

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING



RESEARCH QUESTION: FACTORS THAT AFFECT THE PROFITABILITY OF SMALL FIRMS IN ZIMBABWE. THE CASE OF (SNG HARDWARE) PRIVATE LIMITED.

BY B1850607

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY HONOURS DEGREE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION FACULTY OF COMMERCE. 16 JUNE 2022.

APPROVAL FORM

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In Zimbabwe the case of SNG hardware (pvt) ltd.

DEGREE TITLE : Bachelor of Accountancy Honors Degree

YEAR DEGREE GRANTED: 2022

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DEDICATIONS

I'm dedicating this research to my very supportive family who gave me all the encouragement from day one as well as the Almighty. Only his grace and mercy has brought me this far.

ACKNOWLEDGMENTS

2 CORINTHIANS ‘Not that we are adequate in ourselves to consider anything as coming from ourselves, but our adequacy is from God’

Firstly, I would like to thank the almighty God for taking me through my four-year study. It was not an easy road, only his grace and mercy has brought me this far. I would also like to appreciate my university of all the resources and services they gave us since day one. Not forgetting my supervisor Mr Chiriseri for he actually dedicated his whole time to help me through this research. I also want to thank everyone who responded to my questionnaires and interviews at SNG and also allowing me to take my research at their organization. Without them, this research could have not been successful.

ABSTRACT

The goal of this study was to look at the elements that influence the profitability of small firms. It intended to determine how SNG Hardware's profitability levels were affected as the company was facing a downturn. The researcher also aimed in identifying the methods that can be used to increase profitability. The research at SNG Hardware was carried out using a technic descriptive research methodology and a case study. In carrying out the study, interviews and questionnaires were used by the researcher. The data presentation and analysis were done in accordance with the research goal of the research. In the analysis and display of the data, pie charts, bar graphs, tables and spss tables were used. Inadequate distribution channels, increasing expenses, lack of advertising, and greater competition all contributed to a drop in profitability, according to the research. SNG Hardware's costs should be managed, distribution channels should be improved, and also, they need to improve the quality of their products.

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CHAPTER 1

1.0 INTRODUCTION

Business owners must always learn different strategies in order for them to have a satisfactory level of productivity and profitability which helps them to stay within the competitive market place. Profitability is the one that measures the performance of the company. Without profit, the company will not be able to attract outside capital and investors and as a result the business will not survive in the long run. The introductory part provides a general background of the research. This chapter presents the research objectives, research questions, research assumptions, limitations and delimitations of the study as well as the statement of the problem.

1.2 BACKGROUND OF THE STUDY

An organisation's profits are mostly used as the measure of financial success for companies Keramidou et al, (2013). Since 2018, Lafarge cement business has grown dramatically due to an increased demand for cement as 80 percent of Zimbabwean's population has been building houses, companies and other structures. SNG is a well-known player in this high demand industry and it must position itself for growth by meeting customer demand, consistent providing of high-quality products on time, improving its market share, marketing strategies and cost management as well as managing inventory more efficiently. Despite its enormous development potential, SNG Company's income has been declining throughout the last year of 2021. The sales of the company have been decreasing as it was indicated in the company's meeting minutes (SNG Hardware management meeting, September 2021).

1.3 STATEMENT OF THE PROBLEM

SNG Hardware being a company that sells all the building materials such as cement, plain wires etc. has shown a sharp decrease on its monthly profit and loss. In the month of January 2021 there was a profit of \$ 9 852 .35 which was very low from the profit of December 2020 which was \$33 432.00. The accountant pointed out that there was a decrease in sales because of the lockdown and most of their clients were closed because of the lockdown. The accountant also provided the information that there were very little sales in the month of January, February and March because Lafarge had totally closed due to lockdown and SNG relies much on Lafarge and it has affected

its monthly profit and loss to a greater extent. SNG export their cement sometimes from Zambia and because of the lockdown they were not able to cross over the borders since people were not allowed to move from other countries to other countries because of the pandemic which had actually affected the whole world. SNG has been against fierce competition from other companies in the same industry that are eroding its distribution channel or its route. Now the goal of this study is to learn more about why SNG hardware continues to have such poor performance in a high demanding and developing business and why small firms have turned to information technology to improve their products.

1.3.1 RESEARCH OBJECTIVES

- (I) To identify the importance of small firms to the Government.
- (ii) To examine the economic effects of covid 19 Pandemic on small firms.
- (iii) To examine the importance of information and communication technology in small enterprises.
- (iv) To identify the importance of profitability in small firms.
- (v) To identify the causes of a decline in profitability of small firms.
- (vi) To identify the effects of decline in profitability of a company
- (vii) To identify the best ways that can be used to improve the performance of small to enterprises

1.4 RESEARCH QUESTIONS

- (i) What is the importance of Small Enterprises to the Government?
- (ii) What are the economic effects of covid 19 Pandemic on small firms?
- (iii) What is the importance of information and communication technology in small firms?
- (iv) What is the importance of profitability in small firms?
- (v) What are the causes of a decline in profitability of small firms?
- (vi) What are the effects of a decline in profitability of small firms?
- (vii) What are the strategies that can be put in place to improve the profitability of companies?

1.4.1 RESEARCH ASSUMPTIONS

During the carrying out of a project the researcher will have so many different assumptions pertaining to the research topic. The following are part of the assumptions that the researcher will make.

- Data collection methods will be relevant, effective and efficient
- Information to be collected will be free from bias
- Research respondents will be done a faithful and good faith

1.5 SIGNIFICANT OF THE STUDY

This research will be helpful to different users such as Buse, the researcher, SNG Hardware Company and Government.

1.5.1 TO THE ORGANISATION

This research will help the organisation to come up with the best strategies on how they can improve the profitability of the company. Doing this research may bring out some of the problems which were not even seen by the management for the longest time. This will help them to adjust on every aspect and be able to come up with the best solutions.

1.5.2 TO BUSE

The University will use that information whenever they do the similar projects as a reference.

1.5.3 TO THE RESEARCHER

Carrying out this research will help the researcher to acquire the first-hand information on the ground. The researcher will also gain experience on how research is carried out and be able to understand all processes that are involved and obtain information on the area of study.

1.5.4 TO THE GOVERNMENT

Carrying out this research will help the government to know how small firms are performing and if their profitability is low, it means that their revenue will also decrease thereby it will help the government to come up with the best strategies to increase or maintain the profitability of small firms.

1.6 DELIMITATIONS

- This research is mainly to the SNG Main Branch in Damafalls, Harare.
- Only SNG Hardware management and staff participated in the research.

1.7 LIMITATIONS

- The information can be biased since some of the respondents might give the information that they know is what expected them to give by the researcher which might not be true.
- The researcher will find difficulties in obtaining some of the data needed for the study because the corporation does not wish to share information about its operations with other consumers. As a result, it is necessary to specify explicitly that the information will be used solely for research reasons.

1.8 KEY TERM DEFINATION

Profit- Is the monetary return or reward that the business people anticipate to receive in exchange for the risk they assume. Riley, (2012).

Sales- These are revenues that an organisation receives when it provides its goods and services in the market place. Vitez (2014)

ABBREVIATIONS

BUSE- Bindura University of Science Education.

1.9 SUMMARY

This chapter was giving the background of the study, limitations, and delimitations, statements of the problem as well as definition of key terms. The chapter also pointed out the research questions as well as the objective.

CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION

There are various challenging factors that always affect the profitability of small firms within the world of doing business. Literature review gives out or points out a review of literature combining different opinions from different authors on what they have looked. The reason of doing literature review is to understand much better and be in a position to acquire must knowledge to the topic under study hence citing related and relevant literature published because it gives direction and makes research work fairly and simple Chapter 2 examines what different authors have looked into and advised in relation to the elements that contribute to a reduction in profitability. The purpose or the reason why literature review is important is to gain a thorough incite and knowledge of the topic under consideration as a result citing or giving relevant authors.

2.1 WHAT IS THE IMPORTANCE OF SMALL FIRMS TO THE GOVERNMENT?

When customers promote small businesses, they effectively contribute that money back to their community. A successful local firm will create a lot of revenue and result in more taxes being paid and also this money is then subsequently distributed to local law enforcement and be able to support services as well as schools. Small businesses help built economies grow and innovate by providing growth to the community where they are located. They also contribute to economic progress by employing people who might not qualify to be employed by larger corporations and they are more likely to attract people who can create new good or implement new ideas .Umar et al (2018) poses that small firms mostly stand to dominate in the economy and they can stand even in a very difficult situation due to utilization of resources and they have any advantage of having more direct contact with the customers were they can ask their customers what exactly do they want and produce the exact products. This will make the profitability of small firms to remain strong hence increases the revenue of the government. Government mostly supports small firms by giving them capital, grants, tenders in order to boost them because they know they will be a return because the high the profitability of small firms, the high the government's revenue through taxes, payee, duty etc.

2.2 ECONOMIC EFFECTS OF COVID 19 PANDEMIC ON SMALL FIRMS

The covid 19 pandemic had caused a threat to people's healthy as well and their financial well-being. Not only small firms were affected by the pandemic, large firms were also affected. Covid 19 has caused significant economic damages throughout the world. Lakuma and Sunday (2020) poses out that lockdown measures appear to have cut business activities by more than 50% on both macro and micro small businesses. Experiencing a greater disadvantage in their day-to-day activities.

The pandemic has led to a disputation of small economic activities and has resulted in a greater poverty to the society Raven et al, (2020). People were not allowed to travel and there was closure of borders, manufacturing sectors and this has stopped production of goods and services and this has caused constraints to the economy as well as the downfalls of small firms. There was also reduction in employment since people were now limited to go to work which had actually suspended operations, demand of products was reduced at SNG Hardware since there was no activities taking place. Some of the suppliers were closed such as Lafarge.

2.3 WHAT IS THE IMPACT OF INFORMATION AND COMMUNICATION TECHNOLOGY IN SMALL FIRMS?

Large and small business in both established and emerging environment can use information technology to gain a competitive advantage and become marketable Mustafa (2015). Firms can also use information technology to improve any business process to become efficient and effective by facilitating strategic planning for future research. It also helps small firms in focasting its business and enables the firm to see if there is a going concern and helps the firm to measure its profitability. Information and communication help in product differentiation from its competitors and leaders have used information and communication to improve their products and services inoder to gain a competitive edge Napitupula et al (2018) .It also helps in decision making and maximize benefits Rahaya and Day (2017) hence improves firms' profitability .

2.4 PROFITABILITY AND ITS IMPORTANCE TO THE BUSINESS

W. Edwards, P. Duffy, in Encyclopedia of agriculture and food systems 2014 states that profitability is the degree to which the value of a farm's production exceeds the costs of the resources used to produce it. Profitability is the relative measure of profit. Without making profit there will be a very doubt that the business will have a going concern. If a company is having

profits, it determines that it will be able to secure its debt finance from different financial institutions as well as attracting investors to finance their business growth and operations Johnson, (2018).

2.4.1 ATTRACT INVESTORS

Most people who wish to invest in businesses are extremely certain that they will receive their dividends within the specified time frame and they prefer to recruit private investors in order to secure funding for their small businesses. Investors view businesses that constantly generate profits as potentially attractive investment opportunities because they believe they have a good possibility of making a substantial return on their initial investment. Owners of businesses must always be ready to prove their capacity for making money. Profit is what most people are in a business for and it is a simple indicator of success and it is rarely impossible to attract investors without profit Coombes, (2016)

2.4.2 BUSINESS EXPANSION

Profit allows a business to expand its operations. With profit the company will be able to enter into new markets and it also allows the business to enter into international trade that is it will be able to sell its products to some other countries. Business owners must create business plans for the expansions they need to do and be able to research more on trends and economic aspects that affect their company Johnson (2019). With enough profit businesses have got high chances to expand and they will be able to have new markets and have more profits within those markets and be able to set a name and stay within the competition.

2.4.3 ABILITY TO BORROW MONEY

For a business making a loss, its chances of securing debt finance are fairly slim (Harbour, 2018). Most of the small companies they usually want to take out a loan from the banks or from other entities that are willing to lend out financing hence charging some interest. Now the profitability of the company is the one that determines whether a bank or any institution will lend it money. Companies with collateral securities have high chances of getting money from the banks than those without the collateral.

2.5 CAUSES OF PROFIT DECLINE

Understanding common factors that reduce business profits will help you take steps to address them and be able to spot problems quickly before they get out of hand Goldon (2010).

2.5.1 INCREASED OVERHEAD EXPENSES

Each and every company got their daily expenses which they incur on their day to day running of a business for example buying stationery, workers lunch etc. However, these expenses they don't have to be more than the business's profit. Rising costs causes a decrease in profits Milano (2009). Production costs have a direct impact on a company's gross profits Morgan (2014). Increased production costs and inefficiencies eat into the profit margins of the company, further weakening it financially Arthur, (2014).

2.5.2 INCREASED COMPETITION

Competition from other firms within the industry affect the profitability of small firms to a greater extent. Usually when there is competition, competing firms will have to endorse much strategies for them to stay within the market and must introduce much advertising and different marketing strategies that attract customers in order to survive within the competition. Big firms they usually lower their prices in order to attract more customers yet small firms might find it difficult to lower their prices because they will not be able to cover up their production costs and any other costs. Customers prefer to buy items where they are found cheaper Competition pushes organizations to improve on increase the quality of their products and managements encouraged to be more effective and productive as a result of competition Wang et al (2014). Profits will be reduced if the market is highly competitive because customers would only buy from the cheapest organizations. For a business to be able to stand within the competition all cost such as production cost must be kept lower so that even if prices fall, the firm will be able to lower prices as of its competitors by remaining selling its products above the cost Pugsley and Sahin (2018).

2.5.3 POOR ADVERTISING

If a company does not advertise its products for example on social media platforms such as Facebook, WhatsApp and newspapers were most of the people are found and were most of the people spend much of their time on, their products will not be known by the majority as a result the company will have losses especially when they sell perishable goods etc. Successful marketing strategies can boost demand and making the product more elastic. However more money will be required to meet and offset the advertising costs hence small firms may find it difficult to cover all those costs and they will end up phased out of the market Shapiro (2021)

2.5.4 UNSTABLE EXCHANGE RATES

Unstable Exchange rates do cause a decline in the profitability of small firms for example here in Zimbabwe the USD to ZWL rates are rising each and every time and if the companies sell their products charging zwl by the time when they want to order their products from their suppliers, they will be paying more than they have charged their customers resulting in a loss. If companies want to buy their products from other countries, they will not be able to buy using the zwl (Zimbabwean currency) therefore they have to buy the USD in the streets yet the black-market rate will be very high. Inflation hits one million percent as prices continues to skyrocket Sibanda (2019)

2.5.5 INADQUATE DISTRIBUTION CHANNEL

Distribution channel is a method or a strategy used by companies to connect with customers and market their goods and services Vitez, (2014). Inadequate distribution channels lead to a drop in profitability as a result of not being able to completely meet customer demand. If a business conducts or operates in a single market for example if it is only operating in one city and ignoring the rest of the cities in the country and other regions, potential revenue and the profitability of the companies will decrease yet the company's products must be accessible to a larger audience of larger market. SNG is one of the companies that only operates in Harare only. It does not have any other shops in other cities such as Bulawayo and because of that, profitability will be very low due of a small market share.

2.6 EFFECTS OF DECLINE IN PROFITABILITY

2.6.1 DECLINE IN COMPANY'S OPERATIONS

For a company to be very active on its day to day running of its business there has to be much profit or much cash inflows rather than having more outflows .It affects the running operations of the business .Any organizations that are experiencing a loss of market share due to a decrease in customer demand may then be forced to reduce operational yields Lister ,(2018) .If the profits of the business are decreasing ,it will be very difficult for it to hire new employees because they won't be able to give them their salaries in time and they might even end having much labour turnover because they will be unable to pay them their salaries. Marketing and advertising might end up being ignored due to lack of funds in order for them to do so. Davis, (2014).

2.6.2 BANKRUPT

When a firm's profits are decreasing, it is likely to go bankrupt although there might be trying to fight back by getting funding in order for them to continue operating or selling the company to any other companies. Insolvency can cause financial harm to a variety of organizations in the business society Vitez (2014). Firms that make profit more often can manage their cash in order for them to support development procedures for example market growth (Ingram 2014).

2.6.3 INABILITY TO PAY OFF DEBTS

As profit decrease, the chance of a firm to fail to pay off its debts is very high and if they had some collateral securities, they will be taken by those people who gave them the money and after they are taken, they would not be able to run their business as usual. The organization's credit worthiness would be harmed if loans were not paid on time which makes future debt financing more difficult and the company will lose its top personnel to rival. The firm will also have difficulties in attracting fresh investors Pirraglia, (2014).

2.7 STRATEGIES OF IMPROVING PROFITABILITY

2.7.1 IMPROVING CUSTOMERS SERVICES

Customers they always prefer to shop from places where they are treated well. If they are not treated in a good way, they will not be inclined to buy products from those companies. By providing exceptional customer service, the company can manage itself. According to Tracy (2008) the reputation a company has with its clients is what matters most. Customers opinion of a business's credibility or how reliable and trustworthy it is will determine whether they return, sustaining and boosting profitability.

2.7.2 MANAGING COSTS

One of the strategies to reduce the company's costs is negotiating lower prices or a price discount on every procurement the organizations undertake is one approach of lowering costs Morgan, (2014). Managers must be able to manage off their day to day running expenses so that they won't be selling their products below the production costs hence it helps them to increase the profitability of their companies

2.7.3 ADVERTISING

Advertising is one of the most important aspects within the business industry. Now days it has become so easy for companies to advertise their products because of technology for they can advertise on different social media platforms were most of the people are spending their much time on hence they will be having more customers and chances of trading internationally are also high Mun et al (2018).

2.7.4 CORRECT PRICING

Getting a business pricing right is the quickest and most effective way to reach its greatest degree of profitability. Correct pricing promotes profitability considerably more than any other activities hence incorrect prices can deplete profits just as quickly. It's simple for companies to avoid taking risks because they are afraid of alienating or loosing clients that they have. The consequences of failing to manage pricing on the other hand are significantly more serious Mc Cormick.(2017)

Pricing according to King (2018), is the best approach to increase earnings .He claims that if a company values its products well enough ,it will outperform its competitors without lowering the perceived quality of its brand .In most cases ,when it comes to pricing .Companies must be in a position to come up with the best prices for their products .Prices must not be too high as customers might end up unaffording to buy those products and at the same time prices must not be too low as customers might think that the goods provided are of poor quality because some customers believes that the high the price the higher the quality ,yet some of the customers they don't afford high prices.

2.8 EMPIRICAL EVIDENCE

CHINA

EFFECTS OF COVID 19 PANDEMIC TO SMALL FIRMS Gil-Alana and Monge (2020)

Zheng et al (2020) did research on the effects of covid 19 pandemic in China. They pointed out that the gross domestic product in China has decreased by 6.8%in the first quarter of 2020. They also said that the demand of products had highly decreased yet the demand of health and safety

was more urgent during the pandemic. Corporate revenue and corporate performance had decreased as well as productivity.

MALAYSIA

IMPORTANCE OF INFORMATION TECHNOLOGY TO SMALL FIRMS IN MALAYSIA SELAMAT ET AL (2013)

Selamat et al (2013) did a research on the importance of information and communication technology to small firms in Malaysia and they found out that small firms are considered in Malaysia as engines for economic growth and they said that information and technology helps these small firms to compete and improve their competitiveness in the local and in the emerging global market and also helps them to meet standards on the quality ,cost and delivery set for them by large companies and organizations and once they master these three points they will definitely grow and continue to develop.

2.8.1 INDONESIA AND MALAYSIA

BARRIERS TO SMALL ENTERPRISES GROWTH IN DEVELOPING COUNTRIES (YUSNIDAH, AND SOBRI (2020)

From the comparative case studies conducted in both countries. This study outlines the hurdles to small businesses growth in Indonesia and Malaysia. The case studies were conducted in 2018 in order to achieve the research propositions which are limited number of items. Yusnidah and Sobri, (2020) said that small firms are affected its profitability because they lack resources, lack of broader area of marketing its products as well as lack of marketing strategies, uneven sales and less turnover. Their research findings were that not all small firms face the above challenges, some they choose to remain small. This sensation is unique to be each of them and the small firm's performance is more likely to reflect their motivation for working in the company whether they choose to improve or maintain their current performance, they each have their own goals, arguments and motivation. It is also distinct in terms of their perceptions of things, whether within the same business sector or across industries. Small firms don't just want to grow if they do the expansion, they can be horizontal, vertical or both depending on the type of industry they are in.

2.8.2 OMAN

DOES CORPORATE GOVERNANCE PREDICT FIRM'S PROFITABILITY?

Alabdullah (2020) did their research with the aim to see if corporate governance predicts business profitability in a sample of publicly traded companies. Corporate governance has become one of the most important factors to consider when analyzing a company's strength and functions around the world .In their research they pointed out that good corporate governance delivers accurate information which helps the company its objectives and improves efficiency of its operations .Corporate governance of a collection of concepts and methods that deal with e interaction between management and stakeholders by providing corporate activities such as data protection .

Al-Belashu and Bagam (2017) found that in the majority of Omani enterprises, there is lack of managerial skills and limited access to the latest technological advances as well as a noteworthy disregard for them. In addition, according to Al-Mataan (2017) states that several challenges and critical obstacles in the environment industry in Oman which are caused by a number of factors such as ineffective labour markets and immature entrepreneur education.

Also, Almaskari (2019) published a study and they found out that Oman businesses are suffering from a number of difficulties, including the fear of risk and scarcity in the midst of an entrepreneurial mindset. In their research they also highlighted that the middle economies have been droppings in general, particularly in Oman in the last 5 years as a result of a lower crude oil prices due to lower GDP. They also emphasize that experts and scholars pay attention to and intervene in certain challenges and problems encountered by Oman businesses.

2.8.3 ETHIOPIA

GROWTH OF MICRO AND SMALL-SCALE ENTERPRISES AND ITS DRIVING FACTORS Meressa, H. A (2020).

Meressa at al (2020) did research on growth of micro and small-scale enterprises and its driving factors. They said that small firms' growth has been hampered by a variety of issues with a considerable number of businesses in various parts of the country collapsing and ceasing operations .They also said that previous empirical studies from various countries have identified common factors associated with small businesses growth and its profitability and the magnitude of each factor varies from one arena to the next .They said that the existing studies on growth factors in Ethiopia primarily focus on developed regions with little evidence. This study was to

investigate the expansion of micro and small-scale firms as well as their driving variables in the Assosa Zone of Ethiopia's Benishangul-Gumaz region state. Kahando et al (2017) and many other authors identified or come up with the most factors such as growth determinants, business experience, lower capital growth, motivation, education and any other more factors that affect the growth of small firms hence also affecting the profitability of small firms.

Tarfasa et al (2019) also supported the idea. As a result of the findings of this research, firms with lower capital growth should take steps to improve their growth by establishing strong customer relationships and improving financial management practices for easier access to capital. Furthermore, the findings of this article reveal that business arrange exhibitions in Urban centers at the regional zone. They also said that in terms of finance, micro and small businesses policy and strategy propose that micro finance institutions should be the sectors' sole source and credit.

2.8.4 ZAMBIA

A STUDY ON THE FACTORS AFFECTING SMALL AND MEDIUM ENTERPRISES CHILEMBO, T (2021).

In this research Chilembo (2021) poses out that the majority of small firms(52,9 %) failed to obtain credit or loans from financial intuitions due to a lack of collateral assets to guaranteed access to loans according to the report in order for the banks to grant out loans ,they require collateral which works as an assurance that if the borrower fails to pay ,the collateral will be sold .Small firms which may not have valuable assets to offer as collateral have a significant difficulty .Now most of the banks and other Financial institutions still view the same sector as risk therefore no particular policies are in place for them.

Also the findings of their study were similarly constitute with those of Etemesi (2017) who looked at variables that stifle small firms growth due to lack of real assets for them to use as collateral according to Kihimbo et al ,(2014).The main barrier of small to medium firms funding ,according to Obaji and Ulogo (2014) is a necessity for collateral .Also in this research they found out that small to medium enterprises also face difficulties such as high interest rates and short payment periods because of this the banks and other financial institutions deny to give them loans hence profitability will decrease. However, besides all these challenges, they provide jobs for the vast

majority of people, service offering, generate wealth for millions of individuals and increase the income base of many governments through greater tax revenue.

The researchers recommended that small firms needs to concentrate on alternate funding sources .It is critical for small firms to be more proactive and less reliant on traditional sources of finance such as bank loans .Crowd fundraising can be used as an alternative source of funding .They also said that small firms must begin group corporation and also small firms can devise group programs to achieve relevant critical mass for their activities and to benefit from economies of scale .They also encouraged to keep a track of their financial data such as cashflows and profit margins .Formal audits by recognized and registered audits organizations can be used to operationalize the documenting of corporate information .When there is availability of all this information it means that many potential investors will be a able to access it.

2.8.5 Swaziland

Factors affecting profitability of small holder vegetable farmers in the Shishwen region Rugube, L, M, Nsibande, S. P. Masarrambi.M. T, and Musi P J (2019)

.The researcher pointed out that according to their findings ,vegetable cultivation in the Shiselweni region is profitable and is influenced by a variety of characteristics such as land ,size ,gender and household size .They also said that subsidiaries farm inputs should reach farmers on time where possible and loans should be available to farmers without strict collateral security Connely,L M (2008).They recommended according to the study that small holder vegetable producers should be given access to financial services since having enough funds to start the production process is critical to enhancing profitability .Farmers should also be taught more information about market forces economics in order to lessen their reliance on government farm input giveaways.

2.9 SUMMARY

The chapter had been successful in compiling all the data from all corporate profitability from many authors. It also examined the significance of profit to a business, factors that contribute profit decrease and business methods that can be implemented to slow or stop profit loss in the organization.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

Sileyew (2019) explained research methodology as the path through which researchers need to conduct their research. There are different approaches which have been used in assembling, processing, analyzing and presenting the data for the study which is on the topic factors affecting the profitability of small businesses.

SNG Hardware is one of the examples of small businesses and this chapter now demonstrates how the research or the study was carried out and completed. Specific strategies of gathering sources together and interpreting the data collected are known as research methods.

3.1 Research Methods Used to carry out the study

Types of research methods

3.1.1 Mixed Approach

Mixed approach is made up of two combined elements or is made up where there is a combination of two elements which are quantitative and qualitative research in order to have accurate results after the research is carried out. This mixed method can actually help one to have an overview or to have more and more ideas rather than being using qualitative or quantitative approach only.

Creswell (2012) poses out that a mixed method research design is a procedure for collecting, analyzing and mixing both the qualitative and quantitative research methods in a single study to understand a research problem.

3.1.2 DESCRIPTIVE RESEARCH

Creswell (2003) says that descriptive research involves the identification of attributes of a participant phenomenon based on an observational basis. Descriptive Research is mainly therefore to describe and explain fully the hypothesis or objective on a certain or specific group of people. This method now allows the researcher to describe fully the factors that affect the profitability of small firms such as SNG Hardware.

3.2 CENSUS

It is a complete remuneration or a statistical investigation in which the data is collected for each and every element Ranil (2020) Hassan (2013) also explains census as a collection of data from the entire targeted population on a regular basis. It also gives a study of a certain population in order to obtain thorough data about a certain population hence giving out accurate results.

3.3 SOURCES OF DATA

3.3.1 PRIMARY DATA

Gavin (2021) explained that primary data is the data which is collected through the first hand research .Douglas (2013) also support the idea saying that primary data is the data that is obtained from the original source of information hence more reliable and have more confidence level in decision making .Primary data also refers to the firsthand information under investigation through surveys ,Interviews and experiments .Driscoll (2010) also says that primary research is the process of collecting and analyzing measurable empirical data and now draws the evidence based conclusions. Examples of these primary are through surveys, interviews, observations, focus groups and case study.

3.3.1.1 Advantages of Primary Data

Bennett (2021) says that it gives fresh data hence it suits the needs of investigator. It also allows the researcher to obtain the original data therefore there is no biased information. Research actually develop knowledge to the researcher, skills and analytical abilities. Data collected is very specific and relevant to the problem which need to be solved by the researcher

3.3.1.2 Disadvantages of Primary Data

More time is needed to carry out the research for it can actually require months or even years. Also cost which are incurred to carry out the research is very high Greener (2015) states that primary data is not useful unless it is processed

3.3.2 Secondary Data

Vartanian (,2010) points out that secondary data is data that has been previously gathered to be reused for which the data gathered was not ordinarily intended. Bodaugh (2007) also support the idea that secondary data is every dataset not obtained by the author. It is also referred to as data gathered by someone. In this case study the researcher used information filed in the companies’

files, minutes which were recorded in the past by the company secretary as well as the company's financial statements.

3.3.2.1 Advantages of Secondary Data

There is no cost, that is cost are relatively low. It is also not time consuming. Baker (2022) also says that secondary data is economical that is it saves efforts and expenses. Crossman (2019) also says that it can be more economical than what it actually cost that is no money, time, energy and resources are required because someone has already collected.

3.3.2.2 Disadvantages of Secondary Data

Information may not be accurate and sometimes may not really help in decision making in most companies Smith (2021). The other disadvantage is that the data might be biased since the data for the current problem might be outdated or might not be available in the past records and the data available may not answer the research questions on the current research. Also, there is lack of relevance and lack of accuracy in using secondary data. Mora (2022) also says secondary data rarely provides all the answers one might need to complete the research for some of the information might be incorrect and inaccurate.

3.4 Research Instruments

Researchers always try to use so many different research instruments that they found comfortable to them. There are various number of these instruments that are used to collect data from different participants of the study being carried out by the researcher. They are mainly used by researchers in order to collect reliable data which will be analyzed by the researchers Anna (2004). These instruments include questionnaire, interviews, observations and focus groups etc.

3.4.1 Questionnaire

Questionnaire is one of the most instrument used by researchers in carrying out their researches from the participants looking for their opinions on matters that are directly related to the objective of the researcher Aina (2004). The questionnaires should cover the exact objective of the research and must be easily understood Popoola (2011).

3.4.1.1 Advantages

The information which is obtained is a firsthand information, also there is more data collected in a very short time and is relatively cheaper to administer.

3.4.1.2 Disadvantages

Some complicated or misunderstood questions might not be answered well or ignored because the researcher might not be present to clarify those questions whom might not be understood by the respondents. Those that are not educated that is the ones who cannot right or read may not be able to take those questions thereby they will tend to ignore the exercise. Popoola (2011) says that the instrument is only restricted to the ones who are not illiterate.

3.4.2 Interviews

Interviews can be verbally or can be telephonic. The researcher is supposed to prepare a list of questions before carrying out an interview to the respondents in order to get their opinions.

3.4.2.1 Advantages of Oral Interviews

Explanations of any complicated questions is allowed Hill (2020). It is flexible and it questions can be clarified if there is any misunderstood between the interviewer and the interviewee

3.4.2.2 Disadvantages

Information can be prejudiced for respondents' answers can be affected by the reaction of the interviewer's race, age and physical appearance consequently the decision making would be very difficult to make.

3.4.2.3 Advantages of telephonic Interviews

It can be done globally, cost effective and they are easier to conduct than oral interviews Garcia (2022). People who are illiterate can also be able to respond and actually allows more details to be asked. Edwards (2021) also says that interviews give out a better response rate than mailed questions

3.4.2.4 Disadvantages

Some respondents may have fear to give out their responses hence the amount of data collected can be limited as compared to questionnaire were respondents have enough time to right the best answers they think of. Telephonic interview has also another disadvantage that it cannot be effective when there are any challenges with the network. There might not hear each other clearly, as a result the information will be inaccurate and also its costly in a way that the interviewer has to buy airtime over and over again. There is also a challenge that the respondents phone number might not be reachable as a result the research will be delayed until the respondents are reachable.

Inefficient of the interviewer will lead to the misleading of results. Telephonic interview is not suitable for personal matters Masudur &Bappi (2013)

3.4.3 Focus Groups

According to Nyumba (2018) , a focus group as a method where a researcher gathers a group of people to talk about a certain issue in an effort to learn about the beliefs, perceptions and attitudes of a participants through a mediated interaction.

3.4.3.1 Advantages

Different opinions and views are raised up hence giving out the best results. It also unfolds the ideas and some issues that initially may not have been considered but are important to the customers and the researcher can hear customers' feedback in their own words and voices.

3.4.3.2 Disadvantages

They are expenses to carry on since the participants might not be free at the same time for, they might choose to gather at the same time. Also, the possibility that the members may not express their honest ideas and opinions about the topic at hand. They might fail to express their ideas since there will be opposing the views of another participant.

3.4.4 Observations

It is a systematic data collection approach. Hitesh (2020) described observation as a method to observe and describe the behavior of a subject.

3.4.4.1 Advantages

Easy way because it typically does not call for technological expertise. The features of a social situation that may not be obvious to the general public but are easily accessible to researchers Demunck & Sobo, (1998).

3.4.4.2 Disadvantages

It is costly and time consuming because additional materials are required in order to assess the data objectively and interpret it correctly. The researcher must always be aware of her own biases and try to put them aside as much as possible.

3.5 Likert Scale

According to Huettner (2015),the Likert scale is a psychometric rating system in which respondents score a question based on how strongly they disagree or agree with the proposition .It provides respondents with esay options if they don't know much about the research issue at hand .According to Tulis and Albert (2012),the Likert scale allows respondents to indicate their level of agreement and disagreements by indicating where their perceptions ,beliefs and attitudes fall on a scale of one to ten .In her questionnaires, the researcher used the Likert scale and the respondents indicated their favorite answer by ticking the box next to it.

Likert Scale Rating

Strongly agree	agree	Strongly disagree	disagree
5	3	4	2

Advantages of using Likert Scale Rating

A Likert scale according to Guerrero (2012), is a simple tool for gathering data for multiple people. Nueman (2013) argued that the technic is straight forward and the results are presented in tables

3.5 Validity and Reliability

Singh (2014) has demonstrated that validity and reliability promote transparency and decrease opportunities to insert research bias in qualitative research. Middleton (2019) explained reliability and validity as the concept used to evaluate the quality of research.

3.5.1 Validity

Refers to how accurately the research tool measures the variables that it is designed to. It all comes down to how accurate a measurement is. It is also how accurately the results reflect what they purport to measure. Noble (2015) also poses out that he views validity as the integrity of the used research method.

3.5.2 Reliability

Now refers to the degree to which scale produces or gives out consistent result when repeated measurements are made. It is all about the consistency of a measure. The degree to which the findings may be repeated when the study is conducted again under the same circumstances when

a measurement is largely unaffected by random error. Noble (2015) adds that dependability is the quality that causes research techniques models to produce the same outcomes to identical circumstances

3.6 Data Analysis Presentation

Is a very important area in order to have successive and meaningful research. It presents and analyses data collected from research. There were different methods that were used by the researcher to collect data which are questionnaire, interviews and historical information (secondary data). The researcher also used qualitative and quantitative methods in order to presents and analyses data collected using graphs, tables, spss and pie charts in order to present data already collected.

3.7 ETHICAL CONSIDERATIONS

Whenever one is carrying out a research ,there has to be ethics which need to be considered over and over again .The reason being that participants they need to have confidence and assurance that the data or the information they have provided will be kept confidential therefore ethical considerations has to be prioritized .The main reason why there has to be ethics to be followed is because we want to make sure that there will be no harm to be caused or suffered buy the respondents after they had provided the information

3.8 Summary

The chapter has been focusing on the methods which were used by the researcher to collect data giving out the advantages and disadvantages of those methods.

CHAPTER 4

4.0 INTRODUCTION

The presentation and analysis of data obtained from SNG Hardware via questionnaires, interviews and secondary data sources are the main topics of this chapter. This chapter's emphasis was achieving research and responding to research queries and to make the raw data easy to interpret, graphs, tables, spss and pie charts were used. Goals concentrated on achieving the reason, goals and responding to the research questions.

TABLE SHOWING HOW QUESTIONNAIRES WERE RESPONDED

The researcher gave out 40 questionnaires in total. Amongst the 40 questionnaires, 34 responded to and the other remaining 6 were not responded to by the respondents.

4.1 QUESTIONNAIRE RESPONSE RATE

Table 4.1 Questionnaire Response Rate

Participants	Questionnaires gave out	Responded to	Respondents Percentage
Accounts	7	6	86%
Warehouse Supervisors	3	2	67%
Purchasing Officers	10	8	80%
Production	20	18	90%
Total	40	34	85%

Source: Primary Data

The table above shows that all the 40 questionnaires which were given out, 34 of them were responded to and the researcher collected them from different departments. Only 6 of the questionnaires were not responded to by the respondents. The response rate was very high because of the suitable sampling techniques which were applied.

The participants who failed to respond to the questionnaires clearly explained that they did not have enough time to answer off those questionnaires for example production department of SNG they manufacture barbed wires so they work with the target and they are paid according to the units produced. Therefore, they all did not have enough time to answer the questionnaires though 18 of them had managed to answer them, which was very good.

Frincham (2015) states that for research findings to be very reliable, a questionnaire has to reach or exceed 60% response rate. In this research, the response rate was 85% meaning that the research project was very successful.

4.3 FINDINGS FROM THE QUESTIONNAIRES

Question 1) Department in which you are at SNG

Table 4.2 shows the response for question 1

Department	Respondents	Percentage
Accounts Clerk	1	2.94%
Accountants	5	14.71%
Selling &Marketing	8	23.53%
Human Resource	2	5.88%
Production and warehouse Managers	2	5.88%
Production Staff	16	47.1%
Total	34	100%

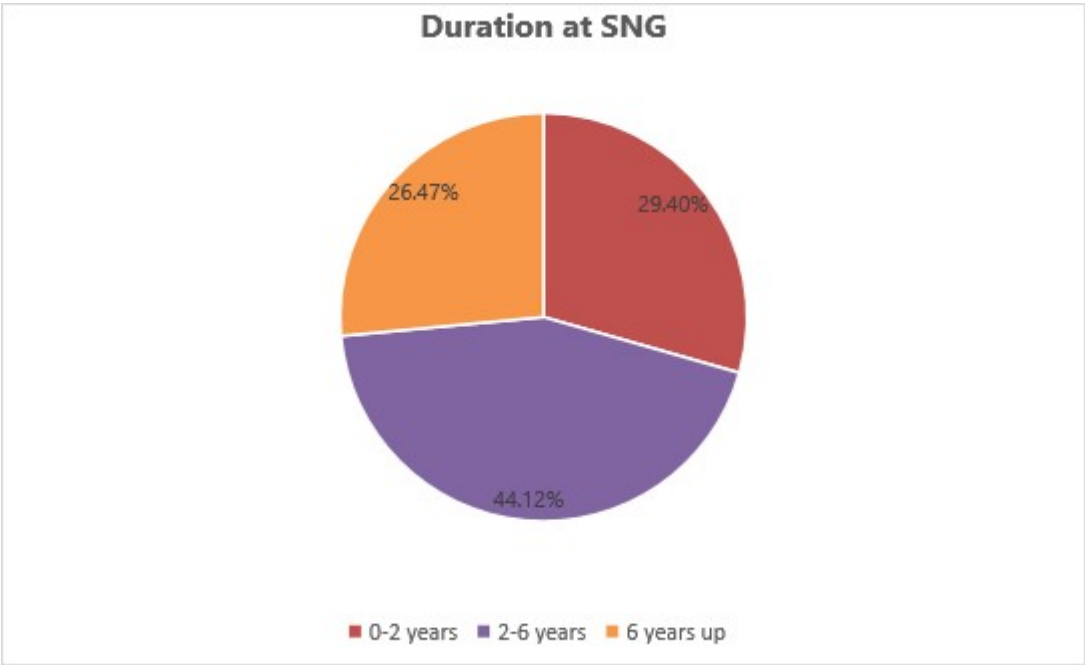
The table above shows the department in which each worker is working under and how many responded on that department. The production department got the highest number of 16 respondents with a highest percentage of 47.1%. Followed by the selling and marketing department which got 8 respondents with a percentage of 23.53%. Followed by the accounts department which

got 5 respondents. Production department gave out more respondents because they were the ones who had more knowledge on the research questions since it is a company which is more into production.

Question 2: Duration at SNG

Table 4.3 shows response for question 2

Number of years	0-2years	2 - 6	6 years up	Total
Respondents	10	15	9	34

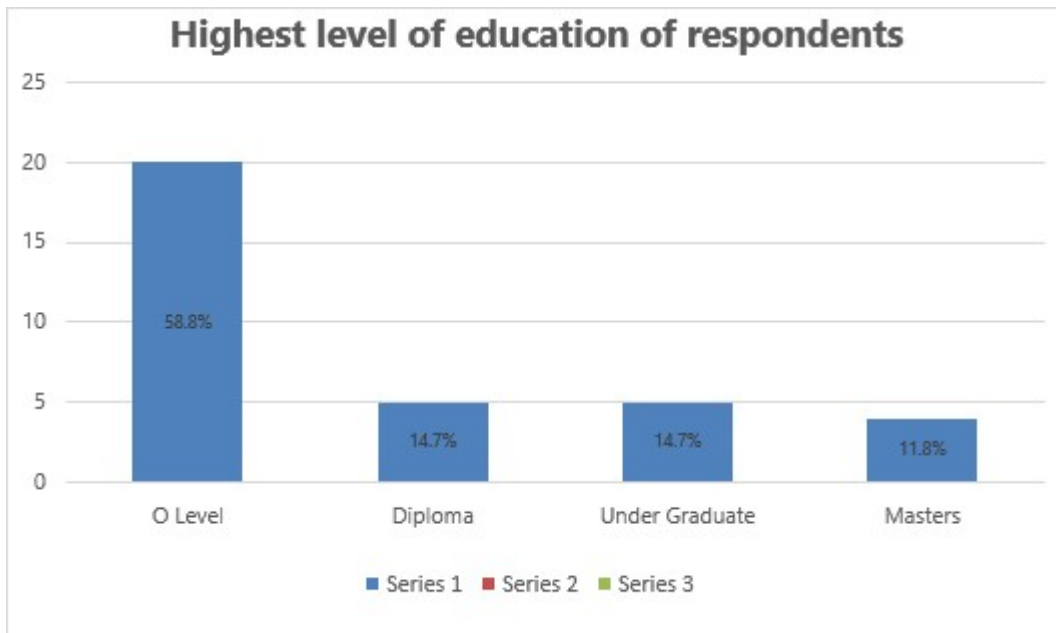


The table above shows the greatest respondents with 44.12% and those are the people who was with SNG hardware for 2 to 6 years and are the ones that have witnessed the growth and were in a position to identify the weaknesses and strengths of the company hence information provided by them might be bias free since it came from the respondents who have been on the firm for the longest time.

10 people of the 34 were at SNG for 2 years giving a percentage of 29.4 % and also 9 of the 34 was at SNG for 6 years since its year of incorporation. From the information above, it shows that the mode of the respondents lies between 4-6 years. In this research, the responses given by the participants are morely to be relevant and the information reliable because most of the employees who responded the questionnaires has been at the firm and has experienced the bigger part of the company life from its incorporation Kothari (2014).

Question 3: Highest Level of education of respondents

Figure 4.4 shows response for question 3

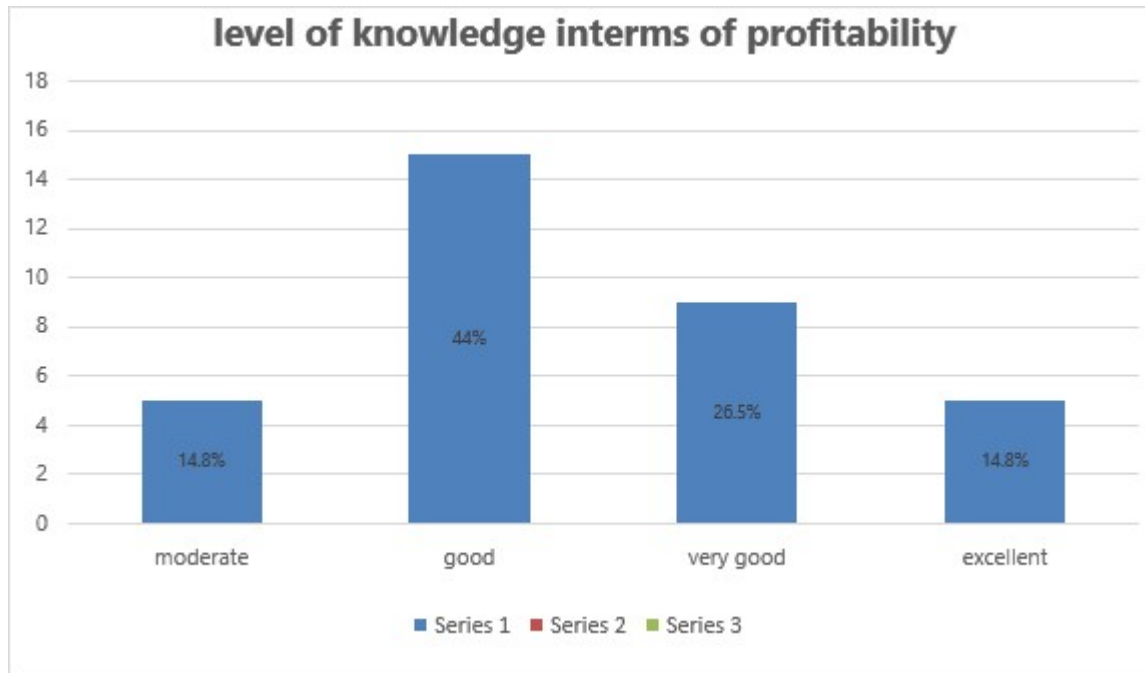


The diagram above shows that the highest respondents have o level certificates .5 respondents hold a diploma as well as 5 on under graduate and 4 respondents holds masters. Since most of the response have O level certificates or better, it means they are able to count, read, write and

record wires produced and cement sold etc. and they should have at least a reasonable understanding of business and profitability.

Question 4: Level of knowledge in terms of profitability

Figure 4.5 shows response for question 4



The graph above shows the highest percentage of 44% which are the respondents which are good in terms of the level of their knowledge of profitability. Followed by the respondents which are very good in terms of knowledge in the profitability of a business giving out a percentage of 26.5%. The results from the research shows that the respondents have much idea on business profitability and it helps the research to be more reliable hence no bias.

Question 5. What is the importance of small firms to the government?

Table 4.6 showing response for question 5a

Attitude	Strongly agree	agree	Strongly disagree	disagree	Total
Create Revenue	30	4	0	0	34

Figure 4.7 showing response for question 5a

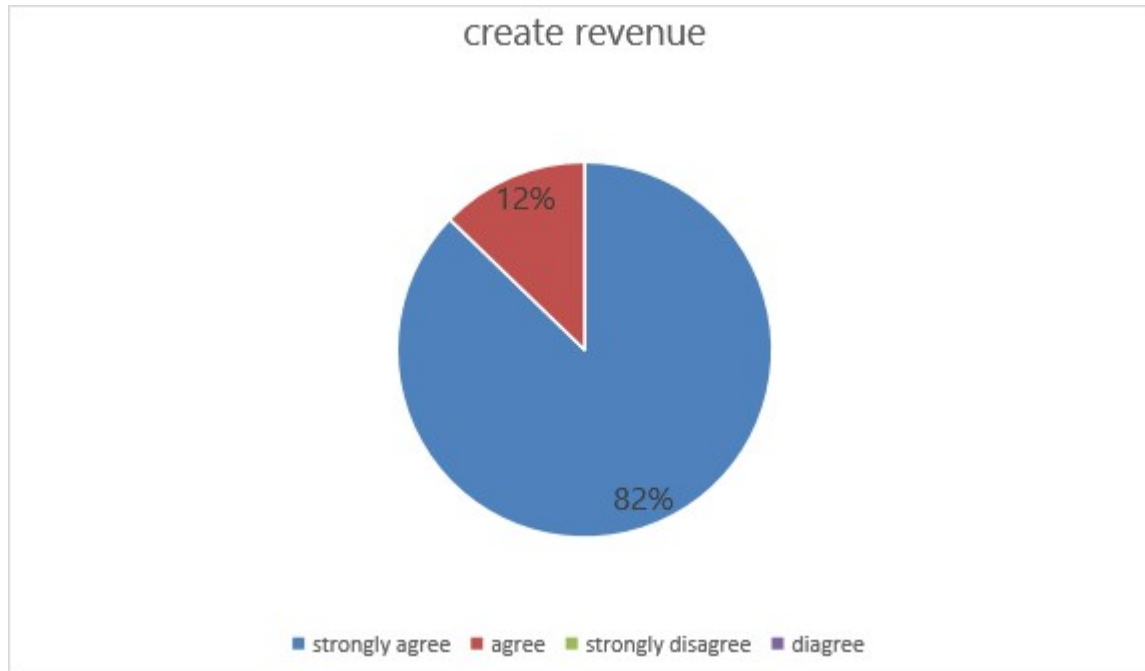


Figure 4.7 above shows that the majority of the respondents agreed that small firms are important to the government because they create employments to the citizens hence, they also contribute to the improvement of the economy and increase government revenue through taxes. Umar et al (2018) also agreed with this point in his previous research that small firms contribute government's revenue through taxes .

Figure 4.8 showing response for question 5b

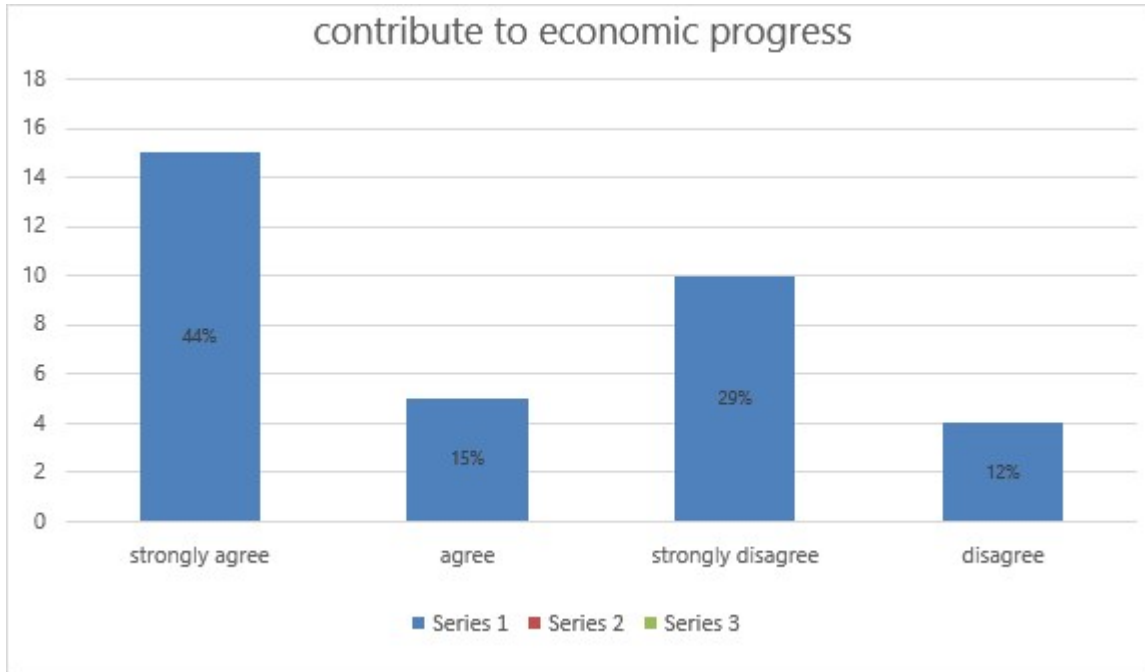


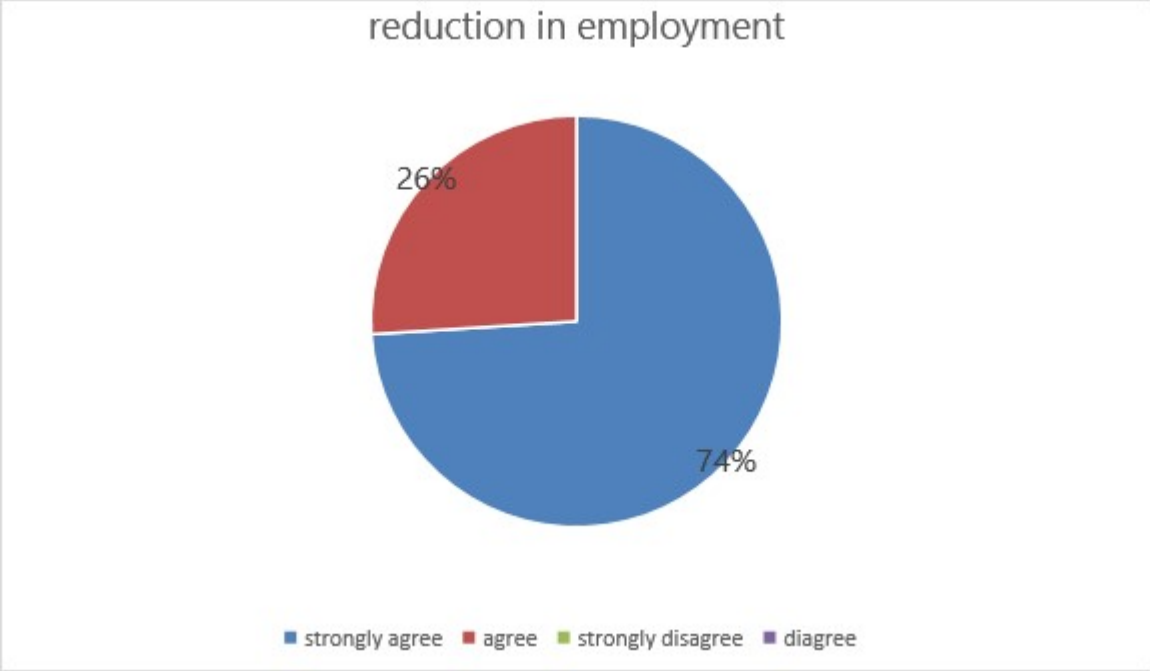
Figure 4.8 shows that the majority of respondents agreed that small firms contribute to economic progress. 14 respondents disagreed that small firms contribute to the economic progress. Umar(2018) is also of the view that income from the development of small firms contribute to economic progress.

Question 6 What are the economic effects of Covid 19 to small firms

Table 4.9 showing response for question 6a

Attribute	Strongly agree	agree	Strongly disagree	disagree	Total
Reduction in employment	25	9	0	0	34

Figure 4.10 showing response for question 6a



The majority of the respondents strongly agreed that covid 19 pandemic has led to the reduction of employment of many people. Muelbauer (2020) also had the same idea where he said that the government had stopped the activities of non-essential industries and workers were told to stay home and had reduced the workload which had caused the unemployment of many people in Kenya.

Table 4.11 showing response for question 6b

Attribute	Strongly agree	Agree	Strongly disagree	disagree	Total
Disputation of small economic activities	12	12	5	5	34
percentage	35%	35%	15%	15%	100%

From the table above ,12 respondents strongly agreed that covid 19 has led to the disputation of small economic activities and the other 12 respondents did agreed on the same point of view .In short the majority agree on the fact that covid 19 had caused the disputation of small economic

activities .This was in line with the research which was done by Gil-Alana and Monge (2020) were they said that business activities were stopped by the government and people were told to stay home and this had actually led to the low demand of products because people were now focusing on their health issues.

Question 7. What is the impact of information and communication technology to SNG?

Figure 4.12 showing response for question 7a

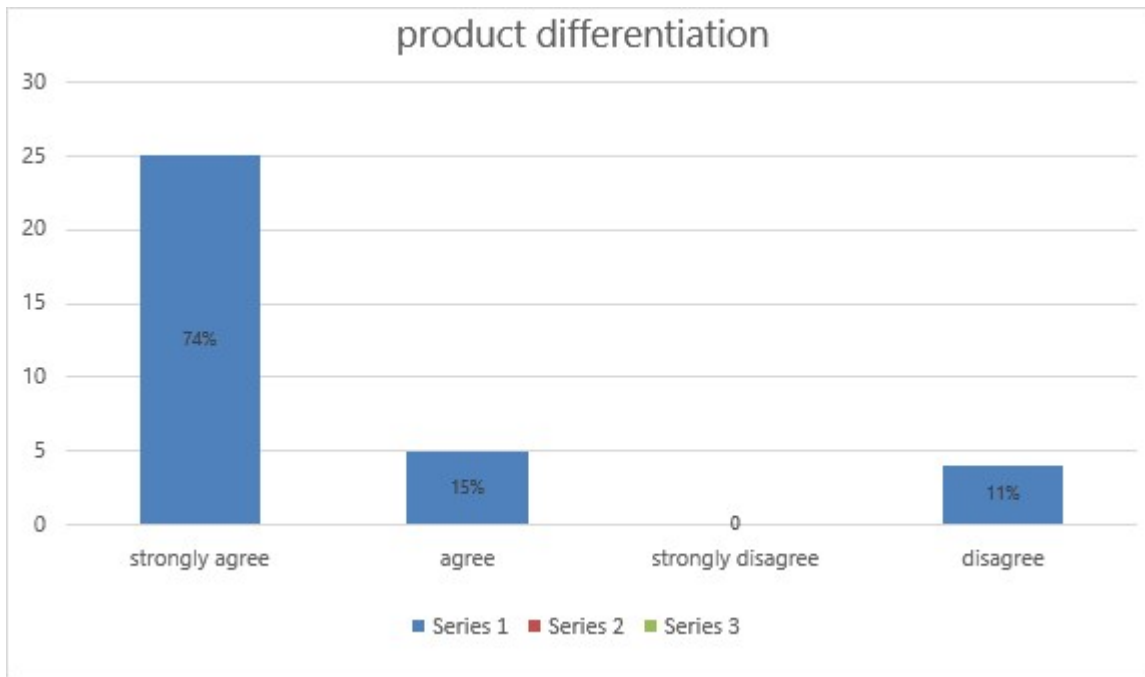
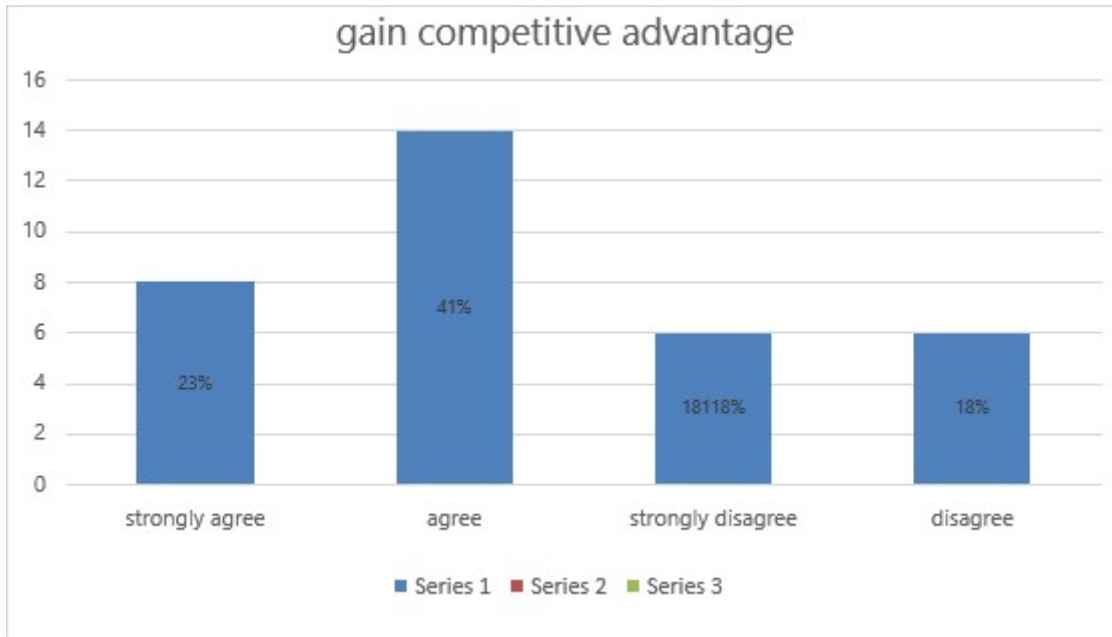


Table 4.6 portrays those 25 participants strongly agree that information and profitability is important for SNG Hardware.5 of the respondents also agreed that information and communication technology help in product differentiation. 4 respondents did disagree with the point that information and technology help in product differentiation. None of the respondents did strongly disagree that information and communication technology help in product differentiation. Mutsafa (2015) also had the same view saying that firms can also use information technology to improve any business process to become efficient and effective by facilitating strategic planning for future research. It also helps small firms in focasting its business and enables to firm to see if there is a going concern and helps the firm to measure its profitability.

Figure 4.13 showing response for question 7b



From the diagram above, 8 of the respondents strongly agreed that information and communication technology help to gain a competitive advantage. 14 respondents also agreed to the same idea. 6 respondents did strongly disagree with the point and the remaining 6 disagreed with the point. This research was in line with what was said by Salamat et al (2013) in their previous research that information and communication technology help in improving and giving competitive advantage to small firms.

Question 8: The importance of profitability.

Table 4.14 shows response for question 8a

Attitude	Strongly agree	Agree	Disagree	Strongly disagree	total
To attract investors	20	14	0	0	34

percentage	58.8%	41%	0%	0%	100%
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The table shows that 20 people among the 34 do strongly agree that profitability is important in order to attract investors giving out a percentage of 58.8%. The remaining 14 respondents do not strongly agree with the idea hence do agree with the idea giving out a percentage of 41%. Amongst the respondents no one was found to be disagreeing with the idea that profitability of a company is important in order to attract investors. Coombe (2016) stated out that without profit it is very difficult to attract investors because profit is the one that attracts investors for, they will be very sure that they will receive their dividends in time.

Question 8b: Growth and expansion

Table 4.15 showing response for question 8b

Attitude	Strongly agree	Agree	disagree	Strongly disagree	total
For growth/expansion	15	19	0	0	34
percentage	41.12%	55.88%	0	0	100%

According to table 55.88% of the respondents agree that that profitability is critical for SGN hardware .41.12% they strongly agree that profitability is a significant aspect in the expansion of business and none of the respondents do disagree with the idea. All of the interviewees agreed that expanding the firm was a good idea. This viewpoint is shared by Johnson (2018) who also said that profit is necessary for corporate expansion.

Question 8c Ability to pay off debts

Table 4.16 shows response for question 8c

Attitude	Strongly agree	Agree	Strongly disagree	Disagree	Total
Ability to pay off debts	20	10	0	4	34
Percentage	58.8%	29.4%	0%	11.8%	100%

20 of 34 respondents shows or proved out that they strongly agree with the idea that profitability is important to a business because it will be able to pay off its debts. 10 respondents of 34 also agree that profitability is important in order for a business to be able to pay off its debts. There were no respondents who strongly disagree with the idea, however 4 of 34 disagree with the idea that a business can be able to pay debts if it is profitable. They argued that it's the willingness and being honest of the company to pay off its debts. A business can be profitable and still not paying debts.

Question 9: What are the causes of decline in profitability at SNG

Descriptive Statistics

Table 4.17 showing response for question 9

	N	Minimum	Maximum	Mean	Std. Deviation
Increased competition	34	2	4	3.65	.646
Uncertainty of Exchange Rates	34	3	4	3.88	.327
Increased Overheads	34	1	4	3.29	.970
Valid N (listwise)	34				

Most of the respondents did strongly agree that increased competition causes a decline in the profitability of small firms as shown by a mean of 3.65 and a standard deviation of 0.646. They supported the idea saying that SNG Company is competing with very big companies that are also into selling of building materials such as Bola hardware and N Richards and these big companies usually reduce their pricing in order to attract its customers hence SNG as a small firm might not be able to reduce those prices to be on the same level with big companies. The majority of the respondents also agreed with the idea.

The majority of respondents agreed that uncertainty of exchange rates causes the decline in profitability of small firms as shown by a mean of 3.88 and a standard deviation of 0.327. None of the respondents disagree or strongly disagree with the idea.

In addition, over half of the respondents strongly agreed that increased overhead expenses causes a decline in profitability of small firms as supported by a standard deviation of 3.29 and a mean of 0.970. Also, some respondents fairly agreed with the idea hence none of the respondents strongly disagree with the idea though 4 of the respondents disagree with the idea.

Question 10: what are the effects of a decline in profitability?

Table 4.18 showing response for question 10

	N	Minimum	Maximum	Mean	Std. Deviation
Bankrupt	34	3	4	3.50	.508
Inability to pay debts	34	3	4	3.88	.327
Decline in company's operations	34	3	4	3.29	.462
Valid N (listwise)	34				

All of the respondents agreed that bankrupt is one of the effects of a decline in profitability as shown by a mean of 3.5 and a standard deviation of 0.508.

All respondents amongst the 34 agreed that a decline in profitability causes inability to pay debts of a company with a mean of 0.388 and a standard deviation of 0.327. None of the respondents strongly or agreed with the idea.

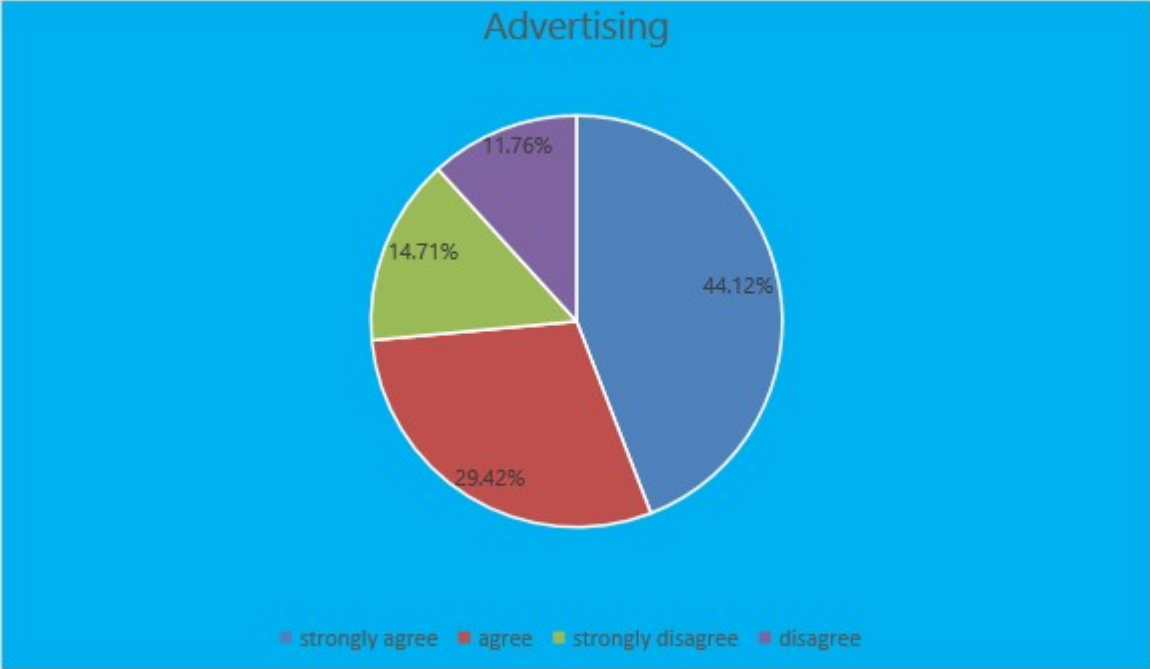
If a company is having a decline in profitability, it causes a decline in companies' operations. All the 34 did agree that a decline in profitability of a firm causes a decline in company's operations some strongly agreed and others fairly agreed as shown by a mean of 3.29 and a standard deviation of 0.462 in.

Question 11: Strategies that can be used to improve profitability of a company

Table 4.19 below shows the response for question 11a

Attitude	Strongly agree	Agree	Strongly disagree	Disagree	Total
Advertising	15	10	5	4	34

Figure 4.20 showing response to question 11a



15 respondents did strongly agree that advertising is a strategy that can be used to improve profitability of a company and also 10 of the respondents also agreed with the idea .5 of the respondents strongly disagreed with the idea saying that advertising sometimes increases cost in the business which will end up leading to the decrease in the operations of the firm. Also 4 of the respondents disagreed with the idea.

Table4.21 below shows response for question 11b

Attitude	Strongly agree	Agree	Strongly disagree	disagree	total
Correct pricing	25	9	0	0	34
Percentage	73.53%	26.47%	0%	0%	100%

All the respondents agreed that correct pricing of products is a strong strategy that can be used to improve profitability of a company.25 of the strongly agreed with the idea and 9 of them also

agreed with the idea .The respondents explained well that products they don't have to be overpriced or underpriced if they are underpriced it means that the company will not be profitable because production costs will be higher than the selling price .They also explained that if the products are overpriced it will chase away customers hence sales will be very low leading to the cashflow problems.

Table4.22 below shows response for question 11c

Attitude	Strongly agree	Agree	Strongly disagree	Disagree	Total
Managing costs	20	14	0	0	34
Percentage	58.82%	41.77%	0	0	100%

20 respondents strongly agreed that managing company's costs is a strategy that can be put in place in order for a company to improve profitability Also 14 respondents amongst the 34 also agreed with the idea. None of the respondents disagreed with the idea.

Table 4.23 below shows response for question 11d

Attitude	Strongly agree	Agree	Strongly disagree	Disagree	Total
Improving customer services	30	4	0	0	34
Percentage	82.24%	11.76%	0	0	100%

There were 30 respondents who supported the idea that improving customer services improves the profitability of small firms giving out the highest percentage of 82.24%. They explained that customers they always want to buy from the companies they see that they are being respected and valued hence more sales and profitability increases. Also 4 respondents got to support the idea.

4.4 Interview questions Response

The researcher had planned to conduct 6 interviews but managed to hold 5 which are warehouse manager, Human Resource manager, selling and marketing director, senior accountant and production manager were the individuals who were interviewed. The purchasing officer was not available on the day where the interviews were conducted

Table 4.24 showing the questionnaire response rate

Participants	arranged	conducted	Response rate
Warehouse manager	1	1	100%
Human resource manager	1	1	100%
Selling and marketing director	1	1	100%
Senior accountant	1		100%
Purchasing officer	1	0	0%
Production manager	1	1	100%
Total	6	5	83%

On these interviews, the researcher focused mainly on those in the management department and the overall response rate was 83%. The researcher failed to interview all of them because the purchasing officer was not available on the day where the interview was conducted.

4.4.1 What do think are the importance of your firm to the government?

Respondents were expected to give their view on the importance of small firms to the government. All the respondents mentioned and agreed that small firms increase government revenue through

taxes and the money will be used to pay civil servants as well as developing government institutions such as schools, hospitals etc.

4.4.2 In your own thinking, what do you think are the economic effects of covid 19 to your firm?

Respondents were asked to give their opinions on what are the economic effects of covid 19 to SNG Hardware. The respondents pointed out that covid 19 had affect much negatively to their company saying that the pandemic has led to a very sharp decrease in the operations of a business and the profitability of the company decreased

4.4.3 What do you think is the importance of information and communication technology in your firm?

SNG respondents were expected to give their view on the importance of information and communication technology to their firm. All the respondents agreed that information and technology is important to their organisation because it helps them to have a competitive advance and helps in having a bigger market share for, they can advertise their products on different social media platforms.

4.4.4 What is your view on profitability and its importance to your firm?

On this question, the respondents were expected to give their views on the importance of profitability to SNG Hardware. The minority of the respondents identified a number of factors saying the profitability helps one to have a more realistic view of how well a company is performing by comparing the overall revenue with the cost. They also said that if a business is being profitable, it produces out quality products.

However, the majority of the respondents pointed out that when a business is profitable it can easily attract investors because investors only what to invest in companies, they are very sure that if they invest in them, they will receive their dividend in time. This was also supported by Coombes (2016) were he said that without profit it is fairly impossible to attract investors.

The question aims to identify the various elements that interviewees believe they influence SNG Hardware. They mentioned a variety of elements that they thought would affect the company's profitability which are finance costs, level of demand of their products, management, political and environmental factors.

4.4.5 In your own perspective what could be the causes of decline in profitability at your firm?

This question aims to identify the various elements that the interviewees believe influence the profitability of small firms at SNG Hardware. They mentioned a variety of elements that they believe have a negative impact on the company's profitability such as production expenses, labor costs and financing costs. These factors were all mentioned by the majority respondents. Different authors such as Morgan (2014) have backed up the aforementioned factors saying that the cost of goods sold has a direct impact on gross profit.

However, the minority of respondents identified some other factors which can cause a decline in the profitability of their firm such as increased competition and increased overhead expenses. This was supported by Odhiambo et al (2015) where he points out that rising competition will lower the firm's profitability and productivity.

4.4.6 what do you think are the effects of a decline in profitability?

Respondents were expected to describe the consequences of a profit decline in the profitability of SNG Hardware. The majority of the respondents identified a variety of effects which include bankrupt, discontinued operations. They also mentioned other unavoidable factors such as covid 19 that it has led to the unemployed of many people and had caused poverty to the people who are in the society. Raven et al (2020) also supported the idea saying that the pandemic has led to a disputation of small economic activities and has resulted in a greater poverty to the society.

4.4.7 what strategies do you think you can use at your firm to improve the profitability at your firm?

On this question the interviewees were expected to give suggestions on ways that they think may improve SNG's profit levels. Three quarters of the interviewees suggested that the company should work in increasing its marketing strategies, advertising and sales promotions. The other one quarter of the respondents mentioned that the company should be in a position to manage its costs in order to improve profitability of its company. Another respondent also mentioned that costs are not only reduced or controlled for things in the organization but the company can always reduce their purchasing cost through price negotiations with suppliers. In support of the mentioned suggestion, Lister (2018) appointed out that failing to manage production cost and being cost efficient leads to a further decline in profits.

4.5 SUMMARY

The focus of this chapter was on data analysis, presentation and interpretation. The results of questionnaires and interviews were analyzed. The information was provided in the form of graphs, tables charts and spss and the research will be summarized in chapter 5 as well as conclusions and recommendations.

CHAPTER 5

RECOMMENDATIONS, MAJOR RESEARCH FINDINGS AND CONCLUSIONS

5.0 INTRODUCTION

After all the research is complete, chapter 5 now comes and gives the summary of what has been discussed in chapter 1 up to chapter 4 giving out conclusions and recommendations in line with the research objectives and research questions, literature review from different authors. In this chapter the research will also highlight the areas where further research is needed,

In chapter 1, there was presentation of background of the study, problem description and research topic as a study of the variables that affect the profitability of SNG Hardware in an expanding industry. The research objectives, research goals, the relevance of the study, its boundaries and limitations were also made clear to various stakeholders.

Chapter two highlighted or identified literature about this work, which has previously been published by a number of authors. The chapter also discussed the reasons of profit decrease, the repercussions of profitability, impact of covid 19 Pandemic, effects of technology and communication and the techniques that may be taken to prevent profit decline according to different experts Creswell (2014), Hirdinis, M (2019) were among the significant contributors.

The researcher's research approach was presented in chapter 3. The case study method was used by the researcher. This is because this method focuses on one or a few occurrences of a phenomena in order to provide a detailed explanation of the events that occur in that existence. Questions and interviews are most data collection instruments, they were employed to obtain responses from respondents. Only managerial individuals were interviewed by a researcher.

The fourth chapter provided and analyzed the information gathered. Data was presented using spss data analysis and tables as well Conclusions were drawn basing on the responses from the respondents. The chapter has been focusing on the methods which were used by the researcher to collect data giving out the advantages and disadvantages of those methods.

5.2 MAJOR FINDINGS

5.2.1 IMPORTANCE OF SMALL FIRMS TO THE GOVERNMENT

The researcher found out that small firms are important to the government because they effectively contribute that money back to the community also, they contribute to the economic progress by

creating employment to the employees who does not qualify to be employed by bigger firms. Government revenue is increased through taxpayer etc. If revenue is increased, the government will be able to support services such as schools, hospitals and salaries and wages for civil servants.

5.2.2 EFFECTS OF COVID 19 TO SMALL FIRMS.

The researcher found out that covid 19 has affected a number of businesses both big firms and small firms. The researcher discovered that firms were affected much by the pandemic and a number of negative effects were pointed out by the respondents such as high labour turnover, failure to meet demand since exports were not allowed and production was very low due to limited number of workers in a workplace and also poverty has increased due to unemployment.

5.2.3 IMPACT OF INFORMATION TECHNOLOGY TO SMALL FIRMS

The researcher found out that information and communication technology help the firm to stay within the competition and also helps the firms to differentiate its products from competitors.

5.2.4 THE IMPORTANCE OF PROFITABILITY

Profitability on its own creates a foundation for future profits and working cash is freely available and accessible through the financial institutions for only businesses that are profitable hence unprofitable businesses will not be able to access those profits. The researcher also discovered that profitability is very useful because it attracts capital investment, business expansion as well as the ability to borrow money from banks etc.

5.2.5 CAUSES OF PROFIT DECLINE

Respondents mentioned a number of factors that causes a fall in profitability. These factors include greater competition from bigger firms, increased overheads expenses, lack of advertising, unstable exchange rates and inadequate distribution channels.

5.3.6 EFFECTS OF A DECLINE IN PROFITABILITY

A drop in profitability decline result in a number of negative impacts according to the respondents. The respondents said that if there is a decline in profitability, the company will not be able to pay its debts, company bankrupt and also causes a decline in company's operations.

5.3.7 STRATEGIES THAT MAY BE USED TO IMPROVE PROFITABILITY

The researcher found out that most of the findings were to do with the correct pricing of products and managing costs as well. It was suggested that the employees, especially the cashiers must charge the correct prices to the customers. They said that by giving customers the correct pricing, it keeps customers coming back as well as good reputation hence revenue is increased. Managing cost effectively was also said to be very important because if costs are not managed so wise, the business will experience losses within the business company resulting in bankrupt of the company.

5.3.8 EFFECTIVE WAYS TO MANAGE PROFITS

The researcher discovered that for a company to have better management earnings, the company itself need to identify new ways to generate money such as advertising on different social media platforms for example Facebook, twitter, WhatsApp groups to get acquire more customers. Also improving customer service by giving them reasonable discounts, free deliveries and giving them SNG t-shirts, caps, hats and diaries.

5.4 SUMMARY

The study which was carried out at SNG Hardware to look into the elements that affect the profitability of small businesses and excitingly, the research was successful since all of the research objectives were met.

5.5 RECOMMENDATIONS

The organization must be in a position to educate its employees on cost-cutting techniques and there has to be a continuous review of measures implemented to see if those measures are still effective. Hard work and team work is also another aspect which need to be introduced by an organization and is a very important aspect within the business because where there is no teamwork there is no business. An organization must always think of different strategies they can use in order to stay within the competition hence increasing the quality of its products and services as well which will lead to its profitability. Monitoring of cashflows on a daily basis is also important Soboleva et al (2018)

Everyone on the organization has the ability to be a salesperson and has the opportunity to share the company's message in order to generate sales through the phone, email, face to face etc.

Motivation of workers is also important by allowing them to attend different meetings for example where they go out for lunch meetings and be able to discuss different business issues hence contributing different ideas Kuzieva, N (2020).

5.6 AREAS WHICH MIGHT NEED A FURTHER STUDY

Profitability is a fundamental goal for all businesses, large and small. Profitability factors affecting not just small firms in the manufacturing industries, but also major corporations in other industries. The researcher also considered to include a study on the variables influencing profitability of service sectors such as satellite companies, cable companies and internet service providers etc. was also considered to be taken as a research area by the researcher topic

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APPENDICES

APPENDIX 1:

Bindura University

SNG Hardware

21626 Damafalls

Ruwa

Dear Sir /Madam

I am a fourth year Bindura University Student by the name Dorcas Chitiyo and I am studying a Degree in Accounting. I am conducting a study on the factors that affect the profitability of small firms here in Zimbabwe, utilizing SNG as a case study as part of the prerequisites for the above - mentioned degree.I am kindly requesting your permission to do my research at your company. Please take note that you have my promise that the research data will be used only for scholarly reasons and confidentiality must be upheld

Yours faithfully

Dorcas Chitiyo

B1850607

APPENDEX 2: LETTER OF REQUEST

Bindura University

SNG Hardware

21626 Damafalls

Ruwa

REF: REQUESTING TO RESPOND TO MY QUESTIONNAIRES

My name is Dorcas Chitiyo and I am a Bindura University student, studying a degree in accounting. I'm conducting a study on the Factors that affect the profitability of small firms here in Zimbabwe. I am respectfully asking for your assistance by answering to the questions in the accompanying surveys and any information you submit will be treated as confidential and used solely for academic purposes. It is much appreciated that you took your time to complete this questionnaire.

Your Faithfully

Dorcas Chitiyo

B1850607

APPENDIX 3:

PART A

Completion instruction

Tick where its acceptable, and only use ticks in the boxes that apply to you.

1.Department in which you are at SNG

(i) Department	
(ii) Accounts Clerk	
(iii) Accountants	
(iv) Selling &Marketing	
(v) Human Resource	
(vi) Production and warehouse Managers	
(vii) Production Staff	

2.How long have you been at SNG

0-2 Years

2-6 Years

6 Years Up

3.Highest Level of Education

O Level

Diploma Level

Under Graduate

Masters

4.Level of knowledge in terms of profitability

Moderate

Good

Very Good

Excellent

PART B

Place a check mark where it is appropriate

1.what is the importance of SNG to the government?

Answer	agree	Strongly agree	disagree	Strongly disagree
Create revenue				
Create employment				
Contribute to revenue progress				

2.What are economic effects of covid 19 to SNG

Answer	Agree	Strongly agree	disagree	Strongly disagree
Disputation of small economic activities				
Reduction in employment				

3.Impact of information and technology to SNG

Answer	Agree	Strongly agree	disagree	Strongly disagree
Gain competitive advantage				
Helps to measure profitability				
Product differentiation				

4. What is the importance of profitability to SNG

Answer	agree	Strongly agree	disagree	Strongly disagree
Attract investors				
Business expansion				
Ability to borrow money				

5. What are the causes of profitability decline to SNG.

Answer	agree	Strongly agree	disagree	Strongly disagree
Increased overhead expenses				
Increased competition				
Lack of advertising				
Unstable exchange rates				
Inadequate distribution channels				

6. What are the effects of a decline in profitability to SNG

Answer	agree	Strongly agree	disagree	Strongly disagree
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Decline in company's operations				
Bankrupt				
Inability to pay debts				

7. What are the strategies of improving profitability of SNG

Answer	Agree	Strongly agree	disagree	Strongly disagree
Increase customers services				
Managing costs				
Advertising				
Correct pricing				

Comments.....
.....

Thank so much for your participation in this questionnaire.

APPENDIX 4: ITERVIEW GUIDE

1. what do think are the importance of your firm to the government?
2. in your own thinking, what do you think are the economic effects of covid 19 to your firm?
3. what do you think is the importance of information and communication technology in your firm?
4. what is your view on profitability and its importance to your firm?
5. In your own perspective what could be the causes of decline in profitability at your firm?
6. What do you think are the effects of a decline in profitability?
7. What strategies do you think you can use at your firm to improve the profitability at your firm?