

The Effects of Inflation on Consumer Purchasing Power and Sales Volume of Small and Medium Enterprises in Area 25 Nsungwi Market

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Abstract: *Inflation remains a persistent macroeconomic challenge affecting household consumption and small business sustainability in developing economies. This study investigates the effects of inflation on consumer purchasing power and sales performance of small and medium enterprises (SMEs) in Area 25 Nsungwi Market. A mixed-methods approach was employed using survey data from 36 respondents and regression analysis. Results reveal a significant negative relationship between inflation and consumer purchasing power ($\beta = -0.62, p < 0.05$) and SME sales volume ($\beta = -0.58, p < 0.05$). The findings provide empirical evidence from a local informal market context, demonstrating how inflation simultaneously reduces demand and business revenue. The study contributes to SME and inflation literature by presenting micro-level evidence from an under-researched market environment and highlights adaptive strategies for SME resilience under inflationary conditions.*

Keywords: Inflation, Purchasing Power, SMEs, Sales Volume, Consumer Behavior, Malawi

