

Project Management Practices and SME Performance in Malawi: Evidence from Blantyre and Lilongwe

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ABSTRACT

Small and Medium Enterprises (SMEs) are vital to Malawi's economy through employment creation, income generation, and economic growth. However, many SMEs face profitability challenges due to managerial, financial, and operational constraints. This study examined the effect of project planning on SME profitability in Blantyre and Lilongwe Districts and assessed the moderating role of access to finance.

A mixed-methods cross-sectional design was employed. Questionnaires were distributed to 100 SMEs, of which 85 complete responses were received and included in the quantitative analysis. Qualitative data were obtained through semi-structured interviews with 20 key informants. Quantitative data were analysed using descriptive and inferential statistics, and qualitative data were analysed thematically.

The findings indicated moderate adoption of project planning practices among SMEs. Goal setting, budgeting, and scheduling were commonly applied, whereas formal planning tools and risk management techniques were less frequently used. Results showed a positive relationship between project planning and profitability, with better planning contributing to improved cost control, resource utilization, and business performance. Access to finance significantly moderated this relationship, as limited credit access, high borrowing costs, and restrictive lending conditions constrained the implementation of planned activities and reduced the benefits of effective planning. Qualitative findings further identified weak financial literacy, inadequate planning skills, economic instability, and resource limitations as major challenges affecting SME performance.

The study concludes that project planning positively influences SME profitability, but its effectiveness depends on access to finance, managerial capacity, and a supportive business environment. The findings offer practical insights for policymakers, financial institutions, and SME managers seeking to enhance SME sustainability and growth in Malawi.

Keywords: Project Planning, SME Profitability, Project Management, Access to Finance, Small and Medium Enterprises, Resource-Based View.

INTRODUCTION

Small and Medium Enterprises (SMEs) are widely recognized as important drivers of economic growth, employment creation, innovation, and poverty reduction, particularly in developing economies. According to Beck et al. (2005) and Ayyagari et al. (2007), SMEs contribute significantly to economic development by creating jobs and stimulating innovation. At the global level, the World Bank (2025) reports that SMEs account for approximately 90% of businesses and more than 50% of total employment, underscoring their importance in promoting inclusive economic growth. In Malawi, the SME sector is equally important. The FinScope MSME Survey Malawi (2019) estimates that the country has approximately 1.6 million micro, small, and medium enterprises (MSMEs) employing about 1.8 million people, while the World Bank (2022) estimates that the sector contributes roughly 40% of Malawi's Gross Domestic Product (GDP).

Despite their economic significance, SMEs in Malawi face numerous challenges that hinder their growth and sustainability. The World Bank (2022) identifies macroeconomic instability, foreign exchange shortages, inadequate infrastructure, limited managerial capacity, and restricted access to finance as major constraints affecting SME development. Similarly, findings from the FinScope MSME Survey Malawi (2019) indicate that

many SMEs struggle to survive beyond their early years of operation because of weak business planning, inadequate managerial competencies, and limited access to business development support services. These challenges often lead to inefficient resource utilization, high operational costs, reduced competitiveness, and lower profitability.

Project management has increasingly been recognized as a strategic organizational capability that enhances efficiency, resource utilization, and organizational performance. The Project Management Institute (PMI, 2021) argues that effective project management enables organizations to systematically plan activities, allocate resources efficiently, manage risks proactively, and achieve strategic objectives. Although project management has traditionally been associated with large organizations, studies by Mir and Pinnington (2014) and Joslin and Müller (2015) demonstrate that project management practices also contribute significantly to organizational success and value creation in SMEs. Among these practices, project planning is particularly important. According to PMI (2021) and Kerzner (2022), project planning provides a structured framework for defining objectives, allocating resources, managing risks, and coordinating implementation activities. Furthermore, empirical research by Pinto and Slevin (1987) and Zwikael and Globerson (2006) shows that effective planning contributes to improved project outcomes, better cost control, greater operational efficiency, and enhanced organizational performance.

The importance of project planning is particularly evident in SMEs, which often operate under severe resource constraints. From the perspective of the Resource-Based View (RBV), Barney (1991) argues that organizational capabilities, such as effective planning, enable firms to deploy scarce resources strategically and achieve superior performance. However, although evidence from Mir and Pinnington (2014) and Joslin and Müller (2015) suggests that project management positively influences organizational success, most existing studies have focused on large organizations and developed-country settings. Within Malawi, research on SMEs has primarily concentrated on entrepreneurship, access to finance, and business-environment constraints, with relatively little attention paid to the role of project planning in influencing profitability and business performance (FinScope MSME Survey Malawi, 2019; World Bank, 2022).

Access to finance is another important determinant of SME performance. The World Bank (2025) emphasizes that financial resources enable businesses to support operations, invest in productive assets, adopt new technologies, and pursue growth opportunities. However, Beck and Demircug-Kunt (2006) note that SMEs frequently encounter financing barriers due to high borrowing costs, stringent collateral requirements, and limited access to formal credit facilities. The World Bank (2025) similarly identifies financial exclusion as a major challenge facing SMEs globally. These financial constraints may limit firms' ability to implement project plans effectively, suggesting that the influence of project planning on profitability could depend on the availability of financial resources. Despite the theoretical relevance of this relationship, there is limited empirical evidence on the moderating role of access to finance in the relationship between project planning and SME profitability, particularly in the Malawian context.

To address this gap, the present study examines the effect of project planning on the profitability of SMEs in Blantyre and Lilongwe Districts and investigates whether access to finance moderates this relationship. By exploring both the direct effect of project planning and the moderating influence of financial access, the study contributes to the literature on SME performance in developing economies. The findings are expected to provide useful insights for SME managers, policymakers, financial institutions, and development partners seeking to promote sustainable enterprise growth and profitability in Malawi.

LITERATURE REVIEW

Theoretical Framework

This study is grounded in the Resource-Based View (RBV) theory and supported by the Project Management Maturity Model (PMMM). RBV suggests that organizations achieve superior performance through the effective utilization of valuable organizational resources and capabilities (Barney, 1991; Wernerfelt, 1984). Within this perspective, project planning can be viewed as a critical organizational capability that enables firms to allocate resources effectively, coordinate activities efficiently, manage uncertainties, and support informed decision-

making. For small and medium-sized enterprises (SMEs), which often face limitations in financial, technical, and human resources, strong project planning capabilities can enhance operational effectiveness and ultimately improve profitability.

The PMMM complements RBV by explaining how organizations improve performance through the adoption of structured and standardized project management practices (Kerzner, 2022). The model suggests that organizations with more mature project management systems are better able to plan, monitor, and control projects, resulting in improved project outcomes and organizational performance. For SMEs, the adoption of formal project planning practices can facilitate better resource utilization, cost control, and achievement of business objectives.

Collectively, RBV and PMMM provide a useful theoretical foundation for understanding the relationship between project planning and SME profitability. While RBV explains project planning as a valuable organizational capability that can generate competitive advantage, PMMM highlights the role of structured project management practices in enhancing organizational effectiveness. Therefore, the study posits that SMEs with stronger project planning capabilities are more likely to achieve higher profitability, and that this relationship may be strengthened by access to finance, which provides the resources necessary to implement planned activities effectively.

Project Management Practices in SMEs

Project management refers to the application of knowledge, skills, tools, and techniques to achieve project objectives within specified scope, time, cost, and quality constraints (PMI, 2021). In SMEs, project management practices are typically adapted to the firm's size, resource availability, and operational requirements and may be less formalized than in larger organizations (Kerzner, 2022).

The adoption of project management practices has been associated with improved organizational performance, resource utilization, and strategic alignment. Mir and Pinnington (2014) found that effective project management contributes positively to organizational success, while Joslin and Müller (2015) reported that structured project management approaches enhance coordination, decision-making, and project outcomes. However, SMEs often face challenges in implementing formal project management practices due to limited managerial expertise, financial constraints, and inadequate access to project management tools and training (Kerzner, 2022).

Among the various project management practices, project planning is consistently identified as a critical determinant of project success. Project planning involves defining objectives, allocating resources, developing schedules and budgets, and identifying potential risks before implementation (PMI, 2021). Effective planning enhances resource utilization, reduces uncertainty, and improves project execution, thereby increasing the likelihood of achieving project objectives within time and budget constraints (Pinto & Slevin, 1987; Zwikael & Globerson, 2006). Given its importance for resource optimization and organizational performance, this study focuses on project planning as the key project management practice influencing SME profitability.

Project Planning and SME Performance

Project planning is widely regarded as a key determinant of organizational performance because it facilitates effective resource allocation, coordination, and risk management (Kerzner, 2022; PMI, 2021). By establishing clear objectives, budgets, schedules, and implementation strategies, planning enhances operational efficiency and increases the likelihood of achieving desired outcomes.

Empirical evidence consistently demonstrates a positive relationship between project planning and organizational performance. Papke-Shields et al. (2010) found that organizations with effective planning processes were more likely to achieve successful project outcomes, while Raymond and Bergeron (2008) reported that structured planning improves cost management and overall business performance. Similarly, Zwikael and Globerson (2006) showed that robust planning practices contribute to project success and organizational effectiveness.

The relevance of project planning is particularly pronounced among SMEs, which often operate under resource constraints. Consistent with the Resource-Based View (RBV), project planning can be viewed as an

organizational capability that enables firms to utilize scarce resources more efficiently and enhance performance (Barney, 1991). In Malawi, where SMEs face economic and financial challenges (World Bank, 2022), effective planning may help improve operational efficiency and profitability. However, the FinScope MSME Survey Malawi (2019) indicates that many SMEs still rely on informal planning approaches, highlighting the need for stronger planning practices to support sustainable business growth.

SME Performance and Profitability

SME performance refers to the extent to which a firm achieves its strategic and operational objectives and is commonly measured using financial and non-financial indicators (Richard et al., 2009). Financial indicators include profitability, revenue growth, and return on investment, while non-financial measures include customer satisfaction, innovation, and market share.

This study focuses on profitability as the primary indicator of SME performance because it reflects a firm's ability to generate financial returns and sustain long-term operations. Profitability is widely regarded as a key determinant of business survival, growth, and competitiveness, particularly among SMEs operating in resource-constrained environments (Beck et al., 2005). Firms with higher profitability are generally better positioned to expand operations, invest in innovation, and access external financing.

Previous studies suggest that project management practices can enhance profitability through improved resource utilization and operational efficiency. Mir and Pinnington (2014) found that effective project management contributes to organizational success, while Joslin and Müller (2015) reported that structured project management methodologies improve business performance and value creation. Accordingly, profitability provides an appropriate measure for assessing the contribution of project planning to SME performance.

Access to Finance as a Moderating Factor

Access to finance is a critical determinant of SME growth and performance because it enables firms to invest in productive assets, adopt new technologies, and expand operations (Beck & Demirguc-Kunt, 2006; World Bank, 2025). Conversely, financial constraints can limit investment opportunities and hinder business performance (Ayyagari et al., 2014).

In the context of project planning, access to finance may influence the extent to which planning translates into improved profitability. While effective project planning supports resource allocation, budgeting, and risk management (PMI, 2021), its successful implementation often depends on the availability of financial resources. SMEs with adequate financing are better positioned to execute planned activities, acquire required inputs, and respond to operational challenges, thereby enhancing the benefits of project planning.

This relationship is particularly relevant in Malawi, where many SMEs face difficulties accessing formal credit due to high interest rates, collateral requirements, and restrictive lending conditions (FinScope MSME Survey Malawi, 2019; World Bank, 2022). Consequently, access to finance is expected to moderate the relationship between project planning and profitability, such that SMEs with greater access to financial resources are likely to derive stronger profitability benefits from effective project planning than those facing financial constraints.

Empirical Evidence

Global Evidence

Empirical evidence consistently demonstrates a positive relationship between project management practices and organizational performance. Mir and Pinnington (2014) found that effective project management enhances organizational success through improved project outcomes and strategic alignment, while Joslin and Müller (2015) reported that structured project management methodologies improve project performance and organizational value creation. Similarly, Yazici (2009) observed that organizations adopting formal project management practices achieved stronger performance than those relying on informal approaches.

Among project management practices, project planning has been identified as a key driver of project and organizational success. Zwikael and Globerson (2006) found that comprehensive planning improves resource

allocation, project control, and the likelihood of achieving project objectives. Likewise, Papke-Shields et al. (2010) reported that organizations with strong planning processes were more successful in controlling costs, meeting deadlines, and achieving desired outcomes. These findings suggest that effective project planning contributes to improved operational efficiency, business performance, and profitability.

Despite this evidence, most studies have been conducted in large organizations and developed economies. Consequently, limited empirical evidence exists on the relationship between project planning and SME profitability in developing-country contexts, particularly where firms face significant resource and financing constraints. This gap highlights the need for further research within the Malawian SME sector.

African Evidence

Empirical evidence from Africa suggests that project management practices contribute positively to SME performance. Ofori (2013) found that SMEs adopting formal project management practices achieved better project outcomes and business performance than those relying on informal approaches. Similarly, Muriithi (2017) reported that project management practices improve resource utilization, decision-making, and the achievement of organizational objectives.

Despite these benefits, the adoption of structured project management practices among African SMEs remains limited due to inadequate managerial skills, financial constraints, and weak institutional support (Abor & Quartey, 2010; Muriithi, 2017). Consequently, many SMEs continue to rely on informal management systems, which can undermine project implementation and business performance.

The African literature further highlights project planning as a critical capability for improving resource allocation, reducing uncertainty, and enhancing organizational performance in resource-constrained environments (Ofori, 2013; Muriithi, 2017). However, existing studies have largely focused on general project management practices, with limited attention to the specific relationship between project planning and SME profitability. This underscores the need for further research in developing-country contexts such as Malawi.

Malawian Evidence

Empirical research on project management practices among SMEs in Malawi remains limited. The FinScope MSME Survey Malawi Survey (2019) reports that many SMEs operate with informal management systems characterized by weak planning, inadequate record-keeping, and limited financial controls. Similarly, the World Bank (2022) highlights management deficiencies, poor resource utilization, and limited business capabilities as major constraints to SME growth and sustainability.

Available evidence suggests that SMEs adopting structured management practices, such as business planning and financial management, tend to achieve better business outcomes (FinScope MSME Survey Malawi, 2019; World Bank, 2022). However, existing studies have largely focused on SME characteristics, financing patterns, and business environment challenges, with limited attention to the specific influence of project planning on profitability.

Access to finance remains another significant challenge facing Malawian SMEs. High borrowing costs, stringent collateral requirements, and limited access to formal credit continue to constrain business investment and growth (World Bank, 2022; DCAFS & TIPDEP, 2024). Despite the recognized importance of finance, little empirical evidence exists on whether access to finance affects the relationship between project planning and SME profitability.

Consequently, a significant knowledge gap remains regarding the combined influence of project planning and access to finance on SME profitability in Malawi. This study addresses this gap by examining the effect of project planning on SME profitability and the moderating role of access to finance among SMEs in Blantyre and Lilongwe Districts.

Summary

The literature suggests that project planning is an important organizational capability that contributes to

improved SME performance through better resource allocation, cost control, risk management, and operational efficiency. Empirical evidence from global and African studies generally indicates a positive relationship between project planning and business performance, although the adoption of structured planning practices remains limited among many SMEs.

The literature also highlights the importance of access to finance in supporting SME growth and the implementation of business plans. However, empirical evidence on the relationship between project planning and profitability, and the moderating role of access to finance, remains limited in the Malawian context. This gap provides the basis for the present study, which examines the effect of project planning on SME profitability and the moderating influence of access to finance among SMEs in Blantyre and Lilongwe Districts.

METHODOLOGY

Research Design

This study employed a mixed-methods cross-sectional design to examine the effect of project planning on SME profitability and the moderating role of access to finance among SMEs in Blantyre and Lilongwe Districts, Malawi. The mixed-methods approach combined quantitative and qualitative techniques to provide a more comprehensive understanding of the research problem (Creswell & Creswell, 2018).

The quantitative component was used to assess the relationship between project planning, access to finance, and profitability, while the qualitative component provided contextual insights into SME owners' experiences and challenges. A cross-sectional design was adopted because data were collected at a single point in time, making it suitable for examining relationships among variables in business and management research (Bryman, 2016; Saunders et al., 2019).

The integration of quantitative and qualitative data enhanced the validity and richness of the findings by combining statistical evidence with participants' perspectives (Creswell & Creswell, 2018).

The study adopted a convergent mixed-methods approach in which quantitative and qualitative findings were compared and integrated during interpretation to facilitate triangulation of results.

Study Area

The study was conducted in Blantyre and Lilongwe Districts, Malawi's two major commercial and economic centres. These districts were selected because they host a high concentration of SMEs operating across various sectors, including trade, manufacturing, agriculture, construction, and services. Their diverse business environment provides an appropriate context for examining the relationship between project planning, access to finance, and SME profitability. Furthermore, the concentration of SMEs in these districts facilitated access to respondents and enhanced the relevance of the study findings.

Target Population

The target population comprised owners, managers, and project officers of registered SMEs in Blantyre and Lilongwe Districts. These individuals were selected because of their direct involvement in business planning, resource allocation, and project implementation, making them suitable sources of information on project planning practices and enterprise profitability.

To provide additional contextual insights, representatives from SME-support institutions, including business development organizations and financial institutions, were also included. Their perspectives helped to clarify issues related to project management practices, access to finance, and SME development in Malawi.

Sample Size and Sampling Techniques

The quantitative component involved 100 SMEs drawn from registered enterprises in Blantyre and Lilongwe Districts. The sample size was determined using Yamane's formula at a 95% confidence level and a 5% margin of error. To ensure representation across different business sectors, stratified random sampling was employed,

with SMEs grouped into manufacturing, agriculture, retail, and service sectors before respondents were randomly selected from each stratum. Although questionnaires were distributed to 100 SMEs, only 85 complete responses were returned and included in the final analysis, resulting in an effective response rate of 85%. Incomplete questionnaires were excluded from the analysis to ensure data quality and consistency.

For the qualitative component, purposive sampling was used to select 20 key informants, including SME owners, managers, project officers, and representatives of SME-support institutions. Participants were selected based on their knowledge and experience in project management, business planning, and SME development, enabling the collection of detailed insights relevant to the study objectives.

Data Collection Methods

Both primary and secondary data were used in this study. Primary data were collected through structured questionnaires and semi-structured interviews, while secondary data were obtained from academic journals, policy documents, government reports, and other relevant literature on project management and SME performance.

Questionnaire Survey

A structured questionnaire was administered to SME owners, managers, and project officers. The instrument comprised closed-ended questions and five-point Likert scale items measuring project planning practices, access to finance, and profitability. Key planning dimensions included goal setting, budgeting, scheduling, resource allocation, and risk identification. The questionnaire enabled the efficient collection of standardized quantitative data from a large number of respondents.

Semi-Structured Interviews

Semi-structured interviews were conducted with selected SME stakeholders and representatives of SME-support institutions. The interviews explored project planning practices, access to finance, implementation challenges, and factors influencing SME profitability. This approach provided in-depth qualitative insights and complemented the quantitative findings.

Measurement of Variables

The study examined three key variables. Project planning, the independent variable, was measured using indicators related to goal setting, budgeting, scheduling, resource allocation, and risk identification. SME profitability, the dependent variable, was assessed through indicators of perceived profit growth, revenue growth, cost management effectiveness, and financial stability. Due to the reluctance of SMEs to disclose audited financial records and sensitive financial information, profitability was measured using subjective performance indicators, including perceived profit growth, revenue growth, cost management effectiveness, and financial stability. Prior research has demonstrated that subjective assessments of firm performance are strongly correlated with objective financial measures and are widely used in SME research where access to audited financial data is limited (Richard et al., 2009). Access to finance, the moderating variable, was measured using indicators relating to credit accessibility, financing adequacy, borrowing conditions, and the availability of financial resources for business and project implementation.

Data Analysis

Quantitative data were coded and analysed using the Statistical Package for Social Sciences (SPSS). Descriptive statistics (frequencies, percentages, means, and standard deviations) were used to summarize respondent characteristics and study variables. Correlation analysis was conducted to examine the relationship between project planning and SME profitability, while regression analysis was used to assess the effect of project planning on profitability and the moderating role of access to finance.

Qualitative data from semi-structured interviews were analysed using thematic analysis. Interview transcripts were reviewed, coded, and organized into themes reflecting project planning practices, access to finance, and factors affecting SME profitability. The qualitative findings were subsequently integrated with the quantitative results to provide a comprehensive interpretation of the study findings.

Validity and Reliability

To ensure validity, the questionnaire and interview guide were reviewed by academic experts and practitioners in project management and SME development. A pilot study was also conducted to assess the clarity, relevance, and adequacy of the research instruments before data collection. Reliability of the questionnaire was assessed using Cronbach's Alpha coefficient, with a threshold value of 0.70 or higher considered acceptable for internal consistency. These procedures enhanced the credibility and consistency of the study findings.

Ethical Considerations

Ethical principles were observed throughout the research process. Prior to data collection, informed consent was obtained from all participants after providing them with information regarding the purpose of the study, expected participation, and their rights as respondents. Participation was voluntary, and respondents were informed of their right to withdraw from the study at any stage without any consequences.

Confidentiality and anonymity were maintained by assigning codes to participants instead of using personal or organizational identifiers. All collected data were securely stored in password-protected electronic files and used exclusively for academic purposes. Ethical clearance was obtained from the relevant university authorities before commencement of the study, ensuring compliance with accepted research ethics standards.

FINDINGS/RESULTS

Demographic Characteristics of Respondents

The findings indicate that most participating enterprises were small-scale businesses, with 90.6% employing fewer than ten employees. The sample represented diverse sectors, including retail (32.9%), agriculture (29.4%), and services (23.5%), reflecting the heterogeneous nature of the SME sector. In terms of location, 60% of respondents were from Lilongwe, 18.8% from Blantyre, and the remainder from surrounding areas.

The majority of participating enterprises were owner-managed, consistent with the typical structure of SMEs in Malawi. This suggests that business owners are directly involved in planning, decision-making, and resource allocation, making them appropriate respondents for assessing the influence of project planning on enterprise profitability.

Table 1: Distribution of Respondents by Number of Employees

Number of Employees	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 10	77	90.6	90.6	90.6
10–49	4	4.7	4.7	95.3
50–100	4	4.7	4.7	100
Total	85	100	100	

Table 2: Distribution of Respondents by Industry Sector

Industry Sector	Frequency	Percent	Valid Percent	Cumulative Percent
Manufacturing	5	5.9	5.9	5.9
Retail	28	32.9	32.9	38.8
Services	20	23.5	23.5	62.4
Construction	2	2.4	2.4	64.7
Agriculture	25	29.4	29.4	94.1
Other	5	5.9	5.9	100
Total	85	100	100	

Table 3: Distribution of Respondents by Geographic Location

Number of Employees	Frequency	Percent	Valid Percent	Cumulative Percent
Lilongwe	51	60	60	60
Blantyre	16	18.8	18.8	78.8
Other	18	21.2	21.2	100
Total	85	100	100	

Project Planning Practices Among SMEs

The first objective of the study was to assess the extent to which SMEs adopt project planning practices. The findings indicate a moderate level of adoption, with an overall mean score of 3.59 on a five-point scale. This suggests that while most SMEs engage in planning activities, such practices are often informal and inconsistently applied.

Among the planning dimensions, goal setting (mean = 3.71), budgeting, and scheduling recorded relatively high scores, indicating that many SMEs establish objectives and allocate resources before implementing projects. However, more advanced planning practices, particularly risk identification and the use of formal project management tools, recorded comparatively lower scores (approximately 3.45), suggesting limited use of structured planning approaches.

The findings further reveal that many SMEs rely on owner experience and informal decision-making rather than documented plans and formal project management systems. Overall, the results suggest that project planning is practiced by most SMEs but remains largely basic in nature, highlighting the need for interventions aimed at strengthening planning capabilities through training, mentorship, and access to appropriate management tools.

Table 4: Project Planning Practices Among SMEs

Statement	SD	D	UN	A	SA	Mean	σ	Decision
	(%)	(%)	(%)	(%)	(%)			
We set clear project objectives before implementation.	5-5.9	9-1.09	20-23.5	23-27.1	28-32.9	3.71	1.2	Well-Practiced
We prepare timelines or schedules for our projects.	3-3.5	13-15.3	21-24.7	20-23.5	28-32.9	3.67	1.18	Well-Practiced
We estimate project costs before work begins.	8-9.4	11-12.9	12-14.1	24-28.2	30-35.3	3.67	1.33	Well-Practiced
Responsibilities are clearly assigned to individuals.	6-7.1	10-11.8	20-23.5	26-30.6	23-27.1	3.59	1.21	Well-Practiced
We identify project risks during planning.	14-16.5	9-10.6	17-20	22-25.9	23-27.1	3.45	1.41	Moderately Practiced
We use planning tools (e.g., templates, calendars, budgets).	11-12.9	10-11.8	18-21.2	22-25.9	24-28.2	3.45	1.35	Moderately Practiced

Note. N = 85. SD = Strongly Disagree, D = Disagree, UN = Neutral, A = Agree, SA = Strongly Agree.

Decision – weighted average = $21.54/6 = 3.59$

Access to Finance

Access to finance was identified as a major challenge affecting SME operations and project implementation. The findings show relatively low ratings across key financial access indicators, with mean scores of 2.55 for credit

accessibility, 2.51 for financing adequacy, and 2.61 for lending conditions. These results suggest that many SMEs experience difficulties in obtaining sufficient and affordable financing.

Despite these constraints, respondents strongly recognized the importance of financial resources for business success. Access to finance for project implementation recorded a mean score of 3.62, while the statement that inadequate finance is a major obstacle to business growth achieved a mean score of 3.67. This indicates a broad consensus that financial resources are critical for achieving project and business objectives.

Overall, the findings suggest that although SMEs may engage in project planning, the effective implementation of planned activities is often constrained by limited access to finance. This supports the proposition that access to finance may influence the extent to which project planning translates into improved profitability.

Table 5: Access to Finance among SMEs

Statement	SD	D	UN	A	SA	Mean	σ	Decision
	(%)	(%)	(%)	(%)	(%)			
Our business can easily access credit when needed.	21 (24.7)	23 (27.1)	22 (25.9)	11 (12.9)	8 (9.4)	2.55	1.25	Moderate Extent
We have adequate funds to implement project plans.	19 (22.4)	26 (30.6)	24 (28.2)	10 (11.8)	6 (7.1)	2.51	1.17	Moderate Extent
Loan requirements are reasonable for SMEs.	21 (24.7)	23 (27.1)	18 (21.2)	14 (16.5)	9 (10.6)	2.61	1.31	Moderate Extent
Financing enables us to complete planned projects.	7 (8.2)	7 (8.2)	22 (25.9)	24 (28.2)	25 (29.4)	3.62	1.22	High Extent
Lack of finance is a major constraint to executing plans. (Reverse coded).	13 (15.3)	7 (8.2)	10 (11.8)	20 (23.5)	35 (41.2)	3.67	1.46	High Extent

Note. N = 85. SD = Strongly Disagree, D = Disagree, UN = Neutral, A = Agree, SA = Strongly Agree.

Decision – weighted average = $14.96/5 = 2.99$

SME Performance

SME performance was assessed using profitability-related indicators. The findings indicate moderate levels of performance among the surveyed enterprises. Profit growth recorded a mean score of 2.92, while revenue growth achieved a mean score of 3.00, suggesting that many SMEs experienced only modest improvements in financial performance.

Among the performance indicators, cost management recorded the highest mean score (3.36), indicating that SMEs were relatively effective in controlling operational expenses. Respondents also reported that successful project completion contributed positively to business performance (mean = 3.47). Financial stability recorded a moderate mean score of 3.18, reflecting varying levels of financial resilience among the enterprises.

Overall, the results suggest that SMEs are achieving moderate profitability outcomes despite operating in a challenging business environment. Furthermore, enterprises with stronger project planning practices generally reported better performance, indicating a positive relationship between project planning and profitability.

Table 6: SME Performance Based on Profitability Indicators

Statement	SD	D	UN	A	SA	Mean	σ	Decision
	(%)	(%)	(%)	(%)	(%)			
Our profits have increased over the	12	19	26	20	8	2.92	1.18	Low /

past year.	(14.1)	(22.4)	(30.6)	(23.5)	(9.4)			weak
Revenues have grown due to effective project execution.	8	20	30	18	9	3.00	1.12	Neutral /moderate
	(9.4)	(23.5)	(35.3)	(21.2)	(10.6)			
We manage project-related costs efficiently.	5	16	22	27	15	3.36	1.15	Moderate
	(5.9)	(18.8)	(25.9)	(31.8)	(17.6)			
Completed projects have improved financial performance.	6	13	23	21	22	3.47	1.23	Relatively strong
	(7.1)	(15.3)	(27.1)	(24.7)	(25.9)			
Our profitability is stable and improving.	9	9	35	22	10	3.18	1.11	Mixed
	(10.6)	(10.6)	(41.2)	(25.9)	(1.8)			

Note. N = 85. SD = Strongly Disagree; D = Disagree; UN = Neutral; A = Agree; SA = Strongly Agree.

Decision rule. Cut-off mean = 3.19. Values equal to or above this indicate agreement, while values below indicate disagreement.

Relationship Between Project Planning and SME Performance

One of the study objectives was to examine the relationship between project planning and SME performance. The findings indicate a positive association between project planning practices and profitability. SMEs that reported stronger planning practices, including budgeting, scheduling, resource allocation, and goal setting, generally reported better financial and operational performance.

The results further suggest that effective project planning enhances cost control, resource utilization, and project implementation, thereby contributing to improved profitability. These findings support the view that structured planning reduces uncertainty and improves organizational efficiency, particularly among resource-constrained SMEs.

However, the findings also indicate that project planning alone may not be sufficient to achieve optimal performance outcomes. Many respondents reported that financial constraints limited their ability to implement planned activities effectively. This suggests that the benefits of project planning are likely to be greater when firms have adequate access to financial resources.

Reliability and Descriptive Statistics

Table 7 presents the reliability and descriptive statistics of the study variables. The reliability results indicate that all scales demonstrated acceptable internal consistency, with Cronbach's alpha values of 0.929 for Project Planning, 0.888 for SME Performance, and 0.664 for Access to Finance. Although the Cronbach's alpha value for Access to Finance (0.664) was below the conventional threshold of 0.70, it exceeded the minimum acceptable level of 0.60 commonly regarded as adequate in exploratory social science research.

The descriptive statistics show that Project Planning had the highest mean score ($M = 3.58$, $SD = 0.93$), followed by SME Performance ($M = 3.19$, $SD = 0.94$). Access to Finance recorded the lowest mean score ($M = 2.99$, $SD = 1.04$), suggesting that respondents faced greater challenges in accessing financial resources. The standard deviations indicate a moderate level of variation in responses across the study variables.

Table 7: Reliability and Descriptive Statistics

Variable	Items	Mean	SD	Cronbach's Alpha
Project Planning	6	3.58	0.93	0.929
Access to Finance	5	2.99	1.04	0.664
SME Performance	5	3.19	0.94	0.888

Source: Survey data (2026)

Correlation Between Project Planning and SME Performance

Pearson correlation analysis was carried out to assess the relationships between project planning practices, access to finance, and SME performance. The findings revealed significant positive associations among all the study variables. Project planning was moderately and positively related to access to finance ($r = 0.567$, $p < 0.001$), suggesting that SMEs with well-established planning practices are more likely to secure financial resources. In addition, project planning showed a significant positive relationship with SME performance ($r = 0.586$, $p < 0.001$), indicating that businesses that invest in effective planning tend to achieve better performance outcomes.

The results further demonstrated that access to finance had the strongest positive association with SME performance ($r = 0.638$, $p < 0.001$). This suggests that SMEs with greater access to financial resources are better positioned to improve productivity, expand operations, and enhance overall business success. Overall, the correlation analysis confirms meaningful positive relationships among project planning, access to finance, and SME performance. These findings provide initial empirical support for the proposed relationships and justify further examination through regression analysis to determine the predictive influence of these variables.

Table 8: Relationship Between Project Planning, Access to Finance, and SME Performance

Variable	Mean	SD	1	2	3
1. Project Planning	3.58	0.93	1		
2. Access to Finance	2.99	1.04	.567**	1	
3. SME Performance	3.19	0.94	.586**	.638**	1

Note. N = 85, $p < .01$ (2-tailed).

Multiple Regression Analysis

A multiple linear regression analysis was conducted to determine the extent to which project planning and access to finance influence SME performance. The overall regression model was statistically significant, $F(2, 82) = 38.01$, $p < .001$, indicating that the two predictors jointly contribute to explaining variations in SME performance.

The model produced an R^2 value of 0.481 and an adjusted R^2 value of 0.468, suggesting that approximately 48.1% of the variance in SME performance can be explained by project planning and access to finance. This demonstrates that the model has substantial explanatory power, while the remaining 51.9% of the variation may be attributed to other factors not included in the study.

The regression coefficients revealed that both independent variables had a positive and statistically significant effect on SME performance. Project planning significantly predicted SME performance ($\beta = 0.317$, $B = 0.288$, $t = 3.416$, $p = .001$), indicating that SMEs with stronger project planning practices are more likely to achieve better performance outcomes. Similarly, access to finance had a significant positive influence on SME performance ($\beta = 0.458$, $B = 0.517$, $t = 4.674$, $p < .001$), suggesting that improved access to financial resources enhances the ability of SMEs to operate, invest, and grow.

A comparison of the standardized beta coefficients shows that access to finance exerted a stronger influence on SME performance than project planning. This finding highlights the critical role of financial resources in supporting business growth and sustainability among SMEs.

The estimated regression model is expressed as:

$$\text{SME Performance} = 0.607 + 0.288 (\text{Project Planning}) + 0.517 (\text{Access to Finance})$$

This equation indicates that, holding other factors constant, a one-unit increase in project planning is associated with a 0.288-unit increase in SME performance, while a one-unit increase in access to finance is associated with a 0.517-unit increase in SME performance.

Overall, the findings provide strong empirical evidence that both project planning and access to finance are important determinants of SME performance. However, access to finance emerged as the most influential

predictor, underscoring the importance of improving financing opportunities to enhance the growth and success of SMEs.

Table 9: Multiple Regression Results Predicting SME Performance

Predictor	B	SE	β	t	p
Constant	0.607	0.306	-	1.986	0.05
Project Planning	0.288	0.084	0.317	3.416	0.001
Access to Finance	0.517	0.111	0.458	4.674	<.001

Model Summary

R	R ²	Adjusted R ²	F	p
0.694	0.481	0.468	38.01	<.001

Note. DV = SME Performance. B = unstandardized coefficient; SE = standard error; β = standardized coefficient. $p < .05$ indicates statistical significance; $p < .01$ indicates high statistical significance; $p < .001$ indicates very high statistical significance.

Qualitative Findings

The qualitative findings complemented the quantitative results by providing deeper insights into the challenges affecting project planning and profitability among SMEs. Three major themes emerged: weak planning capabilities, financial constraints, and external business challenges.

Weak Planning and Managerial Capacity

Many participants reported that project planning was largely informal and relied on owner experience rather than structured planning tools and documented procedures. Interviewees also highlighted deficiencies in budgeting, cost forecasting, and financial risk assessment, which frequently resulted in inefficient resource utilization and weak project execution. These findings suggest that limited planning and financial management skills constrain SME performance.

Financial Constraints

Access to finance emerged as the most prominent challenge. Participants cited high interest rates, collateral requirements, limited credit histories, and complex loan application procedures as major barriers to obtaining formal finance. Many respondents indicated that these constraints limited project implementation, business expansion, and investment in productivity-enhancing activities. Cash flow challenges, including delayed customer payments and unstable revenue streams, further affected project execution and operational sustainability.

External and Institutional Challenges

Participants also identified economic instability, rising operational costs, exchange-rate volatility, and inflation as factors that complicated project planning and profitability. In addition, shortages of capital, skilled labour, equipment, and technology limited business growth. Regulatory and institutional barriers, such as bureaucratic procedures and limited support services, were also perceived as obstacles to project implementation and SME development.

Overall, the qualitative findings reinforce the quantitative results by demonstrating that while project planning contributes to improved performance, its effectiveness is often constrained by limited managerial capabilities, inadequate access to finance, and a challenging business environment.

DISCUSSION OF FINDINGS

Project Planning Practices and SME Performance

The findings indicate that project planning is moderately adopted among SMEs, with greater emphasis on basic planning activities such as goal setting, budgeting, and scheduling than on formal planning tools and risk management procedures. This suggests that while SMEs recognize the value of planning, its application remains largely informal.

The quantitative findings showed a moderate level of project planning adoption among SMEs (mean = 3.59). This finding was reinforced by the qualitative evidence, where interview participants reported relying largely on owner experience, informal planning approaches, and undocumented procedures rather than formal project management tools. Participants also noted limited application of risk assessment and structured budgeting practices, which helps explain the moderate planning scores observed in the survey results.

The positive relationship between project planning and profitability supports previous studies showing that effective planning improves organizational performance by enhancing resource utilization, cost control, and project execution (Papke-Shields et al., 2010; Zwikael & Globerson, 2006). The findings are also consistent with PMMM, which proposes that organizations achieve superior performance through the adoption of structured project management practices (Kerzner, 2022).

From an RBV perspective, project planning represents a valuable organizational capability that enables SMEs to utilize scarce resources more effectively and improve business performance (Barney, 1991). However, the limited use of formal planning tools suggests that many SMEs remain at relatively low levels of project management maturity, consistent with evidence from developing-country SMEs (Kerzner, 2022; Muriithi, 2017).

Access to Finance as a Critical Constraint

The findings identify access to finance as a major constraint affecting SME growth and profitability. Limited credit access, high interest rates, collateral requirements, and restrictive lending conditions were reported as significant barriers to project implementation and business expansion.

The qualitative findings further reinforced the survey results regarding financial constraints. Respondents highlighted high interest rates, stringent collateral requirements, limited credit histories, and complex loan application procedures as major obstacles to accessing finance. These findings support the quantitative results, which showed relatively low ratings for credit accessibility, financing adequacy, and lending conditions, suggesting that access to finance remains a critical barrier to SME growth and project implementation.

The results further indicate that access to finance moderates the relationship between project planning and profitability. While effective planning contributes to improved performance, its benefits are often constrained when enterprises lack the financial resources needed to implement planned activities. This finding supports previous research demonstrating that financial constraints can reduce the effectiveness of managerial practices and limit firm growth (Ayyagari et al., 2014; Beck & Demircuc-Kunt, 2006).

The findings also align with RBV, which recognizes financial resources as critical organizational assets that enable firms to deploy managerial capabilities effectively (Barney, 1991). Consequently, improving access to affordable finance is essential for strengthening SME performance and sustainability.

Financial Literacy and Planning Capacity

This interpretation was supported by interview participants, who reported challenges related to budgeting, cash-flow management, cost forecasting, and financial risk assessment. The qualitative evidence suggests that deficiencies in managerial and financial management skills contribute to weak project planning practices and may limit the extent to which SMEs can translate planning efforts into improved profitability.

These findings suggest that managerial competencies influence the quality and effectiveness of planning

practices. SMEs with stronger financial and managerial skills are more likely to develop realistic plans, utilize resources efficiently, and achieve better performance outcomes. This observation supports PMMM, which emphasizes that organizational performance depends not only on the adoption of management practices but also on the competencies required to implement them effectively (Kerzner, 2022).

Economic and External Environment

Consistent with these observations, interview participants identified inflation, exchange-rate volatility, rising operational costs, shortages of capital and technology, and burdensome regulatory procedures as key factors affecting business performance. The qualitative findings therefore provide contextual explanations for the moderate profitability outcomes reported in the quantitative analysis

These factors may undermine the effectiveness of project planning by increasing operational risks and reducing budgeting accuracy. In the Malawian context, where SMEs operate within a challenging macroeconomic environment, improvements in internal management practices alone may be insufficient to achieve sustained performance gains. Broader policy and institutional interventions are therefore required to complement enterprise-level improvements.

Multidimensional Nature of SME Challenges

A key finding of this study is that SME challenges are multidimensional and interconnected. Both the quantitative and qualitative findings demonstrate that project planning, access to finance, managerial competencies, and external environmental conditions collectively influence enterprise performance. While the survey findings revealed moderate project planning adoption and constrained access to finance, interviews provided deeper insights into how these challenges interact to affect project implementation, profitability, and long-term business sustainability.

Consistent with RBV, business success depends on the combined availability and effective utilization of organizational resources and capabilities (Barney, 1991). Consequently, improving SME profitability requires an integrated approach that combines project management training, financial literacy development, improved access to finance, and supportive policy interventions.

Chapter Summary

The discussion shows that project planning contributes positively to SME profitability by improving resource allocation, cost control, and project implementation. However, the effectiveness of planning is influenced by access to finance, managerial competencies, and external economic conditions. Overall, the findings support the RBV and PMMM perspectives and suggest that enhancing planning capabilities, financial literacy, and access to finance, alongside supportive economic policies, is critical for promoting sustainable SME growth and profitability in Malawi.

LIMITATIONS OF THE STUDY

This study relied on self-reported measures of profitability rather than audited financial statements, as many SMEs were unwilling to disclose detailed financial records. However, subjective performance measures are widely accepted in SME research and have been shown to correlate closely with objective financial performance indicators (Richard et al., 2009). In addition, the cross-sectional design limited the ability to establish causal relationships among the study variables. Future studies may utilize longitudinal designs and objective financial data where available to provide further validation of the findings.

CONCLUSION

This study examined the effect of project planning on the profitability of SMEs in Blantyre and Lilongwe Districts, Malawi, and assessed the moderating role of access to finance. Guided by the Resource-Based View (RBV) and the Project Management Maturity Model (PMMM), the study sought to determine whether project planning contributes to improved SME performance within a resource-constrained environment.

The findings indicate that SMEs moderately adopt project planning practices, with greater emphasis on goal setting, budgeting, and scheduling than on formal planning tools and risk management procedures. The study further established a positive relationship between project planning and profitability, suggesting that SMEs with stronger planning capabilities achieve better resource utilization, cost control, and business performance. These results support the view that project planning constitutes an important organizational capability that can enhance enterprise competitiveness and sustainability.

However, the study also revealed that access to finance remains a significant constraint to SME growth and project implementation. Limited credit availability, high borrowing costs, and restrictive lending conditions reduce the ability of SMEs to implement planned activities effectively. Consequently, access to finance was found to influence the extent to which project planning translates into improved profitability. Additionally, deficiencies in financial literacy, managerial capacity, and an unstable economic environment were identified as factors that further constrain SME performance.

Overall, the study concludes that project planning contributes positively to SME profitability, but its effectiveness depends on the availability of financial resources, managerial competencies, and a supportive business environment. The findings contribute to the growing literature on project management and SME performance in developing economies and suggest that interventions aimed at strengthening project planning skills, improving financial literacy, and expanding access to affordable finance are essential for promoting sustainable SME growth in Malawi.

ARTIFICIAL INTELLIGENCE (AI) USE STATEMENT

The authors used artificial intelligence (AI) tools, including Microsoft Copilot, to assist with language editing, grammar checking, formatting, and improving the clarity of the manuscript. The authors reviewed, revised, and verified all content generated or suggested by the AI tools and take full responsibility for the accuracy, originality, and integrity of the manuscript. AI tools were not used to generate, analyze, or interpret research data and are not listed as authors.

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