



To Analyze The Underlying Factors Undermining The Desired Performance Of Small And Medium Enterprises (Smes): A Case Study Of Three Selected General Dealers In Chilubi District Of Northern Province

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Abstract – Small and Medium Enterprises (SMEs) play a vital role in Zambia's socio-economic development by contributing to employment creation, income generation, and poverty reduction. Despite their significance, SMEs in Chilubi District—particularly general dealers—continue to face a myriad of challenges that hinder their optimal performance. This study investigates the core factors that negatively impact SME performance in Chilubi District by focusing on three selected general dealers. Through qualitative interviews and field observations, the research identifies financial constraints, lack of business management skills, poor infrastructure, limited market access, and policy inadequacies as central issues. The study concludes with recommendations aimed at enhancing SME growth in rural regions.

Keywords – Small and Medium Enterprises (SMEs), SME performance, Rural entrepreneurship, General dealers, Chilubi District.

I. INTRODUCTION

Small and Medium Enterprises (SMEs) are globally recognized as catalysts for economic development. In Zambia, SMEs constitute over 70% of private sector enterprises and provide employment to a substantial portion of the population. However, SMEs in remote areas such as Chilubi District in Northern Province struggle to achieve the desired performance levels due to various socio-economic and operational challenges.

The aim of this research is to analyze the underlying factors undermining SME performance by focusing on three selected general dealers in Chilubi District. The study seeks to answer the following key question: What factors contribute to the underperformance of SMEs in Chilubi District, and how can they be mitigated?

II. LITERATURE REVIEW

SMEs are generally defined as businesses with less than 100 employees and relatively low capital investments. Several scholars agree that SMEs face common challenges globally, especially in developing countries.

Financial Constraints: According to Tambunan (2009), lack of access to finance is one of the primary obstacles to SME development in Africa. Most rural SMEs cannot access loans due to lack of collateral and poor credit history.

- **Management and Technical Skills:** Storey (1994) emphasizes that many SME owners lack formal business training, leading to poor planning, record-keeping, and marketing strategies.

- **Infrastructure:** A study by World Bank (2019) highlights that poor road networks, unreliable electricity, and limited communication infrastructure hinder SME productivity, especially in rural regions.
- **Market Access:** SMEs in remote areas often struggle to access broader markets due to geographic isolation, resulting in reduced sales and limited growth potential.
- **Policy and Regulatory Environment:** Mazzarol et al. (1999) argue that unclear regulatory frameworks and lack of supportive government policies further marginalize SMEs in developing countries.

III. METHODOLOGY

This study employed a qualitative case study design. Three general dealers in Chilubi District were selected using purposive sampling to represent the SME population in the area. Data collection methods included:

- In-depth interviews with business owners
- Participant observation
- Review of business records (where available)

Thematic analysis was used to categorize responses and identify common patterns across the three businesses.

IV. FINDINGS AND DISCUSSION

Financial Limitations

All three general dealers cited lack of access to affordable finance as a major barrier. Loan application processes were seen as tedious and biased toward urban entrepreneurs. One respondent said, “Banks ask for things



we don't have like audited books and buildings as collateral.”

Poor Managerial Skills

Two of the businesses had no formal record-keeping systems, and owners lacked training in inventory management, marketing, and customer service. This gap results in poor financial decisions and limited strategic planning.

Inadequate Infrastructure

Transportation challenges due to poor road conditions affect stock availability. Frequent power outages also reduce operational hours. This is consistent with literature citing infrastructure as a growth impediment for rural SMEs.

Limited Market Access

The remote location limits customer diversity and sales volumes. These SMEs mostly rely on local residents with low purchasing power, limiting revenue and scalability.

Unfavorable Policy Environment

Participants reported that existing policies favor larger businesses in urban centers. Additionally, licensing fees and taxes were seen as too high for small businesses in low-income communities.

V. CONCLUSION

This study revealed several intertwined factors undermining the performance of SMEs in Chilubi District. Financial barriers, lack of business skills, infrastructural deficits, limited market access, and unsupportive policies collectively contribute to the underperformance of general dealers in the district.

Recommendations

- **Financial Support:** Establish rural-based microfinance schemes tailored to SMEs with flexible collateral requirements.
- **Capacity Building:** Conduct regular workshops on business management and financial literacy.
- **Infrastructure Investment:** Government and private sector partnerships should prioritize road and power infrastructure in rural areas.
- **Market Linkages:** Create platforms that connect rural SMEs to urban and digital markets.
- **Policy Reform:** Design SME-friendly policies that offer tax breaks and subsidies to businesses in remote regions.

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