



Assessing the Impact of Small and Medium Enterprises (SME's) In Reducing High Unemployment Rate in Malawi: A Case of Mzuzu City in the Northern Region of Malawi

¹Joseph Dasiano Waluza, ²Dr Leena Jenefa

¹MBA Student, ²MBA M Phil Phd, Chibombo, Zambia DMI St. Eugene University, Zambia

²PG Coordinator & Senior Lecturer in The Department of Management & Commerce, St. Eugene University Zambia

ABSTRACT

This study aimed to evaluate the contribution of SME's to Malawi's growing economy and declining unemployment rate. 46 people participated in a cross-sectional survey: 20 owners of small and medium-sized businesses (SME) from the following industries: manufacturing, construction, wholesale and retail, agribusiness, transportation, and service. There were also 20 employees of SME's from various industries, and six SME stakeholders.

Respondents' information was gathered through a questionnaire. Analysis of correlation was done. The growth of SMEs in Mzuzu City, in Malawi's northern region, has a strong positive correlation with the lowering of the high unemployment rate and the creation of jobs and income.

The study discovered that the main obstacles facing Malawi's SME sector are a lack of political will, enabling legislation, management ability, inventiveness, and skills.

The study makes the following recommendations for the government of Malawi: enabling laws, political will, advocacy, capacity building, skills development, training resources, and adequate funding; these factors encourage the implementation of good workplace practices in micro-, small-, and large enterprises from individuals to groups, government, and society. The entrepreneurship development program works to strengthen entrepreneurial management skills.

KEYWORDS: *SME'S, Unemployment, correlation analysis, creativity, innovativeness and political will*

INTRODUCTION

Due to its constantly growing population, Malawi has struggled to offer jobs to its residents since gaining independence. The government had made an effort to devise policies that would increase employment, but the issue persisted. This is why several groups have been pushing for SME empowerment in order to boost the economy of the nation and help create jobs. But the significance of SME's was frequently downplayed or overlooked. As a result, it was critical to evaluate how Small and Medium Enterprises (SME's) contributed to Malawi's high unemployment rate—particularly in Mzuzu City, the country's northern region.

Mzuzu, the third-largest city in Malawi based on population, serves as the capital of the country's Northern Region.

As of 2008, Mzuzu City had 133,968 residents. Men made up around 50.2% of the population, with women making up the remaining 49.8%. With a surface area of 143.8 km², the city has a population density of 2,791 people per km² and a growth rate of 4.4 percent. Mzuzu's population is equivalent to 1% of the entire country's population. In its capacity as a regional center, the city provides services to over 1.7 million people. (MCC (2008), Mzuzu City Council Urban Socio-Economic Profile, 2008)

Mzuzu is a rapidly expanding metropolis that got its start in 1947 when the Commonwealth Development Corporation built the Tung Oil Estates there. In 1980 it became a municipality, and in 1985 it became a city. A few of the main economic pursuits in Mzuzu are farming and raising cattle. The population increase and anticipated population with an average yearly growth rate of 4.16 percent for the years 2015 and 2018. (MCC (2008), Mzuzu City Council Urban Socio-Economic Profile, 2008)

Poverty rates have been rising steadily due to a city's inadequate economic infrastructure, a weak economic foundation, and an excessive reliance on the unorganized sector for jobs. In 2007, the unemployment rate was approximately 8%, and the poverty rate was 34%. (MCC (2008), Mzuzu City Council Urban Socio-Economic Profile, 2008)

Trade, manufacturing, agriculture, and unofficial business ventures comprise Mzuzu's primary economic activities. The rapidly expanding informal sector is the main driver of Mzuzu's economy.

It has long been acknowledged that small and medium-sized businesses, or SMEs, play a dynamic role in developing nations as the engines that enable those nations to meet their economic objectives. According to estimates (Daniels, 1994; Daniels & Ngwira, 1992; Daniels & Fisseha, 1992; Fisseha, 1992; Fisseha & McPherson, 1991; Gallagher & Robson, 1995), 22% of adults in developing nations work for SMEs.

Numerous studies show that MSEs have a significant impact and contribute significantly to development. Along with providing financial support, they also significantly contribute to the advancement of entrepreneurship, the development of human resources, the reduction of poverty, and higher standards of living. The MSE sector helps with economic transition in the majority of developing nations by generating goods and services that are reasonably priced and of acceptable quality for the general public (Bekele & Muchie, 2009; Mulhern 1995).

According to Lussier & Pfeifer (2001), small businesses are widely recognized as the primary creators of jobs, innovators, and drivers of economic progress in an open economy. The Organization for Economic Cooperation and Development (1999) noted that a wide range of players and organizations, including local governments, central government departments, and economic institutions, provide the overall environment for private firms. According to Gabriellsson & Huse (2002), small and medium-sized entrepreneurial enterprises played a significant role in the 1990s for both researchers and policymakers.

LITERATURE REVIEW

A thorough grasp of the field and insight into pertinent prior research, including any emerging patterns, are typically provided via a critical assessment of the literature on the subject (Saunders & Thornhill, 2003).

In contrast, an empirical literature review procedure entails assessing earlier empirical studies in order to put a particular research question to rest.

The researcher evaluated some theoretical and empirical work on small and medium-sized enterprises (SME's) in this chapter. SME's have garnered a lot of attention in national plans, development literature, and lending programs of most development patterns. This is due to the realization that most nations ought to implement programs aimed at advancing this economic sector, as it serves as the catalyst for economic growth in all economies, particularly in emerging nations like Malawi.

The focus is now shifting towards the development of Small and Medium Enterprises (SME's) in order to create jobs and reduce unemployment rates, increase productivity, increase purchasing power, and raise the standard of living of their people in order to achieve economic growth and development. Several development programs and projects have been launched in many developing countries.

RESEARCH METHODOLOGY

According to Cooper and Schindler (2001), a research design is a blue print for fulfilling objectives and answering research questions. It outlines what the investigator will do from writing hypotheses and their operational implications to the final analysis of data. It also expresses both the structure of the research problem and the plan of the investigation used to obtain empirical evidence on relations of the problem.

The structuring of the conditions for data collection and analysis in a way that tries to combine relevance to the study purpose with economy in technique is known as research design (Kothari, 2015).

In order to comprehend the relationship between the dependent and independent variables and quantify the strength of association between variables, the researcher used an explanatory research design.

For the purpose of conducting this study and producing richer, more comprehensive data, both qualitative and quantitative approaches were used. According to (Saunders et al., 2019) mixing qualitative and quantitative approaches gives the potential to cover each method's weaknesses with strengths from the other method.

On the qualitative part, the researcher shall make use of interviews and observations. Interviews will be conducted with the informants directing towards understanding their perspectives on their everyday life experience with knowledge of impact of SME'S in reducing high unemployment rate in Mzuzu city. The key informants include: SME'S in different sectors of economy i.e. Agribusiness, wholesaling & retailing, manufacturing & construction, service and transport, SME'S Employees and SME'S stakeholders who will be interviewed on one to one basis in order to collect personal information, attitudes, perceptions and their after-focus group interviews entrepreneurs shall also be used to have in depth understanding of perception, beliefs, attitudes from multiple point of view.

RESULTS AND DISCUSSIONS

Descriptive Statistics Analysis

Table 1.1 Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percentage	Valid Percentage	Cumulative
Highest Education Qualifications of Respondents					
	<i>Primary School certificate</i>	5	10.8	10.8	10.8
	<i>Junior certificate of education</i>	13	28.2	28.2	39
	<i>Malawi school certificate of education</i>	13	28.2	28.2	67.2
	<i>Diploma</i>	7	15.2	15.2	82.5
	<i>Bachelor's degree</i>	5	10.8	10.8	93.5
	<i>Master's Degree</i>	3	6.5	6.5	100
	TOTAL	46	100	100	100

The educational backgrounds of the respondents are shown in the table 1.1, it showed that 10.8% of respondents had completed Primary school and 56.4% of respondents had completed secondary school. In addition, diploma and degree holders made up 15.2% and 17.3% of the respondents respectively. This demonstrates that the majority of SME'S owners, Employees and stakeholders are educated.

According to the table 1.1, out of 46 respondents, 25 representing 54% are male while 21 representing 46% are females. This shows that men make up a large portion of SME'S. In this regard, women should be encouraged to take on management roles in SME'S.

Table 4.1.1 also showed that 48% of respondents are aged between 18 and 29. This group is quite significant proportion. This implies that SME'S entrepreneurs are young and energetic and therefore with adequate financial and skill training support, the sector could improve its contribution towards the GDP as well as the economic development of the country.

This age group comprises of fresh graduates or school leavers who opted for entrepreneurship and also employing others hence contributing to reduction of high employment rate and increase of economy to individuals and the nation at large.

Respondents who were both 30-45years and 45 years and above old came next representing 32% and 45% respectively. We can conclude that MSE'S in Mzuzu City are run by young people because the majority of their owners and managers are young people from the results.

Table 1.2 Number of Employees Per SME'S Firm

Number of Employees	Frequency	Percentage	Valid percentage	Cumulative
1-4	12	60	60	60
5-20	7	35	35	95
21-100	1	5	5	100
TOTAL	20	100	100	100

source: Own survey 2024

In the survey 60% of the SME'S Firms interviewed employed people between 1 and 4. This is shown in Table 1.2 above. This might be as a result of a low capital investment made by the entrepreneur.

From the data 35% of the SM'S employees' people between 5 and 20 and 5% of SME'S also employees between 21 and 100.

Table 1.3 SME'S Annual Profits

<i>SME'S /Annual Revenue Turnover</i>	<i>Agribusiness</i>		<i>Manufacturing& Construction</i>		<i>Service & Transport</i>		<i>Wholesaling & retailing</i>	
	<i>Freq.</i>	<i>Percentage</i>	<i>Freq.</i>	<i>percentage</i>	<i>Freq.</i>	<i>Percentage</i>	<i>Freq.</i>	<i>Percentage</i>
1-120,000.00	-	-	-	-	-	-	-	-
120,0001-4,000,000.00	3	60	1	20	2	60	3	60
4,000,000.00 and above	2	40	4	80	3	40	2	40
TOTAL	5	100%	5	100%	5	100%	5	100%

The aforementioned table displays the SME'S profits at the end of 2023 financial period. In the agribusiness sector, 60% of SME'S reported profits between 120,000.01 and 4,000,000.00 and 40% reported profits greater than k 4,000,000.00

In the manufacturing & construction sector, 20% of SME'S reported profits between 120,000.01 and 4,000,000.00 and 80% reported profits greater than k 4,000,000.00.

In the service & Transport sector, 60% of SME'S reported profits between 120,000.01 and 4,000,000.00 and 40% reported profits greater than k 4,000,000.00.

In the wholesaling& Retailing sector, 60% of SME'S reported profits between 120,000.01 and 4,000,000.00 and 40% reported profits greater than k 4,000,000.00.

MAJOR FINDINGS

The results of these research show a significant correlation between the activities of SMEs and the decline in the high unemployment and economic growth rates. Because more labor resources would be needed to sustain an increase in production, which will strengthen Malawi's economy, the high unemployment rate in the country will consequently drop as small and medium-sized enterprises (SME's) expand.

However, as small and medium-sized enterprises' (SME's) activities decline, Malawi's unemployment rate rises as well since fewer labor would be needed to generate the same amount of output, which will weaken the country's economy.

Therefore, since small and medium-sized firms (SME's) require more human capital, Malawi can address the issue of high unemployment by incorporating the idea of SME's into both short- and long-term plans. Additionally, since increased productivity is linked to lower unemployment, the Malawian government should invest more in the development of human capital to provide people the skills they need to be more productive.

SUGGESTIONS AND RECOMMENDATIONS

The researcher would like to offer the following recommendations and suggestions for strengthening small and medium-sized enterprises (SME's) in order to address the issues of Malawi's high unemployment rate and raise the country's economic standing through the creation of jobs and wealth. These recommendations are based on the analysis and findings of the research.

The Malawian government should support the entrepreneurship development program, which aims to improve entrepreneurial management abilities through supportive legislation, political will, lobbying, capacity building, skill development, training materials, and sufficient money.

Provide incentives that promote entrepreneurship. As examples show, having access to consistent and dependable funding sources is crucial for the growth and sustainability of entrepreneurship as well as for creating an environment that supports the funding of new projects. encouraging the training of technicians and lecturers through grants, scholarships, sponsorship, mentoring, and partnerships with domestic and foreign organizations and agencies in order to advance their careers.

Reduce the disparity in information between financial institutions and SMEs. Financial institutions would be far more inclined to lend to SMEs if they established credit bureaus and developed an information disclosure regime based on straightforward and uncomplicated accounting norms. Give research and development (R&D) a high priority in order to foster innovation, creativity, and trendiness, among other things. allowing the Entrepreneurship Development Fund (EDFund) to receive at least 25% of the national budget for programs promoting entrepreneurship and skill development (Usanga, 2014).

Increasing student preparedness for entrepreneurship by include entrepreneurship education in the curriculum and providing assistance to entrepreneurship-focused colleges and faculties in the higher education system.

Establish an atmosphere that is supportive of entrepreneurship and innovation: lowering entrance barriers to the market will undoubtedly encourage entrepreneurship.

CONCLUSION

This study concentrated on the impact of small and medium enterprise in reducing high unemployment rate in Malawi. The study employed a correlation analysis of collected data SPSS (Statistical Package for the Social Sciences) was used for the analysis of collected data. Here relationship between the independent variable (SME'S) and dependent variable (reduction of high unemployment rate and increase in economy) were estimated. It was found that the reduction of high unemployment rate and increase of economy through job and wealth creation has a short run and long-run relationship with the increase of SME'S activities in the economy of Malawi. This simply implies that to reduce high unemployment rate and increase the economic level, much attention should be paid to the development of good policies for SME'S development in Malawi.

REFERENCES

1. Microfinance strategies: *Ministry of Trade and Industry, Malawi Government.*
2. CHETAMA JC, DZANJA J, GONDWE S & MALIRO D. 2016. *The Role of Microfinance on Growth of Small Scale Agribusiness in Malawi: A Case of Lilongwe District. Journal of Agricultural Science* 8(6):84-93.
3. Usanga. Udeme J. (2014) *Wealth Creation: A Paper Presented at a Seminar on the 21st Century Youth and Wealth Creation organized by Christ's Ambassadors Outreach (CASOR), Ishiagu, Ebonyi State at the Federal College of Agriculture, Ishiagu, Ebonyi State Podium on Saturday, 3rd May 2014.*
4. Finscope (2019). *SMALL AND MEDIUM ENTERPRISES survey, Malawi. Finmark Trust.*
5. Mark Saunders, Phillip Lewi& Adrian Thornhill (2003): *Research Methods for Business Students, Fourth Edition: www.pearsoned.co.uk.*
6. Morgan, Gareth and Smirch, Linda (1980), 'The Case of qualitative Research,' *Academy of Management Review, Vol.5pp491-500*
7. *International Labour Organization Report 2015: Work for the Youth in Malawi, [https://www.ilo.org > documents > wcms_432661](https://www.ilo.org/documents/wcms_432661).*
8. Examining the Effectiveness of Entrepreneurship Policy Implementation in Malawi: *Journal of Contemporary Management* Volume 16 Issue: <https://www.researchgate.net/publication/338273404>.
9. *Small and Medium Enterprises Development Institute of Malawi: [http:// www.smedi.org.mw](http://www.smedi.org.mw). Malawi Confederation of chambers of commerce and industry(MCCCI): <http://www.mccci.org>.*
10. International Labour Organization (2017), *Employment impact assessments: A review of methodologies. www.ilo.org/publns.*
11. Ministry of Labour (2020): *Job Creation Survey.*
12. Factors Influencing Unemployment Rate: A Comparison Among Five Asean Countries: *Journal of Economic Education JEE* 9 ,1) 2020: 37-45.
13. Globalization and Technological Innovation: *Journal, Rahman Olanrewaju Raji, Canterbury International High School, Lekki- Ajah, Lagos, Nigeria.*
14. Strategies for developing, promoting and sustaining entrepreneurship growth in akwa ibom state Nigeria, Usanga, Udeme J and Sampson, Edikan A: *Agricultural Extension and Management/Entrepreneurship Development, Federal College of Agriculture, P. M. B. 7008, Ishiagu, Nigeria.*
15. The Role of Small and Medium Enterprises (SMEs) in Employment Generation and Economic Growth: A Study of Marble Industry in Emerging Economy: *International Journal of Financial Research , Vol. 10, No. 6; 2019.*
16. Contributions of Small & Medium Enterprises to Economic Developments in Sub-Saharan Africa: *International Journal of Academic Accounting, Finance & Management Research (JAAFMR) ISSN: 2643-976X Vol. 4, Issue 3, March – 2020, Pages: 63-78.*
17. SME'S in sustainable development: Their role in poverty reduction and employment generation in sub-Saharan Africa: *African Journal of Science Technology Innovation and Development* 12(3)DOI:[10.1080/20421338.2019.1656428](https://doi.org/10.1080/20421338.2019.1656428).
18. The Impact of Small and Medium Enterprises (SMEs) on Economic Growth and Job Creation in Somalia: *İktisat Politikası Araştırmaları Dergisi - Journal of Economic Policy Researches Cilt/Volume: 8, Sayı/Issue: 1, 2021 E-ISSN: 2148-3876.*
19. Entrepreneurship as a Potential Solution to High Unemployment: A Systematic Review of Growing Research and Lessons For Ghana: *International Journal of Entrepreneurship and Business Innovation* 5(2):26-41, DOI:[10.52589/IJEBI-NNERQORP](https://doi.org/10.52589/IJEBI-NNERQORP)

-
20. Journal of Development and Communication Studies, Vol. 6. No. 1, January - June 2019 ISSN (Online & Print): 2305-7432. <http://www.devcomsjournalmw.org>
 21. Results of a Nation-wide Survey on small and medium enterprises in Malawi', GEMINI Technical Report No 53. PACT Publications, New York. -----& Fisseha (1992),
 22. Liedholm, Carl, and Mead, C. Donald. (1999). Small Enterprises and Economic Development: The Dynamics of micro and small enterprises, Rutledge Studies in Development Economics, Volume26, Number 1. January1999. New York
 23. Journal of Small Business Management, Vol.36 No.1 PP 44-59. Karwowska M.A & Mrozinska E (1993), 'Policy Support for SMEs in Poland',
 24. 'Financial Integration and Development in Sub-Saharan Africa: A Study of Informal Finance in Ghana' ODI Working Paper No. 76 ----- (1996),`
 25. International Small Business Journal, Vol. 12 No. 1. Keeble D, Bryson J & Wood P (1992), The Rise and The Role of Small Service Firms in The United Kingdom',
 26. International Business Journal Vol. 11(1) PP 11-22. Knight M (1998), 'Developing Countries and The Global Financial Markets', World Development, Vol. 26 No. 7 PP 1165-1368