

# Financial Inclusion for all: Government policies and pitfalls in performance of small and medium enterprises in Juba Town, South Sudan

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## Abstract

*Medium-sized and small companies in Juba, South Sudan, have restricted access to financial institutions, as other developing-nation cities, are unable to produce enough revenue. They find it difficult to propel firms in a sustainable way due to a lack of funding. As a result, company failure is a common occurrence in the city. The economy contracts when enterprises fail, which has catastrophic effects on human survival. In Juba Town, small and medium enterprises are still modest and employ only one person. Juba Town's small and medium enterprises saw a performance drop of more than 5% in 2018. In 2021, almost two hundred businesses in Juba Town went out of business. This clearly illustrates how badly South Sudan's businesses are doing in Juba Town. The aim of this research was to determine the effect of financial inclusion on the performance of small and medium-sized businesses in Juba, South Sudan. The behavioral theory of the business, asymmetric information theory, financial intermediation theory, and The Gibbs Mini and Medium Company Encouragement. The research design for the study was explanatory. The 15654 enterprises in Juba, South Sudan, were the target population. Owners and managers of businesses were the specific responders. According to the Yamane formula (1967), 390 owners or managers of enterprises in Juba Town, South Sudan, made up the sample size. The samples of the enterprises used the stratified and random sampling technique. Government policies played a direct optimistic influence on SMEs performance but did not significantly moderate the relationship between financial inclusion and accomplishment. SMEs that are monetarily erudite, have access to adequate financing, can afford credit facilities, and are aware of financial requirements perform better. The study recommended strengthening SMEs-*

*focused financial literacy programs, expanding access to affordable credit through flexible loan products, and enhancing awareness campaigns on financial products and costs. Policymakers should also improve the implementation of supportive regulations and link incentives such as tax relief and subsidies to financial inclusion initiatives. For SMEs owners, adopting structured financial planning, maintaining stronger relationships with financial institutions, and leveraging alternative financing options such as SACCOs and mobile money will enhance growth and sustainability.*

**Keywords:** Financial Inclusion, Government policies, and pitfalls in performance of SMEs

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## 1. Introduction

Companies played a vigorous role in advancing worldwide fiscal growth, combating poverty, and creating jobs. To foster innovation, growth, and prosperity, companies are precarious with the commercial structure of poor countries (Chen & Divanbeigi, 2019).

Poverty maintains a weak negative correlation with financial inclusion, financial development, inflation, trade openness, and the Gini coefficient. Which suggests that as financial accessibility, economic liberalization, and income distribution improve, poverty levels tend to decline, albeit at a modest rate (Mbodj, 2025).

Poverty reduction can be attained by stimulating economic growth to increase incomes and expand employment opportunities for the poor, undertaking economic and institutional reforms to enhance efficiency and improve the utilization of resources, prioritizing the basic needs of the poor in national development policies, promoting microfinance programs to remove constraints to innovation, entrepreneurship, and small scale businesses (Ayoo, 2022).

However, SMEs around the world continued to confront or face challenges, as evidenced by a 2016 survey that revealed 2.21 million SMEs have closed for the 2015–2020 period. Since finance is the lifeblood of any organization, financial inclusion is essential to its existence and success, claims Ozili. SMEs cannot prosper without adequate funding for fixed asset investments, working capital needs, recruiting skilled personnel, and developing new goods and markets. However, most SMEs continue to face restricted access to funding (Ozili, 2018).

For companies to achieve the goals of sustainable development through financial resolution, such as eradicating poverty, attaining gender equality, promoting good jobs and economic growth, and eliminating inequalities, creative strategies must be established Ogbari et al (2024).

The limited public access to financial institutions hinders SMEs' ability to grow due to their low capital. SMEs have potential; thus, funding and coaching are necessary to boost their business environment, claims Ratnawati. Financial inclusion is a key tool for exploring growth opportunities for SMEs' performance.

According to Chen and Divanbeigi, financial inclusion guarantees that transactions, payments, savings, credit availability, and other financial services like insurance provides a sustainable way. Financial inclusion means that all people and enterprises should include financial products and services so that they manage their money efficiently regardless of socioeconomic or cultural disparities. Lee stated that significantly and favorably affects the development and performance of businesses. Financial inclusion increases output and job opportunities by

encouraging investment and reducing obstacles to liquidity. The economic activity of SMEs can increase with the appropriate implementation of financial inclusion. Financial inclusion can also assist in changing the way the financial system and structure improve how well it supports investments and savings, Gomber *et al.* (2018).

The process of ensuring that all society segments but the weaker, susceptible, and marginalized category have equitable, transparent, and reasonably priced access to financial products and services from significant institutional players is known as financial inclusion. Indonesia as a developing nations notably, have made financial inclusion a high priority on their development agenda. The World Bank reports that over three billion people globally use basic business facilities, with the common being in developing states (Ratnawati, 2020).

Globally, Economist Intelligence Unit (EIU) reports that Japan has the highest quantity of SMEs amongst the mechanized states, over 99% of enterprises and over 70% of the occupation. Regardless of significant role played by SMEs in Japan, these ventures have been closing or recording a decline in profits, which hinders growth. Between 1999 and 2014, the SMEs numbers in Japan fell by 21%; from 4.8 million to 3.8 million (OECD, 2017).

In contrast to the months, it takes for traditional banks to distribute loans to businesses, banks in Mexico that offer online financial products and services for SMEs do so in 24 hours. Bloomberg's rates of interest are half of what traditional banks charge, and in 2018, the delinquency rate was 4.8%, while the whole banking industry's rate was 5.4%. Microfinance plays a crucial role in giving SMEs financial support they did not get from the mainstream financial institutions, including the access to capital, according to Mexican bank policy. Financial exclusion will devote negative consequences on the development and expansion of companies Petrin (2021).

In the country of Nigeria, inclusion in finance can help modify the assembly of the economic arrangement and increase the effectiveness of a link between savings and investments. However, the elderly cannot access financial products and services within Nigeria as of 2010. Of these, 54.4 percent were women, 73.8 percent were young adults (less than 45 years old), and 34 percent were adults without a formal education. Almost fifty percent of SMEs in developing nations cite accessibility to financial assistance as a major limitation, particularly in Nigeria.

This indicates that SMEs in Nigeria encounter major obstacles when attempting to secure the funding they require to develop and flourish. Their inability to obtain funding from MFI attributes to their inexperience with financial intermediaries, hefty collateral requirements, and expensive administrative fees.

In South Sudan, SMEs have been associated with deficient performance. The SMEs' mediocre performance is associated with poor accessibility, availability, and the usage of banking services. The current study focused on financial literacy, financial availability, financial accessibility as well as financial awareness as the measures of financial inclusion. SMEs loan account in South Sudan was 35.6% of non-financial corporation borrowers. The deposit account of SMEs in the same year was 57.9% of non-financial borrowers in South Sudan. (World Bank, 2021).

The general public's proper access to, use of, and availability of fiscal facilities and goods means a financial inclusion. Ratnawati asserts that the term "financial inclusion" also describes the distribution of financial services and products to people. Financial inclusion guarantees the sustainable delivery of such payments, transactions, savings, credit availability, and other financial services like insurance.

Chen showed it as the lack of obstacles to money, including those related to price and non-price, individuals must have the right to money. The present research will concentrate on financial awareness, financial availability, financial accessibility, and financial literacy.

Financial services are not available to 2.5 billion individuals worldwide. The percentage of low-income earners exclude emerging and developing countries at around 80 percent. The availability of financial services remains to function as the primary obstacle to the development of youth-owned firms in Sub-Saharan Africa. Furthermore, 70% of these companies are struggling financially and do not yet have access to finance (International Labor Organization, 2016).

To guarantee responsible and sustainable financial services for youth requires a joint effort from marginalized youth, and financial institutions, including the financial technology sector, academics, the commercial sector, and development players.

Just 9% of adults in South Sudan, for example, have a bank account. Additionally, greater than 40% of South Sudan's SMEs do not have the ability to utilize banking services [4]. From a contextual standpoint, study demonstrates the part of SMEs and the money available on their expansion has received minimal attention from South Sudanese academics.

Commercial banks should design policies to make sure they remain stable and competitive and financially inclusive and stable financial sector (Musau et al., 2018).

Auma explained performance like concept of tracking the results of a process or operation and then adjusting it as needed to increase its efficacy, efficiency, or output. Enterprise performance conversely describes how well SMEs' owners use financial integration or inclusion in their operations to boost revenues and worker efficiency.

Olayo (2018) describes financial indicators as reoccurrence on venture, homecoming on wealth, profit on property, and satisfactory profit (sales). Non-financial measurements include things like market share, the government's ability to satisfy member requirements, attain its existing goals, and adapt to a changing environment. Wamalwa (2018) asserts that client acquisition, loyalty, and retention are all components of customer happiness.

Measuring financial performance of SMEs would require assessment of non-conventional measures since most SMES do not publish detailed financial reports like their more established counterparts. It is, however, possible to derive the enterprise's performance through non-financial elements. The non-financial measures of SMEs performance included market share, new products, number of employees and service delivery. Other measures of enterprise performance included the extent of customer fulfillment and other criteria such as the business owners' non-financial goals. Kanini measured enterprise performance using profitability and growth in sales. The current study measured the success of enterprises based on their profitability and growth in sales volume.

A policy is a course of conduct that is adhered to, because it is materially more convenient. Governmental policy is the framework that guides the activities to address public issues and managed by state laws, rules, and administrative procedures. To address a variety of issues, including revenue taxes export and import tariffs, incentives for investment and aid, taxes and interest rates for SMEs, immigration, and pension restrictions, governments enact laws and policies (Simiyu, 2018).

Governmental policies pertain to matters like loan rates and currency exchange rates. One key area that influences corporate expenses is tax legislation. Cost increases are equivalent to increases in the tax on

withholding. Value Added Tax (VAT), collected beforehand by business owners, and then transferred to customers, has an impact on business expenses as well. Micro and small businesses in developing nations frequently must adapt to deviations in the lawful and policy setting on a constant basis Razumovskaia et al. (2020).

The study's moderating variable was the government policies, and since it sought on how these policies affect the link between money availability and businesses performance. Government regulations that have the potential to either help or hinder SMEs' performance are among these circumstances (Harini et al., 2018).

This company's organization employs not more than one hundred people, and its yearly revenue output is less than \$4 million. Companies independently run by shared businesses, and partnerships, or sole proprietorships. Businesses classified as small have an annual turnover between South Sudanese Pounds 500,000 and South Sudanese Pounds 5,000,000 and employ 10 to 49 people, while medium-sized businesses have an annual revenue between SSP 5,000,000 and South Sudanese Pounds 800,000,000 and employ 50 to 99 people (Aondo, 2019).

The South Sudanese SME sector is currently in its infancy and recovering from the devastating impacts of the country's protracted civil war, which destroyed the nation's physical structures, economic, social, cultural, and financial systems, and caused all its citizens displaced and impoverished by conflict. South Sudan experienced a return to relative peace and stability, which led to the emergence of SMEs' institutions, SACCOs, non-profit organizations, businesses limited by shares, and businesses limited by guarantees are examples of service providers (Arok, 2019).

FinTech has apposite and significant impact on financial inclusion, literacy, and SMEs sustainability. SMEs can effectively manage the available resources, minimize expenses, and in the process foster sustainable development through enhanced financial access and literacy. FinTech also boosts SMEs' access to financial services and their knowledge, which helps SMEs make the right decisions Elmi et al (2025).

Due to issues with leadership, technology, and security, Juba City's SMEs continue to function poorly. Innovation, and expansion of information technology infrastructure in their overall portfolio management, creativity in products, and technological investment are the ways in which progress exists. The profitable growth of SMEs was attained with the help of the modified study recommendations since they will react more quickly to changes in the economy and prevent new competitors from entering the market at a faster rate (Arok, 2019).

The specific objective of this study was:

- I. Financial inclusion for all government policies and pitfalls in performance of small and medium enterprises in Juba Town, South Sudan.
- II. To establish the effect of financial literacy on small and medium enterprises' performance in Juba Town South Sudan.
- III. To examine the effect of financial availability on small and medium enterprises' performance in Juba Town South Sudan.
- IV. To find out the effect of financial accessibility on small and medium enterprises' performance in Juba Town South Sudan.
- V. To evaluate the effect of financial awareness on SME's performance in Juba Town South Sudan.

VI. To investigate the moderating effect of government policies on the relationship between financial inclusion and SME's performance in Juba Town South Sudan.

### **1.1 Review of Literature**

This section explains the effect of financial inclusion for all government policies and pitfalls in performance of small and medium enterprises in Juba Town, South Sudan.

#### **1.1.1 Theoretical Review**

The theories were very crucial and chosen by the researcher to guide the investigation. Which led the study to investigate the important hypotheses. Views on financial intermediary theory, asymmetric information theory, the Gibbs Mini and medium company encouragement approach, behavioral theory of the firm and lastly Schumpeter's theory of innovation were all examples of the investigation.

#### **1.1.2 Financial Intermediary Theory**

It clarifies how commercial banks support monetary presence as a profitable and social speculation and, in turn, steadiness which tackles the variable of financial accessibility. The theory by Pyle (1971) explains why excess to money, originally transferred to groups, who subsequently advance to shortage entities, rather than direct lending. These compensate for the danger they incur on the side of the holders of the excess fund, as well as their participation in delegated monitoring. Reducing market frictions and streamlining the intermediation process will result in better financial accessibility when the assigned monitoring function, accomplished.

Beck contends that there are significant expenses associated with assessing enterprises, managers, and market conditions prior to making investment decisions. Furthermore, it is possible that individual savers lack the capacity to collect, analyze, and provide information regarding investments. The existence of banks as justified by the demand for trustworthy information at affordable prices. The theory of financial intermediation, according to Ndebbio (2004), describes how commercial banks function to adjacent the crack among marketplace participants. Financial market friction highlighted as one significant factor.

The theory places on banks' role in reducing market friction, asymmetric knowledge, and efficient capital allocation all crucial components of successful financial inclusion demonstrate their significance.

This might interpret the indication that reliable information production and lower transaction costs support the stability and profitability of financial organizations. Another role of financial intermediaries is screening [13]. By eliminating potentially dangerous customers from the financial system, the screening function improves stability, growth, and profitability. Most countries are currently pushing for loosened Know Your Customers (KYC) regulations to broaden banking outreach.

The idea that a lack of identification resources and paperwork contributes to financial exclusion lends credence to this. As a result, the role of screening has loosened, and credit levels related to financial inclusion have increased, this links to decreased bank profitability and stability. This theory shows the association concerning the fiscal inclusion and SMEs' enactment. The theory shows the need for commercial banks to financially include the SMEs, and the victory of businesses improve by access to monetary packages. Thus, this theory explained the main purpose for the study, which is to ascertain in what way financial inclusion influence SMEs' success.

### **1.1.3 Asymmetric Information Theory**

Financial literacy and financial awareness are two study variables that influenced this theory. This is due to the theory's demonstration that information access is necessary for obtaining funds, which would improve business performance. Therefore, the research's two targets are to regulate the connection in the middle of commercial knowledge and enterprises.

The previous research noted asymmetrical information, people who purchase cars see a difference from those who sell them. Merchants are therefore more prone to offer lower-quality products. Due to their inability to obtain outside funding, small enterprises have information asymmetry. Agencies have access to information under this system, while others do not. Additionally, most SMEs encounter financial challenges due to disparities in expertise.

Information gaps between lenders and borrowers make it difficult to lend to SMEs. When looking for outside finance, this could cause problems for startups and growth [14]. SMEs primary constrains are due to external funding issues, with internal financing serving as a backup plan. Due to the rapid evolution of market institutions, buyers and sellers are equally knowledgeable.

Technology advancements have made it possible for everyone to get the information they require, particularly regarding financial transactions, employee performance, and product quality. This study will use this idea to demonstrate that SMEs continue to have difficulties in obtaining outside funding. This is because lenders find it difficult to assess information from customers, which makes it more difficult to take risks. This puts financial technology use and, consequently, the inclusion of SMEs, at danger. SMEs encounter difficulties in utilizing financial technology services to achieve complete financial involvement.

Financial literacy and financial awareness, being the two distinctive study variables for this theory, demonstrates the accessibility of information necessary for obtaining funds, which would improve business performance. Therefore, the research's two targets are to regulate the connection in the middle of commercial knowledge and enterprises.

### **1.1.4 The Gibbs Mini and Medium Company encouragement approach**

Gibbs puts forth the perfect in 1998. When launching initiatives for the growth of micro and small firms, the model enumerated the policies considerable during this study. The model is dynamic because it adapts to the needs of micro and small companies by changing the institutions, laws, of this entrepreneurial part.

Under this concept, SMEs are eligible for four distinct types of assistance programs. The first part is the policy framework, which uses a range of criteria to assess how policies affect micro businesses. The second is the support for the structure, in into two separate parts: hardware support, which comprises infrastructure, resources, and credit provision, and software support, which includes training, counseling, consulting, and transportation. The requirements as viewed from the perspective of the entire nation, the level of community involvement, and the needs of enterprises or prospective entrepreneurs, according to Gibb (2000a), who calls the third model the needs frame model.

Last is the institutional framework, which encompasses various institutional capabilities that designed to encourage SMEs. Individuals who were initiating their first business require non-financial assistance packages, as opposed to entrepreneurs who were already conducting a business, according to Gibb (2000b).

According to Smallbone and Welter (2001), micro and small businesses continue, and occasionally even expand on their own in transitional economies without direct government intervention because people are resourceful and adaptable to harsh external conditions. However, there are still relatively few companies operating in these conditions, and their contribution to economic growth is minimal.

This theory is a significant component of this investigation. In agreement with Gibb (1998), Smallbone and Welter (2001) argue that the elevation of a SME culture in poor nations is contingent upon the implementation of more effective government interventions, such as policies that provide access to financing options, business infrastructure, and entrepreneurial training. The Government Support Framework Model for Developing Economies, as defined by Gibb (2006), elaborates on the concept that the economic environment of MSEs were faced by a variety of issues at various phases of the research.

This theory therefore informs the moderating variable which is government policies. The theory shows the need for policies in Micro and Small Enterprise Development programs. Thus, the theory guides the goal, which is to ascertain how government policies moderate the liaison among dependent variables and independent variables.

#### **1.1.5 Behavioral Theory of the Firm**

Different authors put forth this theory in 1952. It is a paradigm that helps us understand how small businesses are growing and demonstrates how each company supports the others. The theory also demonstrates that the company is composed of people with divergent objectives (Dew *et al.*, 2008).

Furthermore, the firm's performance can only be improved by a negotiation process in which coalition members agree on the precise goals. Even though members of an alliance may have different goals, the alliance and the company will be viable if the available income exceeds the demands of the members. These goals need to address a big issue, like sales, revenue, records, and production levels (Cyert & March 1992).

This theory is divided into four parts: human emotions, profit satisfaction, cooperative behavior, and business size. Depending on the size of the company, managers may want to work for a large, prosperous company that will offer them greater honor and status. The managers may be driven to demonstrate the company's performance, which leads them to pursue high-profile goals. Therefore, letting go of the past choices comes with a price. In profit-satisfying, even if the employees do not want to maximize profits, the owners may. However, administrators and staff can make judgments that do not maximize earnings since workers do not have perfect information (Gavetti *et al.*, 2012).

Conversely, ethical concern is another name for cooperation. Companies may be able to set up goals that are different from the yield maximization approach of the past. Maximizing the wellbeing of all stakeholders is the cooperative firm's aim. Human emotions drive people to intentionally choose ways to take advantage of their financial well-being. However, emotions do have an impact on us in the real world. The theory therefore explains the growth of small firms. The theory therefore explains the result of the study. It thus explains the process that leads to enactment business of which is the dependent variable of this investigation.

#### **1.1.6 Schumpeter's Theory of Innovation**

In his discussion of the significance for creativity in the accomplishments of SMEs, Schumpeter (1934) pointed out that inventiveness creates wealth when new goods and services are introduced into the marketplace, thereby dismantling established market mechanisms. When old businesses fail, resources are converted to new ones,

enabling fresh startups to flourish. Schumpeter acknowledges the importance of creativity and invention in an entrepreneur's area of expertise.

According to Schumpeter, because businesspeople are innovative, creative, and forward-thinking, they contribute to the growth of the business by using goods and services. According to Schumpeter, development is a process that is not automated because it is supported by participants in the marketplace. The people who facilitate the process of progress are businessmen. Schumpeter recognized expertise as well as imagination as catalysts for business.

Schumpeter claims that although BDS providers offer financial services to finance the creation of new initiatives, entrepreneurs are inventors who create profitable conditions for new businesses. The main responsibility of bankers is to generate loans to support innovations financially. Because they deal with a variety of risks and need certain skills to predict the success of a range of entrepreneurial ventures, bankers are capitalists. Schumpeter argues that while it makes sense to restrict credit to business owners who lack potential, it is essential to give credit to those who do since it will enhance their performance.

However, this theory has serious shortcomings, such as the fact that it primarily applies to huge businesses and ignores the fact that entrepreneurs take risks, even though the present situation of the economy forces small business owners to imitate established models rather than develop original concepts. The theory was used in this study because it addresses the function of an entrepreneur in establishing an economy and the role of business development service providers in offering services to support and enhance the success of prospective entrepreneurs.

## **2. Empirical Review**

Empirical sources were reviewed to enhance better understanding of the driving variables that contributed to the performance of small and medium enterprises. The study emphasized financial literacy, financial availability, financial accessibility, financial awareness with moderation between financial inclusion, government policies, and performance of SMEs.

### **2.1 Financial Literacy and Performance**

According to the research conducted in Nigeria revealed that Information was gathered by the investigator from both direct and indirect sources. In general, the victory of companies was significantly impacted by financial literacy. It was determined that the monetary insolence and familiarity of SMEs affect their performance (Esiebugie et al. 2018). The most recent study took place in South Sudan, whereas the last one was conducted in Nigeria.

Usama and Yusoff concentrated on the correlation between a company's performance and financial literacy. If a firm's resource is immobile, heterogeneous, and meets the criteria of non-substitutability, faulty imitability, and value rareness, it can provide a prolonged competitive advantage. The fallouts of the investigation show how entrepreneurs' presentations were influenced by their financial literacy. The study solely examined financial literacy, one aspect of financial inclusion, which created a conceptual gap.

The East Kalimantan business players serve as the level analysis unit. The findings showed that financial inclusion positively affects small business SMEs performance and that financial literacy significantly and

favorably affects SE performance. The contextual lacuna exists because to the point that the up-to-date research concentrated on the recital of small enterprises in East Kalimantan.

Ghanaian SMEs performance, monetary literateness, and culture were the central topics [18]. The results suggest that cultural norms hinder the development of financial literacy. Additionally, Protestant views increase the likelihood that SMEs will use financial literacy to seize expansion chances. Accordingly, the research finds culturally contextual link between monetary literacy and SME growth. Ghana was the site of the research, and South Sudan was the site of the current one.

### **2.1.1 Financial Availability and Performance**

Memon examined the ways in which financial accessibility supports inventive, financial, and environmental enactment. The conclusions show that adequate monetary resources play a minor power on environmental routine. The connection between fiscal availability and innovative performance was mediated by the opportunity recognition mediator, which helps enterprises with sufficient financial resources recognize new opportunities. The most recent study took place in South Sudan, whereas the last research was conducted in Pakistan.

Khan and Liu concentrated on the link among firms' ecological performance and innovation and monetary availability. This analysis demonstrates how financial attainability plays a mediating role in identifying opportunities in both financial and environmental performance. 305 SMEs operating in Pakistan's growing marketplaces provided framework questionnaires for the collection of pragmatic testing. The findings demonstrated that while appropriate financial resources have influenced financial instrument performance, they also have a major influence on environmental enactment.

The research's results substantiate the successful utilization of financial resources by CEOs and senior administrators to capitalize on new opportunities and achieve superior financial and environmental performance. The most recent research took place in South Sudan, while the others took place in Pakistan.

Lu focused primarily on how inclusion in finance in China affects bank concentration and funding availability for SMEs. The study identified the mechanisms and effects of panel awareness on the accessibility of business support via the elevation of monetary presence. The study discovered that the loans accessible to listed SMEs are positively impacted by financial penetration. This suggests that China's efforts to promote financial inclusion have hit a new high record.

When financial inclusion is strong, the benefits of bank concentration were lessened. On the other hand, SMEs profit from more credit availability at comparatively moderate levels of bank concentration when financial inclusion is stronger. In contrast to the earlier investigation, which used financial availability as a dependent adjustable, the recent investigation considered it as independent adjustable Lu *et al.* (2020).

### **2.1.2 Financial Accessibility and Performance**

Atieno concentrated on connections, financing availability, and the growth of Kenyan enterprises. According to the study, one of the primary obstacles is an absence of monetary support, and variables were found to help explain this issue. Among these include the financial markets fragmented and unfinished structure, which raises the cost of financial services transactions. On the supply side, SMEs were denied credit by most traditional financial institutions because they were deemed creditworthy. However, research from the new institutional economics demonstrates that corporations can get around some of these limitations through institutional

arrangements, such as links and networks between firms. The study has a methodological fault since it employed a desktop research methodology Atieno (2019).

Cowling investigated how SMEs' performance was affected by firm age and entrepreneur experience in the wake of the 2009 worldwide recession period. Although there is evidence of some performance improvement, the study concluded that the crisis left the SME sector with long-lasting scars. Interestingly, entrepreneurial experience did not significantly affect small business performance, despite the well-established negative age-growth still being present. The results of the study also imply that prior entrepreneur expertise was not particularly useful in this particular and unpredictable setting due to the intensity of the crisis. Nonetheless, a disproportionately large chunk of growth was still attributed to young businesses, particularly the fastest-growing ones Cowling *et al.* (2018)

Sibanda showed the influence of SME performance and financing availability on distributing practices about business rate: A situation study of Zimbabwe businesses that manufacture furniture. Quantitative techniques were applied in a cross-sectional investigation. The key findings indicate that SMEs' exporting activities and their capacity to secure funding are significantly positively correlated. The outcomes of the investigation on the idea that behavior was influenced by business performance and demonstrate that admittance to support has a detrimental consequence on the growth of SME firms Sibanda *et al.* (2018).

According to research conducted by Makasi (2022) in Kenya, the availability of mobile loans and financial activity was created to be a meaningfully and favorably allied by the investigation. The outcome indicated how the availability of mobile loans expressively impacted monetary literacy. The study concluded that businesses are more successful and long-lasting when their owners are more educated and understand basic financial concepts. The study's descriptive approach revealed a methodological flaw.

### **2.1.3 Financial Awareness and Performance**

Dubey concentrated on the function of fintech in mutual fund investing and financial literacy. The findings reveal that fintech significantly affects financial literacy and mutual fund investing decisions. The results showed that fintech shows a critical achievement in improving investment executive and fiscal knowledge Dubey (2023). Financial literacy and how it affects individual professionals' investment choices in the NCR Region were the main topics of Bhatia and Chhabra's study. The findings showed that effective financial resource intermediation in the economy was made possible by a healthy financial sector. The financial sector's contribution to economic growth increases with its efficiency in producing financial resources. Following the regulation, there was a surge in economic activity, and measures were implemented to accelerate economic expansion. For the expansion of industry and infrastructure, there was a need for regulated capital markets Bhatia and Chhabra's (2019).

### **2.1.4 Government Policies, Financial Inclusion and Performance of SMEs**

Jahanshahi investigated the difference among administration policies and the expansion of SMEs enterprises in India. Because local small and medium-sized businesses can assist reduce poverty by raising income levels and creating jobs, the study concluded that government policies must support their expansion. The role of businesses to the nation's job generation is considered by government policy. Meanwhile, investigation in India and the government policies used did not address the taxation and subsidies of SMEs, there was a conceptual and contextual gap.

Agbim concentrated on Southeastern Nigerian SMEs' performance, financial inclusion, and government policy. The research was descriptive. Improvements in financial and non-financial performance were observed by businesses that implemented financial inclusion tactics and instruments. Nevertheless, it was significantly enhanced when they combined financial inclusion tools and strategies with support from the government, peers, and family. Because the investigation was conducted in Nigeria, it contains a contextual lacuna.

The involvement of local government and the performance of SMEs: Gamo and Gollagari focused on the Ethiopian situation. The study's findings demonstrated that inadequate support from the local government was the root cause of SMEs' low employment and capital generation. Since the study took place in 3 Ethiopian urban administrative areas, but the current study would only be conducted in one, Juba Town, South Sudan which is a methodological gap. Additionally, because the research took place in Ethiopia Gamo and Gollagari (2020).

The investigation's focus was explanatory. These findings are interpreted in the research as proof that SMEs face greater credit constraints than large corporations do. According to the paper, informality makes SMEs more susceptible to corruption to maintain their unofficial and invisible status, even though it may also help shift economic activity from large enterprises to SMEs due to a weak regulatory environment. Since the study was conducted in Uganda, there are methodological and contextual gaps. The study gathered data from 762 businesses around the country to evaluate the impact of the business environment, whereas the current study would gather data from 390 SMEs Lakuma et al. (2019).

### 3. Research Methodology

This investigation implemented an explanatory research design. This explanatory research design was used in this research because it aids in explanation of effect of financial inclusion and performance of small and medium enterprises relationship between factors (Etikan & Bala, 2017). It allows the researcher to examine the relationship between the independent variable (Financial inclusion) and dependent variable (pitfalls in performance of small and medium enterprises) together with moderating variable (government policies). The target population under this investigation was 15,654 SMEs in Juba Town, South Sudan, and the sample size of 390 SMEs' owners or managers were used to examine the financial inclusion for all government policies and pitfalls in performance of small and medium enterprises in Juba Town, South Sudan. A linear regression model was adopted to obtain data Kothari (2015).

### 4. Findings and Discussions

The expected impact of the independent variable (financial inclusion) with moderating variable (government policies) and pitfalls in performance of small and medium enterprises in Juba Town was assessed using classical linear regression analysis models. Table 1 shows the model summary results.

**Table 1. Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate
.775a	0.601	0.596	0.34723

Source: Survey data (2025)

The results in Table 1 showed that the independent variables collectively indicated 59.6% ( $R^2 = 0.596$ ) of the variance in SMEs performance. The findings suggested that financial inclusion for all government policies is a good determinant for small and medium enterprises' performance.

**Table 2. Analysis of variance results**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	55.827	4	13.957	115.755	.000
Residual	37.016	307	0.121		
Total	92.843	311			

**Source: Survey data 2025**

The ANOVA results in Table 2 above were 115.755 which means that the regression model was statistically significant ( $p = 0.000$ ). This indicates that the model was statistically significant because the p-value is less than the standard value of 0.05. The moderation of regression analysis of variance was presented in table 3 below.

**Table 3: Moderation Regression ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.267	1	54.267	436.101	.000b
	Residual	38.576	310	0.124		
	Total	92.843	311			
2	Regression	55.481	3	18.494	152.459	.000c
	Residual	37.361	308	0.121		
	Total	92.843	311			

**Source: Survey data (2025)**

The results showed that both models were important ( $p = 0.000$ ), confirming that the models were so important in predicting SME performance.

The regression coefficients for the moderating effects were offered in Table 4.

**Table 4.20: Moderation Regression Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.005	0.02		200.521	0.000
	Financial literacy	0.553	0.026	0.765	20.883	0.000
2	(Constant)	4.005	0.02		202.961	0.000
	Financial availability	0.548	0.026	0.758	20.915	0.000
	Financial Accessibility	0.101	0.038	0.099	2.655	0.008
	Financial Awareness	-0.048	0.045	-0.039	-1.061	0.29

**Source: Survey data (2025)**

The results showed that in Model 1, financial inclusion variables (X) had a strong positive and significant effect on SME performance ( $\beta = 0.765$ ,  $p = 0.000$ ). The results in Model 2 showed that when government policies and the interaction term (XM) introduced, financial inclusion ( $\beta = 0.758$ ,  $p = 0.000$ ) and government policies ( $\beta =$

0.099,  $p=0.000$ ) remained important predictors. However, the interaction term (XM: Financial Inclusion  $\times$  Government Policies) revealed a negative and statistically insignificant effect on SME performance ( $\beta = -0.039$ ,  $p = 0.29$ ). These findings suggest that while government policies have direct impact on businesses' performance, the relationship between financial inclusion and performance is not significantly moderated.

These results match with the results by Gamo & Gollagari, who noted that government support in Ethiopia was insufficient to fully enhance SME performance. The results however contrast with the results of Agbim, who found that Nigerian SMEs benefited more when government policies complemented financial inclusion. The weak moderation effect in Juba was South Sudan's young institutional environment, political and economic instability, and insecurity, where supportive policies exist, but their enforcement and consistency remain limited.

#### **4.1 Conclusion**

This study investigated how the financial inclusion affected the performance of small and medium-sized businesses in Juba, South Sudan. The researcher revealed that financial literacy significantly affects SMEs' performance. The study also established that financial accessibility significantly affects SME success. Based on this, the study concluded that access to affordable credit enhances SMEs' performance through access to credit/loans, access to credit facilities and access to collateral. Likewise, financial awareness was a significant predictor of SMEs' performance. Based on this, the study concluded that SMEs equipped with knowledge of loan requirements, collateral, and penalties make better financial decisions, enhancing performance.

This led to the conclusion that entrepreneurs who adopt sound financial practices such as saving practices, debt management and investment practices achieve better business outcomes. Similarly, financial availability emerged as a significant predictor of SMEs' performance. This led to the conclusion that financial obtainability, recognition of opportunity and financial capital availability improve SMEs' success.

According to policy, the research confirmed that government policies play a supportive role in SMEs' performance, particularly through regulatory laws, government subsidies, and taxation policies. However, the moderation analysis revealed that such policies do not significantly support or decline the link among financial inclusion and SMEs performance. The study hence concludes that while policies matter in shaping the business environment, their effectiveness depends on consistent enforcement and alignment with financial inclusion practices.

##### **4.1.1 Policy Recommendation**

The outcomes of this investigation have significant strategy and rehearsal ramifications that improved financial inclusion on the performance of small and medium-sized businesses in Juba, South Sudan. The study suggests that the government of South Sudan should strengthen its financial literacy programs for businesses by collaborating with financial institutions and development partners. These programs should focus on budgeting, record keeping, savings, and investment decision-making to build sustainable fiscal management skills. The government should also encourage banks and microfinance institutions to design flexible loan products with reduced collateral requirements, lower interest rates, and longer repayment periods.

The government should also enhance regulatory and institutional support to promote SMEs growth, including fair taxation, simplified licensing, and streamlined registration procedures. National awareness campaigns

improved SMEs' knowledge of financial services, loan terms, and interest rates. Finally, aligning government policies with financial inclusion goals, such as tax holidays and subsidies, could prioritize SMEs that participate in financial literacy training or adopt formal financial practices for tax relief and other incentives.

For practice, the investigation recommends that the organization of SMEs in Juba City must adopt structured financial planning to improve cash flow management and business sustainability. They should build stronger relationships with financial institutions, maintain proper records, and demonstrate creditworthiness to negotiate better terms. They should diversify their financing sources by exploring mobile money lending, SACCOs, and cooperative financing, which offer more flexible terms. Continuous capacity building is essential for SMEs, particularly in areas like monetary management, bookkeeping, and digital finance, to improve decision-making and competitiveness in an evolving market environment.

#### 4.1.2 Limitations and Future Research

In Juba City, South Sudan, the study sought to determine the effect of financial inclusion, specifically financial literacy, availability, accessibility, and Awareness of Company's performance. The study findings demonstrated that financial literacy, availability, accessibility, and awareness collectively explained 60.1% of the variation in SMEs performance in Juba Town, hence about 39.9% of the variance was explained by other factors.

Therefore, future research should explore additional determinants like entrepreneurial experience, innovation practices, market competition, technological adoption, and social-cultural factors. Additionally, future studies should examine sector-specific differences, as SMEs operate in diverse sectors like trade, manufacturing, and services.

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