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Master of Business Administration (Finance)**

Impact of Covid 19 on the operational performance of SMEs in Chipata

By

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13th April 2023

Declaration

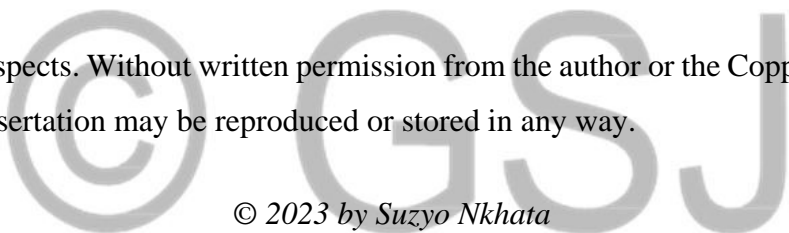
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Approval

Copperbelt University has accepted Suzyo Nkhata's dissertation as a partial fulfillment of the requirements for the Master of degree in Finance.

Sign

Date

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Abstract

This study aims to determine how COVID 19 pandemic has affected the performance of Small, and Medium-Sized Enterprises (SMEs) in Chipata City, eastern province. SMEs from various industries will be chosen through random sampling. Primary data will be gathered from SMEs through interviews and questionnaires distributed to business owners and key management personnel. The study will employ a mixed method approach. Through reviews of official documents like government policies and other relevant documents, secondary data will be gathered. Descriptive statistical tools will be used to analyze the data. The findings, conclusion, and recommendations of the research will be discussed at the conclusion.

Key words: *Small and medium enterprise (SMEs),*

Dedication

I dedicate this thesis to my family and friends who have been there for me. A special dedication goes to my father and mother who always used to encourage me to push forward in this thesis. I also dedicate this thesis to Constance Kaonga, Alice Moyo and Tabitha Mawere who kept on encouraging me to push forward during the entire program. You guys have been my best cheerleaders and the reason why I have reached this far.

Acknowledgements

I would like to express my gratitude to the participants who freely shared their stories and experiences. A special thanks goes out to Dr. Waseem John for his helpful suggestions, which greatly improved the report's content, structure, and design. Unique appreciation to Alice Moyo for assisting me with making this paper great.

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CHAPTER ONE

1. Background information

There has been an increase in the number of small medium enterprises in Chipata city in the eastern part of Zambia. According to the Zambian government's policy, a "small and medium-sized enterprise" (SME) is one that employs between 11 and 100 people and invests between K150, 000 and K300,000 (MCTI, SMEs Development Policy, November 2008).

Through employment creation, improved income for entrepreneurs, increased tax revenue for the government, and the introduction of new services, among other things, SMEs play a crucial role in the growth of an economy.

The Zambia Development Agency (ZDA) is the organization in Zambia that is in charge of supporting the growth and development of small and medium-sized enterprises (SMEs). ZDA

asserts that SMEs are significant because they facilitate the acceleration of industrialization and economic diversification, as well as the creation of wealth and employment.

According to Drucker (1985), an entrepreneur is someone who is willing to put his money and other resources at risk for a new business venture and anticipate rewards. The COVID 19 pandemic that began in China in 2019 had its breakdown. The World Health Organization (WHO, 2019) has designated this outbreak as a pandemic because it demonstrates an increasing human-to-human infection (Qiu, Rutherford, Mao, & Chu, 2017), which has resulted in over 200,000 deaths in the three months since the outbreak began (WHO, 2020).

The virus largely affected individuals and businesses globally. Numerous economies were impacted by the numerous business closures that occurred around the world. This study examines the effects of the pandemic on the performance of small and medium-sized businesses (SMEs) in Chipata Eastern province. This study will assist us in comprehending the extent of the impact on performance and the possible solutions to the issues that will be discovered. According to Walsh (2020), numerous large, medium, and small businesses are "succumbing to the effects of the coronavirus," regardless of their size. This study will shed light on the effects of the virus and how business owners have dealt with the difficulties they have encountered.

1.2 Problem statement

The COVID 19 pandemic is making it difficult for small and medium-sized businesses (SMEs) to function at the moment. Numerous previous studies contend that due to their remoteness, SMEs in less developed regions face greater obstacles than those in developed and urban areas, particularly in terms of infrastructure constraints, labour availability, and limited financial reserves. (Siemens, 2012; North & Smallbone, 2007). Because they must compete with established businesses in the same market, SMEs face numerous limitations. This research will help understand how covid has affected the performance of these small Medium Enterprises.

The emergency of quarantine orders issued to stop the spread of the coronavirus in many countries have not only caused psychological effects like depression, anxiety, and stress (Ghani, 2020), but they have also had an impact on economic activities like closing retail stores and disrupting product delivery chains (Karabag, 2020). Therefore, it is essential for business owners to be physiologically prepared and to have policies in place for things like disaster recovery plans, risk management, and even business continuity plans.

1.3 Significance of the problem

The study is significant because it will help expand our understanding of how COVID affects the performance of Chipata's small and medium-sized businesses. This study's findings will help small and medium-sized businesses (SMEs) make well-informed decisions. Additionally, it will concentrate on determining whether policies that support SMEs exist. The overview of how policymakers can develop and support SMEs in Zambia and the province should be outlined in the conclusion and recommendation.

1.4 General objective of the Study

The general objective of this study is to determine the impact of COVID 19 on the operation performance of small medium enterprises in Chipata

1.5 Research objectives

- To evaluate the challenges faced by SMEs in Chipata city due to COVID 19
- To assess the impact of the pandemic on the performance of SMEs
- To establish the measures put in place by the government to SMEs to alleviate COVID 19 impact.

1.6 Research questions

1. Has there been a direct impact on the operational performance of SMEs in Chipata city during COVID 19?
2. What has been the financial response of the SMEs towards COVID 19?
3. Are deliberate policies in place to address the COVID 19-related challenges facing the operations of SMEs?

1.7 Limitation of the study

This study has a couple of restrictions, the first being the predetermined number of respondents regarding size and creation. The other limitation is that this study was completed at SMEs premises where entrepreneurs and laborers' perspectives and feelings were gotten. Only workers in key strategic decision-making positions from various departments of SMEs were chosen for the samples to ensure that they were representative of the population.

CHAPTER TWO

LITERATURE REVIEW

2. Introduction

This section looked at the relevant research on how Covid 19 affects the performance of small and medium-sized businesses in Chipata Eastern Province. The study's specific goals were met by the reviewed literature. Based on local, regional, and global perspectives, the themes have been reviewed. Finally, a summary, personal critique, and gaps are identified.

According to the Zambian government's policy (MCTI, SMEs Development Policy, November 2008), A "small and medium-sized enterprise" (SMEs) is one that invests between K150,000 and K300,000 and has between 11 and 100 employees. Additionally, a Small Medium Enterprise (SME) is any company that is registered with the Patents and Companies Registration Agency (PACRA).

The virus was first discovered in China's Wuhan and quickly spread across the globe. Feinberg et al. (2022) say that the corona virus pandemic, also known as Covid-19, has disrupted the economy and caused a health crisis. According to Fournier et al. (2022); Feinberg et al. (2022) the COVID-19 pandemic has had a significant impact on the domestic economies of nation-states and the existence of SMEs at the global economic level. This virus has affected all sectors of the world and most of the economies have felt it. This literature will look at what the effects has been on the performance of the SMEs. According to Bularafa et al (2021) The deadly COVID-19 virus has spread to almost every country in the world at an unprecedented rate. When the virus will disappear and the infection will decrease, governments are unsure. The government's announcement of a lockdown, restriction on movement, market closure, and social distancing have also slowed the movement of goods and services, which are the SMEs' backbone and depend on for smooth daily operations.

Most economies rely heavily on small and medium-sized businesses (SMEs), particularly those in developing nations. Small and medium-sized enterprises (SMEs) make up the majority of businesses worldwide and play an important role in job creation and global economic development. According to the world bank, they account for roughly 90% of global businesses and more than 50% of employment. In emerging economies, formal SMEs account for up to 40% of GDP. They estimate that 600 million jobs will be required by 2030 to accommodate the expanding global workforce, making SME development a top priority for many governments worldwide. which support seven out of ten jobs.

According to UNDP (2020): SMEs have the highest capital, the ratio of employment and are a means of earning money for a larger segment of the population. One sustainable strategy for reducing poverty and enhancing household quality of life through the creation of wealth and jobs is the growth of small, and medium-sized enterprises (SMEs). It is widely acknowledged that SMEs contribute to employment, growth, and sustainable development. SMEs also provide protection during economic downturns.

2.1 Local Perspectives

The Micro, Small, and Medium Enterprises Development Policy (2008) states that Small, and Medium Enterprises span all of Zambia's economic sectors, serve as a breeding ground for industries, and they are one of the most prolific sources of employment and wealth creation. The Citizen Economic Empowerment Commission supported SMEs in the creation of 13,112 new jobs in 2020 (CEEC 2020 Annual Report). According to the data, the most jobs were created in Eastern Province in 2020. There is evidence to suggest that the majority of jobs were created in Zambia's rural provinces—the Eastern (3,376), Northern (1,975), and Luapula (1,277) provinces. As a result, small and medium-sized businesses (SMEs) in the eastern province are crucial to job creation and economic growth. According to UNDP 2020, This industry is responsible for 97% of Zambia's businesses, 70% of the country's GDP, and 88% of employment.

The measures taken to minimize the spread of the virus included examining the visa procedure for Zambian visitors from countries affected by Covid-19; mass testing, with no more than fifty people allowed to attend public events; Normal restaurant operations were changed to only serve takeaway, bars and entertainment venues were closed, and all international airports, with the exception of Kenneth Kaunda International Airport, were closed in order to prevent the virus from affecting more people (ZNPFI, 2020). Further to lessen the impact that the Covid-19 will have on the operations of Small and Medium Enterprises, the Zambian government provided a stimulus package for medium-term liquidity. (Business Survey, 2020).

Mwaanga et al 2021 concluded that the findings indicate that the majority of the SME's monthly revenues have decreased by more than 50%, and the SME is experiencing difficulties such as not being able to pay its employees, having a limited number of customers, and the high cost of its inputs. The author further said that the decrease in revenues caused other small SMEs to close and shut down their operations.

Hapompwe et al 2021 said The findings regarding the assistance that the government provided to SMEs in order to lessen the effects of the pandemic indicate that the government provided a stimulus package in order to assist SMEs in navigating the effects of the pandemic. However, some small and medium-sized businesses (SMEs) stated that they did not have access to such a package because they did not meet the eligibility requirements.

2.2 Regional Perspective

According to Alaye-Ogan (2012), the SMEs subsector becomes a good source of job creation, aids in the development of local technology, and provides development opportunities for indigenous entrepreneurs. Garba (2020), the small and medium-sized enterprises (SMEs) sector contributed more than 90% of all economic activities, more than 50% of all employment opportunities worldwide, and more than 40% of GDP in developing nations. Therefore, it is

important to look at how the pandemic affected the SMEs because they are the drives to the growth of the economy. Furthermore, Igwe (2020), stressed that the pandemic will bring about the worst recession in history for the global economy. It is anticipated that three channels will result in economic losses for the global economy: demand, the financial market, and the supply chain

According to Bularafa et al (2021) Lockdowns, restrictions on movement, market closures, social distance, and other effects of the pandemic have impacted the performance of small and medium-sized businesses (SMEs). The author further says that in an effort to stop the pandemic from spreading, factories, markets, and places of worship were closed, and people, goods, and services couldn't move around. According to the findings, the COVID-19 pandemic has had a significant impact on the performance and existence of Nigerian SMEs. taking into account variables like lockdown, restrictions on movement, market closure, and social distance to measure how this pandemic affects small and medium-sized businesses in Yobe State, Nigeria. The performance of small and medium-sized enterprises (SMEs) in Yobe State, Nigeria, is severely impacted by the COVID-19 pandemic, which may eventually result in the closure of some businesses as a result of a decrease in demand and supply, revenue, and the layoff of several workers.

According to Zeidy 2020, Most African businesses are dissatisfied with the way their governments have dealt with the crisis so far, and most of them want governments to delay paying taxes and give businesses money. By easing monetary conditions and allowing commercial banks to offer more loans to small and medium-sized enterprises (SMEs), central banks have stepped in to support lending in many nations. Economic aid to MSMEs has been announced by numerous African governments. reduction of the turnover tax rate for all Micro, Small, and Medium-Sized Businesses (MSMEs) from the current 3% to 1%. Beginning on April 1, 2020, the VAT will be cut from 16 percent to 14 percent. One of the main obstacles African businesses face is a "lack of

operational cash flow." The majority of businesses had not received a positive response from financial institutions to their requests for financial support.

According to the OECD scorecard (2022), SMEs account for more than 87% of all employment in South Africa and contribute more than 40% of the country's GDP. However, funding remains a challenge. Due to severe credit constraints, SMEs may be unable to invest in growth and stagnation without reliable sources of working capital.

2.3 Global Perspective

Since the World Bank predicts that 600 million jobs will be required by 2030 to accommodate the expanding global workforce, the development of small and medium-sized enterprises (SMEs) is a top priority for many governments worldwide. 7 out of 10 formal jobs in emerging markets are created by small and medium-sized enterprises (SMEs).

In 2020, there were over 140 million small and medium-sized enterprises (SMEs) and self-employed people in China. Over 60% of GDP, 50% of tax revenue, 79% of job creation, and 68% of exports are all attributed to SMEs. There were approximately 2.52 million new businesses registered in 2020, with 22 000 new businesses registered each day OECD scorecard (2022).

Due to their inability to settle their accruals during the closure, SMEs run the risk of total closure following the pandemic Schrank, et al (2013).

Therefore, The lockdown has had an impact on business and economic activities, reducing the availability of human and financial resources like workers, materials, transportation, etc (Craven, Liu, Mysore, & Wilson, 2020).

Sussanto et al 2022 The COVID-19 pandemic is causing a global economic downturn and unprecedented disruption in communities and organizations, including SMEs. The majority of commodity prices are expected to remain significantly lower throughout 2020 as a result of the COVID-19 pandemic's outbreak. According to Fournier et al. (2022); Feinberg et al. (2022) The COVID-19 pandemic has had a significant impact on the domestic economies of nation-states

and the existence of SMEs at the global economic level. Due to a lack of US dollars for their transactions, international businesses are particularly vulnerable. (Wuen and Wu, 2020).

Setyoko et al 2020 says that SMEs don't have much money, so they have to drastically cut back on spending, take on more debt, or file for bankruptcy. Policy changes must be able to limit the negative effects of bankruptcies and cut personal costs for honest failed entrepreneurs, as they can escalate dramatically. According to a report from the Organization for Economic Co-operation and Development (OECD), this pandemic has implications for the possibility of a fairly significant economic crisis. This crisis is characterized by the cessation of production activities in various nations, falling levels of public consumption, a loss of consumer confidence, and the collapse of the stock market, which ultimately results in uncertainty.

Setyoko et al 2020 Traditional retail SME businesses in Indonesia face a number of challenges as a result of the impact of related government policies to reduce the spread of the pandemic. These policies, such as social distancing, work from home, and others, have implications for the sustainability of these businesses on both the operational and financial fronts. When a company goes out of business, it's hard to keep the supply chain running smoothly, and other suppliers are also affected and can't help.

Sussanto et al 2022 It demonstrates that supply chain and reputation have been more affected by the COVID-19 pandemic than product sales and operational costs. SMEs have maintained their reputation, but their sales and income have decreased. According to the writer, the pandemic has had no effect on customer complaints of image of the SMEs. What has been affected negatively are the financial, operational, supply chain and reputation performance of the SMEs. Due to their significant contributions to the Indonesian economy's number of business units, GDP, labour absorption, exports, and investment, SMEs are among the industries hardest hit by the crisis. There has been some shortage in labour because many employees got sick and the demand for products

reduced as a result of Covid 19 restrictions. Some companies ended up closing during the initial stage.

Robert W. Fairlie in June 2020 utilized nationally representative data from April 2020 to investigate COVID 19's impact on US small businesses. He discovered that social distance was limited, and demand shifts brought on by COVID-19 are anticipated to result in the closure of numerous small businesses, though there is very little early evidence of how this will affect them. According to a 2020 study by Stavros Kalogiannidis, The supply chain was affected, and the number of businesses that were operating dropped the most. The employees' fear of contracting the disease had an effect. The industry collapsed due to global travel restrictions and bans, resulting in no sales or profits. As a result of the government's action to stop the corona virus from spreading, businesses were unable to operate in the same way as before, which slowed sales and profits. The results showed that businesses didn't have enough money to keep the lockdown going, so most of them closed.

2.4 Personal Analysis and Literature Gap Identification

In many nations around the world, small and medium-sized enterprises (SMEs) play a crucial role in economic expansion. Zambia's small and medium-sized enterprises (SMEs) account for approximately 97 percent of all businesses and contribute 70 percent of the country's gross domestic product (GDP). According to the 2008 Labor Force Survey (LFS) more than 90% of Zambians work in the informal sector. This demonstrates the significance of SMEs to Zambia's economic growth. Literature has demonstrated that many SMEs face challenges that hinder their growth and ability to effectively contribute to society, regardless of their industry.

Despite the fact that many studies on SMEs have focused on their advantages and disadvantages, more research is needed to determine how Covid 19 affected SMEs' performance in Chipata. As a result, this study is significant because it examines the impact that COVID 19 has had on the performance of small and medium-sized enterprises (SMEs) in Zambia's eastern

region. By doing so, it enables us to gain a comprehensive understanding of the issues and devise pertinent strategies for further improving performance in order to contribute to economic expansion.

My research is important because it will focus on Chipata, a city where business owners couldn't easily get help from the government and a city that shares a border with Malawi where some foreign exchange trading takes place.

2.5 Summary

This literature review has demonstrated that, regardless of whether they are formal or informal, SMEs contribute to the country's economic growth. It is impossible to overstate the significance of small and medium-sized enterprises (SMEs) in the provision of long-term economic growth through the creation of jobs, the improvement of entrepreneurial skills, and the potential to significantly boost export earnings. Despite the difficulty in financing the Zambian small and medium-sized enterprises (SMEs) sector. Doctor Gondwe (2012).

CHAPTER THREE

METHODOLOGY

3. Introduction

How the study was carried out will be clearly laid out in this chapter. The study sites will be discussed next, followed by an explanation of the study design. The study population, sample size, and sampling strategy will be provided following the study site section. In addition, the method of data analysis will be discussed. An overview of ethical considerations will serve as the chapter's conclusion.

3.1 Research Design

According to McMillan and Schumacher (1984) a research design is a pre-arranged course of how examination will be led as well as the methods used to noting the research topic. This study employed a mixed method approach because the goal was to determine how Covid 19 affects the operational performance of SMEs in Chipata City. The mixed method approach allows for the analysis of both numerical and non-numerical data by employing both qualitative and quantitative methods. This suggests that a descriptive research design was used in the study to investigate the impact of COVID 19 on SMEs' operational performance.

3.2 Type of data

This study's data came from both primary and secondary sources.

Quantitative and qualitative research methods are the two primary types. Both structured and unstructured interviews were used to gather primary data. Data collection methods like questionnaires, field studies, and interviews were used for this study due to the small number of SMEs in Chipata. In order to collect data from a variety of respondents, this study made use of questionnaires that included both closed-ended and open-ended questions. To try not to have

one-sided reactions, the plan of the survey was finished with most prominent consideration. Data from business owners was gathered through unstructured interviews, and questionnaires were distributed to managers and other key employees. The researcher read through the questions on the questionnaire and recorded the responses.

In addition, this study relied also on secondary data, there are both published and unpublished types of secondary data. Data that have been published typically can be found in a variety of government publications, including those of the central or local government, foreign governments or international organizations, trade journals, books, magazines, and newspapers, reports, and publications of various associations associated with business and industries.

3.3 Study Site

The study focused on small and medium-sized businesses in Chipata City the provincial capital of Zambia's eastern province. There are small and medium-sized businesses in the city, and many of them have representation from various industries.

3.4 Target population

Polit and Hungler (1999:37) refer to the population as the sum or total of all members, subjects, or objects that meet a set of requirements. According to Donald and Delno (2006) the populace will include an assortment of individuals, objects, cases from where tests will be gathered for deduction and estimation. Small and medium-sized businesses (SMEs) in Chipata made up the population of interest in this study.

3.5 Sampling technique

The selection of a smaller, more manageable portion of the entire population to participate in the research is known as sampling (Dawson C 2007). To collect data from all of the SMEs in Chipata town, the research employed both purposeful sampling and simple random sampling.

De Von (1984) also said that each case has the same chance of being selected for the sample in this situation. Fifty (50) SMEs were chosen in total. It was anticipated that this study will be more cost-effective than attempting to study all SMEs in the city. In addition, it was impossible to obtain data from the entire population and analyze and interpret vast amounts of data within the time constraints.

3.6 Data and analysis

The process of transforming data into useful information is known as data analysis. The researcher used both quantitative and qualitative methods to analyze the collected data with success. The data collected was analyzed in line with the quality showed through the arguments and not the quantity of respondents who had similar opinions.

While both qualitative and quantitative data was collected, computation, classification, and tabulation will be used in data processing and analysis to ensure accurate results. Descriptive statistics, such as tables and charts, will be used to present quantitative data. The qualitative data was be analyzed using qualitative methods based on the perspectives of respondents. Dawson C (2007), declares that quantitative data analysis relies heavily on validity and reliability issues.

The content and descriptive analysis methods was used to analyze the collected data because of the nature of this research. Content analysis, which provides additional insight into multifaceted models of human thought, was used to analyze qualitative data. Quantitative data was analyzed with descriptive statistical analysis and tools.

3.7 Interview method

The oral-verbal stimulus presentation and oral-verbal response method of data collection is used in interviews (Kothari 1990). Sidhu (2013) says that an interview is when the researcher talks to people in person to get information. An interview is much more than just a questionnaire because it is typically used to overcome the shortcomings of the questionnaire. In person, the subject or interviewee provides the necessary information verbally rather than in writing. The

respondents were asked structured and unstructured questions. The questions were closed and others open-ended and flexible to give people more chances to share their thoughts and experiences. The respondent was being guided by a set of predetermined questions to provide the necessary information to achieve the research goals.

3.8 Questionnaires method

A questionnaire is a type of research tool that asks a lot of questions and is used to get information from different people who answered it Mellenbergh (2009). A questionnaire with a request to respond to the questions and return the questionnaires was sent to the business owners using this method. The questionnaire had questions that had to be answered by the business owners.

According to Valenzuela (2017), one of the benefits of a questionnaire is that it can be distributed to a large number of people quickly. In addition to being inexpensive, the questionnaires, according to Stefan (2016), are a practical method of data collection. The respondents are required to respond independently, but if they encounter difficulties, they may be assisted with an explanation.

3.9 Ethical consideration

Ethical considerations are a set of values about how individuals to the researcher should conduct themselves when dealing with research participants, other scholars and partners, the users of their research and society in general. There are numerous reasons why ethical considerations are important in research, they contribute to ensuring participants are respected and safety is guaranteed. Respect for other researchers and those who will benefit from the research is also demonstrated by ethical considerations. However, it could be embarrassing to conduct research in

an unethical manner, or it could lead to the researcher's dismissal or rejection by the research community.

The following ethical considerations were implemented as a researcher for the following reasons; There is assurance that the work will be accepted by the research community and other users of the research results if ethics are taken into consideration (Bell and Bryman 2007). The researcher got educated assent from members before they participated, actually intending that, they knew precisely exact thing they were being approached to do, and what the dangers and advantages are, before they consented to participate. The participants were made aware of the researcher's identity, place of origin, and activities. In addition, the participants were informed that they would not be rewarded for participating in the study.

It was made clear to the participants that the provided data would remain anonymous; This indicates that the participant names were withheld to safeguard their identities. In addition, the information gathered was kept private. Given that this is a very sensitive group in society, a lot of care was taken.

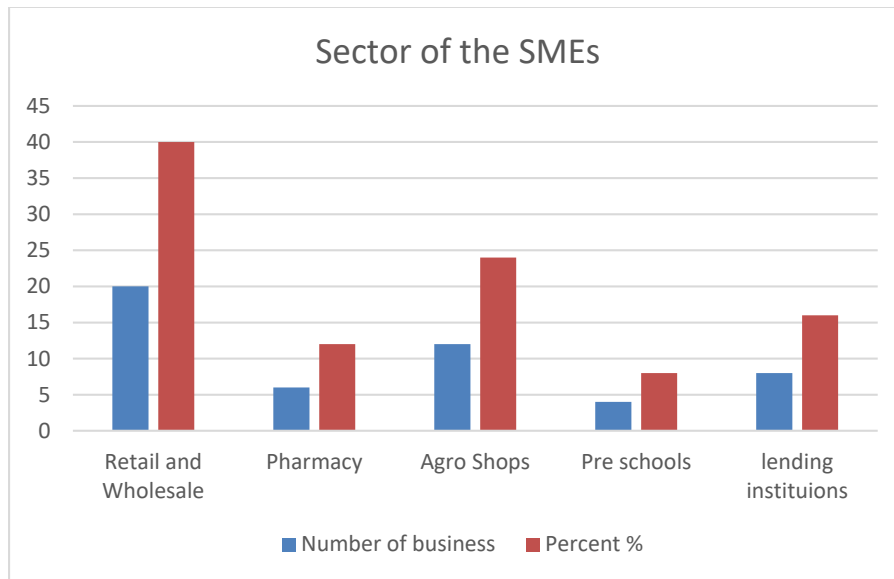
CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4. Introduction

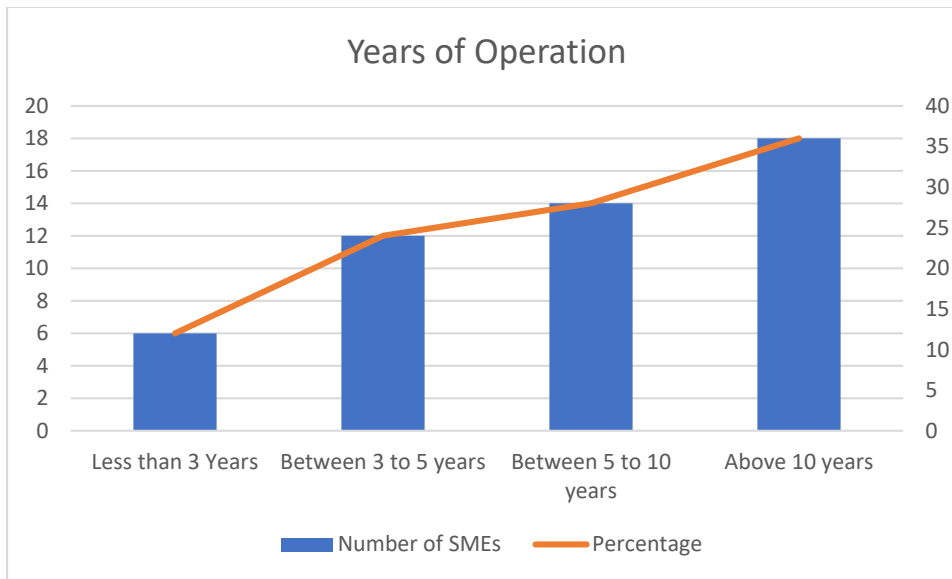
The findings of the study were presented based on considerations that were in line with the aim of this study. The findings involved looking at how COVID 19 has affected the operations of SMEs in Chipata district. The study looked at how the SMEs had been affected by COVID 19 pandemic, The pandemic had been in existence for some time and we did not know of its coming until it hit the whole world. This pandemic kept on spreading until it even reached the eastern part of Zambia and Chipata to be specific.

4.1 Business sector



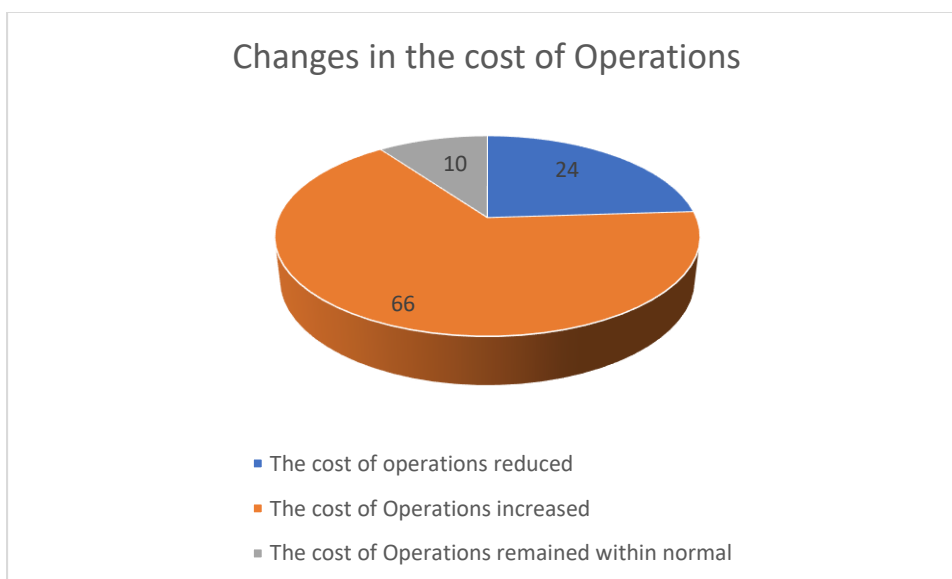
The study looked at the SMEs in different sectors of the economy so that we could have a broader understanding on how COVID 19 affected their operations differently. The study looked at 40% of the SMEs that were operating in the retail and wholesale business followed by 24% of the SMEs that were operating in the agro-business such as selling different farming inputs to the farmers. 16% of these SMEs were small lending institutions that started their operations in Chipata and have not yet become big, while 12% of these were pharmacy shops that were involved in the selling of the drugs. The lowest percent was on the pre-schools which were in the business of providing education to the young children.

4.2 Number of years in operation



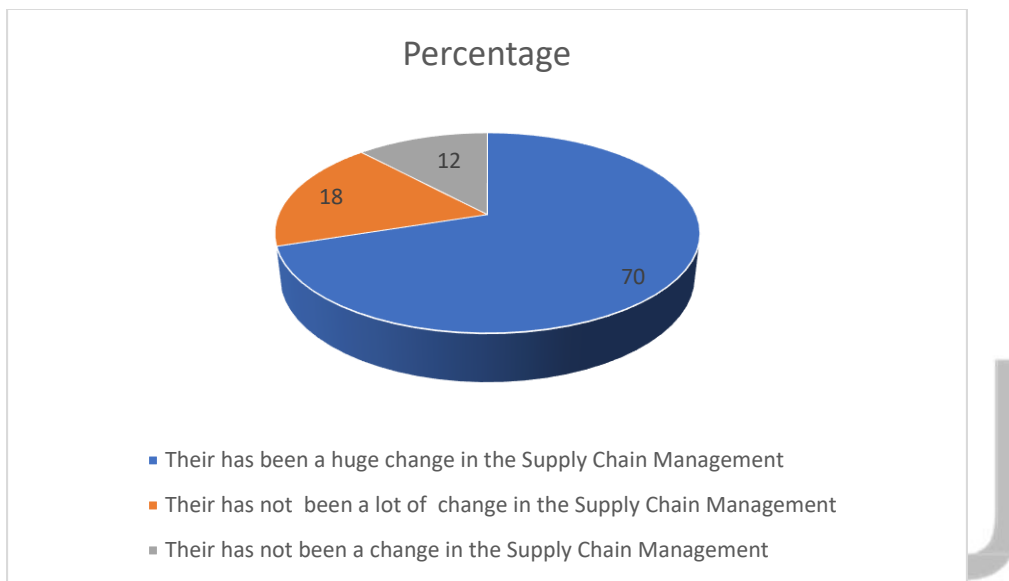
The study also looked at the duration of how these SMEs have been operating. This is key because it will help us understand on the stability of these SMEs. The results showed that 12% of these firms have been operating for less than three years, while 24% have been operating between a period of 3 to 5 years. The study looked at 28% of the firms that have been operating for a period of 5 to 10 years and the highest percentage of 36% had firms which were stable and have been in operations for a period of more than 10 years.

4.3 Impact on the cost of operations



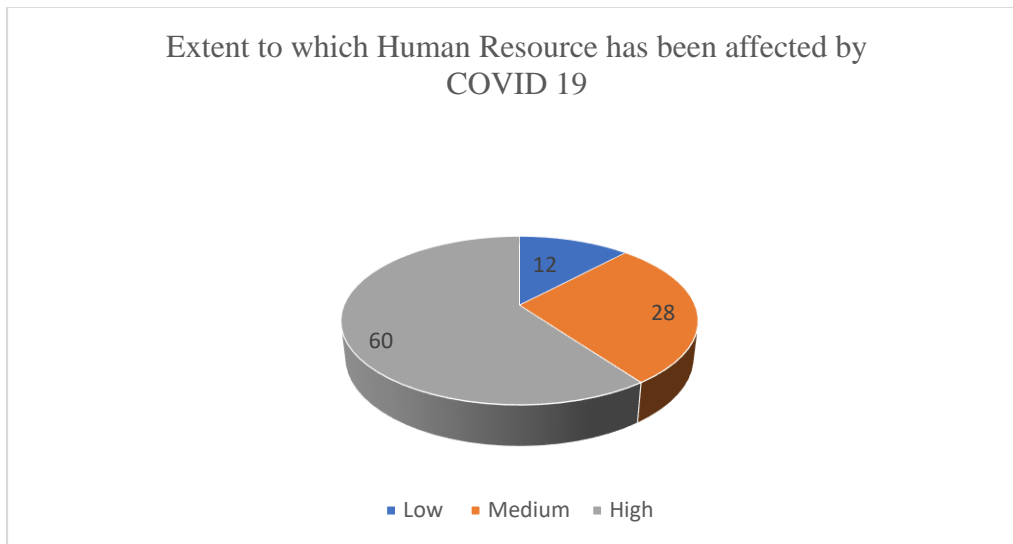
The research indicated that 66% of the firms cost of operations had changed in that there was an increase in the cost of doing business. 24% of those firms indicated that there was a reduction in the cost of operations as a result of COVID 19. The remaining 10% of the companies did not see any change in the cost of operations as they believed that everything remained the same.

4.4 Changes in the way they deal with their suppliers



The inputs of the firms normally come from the suppliers, 70% of the companies said that there was a change in the way they worked with the suppliers, while 18% said that there was no difference with the relationship that they had with the suppliers. The remaining 12% said that they didn't see any change in the way they got along with suppliers as a result of COVID 19.

4.5 Extent to which COVID 19 has affected Human Resource Capital



The pandemic came with a lot of restrictions in the way the firms operated. The results indicated that there was a 60% change in the number of employees that the companies had. There was a 28% of firms that showed that companies only adjusted a little in terms of the staffing levels while 12% of those firms said that the levels of workforce almost remained the same.

4.6 Has there been financial help from the Government to SMEs to help with operations during the pandemic

Extent	Frequency	Percent
Government has helped finance	9	18
Government has not helped finance	41	82
TOTAL	50	100

The results from the firms showed that 82% of the SMEs did not get any help from the government during the pandemic while only 18% of the SMEs got some help from government. This help had an impact on the 18% of the firms that were assisted by the government.

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5. Introduction

The discussion of this case study will concentrate on how COVID 19 has affected the operational performance of the SMEs that are found in Chipata. The impact of COVID 19 on SMEs is very important because the SMEs contribute a lot to the growth of the economy.

5.1 Business Sector

The types of firms that were looked at come from different fields and industries, the reason for this was because there was need to have a broader view of how COVID 19 has affected different industries. The highest percentage that we had was 40% from retailers and Wholesalers because Chipata shares a boarder with Malawi so most of the SMEs deal in businesses of ordering and selling staff. Eastern province is known for agriculture hence; the second highest selection came from agro-shops that deal with the selling of agriculture inputs. 16% came from small financial institution that lend money to the residents in Chipata, the other 12% came from Pharmacies that have been mushrooming at a faster rate in Chipata because of its population. The remaining 8% came from the education sector were preschools have been operating as businesses in Chipata.

This gave a good research coverage for this study as most of the sectors of the SMEs were selected.

5.2 Number of years in Operations

The number of years in which the firms have been in operation helps us to know if really these companies have been in existence for some time in order for them to really know if COVID 19 has affected them. The studies showed that 64% of the firms have been operating for more than 5 years, this gave a good presentation that the companies could really tell if COVID 19 has affected their operations or not. The 12 % represented companies that have been operating for less than three years, these are businesses that are not yet stable hence COVID 19 would have affected them

negatively. The other 24 % showed companies that have operated between three to five years, these are firms that would have recovered the cost of investment depending on the type of business that they are doing and the pricing strategies that they have undertaken.

5.3 Operations

The results from the research showed that 66% of the firms had been impacted greatly by COVID 19 resulting in an increase in the operating costs of the business. The result for this was because the pandemic brought about a lot of changes in the way that the companies are supposed to run the business. There were restrictions in the operating hours of the firms by the government and also the business had to adjust by buying certain materials that would help in the reduction of the spread of the virus.

The increase also came about because companies had to invest in some form of technology so as to help with marketing and selling their products online. The cost of returning old customers became very high because it was more difficult to retain customers during the pandemic. The cost of buying materials from suppliers became high since there were restrictions at the borders so importing goods became expensive.

The results also suggested that the cost of operations had reduced by 24% by other businesses. The reason for this was because depending on the nature of the business some firms had to allow its employees to work from home so as to cut on the rentals paid. An example would be on preschools some had to stop paying rentals for other classrooms as they would just send soft copies of work to be done to parents online. The cost of buying stationery reduced also the cost of printing staff.

The other 10% indicated that the cost of operations remained the same as they still had to do the normal routines such as ordering goods and adding a markup on the cost of production.

The other reason why the costs increased is because of the cost of holding inventories, most of these SMEs deal in selling products, they wouldn't want to miss customers because they do not have the goods in stock, the restrictions forced SMEs to buy a lot of goods unfortunately for most of them they became slow moving items. These resulted in a lot of cash being tied up in capital, this further increased the cost of operations for the SMEs.

5.4 Suppliers

The success of companies has a direct relationship with its suppliers. where the company sources its goods or raw materials is very important. Most times firms should concentrate on cutting cost in order for them to have a competitive advantage unlike just concentrating on the price. 70% of the firms said that there has been a huge change in the supply chain, this has a direct impact of the operational performance of firms. When firms change suppliers every now and then they lose the competitive advantage to negotiate prices and receive on time deliveries from its suppliers.

18% of the business indicated that there was little change in the supply chain management, this meant that the companies still had a good relation with its suppliers. The other 12% said that there was no change in the suppliers as they still maintained the same supply chain. The advantage of this is that the firms can negotiate on the prices of the goods and also benefit from bulk discounts or even make payments in advance to avoid the inconvenience that comes as a result of fluctuating exchange rates.

5.5 Human Resources

The results showed that 60% of the firms had a change in their human capital, this was because business became slow and the cost of maintaining employees was found to be high. There was a 28% change in the human resource which showed that the change was average, this was

because some firms believed that COVID 19 would end soon and they would still need those employees. They discovered that the cost of looking for new people to train would be higher so they decided to keep the staff but come to an agreement of cutting the wages. The remaining 12% of the firms kept the workers but only made a timetable for them to be rotating so that no one could lose their jobs.

The cost of firing employees can be very high because if the process is not managed well it can lead to legal issues. The employees of an organization are the key source to making profits because once trained well they can help boost the sales of the company and also manage costs well.

5.6 Government

The results showed that the government had not been very helpful during the times of the COVID 19 pandemic, therefore this affected the operations of the business as 82 % of businesses did not know that they could get help from the government. The only businesses that got help from the government through programs of the CEEC were 18%. The cost of the operations from the 18% were better compared to the 82% of business that didn't get help as some did not know about it while others found the application processes to be too involving and time consuming.

A positive step in the right direction by the government was the establishment of the citizen economic empowerment commission (CEEC) to provide business with financial assistance. However, before a person can access their finances, they must go through numerous bureaucratic steps. The majority of the funds allocated to the commission are returned to the treasury unutilized, and very few have accessed these funds. The challenge that other firms found was that they thought the empowerment programs were only meant for specific companies.

The pandemic has made small business run to the government to ask for solutions and help so that they can manage to stay in business.

5.7 Summary

From the meetings and gathered information it can additionally be cited that setting up a business and seeing it develop is certainly not a simple endeavor as seen from the different difficulties that Small and Medium Enterprises experience in its operations. The virus had an adverse impact on the operations of most of the SMEs as they never saw it coming and had not prepared for such. The most challenging thing was that companies did not know when the pandemic would come to an end.

In conclusion I would say that the operational performance of SMEs had been affected by the virus and companies had to find ways on how they would maintain their market share and remain relevant in business.

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CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6. Conclusion and Recommendations

6.1 Conclusion

In conclusion I would say the impact of COVID 19 on the operational performance of small businesses in Chipata was adverse. In as much as some businesses were not affected a lot depending on the nature of its operations, generally most of the operations of the SMEs were adversely affected by the pandemic. The good part is that even during the hardships many SMEs tried to manage their cashflows and working capital so as to survive the crisis.

6.2 Recommendations

- There is need for SMEs to take interest in government financing activities as these would help the businesses to be empowered and have enough working capital to manage the operations of the companies.
- The companies need to make sure that they invest in the staff and try to retain them because human capital is the key to competitive advantage over its competitors. The human capital is what will help a small SME to retain its customers and they will also allow a company to be innovative and effective in the way the company manages its operations.
- The SMEs should take interest in the promotions that government offers to help them cut on costs such as the ongoing tax incentive. The firms that are owing and have penalties have been given a grace period to clear their balances and they won't pay penalties. This helps an SME to be in good standing with the government and for them to have access to other benefits from the government.
- The Ministry of Small and Medium Enterprises should be carrying out regular trainings to try and teach and empower small businesses as they contribute greatly to the growth of gross domestic product. ,.

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