findings suggest that government capital financing contributes to investment growth by providing SMEs with financial resources to acquire productive assets, strengthen their operational capacity and undertake investments that would otherwise be difficult to finance using internally generated funds.

in line with the above paragraph, the researcher further asked respondents to identify the major investments or business expansion activities they had undertaken as a result of accessing government capital financing. The findings revealed several investment activities across different business sectors. Most respondents reported purchasing machinery and production equipment to improve business efficiency and increase output. While others indicated that they had expanded their business premises, renovated existing facilities or established additional outlets. For instance, one of them lamented, "After receiving financing, we increased the amount of stock we purchase and improved the appearance of our shop. This helped us attract more customers and expand our business." Other investments mentioned included purchasing delivery vehicles, acquiring computers and other business technology, expanding storage facilities, purchasing raw materials and employing additional workers.

Furthermore, the respondents were asked to explain the extent to which government capital financing had contributed to the overall growth of SME investments in Eswatini. The qualitative findings revealed that respondents generally viewed government financing as an important instrument for supporting business investment, particularly among SMEs that experience difficulties obtaining commercial loans.

A set of respondents explained that government financing provides businesses with an opportunity to acquire equipment, increase stock and expand their operations. Others indicated that affordable loans and grants can encourage entrepreneurs to establish new businesses and invest in productive activities. "Government financing plays an important role because many small businesses do not have enough savings to make major investments. With financial support, businesses can purchase equipment and increase their operations." Observed one respondent. However, some respondents expressed the view that the contribution of government financing remained limited because not all SMEs were able to access the programmes. They also highlighted the importance of adequate funding, timely disbursement and business management support.

In contrast to the above information, multiple regression analysis was used to demonstrate how access to government capital financing, adequacy of financing and utilisation of financing could predict business investment growth among SMEs in Eswatini. Investment growth was treated as the dependent variable, while access to financing, adequacy of financing and utilisation of financing were treated as the independent variables.

The regression results indicate that access to financing, adequacy of financing and utilisation of financing collectively explain approximately 44.9% of the variation in business investment growth. The R Square value of 0.449 suggests that the three independent variables account for a considerable proportion of the variation in the dependent variable. The results further indicate that access to government financing has a positive coefficient of 0.334 and a significance value of 0.002. This suggests that access to financing is positively associated with business investment growth. Adequacy of financing also has a positive coefficient of 0.182 and a significance value of 0.009, indicating that businesses receiving financing that is sufficient for their investment requirements may be more likely to report investment growth.

Utilisation of financing recorded the highest standardised beta coefficient of 0.325, with a significance value of 0.001. This suggests that the productive utilisation of financing has the strongest relative association with investment growth among the three explanatory variables in this illustrative model

The regression model was specified as follows:

$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \varepsilon$

Where:

Y = Business investment growth

X1 = Access to government financing

X2 = Adequacy of financing received

X3 = Utilisation of financing for business investment

$\beta0$ = Regression constant

$\beta1$, $\beta2$ and $\beta3$ = Regression coefficients

ε = Error term

4.4.4 Regression Analysis of Government Capital Financing and Business Investment Growth

Predictor variable	β	Standard. Error	Standardised Beta	t-value	Significance
A. Constant	2.169	0.265	0	8.192	0.001
B. Access to financing	0.334	0.107	0.289	3.119	0.002
C. Adequacy of financing	0.182	0.069	0.224	2.647	0.009
D. Utilisation of financing	0.249	0.072	0.325	3.441	0.001

4.4 Limitations Associated with Government Capital Financing Schemes for SMEs

This was a fourth objective of the study which sought to establish the limitations associated with government capital financing schemes for SMEs in Eswatini. The study examined the major challenges experienced by businesses when accessing financing, the extent to which these limitations affected their investment activities and the measures that could be implemented to improve the effectiveness of government financing programmes.

To start, respondents were asked to identify the major challenges they had experienced or observed when accessing government capital financing schemes. The findings show that lengthy approval processes were the most commonly identified challenge, reported by 72% of respondents. Excessive documentation requirements followed at 68%, while complicated application procedures were identified by 64%.

Lack of collateral or security was reported by 62%, while lack of information about financing opportunities accounted for 60%. Limited funding availability was identified by 58%, while strict eligibility requirements accounted for 54%. Limited technical assistance was reported by 48%, while high financing costs accounted for 44%. Lack of transparency was identified by 38% of respondents.

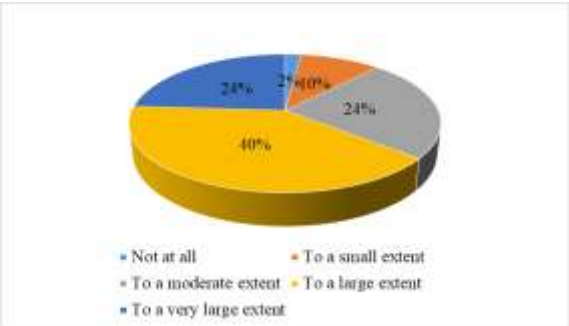
4.5.1 Challenges Experienced When Accessing Government Capital Financing Scheme

Challenges identified	Frequency	Percentage
a. Lack of information	30	60%
b. Complicated application procedures	32	64%
c. Excessive documentation requirements	34	68%
d. Lack of collateral/security	31	62%
e. High financing costs	22	44%
f. Lengthy approval processes	36	72%
g. Limited funding available	29	58%
h. Strict eligibility requirements	27	54%
i. Lack of transparency	19	38%
j. Limited technical assistance	24	48%

Source: Primary Data, 2026

The researcher asked to indicate the extent to which the identified limitations affected SMEs' ability to make business investments and expand their operations. The findings show that 40% of respondents indicated that the limitations affected SMEs to a large extent, while 24% reported that they affected businesses to a very large extent. A further 24% indicated that the limitations affected businesses to a moderate extent. Meanwhile, 10% reported that the limitations affected businesses to a small extent, while only 2% indicated that they did not affect businesses at all.

4.5.2 extent to which identified limitations affect SMEs' investment and business expansion



Source: Primary Data, 2026

When asked to recommend measures that government could implement to address the limitations associated with capital financing schemes and improve their effectiveness in supporting SMEs the qualitative findings revealed several recommendations, particularly the need to simplify application procedures, increase funding availability and improve the transparency of financing programmes.

Most respondents recommended reducing the amount of documentation required during applications and introducing more flexible collateral arrangements. They argued that many small businesses have viable investment opportunities but lack the assets required to qualify for conventional financing arrangements. For instance, one of them said: "the government should reduce the collateral requirements because most small businesses do not own valuable property that can be used as security. There should be alternative ways of assessing businesses." She added that "the approval process should be faster. Businesses need financing when they have investment opportunities, and long delays can cause them to lose those opportunities."

On the other hand, other respondents recommended increasing the financial resources allocated to SME financing programmes, improving public awareness through business associations and local communication channels, and providing technical assistance to entrepreneurs. One of them was quoted "Government should provide training on how to prepare business plans, maintain financial records and manage loans. This would help businesses become more prepared when applying for financing." Additionally, respondents also recommended establishing clear selection criteria, publishing information about available financing opportunities and providing regular updates to applicants regarding the progress of their applications.

4.6 Discussion of Results

The study examined the effectiveness of government capital financing schemes in promoting business investment growth among SMEs in Eswatini, guided by four specific objectives and Credit Rationing Theory. The background findings showed that respondents represented different demographic and business characteristics, with 58% being male and 42% female. Most respondents were aged between 35 and 44 years, 38%, while retail, 24%, agriculture, 18% and manufacturing, 15%, were the most represented business sectors. This provided perspectives from SMEs operating in different economic sectors and with varying levels of business experience.

Regarding the first objective, the findings established that several government capital financing schemes were available to SMEs, including soft or low-interest loans, 62%, government-backed loans, 58%, grants, 48%, youth enterprise financing (44%), women enterprise financing, 40%, agricultural financing, 36%, loan guarantee schemes, 34%, and matching grants, 30%. However, although 64% of respondents were aware of government financing schemes, only 48% had accessed such financing. This suggests that awareness does not necessarily translate into actual access. The findings support Lerner (2009), who explains that government financing interventions address financial constraints and stimulate entrepreneurship. They also demonstrate the need to diversify financing instruments to accommodate the different investment requirements of SMEs across economic sectors (Crawford, Cui and Kewley, 2024).

Concerning the second objective, the findings revealed that accessing government capital financing schemes remained difficult for many SMEs. Approximately 56% of respondents described the schemes as hard or very hard to access. Major requirements included national identification, 84%, application forms, 80%, business plans, 76%, and collateral, 70%. Furthermore, 44% considered eligibility requirements and application procedures unclear or very unclear. These findings demonstrate that administrative requirements, inadequate information and collateral conditions restrict access to

government financing. This is consistent with Beck, Demirgüç-Kunt and Maksimovic (2005), who identify collateral shortages and financial constraints as significant barriers to SME development. The findings therefore suggest the need to simplify application procedures, improve information dissemination and introduce flexible financing requirements.

Regarding the third objective, the findings demonstrated that government capital financing schemes contributed positively to business investment growth. Specifically, 66% of respondents reported increased investment in machinery and productive assets, while 68% experienced increased investment in stock, inventory and raw materials. Additionally, 66% indicated that financing positively influenced business expansion. The overall investment growth mean score was 3.77, while the business performance mean score was 3.84. Furthermore, 64% reported overall investment growth, suggesting that government financing enabled many SMEs to undertake investments they might otherwise have delayed or abandoned. These findings support Berger and Udell (1998), who explain that external financing enables SMEs to acquire productive assets, expand operations and adopt new technologies. However, the varying investment outcomes indicate that financing adequacy, timely disbursement and effective utilisation are important determinants of the benefits realised.

Concerning the fourth objective, the major limitations identified included lengthy approval processes, 72%, excessive documentation, 68%, complicated application procedures, 64%, lack of collateral, 62%, inadequate information, 60%, and limited funding availability, 58%. Other challenges included limited technical assistance, 48%, high financing costs, 44% and lack of transparency, 38%. Notably, 64% of respondents indicated that these limitations affected their businesses to a large or very large extent. These findings are consistent with the International Labour Organization (2022) and OECD (2024), which identify administrative, financial and institutional barriers as important constraints to SME financing. Credit Rationing Theory by Stiglitz and Weiss (1981) further explains how information asymmetry and strict lending conditions can restrict access to finance. Overall, the study established that government capital financing schemes contribute positively to SME investment growth in Eswatini, but their effectiveness remains constrained by accessibility challenges, inadequate funding and administrative inefficiencies. Improving these schemes requires simplified procedures, alternative collateral arrangements, increased funding and stronger institutional support.

5.1 Conclusion

1. The study concludes that several government capital financing schemes are available to SMEs in Eswatini, including soft loans, government-backed loans, grants, youth enterprise financing, women enterprise financing, agricultural financing, loan guarantee schemes and matching grants. However, the findings indicate that awareness and utilisation of these schemes differ, with loan-based financing being more widely recognised and accessed than some alternative financing options.
2. The study concludes that accessibility remains a major challenge affecting the effectiveness of government capital financing schemes. Many SMEs experience difficulties satisfying collateral requirements, preparing the required documentation and understanding application procedures. The findings demonstrate that the existence of financing programmes does not necessarily guarantee that SMEs can successfully access them.
3. The study concludes that government capital financing schemes have contributed positively to business investment growth among SMEs in Eswatini. The contribution is reflected in increased investment in machinery and equipment, stock and inventory, and business expansion. Nevertheless,

the benefits differ across businesses depending on the adequacy of financing, timing of disbursement and productive utilisation of funds.

4. The study concludes that the effectiveness of government capital financing schemes is constrained by lengthy approval procedures, excessive documentation, complicated application processes, collateral requirements, inadequate information, limited funding and insufficient technical assistance. These limitations affect the ability of SMEs to obtain financing and undertake planned investments

4.5 Recommendations

A. Government, through the Ministry of Commerce, Industry and Trade and relevant financing institutions, should strengthen awareness and dissemination of information concerning available financing schemes. Information should be communicated through business associations, local enterprise support offices, online platforms and SME development programmes. Particular attention should be given to youth-owned, women-owned, agricultural and newly established enterprises to ensure that different categories of SMEs are informed about suitable financing opportunities.

B. Government financing institutions should simplify application procedures and review collateral requirements to make financing more accessible to smaller enterprises. The number of documents required should be reduced where possible, while alternative forms of security and appropriate assessment arrangements should be considered for viable businesses that lack conventional collateral.

C. iii. Government and relevant financing institutions should strengthen the availability and adequacy of capital financing for SMEs. Financing allocations should respond to the investment requirements of businesses in different sectors. In addition, beneficiaries should receive business development support, including training in financial management, business planning, record keeping and effective utilisation of funds.

D. Government financing institutions should improve the efficiency and transparency of financing administration by reducing delays in application assessment and disbursement. Applicants should receive clear information regarding eligibility criteria, application requirements, selection procedures and the progress of their applications. Regular monitoring should also be undertaken to establish whether financing is contributing to the intended business investment outcomes.

E. Further studies should examine the long-term contribution of government capital financing schemes to SME growth in Eswatini. Future research could compare businesses that have accessed government financing with those that have not, while also examining differences across business sectors and geographical locations.

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