



A Study on an Investigation on the Factors Influencing Small Business Survival in Chipata District of Eastern Province of Zambia

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ABSTRACT

The study primarily focuses on the *Factors that influence small business survival in Chipata district of Zambia*. The objectives of this study are: 1). to identify the factors that influence to small business survival in Chipata. 2)To investigate the current environment in which the small businesses in Chipata operate. 3) to recommend measures that can be put in place to address the problem factors.

The study investigates the problems through interviews, random sampling and questionnaires, observations and focused group discussion.

Through these investigative tools the study revealed that the factors that influence the survival of small business survival are as follows: lack of working capital, limited access to finance, stiff competition particularly from large organizations, power interruption, insecurity, debt collection, heavy cost of compliance, insufficient working places, high cost of doing business, technology development and lack of innovation.

The study recommends that the government through the Ministry of SMEs, and other key stake holders should intervene through provision mitigating measures such as facilitating flexible loans acquisition, addressing load shedding, reduce the cost of doing business, build more market places, regulate competition platform and increase access to technology.

1.0 INTRODUCTION

Small businesses in Zambia 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. These businesses in Zambia and across the globe still meet many challenges, despite their importance and contribution to economic growth, small businesses globally and Zambia in particular, face many challenges that hinder their survival and growth. By engineering the survival of the small businesses in Zambia, 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 problems that hinder this dynamism, we would be ensuring that the drivers of growth are used optimally. As part of this research study, information will be obtained to investigate the factors that influence the survival in Chipata and establish the current factors that affect these businesses and subsequently, suggest the recommendations that can revamp their performance. 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.

2.0 PROBLEM STATEMENT

Small businesses in Chipata have the ability to make a meaningful decline in the high level of unemployment and contribute to the development of the local economy. Besides in curbing the high level of unemployment in the district, small businesses can be used as a means of transforming Chipata district and the country at large, by redistributing the resources, amongst the underprivileged. 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 small businesses in retail sector in Chipata may be attributed to many factors and entrepreneurial culture and other factors. 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 small businesses in retail sector in Zambia, there is need to identify the factors that influence the survival of these and address the problem.

3.0 OBJECTIVES OF STUDY

The objectives of this study are:

- 3.1). to identify the factors that influence to small business survival in Chipata.
- 3.2) To investigate the current environment in which the small businesses in Chipata operate.
- 3.3) to recommend measures that can be put in place to address the problem factors.

4.0 RESEARCH QUESTIONS

- 4.1. What are the factors that influence to small business survival in Chipata?
- 4.2. How is the current environment in which the small businesses in Chipata operate?
- 4.3. What measures can be put in place to address the problems?

5.0 SIGNIFICANCE OF THE STUDY

This study helped to inform the society particularly the small business owners in Chipata in retail sector, managers, and employees on the factors that influence survival small business 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 and entrepreneurial skills to the people who are interested in starting new SMEs by making them cognizant of the factors that would affect the growth to their businesses. The study was of benefit to the Policy makers and other stakeholders in business.

6.0 LITERATURE REVIEW

Business capital is the prerequisite for development, hence raising its quality and productivity is a critical factor for ensuring SMEs growth and reducing poverty levels (Msoka, 2013).

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.

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.

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 Study by the Global Entrepreneurship Monitor (GEM) Reports (2001-2010), Growth rates of small businesses in Zambia are low.

Gaskill *et al.* (2003) assert that small businesses are dependent on the owner's insight, managerial skills, training, education, and the background of the company's leader. Often, lack of these characteristics is the cause of small business' failure

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 in a better position to deal with these constrains.

In Zambia, Nuwagaba (2015) carried out research on Enterprises (SMEs) in Zambia. The main objective was to understanding the state of the SMEs sector in Zambia and how they contribute to the country's economic development. Both Primary and secondary data were collected using instruments such as: questionnaires, interviews and review of previous literature on the subject.

The research revealed that over 90 percent of SMEs operated in the informal sector and this made it difficult for the government to support the sub sector efficiently.

In Zambia a study by the Global Entrepreneurship Monitor (GEM) Reports (2001-2010), indicated that Growth rates of small businesses in Zambia are low. According to the statistics, over75% 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.

According to (Winborg and Landstrom, 2000). some small business managers tend to be restrictive when it comes to providing external financiers with detailed information about the core of the business, since they believe in one way or the other, information about their business may leak through to competitors.

7.0 METHODOLOGY

7.1 Research design

Research design is a set of logical steps taken by researcher to answer the research questions (Ngoma 2006). A descriptive research design enables the researcher to come up with the right answers to the research questions that have been designed. In this case the researcher will relate independent and dependent variable to arrive at a conclusive statement that will generalize the population under observation

7.2 Data collection

In order to collect necessary information for the study triangulation method of data collection was used.

This involves 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 will be used to collect relevant data related to set research objectives.

7.3 Self-administered questionnaire

A Self-administered questionnaire were used to the literate respondents and administered questionnaire will be used to semi- illiterate. Hence, structured and semi-structured interviews was used.

Semi structured interviews were used with the help of interview guide in some instances.

7.4 Oral Interview

Interviews were used to collect data from the respondents. In cases where respondents cannot communicate in English fluently the researcher used common language known as Chinyanja to collect accurate data.

7.5 Observations

In addition to the above, the researcher physically went in the field specifically in the trading areas where most these small businesses operate in Chipata to see for himself. For example, Kapata Trading area and Saturday Market were visited to conduct a qualitative research observation.

7.6 Focus Group Discussions:

The focused group discussions were used to access the views of minority or disadvantaged groups, such as women, or business people with disabilities.

The **secondary data** was obtained and used from reviewing journals and literature relevant to the subject matter of this research. Newspaper source and official policy document of government of Zambia with relevance to the subject were also consulted.

7.7 Study area

The study was conducted in Chipata District. Chipata is a district located in the eastern part of Zambia whose people are into full time of running of small businesses.

7.8 Target population

The population comprised all people from selected areas who are active in businesses. This comprised small shop owners, welders, saloon owners, marketeers, and bakery owners.

7.9 Sample

The study sample population consisted of 90 Participants who provided information pertaining to the research. Out of 90, 40 were women, and 50 were men.

The electronic search site:

www.google.com was employed extensively for up-to-date materials on the topic.

9.0 FINDINGS AND DISCUSSIONS

After investigations on the factors influencing the survival of small businesses in Chipata district the following are the findings:

9.1 Lack of working capital.

This one the major factor that influences negatively the survival pf small businesses in Chipata. Most of the respondents indicted that lack of capital was a challenge that has really affected their business survival.

9.2 Limited access to finance.

Limited capacity to access finances from various financial institutions such as banks, micro financial enterprises have stringent measures that restrict the small businesses to access finances to support their businesses.

9.3 Stiff competition particularly from large rival organizations.

Small businesses in Chipata face unfair trading practices with large competing business organizations that disadvantage these small businesses. In vain chances of these businesses to succeed and surviving is reduced.

9.4 Power interruption.

Power supply and loadshedding especially for welders, saloon owners and butchery owners face unbearable predicaments in conducting businesses when power not available.

9.5 Insecurity, debt collection.

Insecurity and debt collection is another challenge as small businesses face unsafe marketing places including lack of secured storage facilities and also encountering bad debtors when it comes to efficiency in collecting finances from debtors.

9.6 Heavy cost of compliance.

Strict and excessive regulatory requirements makes very difficult for most of the small businesses in complying with legal demands of doing businesses in Chipata.

9.7 Insufficient working places.

Lack of adequate working places such as shop spaces in the market, trading shelters also poses a challenge among small enterprises in Chipata.

9.8 High cost of doing business.

High cost of doing business is once another problem facing small trading entities in Chipata.

9.9 Technology development and lack of innovation.

Lack of technological exposure and innovation among the small businesses in Chipata is serious problem small enterprises face.

10.0 RECOMMENDATIONS

Constituency Development Fund (CDF). The CDF initiative by Government must continue as this is assured increased access to finance as small businesses can borrow money from this fund through the local authorities at lower interest rate.

Reduced operation cost. The government should put in place more and flexible tax incentives and simplified tax regime and regulatory requirements to help small businesses to reduce operational costs and eventually support their survival and growth.

Competition from large firms. To help level the playing field, the government should formulate sound business policies regarding fair trading practices to encourage small businesses compete favorably and succeed in all trading and marketing interventions

Reliable electricity and power. Government should continue upgrading and expanding national power grid and investing in alternative power sources such as solar in order to have stable and reliable electricity power supply.

Increased access to market.

More Investment in infrastructure improvement such as markets, roads, bridges, telecommunication and providing support for marketing and distribution efforts made by the government needs speedy improvement.

11.0 FURTHER RESEARCH

- The current study focused on factor influencing the survival of small businesses in Chipata district only. Research efforts are needed to examine these factors in all districts in Eastern Province in order to have a comparison of the findings from other districts in the province.
- Most of the studies in factors influencing small business survival in Chipata concentrated on small businesses that are in urban areas, nothing has been heard about small businesses in rural areas. Therefore, additional studies can be conducted with regard to small businesses in rural areas because factors influencing in urban areas are different from factors influencing growth and survival of small businesses in rural areas.
- There is further need to conduct research in factors influencing survival of small business specifically in agriculture and in mining as these are the main drivers of Zambian economy.
- No study has been conducted to investigate the factors that influence small businesses survival specifically run by women and youth in Chipata. Therefore, a study should be conducted in this area as women and youth are more commercially disadvantaged in the business society.

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