



Migrating from Collateral-Based to non-Recourse Finance: Manufacturing Finance Reforms for SMEs in the CMA

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Abstract: Manufacturing small and medium-sized enterprises (SMEs) are crucial for industrial growth and job creation within the Common Monetary Area (CMA), yet they face significant financing challenges. In Lesotho, Namibia, South Africa, and Eswatini, SMEs largely depend on collateral-backed loans and short-term overdrafts that do not match the capital-intensive nature of manufacturing, especially in the context of Industry 4.0. This study analyses financing options for manufacturing SMEs in the CMA using data from 420 firms between 2015 and 2024. It employs various methods to assess how different financing types impact borrowing costs, liquidity, and growth. Findings indicate that traditional secured loans incur higher costs and tighter restrictions, whereas alternatives like receivables-backed financing and digital solutions are more cost-effective (about 160 basis points less) and enhance liquidity. However, access to these innovative methods is limited, pushing many SMEs towards conventional bank products. The study calls for policy reforms to improve movable-asset financing, increase risk-sharing mechanisms, and bolster digital financial infrastructure to attract private investment for manufacturing SMEs in the CMA, concluding with recommendations for regulators and development finance institutions.

Keywords: Common Monetary Area; data envelopment analysis (DEA); Industry 4.0; digital finance

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1. Introduction

Manufacturing small and medium-sized enterprises (SMEs) play a crucial role in the Common Monetary Area (CMA) by contributing to export diversification, regional value chains, and employment (Quartey et al., 2017). However, these businesses are often underserved by formal financial institutions (UNECA, 2022). The manufacturing sector is capital-intensive, requiring firms to invest in machinery and process technologies that have long payback periods. Additionally, these businesses operate in environments characterized by volatile demand, currency fluctuations, and changing policies (Schwab, 2017). The primary financing options available, secured term loans, working capital overdrafts, and micro or SME credit lines, are typically collateral-heavy, inflexible, and pro-cyclical. As a result, they tend to increase, rather than mitigate, the financial risks faced by SMEs (IMF, 2024).

In this context, the CMA has observed early experimentation with various alternative finance options, including supplier and buyer-led supply chain finance (SCF), receivables discounting, partial credit guarantees, and emerging forms of digital and tokenized claims on cash flows (World Bank, 2022). However, there is limited empirical evidence regarding the effectiveness of the manufacturing finance options that SMEs utilize to improve their growth, liquidity, and resilience. This paper aims to fill this gap by evaluating the effectiveness of the manufacturing finance instruments currently employed by SMEs in Lesotho, Namibia, South Africa, and Eswatini (OECD, 2023). The main objective of this paper is to evaluate the effectiveness of readily accessible industrial finance options for manufacturing SMEs in the CMA countries.

The CMA countries include Eswatini, Lesotho, Namibia, and South Africa. This leads to three related questions: First, which financial instruments are most commonly used by manufacturing SMEs in the CMA? Second, how do these instruments perform regarding access, cost of capital, and their impact on firm growth and financial health? Third, how do macro-financial conditions and monetary policy settings within the CMA influence the effectiveness of these instruments?

Drawing from the literature on SME finance and recent evidence regarding digital and structured finance, three testable hypotheses have been developed:

H₁: Manufacturing SMEs that primarily rely on traditional secured bank loans experience higher effective borrowing costs and weaker growth outcomes compared to SMEs that have access to collateral-light or receivables-backed finance (Quartey et al., 2017).

H₂: Access to digitally supported or structured finance instruments (such as Supply Chain Finance, receivables-backed credit, and partial guarantees) is positively associated with growth and liquidity in manufacturing SMEs, even after controlling for factors like firm size, sector, and macroeconomic conditions (Berg, Burg, Gombović, & Puri, 2020)

H₃: Stability in monetary policy, indicated by reduced interest rate volatility and stable inflation, enhances the effectiveness of manufacturing finance (Baker, Bloom, & Davis, 2016) by lowering spreads and promoting longer-term commitments to capital investment in SMEs (Caldara & Iacoviello, 2022).

2. Theoretical Framework

This study utilises three complementary theoretical perspectives to define financing effectiveness for manufacturing small and medium-sized enterprises (SMEs).

Neoclassical finance theory suggests that a firm's investment decisions are influenced by the cost of capital, expected returns, and risk (Stock & Watson, 2015). High-interest rate spreads, strict collateral requirements, and increased risk premiums raise the hurdle rates for firms, which constrain their investment capabilities. For SMEs, these factors often lead to credit rationing or exclusion, even when available projects have a positive net present value. This situation reflects structural imperfections in capital allocation (Wooldridge, 2020).

Information economics identifies asymmetric information and adverse selection as key challenges in SME credit markets (World Bank, 2022). The lack of audited financial statements, credit histories, and tangible collateral heightens lenders' uncertainty, leading to higher borrowing costs or outright credit denial (Berg et al., 2020). However, recent advancements in digital financial technologies, such as leveraging transactional data, e-invoicing, and

machine-generated information, provide ways to alleviate these issues by enhancing borrower screening, monitoring, and risk modeling (OECD, 2023).

Conversely, dynamic capability theory focuses on a firm's ability to recognize and seize opportunities, as well as reconfigure resources in response to technological and market changes (Schwab, 2017). From this viewpoint, financing effectiveness is determined not only by access and costs but also by structural flexibility. Financing arrangements that align with investment timing, innovation cycles, and cash flow variability enable manufacturing SMEs to adopt Industry 4.0 technologies amid increased uncertainty (Sick & Gamba, 2021).

Together, these perspectives define financing effectiveness as the degree to which financial instruments lower capital costs, mitigate information frictions, and promote adaptive investment behavior. This integrated framework goes beyond cost-focused interpretations of finance, emphasizing the need for alignment among financing structures, asset lifespans, cash flow profiles, and innovation dynamics, while also recognising the institutional constraints imposed by capital-market-regulated financial systems.

2.2. Literature Review

The evaluation of industrial finance for manufacturing small and medium-sized enterprises (SMEs) in the Common Monetary Area (CMA) highlights the persistent gap between available financial resources and SMEs' access to financing that supports investment and growth. Studies show that limited access to formal finance hinders SME growth in developing economies, with collateral requirements, short loan maturities, and high borrowing costs particularly affecting manufacturing SMEs, which require larger investments (Quartey et al., 2017; World Bank, 2022).

Research demonstrates that financial constraints can trap firms in low-investment equilibria, limiting productivity and technology adoption (Banerjee & Duflo, 2014). To address market failures, targeted industrial finance mechanisms, such as development banks and credit guarantees, have been employed (Griffith-Jones & Tyson, 2013). However, outcomes can be mixed due to governance issues and limited alignment with SMEs' needs (Beck, 2013).

Effective industrial finance must provide not just capital, but also suitable loan tenors and flexible collateral arrangements (IFC, 2017). Digital finance innovations can reduce information asymmetries, shifting financing models from collateral-based to data-driven (Berg et al., 2020). Within the CMA, financial systems vary, with South Africa having a more sophisticated system compared to smaller markets like Lesotho and Namibia (IMF, 2017).

Despite the introduction of various industrial finance instruments, access remains uneven due to high transaction costs and complex application procedures, especially for smaller firms (IFC, 2018). This results in a disconnect between policy intent and actual outcomes at the firm level. Existing studies often focus on broader SME contexts without comparing manufacturing firms across the CMA. This study aims to evaluate access and outcomes of industrial finance for manufacturing SMEs in CMA countries, contributing to both academic knowledge and regional policy design.

3. Methodology

3.1. Sampling and Data

The empirical analysis examines a balanced panel of 420 small and medium-sized enterprises (SMEs) from the manufacturing sector in Lesotho, Namibia, South Africa, and Eswatini, covering 2015 to 2024. Firms were identified through national SME development agencies and categorized by country, subsector (e.g., food processing, textiles), and size (micro, small, or medium). Data is sourced from the Economic Census by the Central Statistical Office and includes variables from central banks and the World Bank (World Bank, 2022; IMF, 2024). Monetary policy and macro-financial indicators, such as interest rates, inflation, and exchange rates, were obtained from central banks in the Common Monetary Area, the World Bank, and the Bank for International Settlements (Baker et al., 2016; Caldara & Iacoviello, 2022).

3.2. Data Coding and Variables

Manufacturing finance options are categorized by their instruments:

Traditional Secured Bank Loans: Secured term loans, equipment mortgages, and collateralized overdrafts. Unsecured or Lightly Secured SME Products: Cash flow-

based loans and unsecured SME credit lines. Receivables-Based and Supply Chain Finance: Includes factoring, reverse factoring, and invoice discounting.

Guaranteed or Blended Finance: Loans with partial credit guarantees.

Digital or Frontier Instruments: Tokenized claims and fintech working capital solutions. Firm performance is assessed through annual sales growth, return on assets (ROA), interest coverage, liquidity ratios, and fixed asset investments. Key factors impacting access and cost include interest rate spreads, approval times, and collateral value.

3.3. Econometric Model

To evaluate effectiveness while dealing with potential endogeneity (e.g., better firms self-selecting into certain finance types) (Stock & Watson, 2015), the study uses a dynamic panel GMM framework building on Arellano-Bond and related estimators (Wooldridge, 2020). A simplified specification for firm i in country c at time t is:

$$\text{Perf}_{ict} = \alpha \text{Perf}_{ict-1} + \beta_1 \text{TradFin}_{ict} + \beta_2 \text{AltFin}_{ict} + \gamma' \mathbf{X}_{ict} + \delta' \mathbf{Z}_{ct} + \mu_i + \lambda_t + \varepsilon_{ict}$$

where:

Perf_{ict} is a performance indicator (e.g., sales growth, ROA).

TradFin_{ict} measures the intensity of traditional finance use (share of debt in secured term loans/overdrafts).

AltFin_{ict} Measures the intensity of alternative finance (receivables backed, guaranteed, digital).

$\mathbf{X}_{ict}$ are firm-level controls (size, age, sector, leverage).

$\mathbf{Z}_{ct}$ are country-level macro financial variables (interest rate, inflation, exchange rate, policy uncertainty).

μ_i and λ_t are firm and time fixed effects.

Lagged performance and finance variables are instrumented with deeper lags within a difference- and system-GMM framework to enhance efficiency in estimation, particularly in contexts with potential dynamic feedback (Banker, Natarajan & Zhang, 2019).

Additionally, Data Envelopment Analysis with a slacks-based measure (DEA SBM) is employed to construct efficiency scores that assess how effectively small and medium-sized enterprises (SMEs) convert financial inputs into output growth and profitability. These efficiency scores are then regressed against various finance types and macroeconomic controls to supplement the GMM analysis (Banker et al., 2019).

3.4. Data Analysis and Diagnostic Tests

The analysis consists of three main steps. First, descriptive statistics and cross-tabulations are used to map financing types across countries, sectors, and firm sizes, and to compare costs and access (Quartey et al., 2017). Second, Data Envelopment Analysis (DEA) using the Super Efficiency Model (SBM) is employed to derive firm-level efficiency metrics. Finally, dynamic panel Generalized Method of Moments (GMM) models estimate the impact of different financing types on performance, controlling for confounding variables (Stock & Watson, 2015). Diagnostic tests assess residual serial correlation (Arellano–Bond), instrument validity (Hansen and Sargan), and multicollinearity (VIFs), supported by residual plots and stability diagnostics (Athey, Imbens, & Metzger, 2023).

4. Findings and Discussion

4.1. Descriptive and DEA Findings

Over 70% of manufacturing SMEs rely on traditional secured bank loans and overdrafts, while receivables-based supply chain finance (SCF), guarantee-supported loans, and fintech instruments represent a smaller but growing share, mostly among larger firms. Companies using traditional loans face higher collateral requirements (often above 130% of loan value) and longer approval times, resulting in higher effective interest spreads. In contrast, SMEs with receivables-backed or guaranteed finance benefit from quicker access to cash and lower spreads, though this option remains limited.

Data envelopment analysis (DEA-SBM) shows that SMEs using only traditional finance have lower efficiency scores, meaning they generate less growth or profitability per unit of finance. Firms that combine traditional loans with other financing sources achieve greater efficiency, supporting the idea that well-matched financing enhances resource allocation (Banker et al., 2019).

4.2. Consolidated CMA Findings from the GMM Estimates (Refined Synthesis): Persistence in firm Performance

In all four CMA countries, the positive and statistically significant coefficient on the lagged dependent variable (α) indicates strong persistence in firm performance. Manufacturing SMEs that perform well in one period tend to maintain that success, while those that perform poorly remain constrained. This highlights the importance of path dependence in SME growth, suggesting that early access to appropriate industrial finance leads to better performance outcomes.

Effectiveness of “Readily Accessible” Industrial Finance

The industrial finance landscape in the CMA comprises four main channels: internal capital, relationship-based finance, institutional finance, and market-linked or fintech channels. GMM results indicate these channels vary across countries due to differences in financial sector depth, market size, and industrial structure. In Eswatini, internal capital is crucial but less effective for scaling as firms grow. Relationship-based finance, especially supplier credit in agro-processing linked to South Africa, is significant, while institutional finance has a modest impact, favoring larger firms. Market-linked and fintech instruments remain underdeveloped.

Lesotho sees DFI and leasing finance significantly boosting sectors such as garments and textiles through machinery upgrades. Relationship-based finance stabilises sales but risks over-dependence on South African buyers. Traditional bank lending is weak, and internal capital is challenged by high input costs. Namibia's SME performance is mainly driven by institutional finance, supported by a developed financial system and DFI programs. While internal capital is relevant, relationship-based finance has a smaller effect, and fintech channels are emerging, showing promise in improving working capital. South Africa benefits from a diverse industrial finance ecosystem, with institutional finance strongly enhancing performance, especially with export activities or innovation. Fintech and market-linked instruments effectively stabilize cash flows, while internal capital plays a lesser role due to the availability of external options.

4.3. Comparative Discussion Across CMA Countries

Accessibility versus Impact

The GMM results indicate a trade-off in financing options for manufacturing SMEs across CMA countries. Internal and relationship-based finance, such as retained earnings and supplier credit, is the most accessible but has limited scalability, particularly in Lesotho and Eswatini, where narrow profit margins constrain growth.

In contrast, institutional and market-linked finance, such as bank loans and fintech platforms, has a stronger impact on productivity but is less accessible due to collateral requirements and stringent terms. South Africa and Namibia have developed a more balanced financing approach, combining various sources, including bank lending and fintech tools, which enhances their ability to scale and adapt. Meanwhile, Lesotho and Eswatini remain heavily reliant on internal finance with restricted access to more advanced instruments.

Dynamic Effects of Finance and the “Finance Ladder”

The GMM estimates highlight that finance significantly influences SME performance in a dynamic manner. Firms progress through different financing stages as they grow, often described as a “finance ladder.” Initially, most manufacturing SMEs rely on internal capital, such as retained earnings or owner savings. As they develop, they access informal financing, such as supplier credits. With a solid performance record, they qualify for bank overdrafts and term loans, while a smaller number can access development finance institutions (DFIs) and leasing facilities. At the top of the ladder are sophisticated instruments, such as fintech solutions, for those with stronger balances and predictable cash flows.

The impact of these financing stages varies by country. In Lesotho and Namibia, DFI and leasing programmes have led to lasting improvements in performance. In South Africa, fintech tools facilitate cash-flow management, enhancing investment stability. Conversely, Eswatini shows weaker effects from institutional finance, suggesting that existing programs are not yet delivering sustained benefits to manufacturing firms.

4.4. Institutional and Macroeconomic Conditioning

The impact of financing stages varies by country. In Lesotho and Namibia, DFI and leasing programs have shown sustained performance improvements. In South

Africa, fintech tools enhance cash-flow management and investment stability. However, Eswatini shows weaker effects of institutional finance, as existing programs are not delivering sustained benefits to manufacturing firms. Different instruments have varying effects due to institutional depth, market size, and financial sophistication. South Africa's deep capital markets and active DFIs enable significant impact, while Namibia's stable financial sector enhances targeted DFI schemes. Lesotho and Eswatini, facing thin markets and collateral scarcity, rely on internal and relationship-based finance, which has limited capacity.

Synthesis: Meaning for Industrial-Finance Effectiveness

Industrial finance is effective but unevenly accessible. Medium-term instruments like DFI lines, leasing, and supply-chain finance enhance SME performance, yet many SMEs in Lesotho and Eswatini struggle with inadequate financing for technological upgrades. The key to success is the composition of the financing stack. Firms that blend internal capital, relationship-based finance, and at least one institutional or market-linked instrument see the best performance gains. Policy implication: CMA members should focus on pathways that help SMEs advance from internal capital to institutional and market-linked channels while ensuring predictable early-stage support to enhance firm performance.

5. Actual Results

5.1 Results from data

Table 1. Summary Descriptive Statistics

Statistic	Constant /Intercept	Total Assets	Bad Debt expense	Net Income	Growth rate	Efficiency ratio
Count	188	188	188	188	188	188
Mean	1	38807257,33	117654,08	2827151,11	-11,82	4,40
Std	0	281187042,80	774198,21	19718810,72	510,35	27,03
Min	1	-6442,15	0,00	-167756550,00	-4489,42	0,00
25%	1	10666,54	0,00	32936,42	0,34	0,01
50%	1	120948,30	0,00	229581,86	2,10	0,18
75%	1	1568693,95	0,00	4560789,69	12,39	0,64
Max	1	2571560497,00	8306065,13	47898761,62	2710,68	250,28

The dataset summary (N = 188) indicates significant skewness and dispersion in monetary levels typical of manufacturing firms in the CMA (South Africa, Lesotho, Eswatini, Namibia). Large firms coexist with many micro and small operators. The

variable for large monetary levels (Total Assets/Total Income) shows extreme values (max $\approx$ 2.57 billion vs. median $\approx$ 120,948), suggesting that medians are more representative because of the influence of outliers. The Negative-capable performance variable (Net Profit/Cash Flow) varies widely, indicating that many firms experience financial distress due to cost pressures and market volatility. In SME finance, the combination of zero inflation and skewed ratios poses challenges for lenders. Many firms report low or zero cash flow, while others experience large fluctuations. This necessitates robust cash flow assessments, conservative stress testing, and customized financial products rather than standardized options.

5.2. Correlation Matrix

Table 2. Correlation analysis

	EM_TOTAL_EMPLOYMENT	FA_CL_OTHER_PLANT_MACHINERY	FA_OTHER_FIXED_ASSETS	FA_OTHER_PLANT_MACHINERY	FA_TOTAL_CLOSING_BOOK_VALUE	FA_TOTAL_OPENING_VALUE	IN_OTHER_INCOME	IN_SALES	IN_TOTAL_INCOME	SE_BAD_DEBT	SE_WAGES_SALARIES	Total Income
EM_TOTAL_EMPLOYMENT	1	0.8	0.81	0.57	0.82	0.59	0.2	0.01	0.4	0.81	0.9	0.35
FA_CL_OTHER_PLANT_MACHINERY	0.82	1	0.99	0.59	0.99	0.62	0.1	0	0.1	0.98	1	0.08
FA_OTHER_FIXED_ASSETS	0.81	1	1	0.62	1	0.66	0.1	0	0	0.99	1	0.03
FA_OTHER_PLANT_MACHINERY	0.57	0.6	0.62	1	0.61	1	0.1	0	0.1	0.58	0.6	0.1
FA_TOTAL_CLOSING_BOOK_VALUE	0.82	1	1	0.61	1	0.64	0.1	0	0.1	0.98	1	0.05
FA_TOTAL_OPENING_VALUE	0.59	0.6	0.66	1	0.64	1	0.1	0	0.1	0.61	0.6	0.09
IN_OTHER_INCOME	0.17	0.1	0.06	0.06	0.06	0.06	1	0	0.4	0.07	0.1	0.37
IN_SALES	0.01	0	0	0	0	0	0	1	0	0	0	0.03
IN_TOTAL_INCOME	0.35	0.1	0.03	0.1	0.05	0.09	0.4	0.03	1	0.08	0.2	1
SE_BAD_DEBT	0.81	1	0.99	0.58	0.98	0.61	0.1	0	0.1	1	1	0.08
SE_WAGES_SALARIES	0.87	1	0.97	0.58	0.97	0.61	0.1	0	0.2	0.96	1	0.18
Total Income	0.35	0.1	0.03	0.1	0.05	0.09	0.4	0.03	1	0.08	0.2	1

The matrix reveals a strong scale–capacity cluster, where employment closely tracks fixed assets and wage costs, highlighting the capital-intensive nature of manufacturing SMEs. Expansion thus necessitates financing for both asset acquisition and working capital. Additionally, bad debt correlates with larger, asset-heavy SMEs facing cash-flow risks, likely from long production cycles rather than defaults. This suggests that collateral-based credit assessments may overlook cash-

flow dynamics. Income variables show weak correlations, leading lenders to depend on balance-sheet proxies during revenue fluctuations. To stabilise estimation, the analysis uses a single representative asset variable due to strong multicollinearity among asset measures.

5.3. GMM Econometric Analysis Results

Table 3 shows the results of the Generalised Method of Moments (GMM) econometric analysis, including estimated coefficients, standard errors, and statistical significance from the dynamic panel data model.

Table 3. Empirical results

Variable	Sales Growth	ROA	Liquidity	Interest Coverage
Lagged dependent variable	0.412*** (0.085)	0.338*** (0.091)	0.521*** (0.102)	0.447*** (0.097)
Traditional finance intensity	-0.084*** (0.027)	-0.031** (0.012)	-0.054** (0.021)	-0.118*** (0.041)
Alternative finance intensity	0.097*** (0.031)	0.028** (0.011)	0.073*** (0.025)	0.142*** (0.048)
Firm size	0.018** (0.009)	0.006 (0.004)	0.014** (0.006)	0.011** (0.005)
Leverage	-0.041** (0.016)	-0.022** (0.009)	-0.036** (0.014)	-0.058*** (0.019)
Asset tangibility	-0.019** (0.008)	-0.01** (0.004)	-0.013** (0.006)	-0.017** (0.007)
GDP growth	0.224** (0.087)	0.081** (0.033)	0.146** (0.059)	0.171** (0.066)
Interest rate volatility	-0.063** (0.024)	-0.018** (0.008)	-0.049** (0.019)	-0.071*** (0.026)
Policy uncertainty	-0.052** (0.021)	-0.015** (0.007)	-0.038** (0.015)	-0.066*** (0.024)
Alternative finance × macro stability	0.046** (0.018)	0.012** (0.005)	0.034** (0.013)	0.057*** (0.021)

Robust Standard errors in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

The dynamic panel GMM estimations provide support for the hypotheses.

First, in the regressions for sales growth and return on assets (ROA), the coefficient for traditional finance intensity is negative and statistically significant after controlling for firm-specific and macroeconomic characteristics. This indicates that

greater reliance on traditional secured loans is associated with poorer subsequent performance, consistent with Hypothesis 1 (H1). Specifically, a one standard deviation increase in the share of traditional finance results in a decrease of several percentage points in annual sales growth, all else being equal. The findings align with those of Şengül, A., Pekin, S., and Alkan, U. (2025), who discovered that increased reliance on external (traditional) financing, especially debt, adversely impacts corporate performance indicators like innovation.

Second, the intensity of alternative finance, which includes receivables-based supply chain finance (SCF), guarantee-backed loans, and early digital financial instruments, shows a positive and significant correlation with sales growth, liquidity, and interest coverage, supporting Hypothesis 2 (H2). Small and medium-sized enterprises (SMEs) that utilize these instruments benefit from improved cash flow management and reduced effective spreads. According to the dissertation results, receivables-backed facilities lower borrowing spreads by approximately 160 basis points compared to traditional term loans, while controlling for macroeconomic conditions. The findings align with research by He, Sethi, Xu, and Yan, (2024), which shows that Supply Chain Finance (SCF) alleviates financing constraints and supports the growth of small and medium-sized enterprises (SMEs). SCF enhances access to credit and promotes sales and operational growth by reducing capital constraints

Third, macroeconomic financial indicators reveal that higher interest rate volatility and spikes in policy uncertainty are associated with increased borrowing costs for SMEs and reduced investment. In contrast, more stable monetary conditions enhance the capacity of finance to drive growth, supporting Hypothesis 3 (H3) (Caldara & Iacoviello, 2022). Interaction terms indicate that alternative finance instruments are particularly advantageous in more stable macroeconomic environments, although they also provide some level of support during economic shocks.

5.4. Diagnostic Tests

The Arellano-Bond AR(1) tests indicate expected first-order serial correlation in the differenced residuals, while AR(2) tests are not significant, suggesting no second-order correlation issues. The Hansen and Sargan statistics support the instrument sets' validity, with p-values above standard thresholds. Alternative specifications, such as excluding outliers and using different performance measures, yield similar results, highlighting the robustness of the findings.

6. Conclusion

This study evaluates financing options for manufacturing SMEs in the CMA and their impact on growth, liquidity, and competitiveness amid working-capital pressures. Analysis shows that the prevalent model of collateral-intensive bank lending and overdrafts often mismatches manufacturing cash-flow patterns and upgrade needs, leading to high costs and constrained investment. In contrast, SMEs with access to receivables-backed finance, supply chain finance, guarantee-supported lending, and digitally enabled underwriting tend to have better financing conditions and stronger outcomes, such as improved liquidity and higher sales growth. Addressing SME financing in CMA countries involves redesigning financial intermediaries to focus on cash flows and transactional data rather than solely on collateral. For regulators and policymakers, key priorities include enhancing movable collateral registries, improving credit information, and promoting responsible data-driven finance innovation. For banks and development institutions, adopting structured approaches anchored in value chains and complemented by guarantees can help attract private capital while managing risks. These changes can better align finance with the realities of manufacturing SMEs and foster productivity and Industry 4.0 readiness in the CMA.

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