

A STUDY TO FIND OUT THE FACTORS AFFECTING THE ECONOMIC GROWTH OF SMEs IN RETAIL SECTOR. (CASE STUDY OF MBALA DISTRICT)

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Abstract

The SMEs in retail sector have the ability to create more employment opportunities, creating higher production volumes and increasing entrepreneurship activities. A major constraint in Mbala is the high levels of unemployment, contributing to high levels of poverty and income inequality, which deteriorates the overall quality of life of the people in the District. SMEs in retail sector have the ability to make a meaningful reduction in the high level of unemployment and contribute to the Gross domestic Product of the local economy. Part of the solution to Zambia's unemployment problem can be job creation through SMEs in retail sector. The failure rate of SMEs in retail sector is high throughout the world, with the situation being no different to Zambia. Failure of SMEs in retail sector in Zambia may be attributed to many factors and entrepreneurial culture. Despite their important contribution to the Zambian economy, according to Lusaka chambers of commerce (2016), over 75% of SMEs in retail sector in Zambia fail, this failure rate leaves much to be desired. Given this state of SMEs in retail sector in Zambia, this has stimulated an investigation into the factors hindering the growth of SMEs in retail sector in Mbala District. The study was conducted in Mbala District and targeted shop owners, managers and other related businesses dealing in finished goods with a target population of 100 participants. Descriptive

study was employed in order to provide an accurate representative picture of the situation. The data collection included a self-administered questionnaire that consisted of both open ended and closed ended questions and focused group discussion was used to collect relevant data related to set research objectives. The data was analyzed using Statistical Package for Social Statistics (24.0 SPSS) to show the hindering factors on the growth of SMEs in retail and presentation of findings were by bar charts, and pie charts respectively. It was identified that the economic environment in which the SMEs in retail sector operates it's neither good nor bad. Various studies on the factors that adversely affect SMEs in retail sector growth were reviewed. The study found out that resources and finance, external environment, competitions and corruption are the most factors that adversely affect the growth of SMEs in the Mbala retail sector. Guidance was also given on what should be done in order to reduce the risk of failing among the SMEs and also to increase the survival chances of the small and medium enterprises in the market.

The research concluded by giving suggestion on what should be done to improve the performance and growth of SMEs in a dynamic business environment.

DEDICATION

This research paper is dedicated to my only Daughter (JOY MWEWA) and my wife (ELIDAH MVULA) for their moral and financial support during my research process. I also want to dedicate it to God for giving me good health during my research work.

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LIST OF ABBREVIATIONS

ADP	Automatic Data Processing
BPM	Business performance management
BSC	Balance Score Card
CPM	Corporate Performance Management
DBN	Development Bank of Namibia
FNB	First National Bank
FDI	Foreign Direct Investments
HRM	Human Resource Management
GDP	Gross Domestic Product
IFC	International Finance Corporation
KPI	Key Performance Indicator
SME	Small and medium enterprises
PACRA	Patent and Company Registration Agency
SPSS	Statistical Package for Social Sciences
MOF	Ministry of Finance
IT	Information Technology

CHAPTER ONE

1.0 Introduction

Small and medium enterprises (SMEs) in retail industry are very instrumental for the development of national economy through, creation of employment, increasing tax base for the country, improving incomes for the low earners among other benefits. SMEs in retail industry in Zambia and across the globe still encounter many challenges, despite their importance and significance and their contribution to economic growth, SMEs globally and Zambia in particular, face many challenges that hinder their growth(MOF, 2007).

By engineering the growth of the Small and Medium Enterprise (SME) in retail sector, the growth objectives of the economy can be achieved. A strong SME sector contributes highly to the economy, contributing to the Gross Domestic Product, by reducing the level of unemployment, reduction in poverty levels and promotion of entrepreneurship activity. The role of SMEs in retail sector in the development of the country is significant (Bayati and Taghavi, 2007). SMEs in Zambia and across the global still encounter many challenges, despite their importance and significance and their contribution to economic growth, SMEs globally and in Zambia, face many challenges that hinder business growth. The concern to the entrepreneur is what can be done to survive in a competitive market. SMEs in retail sector have the ability of playing a dynamic role in the Zambian economy. By understanding and finding ways to address obstacles that hinder this dynamism, we would be ensuring that the drivers of growth are used optimally. The development of entrepreneurship and SMEs is vital in addressing many challenges and problems in Zambia (O'Neill and Viljoen, 2001).

As part of this research study, information will be obtained to investigate and establish the current factors that affect SMEs in retail sector and subsequently, suggest the recommendations that can revamp the performance of the SMEs. A comprehensive discussion detailing the research problem and areas of focus were followed, which provided clarity regarding the intent of this study, the objectives and the research question, and a brief description of the limitations that was experienced during the study.

1.2 Problem Statement

SMEs have the ability to make a meaningful reduction in the high level of unemployment and contribute to the Gross domestic Product of the local economy. Besides assisting in curbing the high level of unemployment, SMEs in retail sector can be used as a means of transforming the country, by redistributing the productive assets, amongst the disadvantaged. The failure rate of SMEs in retail sector is high throughout the world (Hongzhi, 2009), with the situation being no different to Zambia. Failure of SMEs in retail sector in Zambia may be attributed to many factors and entrepreneurial culture. According to Lusaka chambers of commerce (2016), over 75% of SMEs in retail sector in Zambia fail. Despite their important contribution to the Zambian economy, the 75% failure rate leaves much to be desired. Given this state of SMEs in retail sector in Zambia, there was need to establish the hindering factors.

1.3 General Objective

To identify the factors that affect the performance of SMEs in the Zambian retail sector Mbala district in particular.

1.3.1 Specific Objectives.

- To identify the challenges experienced by SMEs in retail sector in their daily operations.
- To assess the current environment in which the SMEs in retail sector operates.
- To find out practical solutions to ensure the success of SMEs in retail sector.

1.4 Research Questions

- What are the challenges experienced by SMEs in retail sector in their daily operations?
- How is the current environment in which the SMEs operate?
- What are the practical solutions that will ensure the success of SMEs in retail sector?

1.5. Theoretical Framework

This research was based on the active learning model of Erickson and Pakes (2007) which states that; “a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm.” The potential and actual growth changes over time in response to the outcomes of the firm’s own investment and those of other actors in the same market. Learning, owners or managers of SMEs could raise their efficiency through formal education and training that increases their endowments while government may

support their activities through the creation of the enabling environment. Entrepreneurs or managers of SMEs with higher formal education, work experience, training and government assistance would therefore be expected to grow faster than those without these qualities. This implies that SMEs in Zambia have prospects of experiencing growth and contributing meaningfully to employment generation only when appropriate investments are made into them by all the stakeholders. This could best be achieved by government intervention through the provision of financial assistance, social infrastructures, capacity building of SME operators and favorable taxation policies.

1.6 Motivation for the study

The SMEs in retail sector have the ability to create more employment opportunities, creating higher production volumes and increasing entrepreneurship activities. A major constraint in Mbala is the high levels of unemployment, contributing to high levels of poverty and income inequality, which deteriorates the overall quality of life of the people in the District (PGDP, 2013). Part of the solution to Zambia's unemployment problem can be job creation. In countries like India and China 90% of the employment is absorbed by SMEs, whilst in Zambia SMEs absorb only about 40% of the employment (Edge, 2013). An environment conducive for the growth and sustainability of small businesses in retail sector is necessary and this had stimulated an investigation into the factors hindering the growth of SMEs in retail sector in Mbala District.

1.7 Scope of the study

This study was conducted in Mbala district. The study focused on small scale businesses in retail outlets, shop owners in particular, respondents from other related business entities in Mbala district.

1.8 Significance of the study

This study helped to inform the society particularly the SMEs owners in retail sector, managers, and employees on the factors that are affecting growth in SMEs in retail sector that leading to low income in their respective enterprises, so that they can formulate the ways of combating those problems. It also increased the body of knowledge to the people who are interested in starting new

SMEs by making them aware of the factors that would affect the growth to their businesses. The study was of benefit to the Policy makers.

1. 9. Limitations

This was quite a challenge collecting data from semi- illiterate sample as much time was spent on administering the questionnaires. During the collection of data, not all respondents were willing to be interviewed especially the marketers and shop owners when collecting the information.

1.10 Operational Definitions

Retailer: A business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business.

Retail sector: is the part of a country's economy that is made up of businesses that sell finished goods/product through stores, on the internet, etc. to the public.

Very small enterprise: These are enterprises employing fewer than 10 paid employees, except for the mining, electricity, manufacturing and construction sectors, in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology (NCR, 2011).

Small enterprise: The upper limit is 50 employees. Small enterprises are generally more established than very small enterprises and exhibit more complex business practices (NCR, 2011).

Education: the action or process of educating or of being educated or a stage of such a process the knowledge and development resulting from an educational process.

Small Medium Enterprises (SMEs): Is a formal enterprise with annual turnover, in U.S. dollar terms, of between 10 and 1000 times the mean per capita gross national income, at purchasing power parity, of the country in which it operates.

Gross domestic product (GDP): GDP is the total value of everything produced by all the people and companies in the country. It doesn't matter if they are citizens or foreign-owned companies. If they are located within the country's boundaries, the government counts their production as GDP.

Growth of SMEs: is defined in terms of changes in the amount of sales, the value of assets and the number of employees.

CHAPTER TWO

Literature Review

2.1 Introduction

The ability of the SMEs in retail sector to perform effectively depends on their potential to invest in restructuring, innovation and management, all these investments need capital and therefore access to finance. Beside access to finance there are various factors that could also influence the SMEs performance. This chapter would shed light on the factors that could affect the SMEs growth. In order for any business to perform efficient and effectively it needs to operate in a conducive environment, however there are many challenges that could influence its performance negatively. Ganbold (2008) stated that a favourable enabling environment for SME in retail sector refers to the economic, physical, legal and institutional framework which the SMEs in retail sector operates in. A positive environment can be defined as the existence of a competitive internal market with access to financial services and supported by healthy and educated human resources. In addition, the market needs to be connected to an increasingly global economy by an efficient and viable infrastructure and guided by a well-defined legal and regulatory framework. However, the establishment of an environment conducive to supporting SME is not in itself enough to ensure SME sector growth, for the SMEs themselves must be competitive and profitable. In other words, SMEs themselves should overcome internal constraints such as weak management skills and other challenges that could prevent SME from taking advantage of good enabling environment. Many studies had been done on the challenges that affect the performance of SMEs. Therefore in an attempt to get a holistic picture of the problem, a wide range of literature on factors affecting the performance of SMEs in retail sector in Zambia and beyond was reviewed. Through the review of the literature the researcher identified, the most factors that hinder the performance of SMEs in general as well as in the retailer sector.

2.2 GLOBAL PERSPECTIVE

In India, Amin, (2010) found out that the key obstacles and problems faced by Indian retailers and how the severity of the obstacles varies across rich and poor states and small and large stores.

Inadequate power supply, poor access to finance, and high corruption are the three most pressing problems. The note also sheds light on the low level of competition in the sector and its consequences for the efficiency of retail stores. Chuthamas, et.al (2012) in Thailand found out that, the most significant factors that affect the business success of SMEs are: SMEs characteristic, customer, market, the way of doing business, external environment, resources and finance. Chuthamas, et.al (2012) further suggested that, for the SMEs to continue successful growing, resources and finance, customer and market should be developed continuously.

Another study done in Malaysia, (Krishna et.al., 2012) concluded that, effective entrepreneurship, appropriate HRM (Human Resource Management), use of marketing information and application of information technology do have a significant impact on the performance of SMEs in Malaysia whereas the use of marketing information has the strongest relationship among the four variables in affecting the organization performance SMEs in the manufacturing industry in Malaysia. Ramsden (2010) concluded that there is no one 'magic bullet' that will ensure growth in a country's SME sector, however in an effort to ensure SME growth and development there is a need for government and the private sector to come together to address SME needs, especially the financing needs that so often suppress the creativity and innovation characteristically seen amongst SMEs from around the world. In addition to these themes, Enterprise Surveys conducted by the World.

Research which was conducted in India and china on the application of information technology by Levey and Powell (2000) stated that the adoption of IT assist an organization in storing information as well as communicating with customer, suppliers and business partners who will facilitate business transaction, and enhance the overall performance of SMEs. As a result, it will lead to a better performance in reducing the operating expenses as a whole (Levy and Powell, 2000).

In a study conducted in Canada, it was found that SMEs operated by people with a recognized tertiary education earned double the amount than people without a recognized tertiary education (CMA Management, 2005). Training is a vital source for any employee, as it presents them with information, expertise and capabilities to execute duties to perfection within a specific job profile (Nieman, 2006).

2.3 INTERNATIONAL PERSPECTIVE

In another similar research, Stork (2010) studied factors influencing the survival of small firms in Namibia, while Ramsden (2010), made a cross national study of the key An empirical investigation into the factors affecting the performance of SMEs in the retail sector in Windhoek, Namibia success factors of Namibian SMEs and made reference to lessons learnt from other countries and concluded that, the key impediment to SME sector development is the lack of access to external finance, since there is a limit to how far firms can grow simply by reinvesting earnings and tapping into their owners' personal funds. On the other hand (Smorfitt, 2010) carried out a complimentary study and investigated the determinants of various financing strategies to these SMEs. Stork (2010) stated that access of finance and cost of capital remains the biggest obstacle to business performance and further investment (53%). Family and friends remain the main source for business loans in the informal and formal of micro business sector. Support programs for the informal sector need to be different from the formal sector. Informal businesses require assistance in raising capital to expand. In addition they need investments, accounting and entrepreneurial skills. Financial management and accounting in secondary school would boost skill-levels and prepare learners for the harsh Namibian realities, where only a small number of school leavers find formal employment and others are pushed into entrepreneurship or forced to find employment in the informal sector.

According to the study made in Kenya, one of the most significant challenges is the negative perception towards SMEs (Amyx, 2005). The negative perceptions toward SMEs result influence the potential clients to perceive small businesses as lacking the ability to provide quality services and simultaneously unable to satisfy more than one critical projects therefore often larger companies are selected for such projects and for their clout in the industry. It was further substantiated by Gwari and Bruhns (2005) as an empirical investigation into the factors affecting the performance of SMEs in the retail sector in Windhoek, they indicated that, Namibian small businesses still have difficulty in establishing their positions when dealing with bigger Foreign Direct Investments (FDI). This is because Namibian SMEs are classified as tiny by European standard and they are managed by individuals or families with no real professional managerial cadre. The absence of professional managerial cadre tends to generate a certain degree of

inflexibility in responding to changed market conditions. This could also be classified as a negative perception upon SMEs. However Gwari, *et.al* (2005) added that the lack of inflexibility in responding to market conditions is often compounded by a range of other human resources constraints related to the availability of both formally skilled trained labours and support services which were routinely available in Europe, but are in short supply in Namibia.

Bowen, *et al.* (2009), conducted a study management of business challenges among small and micro enterprises in Nairobi-Kenya, the study concluded that, “the main challenges facing Small Businesses were; competition, insecurity, debt collection, lack of working capital and power interruptions. 89.4 percent of respondents mentioned competition while 68.2 percent mentioned insecurity as a challenge. 54.5 percent, 53 percent and 44.9 percent of the respondents mentioned debt collection, lack of working capital and power outages respectively. Out of the 177 respondents who mentioned competition as a challenge, 71 percent mentioned it among their top three. When asked how they counter their competitors, 30.2 percent of the respondents mentioned good customer service followed by discount offers (which vary according to client), which was mentioned by 18.3 percent as the remedy. According to Bowen, *et al* (2009) 7.9 percent of the respondents reported that they use price as a competitive edge by selling goods more cheap than their competitors. Selling a variety of products was mentioned by only 6.3% of the respondents. 5.6 percent of the respondents mentioned offering credit facilities, 4% selling of quality goods and services, while 3.2% mentioned offering customer’s additional services like free training. Bowen, *et al.* (2009), further stated that using price to compete might results in lower profit, whether the stock turnover would be high. If the business does not generate enough income it won’t be able to cater for all it’s an empirical investigation into the factors affecting the performance of SMEs in the retail sector in Namibia, therefore the business might die eventually. Chen and Liang (2011) in their study concluded that SMEs have weaker competitive competence and lack a variety of resources that enables them to grow, compared to large companies. Therefore for the SMEs to manage competitions they should establish co-operation relationships, the most beneficial function of building cooperation relationships is to capture external resources that are difficult to find in the market, such as skilled employees and technology. Weak capabilities usually cause high production costs. Establishing a co-operation network can be treated as an optimizing resource

process, which is beneficial for reducing the cost and improving the profitability. SMEs tend to cooperate with competitors for outsourcing parts of jobs/contracts to improve productivity.

In Nigeria, the distribution of goods and services are affected by dilapidated bridges and inaccessible roads and increase transportation costs. Businesses may find it problematic to operate in rural areas that are not accessible, even though the rural areas may have high demand for their products. Power failure affects the production of goods and services. These are some of the poor infrastructure factors affecting SMEs (Kabongo, 2009).

Bank (2010) also show that in Namibia, SMEs face more severe financing constraints than large firms. By contrast, although large firms also face the same constraints, they seem to be in a better position to deal with these constrains. This notion was further substantiated by the Doing Business indices. The Doing Business indices is made up of a variety of business relevant indicators which rank countries based on their ease of establishing, running, and closing an enterprise. In a comparative research between Nigeria and UK, Ihua (2009), found that economic growth of Nigerian SMEs were hindered by externally related factors , like the poor economic conditions and infrastructural inadequacy. Research shows that majority of those carrying out small and medium enterprises in Tanzania are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the SME sector (King, 2002). As such, for small businesses to do well in Tanzania, people need to be well informed in terms of skills and management.

2.4 LOCAL PERCEPECTIVES

In Zambia the corruption rate is high compared to developed countries (Transparency International, 2008) and the World Bank (2010) found that crime is one of the most frequently mentioned constraints among enterprises. Report corruption is becoming more prevalent, impacting the enterprises ability to survive and growth in Zambia, while the high levels of crime are affecting all business (Turton, 2012). Small businesses are a big target for crime. Whatever the actual loss is, its effect is staggering. Small businesses often lack the sophistication to identify early on the illegal actions of employees or professional thieves and the processes to prevent the fraud. When a company has a small asset base, a loss from theft can be crippling blow and can

threaten its very existence (Scarborough, et al., 2009). According to Corruption Watch, small businesses ability to grow and become job creating, and the chances of success are limited because small businesses pay more than twice as much of their earnings as larger companies. This has been particularly in developing economies and around the world. Corruption negates a company's growth because it takes up part of the SME's resources which could otherwise have been used to grow and expand activities and operations (Corruption Watch, 2013). Gaviria (2002) argued that SMEs do not have the influence and the bargaining power to contest requests for unofficial payments. The problems with regulatory compliance and bureaucracy are the reason why SMEs engage in corruption.

In Zambia, the growth of SMEs and prevalence of SMEs is considerably low (Herrington, et al. 2008). The economic growth and development of SME sector in Zambia continues to be affected by various challenging factors. Study by the Global Entrepreneurship Monitor (GEM) Reports (2001-2010), Growth rates of small businesses in Zambia are low. According to the statistics, over 75% of SMEs in Zambia fail (Lusaka chambers of commerce, 2016). The Zambian SME development policy (2008) explains that, SMEs in retail sector face unique problems including heavy cost of compliance resulting from their size, insufficient working premises and limited access to finance. Business training, marketing, technology development and information are among the factors.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The research use descriptive and pure non-experimental methodology. This is due to the fact that the research was in a natural and uncontrolled environment of Mbala District of Zambia. Descriptive involved the logical collection and presentation of Data. In order to give a clear picture of the situation. The use of descriptive study was employed in order to provide an accurate representative picture of the situation. Further, this study attempted to answer questions such as; why, how, what and where? The research will adopt this methodology so that the findings would be generalized.

3.2 Study Area

The study was conducted in Mbala District. Mbala is a district located in the northern part of Zambia whose people are into full time farming and running of businesses. The Mambwe of Mbala are by nature business oriented people and hence much of the economic activities are in trade and farming.

3.3 Target Population

The population comprised all people from selected areas who are active in businesses. This comprised shop owners, managers and marketers.

3.4 Sample

The study sample population consisted of 100 Participants who provided information pertaining to the research. The sample size was determined by a formula as follows.

$$n = \frac{N}{1 + N(e)^2}$$

Where **n** is the designed sample

N is the known population

e is the precision set at 0.10

$$n = \frac{100}{1 + 100(0.10)^2}$$

$$n = \frac{100}{1 + 100(0.01)}$$
$$n = \frac{100}{1}$$
$$n = 100$$
$$n = 100$$

3.5 Sampling Technique

Simple random selection as it provided equal opportunity of selection for each element in the population. Lottery method was used to select the participants. Alongside purposive sampling was also employed to select the participants.

3.6 Data Collection.

In order to collect necessary information for the study triangulation method of data collection was used. This involved asking oral questions based on the questionnaire that was constructed. The data collection included a self-administered questionnaire that consisted of both open ended and closed ended questions that was used to collect relevant data related to set research objectives.

3.6.1. Self-administered questionnaire.

A self-administered questionnaire was used to the literate respondents and administered questionnaire was used to semi- illiterate. Hence, structured and semi-structured interviews was used. Semi structured interviews was used with the help of interview guide in some instances.

3.6.2. Focus Group Discussions

A focus group was used to collect qualitative data in which a group of people was asked about their perceptions on the removal of fuel subsidies and how this can affect the performance of businesses.

3.7 Data Analysis

The data was analyzed using Statistical Package for Social Science (SPSS 24.0) to show the factors hindering the growth SMEs in retail sector. Bar charts and pie charts was preferred to graphs during data analysis to explain the findings.

3.8 Ethical Considerations

The researcher ensured courtesy and that the rights of participants were respected. As such, he avoided getting into personal or unrelated issues, but only collect data related to study objectives. The respondents was assured of the confidentiality that the information given was used only for the purpose of the study and only went on after their consent.

CHAPTER FOUR

RESEARCH FINDINGS

SECTION A:

4.0 BACKGROUND CHARACTERISTICS

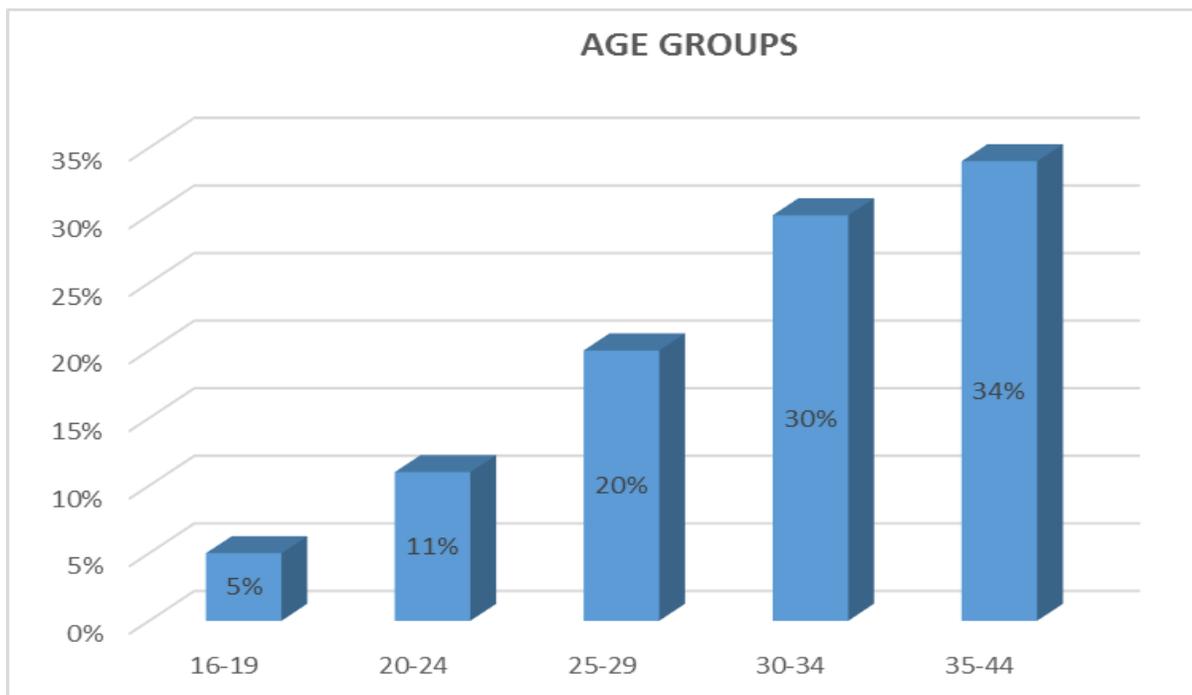
A total of 100 respondents participated in this study. This chapter looks at some selected background characteristics of respondents that were likely to influence their responses and views.

4.1 AGE GROUP

The age of respondents play an essential role in any study as it influences respondent's views, responses and perceptions.

Figure 1.0, shows the percentage distribution of respondents by age group. It illustrates that 5% of the respondents were aged 16-19, 11% of the respondents were aged 20-24, while 20% of the respondents were aged 25-29. The age group 30-34 comprised of 30% of the respondents, while the 35-39, 40-44 constituted 34% of the respondents respectively. It is evident however that, the age group the 35-44 (34%) had the highest number of the respondents.

Figure 1.0: Percentage distribution of respondents by age group.



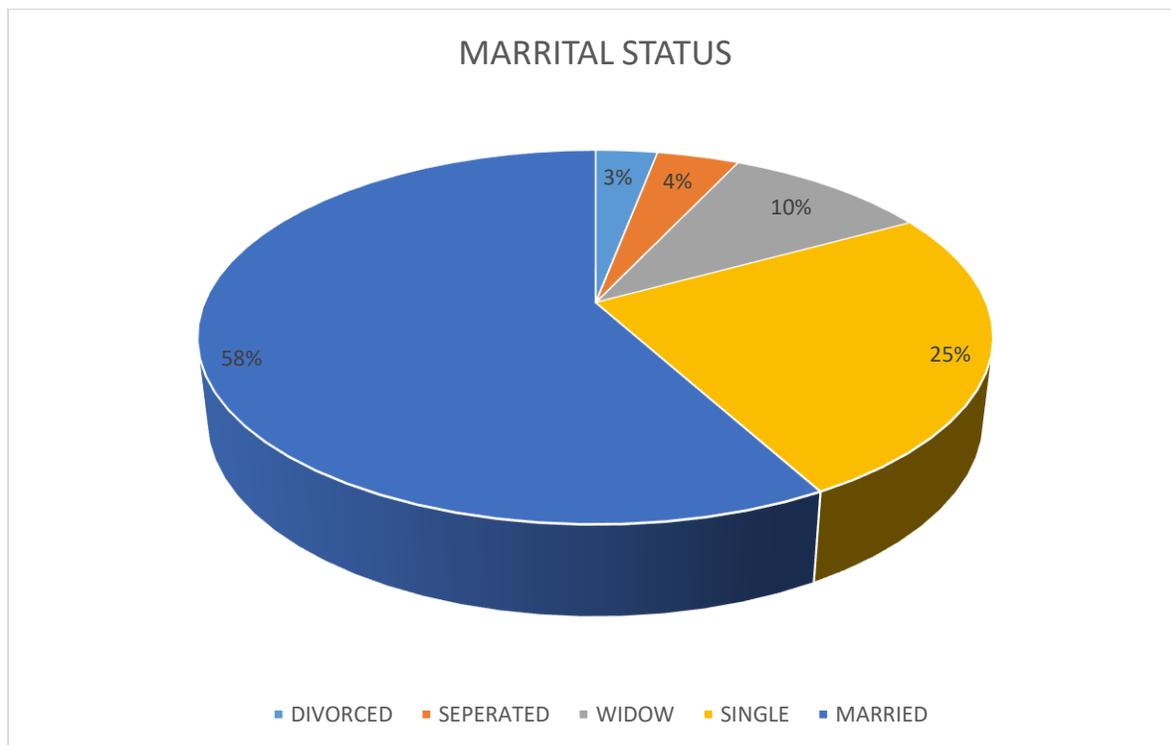
SOURCE; Field data 2017.

4.2 MARITAL STATUS

The marital status of respondents is also important in research, as it shows the relationships and commitments they have as they relate to their business.

Figure 2.0 below, depicts the marital status of the respondents with 25% representing single respondents, 58.0% constituting those who were married, 3.0% divorced and 4.0% represented the separated respondents. The widowed respondents show only 10%. The figure shows that, the married respondents were the majority with 58.0% as compared to the widowed on 10%.

Figure 2.0: Percentage distribution of respondents by Marital Status



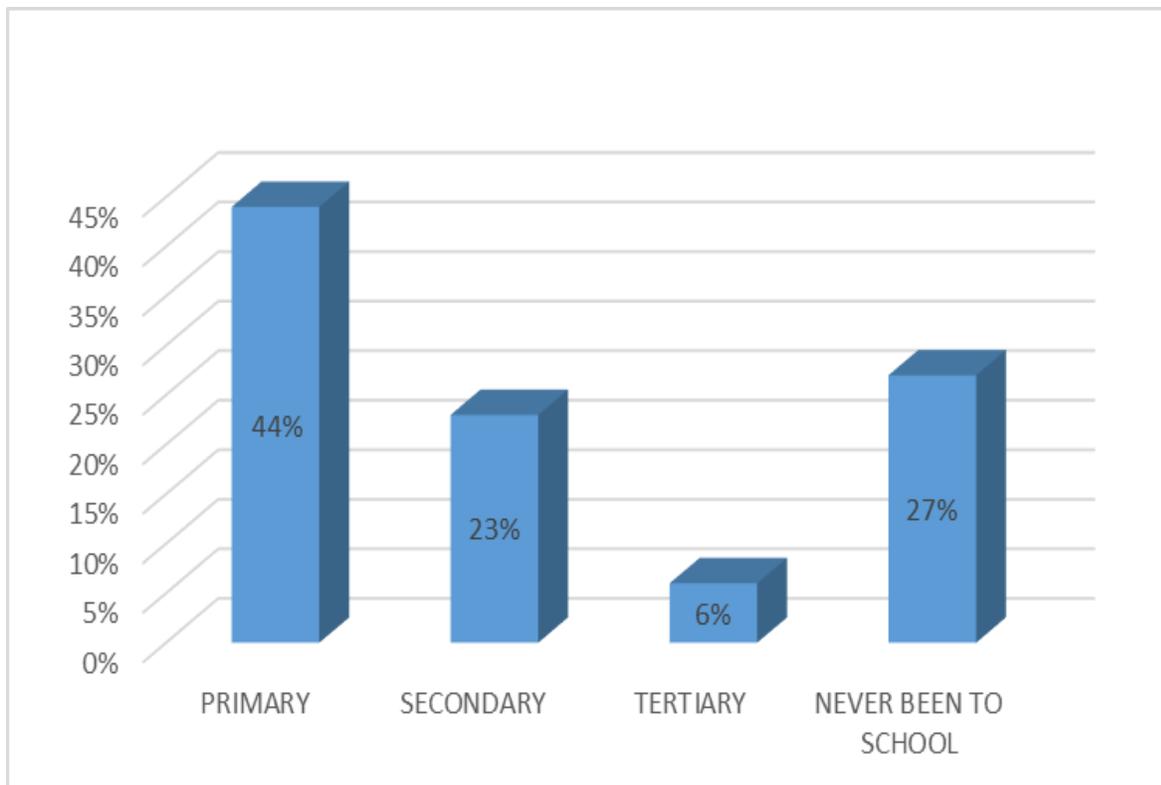
SOURCE; (field data 2017).

4.3 Educational Level

The Educational levels of respondents play a cardinal role in any research study. It influences the respondent's perception, views and actions on many issues.

Figure 4.0 below demonstrates that, of the 100 respondents, 27% have never been to school while 44% have attended primary Education. The respondents who have been to secondary school represented 23% and those who attained tertiary institutions were represented by 6%. The figure clearly shows that the majority (44%) of the respondents have attained primary Education while 6% of the respondents who had attained tertiary school.

Figure 3.0: Percentage distribution of respondents by Educational level

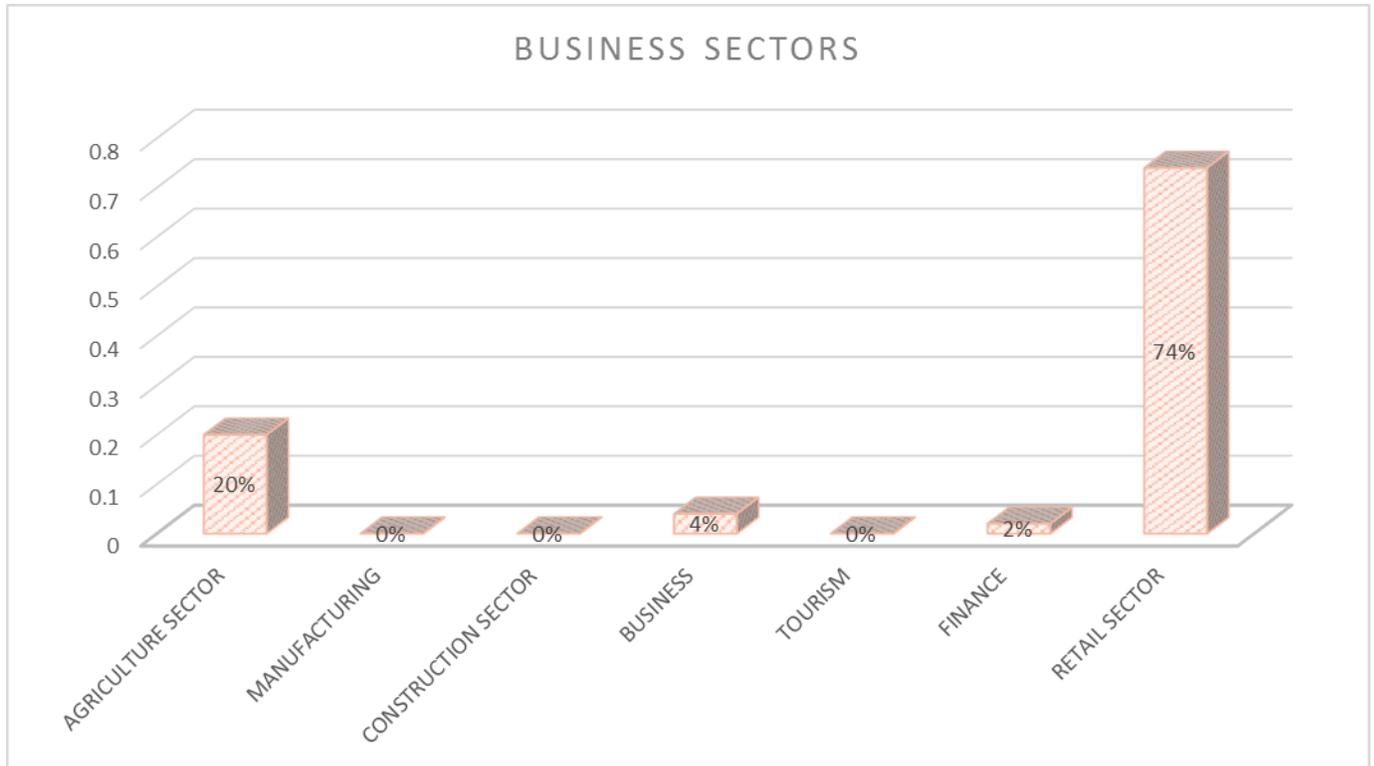


SOURCE: (Field data 2017)

4.4 BUSINESS SECTORS

The SMEs which took part in this study were from different sector and where represented as follows, in the table below.

Figure 4.0: Percentage distribution Business sector and number of respondents.

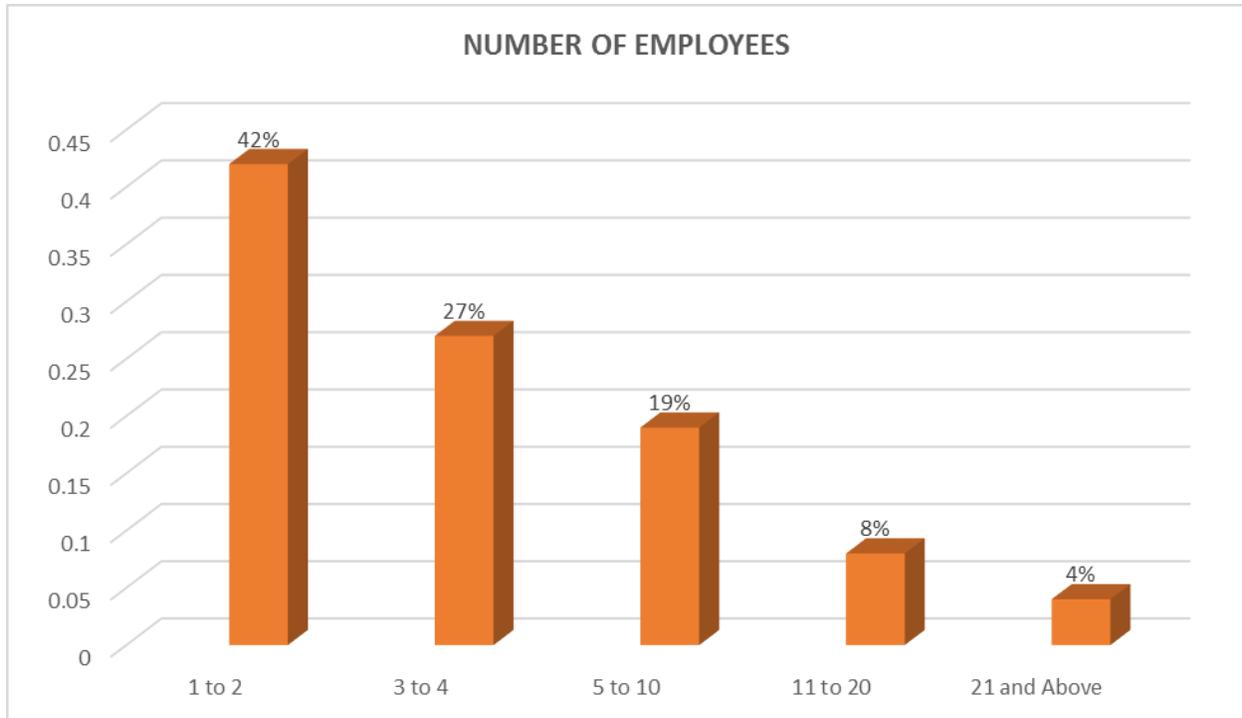


SOURCE :(Field data 2017)

4.5 EMPLOYMENT STATUS.

The figure below shows the number respondents by employment status in SMEs.

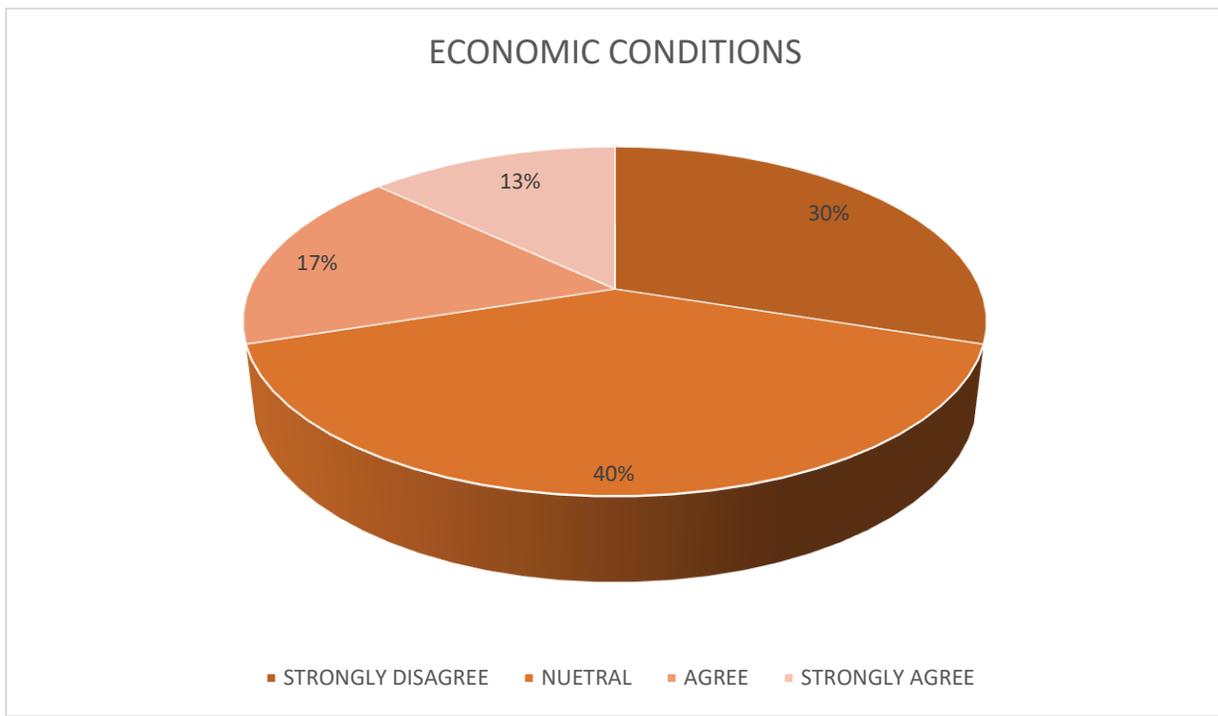
Figure 5.0 Percentage of respondents by Employment Status.



SOURCE :(Field Data 2017)

SECTION B: BUSINESS ENVIRONMENTS

The following percentage distribution represent responses from participants, 30% of respondents said that they strongly disagree that the current economic condition in which the business is operating in is very good while 40% respondents, 17% those who agree that the economic conditions is very good and 13% represents those strongly agreed that the economic condition is very good.



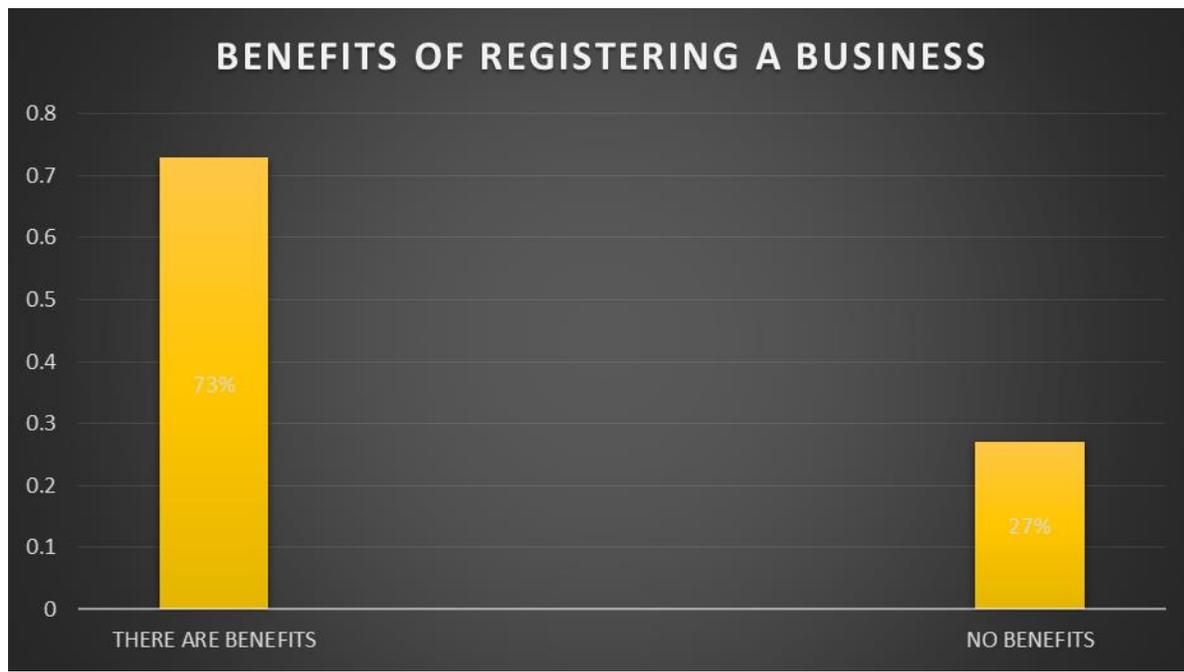
SOURCE: (Field data 2017)

The figure below shows percentage distribution of which 69% of respondents indicated that their business were not registered with legal authority (PACRA) while 31% are those who said their business are fully registered.



SOURCE: (Field data 2017)

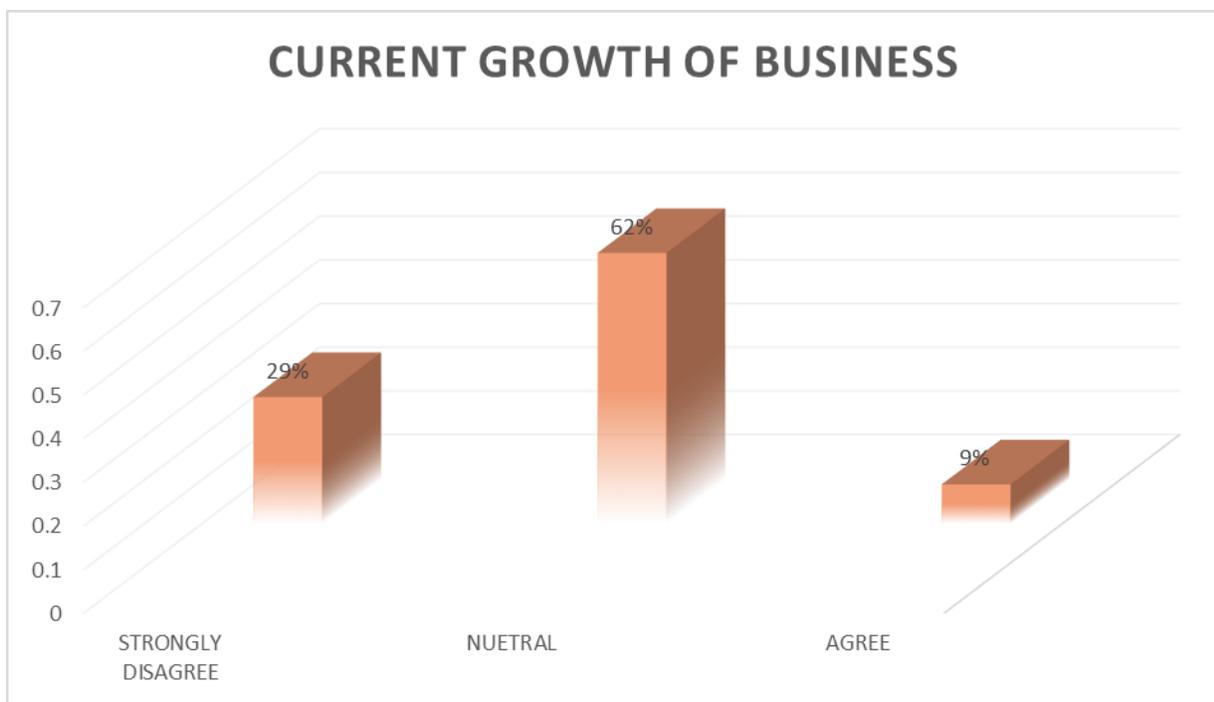
The figure below shows the number of respondents and percentages on those with views, 73% do not see the benefits of registering their while 27% represents who indicated that they see a lot of benefits of registering a business.



SOURCE: (Field data 2017)

SECTION C: CHALLENGES TO THE GROWTH OF THE BUSINESS

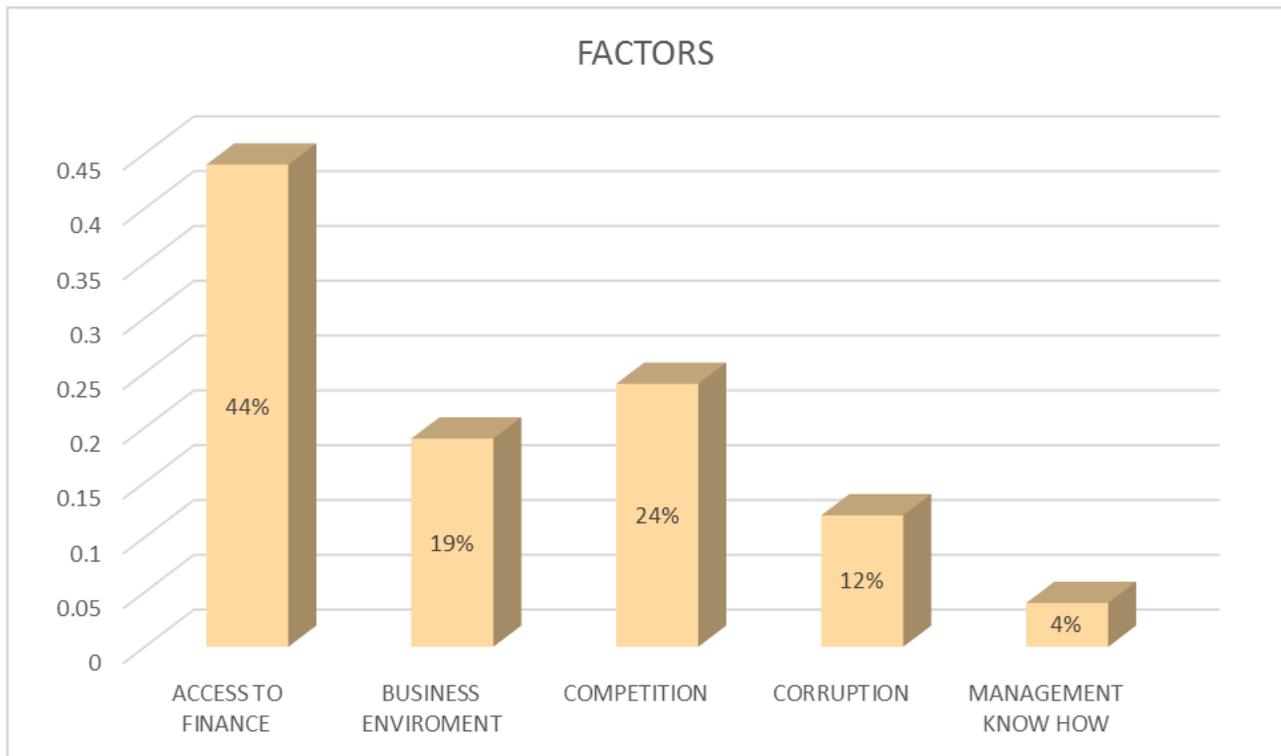
The following percentage distribution represent responses from participants, 29% of respondents said that they strongly disagree that current growth of the business towards business goals is very good while 62% respondents are neutral, 29% those who agree that the current growth conditions is very good, and 9% represents those strongly agreed that the current growth condition is very good.



SOURCE: (Field data 2017)

The figure below shows that 44% of the respondents said that access to finance was a factor inhibiting the growth SMEs in retail sector, 19% represents those who indicated that business environment where they operating pose a challenge in expanding their businesses, 24% also indicated that competition is a factor that is contributing to their inability to grow their businesses, 12% represents the state in terms of corruptions which consequently affecting their business transactions and lastly 4 % represents the managerial skills also respondents their lack managerial skills to handle the business operations effectively.

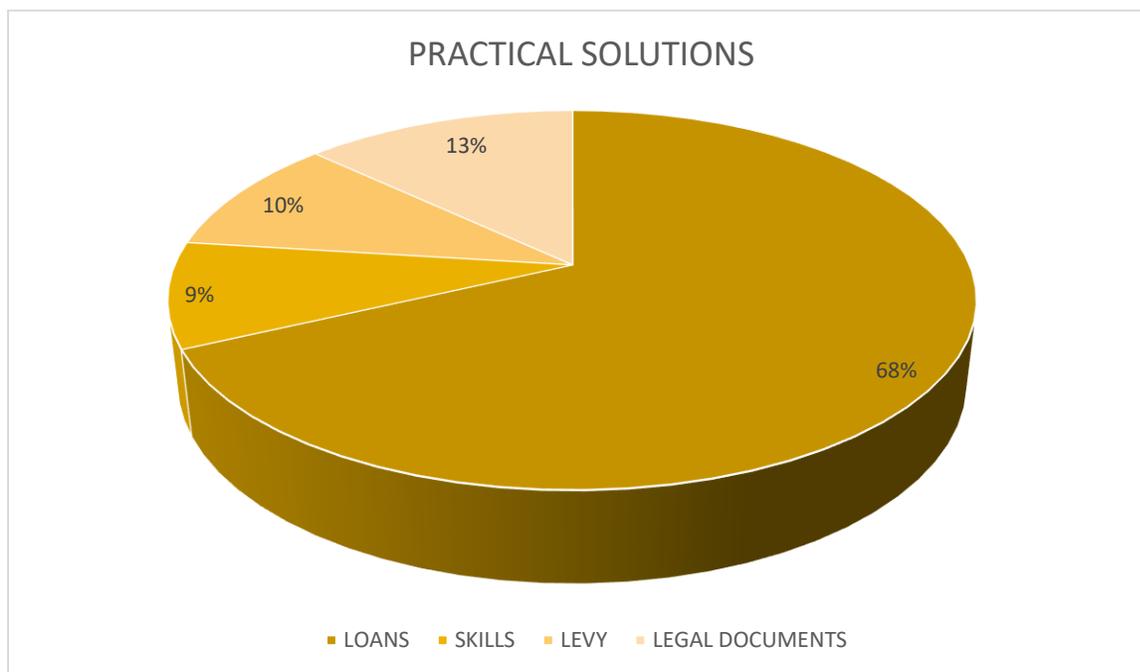
Figure 5.0 Percentage of respondents on factors affecting the growth of SMEs.



SOURCE: (Field data 2017)

SECTION D. PRACTICAL SOLUTIONS

The figure below shows that 68% of the respondents said that the government should help them with soft loan which they can pay in instalments in order boost their businesses, 9% represents those who indicated that skills in business management was important in order to manage their businesses, 10% also indicated that business levy should be made affordable, 13 % represented those who said that government help SMEs to acquire legal documents for their businesses as this them access credit facilities.



SOURCE: (Field data 2017)

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This research study was conducted to assess the factors that affect the growth of the Small and Medium enterprises in the retail sector in Mbala district. The study also intended to analyze the environment in which the SMEs operate. The significant of this study is to provide optimal understanding to existing, new or potential entrepreneurs of SMEs in the retail sector about the factors which can adversely affect business growth, with the aim of reducing the risk of failure and increase chances of success. This is to ensure that their business continue to grow and ultimately help to support the development of economy in Zambia.

Finally, there are a number of factors that affect Small and Medium Enterprises (SME) in Zambia, particularly those in Mbala retail sector. In an attempt to find out the factors that affect the growth of small and medium enterprises the most, the study found out that resources and finance, managerial, competition and corruption are the most significant factors which adversely affect the growth of SMEs in retail sector.

The study found out that some SMEs in retail sector are not registered with the local Government and legal authorities (PACRA). Nevertheless, it is neither easy nor difficult to register a business in Zambia. There are many advantages for a business to be registered with the PACRA. The company will have identity, get an opportunity to vie for public tenders, and open a bank account, gain access to credit facilities from the suppliers, given permit in various industries.

According to Stork (2010) Access to finance and cost of capital remains the biggest obstacle to business performance and further investment (44%). Family and friends remain the main source for business loans in the informal and/or micro business sector. The results of this study also supports prior researches by Ramsden(2010) and Stork (2010) as it concluded that access to financing remains one of the biggest factors affecting SMEs growth. This isn't surprising as many of the individuals who are interested in starting small or medium size business generally don't have access to large amounts of personal savings or assets which they can easily liquidate. This means that often times entrepreneurs interested in starting a SME or to expand their business need to go to financiers (such as Banks.) or find equity investors to buy equity or a stake in the business. On the other hand, it is very difficult for Small and Medium enterprises to get access to credit or

financially facilities, because of the requirements and principles of the financial institutions which are collateral, extensive businesses plan, standard financial statements as well as a proven track record of repaying their debts. These are things which most SMEs have no access to, it is against this background that Stork (2010) and this study concluded correspondingly that family and relatives remain the reliable sources of credit for SMEs in retail sector.

Environment factors was another factor revealed by the study which also immensely affects the performance of the SMEs. Competition was also identified by the SMEs as a threat to their performance and growth. The type of competitions the SMEs got from their large competitors is beyond their control as they lack variety, purchase products on high prices and poor distribution network. There is also a high competition among the SMEs in retail sector as the lack innovative skills which enable them to add value to their products and to be different from others.

The fourth factor which was also viewed as a threat to the growth of the SMEs is corruption, upon public tender awarding, approval of various industrial permits. Discrimination, bribery, fraudulent, political affiliation and fraud is highly been exercised.

In conclusion, this study has achieved its research objectives. Theoretical framework and research design were designed to achieve the research objectives.

5.2 RECOMMENDATIONS

In order to improve the state of doing business in Zambia, the public services like registrations of company, tender awarding, various permit application must be decentralized. The management skills require a greater study, as entrepreneurs often lack the business skills required to run a business successful. As a result they often run into issues when it comes to determining whether or not their business idea is viable as well as how much or even if it is making a profit on a regular basis. Therefore financial literacy programs need to be used as a platform to undress the issues about the management of companies' finances among the existing, new or potential entrepreneurs of SMEs in retail sector. It should also be introduced in primary schools in order to form a strong foundation of financial management at the tender age, because primary and secondary school drop outs are the one who establish SMEs the most, for survival purposes. Financial institutions should provide adequate information regarding the accessibility to credit and finance to the existing, new or potential entrepreneurs.

SMEs should always be in contact with the Zambian Chamber of Commerce for business advice, such as training in conducting business, and for any business related questions that may be encountered.

SMEs should also find other ways to diversify their business and invest in marketing researches in order to avoid competitions. The SMEs feel not protect by the government upon foreign competition, therefore the government should limit the foreign business to engage in some small business activities which could be meant for local enterprises only unless a joint venture between

WORK PLAN

#	TASKS TO BE PERFORMED	RESPONSIBLE PERSON	DATES	TIME REQUIRED
1.	Background	Researcher	30/03/2017 - 6/04/2017	
2.	Literature Review	Researcher	7/04/2017-14/04/2017	1 week
3.	Finalizing Research Proposal	Researcher	15/04/2017-30/04/2017	1 week
4.	Clearance from relevant authority	Researcher	8/07/2017-16/07/2017	1 week
5.	Pilot study	Researcher	17/07/2017-30/07/2017	2 weeks
6.	Data collection	Researcher	1/08/2017-15/08/2017	4weeks
8.	Data Analysis	Researcher	16/08/2017-15/09/2017	4 weeks
9.	Report Writing	Researcher	16/09/2017-30/09/2017	2Weeks
10.	Draft Report	Researcher	1/10/2017-15/10/2017	2 weeks
11.	Finalizing Report	Researcher	16/10/2017-30/10/2017	2 weeks
12.	Dissemination of findings	Researcher	1/11/2017-16/11/2017	2 weeks

BUDGET

NO.	DESCRIPTION	QUANTITY	UNIT COST	TOTAL
1	STATIONARY			
	A4 Ream of Paper	2	K 65.00	K 130.00
	Pens	5	K 2.00	K 10.00
	Pencils	10	1.00n	K 10.00
	Erasers	4	4.00n	K 16.00
	Correction fluid	1	K 20.00	K 20.00
	SUB-TOTAL			K 186.00
2	SECRETARIAL SERVICES			
	Typing	70 Pages	K 2.00	K 140.00
	Printing	140 Pages	K2.00	K 280.00
	Photocopying	500 Pages	0.50n	K 125. 00
	Binding	2 Copies	K 10.00	K 20.00
	SUB-TOTAL			K 545.00
3	Transport costs	10	K 50	K 500.00
4	Lunch allowance	60	K 10	K 600.00
5	Ethical committee approval	1	K 1000	K 1000
	SUB TOTAL			K 2100.00
	TOTAL			K2,831.00
4	Contingency (10% of Total cost)			K 283.5
	GRAND TOTAL			K 3,114.7

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APPENDIX

Questionnaire

Informed Consent Form

I have read the study information sheet for “an investigation on the factors affecting the growth of SMEs in retail sector in Mbala District, “ or it has been read to me , and I understand the purpose of the study , procedures and potential risks .I understand that my participation is voluntary , and I can withdraw from the study at any time . I have had the opportunity to ask questions and any questions I had have been answered to my satisfaction.

I give my consent to participate in this study.

Name of study participant (print).....

Signature (or thumb print)..... Date.....

Name of witness (print).....

Signature..... Date.....

SECTION A: BACKGROUND CHARACTERISTICS

SN	Questions and Filters	Coding Category	Code
Q1	Sex	1. Male 2. Female	
Q2	Age group	1. 16- 20 years 2. 21-30 years 3. 31- 40 years 4. 41-50 years 5. 51-60 years	
Q3	What is your marital status?	1. Single 2. Married 3. Separated 4. Divorced 5. Widowed	

		6. Others specify	
Q4	What is the level of education	1. Primary 2. Secondary 3. Tertiary 4. Others specify	
Q5	How many school going children/dependants do you have	1. None 2. One 3. Two 4. Three 5. Four and above	
Q7	In which of the following sectors does your business trade in?	1. Agriculture 2. Manufacturing 3. Construction, Mining 4. Business Services 5. Tourism & Leisure 6. Finance 7. Retail sector	
Q8	Please indicate the legal status of your business. Is your business registered with local authorities?	1. Yes 2. No	
	How many employee do you have?	a. 1-2 b. 3-4 c. 5-10 d. 11-20 e. 21 and above.	

SECTION B: BUSINESS ENVIRONMENTS

Q1. Is the current economic condition very good, in which your business is operating in?

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Q8 Is your business registered with legal authority (PACRA)?

YES.....

NO.....

Q9. Do you see any benefits in business registration, where one (1) is a strongly disagree and five (5) strongly agree.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

SECTION C: CHALLENGES TO THE PERFORMANCE OF THE BUSINESS

Q1. The current performance of your business toward your business goals is very good?

Please rate it on the scale.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

Q2. Are the following factors big obstacles to your business performance?	YES	NO
Access to finance		
Business environment		
Competition		
Corruption		
Management know how		

SECTION D. PRACTICAL SOLUTIONS

What do you think should be done to overcome your business' infrastructure related challenges?

Thanks you for your cooperation