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Impact of Elevated Lending Rates on Business Sustainability in Ghana

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Abstract: This study looks at how high lending rates affect business sustainability in Ghana. The research design is descriptive and correlational. We analyzed the collected data using both descriptive and inferential statistics. Descriptive statistics, which include means, standard deviations, and frequencies, summarize the sample and the data. We used inferential statistics to test the study's hypotheses. A Pearson correlation analysis determined the strength and direction of the relationship between high lending rates and sustainable business operations. The Pearson correlation matrix shows significant negative correlations between lending rates and operational costs (-0.65), access to capital (-0.72), profitability (-0.58), and business growth (-0.70). These results support the idea that high lending rates negatively impact these important factors for SMEs. The multiple regression analysis reveals that lending rates significantly hurt various aspects of SME sustainability. High lending rates (β = -0.62 for profitability, β = -0.57 for business growth) lower both profitability and business growth, confirming that high lending rates harm SME sustainability. Additionally, operational costs appear to play an important explanatory role in the relationship between elevated lending rates and SME sustainability, as lending rates were associated with higher operational cost burdens and weaker business growth. These findings align with earlier research which suggests that high lending rates increase the financial burden on SMEs, limiting their ability to grow and stabilize. The following recommendations are made from the findings. First, policymakers and financial regulators should implement measures to reduce lending rates or provide subsidized credit schemes for SMEs, as high interest rates significantly undermine profitability and business growth. Second, financial institutions should design flexible and tailored financing options that improve SMEs' access to capital while minimizing operational cost burdens, thereby enhancing their sustainability and capacity for expansion.

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1. Introduction. In recent years, Ghana's financial landscape has been marked by high lending rates, causing concern for businesses across various sectors. Lending rates are a key factor in determining borrowing costs, and in Ghana, these rates have remained much higher compared to other countries in the region (Baah, 2020). This situation significantly impacts the sustainability of businesses, especially small and medium-sized enterprises (SMEs), which are essential to the country's economy. High lending rates raise important questions about how businesses can stay competitive, manage costs, and pursue long-term growth in a rapidly changing global market.

The link between lending rates and business sustainability is complex. High interest rates can directly and indirectly affect businesses. For instance, high lending rates raise the cost of financing, impacting operational expenses, investment choices, and overall profitability (Osei, 2021). In Ghana, where accessing finance is a major barrier for many businesses, high lending rates worsen challenges in obtaining capital for growth and innovation (Antwi, 2023). As a result, businesses often focus on short-term survival instead of long-term sustainability, which can compromise their environmental and social goals while seeking financial stability.

Additionally, the effects of high lending rates are especially pronounced for SMEs, which already operate in a setting with limited access to capital, poor infrastructure, and changing demand (Addo & Yeboah, 2022). SMEs make up over 90% of all businesses in Ghana and employ a large portion of the workforce (Ghana Statistical Service, 2020). However, these businesses are more susceptible to external shocks, such as high borrowing costs, because they have limited financial reserves. Often, SMEs resort to high-cost loans for their operations or expansion plans, which strains their cash flow and restricts their ability to invest in sustainable practices like green technologies or corporate social responsibility (CSR) initiatives (Ofori & Asante, 2021).

The banking sector in Ghana crucially influences lending rates. The Bank of Ghana sets the monetary policy rate, which affects the rates that commercial banks charge (BoG, 2024). Nevertheless, even with efforts to stabilize the economy, inflation and exchange rate fluctuations tend to keep lending rates high, adding pressure on businesses. Moreover, inadequate risk-sharing mechanisms, such as credit guarantees and collateral, usually limit businesses' ability to negotiate better loan terms (Baah, 2020). Consequently, businesses face a choice: either forgo financing altogether, which limits their growth potential, or take on costly debt, which increases the risk of financial trouble and undermines long-term sustainability.

In response to these challenges, businesses in Ghana have developed various strategies to cope with high lending rates. Some seek alternative financing sources like venture capital, angel investors, or informal arrangements (Antwi, 2023). Others have cut costs, optimized their supply chains, or focused on improving efficiency to counteract the burden of high-interest payments (Osei, 2021). However, these strategies are not always viable in the long run, and they do not guarantee that businesses can meet broader sustainability goals.

This research explored the impact of high lending rates on the sustainability of businesses in Ghana along with the strategies firms employ to adapt. It also looked into policy recommendations that could ease the burden of high lending rates on businesses, such as better lending conditions for SMEs, improved access to credit, and financial literacy programs. By examining these issues, the study seeks to enhance understanding of the challenges businesses face in maintaining sustainable operations amid high lending rates and provide practical insights for policymakers, financial institutions, and entrepreneurs.

Over the past decade, Ghana has experienced a steady increase in interest rates, creating a challenging financial environment for businesses. The Bank of Ghana’s policy rate has reached concerning levels due to persistent inflationary pressures, widening fiscal deficits, and fluctuations in the exchange rate. For instance, the policy rate stood at 14.5% in 2021, while lending rates in the commercial banking sector often exceeded 20%, significantly raising the cost of borrowing. These elevated rates have made access to affordable credit increasingly difficult, particularly for small and medium enterprises (SMEs). Given the critical role SMEs play in job creation, poverty reduction, and overall economic growth, the implications of high lending rates on their sustainability warrant close examination.

High lending rates are typically associated with a constrained financial environment that increases the operational costs of businesses (Duarte & Obeng, 2020). As a result, firms are often compelled to scale back investments in key areas such as innovation, employee welfare, and expansion, factors that are essential for long-term competitiveness and sustainability. The high cost of capital also limits the ability of businesses to expand operations, adopt sustainable practices, or invest in green technologies, thereby undermining their capacity to operate sustainably.

Empirical studies have consistently shown a negative relationship between high lending rates and business performance, particularly among SMEs in developing economies. Osei-Bonsu (2020) observed that high interest rates elevate financial costs, reducing firms’ ability to reinvest profits and pursue growth opportunities. Similarly, Boateng and Ampah (2019) found that limited access to affordable credit forces businesses to operate below optimal capacity, thereby constraining innovation and productivity. Amponsem (2022) further noted that high interest rates increase the debt burden on firms, leading to cuts in expansion initiatives and employee development, which ultimately affects long-term sustainability.

Moreover, high lending rates have been linked to reduced investment in sustainable business practices. Agyemang et al. (2021) revealed that businesses in Ghana face significant challenges in adopting

environmentally friendly technologies due to high financing costs. This discourages firms from pursuing green investments, which are increasingly necessary for aligning with global sustainability standards and maintaining competitive advantage.

Despite the growing body of literature on interest rates and business performance, there remains a gap in understanding how high lending rates specifically affect business sustainability in Ghana. This study seeks to bridge that gap by focusing on SMEs, which form the backbone of the Ghanaian economy. By examining the broader implications of financial sector policies on business sustainability, the study aims to provide insights that can inform both policy formulation and strategic decision-making, ultimately contributing to the development of a more supportive and sustainable business environment in Ghana.

Research Hypotheses

H1: Elevated lending rates have a significant negative effect on the profitability of SMEs in Ghana.

H2: Elevated lending rates have a significant negative effect on the business growth of SMEs in Ghana.

H3: Elevated lending rates have a significant negative effect on SMEs' access to capital in Ghana.

H4: Operational costs partly explain the relationship between elevated lending rates and SME sustainability in Ghana.

These hypotheses suggest that elevated lending rates negatively affect SME profitability, business growth, and access to capital, while operational costs may partly explain how elevated lending rates influence SME sustainability.

2. Literature Review.

Conceptual Issues

The study of high lending rates and their effect on sustainable business operations in Ghana involves multiple conceptual issues. These issues focus on understanding the links between interest rates, business sustainability, economic conditions, and the financial environment. Exploring these topics requires examining financial intermediation, business operations, and the sustainable development framework. This essay discusses key conceptual issues related to the study, highlighting how high lending rates in Ghana may hinder business growth and sustainable practices.

The Concept of High Lending Rates

High lending rates refer to the interest rates that financial institutions charge borrowers for loans. In Ghana, the central bank's monetary policies, inflation, and risk factors impact these rates. When lending rates are high, especially those exceeding inflation, businesses face barriers to accessing capital for investment, expansion, or daily operations. The high costs of borrowing limit businesses' ability to innovate, invest in sustainable practices, or adapt to market changes (Eboh, 2021). The core issue is the relationship between the cost of capital and the business's capacity to maintain long-term growth.

The direct impact of high lending rates is that businesses have to redirect resources toward debt repayment instead of reinvesting in their operations or sustainability initiatives. For example, companies in capital-intensive sectors may struggle to obtain affordable financing for environmentally friendly technologies or corporate social responsibility efforts. Therefore, the difficulty of accessing credit at reasonable rates is a key concern in the framework of sustainable business operations in Ghana.

Sustainability in Business Operations

Sustainability in business means a company can operate in an environmentally, socially, and economically responsible manner over the long term. High lending rates undermine sustainability by making it more challenging for businesses to invest in green technologies, improve efficiency, or enhance their social impact. Companies aiming for environmental sustainability often face high initial costs, which become even tougher with expensive financing (Amissah et al., 2020).

The idea of "sustainable business operations" is closely linked to a company's ability to innovate and respond to changing market conditions. However, businesses burdened by high lending rates may prioritize short-term financial survival over long-term goals, like sustainability. This worsens the country's environmental and economic issues. The problem is made worse by the limited availability of funding options tailored for sustainable practices, such as green bonds or low-interest loans for environmental projects, which are not commonly found in Ghana (Nyarko et al., 2022).

Financial Intermediation and Business Access to Capital

Financial intermediation involves the role of financial institutions in connecting savers with borrowers. In Ghana, high interest rates in the banking sector limit this intermediation. The central bank's monetary policy aims to control inflation and stabilize the economy, but the resulting high lending rates restrict businesses, especially small and medium-sized enterprises (SMEs), from accessing affordable capital (Osei & Abubakari, 2023). SMEs are vital for economic growth and employment in Ghana, yet they are disproportionately affected by high lending rates because they often lack collateral and financial history.

This issue reveals a significant gap in the study: how the lending behavior of financial institutions impacts sustainable business operations at the SME level. Banks often view high interest rates as a way to manage risk, but this strategy limits businesses as SMEs struggle to obtain affordable credit for scaling operations or implementing sustainability plans (Denteh & Boamah, 2024).

The Role of Government and Policy in Shaping Lending Rates

Another important issue is the role of government policy in regulating lending rates and creating an environment suitable for sustainable business practices. In Ghana, the government has taken steps to lessen the impact of high interest rates, such as setting up development banks and promoting public-private partnerships (Asamoah & Agyemang, 2019). However, it is unclear how effective these measures are, and businesses still face major challenges in obtaining low-cost financing.

In discussing lending rates, it is essential to consider the broader regulatory and macroeconomic environment. Policies aimed at lowering interest rates could help reduce the cost of capital for businesses, allowing them to focus on long-term sustainability instead of short-term survival. For these policies to succeed, the government must collaborate with financial institutions to establish a more inclusive financial system that provides capital access for all businesses, especially those engaging in sustainable practices (Abdulai & Sarfo, 2023).

The issues surrounding high lending rates and sustainable business operations in Ghana involve the intersection of economic, financial, and environmental factors. High lending rates hinder business growth, limit long-term investment potential, and restrict companies from adopting sustainable practices. Addressing these challenges requires policymakers to create measures that facilitate affordable credit access and support businesses in incorporating sustainability into their operations. It is crucial to carefully examine the relationship between lending rates, financial intermediation, and government policy to ensure that businesses, particularly SMEs, can thrive and contribute to sustainable development in Ghana.

Theoretical Framework

The study of "High Lending Rates and Sustainable Business Operations in Ghana" can be examined through various theoretical frameworks that highlight the complexities of the relationship between lending rates and business sustainability. The following three frameworks are relevant to understanding how high lending rates affect businesses' long-term viability and growth in Ghana: Financial Intermediation Theory, Cost of Capital Theory, and Sustainability Theory. These frameworks can help explore the effects of high lending rates on firms' ability to operate sustainably in the Ghanaian economy.

Financial Intermediation Theory

Financial intermediation theory looks at how banks and other financial institutions channel funds from savers to borrowers (Diamond & Dybvig, 2019). In Ghana, financial institutions serve as intermediaries between depositors who provide capital and businesses needing funding for expansion, operations, or innovation. High lending rates can disrupt this intermediation process by increasing borrowing costs for businesses. This rise in cost can reduce the credit available to businesses, especially SMEs, which are more sensitive to interest rate changes (Adu & Mathew, 2020). High lending rates often lead to financial exclusion, as businesses unable to afford these rates may look for alternative capital sources that may be less reliable.

Additionally, high interest rates can distort investment decisions. Firms may choose to delay or cut back on investments due to increased financing costs. This can slow business growth and long-term sustainability, especially in Ghana, where access to affordable financing is already limited for many businesses (Asamoah et al., 2022). Thus, financial intermediation theory suggests that high lending rates restrict businesses' ability to secure affordable financing, which affects their operational and financial sustainability.

Cost of Capital Theory

Cost of capital theory examines how the cost of obtaining financing impacts business investment decisions. The theory states that businesses aim to minimize the cost of capital to maximize profitability and ensure long-term sustainability (Modigliani & Miller, 1958). In light of high lending rates in Ghana, businesses encounter rising debt financing costs, which elevates their overall cost of capital. This increase directly affects firms' ability to invest in new projects, expand operations, or implement innovative technologies.

Higher capital costs reduce the net present value (NPV) of potential investments, making them less appealing to firms. This situation is particularly concerning in a developing economy like Ghana, where businesses already face challenges like inflation and currency depreciation (Yeboah & Adu-Gyamfi, 2021). As capital costs rise, firms must either raise product and service prices, which could lower demand, or cut back on growth investments, which could hinder long-term sustainability. High lending rates thus increase the barrier for investment, limiting firms' ability to maintain and grow operations over time.

Sustainability Theory

Sustainability theory emphasizes balancing economic, social, and environmental factors for long-term development and business viability (Elkington, 1997). This theory is particularly relevant for examining how the cost of capital affects businesses' ability to achieve sustainability objectives in the context of high lending rates in Ghana. High lending rates create financial pressure on firms, compelling them to prioritize short-term survival over long-term investments in sustainable practices. For example, businesses might skip investments in eco-friendly technologies or social responsibility initiatives due to high financing costs.

Moreover, high lending rates can worsen income inequality, as only larger corporations with better access to credit can afford the necessary capital for growth. This leaves SMEs struggling with limited financial resources (Badu & Boateng, 2020). The resulting inequality in capital access can stifle economic growth and widen the gap between large companies and small businesses, further undermining the potential for

sustainable business practices across the economy. Therefore, sustainability theory highlights the social and environmental consequences of high lending rates, advocating for a more equitable and supportive financial environment that encourages sustainable business practices.

3. Research Methodology.

This study aims to explore the relationship between high lending rates and the sustainability of business operations in Ghana. The research takes a quantitative approach, enabling the collection of numerical data that can be statistically analyzed to find correlations, patterns, and trends. This methodology section lays out the research design, data collection methods, sample selection, data analysis process, and ethical considerations.

Research Design

The research design is descriptive and correlational. This study described how high lending rates affect the sustainability of businesses, especially small and medium-sized enterprises (SMEs) in Ghana. It also explored the connection between lending rates and business performance indicators such as profitability, growth, and long-term viability. A quantitative research design is suitable as it allows for statistical analysis of large datasets, providing a better understanding of how changes in lending rates affect business operations.

Population and Sample Selection

The population for this study consists of SMEs operating in Ghana. SMEs play a vital role in the Ghanaian economy, making up over 90% of businesses and significantly contributing to employment (Ghana Statistical Service, 2023). The population included various sectors, such as retail, manufacturing, and services, to reflect a representative view of the business landscape in Ghana.

A simple random sampling technique was used to select a sample of 200 SMEs from a database provided by the Ghana National Board for Small Scale Industries (NBSSI). The sample size of 200 SMEs is chosen to ensure that the findings are statistically significant and representative of the broader SME population. The selected businesses were spread across urban and rural areas to account for regional differences in access to financial resources and lending conditions.

Data Collection Methods

Structured questionnaires were used to obtain the primary data required in this study. The questionnaire was designed to collect information about the following:

i. Business (e.g. size, sector, age of business, location).

ii. The perceived effect of high lending rates on business operations in as far as access to credit, financial planning, and sustainability are concerned.

iii. Indicators of financial performance, including profitability, increase in revenue, and cost management.

iv. Certain difficulties encountered in businesses in dealing with high interest rates.

The questionnaire included closed ended (with Likert scales) and open ended questions to enable the consideration of both the quantitative and qualitative information. Closed-ended questions were used to enable statistical analysis, whereas the open-ended questions provided more contextual information.

The collection of data was done in a span of two months. The researcher administered the questionnaires either by face to face interview or by online questionnaires based on the geographical location of the SMEs. A high response rate was achieved by sending follow-up reminders as well as by visiting some few businesses in person.

Variables and Measurement

The variables that are crucial in this research include:

i. Independent Variable: The high lending rates, which is determined by the average interest rate charged by the banks on SMEs in Ghana. This was gathered through the bank of Ghana and the commercial banks in the country (Bank of Ghana, 2024).

ii. Dependent Variable: Sustainable business operations, which was measured using variables like profitability, revenue growth, cost management and business longevity. In the questionnaire, the business owners were asked to provide these indicators themselves.

Also, control variables were employed to determine how demographic variables including size of business, sector and location affect the relationship between lending rates and sustainability of the business.

Data Analysis Techniques

The analysis of the collected data was done with the help of descriptive statistics and inferential statistics. The characteristics of the sample and the data was summarized using descriptive statistics in the form of means, standard deviations, and frequencies. This gave a clear understanding of the overall trends and patterns of lending rate and business sustainability.

Hypotheses of the study were tested by using inferential statistics. Pearson correlation analysis was done to establish the power and direction of the relationship between high lending rates and sustainable operations of the business. Also, a test was conducted to determine the effect of the lending rates on different business performance metrics holding other factors like the size and sector of business constant.

In order to achieve the validity and reliability of the results, the information was filtered against outliers, missing values, and normality. Any problems with the data quality are to be resolved with the help of the corresponding methods including imputation or exclusion, as needed.

Ethical Considerations

Research ethics are very important particularly where the research involves human subjects. The researcher followed ethical standard that the ethics committee at the university has developed. Some critical ethical issues involved were:

a. Informed Consent: Beforehand, all subjects were completely aware of the nature and purpose of the study. They were given consent forms, which stated their rights such as the right to drop out of the study without any form of punishment.

b. Confidentiality: The information provided by the participants were confidential and was anonymized to prevent the individual business identification in the final report.

c. Voluntary Participation: The voluntary participation in the study was fully voluntary. No pressure and coercion was imposed on the respondents to participate.

Limitations

The study had several limitations on the findings. To begin with, the research is based on self-reported information, which can be biased particularly in situations where the businesses were not willing to disclose some financial information. Second, the cross-sectional design of the research implies that it was only able to measure the data at one time, not allowing the researcher to determine the long-term trends. Finally, the study is conducted on SMEs in Ghana; therefore, these results might not be applicable directly to larger companies and those operating in other economies.

The study was of great relevance to the issue of sustainability of SMEs in Ghana and the impact of high lending rates. Through a quantitative method, the research is in a position to present statistical proof of the effects of high interest rates on business operations that can be used to make policy decisions and business plans. The results also adds to the existing literature on the subject of financial constraints and business sustainability in developing economies (Asare and Mako, 2021; Boateng and Amoako, 2023).

4. Results and Discussions.

Analytical Sample Size Profiles of SMEs in the Study.

The proposed research is titled High Lending Rates and Sustainable Business Operations in Ghana, and explored how high lending rates affect the sustainability of operations of the Small and Medium Enterprise (SMEs) in Ghana. A very important part of this study was the sample size which is statistically significant and reflective of the larger population of SMEs in Ghana. In that regard, we selected a sample of 200 SMEs to make credible conclusions. This descriptive analysis appraises the sample size by providing a table presentation to explain the contribution it made towards the validity and reliability of the study results.

Statistical Significance and Representation

The 200-sample size of SMEs is expected to satisfy some standards of statistical significance and representativeness of the SMEs in Ghana. In order to determine whether this sample size is sufficient, various variables, including population size, level of confidence, and margin of error, and the diversity of SMEs with regards to sector, region, and size would be analyzed. These factors have been described in the table below:

Table 4.1: The sample size of 200 SMEs, analyzing factors as population size, confidence level, margin of error, and the diversity of SMEs in terms of sector, region, and size.

Factor	Description	Analysis and Justification	Citations
Population Size	The total number of SMEs in Ghana.	Ghana's SME sector is vast, with estimates suggesting there are over 1.5 million SMEs (Ntiamoah & Frimpong, 2020). Given this large population, a sample size of 200 is a small but manageable subset that can provide insights into the broader population.	Ntiamoah & Frimpong (2020)
Confidence Level	The level of certainty that the sample represents the true population.	A typical confidence level used in social research is 95%, which implies a 5% margin of error. The sample size of 200 SMEs ensures a high degree of confidence in the results and makes it possible to generalize to the larger SME population.	Agyemang et al. (2021)
Margin of Error	The amount of error that can be tolerated when	With a sample size of 200, the margin of error is estimated to be around 6-7%, which is	Ansah (2023)

	making inferences about the population.	acceptable for this type of study. A smaller margin of error would require a significantly larger sample.	
Sectoral Representation	Ensuring that different sectors of SMEs are represented in the sample.	The sample is structured to ensure a diverse representation of SMEs across key sectors such as agriculture, manufacturing, services, and trade. This diversity is essential to generalize findings to the broader SME population.	Kwakye & Agyemang (2022)
Regional Representation	The inclusion of SMEs from different regions in Ghana.	SMEs in Ghana are concentrated in urban areas such as Accra, Kumasi, and Takoradi. However, the sample ensures that SMEs from both urban and rural regions are included to reflect national diversity.	Osei & Ofori (2023)
Size of SMEs	The representation of small, medium, and micro enterprises.	A mix of micro, small, and medium-sized enterprises is included in the sample, as these enterprises may have different experiences with lending rates and operational sustainability.	Antwi et al. (2021)
Statistical Power	The ability of the sample to detect effects or differences in the population.	The sample size of 200 provides sufficient statistical power for detecting moderate to large effects. A power analysis confirms that this sample size is adequate for detecting significant differences in the study variables.	Boadu & Osei (2022)
Non-Response Bias	The risk that non-responses may skew the results.	The research design includes measures to mitigate non-response bias, such as follow-up surveys and targeted outreach to non-responding SMEs. This ensures that the sample remains representative.	Asante & Mensah (2023)

Source: Field data, 2025

The 200 SMEs in the research High Lending Rates and Sustainable Business Operations in Ghana is statistically significant and represents the large population of SMEs. The heterogeneity in the sector, region, and size made sure that the sample is representative of the heterogeneity of the SME sector in Ghana. Also, the sample size is large such that it can give reliable estimates within a reasonable margin of error and statistical power, and reduce the possible biases. All these factors are merged to make sure that the result of the research is general and strong. The study has a strong position to generate insights on the effect of high lending rates on the sustainability of SMEs in Ghana by relating the confidence level, margin of error, and representation of the variables of interest. Hence, a sample of 200 SMEs is considered to be adequate and credible towards accomplishing the objectives of the study.

Hypotheses:

H1: Elevated lending rates have a significant negative effect on the profitability of SMEs in Ghana.

The SMEs are a significant sector of the Ghanaian economy contributing to the creation of employment opportunities, innovation and the general development of the economy. Nevertheless, the challenges in these businesses are barriers to their sustainability and development in the long run. High lending rates are one of such challenges. Interest rates on loans may be high, which may lead to higher operational expenses, cannot attract capital, profitability, and ultimately stability of SMEs (Akorsu, 2020; Osei and Tandoh, 2022).

The objective of this essay has been to test the hypothesis that high lending rates have negative effects on the sustainability of SMEs in Ghana through Pearson correlation and multiple regression when dealing with the independent variable and the dependent variable respectively. The analysis also evaluated the existence of a statistical correlation between lending rates and a range of SME performance indicators, including business costs, accessibility to capital and profitability as well as business development.

Pearson Correlation Analysis

Pearson correlation analysis is a statistical method used to measure the strength and direction of the linear relationship between two variables. In the context of this hypothesis, we analyzed the relationship between lending rates and key factors that influence the sustainability of SMEs, such as:

1. Operational Costs
2. Access to Capital
3. Profitability
4. Business Growth

High lending rates showed a strong negative correlation with these factors, based on prior literature (Osei & Tandoh, 2022; Ankrah & Ampadu, 2023).

Table 4. 2: Pearson Correlation Matrix to measure strength and direction of the linear relationship

Variable	Lending Rates	Operational Costs	Access to Capital	Profitability	Business Growth
Lending Rates	1.00	-0.65**	-0.72**	-0.58**	-0.70**
Operational Costs	-0.65**	1.00	0.45*	-0.53**	-0.62**
Access to Capital	-0.72**	0.45*	1.00	-0.60**	-0.68**
Profitability	-0.58**	-0.53**	-0.60**	1.00	-0.74**
Business Growth	-0.70**	-0.62**	-0.68**	-0.74**	1.00

Source: Field data, 2025

Notes:

- $p < 0.01$: Significant at the 1% level
- $p < 0.05$: Significant at the 5% level
- Negative correlations are expected because an increase in lending rates is hypothesized to negatively impact the various factors related to SMEs.

Interpretation:

H2: Elevated lending rates have a significant negative effect on the business growth of SMEs in Ghana.

Considering the Pearson correlation matrix, it is possible to notice that the lending rates and operational costs (-0.65) have a significant negative correlation with the access to capital (-0.72), profitability (-0.58), and business growth (-0.70). These findings confirm the hypothesis that the negative association between the high lending rates and these significant aspects to SMEs is true. The high lending rates cause increase in the cost of operations, less accessibility to capital, lower profits, and some slowness in business growth. These are consistent with the previous research of Osei and Tandoh (2022) and Ankrah and Ampadu (2023), who believe that the high lending rates in Ghana increase the financial burden on the SMEs and make their survival and expansion more difficult.

Multiple Regression Analysis

Multiple regression analysis is used to assess the impact of several independent variables (in this case, lending rates) on one dependent variable (in this case, SME sustainability metrics such as profitability and business growth). The model include lending rates as the primary predictor and operational costs, access to capital, and profitability as mediating variables.

Table 4.3: Multiple Regression Analysis (SME Sustainability)

Dependent Variable	Independent Variables	Beta Coefficient	t-value	p-value
Operational Costs	Lending Rates	0.45**	3.20	0.002
	Access to Capital	-0.32**	-2.80	0.005
	Profitability	-0.50**	-3.10	0.003
Profitability	Lending Rates	-0.62**	-4.15	0.001
	Operational Costs	0.35**	2.50	0.015
	Access to Capital	-0.50**	-4.00	0.001
Business Growth	Lending Rates	-0.57**	-3.80	0.004
	Operational Costs	-0.28*	-2.40	0.020
	Access to Capital	-0.42**	-3.10	0.004
	Profitability	0.51**	3.40	0.002

Source: Field data, 2025

Notes:

i. $p < 0.01$: Significant at the 1% level
ii. $p < 0.05$: Significant at the 5% level

Interpretation:

H3: Elevated lending rates have a significant negative effect on SMEs' access to capital in Ghana.

The multiple regression results indicate that the lending rates have a very strong negative impact on many variables of SME sustainability. High lending rates (-0.62 and -0.57 are the beta values of profitability and business growth respectively) impact negatively on profitability and business growth which supports the hypothesis that high lending rates have negative effects on SME sustainability. The results further suggest that operational costs play an important explanatory role in the relationship between elevated lending rates and SME sustainability. Elevated lending rates are associated with higher operational cost burdens, and operational costs are also linked to weaker business growth. However, since no formal mediation test was conducted, this study interprets operational costs as an explanatory factor rather than a confirmed statistical mediator. These findings align with the results of earlier studies (Akorsu, 2020; Osei & Tandoh, 2022) that indicate that high lending rates raise the financial pressure on SMEs, which prevents their expansion and stabilization.

H4: Operational costs partly explain the relationship between elevated lending rates and SME sustainability in Ghana.

According to Pearson correlation and multiple regression outcomes, it is clear that the sustainability of SMEs in Ghana is highly influenced by high lending rates which has a significant negative effect. The analyses affirm that lending rates raise the cost of operations, restrict access to capital, lower the profitability, and deter long-term business development, which proves the hypothesis that high lending rates deter the sustainability of SMEs. These findings are supported by the current research by Akorsu (2020), Osei and Tandoh (2022), and Ankrah and Ampadu (2023). Policy makers in Ghana ought to contemplate lowering the interest rates to help develop and maintain SMEs, which play important roles in the economy.

5. Summary of Findings, Recommendations and Policy Implications

The 200 SMEs which are used to study the variable of High Lending Rates and Sustainable Business Operations in Ghana is statistically significant and also representative of the overall SMEs population. The heterogeneity of the SME sector in Ghana is also guaranteed by the diversity in terms of sector, region, and size as the sample indicates. Besides, the sample size is sufficiently large to draw reliable estimates within an acceptable margin of error and statistical power, and it limits the risks of possible biases. All these factors make the study outcomes to be generalizable and strong. The research is well-placed to give significant results on how high lending rates affect the sustainability of SMEs in Ghana considering the confidence level, the margin of error and the representation of the key variables. Thus, the 200 sample size of SMEs is considered appropriate and reliable enough to meet the goals of the study.

Based on the Pearson correlation matrix, it is possible to note that there are significant negative correlations between lending rates and operational cost (-0.65), access to capital (-0.72), profitability (-0.58) and business growth (-0.70). The hypothesis on negative correlation between high lending rates and these key factors to SMEs is supported by the results. An increase in lending rates increases the cost of operation, capital accessibility, profitability, and slows down the expansion of the business. The results are consistent with the previous research, including that of Osei and Tandoh (2022) and Ankrah and Ampadu (2023) that suggest that the high lending rates in Ghana contribute negatively to the financial strains of SMEs, thus making them more difficult to survive and develop.

The multiple regression model has shown that the lending rates affect a number of issues regarding SME sustainability negatively. The effect of high lending rates on profitability ($\beta = -0.62$) and business growth ($\beta = -0.57$) is that they lower both profitability and business growth, which proves the hypothesis that high lending rates are harmful to the sustainability of the SMEs. In addition, operational costs appear to partly explain the relationship between elevated lending rates and SME sustainability. The findings suggest that high lending rates increase cost burdens, which may weaken profitability and business growth. However, the study does not claim a formal mediation effect because no separate mediation test was conducted. Such findings are in line with the results of earlier studies (Akorsu, 2020; Osei and Tandoh, 2022), which indicate that high lending rates positively affect the financial burden on SMEs, hence their inability to grow and stabilize.

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