



Female Entrepreneurs Owning Small Businesses in the Agriculture Sector in Comoros, Africa: Challenges Faced in the Conventional System

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ABSTRACT - The purpose of this research is to identify the challenges faced by female entrepreneurs in the agriculture sector owning small business in the conventional system in Comoros. To achieve this objective, data was collected using a qualitative research method. With that, structured interviews were conducted between the researcher and female entrepreneurs owning small businesses in the agriculture sector in Comoros. The results suggest that, owning a small business, collateral, conditions attached to the loans and interest rate are the main challenges that entrepreneurs are facing in the conventional system in Comoros. These challenges slow down the growth of female entrepreneurs in the agriculture sector in Comoros and limit their contribution to local production and household income. This re-enforce the need for more suitable financial solutions by national stakeholders, particularly financial institutions and government agencies in the country to support female entrepreneurs and strengthen the agricultural sector.

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INTRODUCTION

Comoros is an archipelago located off the eastern coast of Africa and is one of the poorest countries in the world. Its economy is undiversified and among the world's most reliant on food imports. Half of the economy is made up of commerce (mainly informal) and state services (Belghith et al., 2019). The country is located on the ancient trade routes of the Indian Ocean, north of the Mozambique Channel, 350km northwest of Madagascar and 250 km from the coast of Mozambique. With 800,000 inhabitants, the island comprises of four main volcanic islands in which three of them constitute the Union of Comoros (hereafter referred to as Comoros): Grande Comore (Ngazidja), Anjouan (Nzwani) and Moheli (Mwali). The fourth island, Mayotte, is under French administration.

In terms of economic sector, natural resources and biodiversity, agriculture, livestock and fisheries are the main contributors to the economy of Comoros. Another 30% of their economy is generated by agriculture produced on tiny family-owned farms and primarily for home consumption (Belghith et al., 2019). Despite its small population and limited resources, it has a vibrant and growing entrepreneurial sector, particularly in the informal economy. Agriculture is the largest sector in terms of GDP contribution (30.5 percent) and employment (34 percent).

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Domestic fisheries account for 2.87 percent of GDP and operate at the subsistence level (World Bank, 2023). Despite its small population and limited resources, Comoros has a vibrant and growing entrepreneurial sector, particularly in the informal economy.

The informal sector continues to be the most important source of employment in Africa, accounting for 70 percent of employment in Sub-Saharan Africa and 62 percent in North Africa (AfDB, 2013). The number of informal businesses varies significantly across Sub-Saharan African, ranging from 20 to 25 percent in Mauritius, South Africa and Namibia to 50 to 65 percent in Benin, Tanzania and Nigeria (Medina et al., 2016). It is an important component of most Sub-Saharan African economies, accounting for between 25 and 65 percent of GDP and 30 to 90 percent of total non-agricultural employment (IMF, 2023).

In Comoros, informal businesses play a crucial role in the socio-economic development because it contributes to the eradication of poverty, the creation of jobs, and the empowerment of female entrepreneurs in the communities. According to Labour Force Survey (2021), informal main job represents 48% of independent workers. The size of Comoros's informal economy is estimated to be 36.6 percent which represents approximately \$1 billion at Gross Domestic Product based on Purchasing Power Parity (GDP PPP) levels (World Economics, 2021)

These women help to reduce poverty, create jobs, and empower other women in their communities. Food stalls, handicrafts, and tailoring are examples of informal businesses conducted by female entrepreneurs. These women's entrepreneurial endeavours not only provide income for their families, but also act as role models, inspiring other women to pursue economic independence and self-sufficiency. Furthermore, their enterprises contribute to the informal sector's general resilience and adaptability, enabling swift reactions to economic swings and providing a safety net for many vulnerable households. Recognising the importance of female entrepreneurs in the informal sector, it is critical to offer them with targeted support, such as access to funding, business training, and networking opportunities, to help them succeed.

Despite these significant contributions, they are facing numerous challenges in the conventional system that prevent their growth and development. These challenges include higher interest rates, collateral, strict review of credit applications, and financial illiteracy. That being so, this research is significant as it promotes economic development, it will boost sustainable agriculture and contribute to poverty reduction and improved livelihoods. On top of that, this paper will add to the existing literature and make accessible literature about Comoros.

LITERATURE REVIEW

SMEs in Comoros

Definition

Small and medium enterprises (SMEs) are widely recognised as one of the most important components of the global economy, as they create employment opportunities characterised by greater incentives and flexibility. In addition, SMEs contribute to increased market competition, which in turn enhances consumer satisfaction. These enterprises not only foster national economic growth but also play a crucial role in generating employment. The criteria of defining SMEs vary across countries and among researchers. Scholars often adopt their own definitions of SMEs according to their specific research focus (Hashim & Wafa, 2002), as there is no universally accepted global definition (Hooi, 2006). The fundamental similarity, however, is that SMEs are 'clearly not large' (Storey, 1994). The World Bank defines SMEs based on three quantitative criteria: the number of employees, total assets in U.S. dollars, and annual sales in U.S. dollars (IEG, 2008). For instance, in France, an SME is defined as an enterprise with fewer than 500 employees, whereas in Germany, the threshold is fewer than 100 employees. In Japan, an SME is defined as having fewer than 300 employees or an invested capital of less than 100 million yen in the manufacturing, mining, transportation, and construction sectors. For wholesale businesses, an SME is defined as having fewer than 100 employees or a capitalisation of less than 30 million yen,

while in the retail sector, it refers to companies with fewer than 50 employees or a capitalisation of less than 10 million yen (Shafique et al., 2017).

The definition of SMEs varies across countries and contexts; the OECD emphasizes that “firms within the universe of SMEs display considerable heterogeneity” in terms of business models, size, turnover and other characteristics OECD(2023). Therefore, in this study, the definition of SMEs adopted refers to current classification used in Comoros, which is based on overall turnover. This definition encompasses micro, small, and medium enterprises engaged in various types of business activities, including services, manufacturing, construction, agriculture, mining, and quarrying.

In this study we will use the latest definition available in the department of statistics in Comoros as follow:

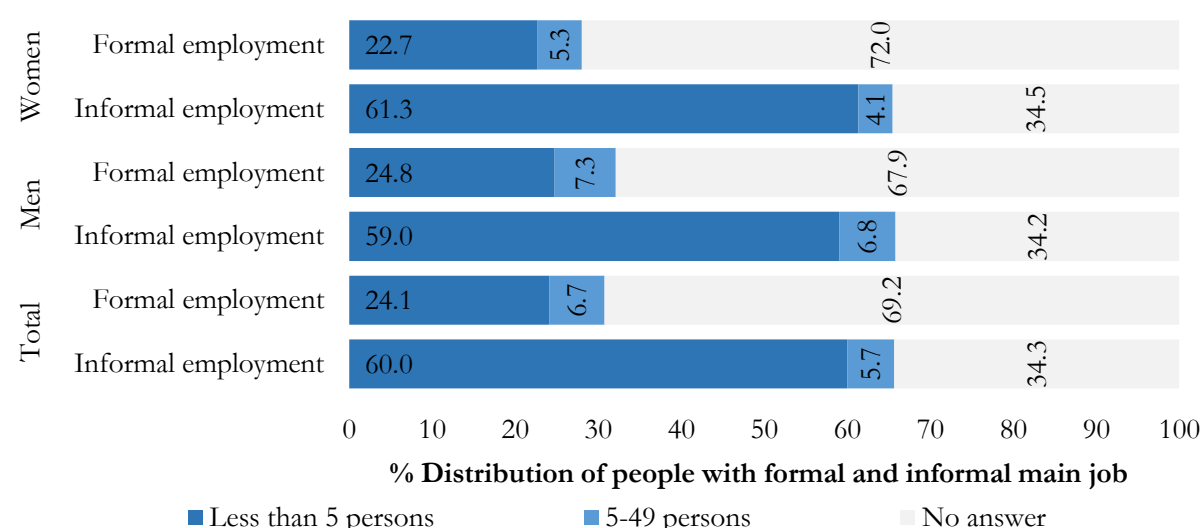
Table 1: Definition of SMEs in Comoros

Overall Turnover (USD)	Enterprises
Less than 40 000	Micro enterprise
Between 40 000 and 60 000	Small enterprise
Between 60 000 and 1 000 000	Medium enterprise
1 000 000 and above	Grande enterprise

Source: Department of statistics in Comoros

In Comoros, SMEs are made up of more than 80 percent of total business establishment during the year 2020. This indicates that SMEs dominate businesses in the country. Based on the statistic report 2020, most of SMEs are involved in three main sectors such as services, manufacturing, and construction. The services sector comprises the largest portion, which represents 90% of the total SMEs followed by manufacturing and construction. In addition, SMEs in Comoros comprises of micro small and medium enterprises; in which most of them are individual proprietorship and partnership followed by private limited companies.

The informal sector in Comoros



Source: Department of statistics in Comoros Report (2021)

Figure 1: Distribution of informal and formal main jobs by size of enterprises and gender

Figure 1 above illustrates the distribution of informal and formal main jobs by size of enterprises and gender. Informal jobs include all types of work carried out by self-employed

individuals or employers operating unregistered businesses, as well as workers whose jobs are not covered by formal labour regulations or official employment contracts (IMF, 2019). On the other hand, formal jobs are jobs operated by self-employed individuals or employers who do possess a tax identification number, maintain accounting records, and comply with legal and regulatory frameworks.

Women in the informal employment in Comoros with less than 5 workers represent 61.3% compared to 59% for men. The figure clearly shows that in total, in the informal employment enterprises who have less than 5 workers represent 60% compared to 24.1% in the formal employment.

Table 2: Number and distribution of informal and formal main jobs by economic activity and gender

		Agriculture	Industry			D - Electricity, gas, steam and air conditioning supply	E - Water supply; sewerage, waste management	F - Construction
		A - Agriculture, forestry and fishing	B - Mining and quarrying	C - Manufacturing				
Total	Informal employment	63908	36415	1359	17446	1526	400	15685
	Formal employment	476	2066	42	621	678	47	678
	Total	64384	38482	1401	18067	2203	447	16363
Men	Informal employment	40419	24019	721	6149	1456	299	15394
	Formal employment	372	1650	42	357	558	47	647
	Total	40791	25670	762	6506	2014	346	16041
Women	Informal employment	23489	12396	638	11297	69	101	291
	Formal employment	104	416	0	264	120	0	32
	Total	23593	12812	638	11561	189	101	322

Source: Department of statistics in Comoros Report (2021)

Table 2 above shows the number and distribution of informal and formal main job by economic activity and gender. Women in the informal sector particularly in the industry are in total 12396 compared to the 416 women in the formal sector. As stated above, the focus of this research are women in the informal sector particularly those working in agriculture, forestry, and fishery. Therefore, 23489 women entrepreneurs working in the informal sector with less than 5 workers will be the focus of this research.

SMEs challenges in the conventional system

a. Collateral problem

Small and medium-sized enterprises (SMEs) drive economic growth in emerging markets. Women-led businesses should be given special consideration because they invest more in their children's education and communities (Asiedu et al., 2013). Many people including women depends on the informal borrowing because they don't own many assets and lack of consistent formal employment (Shaikh, 2018). In most cases, SMEs are not able to access loans from the conventional banking institutions because of the conditions attached to the loan. Bank institutions refuse to lend to some small enterprises because they do not have acceptable collateral. Storey (1994) confirms that bank financing will depend upon whether the lending can be secured by collateral. To recover their money in the event of default, banks impose collateral in form of assets in which without it, banks have no ways to protect their loan assets.

This aligns with research that found pledging collateral reduces borrowing costs by an average of 23 basis points. Marketable securities were deemed the most valuable collateral, followed by real estate, accounts receivables, and inventory. The impact of collateral on loan pricing was more significant for smaller, private firms and loans with longer maturities (Luck & Santos, 2023). Their study found that 25,000 firms across 19 developing Asian countries were analysed and it was found that higher bank market concentration correlates with increased collateral demands from SMEs. In markets with less competition, banks tend to require more substantial collateral, making it more challenging for SMEs to access credit (Thein et al., 2024). It was also demonstrated that strong firm-bank relationships reduce the probability of loan default.

However, in highly concentrated banking markets, the benefits of relationship banking diminish, and higher collateral requirements prevail, increasing credit risk for SMEs (Krasniqi et al., 2023).

Brick and Palia (2007) discovered that loans with higher levels of collateral had interest rates that were 200-400 basis points higher than loans with lower or no collateral. As a result, when the information gap is smaller, banks can more accurately evaluate the riskiness of the firm, and firms that are riskier are charged higher interest rates. Furthermore, because SMEs are owned and managed by individuals, the borrower's personal characteristics and private wealth can have a greater impact on the business performance of SMEs than large firms (Tirole, 2010).

A positive relationship between collateral and the borrower's risks was found in a study by Berger & Udell (1990), where the study indicates lenders use several sources such as credit rating and financial statements to observe the borrowers' risks. Therefore, as borrowers have different credit risk, collateral requirements will be imposed on the borrowers with higher risk. This indicates that, low risk entrepreneurs will not be guaranteed the loan, or they will be guaranteed an unsecured loan while only higher risk borrowers will benefit from a secure loan. The handicap is that SMEs with good business plans not back by adequate collateral are normally refused credit because financial institutions cannot afford to take any chances of non-repayment of loans. Financial institutions always insist on the fulfilment of the collateral requirement; it is because collateral makes borrowers to minimise the risk of default.

Higher collateral is the third most important reason for firm to not apply for external loans (Hanedar et al., 2014). As they do not have the ability to provide collateral, they continue to rely on internal financing which makes SMEs operate with limited capital and limit their growth and expansion (Mohd Aris, 2007).

Chapra (1992) further explained that the development of SMEs is hindered by their inability to provide collateral. Consequently, they are unable to achieve their objectives, particularly in contributing to key economic factors such as employment generation, poverty reduction, and the growth of the national GDP. A study examining the impact of financing and legal obstacles on firm growth in Vietnam found that SMEs facing greater financial constraints exhibit lower sales and employment growth compared to larger firms. The study emphasises the need for improved access to finance to enhance productivity and job creation among SMEs (Bui et al., 2021). An industry report also highlighted the financial challenges faced by SMEs in Southeast Asia, including Malaysia. It noted that many SMEs rely heavily on internal funding due to difficulties in accessing traditional financing, largely stemming from collateral requirements and lengthy approval processes (Funding Societies Malaysia, 2023).

b. Strict review of credit applications

When reviewing applications, banks are very strict when it comes to SMEs. In other words, banks are very inflexible when checking credit applications of SMEs hence subjecting them to cumbersome credit procedures. The procedure of vetting loan applications wastes so much time that loans are delayed and issued when intended purposes have expired. Poor business conditions and strict banking policies prevent SMEs from receiving financial assistance (Raza et al., 2017). Further, traditional banks do not create the necessary ease to assist this sector (KPMG, 2016).

Banks impose stringent credit conditions on informal businesses because they are considered as information opaque and cannot usually produce audited financial statements when seeking bank financing. Relationship lending studies indicate that small businesses that maintain long-term relationships with their banks can overcome the asymmetric information problem (Carter et al., 2004). However, information generation through relationship lending is expensive, and as a result, banks are hesitant to lend to SMEs. Because of the information gap between lenders and borrowers, commercial banks impose stringent loan contract terms on SMEs to avoid defaults (García-Teruel et al., 2014).

c. Interest rate

Operating in a full conventional system is one of the major challenges that SMEs in Comoros is facing, no other alternative is offered to them. In the conventional system, the main handicap is the presence of interest in loans. Under this system, loan or debt is paid in the future and it is computed using the concept of time value of money. The concept defends that the same amount of money available today is worth more in the future due to its potential earning capacity. Lokken (1986) defines the basic rule of time value of money as all deferred transactions shall explicitly or implicitly include interest. Therefore, any loan taken is always under the concept of paying more money through interest rate.

In conventional banking system, they create money via interest through their financial products such as lending and debt creation is not backed by a physical commodity value. Meera et al. (2009) define it as fiat money which has no intrinsic value and can exist in the form of paper or electronic money. The consequence of this kind of transaction is that money is created out of nothing and grow in the market by creating debt that have interest and when SMEs defaults, debt transfer the wealth of entrepreneurs to the bank (Meera et al., 2009). They further elaborate that both government and firms are indebted until they reach an unbearable level because money grows in the form of debt. Subsequently, SMEs incapable of managing debt effectively is prone to collapse.

Furthermore, operating in a country with a fully conventional financing system characterized by high interest rates exposes the economy to significant instability. For instance, during the 1997 Asian financial crisis, countries operating within interest-based financial systems experienced panic among lenders, massive withdrawals of credit, and numerous bankruptcies. In Malaysia, the crisis led to sharp increases in interest rates and liquidity shortages, which intensified financial distress among firms and contributed to a contraction in domestic credit (Ariff & Abubakar, 1999).

As explained above, interest rate has a significant impact on SMEs. When SMEs obtain financing, they are required to repay both the principal and the interest, which is calculated based on the repayment period. Moreover, interest rates fluctuate over time, further increasing the financial burden. Before accessing a loan, SMEs are typically required to submit financial statements and a comprehensive business plan. Consequently, SMEs, particularly start-ups that are unable to meet these requirements, often fall into the category of businesses for which financing is inaccessible. Furthermore, because SMEs are generally perceived as high-risk borrowers, banks tend to charge them higher interest rates compared to larger firms, making access to financing even more challenging.

Debt has a negative impact on firms' performance, it is because the return on assets is lower than the interest rate on debt (Abor & Quartey, 2010). Further, debt and firms' performance are negatively related in the sense that high financing cost will reduce the free cash flow of the business (Abor, 2007). The high finance cost forces SMEs to pay out their earnings to service loan payment, which reduces the amount of funds to be invested back into the firms.

METHODOLOGY

Research Design

This research adopts a qualitative research design, using structured interviews as the primary data collection method. This method aligns with the objective of the research, which aims to deeply analyse the experiences and challenges faced by female entrepreneurs in the conventional system in Comoros. Structured interviews were used to ensure consistency, fairness, and comparability across participants. This allows the researcher to ensure comprehensive and comparable data that aligned with the research objective. This method additionally enhances validity and reliability, as all participants respond to the same set of questions in a standardised order (Bryman, 2016).

Table 3: Research Design Summary

No	Research Objectives	Method	Instruments	Interviewees
1	To analyse the challenges faced by female entrepreneurs in the conventional system in Comoros owning small businesses in the agriculture Sector.	Qualitative	Structured Interviews	32 Female Entrepreneurs

Participants and Sampling Strategy

Participants were 32 female entrepreneurs engaged in small businesses within the agriculture sector in Comoros, which includes agriculture, forestry, and fishing. This sample size was determined based on practical feasibility and the need to achieve data saturation while maintaining depth in qualitative analysis (Guest et al., 2006). A purposive sampling strategy was adopted, followed by snowball sampling through personal networks and referrals. The inclusion criteria were as follows:

- Minimum of five years of active engagement in the agriculture sector.
- Ownership or co-ownership of the business.
- Willingness to participate and share personal experiences.
- Representation from various geographical regions within Comoros.

The participants differed in terms of educational background, business stage, and number of employees, providing a diverse range of perspectives within a shared socio-cultural and economic context.

Data collection procedures

Interviews were conducted face-to-face and lasted approximately 20–30 minutes each. The data collection process involved the following steps:

- Pre-interview briefing: Participants were informed about the research objectives, their rights, and confidentiality. Verbal consent was obtained before the interview.
- Structured interviews: A set of predetermined questions aligned with the research objectives was asked in the same order across all participants.
- Recording and transcription: All interviews were audio-recorded using a mobile device and later transcribed verbatim into English.
- Post-interview debriefing: Participants were given an opportunity to provide additional remarks or ask questions regarding the research.

Data Analysis

The data collected through structured interviews were analysed using thematic analysis, which allows for the systematic examination of respondents' answers to identify common themes and patterns that provide a deeper understanding of the subject matter (Jalal & Che Abdullah, 2024). The analysis was supported by ATLAS.ti qualitative data analysis software. After the audio recordings were transcribed into English, the transcripts were imported into ATLAS.ti for systematic coding and organisation to facilitate the identification of themes. The steps are as follow:

- Data Preparation – Importing transcripts.
- Coding – Identifying ideas, concepts, themes.
- Categorising – Grouping codes into meaningful patterns
- Theme Development – Synthesising into broader findings.
- Interpretation & Conclusion – Aligning insights with objectives.

Use of secondary data

In addition to primary data, secondary sources including academic articles, institutional reports, and relevant websites were used to inform the literature review. These sources helped contextualise the findings and highlight common challenges experienced by female entrepreneurs in similar settings globally.

RESULT

The challenges faced by female entrepreneurs in Comoros represent broader constraints that limit the potential of their businesses. Despite their role in driving economic growth, female entrepreneurs face challenges such as collateral requirements, loan conditions, being a small business, access to loans, sources of loans, bank loan access, interest rates, and short repayment periods. This section further discusses the different types of challenges based on the responses from the interviewees.

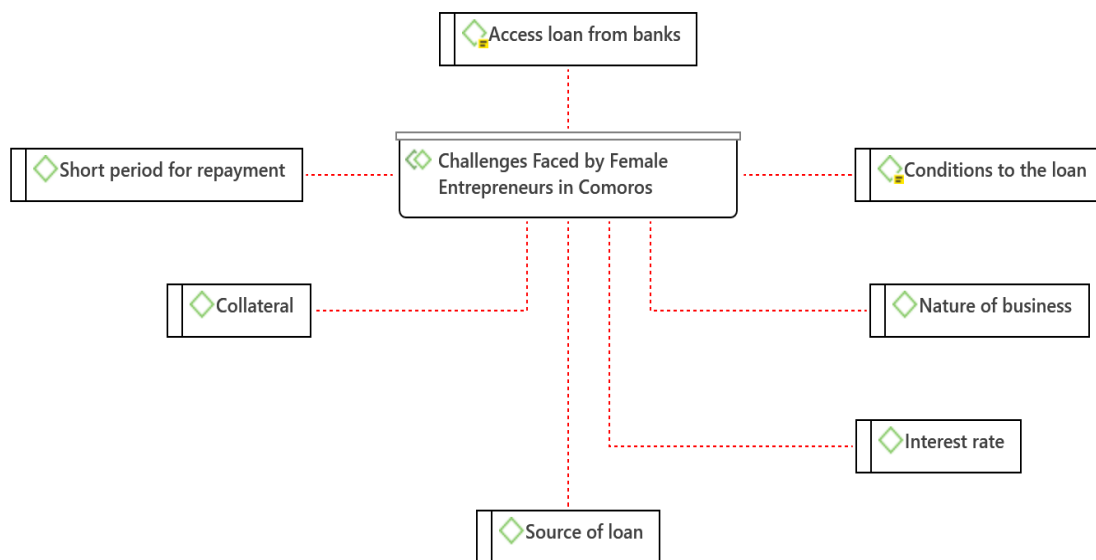


Figure 2: Challenges faced by female entrepreneurs in Comoros

Collateral

One of the challenges faced by female entrepreneurs within the conventional system in Comoros is the requirement for collateral. This theme emerged during the structured interviews with 10 of the 32 interviewees, who emphasised the different types of challenges they faced while applying for loans from banks.

Collateral is a tangible asset that commercial banks request from their customers when applying for loans, to ensure that the loans will be repaid. However, for female entrepreneurs, this requirement presents a constraint, and they expressed frustration with the expectations of banks regarding collateral. They believe that banks impose excessive requirements, such as collateral, on small business owners, which makes it challenging for them to access loans. They described collateral as a “very popular” and unavoidable condition, and therefore, it discourages them from considering banks as a source of loans, as it creates an impression of inaccessibility. They also believe that, regardless of the customer’s status, collateral presents a challenge for small business owners, as highlighted by their quotes:

“As someone owning a small business, they will ask for collateral for instance...”

“From what I know, the banks in this country have many requirements when you want to apply for loans. For instance, collateral, yes, it is very popular”.

“I think the main reason why people avoid banks, is their requirements: collaterals...”

The narratives above from female entrepreneurs demonstrate that the collateral requirement from banks in Comoros is a significant challenge, particularly the demand for land and gold. They also expressed hesitations about risking their primary sources of income and family sustenance, such as land, to provide as collateral. This illustrates the restrictive nature of these conditions, which not only prevent them from seeking loans but also highlight a challenge that affects their small businesses.

Interest rate

The second challenge that emerged for female entrepreneurs is the high-interest rate. Many interviewees expressed resentment over the interest rates, which they believe are unaffordable for small businesses. This prevents them from seeking loans and reinforces their belief that banks favour only large business owners. The following narratives highlight their concerns with high interest rates when they were asked whether they find it difficult to access loans and what challenges they face:

“From the bank? Yes of course. We even asked the loan from one of the banks, but we got rejected. Even the interest would be too high for us to bear and I’m sure the plan would also be complicated to understand...”

*“The interest rate when we are paying would be very high and they can literally take all the profit”.
“...Because those banks are for rich people and people who has big businesses. They give people high interest rate...”*

“...As someone owning a small business, they will ask for collateral for instance, and you will have to pay back with interest. You, see?”

“... besides that, interest rest is known to be high....”

“I think the main reason why people avoid banks, is their requirements: collaterals and interest and other things...”

Their responses demonstrate that high-interest rates are a major constraint for their small businesses. Interviewees describe it as a financial burden, making it nearly impossible for them to maintain profitability while servicing loans. They consider high-interest rates to benefit larger businesses while marginalising the smaller ones. They also emphasised that the combination of high-interest rates and collateral is overwhelming, making banks even more inaccessible.

Nature of business

The nature of their businesses is mentioned as one of the challenges that prevent female entrepreneurs from accessing loans from banks. Several interviewees perceive their businesses as incompatible with the bank’s requirements, which creates an exclusion of these small business owners from the banking system. The following statements illustrate how the nature of their businesses is a challenge for them:

“...Challenges? The type of business that we are doing it is a challenge by itself”.

“Ah, Challenges...you know being a lower income family or business it is a challenge itself”.

“As a small business, it is challenging of course. But big businessmen it is not. That’s for sure”.

“This is not the kind of business that you approach the bank for a loan, so yeah having a small business is a challenge itself”.

“Is it difficult? I assume yes. Just because we have a small business, we do not fit in the bank’s requirements”.

The above statements highlight the challenge that female entrepreneurs faced due to the nature of their businesses when accessing loans from banks. They repeatedly emphasise that operating a small business or coming from a lower-income background makes it difficult to meet the banks’ requirements. This leads them to believe, or perceive, that they do not align with the banks’ frameworks, reinforcing a cycle of financial inaccessibility.

Access loan from banks

Accessing loans from banks is another challenge for female entrepreneurs, which is explained in different ways: rejections from the bank, assumptions of rejection, and hesitation to apply for a loan. Their experiences are categorised and analysed in the following discussion:

Those who applied for a loan and got rejected: One entrepreneur applied for a loan from one of the banks in the country but was ultimately rejected. She stated:

“We even asked for a loan from one of the banks, but we got rejected”.

This rejection reflects the strict requirements from banks and the exclusion of small businesses, further highlighting a lack of accessibility in the system.

Those who assumed they would be rejected but did not apply: Some entrepreneurs believe that if they meet the bank’s requirements, they might get the loan but decide not to apply due to not needing the loan or because of other challenges, such as high collateral or interest rates. For example, two interviewees stated:

“No. I do not think there will be any problem to get loan from the bank”.

“I have this idea that banks are for rich people not someone like me...”.

While the first entrepreneur reflects an optimistic view on accessing loans from banks, the second one believes it is possible to get the loan but doubts whether she might qualify as a small business owner. This discourages her from seeking the loan.

Those who assumed they would be rejected but applied and got accepted: One entrepreneur anticipated rejection but applied anyway despite her doubts. She said:

“When I was in the process of getting a loan, it was so long that I didn’t even think I would get it, but they called me one day and told me that I was entitled to the loan...”.

She was willing to engage with banks even while doubting their inclusiveness.

Those who assumed they would be rejected and did not apply: Lastly, many of the interviewees did not attempt to apply for loans, assuming they would be rejected due to their small business size or not fulfilling some of the bank's requirements. Their sentiments are reflected in quotations such as:

"I can assure you that we do not even try because we know their requirements..."

"I never try to approach the bank for a loan because I assume that I will not be entitled to it..."

"I do not think you will find someone doing these small businesses who will tell you that it is easy to get a loan from banks..."

"This is not the kind of business where you approach the bank for a loan..."

"Whether it is difficult or not, we avoid the bank..."

This demonstrates that entrepreneurs have the perception that banks are not designed for them, which discourages them from seeking formal loans as they feel excluded.

The narratives collectively demonstrate that access to loans from banks is one of the challenges entrepreneurs are facing. Those who applied and got rejected proved the strict nature of the banks' processes in approving a loan, and those who assumed they would be rejected refrained from applying.

Conditions to the loan

Another challenge faced by female entrepreneurs in accessing loans from banks is the conditions attached to the loan. These conditions often involve either collateral, interest rates, as mentioned by the interviewees, or the procedures and unfamiliar requirements. According to their narrations, these obstacles prevent them from seeking loans from banks. The narratives reveal that the conditions attached to the loans are not only financially burdensome but generally complicated for them. For example, one entrepreneur stated that:

"The challenges? It surely every condition that they give..."

Explaining the frustration with the complicated banks' requirements. Another interviewee stressed on how the conditions attached to the loan affect individuals with limited financial education, stating,

"Honestly, they have much more complicated conditions, and you know people like us, illiterate, but we need to provide for our family, we need something simple and easy to understand"

In addition to that, entrepreneurs with small businesses avoid banks because of the combination between the conditions to the loan the process, and the involvement with interest and credit.

"In addition to that he did not want to get involved in any credit payment methods or process. For that, I would say that the challenges are the conditions that go with getting the loan"

In brief, their experiences reflect how conditions attached to the loan create a barrier that exclude entrepreneurs owning small businesses, particularly those from non-educational backgrounds.

Short period for repayment

During the interview with female entrepreneurs, one of them highlighted the short repayment period as a challenge she might face. She noted:

“However, for us, it is difficult. What happens is that either they do not give us the loans, or they give us a very short period to repay. The challenge here is the short period for repayment”.

She expressed concern about the short repayment period offered with loans, which creates difficulty for small businesses to sustain their operations. This can also increase financial pressure and reduce the chances of reinvesting in and growing their enterprises. While this concern was raised by only one entrepreneur, it may not be a widespread challenge among all entrepreneurs, but it still deserves to be addressed.

Source of loan

As stated above, access to loans from banks is one of the challenges mentioned by female entrepreneurs. They identified the source of loans as one of the challenges they encounter when it comes to sourcing capital for their businesses. Because of this, most of the interviewees stated that they must think of alternatives. For many of them, their families, including spouses and siblings, were their primary financial support, as accessing formal loans is difficult. Some interviewees shared that:

“Am...actually the farm is an inheritance from my parents, as for the money that I bought all the necessary instruments, it's from my husband so it is an internal financing as you explained”.

“My big sister who is in France send us the money we bought the small boat and the lighting and everything that my husband and my brother use for fishing. So, it is internal”.

“My brother was doing some personal business, and he saved some money, he bought everything that was needed, and he asked to do the business with him by selling and keeping the financial part. Based on what you explained to me it is an internal source of financing”.

“As you explained to me, I can say that it is internal because three of us contributed and bought everything that we need”.

“My husband and I help each other in the financing part. When I started the business, it was our pocket money that we use to buy materials”.

“Internal. Money from family and we just decided one day to buy the boat and ant other materials that my husband is using for fishing”.

In addition to family, loan from **friends** was considered by some the entrepreneurs as a source of loan. As it was noted:

“We needed some financing to buy materials from abroad so, we borrowed money from a family friend”.

“I remember when I had the idea of starting to invest myself in this, I went to my best friend because I did not want to involve any of my family members. So, I got a loan from her. I bought some materials but now I paid everything Alhamdulillah”.

“I borrowed money because when I started, I wanted to be something very serious so, I borrow the money from a family friend. I paid”.

“As you explained the definition, it is external. I borrow money from one of my best friends. I mean the sister of my co-worker. She embraced the idea so much and she gave me a loan and I joined the business with her brother”.

Preferring this kind of arrangement is explained by the flexibility and trust, and by inaccessibility of banks.

Only a small number of interviewees managed to get loan from **banks**, and their experiences reveals challenges as well, such as high interest and collateral.

“I took a loan from the bank; we bought the small boat and all the necessary instruments and tools. When I was in the process of getting a loan, it was very long that I did not even think I would get it, but they called me one day and they told me that I was entitled to the loan. The only difficult thing that I am facing right now is paying the bank because their interest is very high. But Alhamdulillah I am not complaining”.

“Five years ago, I was thinking about any business that I can do and at the same time will be fruitful and beneficial. Fishing, fishing is a business that bring a lot of money because every day we sell as many fishes as possible. The only problem is if the weather changes. But I did not have anything to buy the boat and the necessary materials. So, I approach the bank for a loan They gave me so many conditions for instance I gave one of my lands for collateral. Not only that but Gold also”.

Their experiences are highlighting even though banks loan facilitates their businesses, it still came with challenges. For FE6, the loan helped to buy necessary materials, however the process of obtaining the loan was long, and interest rate was a struggle as well. Interestingly, few among the interviewees confirmed not requiring loans when they started their businesses, for instance:

“I did not need any financing. It is because the farm is an inheritance from my parents and the tools that I am using it's my husband that gave them to me. We are still living in a very traditional era here and you know that”.

“I did not need any financing. It is because all the materials are for him not me. Secondly the farm is inherited from my parents”.

“We did not particularly need any financing so, anything that we needed we bought it from our pocket money”.

“Did we need financing? I do not think we did. The financing that we may need now is to enhance our businesses and to buy new materials”.

“I did not need any financing then. However, at this moment, the thing that I will need is enhancing my materials and expend my business”.

This reveal that these categories of entrepreneurs did not need any loan to start their businesses, they relied instead on their inherited assets such as land or family farms. This is rooted by traditional and Comorian family structure support.

CONCLUSION

This research explores the financial challenges faced by female entrepreneurs owning small businesses in the agricultural sector in Comoros. Through structured interviews with 32 participants, findings indicate that conventional financial institutions in the country remain largely inaccessible to this group. Collateral requirements, high interest rates, complex loan procedures, short period for repayment, and owning small business emerged as recurring challenges in accessing bank loans.

Participants reported that owning small businesses was itself a challenge, leading banks to view them as unbankable or unable to meet formal lending criteria. This led female entrepreneurs to choose internal sources of funding such as family support or personal savings. While a few tried to secure loans, most were either rejected or found the process discouraging. Others didn't even attempt, not out of lack of need, but due to the widespread perception that banks are not meant for entrepreneurs like them.

These informal funding strategies offer short-term support for their business' sustainability, rather than long-term growth or business stability. The structural misalignment between formal financial system and the needs of female entrepreneurs owning small business highlights a gap in the conventional financial system in Comoros.

Given these findings, it can be suggested that alternative financing more suited for small businesses need to be explored. Given the religious and community value of Comoros, Islamic finance contracts, such as *Qard al-Hasan* (interest-free benevolent loans) and *Mudarabah* (profit-sharing partnerships), may offer culturally appropriate and more accessible solutions. This would require financial innovation and institutional commitment.

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