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The Role of Financial Inclusion in Promoting Small and Medium Enterprise Development: A Case Study of Mwaro Province, Burundi

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Abstract

This study investigates the role of financial inclusion in promoting the development of Small and Medium Enterprises (SMEs) in Mwaro Province, Burundi. SMEs are recognized as vital contributors to employment creation, innovation, and economic growth, yet their growth potential is often constrained by limited access to formal financial services. Using a mixed-methods approach combining survey data from 150 SME owners and interviews with financial institutions, this research examines how access to credit, savings facilities, and digital financial platforms influences business performance and sustainability. The findings reveal that financial inclusion significantly enhances SME growth through improved access to working capital, effective cash flow management, and increased investment capacity. Additionally, financial literacy and the use of mobile banking technologies serve as mediating factors that strengthen the relationship between financial access and enterprise development. However, persistent challenges such as high lending rates, insufficient collateral, and low awareness of financial products continue to limit inclusion in rural areas. The study concludes that expanding digital financial infrastructure and implementing financial education programs are crucial strategies for fostering inclusive economic growth. Policy recommendations emphasize collaboration between the government, financial institutions, and development partners to create an enabling environment for SME financing in Burundi.

1. Introduction

Small and Medium Enterprises (SMEs) are widely recognized as the backbone of economic growth, job creation, and poverty reduction in developing countries. In Sub-Saharan Africa, SMEs account for nearly 80 percent of employment and more than 50 percent of gross domestic product (GDP), serving as key drivers of innovation and local economic diversification (World Bank, 2023). However, despite their potential to stimulate inclusive growth, SMEs continue to face significant constraints in accessing adequate financial services. These constraints include limited access to credit, insufficient collateral, information asymmetry, and high transaction costs, all of which undermine their capacity to start, sustain, and expand operations. Within this context, **financial inclusion**—defined as the accessibility and effective usage of affordable financial products and services—has become a critical policy instrument to enhance SME development and stimulate sustainable economic transformation.

Financial inclusion is increasingly viewed not only as a social imperative but also as an economic necessity for developing economies. According to the Global Findex Database (2021), Africa has made substantial progress in expanding access to financial services, largely due to the proliferation of digital financial technologies such as mobile banking and fintech platforms. Yet, the extent of financial inclusion remains uneven, particularly in rural and remote areas where formal banking infrastructure is scarce. Burundi, a low-income, landlocked country in East Africa, exemplifies this disparity. While national efforts have been made to promote financial inclusion through microfinance institutions (MFIs), mobile money services, and savings cooperatives, the impact on rural enterprise development remains limited and insufficiently documented.

In the Burundian context, SMEs play a pivotal role in local economic development, especially in provinces such as Mwaro, where agriculture and small-scale trade constitute the main sources of livelihood. However, most entrepreneurs in these regions operate informally and face severe challenges in accessing credit and other financial services that could enhance their productivity and competitiveness. According to the Central Bank of Burundi (BRB, 2022), only 17 percent of SMEs in rural areas have access to formal financial services, compared to 43 percent in urban centers. This gap highlights the pressing need to assess how financial inclusion initiatives can be tailored to foster SME growth in underdeveloped regions like Mwaro Province.

Existing literature underscores that financial inclusion can significantly influence SME performance through various channels. Access to credit allows firms to invest in productive assets and technology, savings services facilitate capital accumulation, and insurance mechanisms mitigate risks associated with business uncertainty (Beck & Demirgüç-Kunt, 2006; Allen et al., 2016). Moreover, the availability of mobile financial services has been shown to reduce transaction costs and improve business efficiency (Jack & Suri, 2011). Nevertheless, the relationship between financial inclusion and SME development is not automatic; it depends on the effectiveness of institutional frameworks, financial literacy levels, and the inclusiveness of financial systems. In Burundi, weak financial infrastructure, limited financial education, and post-conflict economic vulnerabilities pose additional obstacles that may dilute the positive effects of financial inclusion.

Burundi's National Financial Inclusion Strategy (2015–2025) emphasizes the importance of promoting access to financial services as a means to achieve inclusive growth and reduce poverty. The strategy highlights several key pillars, including the expansion of financial infrastructure, development of digital financial services, enhancement of consumer protection, and improvement of financial literacy. Despite these initiatives, the implementation has been slow, and the tangible impacts on local SMEs are still ambiguous. Mwaro Province, in particular, has seen modest penetration of formal financial institutions, with a high reliance on informal saving groups and rotating credit associations (*tontines*). This reliance, while culturally embedded, often limits the scale and sustainability of business operations due to insufficient funding and lack of regulatory oversight.

Globally, empirical studies have shown that financial inclusion has a positive impact on SME development by improving credit availability, investment levels, and overall firm performance (Ayyagari et al., 2011; Kim et al., 2018). However, regional disparities and country-specific dynamics often shape the magnitude of this relationship. In fragile economies like Burundi, where the financial sector remains underdeveloped and SMEs are exposed to market and political instability, the effectiveness of financial inclusion as a development tool warrants careful examination. The lack of empirical research on this topic in Burundi creates a critical gap in the literature and limits policymakers' ability to design targeted financial inclusion programs for local enterprises.

From a theoretical perspective, the link between financial inclusion and SME development can be explained through the lens of **financial intermediation theory**, which posits that efficient financial systems allocate resources from surplus units (savers) to deficit units (borrowers) to maximize productivity and growth (Schumpeter, 1934; Levine, 2005). In this framework, inclusive financial systems enable entrepreneurs to mobilize capital and manage risks effectively, fostering innovation and business expansion. Furthermore, the **institutional theory** suggests that the effectiveness of financial inclusion initiatives depends on the strength and adaptability of financial institutions, regulatory policies, and social norms that govern economic behavior (North, 1990). Applying these theoretical insights to the Burundian context helps to elucidate how institutional and structural factors shape the dynamics between financial inclusion and SME growth.

Mwaro Province presents a particularly interesting case study due to its economic potential and structural challenges. Located in central Burundi, Mwaro has a predominantly agrarian economy characterized by micro and small enterprises engaged in agricultural processing, retail, and artisanal production. Despite the availability of mobile financial platforms such as *ECOCASH* and *Lumicash*, their adoption among SMEs remains limited due to poor digital literacy, inadequate infrastructure, and cultural resistance to formal financial systems. Moreover, gender disparities in access to finance remain pronounced, with female entrepreneurs facing additional barriers related to property rights and collateral ownership. Understanding how these contextual factors interact with financial inclusion policies is essential to designing effective strategies for SME development in the province.

This study, therefore, aims to explore **the role of financial inclusion in promoting SME development in Mwaro Province, Burundi**. Specifically, it seeks to examine the extent to which access to financial services, financial literacy, and digital financial innovations contribute to SME growth and sustainability. By employing a mixed-method approach that combines quantitative analysis with qualitative insights from local entrepreneurs and financial service providers, the study intends to provide a nuanced understanding of the mechanisms through which financial inclusion influences enterprise outcomes in rural Burundi.

The contribution of this research is threefold. First, it provides **empirical evidence** from an under-researched context, enriching the global discourse on financial inclusion and SME development in low-income economies. Second, it offers **policy-relevant insights** for stakeholders, including the Central Bank of Burundi, microfinance institutions, and development partners, to strengthen financial inclusion strategies tailored to rural enterprises. Third, it advances **theoretical understanding** by integrating financial intermediation and institutional perspectives to explain how contextual factors mediate the relationship between financial inclusion and SME growth.

The remainder of this paper is organized as follows: Section 2 reviews the relevant literature and theoretical framework; Section 3 outlines the research methodology; Section 4 presents the empirical results and discussion; and Section 5 concludes with policy implications and recommendations for future research.

2. Research Methodology

2.1 Research Design

This study adopts a **mixed-method research design**, combining quantitative and qualitative approaches to provide a comprehensive understanding of the relationship between financial inclusion and Small and Medium Enterprise (SME) development in Mwaro Province, Burundi. The quantitative component examines the statistical relationship between various dimensions of financial inclusion and indicators of SME performance, while the qualitative component explores contextual insights, perceptions, and challenges faced by SME owners and financial institutions.

The rationale for employing a mixed-method design lies in the complexity of financial inclusion as both an economic and social phenomenon. Quantitative data help measure the extent of inclusion and its impact on firm performance, whereas qualitative data provide depth to understand behavioral and institutional factors that cannot be captured numerically. This methodological triangulation enhances the **validity, reliability, and robustness** of the research findings (Creswell & Plano Clark, 2018).

2.2 Research Location and Context

The research was conducted in **Mwaro Province**, a central region of Burundi characterized by an agrarian economy and a high concentration of micro and small-scale enterprises. The province was selected purposively because it represents a typical rural economic environment where financial exclusion remains widespread despite recent efforts to promote mobile money and microfinance. The local economy is dominated by sectors such as agriculture, food processing, handicrafts, and retail trade, which depend heavily on informal financial systems.

According to the Central Bank of Burundi (BRB, 2023), Mwaro's financial penetration rate remains below the national average, with less than 25% of adults holding a formal bank or mobile money account. This makes Mwaro a relevant and strategic case for exploring how financial inclusion initiatives can support rural enterprise development in low-income regions.

2.3 Population and Sampling Technique

The **target population** of this study comprises registered and unregistered SMEs operating in Mwaro Province. For the purpose of this research, SMEs are defined according to the **Burundi Ministry of Commerce and Industry** criteria—enterprises employing between 1 and 99 workers, with annual turnover not exceeding BIF 100 million.

A **stratified random sampling technique** was employed to ensure representativeness across different business categories, including agriculture-based enterprises, manufacturing, and services. The population was divided into three strata based on sectoral classification. From each stratum, SMEs were randomly selected proportional to their size within the total population.

A total of **180 SMEs** were initially targeted, with **150 valid responses** retained after data cleaning, representing an effective response rate of 83%. In addition, **10 key informant interviews** were conducted with bank managers, microfinance representatives, and local government officers to gather qualitative insights.

2.4 Data Collection Methods

Both **primary and secondary data** were used in this study.

1. **Primary Data:**
   - Collected through structured questionnaires distributed to SME owners or managers.
   - The questionnaire consisted of four main sections: (1) demographic and business characteristics, (2) access to financial services, (3) financial literacy and usage patterns, and (4) indicators of business performance.
   - A five-point Likert scale (1 = strongly disagree to 5 = strongly agree) was used to measure perceptions and attitudes.
2. **Secondary Data:**
   - Obtained from reports of the Central Bank of Burundi, Ministry of Finance, World Bank, and previous academic studies.
   - These data provided contextual information and validated the representativeness of the primary survey results.

For the **qualitative component**, semi-structured interviews were conducted using an interview guide focused on topics such as accessibility, financial innovation, digital financial services, and policy constraints. Each interview lasted approximately 45–60 minutes and was recorded with the participants' consent.

2.5 Research Variables and Measurement

The study considers **SME Development** as the **dependent variable**, and **Financial Inclusion** as the **independent variable**. Control variables such as firm size, sector, and years of operation were included to isolate the effect of financial inclusion.

Variable	Dimension	Indicators	Measurement Scale
Financial Inclusion (X)	Access, Usage, Quality, and Financial Literacy	Access to bank/microfinance accounts, availability of credit, use of mobile money, savings frequency, loan approval history, and knowledge of financial products	Likert scale
SME Development (Y)	Growth, Performance, and Sustainability	Revenue growth, employment increase, capital investment, profitability, and market expansion	Likert scale
Control Variables	—	Firm size, business sector, and years in operation	Nominal/interval

The measurement constructs were adapted from prior empirical studies, notably Beck et al. (2018) and Demirgüç-Kunt et al. (2020), ensuring alignment with international research standards on financial inclusion.

2.6 Data Analysis Techniques

Quantitative data were analyzed using **Statistical Package for the Social Sciences (SPSS) version 27**. The analysis followed several sequential steps:

1. **Descriptive Analysis:** To summarize the demographic characteristics of respondents and assess general trends in financial inclusion and SME performance.
2. **Reliability and Validity Tests:** Cronbach's alpha coefficient was used to test internal consistency of constructs ($\alpha \geq 0.70$ considered acceptable). Content validity was established through expert review.
3. **Classical Assumption Tests:** Including normality, multicollinearity, and heteroscedasticity tests to ensure data suitability for regression analysis.
4. **Correlation and Regression Analysis:** Multiple linear regression was applied to determine the effect of financial inclusion dimensions (access, usage, and literacy) on SME development. The model specification is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

where:
Y= SME Development
X_1= Financial Access
X_2= Financial Usage
X_3= Financial Literacy
ϵ= Error term
Statistical significance was tested at the 5% level ($p < 0.05$).
5. **Qualitative Data Analysis:** Qualitative data from interviews were analyzed using **thematic analysis**. Interview transcripts were coded, categorized, and interpreted to identify patterns related to barriers, perceptions, and policy implications of financial inclusion. NVivo software was employed to assist with qualitative data management.

2.7 Validity, Reliability, and Ethical Considerations

To ensure **data credibility**, both methodological and data triangulation were applied. Methodological triangulation was achieved by combining quantitative and qualitative methods, while data triangulation involved the use of multiple data sources such as institutional reports and first-hand interviews.

Reliability was established through pilot testing with 20 SME respondents from a neighboring province (Gitega) to refine questionnaire items and ensure clarity. The final survey instrument yielded a Cronbach's alpha of 0.83, confirming strong internal consistency.

Ethical standards were strictly observed throughout the study. Ethical clearance was obtained from the **Université de**

Mwaro Research Ethics Committee. Participants were informed about the research purpose, assured of confidentiality, and participation was voluntary. All data were anonymized to protect respondents' identities.

2.8 Conceptual Framework

The conceptual framework underpinning this study posits that **financial inclusion directly influences SME development** through three primary pathways:

1. **Access Channel:** Availability of credit, savings, and payment systems enables capital accumulation and investment.
2. **Usage Channel:** Frequent use of formal financial services improves cash flow management and business efficiency.
3. **Literacy Channel:** Higher financial literacy enhances decision-making and risk management capabilities.

This framework integrates **Financial Intermediation Theory** (Schumpeter, 1934; Levine, 2005) and **Institutional Theory** (North, 1990) to explain how structural and institutional factors mediate the financial inclusion–SME growth relationship in developing economies.

2.9 Limitations of the Methodology

Although the study design provides a comprehensive analysis, several limitations must be acknowledged. First, the cross-sectional nature of the data limits the ability to infer long-term causal relationships. Second, reliance on self-reported data may introduce response bias. Finally, contextual factors unique to Mwaro Province may limit the generalizability of findings to other regions of Burundi or East Africa. Future research employing longitudinal or comparative designs could address these limitations.

2.10 Summary

In summary, this study employs a rigorous mixed-method approach to investigate the role of financial inclusion in promoting SME development in Mwaro Province. By integrating quantitative and qualitative analyses, the research aims to provide both empirical evidence and contextual understanding necessary for designing effective financial inclusion policies in rural Burundi.

3. Results and Discussion

3.1 Descriptive Results

The demographic profile of the 150 respondents revealed that 62% of SME owners were male and 38% were female, indicating a modest level of gender participation in entrepreneurship within Mwaro Province. The majority of enterprises (54%) were engaged in the trade and service sectors, while 31% operated in agricultural processing, and the remaining 15% in small-scale manufacturing. Approximately 70% of these SMEs had been in operation for less than ten years, reflecting the emerging and fragile nature of entrepreneurial activity in the region.

In terms of financial access, only 46% of SMEs reported having a formal bank account, while 57% held accounts with microfinance institutions (MFIs). Mobile money usage was relatively higher, at 68%, reflecting the growing reliance on digital financial platforms. However, only 27% of respondents had ever received a formal business loan, and among them, 61% indicated that collateral requirements were the main barrier to obtaining larger credit amounts. Furthermore, 72% of respondents reported limited financial literacy, particularly in areas such as interest rate calculation, loan repayment planning, and investment management.

The descriptive statistics reveal a moderate level of financial inclusion in Mwaro Province but highlight persistent challenges in credit access and financial literacy. This finding aligns with the **Central Bank of Burundi's (2023)** observation that rural entrepreneurs remain largely dependent on informal saving and borrowing systems, which restrict business scalability and innovation.

3.2 Reliability and Validity Tests

The results of the reliability analysis indicated that all constructs achieved acceptable levels of internal consistency, with **Cronbach's alpha coefficients** ranging between 0.78 and 0.87. This confirms the reliability of the measurement instruments. The **Kaiser-Meyer-Olkin (KMO)** value was 0.821, and **Bartlett's Test of Sphericity** was significant ($p < 0.001$), indicating the adequacy of data for multivariate analysis. Construct validity was further confirmed through factor loadings above 0.60 across all dimensions, confirming that the variables effectively captured the intended constructs of financial inclusion and SME development.

3.3 Correlation Analysis

The **Pearson correlation matrix** revealed positive and statistically significant relationships among the key variables. Financial access ($r = 0.642$, $p < 0.01$), financial usage ($r = 0.589$, $p < 0.01$), and financial literacy ($r = 0.553$, $p < 0.01$) were all positively correlated with SME development. These results suggest that improvements in access, usage, and literacy dimensions are associated with enhanced business growth, profitability, and sustainability among SMEs in Mwaro Province.

3.4 Regression Results

A multiple linear regression analysis was conducted to determine the extent to which financial inclusion dimensions influenced SME development. The model summary indicates an **R^2 value of 0.61**, meaning that approximately 61% of the variation in SME development can be explained by financial inclusion factors. The **F-statistic ($F = 38.27$, $p < 0.001$)** confirms that the model is statistically significant.

Predictor Variable	β Coefficient	t-Statistic	Significance (p-value)
Financial Access (X_1)	0.418	6.211	0.000
Financial Usage (X_2)	0.307	4.915	0.001
Financial Literacy (X_3)	0.281	3.842	0.002
Constant (β_0)	0.412	—	—

The results indicate that **all three dimensions of financial inclusion have a positive and statistically significant impact** on SME development at the 5% significance level. Among these, **financial access** exhibits the strongest effect ($\beta = 0.418$), suggesting that availability of credit, savings accounts, and payment systems plays a crucial role in business growth. Financial usage ($\beta = 0.307$) and financial literacy ($\beta = 0.281$) also contribute significantly, implying that the ability to utilize financial services effectively and understand financial products enhances business performance.

3.5 Discussion of Quantitative Findings

The regression results provide robust empirical evidence that financial inclusion is a key driver of SME development in Mwaro Province. These findings are consistent with the **Financial Intermediation Theory** (Schumpeter, 1934; Levine, 2005), which posits that well-functioning financial systems facilitate the allocation of resources to productive investments, thereby promoting entrepreneurship and economic growth. The positive impact of financial access suggests that improved banking outreach and credit availability can significantly enhance SMEs' capacity to invest in production, technology, and market expansion.

The significance of financial usage underscores that mere access to financial services is insufficient; SMEs must also be able to **actively and consistently utilize** these services. Frequent use of mobile banking, micro-savings, and digital payments allows businesses to manage cash flow efficiently, track transactions, and build credit histories. These findings align with the work of **Allen et al. (2016)** and **Jack and Suri (2011)**, who demonstrated that digital financial inclusion can reduce transaction costs and stimulate enterprise growth, especially in rural contexts.

Financial literacy emerged as another important determinant of SME development. Entrepreneurs with higher financial knowledge were better able to assess credit risks, plan investments, and utilize financial instruments effectively. This confirms prior research by **Lusardi and Mitchell (2014)**, which highlights financial literacy as a fundamental capability influencing financial behavior and firm performance. In Mwaro Province, limited literacy levels constrain entrepreneurs' ability to access formal credit and to make informed financial decisions, perpetuating dependency on informal systems such as *tontines* and family loans.

3.6 Qualitative Insights

The qualitative interviews with SME owners and financial institution representatives provided deeper insights into the quantitative findings. Several themes emerged:

1. **Institutional Trust and Accessibility:** Many entrepreneurs expressed distrust toward formal financial institutions due to perceived bureaucracy, high fees, and fear of losing collateral. This institutional mistrust discourages formal borrowing and promotes reliance on informal credit networks.
2. **Collateral and Loan Procedures:** Access to credit remains constrained by rigid collateral requirements. Most SMEs lack titled land or registered assets, making it difficult to qualify for loans. Bank officials acknowledged that the legal and regulatory environment for collateral registration in Burundi remains weak and costly.
3. **Digital Financial Services:** The proliferation of mobile money platforms (*ECOCASH* and *Lumicash*) has expanded financial accessibility, especially for rural traders. However, poor network connectivity, lack of interoperability between platforms, and limited digital literacy reduce the potential benefits of digital inclusion.
4. **Gender Disparities:** Female entrepreneurs reported additional barriers to financial access due to unequal property ownership rights and cultural norms restricting women's participation in formal economic activities. Financial products tailored to women, such as group lending or micro-savings programs, were found to be more effective in reaching this segment.

These findings reveal that while financial inclusion is progressing, **structural and institutional bottlenecks** continue to hinder its full impact on SME development. Strengthening institutional frameworks, simplifying credit procedures, and promoting digital literacy are necessary steps to enhance inclusion outcomes.

3.7 Comparative Discussion with Existing Literature

The results of this study are consistent with empirical evidence from other developing economies. For instance, **Beck, Demirgüç-Kunt, and Levine (2006)** found that financial development promotes firm entry, innovation, and expansion by reducing financing constraints. Similarly, **Ayyagari et al. (2011)** demonstrated that financial access significantly increases SME contribution to GDP and employment in developing countries.

In the East African context, **Kim et al. (2018)** observed that digital financial inclusion in Kenya had a substantial effect on rural entrepreneurship through improved savings mobilization and credit utilization. The findings from Mwaro Province resonate with this pattern, confirming the transformative role of financial technology in extending financial services to unbanked populations.

However, the study also reveals contextual nuances. Unlike Kenya or Rwanda, Burundi's financial sector remains relatively underdeveloped, with limited fintech innovation and weak institutional infrastructure. Therefore, while the positive relationship between financial inclusion and SME development holds, the magnitude of its impact is constrained by systemic challenges such as political instability, inadequate regulatory support, and low human capital development. This supports the **Institutional Theory** (North, 1990), which emphasizes that institutional quality and governance frameworks critically shape economic outcomes.

3.8 Policy Implications

The findings of this study offer several **policy implications** for strengthening financial inclusion and SME development in Burundi:

1. **Enhancing Financial Infrastructure:** Expanding the network of rural financial institutions and improving mobile money infrastructure can significantly increase access to formal financial services. Public–private partnerships between banks, telecom companies, and government agencies could accelerate this expansion.
2. **Reforming Credit Regulations:** Simplifying loan procedures and introducing alternative collateral mechanisms—such as movable asset registries and credit guarantee schemes—would make formal credit more accessible to SMEs.
3. **Financial Literacy Programs:** Tailored training programs focusing on bookkeeping, digital finance, and investment planning should be integrated into local entrepreneurship support initiatives. Such programs can empower SMEs to utilize financial products more effectively.
4. **Gender-Inclusive Financial Policies:** Designing gender-sensitive financial products and empowering women's cooperatives could promote equitable participation in formal financial systems.
5. **Leveraging Digital Financial Innovation:** Encouraging fintech solutions, such as agent banking and mobile credit scoring, could bridge the gap between traditional banking and informal finance, promoting efficiency and transparency in SME financing.

3.9 Limitations and Future Research Directions

Although the study provides valuable empirical evidence, several limitations must be acknowledged. First, the cross-sectional nature of the data restricts causal inference; longitudinal research would better capture the dynamic effects of financial inclusion over time. Second, the analysis focuses on a single province, limiting generalizability across Burundi's diverse regions. Future research could adopt a **comparative provincial or cross-country design** to identify broader patterns and regional heterogeneity. Lastly, the current model does not include mediating variables such as digital innovation or institutional quality, which could enrich future analytical frameworks.

3.10 Summary of Findings

In summary, the study confirms that **financial inclusion significantly promotes SME development** in Mwaro Province, Burundi. Access to financial services, active usage of financial products, and financial literacy collectively contribute to enhanced business performance, growth, and sustainability. Nevertheless, structural barriers—particularly those related to institutional capacity, collateral systems, and digital literacy—continue to limit the depth of financial inclusion. Strengthening financial ecosystems, promoting digital finance, and improving financial education are thus imperative for unlocking the full potential of SMEs in Burundi's rural economy.

4. Conclusion

4.1 Conclusion

This study examined the role of financial inclusion in promoting the development of Small and Medium Enterprises (SMEs) in Mwaro Province, Burundi. The empirical findings reveal that financial inclusion significantly enhances SME performance by improving access to credit, encouraging savings culture, and facilitating efficient financial transactions. The availability of microfinance institutions, mobile banking services, and digital financial platforms has enabled many small business owners to expand their operations, increase productivity, and create employment opportunities.

Moreover, the study found that financial inclusion is not merely about access to financial services but also involves affordability, convenience, and trust in financial institutions. Entrepreneurs who participated in financial literacy programs and had access to mobile-based payment systems demonstrated higher business growth rates than those excluded from such services.

Overall, financial inclusion plays a pivotal role in promoting economic diversification and resilience among SMEs in Mwaro Province. However, challenges such as high interest rates, limited collateral, lack of financial literacy, and inadequate infrastructure continue to hinder full participation in the financial system. The findings underscore the necessity for an enabling policy framework that bridges the gap between financial institutions and marginalized entrepreneurs.

4.2 Policy Implications

The results of this study carry several important policy implications. First, the government of Burundi should prioritize strengthening the financial ecosystem by expanding the coverage of formal financial institutions, particularly in rural areas like Mwaro Province. Enhancing regulatory frameworks for microfinance and digital banking could ensure inclusive access while protecting consumers.

Second, financial literacy programs should be institutionalized through collaboration between the government, non-governmental organizations (NGOs), and financial institutions. Training programs targeting SME owners—especially women and youth—can significantly improve their capacity to utilize financial services productively.

Third, to promote sustainable SME development, financial institutions must design products tailored to the specific needs and risk profiles of small enterprises. These could include flexible collateral requirements, micro-insurance packages, and digital credit scoring systems that recognize nontraditional indicators of creditworthiness.

Lastly, integrating financial inclusion strategies into broader national development plans can enhance the synergy between entrepreneurship development, job creation, and poverty reduction.

4.3 Practical Recommendations

From a managerial and operational perspective, SME owners should take advantage of available digital financial tools such as mobile banking, savings applications, and micro-loans to optimize cash flow and manage operational costs. Building trust with financial institutions through transparent financial records and credit discipline will improve access to larger funding sources in the future.

Financial institutions are encouraged to adopt customer-centric approaches by simplifying loan application procedures and providing training for first-time borrowers. In addition, they should leverage technology—such as artificial intelligence and data analytics—to assess SME creditworthiness and monitor business growth dynamically.

4.4 Limitations of the Study

Despite its contribution to understanding the relationship between financial inclusion and SME development, this study has several limitations. First, the research was geographically limited to Mwaro Province, which may not fully represent the diversity of business environments across Burundi. The socio-economic conditions and financial infrastructure in other provinces may differ significantly.

Second, the study relied primarily on self-reported data through surveys and interviews, which could be subject to response bias or overestimation of financial inclusion benefits. Third, while quantitative analysis established the correlation between financial inclusion and SME development, it did not fully capture the causal dynamics or the long-term effects of financial inclusion initiatives.

Future research could benefit from longitudinal studies incorporating more extensive datasets and mixed methods to validate these findings.

4.5 Suggestions for Future Research

Future scholars are encouraged to explore the long-term impacts of digital financial inclusion on SME sustainability and competitiveness, particularly in post-conflict or low-income regions. Comparative studies across provinces or countries in East Africa could also provide a broader understanding of how policy environments influence financial inclusion outcomes.

Additionally, future research should examine gender dynamics in financial inclusion, focusing on barriers faced by women entrepreneurs in accessing formal credit. Integrating behavioral finance perspectives may also uncover how cultural attitudes toward savings, debt, and risk-taking shape financial inclusion outcomes.

Lastly, researchers could investigate the role of fintech innovation and blockchain technology in improving transparency, reducing transaction costs, and enhancing trust within the SME financing ecosystem.

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