Nasilele T. Lisulo, 2026, 14:6
ISSN (Online): 2348-4098
ISSN (Print): 2395-4752

International Journal of Science, Engineering and Technology
An Open Access Journal

Factors Affecting the Growth of Small and Medium-Sized Enterprises (Smes): A Case Study of Three Selected Enterprises in Kasama District, Northern Province, Zambia

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Abstract- Small and medium-sized enterprises (SMEs) play an important role in employment creation, wealth generation and innovation. Despite their contribution to economic development, many SMEs experience challenges that limit their performance, survival and expansion. This study examined the factors affecting the growth of SMEs in Kasama District, Northern Province, Zambia, with particular reference to Wazima General Dealers, Nkolelela General Dealers and Kajera General Dealers. The study adopted a descriptive research design. The target population comprised 100 SMEs licensed by the Patents and Companies Registration Agency (PACRA) in Kasama in 2024, while the stated sample consisted of 50 respondents. The sample included wholesalers, general dealers, a district commissioner, civil society representatives, business community representatives, underperforming entrepreneurs and high-performing traders. Questionnaires were used to collect data, which were analysed quantitatively and qualitatively; the quantitative analysis was reported to have used the Statistical Package for the Social Sciences (SPSS). The study identified access to finance and the availability of managerial skills and experience as the principal socio-economic factors affecting SME growth in Kasama. Other factors included access to business information, infrastructure, and government policies and regulations. The study recommends improved access to appropriate finance, practical business and financial management training, better access to business information, and a supportive policy environment for SMEs.

Keywords- Small and medium-sized enterprises; SME growth; access to finance; financial literacy; managerial skills; Kasama District; Zambia.

I. INTRODUCTION

Small and medium-sized enterprises are important contributors to economic activity through employment creation, wealth generation and innovation. Their ability to grow is influenced by the economic, institutional and business environments in which they operate. These conditions vary across countries and regions. Consequently, policies and support measures that are effective in one setting may not necessarily produce the same results in another.

In Sub-Saharan Africa, SMEs operate within diverse policy and regulatory environments and face different levels of access to infrastructure, finance, technology and markets. The conditions surrounding these enterprises can influence their ability to establish themselves, remain operational and expand. It is therefore important to understand the local factors that shape SME performance when developing interventions to support enterprise growth.

This study focuses on SMEs in Kasama District, Northern Province, Zambia. It considers three selected enterprises: Wazima General Dealers, Nkolelela General Dealers and Kajera General Dealers. The study is concerned with the challenges that affect the growth of these and other SMEs in the district, particularly access to finance, managerial capacity, business information, infrastructure, and government policy and regulation.

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1. Aim and focus of the study

The aim of the study was to establish the factors affecting the growth of small and medium-sized enterprises in Kasama District. The study particularly considered financial and managerial constraints, access to business information and infrastructure, and the influence of government policies and regulations.

2. Significance of the study

Understanding the factors that constrain SME growth can assist entrepreneurs, financial institutions, government agencies and development partners in identifying areas where support is needed. The findings may inform the design of business training, financing arrangements and information services intended to improve the performance and growth prospects of SMEs in Kasama District.

II. LITERATURE REVIEW

1. SMEs in the Zambian context

The study's review of the Zambian context draws attention to the need to understand the conditions in which local SMEs operate. Nuwagaba (2015) examined the state of the SME sector in Zambia and its contribution to national economic development. The reviewed study used primary and secondary information, including questionnaires, interviews and existing literature. It was described as exploratory and qualitative, with tabulation used in analysing information. The present study identifies a local research need by focusing on SMEs in Kasama District.

Deressa (2014), as discussed in the source document, examined access to finance for micro, small and medium enterprises in Zambia. The purpose was to consider the demand for and supply of financial services to the SME sector and the potential to strengthen relationships between banks and SMEs. This area is relevant because the availability and suitability of financial services can influence an enterprise's ability to maintain operations and expand.

2. Access to finance and business capital

Access to business capital is an important condition for enterprise development. Msoka (2013) is cited in the source document in relation to the role of capital in improving quality and productivity. However, the availability of finance does not always mean that SMEs can obtain loans of a size or duration suitable for expansion. Stevenson and St-Onge (2015) are cited as observing that microfinance loan sizes may be too small to support business growth.

The source document also notes that SMEs may struggle to secure finance for innovation and expansion, even when they have business plans, because lenders may regard new ventures as risky. Limited collateral, low capitalisation and inadequate accounting records can make it difficult for financial institutions to assess the creditworthiness of potential borrowers. These constraints may limit investment, innovation and the ability of SMEs to enter new markets.

3. Financial literacy

Financial literacy among SME owners and managers is important for the effective management of business resources. The source document refers to the Financial Sector Deepening report (2009), which identifies financial capacity as an important component in expanding SME finance. Training in financial literacy can help business owners understand financial products, maintain records and make informed decisions. However, the source also notes that providing such capacity-building support can involve costs for microfinance institutions, which may affect the affordability and sustainability of training programmes.

4. Managerial skills and business information

Managerial knowledge and experience influence how entrepreneurs plan, organise and control their business activities. Inadequate management skills can affect investment decisions, record keeping and the ability to identify opportunities. Access to reliable business information is also important because entrepreneurs need information to make decisions about markets, customers, finance and business operations. The study identifies both managerial capacity and business information as

factors associated with SME growth in Kasama District.

5. Infrastructure and government policy

Infrastructure and the regulatory environment form part of the wider conditions in which SMEs operate. Limitations in infrastructure can increase operating difficulties, while government policies and regulations can either support or constrain business establishment and expansion. The source document refers to the World Bank Doing Business Indicators (2015) when discussing the business environment in Zambia and the challenges involved in establishing businesses.

III. RESEARCH METHODOLOGY

1. Research design

The study employed a descriptive research design to examine factors affecting the growth of SMEs in Kasama District. This design was used to describe the challenges and conditions experienced by the enterprises and respondents included in the study.

2. Target population and sample

The target population was reported as 100 SMEs licensed by the Patents and Companies Registration Agency (PACRA) in Kasama in 2024. The stated sample size was 50 respondents. The sample composition provided in the source document was: 8 wholesalers, 16 general dealers, 1 district commissioner, 4 civil society officials, 5 business community representatives, 5 underperforming entrepreneurs and 11 high-performing traders.

3. Data collection

Questionnaires were used as the data collection instrument. The source document identifies Wazima General Dealers, Nkolelela General Dealers and Kajera General Dealers as the three selected enterprises that form the case-study focus.

4. Data analysis

The collected data were coded, quantified and analysed using quantitative and qualitative approaches. Quantitative data were reported to have been analysed using the Statistical Package for the Social Sciences (SPSS). The source document does not provide the specific statistical tests, response rates, questionnaire items or detailed output tables; these should be added from the original research records before formal journal submission.

IV. FINDINGS AND DISCUSSION

The study identified access to finance and the availability of managerial skills and experience as the principal socio-economic factors affecting the growth of businesses in Kasama District. It also identified access to business information, infrastructure, and government policies and regulations as additional factors affecting SME growth.

1. Access to finance

The study reported that many SMEs preferred to rely on personal savings and contributions from relatives because obtaining finance from commercial banks was difficult. The challenges identified included strict lending requirements, collateral demands and high repayment costs. These constraints may restrict the amount of capital available for working operations and business expansion. The study therefore highlights the importance of financing arrangements that reflect the circumstances and repayment capacity of SMEs.

2. Managerial skills and experience

The study identified managerial skills and experience as key factors influencing business growth. The availability of these skills can support better planning, financial management and investment decisions. Where business owners lack relevant management knowledge, they may find it difficult to identify opportunities and use available resources effectively.

3. Access to business information

The study reported a scarcity of business information in Kasama District. Limited access to information can make it difficult for entrepreneurs to identify business opportunities, understand available support services and make informed operational decisions. The study therefore points to a role for government agencies, banks and other development

partners in providing accessible business information and practical learning opportunities.

4. Infrastructure, policy and regulation

Infrastructure and government policy and regulation were also identified as factors affecting SME growth. The study indicates that the policy and regulatory environment can influence business development and access to finance. A supportive environment is therefore important for enterprises seeking to sustain their operations and expand.

V. CONCLUSION

The study sought to establish the factors affecting the growth of SMEs in Kasama District. It concludes that access to finance and the availability of managerial skills and experience are the principal socio-economic factors affecting business growth in the district. Other important factors identified were access to business information, infrastructure, and government policies and regulations. These findings underline the need for coordinated support that addresses both the financial and non-financial needs of SMEs.

Recommendations

Improve access to business information

The Government of the Republic of Zambia should work with the Zambia Development Agency and other relevant institutions to organise seminars, workshops and practical business training for SMEs in Kasama District. Banks, savings and credit organisations, and other development partners should also support the provision of relevant business information.

Improve access to finance

Commercial banks and other financial institutions should consider financing arrangements that are accessible and appropriate for SMEs. In particular, lending products and procedures should take account of the challenges SMEs face in meeting collateral requirements and managing repayment costs, while maintaining responsible lending practices.

Strengthen managerial and financial management skills

Government and relevant business-support institutions should provide basic business management and financial management training. Such training should help entrepreneurs make informed investment decisions, improve business practices and recognise available business opportunities.

Create a supportive policy and regulatory environment

Government should continue reviewing policies and regulations that affect SME establishment, financing and expansion. Policies that reduce unnecessary barriers and improve the business environment can help SMEs operate and grow.

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