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## **A Study on Factors Affecting the Growth of Small Businesses in Malawi**

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### **ABSTRACT**

Small Businesses play a significant role in the economic development of a country, especially in developing economies. In least developed countries (LDCs), businesses play a critical part of poverty alleviation and generation of new employment opportunities to the people. The study had been developed to investigate the factors that affect the growth of Small Businesses in the country and come up with solutions to promote business growth. For this study 80 participants was drawn from successful small businesses in the central region of Malawi who were given structured questionnaire, to elicit responses. Data from the structured questionnaires were been grouped based on the research questions and analyzed descriptive statistics such as frequency and percentages. The excel package has been used to establish data association which has been used to make conclusion and general interpretation.

**Keywords:** Constraints factors, Small Business, Business growth

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### **Introduction**

Small businesses are becoming increasingly important for the creation and development of modern, dynamic and knowledge-based economy. This is because of their capacity to promote entrepreneurship and entrepreneurial skills, and because of their ability to be flexible and adapt quickly to a changing market, and to generate new jobs. They are the back bone of world economy and base of the business pyramid of the countries. The study has been conducted to investigate the factors that affect the growth of small businesses and come up with suggested practices which can promote its growth.

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### **Literature Review**

Amegashie-Viglo and Bokor (2014) study in Ghana indicated that the major constraints confronting small artisan/entrepreneurs include financial/capital (44.1%), lack of market/poor patronage (23.7%), high cost of inputs (10.2%) and lack of tools/equipment (10.2%). Also the same study revealed that low level of education, business ownership being mostly sole proprietorship, low level of technology with the majority still using traditional methods of production which resulted in low production, high cost for available raw-materials and lack of business training were constraints facing entrepreneurs in Ghana.

Mujuru (2014) found out that poor marketing and strategic skills due to low education tends to limit entrepreneurial competencies of the small-holder farmers in Zimbabwe.

Ndyali (2013) on the adaptation and barriers of e-commerce in Tanzanian, the majority (76.0%) of small businesses had not adopted the use of e-commerce. Also the study indicated that technical, legal and regulatory, lack of internet security and limited use of internet banking and web portals by small businesses are the critical barriers which inhibited the adoption of e-commerce in Tanzania.

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### **Research Methodology**

This study used deductive and inductive approaches and a descriptive survey research design where the primary data were collected using a structured questionnaire from 80 respondents in several districts in the central region of Malawi. The sample size of 80 respondents was considered in this study and used a convenience sampling to obtain responses within the sample frame from willing respondents and also their availability for the study.

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### **Analysis and Interpretation**

#### **Demographic Factor**

Descriptive statistics tools such as frequency, tables and graphs were used to analysis the data.

**Table 1: The population sample size**

Category	Frequency	Sample Proportion	Sample Sizes
Bakeries	30	20%	6
Building constructions	40	20%	8
Furniture and coffin workshops	30	20%	6
Motor Vehicle Mechanics garages	35	20%	7
Lodges & Rest houses	32	20%	7
Private Schools - primary and secondary	30	20%	6
Shops	35	20%	7
Restaurants	30	20%	6
Bottles Stores	30	20%	6
Transporters	40	20%	8
Agribusiness	32	20%	7
Welding & Fabrication	30	20%	6
<b>Total</b>	<b>394</b>	<b>20%</b>	<b>80</b>

The table shows the total population and a sample size of the 80 participants who were targeted for responses where 80 questionnaires were distributed to these small business owners.

**Table 2: Population of male and female responses**

Category	Frequency	Males	Females	Male %age	Female %age
Bakeries	30	18	12	60%	40%
Building constructions	40	29	11	72.5%	27.5%
Furniture and coffin workshops	30	25	5	83%	17%
Motor Vehicle garages	35	21	14	60%	40%
Lodges & Rest houses	32	15	17	47%	53%
Private Schools - primary and secondary	30	19	11	63%	47%
Shops	35	15	20	43%	57%
Restaurants	30	9	21	30%	70%
Bottles Stores	30	15	15	50%	50%
Transporters	40	8	32	20%	80%
Agribusiness	32	18	14	56%	44%
Welding & Fabrication	30	27	3	90%	10%
<b>Total</b>	<b>394</b>	<b>219</b>	<b>175</b>	<b>56%</b>	<b>44%</b>

The table showed that more males participated in small businesses than women and were represented by 219 males out of 394 totals represent 56% while 175 were women out of 394 totals that represent 44%.

**Table 3: Demographic profile of the respondents**

Category	Number	Percentage
<b>Gender</b>		
Male	40	56%
Female	32	44%
<b>Status Marital</b>		

Single	19	26%
Married	53	74%
<b>Age</b>		
25 years or less	4	6%
26 – 35 years	16	22%
36 – 45 years	33	46%
46 years and above	19	26%
<b>Level of Education</b>		
Degree	7	7%
Diploma	13	18%
MSCE	37	51%
Primary	17	24%
<b>No of years in operation</b>		
2 years– 5 years	51	71%
6 years – 10 years	15	21%
11 years – 15 years	6	8%
<b>Monthly Income</b>		
K100,000 or less	11	15%
K100,000 to K250,000	39	54%
K250,000 to K400,000	17	24%
K400,000 and above	5	7%

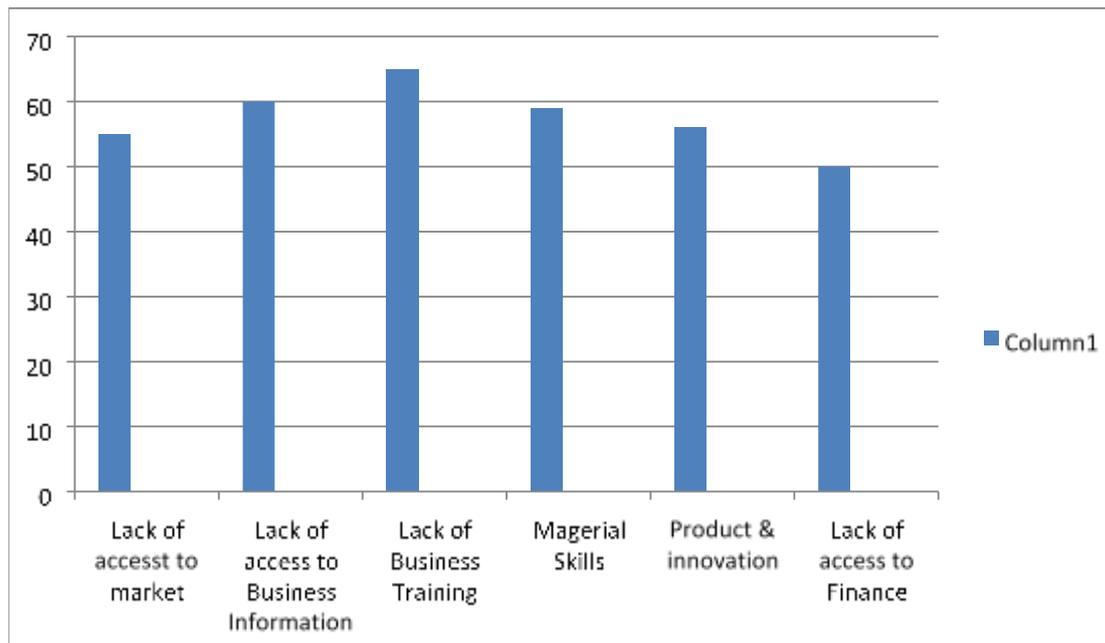
The table shows (56%) were males, (74%) were married and 46% of the respondents are in the age bracket of 36 to 45 years while (51%) are MSCE holders. A large percentage (71%) of the respondents has one to five years of working experience with their current organization.

**Table 4: Number of questionnaires issued and received from the respondents**

Category	Questionnaire issued	Questionnaire Received	Males Received	Females Received
Bakeries	6	6	4	2
Building constructions	8	6	3	3
Furniture and coffin workshops	6	6	3	3
Motor Vehicle Mechanics garages	7	5	3	2
Lodges & Rest houses	7	7	4	3
Private school-primary secondary	6	6	3	3
Shops	7	7	4	3
Restaurants	6	6	2	4
Bottles Stores	6	5	2	3
Transporters	8	6	5	1
Agribusiness	7	7	3	4
Welding & Fabrication	6	5	4	1
<b>Total</b>	<b>80</b>	<b>72</b>	<b>40</b>	<b>32</b>

The table shows that out of the 80 questionnaires circulated, 72 were returned representing about 90% of response rate, which the researcher deemed impressive considering the short time given to these respondents.

Figure 1: Major factors affecting small business growth in Malawi



The figure shows that out of 72 questionnaires 65 business owners indicated that lack of business trainings is one of the highest factors while lack of business information and networking which scored 60. Managerial skills came third by scoring 59 while as product and innovation had 56 followed by marketing skills with 55 votes as highest.

## Conclusion

Small businesses in the country plays an important role in the economic development. The study was conducted to identify factors that affect its growth in Malawi. And from the study it is known that small businesses face a lot of constraints in order to achieve its growth. The researcher classify these constraints into internal and external factors. According to the research, training of small business owners before establishing a business can assist in the small business growth in the country.

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