CREDIT DELAY AND BUSINESS DISTRESS: AMONG SMEs A CASE OF SELECTED GOVERNMENT INSTITUTION IN LUSAKA DISTRICT

BY

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A dissertation submitted to the University of Zambia in Partial fulfilment of the requirement for the award of the degree of MBA General

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DECLARATION

I, **Wesley Chilwana**, do hereby certify that the dissertation is my original work and, that its contents have never been presented elsewhere. I also declare that the narratives, figures, graphs, and statistics contained in the report were generated by me, except those whose origin has been acknowledged.

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APPROVAL

This dissertation by Wesley Chilwana has been approved as fulfilment of the requirement for the award of the Degree of Master of Business Administration in Strategic Management.

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ABSTRACT

Raising incidents of delayed payments to SMEs is an increasing concern by SMEs world over. Evidence from the federation of Small Businesses indicate that more than half of small businesses are not paid promptly by large companies with the average payment time of 163 days which is more than double normal contract terms. The aim of the study was to explore the business effects created by delayed payment to SMEs in Lusaka. The research used explorative study design. The study was conducted at the University of Zambia due to the high number of SMEs that conduct business with the institution. In view of this, an applied research Design was employed, and then the research was guided by the theory of cooperation. A survey questionnaire was used to collect quantitative data then analysed using chi-square test and the Pearson correlation at 5% confidence level. A total of 65 respondents were selected by simple random sampling technique and the sample size was determined to be 55. The research established that 38 percent of the respondents had experienced at least one payment delay in the past 12 months. The majority 48 percent of the late payments were experienced in the services sector, while the manufacturing and the trading sectors recorded 14 percent and 38 percent respectively. The data showed that 82 percent of the respondents were not aware of any of the coping measures for delayed payments therefore the study concluded that there is indeed a problem of delayed payments which is resulting into business distress among many SMEs and this has left a lot of them in positions that make their work inhospitable for survival of their enterprises which in turn also results in poor performance, low productivity and quality of goods and services offered by these SMEs all because of delayed payments. Then much worse-off it was discovered that most SMEs are not familiar with coping measures to assist them. The study therefore, recommended a number of strategies to be employed in order to reduce delayed payments and business distress which are: Strengthening Monitoring Processes and Better Enforcement of Current Policies, Development of a System Value Chain , Contracts by Government Departments Should be Validated and Approved based on the Availability of Funds to Pay Contractors, Strategies for Micro, Small and Medium Enterprises, Support Strategy for SMEs that have been in Operation for less than 5 years, Decrease the Cost for Recovering Late Payment, and last but not the least Interest and Cost Recovery Policy for Delayed Payments.

Keywords: *Small Medium Enterprises, SME's, Delayed Payments, Business Distress*

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DEDICATION

I wish to dedicate this dissertation to my wife Annie Mukelabai , my children Andrew ,Limpo, Agness and Christopher, my father leornard Chilwana, my family and friends for their continued support.

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LIST OF ACRONYMS

UNZA:	The University Of Zambia.
SMEs:	Small medium Enterprises.
HSSREC:	Humanities and Sciences Research Ethics committee.
LP:	Late Payment
CCC:	Cash Convention Cycle

OPERATIONAL DEFINITIONS

1. ***Business Distress*****:** The challenges a business firm faces due to a disturbance on some of the key inputs or products of their business operation (Schiffer and Weder, 1991).

2. ***Credit Delay*****:** The amount of time, past due, the expiry of the interval between the purchase of goods and services on credit and the receipt of payment of those goods and services (Schiffer and Weder, 1991).

3. ***Enterprise:*** According to the Ministry of Commerce, Trade and Industry *Small and Medium Enterprises Survey* (2003/04) means any entity, regardless of its legal form, engaged in economic activities, and includes self-employed people, family businesses, partnerships and social economy and craft enterprises

4. ***Small Medium Enterprise (SMEs)*****:** Deducing from the earlier definition of *Enterprise*, SME can be coined as a small business organization (enterprise) that has at least 11-100 employees. This according to the Ministry of Commerce. Trade and Industry *Small and Medium Enterprises Survey* (2003/04) are those enterprises that are concentrated in the traditional economic sectors characterized by use of low technology, rely largely on social networks and inter-firm cooperation, and are oriented towards the local and less affluent segments of the market.

CHAPTER ONE

INTRODUCTION

1.1 Background

Delayed payments are one of the major financial challenges faced by SMEs this is the most important issue for them after access to finance. Data from BACS - the bank automated clearance scheme - shows that the average SME was owned over £31 000 in April 2013. That translates to over £30bn across the UK economy. Evidence from the federation of Small Businesses indicate that more than half of small businesses are not paid promptly by large companies with the average payment time of 58 days nearly double normal contract terms. And the situation has gotten worse in the current economic climate (Back, 2013).

The importance of trade credits, i.e. sellers accepting payments after the delivery of goods and services, increased during the financial and economic crisis. Following needs of restoring balance sheets due to financial crisis, the problem of late payments has become more urgent (Connell, 2014). Both business and government late payment increased in European countries since the beginning of the crisis.

Paying clients late is an ethical issue that doesn't receive enough attention so much as it may be compared to the LIBOR fixing or phone hacking, and yet it is a scandal that affects the lives of many. Late payments for no valid or legitimate reason are unethical. They are abuse of 'power' and in essence bullying behaviour by customers who hold the cards. Small businesses are reluctant to use the legislation, or they agree punishingly long payment terms, for fear of losing contracts with bigger businesses on which they are often reliant (Back, 2013).

In reality, suppliers, especially SMEs are rarely have enough bargaining power, which they could take advantage of and challenge their customers for fear of damaging the business relationship. Small businesses are often unable to walk away and look for another customer, especially if an existing one owes them significant money and charging interest on the outstanding balance rarely works (Back, 2013).

On the other hand, as an explanation to the unethical delayed payments, customers are paying their suppliers late to ease their own cash flow problems, pushing the financial risks onto suppliers, which is unfair and an abuse of trust. There is a natural tension between a customer and a supplier which can result in the emergence of innovative solutions and mutual benefits (Back, 2013).

Late payments have negative internal effects on organizations including the human resource that do not only affect output but get down to the inputs of production. The human resources face massive challenges due to delayed pay for goods and services provided. Then governments, for example delay pays due to factors such as diversion of funds, the result is a decrease in the volume of work performed that usually comes with demotivation. As organizational psychology has it that salaries are a motivational factor that have an effect on workers performance (Lahey, 2012).

The Zambian government is making efforts to put this practice to an end. "It is important that Zambian contractors who do their work are actually paid so that we keep the economy commerce going and that the workers in the industry continue to look after their families." Said the government spokesperson (Lusaka Times, 2018). However, even among such wishes, the situation seems to worsen with time.

1.2 Statement of the Problem

There is a problem among SMEs that provide services to government department. Despite the legal demand to pay for services and honour contracts, the government has not been honouring payment for services in time. The difficulty arising from this problem is that a number of SMEs have been folding up amidst a horde of other challenges which have not adequately been studied in Zambia. In addition, the congregation, per sector, of delayed payment for goods and services provided by SMEs is not known due to lack of information about the distributions of the affected businesses within the private economic sphere. Furthermore, it is not known as to how these SMEs are coping with these delays. Perhaps a study which investigates effects that befall SMEs as a result of delayed payments and their coping behaviour in such a competitive environment will help to showcase what is happening on the ground.

1.3 Aim of the Study

The aim of the study is to analyse and investigate the problem of delay of payments among SME's, determine its effects and investigate the coping behaviours of SME's in Lusaka district.

1.4 Specific Objectives

1. To investigate the payment delay among SMEs that have business with Zambian government departments.
2. To determine the effects exerted on SMEs following payments delays.
3. To investigate the coping behaviours following such delays.

1.5 Research questions

1. What extent of payment delays among SMEs that have businesses with Zambian government departments?
2. What are the effects exertion SMEs following payments delays?
3. How are SMEs taking up coping measures?

1.6 Statement of Research Hypothesis

1.6.1 Investigation of delayed payments

- H0: SMEs doing businesses with government departments experience delay payments.
- H1: SMEs doing businesses with government departments do not experience delay payments.

1.6.2 Effects of delayed payments

- H0: Delays in the payment of funds has negative effects on the finance accessibility of SMEs.
- H1: Delays in the payment of funds has positive effects on the finance accessibility of SMEs

1.6.3 Coping up knowledge

- H0: SMEs have little knowledge about the coping measures.
- H1: SMEs have knowledge about the coping measures.

1.7 Significance of the study

Cash flow is the lifeblood of every business society. That is why this study investigates the effects of late payments on Micro and Small Enterprises in Lusaka. The findings of the research will be useful for making general assumptions about other business communities away from Lusaka that has similar characteristics. It is relevant that this study is conducted because it will generate new knowledge on the subject matter. This is with regards to the effects exerted on SMEs due to delayed payments. This study shall be carried out for exploratory purposes so as to provide policy makers and implementers with more information when doing their analysis of economic issues. It would also be useful in further academic research. Moreover, this study serves the purpose of fulfilling the partial requirements for the award of Masters of Business Administration General.

1.8 Scope of the study

Seeing that business effects exerted on SMEs due to delayed payments are broad, and emerging from various businesses across respective sectors, this research focuses on the profile, the actual effects and the coping behaviour of SMEs in Lusaka district in Zambia within the Micro and Small-Medium Enterprises (services) sector, this sector includes, for instance, construction services restaurants etc. This research does so by confining the study within that sector found in the study area. The study will be limited to SMEs that have businesses with the government departments in the selected payment delay site.

1.9 Analysis

The analysis is driven by the research literature and by the emerging issues within the study itself. To be able to identify the issues emerging from the data collected, statistical analysis and thematic analysis were used. Descriptive statistics such as frequency distributions and cross tabulations that indicate a given variable relative to total count or percentage of that variable are used to learn about the way the data is distributed. The relationships or associations between certain data postulated from the literature are investigated with the use of appropriate statistical methods tools such as chi-square and fishers test. Were possible inferential statistics such as regression analysis was used to establish relationships between variables and to infer were possible to a broader population. Initially, it was intended that qualitative data will be analysed using a thematic analysis approach whereby similar topics, viewpoints or ideas are grouped together under certain themes, coded and reviewed to better understand the findings. However, very limited qualitative data was collected due to the reluctance by respondents to provide information.

1.10 Organisation of the study chapters

The organisation of the study chapters simply shows how chapters are arranged in the study and what is contained in each chapter.

1.10.1 Chapter one: introductory Chapter

The first chapter of the study, provided introductory remarks and a detailed background to the issue of business distress of SMEs because credit delayments. The chapter also contained the study's statement of the problem, aim of the study; it described the research objectives which mirrored the research questions. In addition, the chapter gave a justification to as why the study must be undertaken. Furthermore, the research hypothesis, the scope of the study and limitations of the study were also highlighted. Finally, the chapter addressed the organisation of the study chapters, ethical consideration and chapter.

1.10.2 Chapter Two: literature Review.

Chapter two of the study explained both theoretical and empirical evidence of the study. it gave different opinions from different authors pertaining to the distress of doing business due to delayed payments to SMEs. The study chapter also gave a description of the conceptual framework which formed the basis of this study. In addition, an in-depth review of literature on sartorial distribution of SMEs, investigation of delayed payments to SMEs, Effects Exerted on SMEs Caused by delayed payments and coping behaviours for SMEs then finally a summery was presented.

1.10.3 Chapter Three: Research Methodology

The research methodology which is a blue print of this study was provided for in chapter three of the study. Among the pertinent issues covered in this chapter included: research design, study sites, study population, study sample, sampling techniques, data collection instruments, data collection procedure and timeline, Data analysis instrument and procedures and research design matrix followed by a summery at the end.

1.10.4 Chapter four: presentation of research findings

Chapter four of the study presented the findings of the study from the data that was collected. The findings of the study in this chapter were presented in a form of table's figures and charts. The results were then interpreted to give brief description and meaning to the statistics given in the data analysis and finally the chapter was summarised by point out the pertinent issues that were covered under this chapter.

1.10.5 Chapter five: Discussion of Research Findings.

The finding of the study presented in the chapter four, were further discussed in detail in chapter five. In discussing the finding the findings of the study, reference was made to the literature reviewed, thereby drawing differences and similarities. Furthermore, the chapter was summarised by highlighting all the key concepts that were discussed in the chapter.

1.10.6 Chapter Six: Conclusions and Recommendation

Chapter six of the study gave a summary of the study. Not only was that, but also conclusions drawn based on findings of the study. In addition, recommendations aimed at reducing credit delays and business distress was equally provided in this study chapter. Finally, suggestions for future studies were also made explicit in this chapter with a chapter summery as the last component to be looked at.

1.11 limitation of the study

The research was limited by the financial constraint as the researcher met all the research expenses. In as much as the researcher could have wanted to conduct this research at larg scale, however, due to the financial constraint the research only covered a small area with Lusaka.

The study was also limited due to the failure by the researcher to generalise the findings of the study was conducted only in Lusaka district. Therefore, the findings o f the study could not be generalised across the entire country, due to the small sample size the study employed.

Furthermore, the research suffered a limitation in that, it was conducted under a short period of time and this limited the issues to be covered in the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two of this study, which is the literature critically, analyzed various articles, journal, books and dissertations that were relevant to the topic under study. According to kombo and tromp (2013) literature review is a critical analysis and evaluation of the scientific and academic writing of other scholars that is general or specialized relevance in particular area or topic of study. Therefore in this chapter, a theory was employed which was seen to be relevance to the topic of study as well as the study conducted by other authors that were similar to the topic under study, hence the chapter was divided into three categories that is the theoretical framework, conceptual framework and empirical literature review.

2.2 Theoretical Review

The phenomenon of credit delay and business distress is one which if gotten to be understood becomes an important tool that can be used to help in the smooth and proper way of ensuring that SMEs continue to run and grow in the business environment, in turn this will help reduce the burden and cost of credit delay and distress of SMEs. However, providing answers or insights to this phenomenon is not a straight forward thing. Nonetheless, there are a number of scholars that have studied and developed models and theories that provide the basis of understanding the concept of credit delay and business distress. Despite the vast theories developed on credit delay and business distress only the cooperation theory was discussed and guided this investigation.

2.2.1 Deutsch's Theory of Cooperation

Morton Deutsch proposed a theory in 1949 based on social interdependence theorising group dynamics. Deutsch proposed that how group members believe their goals are related very much impacts their dynamics and success. As Deutsch worked on the ideas of lewin and others at MIT's research centre for group dynamics, Deutsch (1949 a, b, 1973,1980) and Deutsch and Krauss (1962) proposed a theory that stipulated both the outcomes of cooperation and non-cooperation. In Cooperation, persons perceive their goal attainments as positively related; one's movement towards one's goals facilitates the other's goals. In non-cooperation, persons perceive their goals as negatively linked; movement towards one goal interferes with and makes less likely the other's goal attainment. In Cooperation, another's effective action assists other to reach their goals: it can substitute for their own effective behaviour and is positively valued. Bundling behaviours are not helpful; they cannot be substituted and are negatively valued. Persons in cooperation try to influence and are open to being influence as they try to perform effectively and reach goals. In contrast, a non-cooperation's bungling action aids others, can be substituted for their own effective action reduces the other's chances, cannot be substitutes and is negatively valued.

Deutsch's theory of cooperation has been largely used to understand relationships among peers. Researchers can use this theory to suggest patterns of behaviours between superiors and subordinates as well as among adults in business and other settings and their outcomes. The review of this theory stipulates how the theory and research on goal interdependence aids understanding social interaction and productivity among organizations which entails just how important it is for institutions to cooperate positively. This directly relates to this research one organisation should always pay up their dues in time to other organisations with whom they are in cooperation with for the benefit of both institutions.

Based on a research that was conducted by (George, 1977; Gyllehammer, 1977; Sherwin, 1976; pasmore & Sherwood, 1978; peters & waterman, 1982). This research indicated that several persons can combine their energy, ideas and perspectives to accomplish tasks proficiently rather than in the other way round. Then also according to Johnson, nelson, & skon (1981) have clarified knowledge about productivity and goal interdependence through a meta-analysis of over 100 studies. Cooperation was found to induce higher productivity than either competitive or individualistic effort overall.

Cooperation has consistently been found to strengthen work relationships, morale and especially on complex tasks, to promote productivity. Cooperation has the potential of both fulfilling the needs of individuals and the requirements of organisations; cooperative groups can integrate the individual in the organisation and help the organisation be productive. Surely, this potential should motivate investigating by researchers and experimenting by practitioners.

2.2.2 Weaknesses of Deutsch's Theory of Cooperation

Deutsch's theory of cooperation just like most theories can be criticized based on the power and influence relationship of organisations. Despite helping promote high productivity and democracy between organisations or cooperating partners, it can create stiff competition among small firms trying to get tenders. The award of tenders by one organisation may result in the firm awarding SMEs tenders or contracts to create a Monopsony power for itself.

2.2.3 Justification for the use of the Theory

Despite the limitations that the theory has, Deutsch's theory of cooperation has greatly contributed to understanding the positive and negative approaches to cooperation between organisations. The theory is helpful in giving us insights on how proper and lawful cooperation can derive benefits among peers or organizations in an agreement or contract.

2.3 Conceptual Framework

A conceptual framework is a model constructed usually by a researcher that explains the relationship between the main variables in the study. These variables are: the independent and the dependent variables. According to Hussein and Agyem (2018) and Manilla (2010) the conceptual framework serves as a basis for the researcher and the reader to understand either the causal or the correlational relationships between the independent and the dependent variables in the study.

According to Crama and Howitt (2014) independent variables are those variables in a research that are stable and unaffected by other variables you are trying to measure.On the other hand dependent variables are factors that are measured and usually are affected by the independent variable. Hussein and Agyem (2018) postulate that dependent variables are expected to change as a result of an experimental manipulation of the independent variables. In this study for instance, a delay of payments owed to SMEs will result in business distressed this is illustrated in the diagram below.

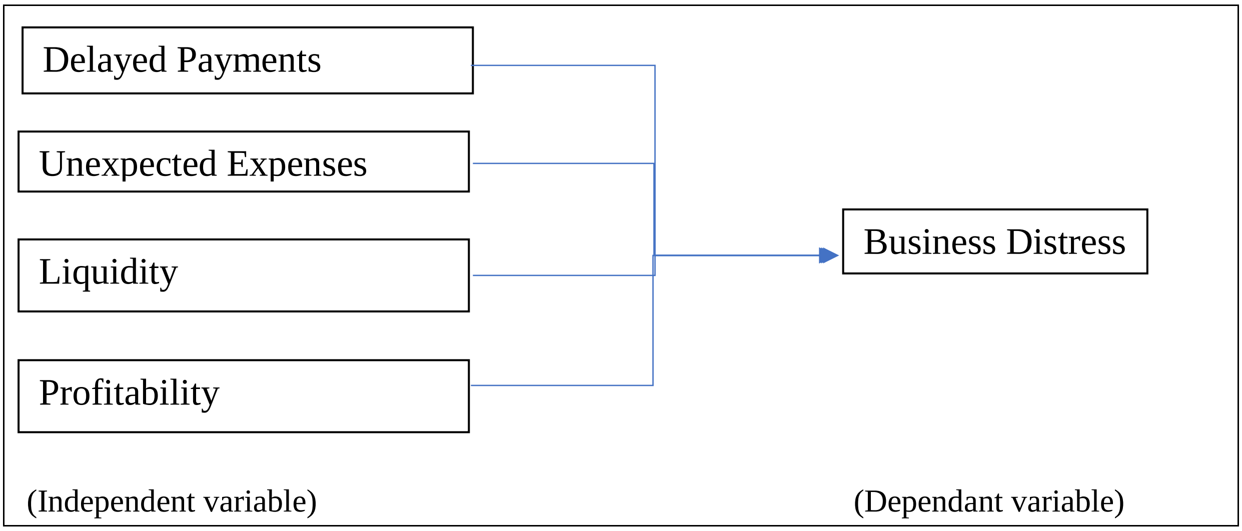

Figure 1. Source: Author's construction

2.4 Definition of the Term SME.

According to Kushnir (2013), "this increased attention to SMEs begs the question -- what, exactly, should be considered a SME?" Kushnir (2013) postulates that while there are different definitions of small business enterprises according to context, there have been attempts to come up with a universal conceptualisation of SMEs. While there are advantages within the global economic transactions and lending regimes, Kushnir (2013) acknowledges that this marks important purposes of small businesses in different countries. In the same line, Rogerson (2011; 2012), acknowledges that SMEs tend to have strategic objectives for countries, which include economic (job creation, economic growth and international competitiveness), welfare (poverty alleviation) and political (equalising racial/class distribution of wealth) objectives. Kushnir (2013), therefore argues that while a universal definition could have invaluable heuristic advantages, the definition of SMEs does also rely on contextual variables such as business culture, the size of the country's population, industry, and the level of international economic integration. It could be the result of businesses lobbying for a particular definition, which would qualify their enterprise for governmental SME support program. The research by Kushnir implied that one single definition of SME was not possible as it needed to take into consideration the context of the different countries.

Kushnir (2013) postulates that in China an SME can be any business enterprise with less than 3000 employees, between 40-400 million Yuan, and 10-300million Yuan in business revenue. On the other hand, within the European Union, any venture with less than 250 employees and up to 50 million Euros is regarded as an SME (Kushnir, 2010). According to Berisha & Pula (2015), in 2005, the European Commission came up with three quantitative criteria for defining and classifying SMEs, number of annual employees, annual turnover and annual balance sheet. Using these parameters Berisha and Pula ideally set ground on which any country can define a SME in their local context.

On the other hand, the World Bank uses slightly different quantitative indicators to define a SME, the number of employees, total assets in US$, and annual sales in US$ (Berisha & Pula, 2015). For the World Bank, small businesses are classified SMEs depending on the size of their staff, turnover, and total assets. Berish and Pula (2015), highlight the lack of comparability in the indicators of the World Bank and European Commission. They argue that these irreconcilable differences foreshadow the international SME context, in which "every country exercises the freedom to define SMEs specifically" (Berisha & Pula, 2015:20). According to Section 1 (xv) of the National Small Business Act (No 102 of 1996) as amended a, 'small business' is officially defined as, "A separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy". This definition is ambiguous as it does not specify what a small business is nor does it give variables or parameters to use in order to establish the realms of a small business. The definition of SME by the National Small Business Act does not speak to the World Bank and European Commission definition.

There have been different definitions given to SMEs from different geographical locations and with different criteria. In spite of all the disagreements in the various definitions, the universal criterion used is the number of workers or employees. Practically, there are complications when applying this definition with regards to the upper and lower limits which apply to different official sources. According to the statistical service of Ghana (1987) small enterprises are defined as those firms which employ less than ten (10) workers and firms with more than ten (10) employees are considered medium and large-scale enterprises. Controversially, the statistical service of Ghana contradicts itself in the national accounts describing enterprises with employees between 0-9 as small and medium enterprises.

Another characteristic used in defining small and medium enterprises is the total value of fixed assets of the company. The Ghana national Board of small-scale industries (NBSSI) used both criteria that are "employees and fixed assets" in its definition. The NBSSI considers a small enterprise as a firm with less than ten (10) employees and having a total fixed asset value of not more than ten million Ghana cedi (10,000,000 Cedi) (US$ 9506) not including buildings, land, and vehicles. The exchange rate used was 1994. The Commission of Ghana Enterprise Development (GEDC) also used the 10 million Ghana cedi as the upper limit for the value of plant and machinery that classifies a firm to be regarded as small-scale enterprise. However, the valuation methods used for the fixed assets is questionable and also, the consistent depreciation of the Ghanaian currency (GH cedi) renders the definition impracticable just like most countries in Africa.

Looking at a country close to home, South African classification of a SME closely mirrored the World Bank indicators (total full-time equivalent of paid employment, total annual turnover, and total gross asset value). However, in 2017, the Department of Small Business

Development (DSBD) commissioned a study to review and update South Africa's definition of a SME. The review came to similar conclusions with the 2010 study, underscoring the need to firstly to make updates to classifications and thresholds using updated and accurate data from States, secondly to reduce proxies to two (employment and turn over), and thirdly to introduce the classification to informal business and develop guidelines for use of the definition (whether turnover thresholds should be before or after sales, or what to do in case of overlap of proxy thresholds), and to ensure that the definition is updated every five years (DSBD 2018:4). In essence, the review exercise was aimed at ensuring that the definition and classification of SMEs in various legislations is not only aligned but is also relevant to the SME sector in South Africa, in order to ensure that all relevant businesses gain access to Government support (DSBD, 2018). This is situation is similar to the Zambian setup and more relevant to understanding what an SME is compared to the other definitions.

Having looked at the different definitions of SMEs from the global, continental and regional level, the research reviewed local Acts and policies defining SMEs in Zambia. The Small Enterprises Development (SED) Act of 1996 defines SMEs as firstly an undertaking engaged in the manufacture or provision of services or any undertaking carrying out business in the field of manufacturing, construction and trading services but does not include mining or recovery of minerals.

According to the SED Act 1996 further defines micro as an enterprise whose total investment excluding land and buildings does not exceed 50 thousand Zambian Kwacha; annual turnover that does not exceed 20 thousand Zambian Kwacha and employing up to 10 persons. Small: an enterprise whose total investment excluding land and buildings does not exceed 250 thousand Zambian Kwacha (USD $25,000), in case of manufacturing and processing enterprise and 50 thousand Zambian Kwacha (USD $ 5,000) in case of a trading and service enterprise; an annual turnover that does not exceed 400 thousand Zambian Kwacha (USD $ 40,000) and employing up to 30 people.

Lukwesa (2012) postulates that SMEs business activities are mainly in four sectors namely Manufacturing, Trading, Services and Mining although small-scale miners are not considered as SMEs according to the Zambian legislation. Working with definition of what SMEs are in Zambia, it shows that Zambia also considers the number of employees and investment made by the business in classifying SMEs. It must be noted that the volatility of the Kwacha makes this definition very unstable and difficult to realistically classify SMEs.

2.5 Sectorial Distribution of SMEs

The private sector has been recognized as an engine for economic growth not only in African countries but also in Asian as well as other countries. It is against this background that most countries (including European Union countries) are now implementing policies that are centred on creating a vibrant business environment for the private sector to flourish. The private sector development is one of the solutions to Africa's deprived economy, it is a known fact that Africa's private sector consists mostly of informal SMEs operating alongside large firms hence concerted efforts need to focus on unlocking the potential of these SMEs so that they contribute meaningfully to the nation's economic growth.

The SMEs are responsible for a larger percentage of the manufacturing sector in Sub-Saharan Africa. According to Fukunishi (2014), Bigsten and Soderbom (2015) cited from Sonobe et al (2011) found that the Sub-Saharan Africa manufacturing sector to be stagnant due to different factors hindering its growth. One of the factors listed was the delayed payment of invoices issued for supply of goods and services. There is no doubt that most African countries depend on their Micro, Small and Medium Enterprise (MSMEs) in driving their economies forward. Though small in operation and size, small and medium enterprises (SMEs) play an important role in the economy of any country.

According to Mbuta (2016) the SMEs outnumber large organizations considerably, they employ higher numbers of workers and are generally entrepreneurial in nature, helping to shape innovation. Unavoidably, both formal and informal SMEs in Zambia contribute to the GDP by creating opportunities for future growth and an innovative diversified economy.

According to the Zambia Development Agency report, in 2006, Small Enterprises Development Board (SEDB) was amalgamated into the Zambia Development Agency (ZDA Act No. 11 of 2006) as an MSE Division with the rationale of promoting the growth of the Small and Medium Enterprise. IFAD (2013) writes that Zambia Development Agency is responsible for monitoring the activities of SMEs in the country as well as their development; it is responsible for programs like establishing strategic partnerships with different SME development organizations and building their capacity so as to improve their operational proficiency (Winston, 2014). MCTI (2011) reports that in 2011 the government of the Republic of Zambia drew up The Micro, Small and Medium Enterprise Development Policy with a time frame of up to 2018. The hallmark of the policy was to provide for partnership and enabling environment for the thriving of the SMEs. The policy goal was to contribute 20% of Gross Domestic Product and 30% annually to creation of decent employment by the year 2015.

Zambia has been struggling on how it can best address the issues that constrain the SMEs from performing at the frontier of economic growth. For a long time now, as has been alluded to, not only in Zambia but even in other African countries, the manufacturing sector which mainly consists of the SMEs has been stagnant. The Ministry of Commerce, Trade and Industry, (MCTI), in the Zambia Manufacturing Sector Survey (2011) found that the SMEs sector in Zambia has stagnated due to a number of barriers hindering its growth. The above point becomes worrisome to the Zambian situation, as we expect the SMEs to be the driving force for economic growth and wealth creation. In fact, UNIDO in its Industrial Development Report (2010) has argued that wealth creation strategies have a multiplier effect in economies dominated by SMEs than those dominated by large-scale firms.

According to the Zambia Development Agency since the early 1970s, Zambia's growth strategy was anchored on parastatal led large scale enterprises promotion in all sectors of the economy. The then President put in effort to promote nationalisation of the major enterprises. However, the prolonged poor performance of the parastatal sector induced government to adopt a free market economic policy in 1991, after the change of government from the one-party state to multiparty democracy. In spite of the change in economic policy, the economy continued to decline resulting in drastic increases in unemployment and poverty levels. This caused the government to, apart from liberalising the economy, explore structural realignment of the economy as a possible remedy to back-stopping and even reversing the decline in the economy, employment and living conditions. Through the Small Enterprises Development (SED) Act of 1996 and later on the Poverty Reduction Strategy Paper (PRSP), the Small and Medium Enterprises (SMEs) sector was identified as such instrument on which basis a number of policy actions were developed.

According to the final report by the MCTI (2016), the survey was conducted primarily for three reasons. In line with the shift in the political economic thought in favour of the small enterprises sector, the Ministry of Commerce Trade and Industry (MCTI) undertook the first ever Small and Medium Enterprises (SMEs) survey focusing on the period 2015-2016. In the short term, the survey sought to establish the impact of Poverty Reduction Strategy Paper (PRSP) policy actions on the performance of SMEs and also to establish how that performance translated into improvements in the living conditions of the owners of enterprises. Further, establishing the contribution of the SMEs sector to the national economy as well as provision of a platform on which definitions for micro, small, and medium enterprises would be established also formed part of the short term objectives.

In the medium to long term, the survey sought to establish flexible baseline database system upon which periodical profiles of the various aspects of SMEs would be generated and thereby enhance the process of policy formulation, implementation and review.

Small-scale enterprises in Zambia play an important role in stabilising the country's economy. They constitute more than 90 percent of all firms and assist in the development of the economy, poverty reduction as well as job creation (Small and Medium Enterprises Survey, Zambia 2015-20167). According to the Zambia Development Agency SMEs can be categorised into four groups, manufacturing, trading, services and mining industry.

Table 2.1 Business Activities of SMEs in Zambia

Nature of Industry	Nature of businesses
1. Manufacturing	1. Textile products.
	2.Capentry and other wood based business
	3.Light engineering and metal fabrication
	4.Food processing
	5.Leather products
	6.Handicrafts
	7.Processing of semi -precious stones
	8.Ceramics
	9.Essential oils
2. Trading	1.Consumable products
	2.Industrial products
	3.Agricultural inputs
	4.Printing
3. Services	1.Restaurants and food production
	2.Hair salons and barbershops
	3.Passengers and goods transport
	4.Telecommunication services
	5.Financial services
	6.Business centers
	7.Cleaning services
	8.Guest houses
	9.Building and construction
	7.Cleaning services
4. Mining	1.Small scale mining
	2.Small scale quarrying

Source: ZDA, 2007

According to the ZDA the four sectors in which SMEs activity concentration is high, as stated are the Manufacturing sector having the highest distribution of SMEs, the Trading sector, Services sector inclusive (transport, security and construction) and the fourth sector is the

Mining. Chisala (2008) postulates that small scale miners are not considered as SMEs, according to the legislation.

This research targeted the services sector including which includes Hair Salons and Barbershops, Restaurants and food production, passenger and goods transport, Telecommunication Services, Financial Services, Business Centres, Cleaning Services, Guest Houses as well as Building and construction. The research assumed that it is in services sector that the highest delayed payments exist due to nature of services offered.

According to Peel et al (2014) in the UK and EU, the crux of the recent debate on the late payment of commercial debt and its impact on small enterprises in the services sector revolved around whether legislation or improved credit management practice was required to alleviate this problem. Arguably the service sector needs to provide the services before payment can be made to them hence the challenges faced to collect their payments from the consumers of the services.

2.6 Delayed Payments

The definition of delayed and non-payments varies depending on the country and the type of business. Baily (2019) postulates that the Department of Business and Innovation in the UK, late payment is defined as payments that are not processed after a service has been rendered and within the agreed-upon period of payment. According to Ansah, (2011) in Ghana, a late payment in the construction sector, is defined as the failure to pay the agreed-upon amount of money after a Contractor has completed the job. The Ghanaian definition considers the completeness and adherence to stipulated guidelines as criteria to affect payment to a Contractor. According to Miller, T., & Wongsaroj, S. (2017), late payments are payments not paid within a given time frame based on a study undertaken in 11 countries. Baily, (2019) postulates that in some countries like in Germany, late payments are not allowed for certain sectors such as the public health sector.

Arguments in the literature suggests that the term late or delayed is used interchangeably to describe payment not made during an agreed timeframe. The current definitions for late or delayed payment do not specify a fixed timeframe within which payment must be made, instead the time frame for payment depends on the agreement between the two parties involved in the contract.

In the past decades, the European Commission (EC) has put in a lot of effort in tackling late payments. A first attempt was made in 2000 with the adoption of a common approach to combat late payments through the directive 2000/35/EC. However, its main provisions were mild and enforcement weak. As such, the payment terms did not improve. Delays instead increased (on average) by 16 days across Europe. Hoche-Demolin, Brulard, and Barthelemy (2017) highlight that the situation was more problematic in Southern European countries where, in the period 2000-10, the time for public authorities to pay for procured goods and services ranged from five to six months. In addition, 60% of SMEs were routinely paid late for more than 30% of their turnover (European Commission 2009).

According to the European Payment Report 2019, late payments are problematic for companies, whether they are large or small. The report states that the ability to predict cash flow is key to all businesses, as financial stability is the foundation for growth. The report reveals that the average payment time continues to increase, particularly in Business to Business (B2B), with an increase from 34 days in 2018 to 40 days in 2019. The report further states that the public sector was also paying later, increasing from 40 days to 42 days as shown in figure 2.1. The report also showed that six out of ten (61 per cent) companies have been asked to accept longer payment terms than they feel comfortable with. This picture is not unique to the European Union, it extends to Africa and Zambia in particular.

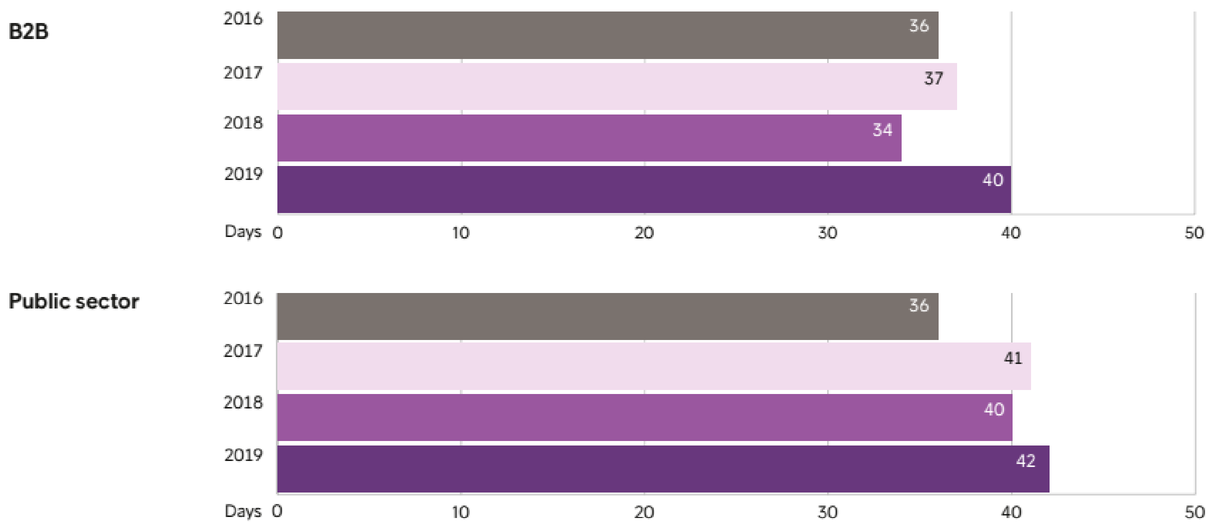

Figure 2.1 Payment in days in Different Sectors. Source: European Payment Report 2019.

On the other hand, in South Africa, regulations, published in March 2005 in terms of the Public Financial Management Act (Act No 01 of 1999), as amended, requires all Accounting Officers to settle contractual obligations and pay money owing to Service Providers within 30 days of an undisputed invoice. This is a clear indication of the commitment to improving business sustainability in the country. This approach might work for Zambia and it might improve service sector performance and contribution to national goals.

According to management accounting methods which seek to resolve this imbalance by allowing for variations in cash flow, but in order to do this it is vital that companies know when to expect payments. When payments are late, a positive but small cash flow can turn negative, and the company may have to take drastic measures to raise funds to cover the operating costs for the period.

In some cases, payment of invoices is so delayed that they have to be written off as bad debt. Figure 2.2 shows the percentage of invoices that are written off by SMEs in the 11 study countries, showing that these are a similar problem (although likely with more severe effects) to late payments. This research argues that developing countries face a more serious challenge when it comes to delayed payments and bad debt.

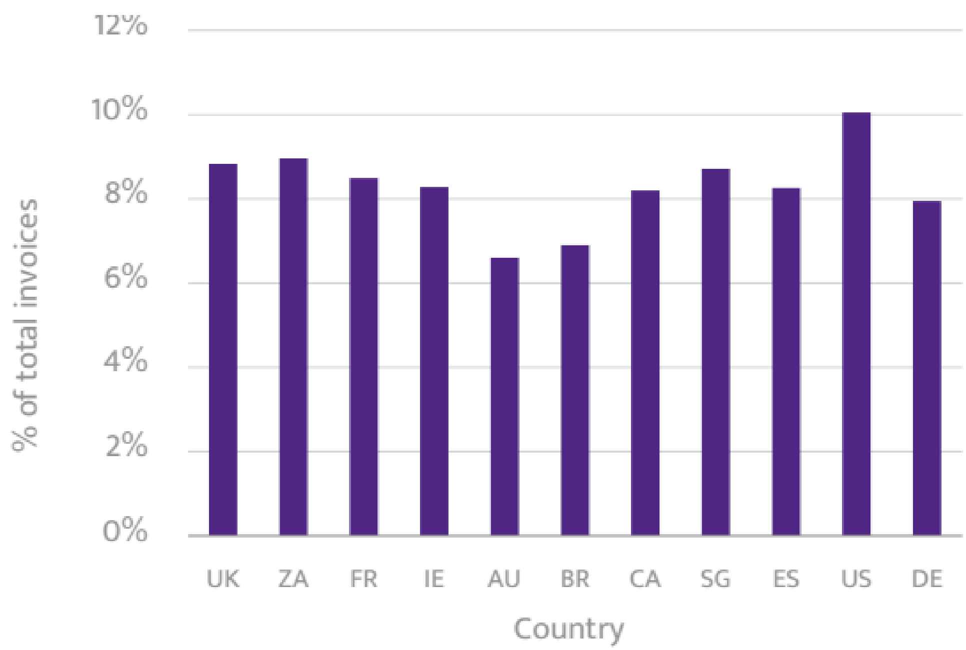

Figure 2.2 Proportion of Invoices that become Bad Debt for SMEs. Source: Plum Consulting.

A complementary report to this work is ‘The Importance of Small and Medium Enterprises’, compiled by Plum Consulting. This examines the overall impact of SMEs across the same eleven countries included in the analysis. It also sets out in detail how SMEs contribute to employment, GDP (or GVA), and tax receipts both in total and across different sectors.

In all countries, the number of SMEs substantially outweighs the number of large firms; our analysis shows that the greatest proportion of large firms is found in South Africa, but even there 97% of enterprises are SMEs – and this is likely to be an underestimation as not all micro companies will be registered to authorities.

Further, the contribution in terms of GDP and employment varies considerably. In South Africa, in particular, SMEs appear to be significantly less efficient than larger firms, with over 70% of the workforce contributing less than 45% of GDP. Conversely, in the UK and the US SMEs produce over half of GDP, but employ less than half of all employees.

According to Bailey (2019) in the report on challenges of late payment of SMEs in South Africa, the number of invoices paid after 30 days stood at 17,668 translating into the value of R340 million. This report brings the true picture of how much money is owed to suppliers especially by government departments. Such a situation makes SMEs vulnerable to cash flow issues in their business. According to a study conducted at Xerox in the United States revealed that the late payments cause a cash-flow squeeze which contributes to some 50,000 small businesses failure each year. Not only is late payments affecting the success of SME's late payment debt can also harm a firm's credit score. This makes it harder for small businesses to raise capital for investment, especially in times where they're struggling.

Contributions of SMEs can be well noted in a number of aspects including labour absorption, creation of entrepreneurial spirit and innovation, promotion of linkages and complementary role to large companies, wealth creation, among others.

Schumpeter (2013) emphasized the role of entrepreneur, as a prime cause of economic development, being this development achieved through innovation. Therefore, it is evident that SMEs have been considered to be very vital in any society as early as the beginning of the 20th century. Drawing from how important those SMEs are with regards to size by distribution and amount by Gross Domestic Product share one could determine the significance of the problem of delaying payments to SMEs. This pretty much gives an idea of the direction of the effects, if not, otherwise would be an assumption to this study.

According to Bertsch (2018) 33% of businesses say that late payments threaten the survival of a company and if they were paid faster, would hire more employees. To show the size of delayed payment an example of Scotland would suffice. According to Bertsch (2018) Scotland had the highest level of late payment in 2015 (67% of the companies were affected) ahead of Northern Ireland at 66%, England at 62% and Wales at 59%. The total late payment debt across the UK business in 2015 was estimated to be £26.3bn. This is a huge amount of money in outstanding payments to SMEs.

Hopkins, Richmond, & Kane (2017) asserts that average payment time had increased since 2008 with small businesses (with turnover under £1m) waiting 71 days on average, compared to 48 days for large (£500m+ turnover) businesses. There are also variances across sectors. According to Hopkins et al (2017) late payment was a greater problem in services sector with 66% of SMEs being delayed with payments, then manufacturing having 51% of SMEs delayed in credit. This research was directed at the services sector in Zambia and the results might be worse than seen in developed countries with better policies in place.

Abdul, Khairul, & Synzwani (2016) adds on that in Malaysia late payment from the client had become a habit in the construction industry, it was one of the most critical problems in the Malaysian construction industry. Perhaps the same situation there would shade more light to that of Zambia, Lusaka to be specific in order to know the effects of SMEs delayed payments.

Reeves (2012) states that one of the main reasons for delayed payments is when there are errors in submitting claims. This includes claims without adequate supporting documents, wrongly calculated claims and those submitted without using the correct procedures. When this is the case, contractors need to resubmit the claims after making the necessary corrections. According to Adballa and Hussein (2018) another factor contributing to delayed payments is when contractors fail to agree with the valuation of work on site

Reeves (2012) further observed that the main factor contributed by clients is when they take longer than the stipulated time in terms of the contract to certify the claim. This might be because they have become increasingly subject to claims arising out of their design and construction administration services. There are cases where clients are wrongfully withholding the payments. According to Adballar and Hussein (2012) organisations withhold payments in order to obtain some king of 'gift' from contractors once they disburse the payment. Hence, contractors often have to tolerate this kind of action in order to secure their payments which should not be happening. This is corruption which puts the SMEs in strained positions just to have business.

Adballa and Hussein (2012) postulate that at certain times payment delays are as a result of contract terms made between the contractor and the subcontractors. For example, the 'pay-when -paid' clause is often used in contract agreements between main contractors and subcontractors or between housing developers and main contractors. This kind of payment agreement in most cases causes a delay in payments because of the chain of payments created especially for organisations as the end of the payment chains.

2.7 Effects of Delayed Payments Exerted on SMEs

The impacts of late payments range from the individual business owner to the wider population within a country.

Baily (2019) establishes that late payments disrupt the cash flow of businesses hence affecting the growth potential of the SMME. According to Miller & Wongsaroj (2017), SMMEs that are faced with late payments also incur opportunity costs associated with following up on these payments. The study by Miller & Wongsaroj (2017) establishes that SMMEs lose on average around 5 to 20 days following up on late payments. These days, if converted into monetary terms, translate to huge costs that could otherwise be used for business growth and employment creation.

Baily (2019) postulates that due to delayed payments, SMMEs lose their competitive edge and market share to those companies that are not faced with such challenges. The impact of this is that SMMEs would eventually collapse as they have no capital to compete with big financially stable companies.

Cant and Wiid (2013) establish that SMMEs in South Africa fail to make it past their second year of operations mainly due to delayed payments for services offered. Moram and Mureithi (2009) also state that in general due to the challenges that SMMEs face, SMMEs owners' loose interest in the business within the first five years of start-up. Given that it is the goal of business to grow, delayed payments play a detrimental role to that effect. According to Dludlu (2019) delaying payments is contradictory to President Cyril Ramaphosa's seven priorities of which two of those priorities goals are growing the South African economy at a much faster rate than the population and creating employment for a million young people through ensuring that SMMEs growth in the next ten years.

According to Baily (2019) delays and non-payments reduce the productivity of SMMEs and renders SMMEs incapable of taking on new work. With limited cash flow and access to low interest financing options at short notice, SMMEs are at times pushed to finance their work through high interest and unreasonable options. Faced with such high interest, SMMEs begin to work towards paying off these high interests' loans, at times selling assets to finance both the business and to pay off loans.

According to Ansah (2011) in a study conducted in Ghana on delays in payments for construction finds that the effects of delays result in financial challenges leading to the eventual closedown of the companies. The Study made the following conclusions on the effects of late and non-payments of SMME's, a) Negative impact on the cash flow positions of SMME's, which threatens their ability to honour financial obligations and therefore relations with suppliers. b) SMME's face a number of challenges which include among others: they are forced to borrow money to meet their contractual obligations and in most instances the cost of debt become too high based on their credit ratings and their adverse record regarding management of debt; retrenchments and forced closures due to constrained cash flow positions. c) Results and effects of late and non-payment of SMME's are contradictory to the strategic goals of the government of the creation of sustainable jobs. d) Undermining of growth and expansion opportunities, cannot invest in new equipment, deplete resources that could be invested in operational support such as marketing, chain reaction in network and business productivity. e) The knock-on effect results in potential job losses, unsustainable businesses and in the long term contribute to the increase of SMME's mortality rate. f) Increase barrier to entry and thus reduced competition in sectors where late payment is rife. g) Limits abilities to participate and benefit in bigger trade discounts, which results in alleviation of pressure on margins, pricing and competitiveness. h) Spoilt relationships with suppliers. i) Limits investment in the business and therefore stifling growth. j) Encourage the corruption factor as it is the only option left to remain competitive. k) Increase reputational risk to Government and severs relations with suppliers which could result in encouraging underhand dealings and fraudulent practices. All these effects are not peculiar to Ghana but throughout Africa and the Western world.

According to Paul (2015) there are many reasons for the occurrence of Late Payments (LP), firstly, LP is often a function of poor business practices, inefficient credit management and unclear credit terms. Paul (2015) postulates secondly that weak financial and working capital practices contribute to LP problems. According to Wilson, 2008; Paul and Boden (2008) thirdly, the quality of products and customer service plays a role, as unsatisfied customers will withhold their payments. Wilson, 2008; Pike and Cheng (2016) attribute the fourth reason to economic conditions and state that economic conditions matter as LP and bad debts often increase when economies move into recession since suppliers carry an inordinate amount of risk as their customers struggle to survive.

Wilson (2008) postulates that firms in financial difficulty often stretch their creditors in order to alleviate their own cash-flow problems. Howorth and Wilson (2019) also hold this thought and add that firms that have difficulty raising finance face the problem of balancing cash inflows–outflows and LP is both a cause and effect of this problem. Garcia-Teruel and Martinez-Solano (2010) furthermore state that, when faced with cash shortages, firms find it cheaper to delay payment than to renegotiate bank loans. Smith (2018) agrees with the foregoing since receivables are a significant part of working capital management, they impact firm performance, he states that manufacturing firms, which tend to have high levels of inventory as well as receivables, may find their profitability reduced due to the risks of obsolescence and uncollected debt respectively.

According to Chittenden and Bragg (2011) LP increases the need for additional working capital since suppliers are compelled to raise funds to finance their additional working capital requirement from other sources such as debts or equity. If working capital cannot be increased using other's sources of funds, delayed payment by customers is often balanced in turn by delayed payments to their own suppliers (domino effect). When profitability is constrained TC management becomes vital and better collection procedure helps improve profitability. According to Zainudin (2008) the collection period is an important factor that affects the firms' performance.

Zainudin (2008) postulates that when examining 279 Malaysian SMEs (between 1999 and 2002), to investigate the impact of delayed payments, a negative correlation between the collection period and firms' financial performance is established. Zainudin (2008) nevertheless, reports that although LP issues need urgent investigation, the lack of reliable information relating to actual credit periods, makes it difficult to measure LP and its effects on Malaysian businesses.

Kempson et al. (2014) reports that financial exclusion is most prevalent amongst people on low incomes. When government departments delay to pay SMEs (businesses that people with low income depend on) there is financial exclusion vice-versa. This means that SMEs would not be able to pay their employees and families would have to suffer the most. According to Kempson et al (2014) due to irregularities in their cash flow, SMEs thus face major financial exclusion. According to Bertsch (2018) the distress (including cash flow irregularities) are caused by things like delayed payments by governments departments. Therefore, there is a cyclical relationship between financial accessibility of SMEs from institutions like banks and SMEs payments. Bertsch (2018) adds on that unexpected delay in payments can have catastrophic effects on a small or medium enterprise that have little or no cash reserves or credit to rely on.

Bertsch (2018) further states that from the perspective of the SMEs owners, the reason for the delay does not change how the business reacts to non-payment. Bertsch (2018) states that staff payment, utility bills, material bills and other costs of business operation continue as per usual, regardless of whether or not the SME have been paid or not.

Even when it is not accompanied by default risk, late payment costs suppliers in multiple ways including higher costs associated with the financing of working capital, forgone interest on cash reserves, administrative costs associated with collections and recoveries, work passed up and substantial distraction for business staff and, often, owner-managers. These costs are often enough to turn paper profits into real losses even for businesses with healthy customers and uninterrupted access to finance – they can create a perverse system whereby small firms, which are typically less creditworthy and efficient, are tasked with the financing and administration of the supply chain.

According to Schizas (2014) in a report for Association of Chartered Certified Accountants (ACCA) uninterrupted access to finance, of course, is the exception, not the rule, in business. Schizas (2014) suggests that emergency funding can take as long as six months to arrange in developing countries, in the meantime exposing suppliers paid late to serious risks unless directors are willing and able to make up the cash shortfall. Schizas (2014) further states that many small suppliers are unable to finance their working capital quickly, late payment can be a death sentence and from a macroeconomic perspective economies pay the price through increased barriers to entry, and thus reduced competition in sectors where late payment is rife.

According to Connell (2014) in a research conducted for the European Commission, the research findings suggests that eliminating chronic late payment in three peripheral Eurozone countries (Italy, Spain and Portugal) would reduce business exits as a share of the business population by between 1.5 and 3 percentage points – essentially preempting a very substantial share of all business failures. In the three countries studied, this equated to between 124,000 and 248,000 additional enterprises staying in business each year. No businesses need fail for an economy to feel the adverse effects of late payment.

Carbo-Valverde et al. (2013) in their study used a very large panel of dataset of Spanish SMEs to demonstrate that credit-constrained businesses depend on trade credit to finance capital expenditure, and that this dependence grew during the most recent financial crisis and its aftermath. Their study confirmed that dependence credit was highest in SMEs that had delayed payments or experienced delayed payments.

In addition Murfin and Njoroge (2014) indicate that persistent late payment can potentially depress business investment, especially in times of economic recovery – in turn reducing productivity, real wages, and overall growth. In their study they show that a one-month delay in payment by an investment-grade customer would tend to reduce suppliers' capital expenditure by 1.2% in normal times and as much as 2.1% in a recession, leading to reduced profitability for as long as five years thereafter.

According to Schizas (2014) in a report for Association of Chartered Certified Accountants (ACCA) suggests that, for the broad business population, the apparent effect of late payment on business hiring and investment can be mostly explained away as a result of poor access to finance that is to say businesses facing late payment also tend to face financing constraints, and it is the latter that most directly reduce investment and employee recruitment. The risk of customer insolvencies is a stronger but still statistically insignificant influence. Nonetheless, even after accounting for all other possible influences, late payment does make a disproportionate difference to certain enterprises' capital expenditure and decisions on recruiting employees.

Schizas (2014) states that micro and small businesses are less likely to increase numbers of employees or capital expenditure when faced with late payment – the effect of late payment on the likelihood of small businesses' employment and capital expenditure expansion was significantly greater than for large corporations, by 54% and 47% respectively ($p=0.015$ and $p=0.025$). In addition Schizas (2014) postulates that while the mid-market is generally more resilient to late payment than the rest of the business population, its capacity-building decisions are more sensitive to customers at genuine risk of default. The impact of such customers on new capital expenditure decisions was 43% greater among mid-market firms than among large corporates ($p=0.039$). Schizas (2014) concludes that the effect of late payment on capital expenditure and job creation was more muted in emerging markets (Asia Pacific and Central/Eastern Europe) than in developed markets. In emerging markets, plans for job creation were 78% more likely to survive late payment, while capital expenditure cuts were 25% less likely to result from late payment ($p=0.054$ and $p=0.027$).

On the other hand Chisala (2008) also agrees to say there is evidence that delayed payments is linked to the inability to access affordable finance, due to an inability to demonstrate to lenders a clear cash flow. In addition according to Artidi and Chotibongs (2015) other consequences for the business of late payment highlighted by research include time (with cost implications) having to be spent chasing invoices, paying their suppliers late, and increased borrowing/use of overdrafts.

Overall the evidence suggest that late payments is having negative effects on the ability of many SMEs to invest and grow. More evidence is needed especially from the Zambian situation, yet there is enough to comment that there is a link between delayed payments and business distress among SMEs.

According to Artidi and Chotibongs (2015) delayed payments never bring justice to contractors and subcontractors. Its effects are sometimes so harsh that some companies have to close down. One of the biggest consequences would be interest due to capital borrowed. Contractors often borrow working capital from banks in order to finance their construction operations and invariably have to pay interest on those borrowings.

In addition Abdul et al (2016) in their study aimed at investigating factors contributing to financial distress among manufacturing SMEs conducted in Malaysia showed by employing the logistic regression, it was found that age, size, debt ratio, sales to total assets and net income to share capital could predict financially distressed SMEs. As companies near distress, the top three impacts of delayed payments are the negative chain effects on other parties, delay in project completion and lead to bankruptcy or liquidation.

According to the Civil Contingency Secretariat (2019) in the UK, it identified the signs of financial distress as revenue declining or not growing as budgeted, margin declines and/or losses, high debt to equity ratios, covenant breaches, falling credit ratings, high borrowing costs, not paying creditors on time, and share price performance shorting- where an organization is quoted, underperformance of its share price relative to its competitors can indicate investor concern over its future profitability or financial position. In addition the Civil Contingency Secretariat (2019) noted that other non-financial indicators included poor relationship with lenders, poor operational performance, unexpected resignations of key management or high staff turnover, weak management, delayed filling of statutory accounts or late provision of management information, and failed corporate transactions.

According to Miller & Wongsaroji (2017) in a study seeking the effects of late payments found that around 40% of respondents to the survey identified some clear direct impacts that late payments have on their businesses. These included both impacts on the firm (reduced investment and a delay in paying their own suppliers) and impacts on individuals (reduced pay review, and reduced bonuses).

Indeed, Small and Medium-sized Enterprises are effectively excluded from securing public sector contracts because of the financial and administrative costs associated with tendering, even where an SME is in a position to meet the costs of tendering, the delays in payment for services rendered are an additional discouragement to SME participation.

Broom et al (2018) adds another business distress is disturbance in trade credit worthiness. Reduced trade credit basically involves the purchase of goods and services from a supplier on credit. According to Broom et al (2018) the purchasing firm is given a few days, usually between 30 and 120 days, to settle the debt. This type of credit is very important to SMEs for a number of reasons. Broom, et al (Small Buisness Management, 1983) and Moyer, et al (1992) assert that suppliers are more flexible in dealing with SMEs than the banks. Suppliers may only check the credit standing of an SME whereas a bank is likely to demand financial statement and cash flow budgets before extending a credit facility. Hence when the suppliers find a certain SME in distress they might question and cut off its trade credit worthiness.

According to Schizas (2014) late payment is a fact of life for the majority of the world's formal businesses. It helps some survive against the odds, but it also threatens others. It is at once a sign of distress from the weakest businesses and a privilege exercised by the most powerful. Schizas (2014) postulates that from a macroeconomic perspective, it is both inefficient and potentiality destabilizing.

Conwell (2014) observes that the importance of trade credits, where sellers accept payment after the delivery of goods and services, increased during the economic and financial crisis following needs of restoring balance sheets due to financial crises, the problem of late payments has become more urgent.

In reviewing the literature it is notable that SMEs are also particularly vulnerable to disruptions to their operation due to their size, small enterprises are much less able to absorb operational shocks in the short run because of limited resource. One area of major concern for many SMEs is cash flow. SMEs often have a low cash reserve, which means that any delays to income could have significant impacts on their ability to operate. When events – such as late payments – lead to a negative cash flow, SMEs are likely to have to draw down any reserve they have for staff bonus. They may even have to reduce staff commission or worse yet staff pay in order to keep business going in the event of an imbalance between income receipts and outgoing payments. This could adversely impact staff morale and productivity. Furthermore, when experiencing cash flow problems, SMEs are more likely to cut down on future investment in order to stay afloat. Therefore, late payments of their invoices could have debilitating consequences on the sector's growth, which could have a secondary retarding effect on the growth of the economy, given the size of the sector within the whole economy. Reduced money intake in any period could cause the payee companies to delay payment to their own suppliers in many cases. This creates a knock-on effect if, like their clients, these suppliers also rely on the incoming money to pay their own bills. This type of chain reaction could potentially cause a disruption to the supply chain in the short term. In the longer term, cash-strapped SMEs could go out of business altogether, further dampening the growth of the economy.

2.8 Coping Behaviours for SMEs

According to Hoorens (2019) more than half (56%) SMEs who are financially distressed have reduced their own salary or scaled back on services. Nearly half (47%) have had to take at least one of the following actions, laid off staff temporarily, requested a payment suspension or reduced or stopped wages for staff. Similar results were seen in a survey of young entrepreneurs in the Asia-Pacific, in which over one-third of business owners had laid off staff or reduced their hours.

In addition Hoorens (2019) postulates that these results highlight the major changes SME owners have had to make to ensure the survival of their company in the immediate future. When looking at sub-groups, reducing wages is particularly an issue in Jordan (57% reported having reduced either self-pay or staff pay), while scaling-back on services seems more prevalent in Turkey (39% of respondents reported this). Smaller companies are less likely to have laid off staff, with 21% of companies with less than five employees laying off staff compared to 40% of companies with more than five employees.

According to Sincero (2013) stress is a two way process, it involves the production of stressors by the environment, and the response of an individual subjected to those stressors. Sincero (2013) points out that Richard Lazarus conception regarding stress led to the theory of cognitive appraisal. Lazarus Stated that cognitive appraisal occurs when a person consider two major factors that majorly contribute in his response to stress. These two factors include: the threatening tendency of the stress to the individual, and the assessment of resources required to minimize, tolerate or eradicate the stressor and the stress it produces. In general, cognitive appraisal is divided in two types or stages: primary and secondary appraisal (Sincero,2013).

A study by Quintiliani (2018) aimed at identifying a number of qualitative and quantitative elements that affect financial distress costs between Italian and German SMEs found that

German firms compared to Italian firms are more immune to financial distress and have been able to develop antidotes painlessly due to the intangible assets, the close relationships with local banks and, or the use of derivative instruments commonly used for risk management. The German SMEs developed market leadership in global niches thanks to the high capacity of innovation and traditional skills that have kept pace with the technological innovation at a global level. Germany's government acknowledged their importance, and in 2012 launched an initiative to make "German Mittlesland" logo a quality brand that helps businesses both in expanding on global markets and skilled workers recruitment. The critical role of SMEs in Germany justifies the existence of governmental programs that support their development. Thus, amongst the few coping behaviours is the government assistance SMEs receive (Quintiliani, 2018).

Civil Contingency Secretariat (2019) compiled a few strategies that business organizations can use to cope up with financial distress. The following were their propositions: a turnaround plan, with options to improve liquidity in parallel. With a turnaround plan, an organization takes a detailed review of itself and its business to understand its current financial position and factors (operational or financial) that are driving its underperformance; the management team then formulates a series of plans to address whatever issues it has identified and return the business to profitability cash generation over a period (usually 1 - 2 years), this might include the wind-down or sake of unprofitable business units and/or more favourable terms for suppler in order to ensure continuity. According to the Civil Contingency Secretariat (2019) where departments receive such approaches from suppliers, they should engage their commercial terms as early as possible and consigned any procurement law, state aid implications and other issues.

According to Moyer et al (2013) besides a turnaround plan, an organization might explore a number of other options to provide access to cash or reduce debt such as, amend and extend (this is when the terms of an organization's borrowings are renegotiated, and the repayment profile extended to provide a greater level of headroom while the tamarind plan is executed. Moyer et al (2013) further established that new money could be second, this coping behaviour happens when additional cash is injected into the organization sufficient to meet an expected shortfall.

Moyer et al (2013) went on to state that Debt for Equity Swap could also be considered, this involves lenders agreeing to write off a proportion of a company's borrowings in return for an ownership. This means that the existing shareholders percentage ownership is diluted or completely wiped out. This will reduce the company's debt and could provide the lenders with "upside" in the long term should the turnaround plan be successful.

According to Civil Contingency Secretariat (2019) this is likely to be a last resort however as most lenders are not in the business of owning distressed businesses, and existing shareholders are typically very unwilling to surrender ownership. The third under these options is asset sale: the organization may sell strategically valuable or non-core assets/business units to raise cash. If successful, the organization will emerge from the turnaround process in a stronger and more sustainable position, and be able to continue servicing its contracts without ever having entered insolvency.

Nigan & Boughanmi (2017) conducted a study aimed at presenting a qualitative review of various reforms introduced in several countries between 2005 and 2013 for efficiently resolving financial distress. The findings of that research had shown evidence of several countries having to improve their bankruptcy ranking (doing business reports) by empowering creditors (by expanding their rights under bankruptcy), speeding up court procedures, promoting out-of-court procedures, and regulating insolvency practitioners.

According to Nigan and Boughanmi (2017) they adopted a normative approach by proposing a list of legal changes that should drive legislators' actions in order to provide sustainable ways for resolving distress for instance transparency, early filling, extension of floating charges, electronic management of bankruptcy files.

2.9 Overview of Literature Review

The literature reviewed indicated a number of factors responsible for delayed payments to SMEs and how this impacts on the survival of these small businesses. Outstanding payments in commercial transactions, if delayed beyond the agreed period of time, can engender a range of negative externalities, exposing SMEs severe liquidity risks. The study looks at the EU and its stricter regulations but still facing payment backlogs or delayed payments to SMEs. Our evidence in the literature suggests that, as a result of the directive, the SMEs exit rate has fallen relatively more in those sectors that sell a larger fraction of their output to the government. The literature review suggested that, the absence of strict laws and contracts stipulating the payment period has disadvantaged MSMEs world over. Therefore, the study sought to find ways of addressing delayed payment to SMEs and establishing the ways in which the SMEs would overcome destress emanating from delayed payments.

2.10 African Perspective

There was good literature in the African context on delayed payments to SMEs and how they are affected. According to the studies which were reviewed the majority of these studies postulated that delayed payment especially to SMEs is very common in Africa. The literature revealed that the delay in payments was not between Business to Business (B2B) but more so between Government to Business (G2B). high proportion of teachers working in the public secondary schools in most African countries were demotivation. The SMEs mostly ended up closing shop within the first two to three years of operation due to delayed payments. This assertion was supported by researchers such as Ansah (2011) in a study conducted in Ghana on delays in payments for construction SMEs that looked at the effects of delays in payment resulting in financial challenges leading to the eventual closedown of the companies. Ansah (2011) concluded that delayed payments to SMEs brought about not distress but eventual closure of most of them in Ghana. Another study that asserted to this thought was by Cant and Wiid (2013) who established the SMMEs in South Africa failed to make it past their second year of operations mainly due to delayed payments for services offered. The research did not review literature that had a divergent stand on delayed payment to SMEs in Africa.

Note must be taken that, the studies that had been reviewed were important to the current study as they provided relevant information and variables which formed the basis of this study. On the other hand, these studies concentrated on delayed payments to SMEs. However, there was little study to explore the strategies for reducing the effects of delayed payments (distress) to SMEs which was the thrust of this study.

2.11 Zambian Perspective

According to the study conducted by Chisala (2008) his paper examines the SMEs performance in Zambia and attempts to identify some practical lessons that Zambia can learn from Southeast Asian countries (with reference to Malaysia) in order to facilitate industrial development through unlocking the potential of its SMEs sector. Malaysia and Zambia were at the same level of economic development as evidenced by similar per capita incomes but Zambia has remained behind economically and its manufacturing sector has stagnated as if both countries did not have similar initial endowments. It therefore, becomes imperative that Zambia learns from such countries on how they managed to take-off economically with a focus on SME development. Training (education), research & development, market availability and technological advancement through establishment of industrial linkages coupled with cluster formation were some of the outstanding strategies identified that Zambia could use as a potential to unlock its SMEs potential as it strives to meet the UN MDGs in particular halving its poverty levels by 2015 and also realizing its vision of becoming a middle income earner by 2030. This study provided information on the struggles of SMEs in Zambia and how they are not supported by policies in place. However, the research had gaps in that it did not offer solutions to handle delayed payments to SMEs. Furthermore the SMEs in distress brought about by delayed payments were not offered any solutions to overcome financial stress.

According to another study by Nuwagaba (2015) on SMEs in Zambia, states that it is imperative for a country to make relevant and business friendly legislation that would enable SMEs growth in the country. They contribute greatly in jobs creation and GDP. SMEs in Zambia employ 50 percent of the working class, similar to countries like Indonesia, Tanzania and Kenya. Over 90 percent of SMEs operate in the informal sector and this makes it difficult for the government to support the sub sector efficiently. So, SMEs contribution to the country's development is not very clear. Because, majority of SMEs operate in the informal sector, attracting-funding from micro finance institutions (MFIs) is a challenge and this makes (SME) sector weak, this is test result on H0. The study looks at Entrepreneurs Financial Centre (EFC) was used as a case study. This is a specialized micro finance institution that provides SMEs lending. The study period considered in this research was 2012-2014. Whereas, SME loans constitute about 60 percent of EFC's loan portfolio, the loans given out are small value ranging from USD 133 with a maximum of USD 46,667. The process of acquiring these loans is cumbersome and those without security may stand no chance. This does not give borrowing appetite and thus, such a trend would keep the sector underdeveloped. Findings revealed that with an organized sector platform, SMEs contribute immensely in the development of the country which is positive result on H1. This study did not offer solutions to the distressed SMEs that are faced with delayed payments by government departments and other businesses. This gap gave the strength to try and establish the management distress in SMEs that face payment delays.

2.12 Chapter Summary

Chapter two of this study reviewed books, magazines, journals and dissertation especially those that were of relevance to the current study. That is, the chapter discussed Deutsch's Theory of cooperation which is helpful to this study, conceptual framework and the existing literature which were relevant to issue being studied in relation to the objective of the current study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section discusses the research methodology, it first begins with ethical considerations then explains the research setting, design, target population, sample size sampling method, and instruments of data collection, the data analysis techniques to be used for the success of the research and the quality of information collected the ethical considerations in the research and the timeframe for the research.

3.2 Ethical Consideration

Looking at the nature of study and according to the University of Zambia requirement and regulations, ethical approve was sought from the University of Zambia through the Humanities and social sciences research ethics committee (HSSRC) to conduct this research. Therefore, it must be noted that, Ethical issues were strictly followed and respected inthis study.

Furthermore, consent was obtained from the respondents before they participated in the study. Emphasis was made to the respondents that, their participation in this research was entirely voluntary. Participants had a choice to make, whether to participate or not to participate in the study.

Kvale and brinkmain(2009) postulates that, it is imperative to ensure respondent's confidentiality when conducting research.. Therefore, it must be noted that, in this study confidentiality was assured and ensured for the participants and their response. in addition, the respondents were assured that, the information they provided was only to be used purely for academic purposes.

3.3 Research philosophy

The study employed the methodological philosophical assumption. This assumption is described as inductive, emerging and shaped by the researcher experience in collecting and and analysing the data (mertens,2015). The methodological assumption therefore, is a science of finding out the procedures for scientific investigation. This philosophical assumption was used, because the study used the scientific method which sought to generate solutions and solve specific problems.

3.4 Research Design

This study will fall under explorative studies and a mixed approach will be adopted. The explorative design will be selected because it gives an accurate account of the characteristics of a particular phenomenon situation community or person (Denzin & Lincoln, 2000). An explorative involves the systematic collection of data analysis, processing and presentation of findings

3.5 Research Methods

The study employed a mixed method approach which was conducted sequentially with an equal status. A mixed methods approach was useful in this study in order to have a deeper understanding of the issues under study and generalise the findings of the study to the population (creswell, 2009).in addition, a mixed method was employed in this study so as to capitalise on the strengths of the two approaches and compensate for the weaknesses of each approach (Bryman, 1988).

3.6 Study Site

A study site refers to the geographical boundaries of the study, where the study will be confined to (Berg, 2012)This study will be conducted in Lusaka city exclusively, focusing on The SMEs that conduct business with the University of Zambia (UNZA). UNZA will be selected due high number of SMEs that conduct business with the university and the vast experience that researcher has on the dealings of SMEs and UNZA. This will give the study high opportunities to sampling the appropriate respondents.

3.7 Study Population

A study population is an aggregate of all that conform to a designated set of specification (Marshall & Rossman, 1995)The population will comprise of Micro and Small Enterprises in Lusaka, that have dealings with the UNZA in the past, specifically targeting management personnel as respondents. SMEs that have never had business dealings with the university will be left excluded from the study.

3.8 Study Sample

In order to determine the sample size, the research will make use of Slovin (1960) formulae which is illustrated by Hassan (2015) on reserchgate.net

$$n = \frac{N}{1 + N(e^2)}$$

where

N: population size

n: sample size

e: significance level

Using 65 as our population size and a significance level of 0.05, the sample size determined to be 55. This sample size will also be convenient given the available resources and the time allocated to conduct the research. Furthermore, the sample size is manageable, easy to control, cost effective and data will be easy to analyse and generalize.

3.9 Sampling Techniques

The sampling criteria to be used in the sampling of respondents will be multistage sampling. The first stage will involve systematic random sampling of the 200 SME's workers or owners, from the list of SMEs in Lusaka. Purposive sampling will then be used to sample the actual respondents of the organizations, the sample size of these will be 133. This will be done in order to give the population an equal chance of being selected and to select the right respondents with the information sought after (Denzin & Lincoln, 2000).

3.10 Data collection Instruments

The data collection tool that will be used is a self-administered questionnaire with both open and closed ended questions to capture both qualitative and quantitate data. A self-administered questionnaire will be used because it is handy owing to the fact that the population is literate (Denzin & Lincoln, 2000).

3.11 Data Collection Procedure and Timeline

Secondary data will be sourced by reviewing articles, journals, newspapers and other secondary data sources. This will take four weeks. Primary data will be sourced from the target study population which includes 200 SMEs in Lusaka. This will take 8 weeks.

3.12 Data Analysis Instruments and Procedures

The study will use the Statistical package for Social Sciences (SPSS) version 23.0 for quantitative data entry, processing and analysis. Descriptive statistics will be generated using the same software. This software (SPSS) is chosen for analysis because of its user friendliness and convenient for quantitative data analysis. The analysed data will then be used to test the research hypothesis using the level significance (α) of 5%. The research hypotheses are listed in section 1.6. Microsoft Excel will be used for generating graphs and charts, these data presentation aids will then be exported to Microsoft word where everything will be put together. Microsoft Excel was chosen because of the quality of graphs it produces. Content and Thematic analysis will also be used to analyses qualitative data (Marshall & Rossman, 1995)

3.13 Research Design Matrix

Table 3.1 Research Design Matrix

RESEARCH QUESTIONS	OBJECTIVES	SAMPLING AND DATA COLLECTION	DATA COLLECTION METHODS	DATA ANALYSIS
What is the extent of payment delay among SMEs that have business with government departments?	To determine the profile of payment delay among SMEs that have business with governments	Primary Data by purposive sampling	Self-administered Questionnaire	Univariate Analysis
What the effects exerted on SMEs following payments delay?	To explore the effects exerted on SMEs following payment delays	Primary Data by purposive sampling	Self-administered Questionnaire	Thematic and content Analysis
How are SMEs taking up coping measures	To investigate the coping behaviours following such delays	Primary Data by purposive sampling	Self-administered Questionnaire	Thematic and content Analysis

CHAPTER 4

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the findings for the study from survey questionnaire that were self-administered to several personnel's working or own SMEs in Lusaka district and focus group discussion.

4.2 Demographical Data

Most of the respondents in the sample where male totalling a number of 38, representing 69.1% of the total respondents while females were only 17 representing 30.9% of the total respondents. The chart below summarizes the findings. The research also collected the data about the age of the respondents. The mean age of the respondents was 38.95 and the minimum and maximum ages for the respondents were 21 and 55 respectively.

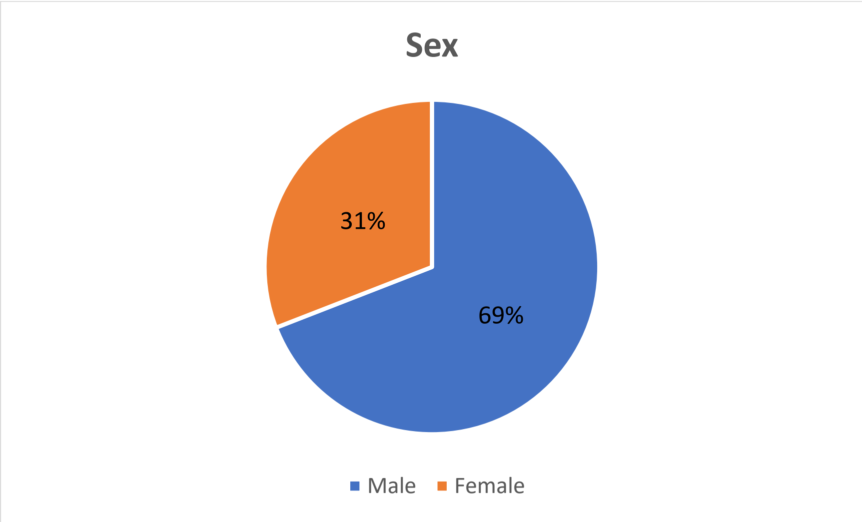

Figure 3 Gender of Respondents

Another demographic variable that was under consideration was the level of education of the respondents. The respondents were all in managing roles in their respective organisations. The majority of the respondents, numbering 42, attained tertiary level education, 12 attained secondary school level of education and only 1 person had attained primary school level of education. The bar chart summarizes the findings.

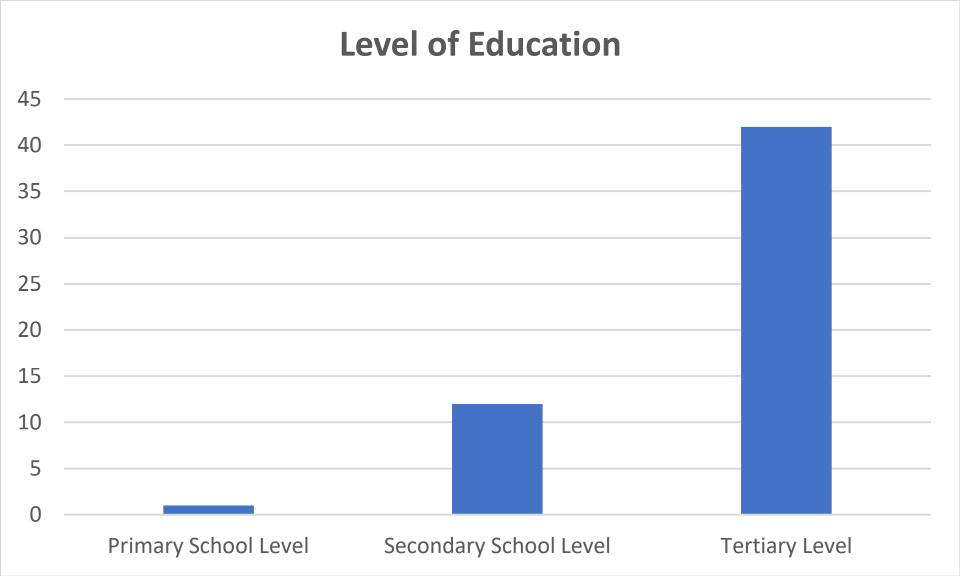

Figure 4 Level of Education of Respondents

In addition, the research wanted to know to what extent the families and livelihood of the respondents depended on their businesses'. It was discovered that of the 55 respondents, 48 were residing with their families and to some extent their entire families depended on the business for survival. 2 were residing with their families but their families did not depend on the business for survival. Of those who were not residing with their families, 4 depended on the business for their livelihood and 1 did not depend on the business for survival. This meant that 95% of the respondents were dependent on their respective business for Survival. The cross tabulation summarizes the results.

Table 4.1 Family Dependence on SMEs

	Dependent on the business	Not dependent on Business	**Total**
Residing with a family	48	2	50
Not residing with a family	4	1	5
Total	52	3	55

4.3 To investigate Payment delay among SME that have Businesses with Zambia government departments

In order to investigate the payments, delay among SMEs, the research firstly wanted to establish what percentage of the sample had experienced payments delay. It was discovered that 21 representing about 38 percent of the sample had experienced at least 1 payment delay in the past 1 year. The majority of the late payments were experienced in the services sector which recorded 10 late payments representing 48 percent of all the late payments. The manufacturing and the trading sectors recorded 3 and 8 representing 14 percent and 38 percent of all the late payments respectively. The cross tabulation summarizes the findings.

Table 4.2 Impact of Late payments on various Sectors

	Has NOT Experienced late payments	Has Experienced late payments	**Total**
Manufacturing	2	3	5
Service	17	10	27
Trading	15	8	23
Total	34	21	55

Similarly, the research wanted to determine if the late payments could be related the level of education. The findings are summarized in the cross tabulation below

Table 4.3 Relationship between management education and late payments

	Has NOT Experienced late payments	Has Experienced late payments	**Total**
Primary School	1	0	1
Secondary School	8	4	12
Tertiary level	25	17	42
Total	34	21	55

The majority of the late payments where experienced by individuals who attained tertiary level of education, the totalled 17. This represents 81 percent of the total late payments and 40 percent of all the individuals that attained tertiary level of education. Individuals who reached secondary school level recorded 4 late payments which represents 19 percent and 33 percent of the total late payments and the total number of individuals who reached secondary school level respectively. The individual who reached primary school level did not experience any late payments.

Lastly, the research wanted to determine if the late payments could be related to the gender of the respondents. The findings are summarized in the cross tabulation below.

Table 4.4 Relationship Between gender of management and late payments

	Has NOT Experienced late payments	Has Experienced late payments	**Total**
Male	23	15	38
Female	11	6	17
Total	34	21	55

Male respondents experienced most of the late payments. A total of 15 males experience late payments representing 71 percent and 39 percent of the total late payments and the total number of males respectively. Females only totalled 6 representing 29 percent and 35 percent of the total late payments and the total number of female respondents respectively.

Furthermore, the correspondents were asked to indicate how long their payment was late by. the mean number of days for late payments was 163.35 days and the modal number of days of late payments was 365 days. The range of the findings was 0 to 720.

4.4 To investigate the effects exerted on SMEs following payments delays.

In order to explore the effects exerted on SME due to late payments, the respondents were asked to indicate if their businesses were in distress in the following fields, Access to finance, ability to pay staff salaries, ability to pay for their expenses, research and development and trade credit. The results were then cross tabulated with the payments delay variable.

Access to Finance

Access to finance referred to the access the business has to finance via overdrafts and loans. The majority of the SMEs were in distress in this field. A to total of 50 representing 91 percent of sample indicated that they were in distress. All the 21 respondents that indicated that they had late payments stated that their business was in distress in terms of the access to finance from banks. This represented 42 percent of all the businesses that were distress. The cross tabulation summarizes the data that was retrieved.

Table 4.5 Effect on SME access to finance

Late Payments Access to finance	**Has NOT Experienced late payments**	**Has Experienced late payments**	Total
Distressed	29	21	50
Not Distressed	5	0	5
Total	34	21	55

Ability to pay salaries

The ability to pay salaries refers the ability to regularly pay the organisation’s employees. Similarly, the majority of the SME were distressed in this field. A total of 45 SMEs representing 82 percent of the total number were in distress and all the 21 SMEs that indicated that they had experienced late payments also indicated that there were in distress in terms of salary payments. This represented about 47 percent of all the distressed SMEs.

Table 4.6 Effect on SMEs capacity to pay salaries

Late Payments Salary Payment	**Has NOT Experienced late payments**	**Has Experienced late payments**	Total
Distressed	24	21	45
Not Distressed	10	O	10
Total	34	21	55

The ability to pay for expenses

The ability to pay expenses refers to all costs that the organisation spends for continued operations. The majority of the SMEs were also in distress this field. A total of 31 representing 56 percent of all the SMEs indicated that they were in distress. However only 13 SME that were in distress indicated that they had experienced late payments. This represented 62 percent and 42 percent of the total SMEs that had indicated that they hard experienced late payments and the total number of distressed SMEs. 8 of the respondents that had experienced late payments indicated that they were not in distress in this field, this represented 38 percent and 33 percent of the all the SMEs that had experienced late payments and 33 percent of all the SMEs that were not in distress respectively. The cross tabulation below summarizes the data.

Table 4.7 Effects on SMEs capacity to cover expenses

Late payments Expenses	**Has NOT Experienced late payments**	**Has Experienced late payments**	Total
Distressed	18	13	31
Not Distressed	16	8	24
Total	34	21	55

Research and development

Research and development refers to all the investment that the organization puts in research and development in order to expand the business. Similarly, Most of the SMEs were in distress in this field. A total of 37 representing 67 percent of all the SMEs indicated that their research and development was distressed. However, of this total only 16 where among the SMEs that had experienced late payments. This represented 76 percent and 43 percent of the all the SMEs that had experience late payments and the total number of distressed SMEs respectively. A total of 5 SMEs who had experienced late payments indicated that they were not in distress. This represented 24 percent and 28 percent of all the SMEs that had experienced late payments and all the SMEs that indicated that they were not in distress respectively.

The cross tabulation summarizes the data below.

Table 4.8 Effects on SMEs Research and Development

Late payments R&D	**Has NOT Experienced late payments**	**Has Experienced late payments**	Total
Distressed	21	16	37
Not Distressed	13	5	18
Total	34	21	55

Trade credit

Trade credit refers to the supplies you get on credit from your suppliers. Like all the other fields the majority of the SMEs indicated that they were in distress in this field too. A total of 45 from the entire sample representing 81 percent of the total sample indicated that their trade credit was in distress. Of this number a total 18 indicated that they had both experienced late payments and that they were unable to access trade credit. This represented 86 percent and 40 percent of all the SMEs that had experience late payments and the SMEs that were in distress in terms trade credit respectively. However only 3 of SMEs that indicated that they had experienced late payments indicated that they were in trade credit distress. This represented 14 percent and 30 percent of all the SMEs experiencing late payments and the companies that were not in distress in this field respectively. The cross tabulation below summarizes the data findings.

Table 4.9 Effect on SMEs access to trade credit

Late payments Trade Credit	**Has NOT Experienced late payments**	**Has Experienced late payments**	Total
Distressed	27	18	45
Not Distressed	7	3	10
Total	34	21	55

4.5 To investigate the coping behaviours following payment delays.

In order to assess the coping behaviours of SMEs following payments, the respondents were asked to indicate which one among the four coping measures (Turn-around plan, Amend and Extend, New Money and debt for equity swap) they were aware of or had implemented before.

However, the Majority of the respondents indicated that they were not aware of any of the coping measures. A total 45 representing 82 percent of the entire sample indicated that there were not aware of any of the coping measures. All the 21 SMEs that had indicated that they had experienced late payments were amongst the 45. Only 10 representing 18 percent of the population had indicated that they were aware of the coping measures. They all chose new money as the only coping measure they were aware of. The pie chart below summarizes the results obtained

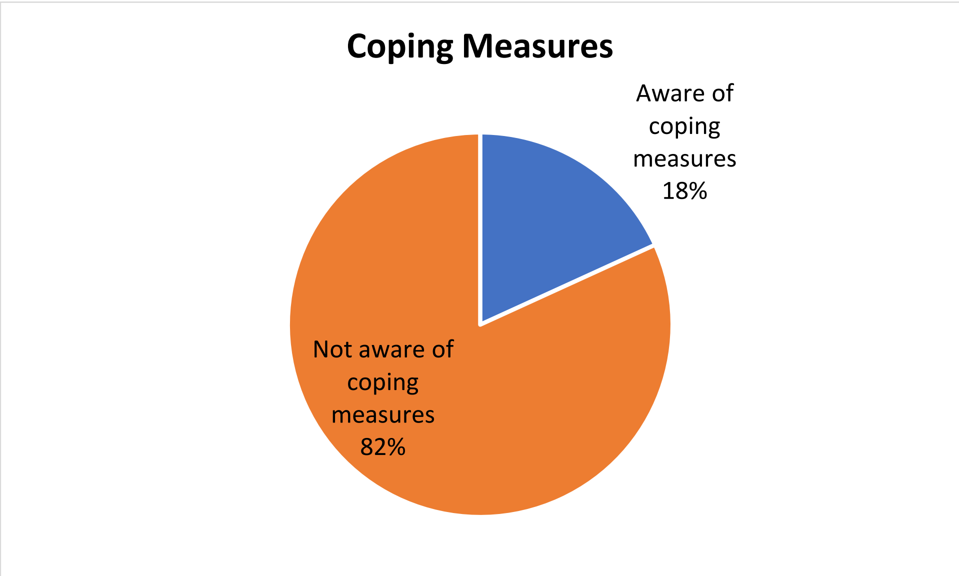

Figure 5 Awareness of Coping Measures

However, when the respondents were asked if the they had a business plan which included a risk assessment/management segment, the majority of the SMEs responded that they had one. A total of 39 representing 71 percent of the total SMEs in the sample indicated that a risk assessment plan. A total of 8 representing 14.5 percent of the total sample size indicated that they did not have a risk assessment plan. The other 8 representing 14.5 percent did not a give a response. The bar chart below shows the obtained results.

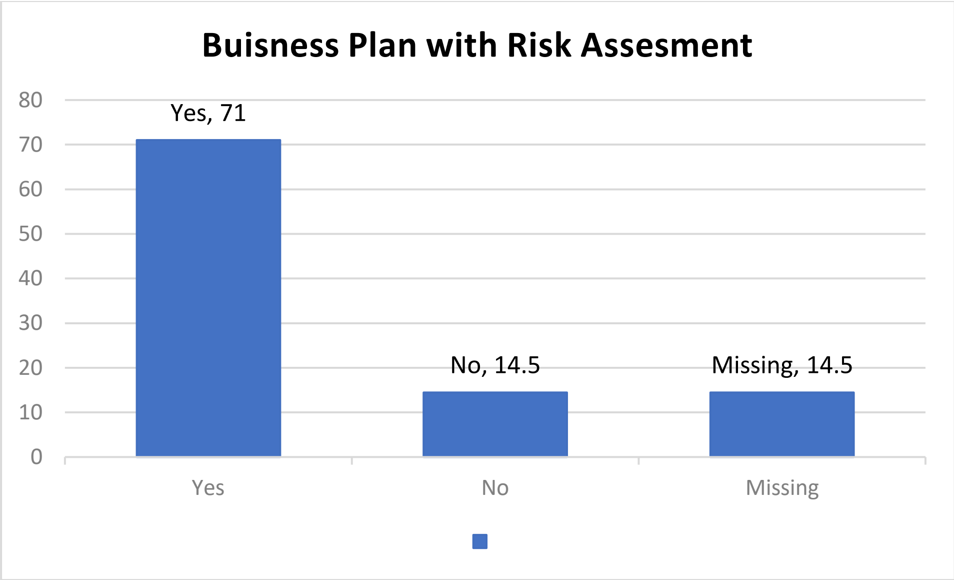

Figure 6 SMEs with Business plans

CHAPTER 5

DISCUSSION OF FINDINGS

5.1 Introduction

This chapter discusses the findings which were presented in the previous chapter and how they relate to the reviewed literature. The discussion was presented according to the research objectives of the study which were:

1. To investigate the payment delay among SMEs that have business with Zambian government departments.
2. To determine the effects exerted on SMEs following payments delays.
3. To investigate the coping behaviours following such delays.

The finding from this study suggest that in our study population delayed credit is on average lesser experienced in the service sector when considering the entire population. Further more it is also entailing that among the people that experience delay payments, those with a tertiary education supersedes the demography. If we compare this with the firsts hypothesis. We find that the opposite is true according to a study by Edwards (2018) on 'financial distress and highway infrastructure delays '' delayed payments has been on the rise in most impoverished nations across the globe and despite steady the global economic growth over the decade that seems to also be growing overtime, credit delay has still being observed to be increasing even in nations with well to do economics Bussoli (2018).

Moving on to our next hypothesis, comparing it with the data that was recorded in our research, the results exhibited a positive correlation with our statement, according to the results from the research, it was observed that delay of payments to SMEs exerts a negative impact on SMEs such as restricted access to finance, payment of salaries to employees, the ability to pay for expenses, distressed research and developmental operations or programme of SMEs and a distressed trade credit. Based on a study done in Korea by Jae Wan Kang and Almas Heshmati (2008), it showed that credit guarantee frequently enabled guaranteed firms to achieve good performances in general but on the other hand it was noted that if there was lagging in the system, the credit guarantee would only be partially fulfilled and end up posing a negative effect on the firms. In another study in the journal: financial market trends 2013, after a brief overview of current financing difficulties for SMEs and Policy measure to support SMEs access to finance during the crises against a background of a sharp decline in bank profitability and erosion of bank capital that negatively affected lending.

In addition to our findings, SMEs do not always have appropriate risk management systems for preventing or managing late payments. In general the proportion of firms identifying late payments as a total of 15 males experience late payments representing 71 percent and 39 percent of the total late payments and the total number of males respectively. Females are only totalled 6 representing 29 percent and 35 percent of the total late payments and the total number of female respondents respectively.

Furthermore, the correspondents were asked to indicate long their payment was late. By the mean number of days for late payments was 163.35 days and the modal number of days of late payments was 365 days. The range of findings was 0 to 720.

5.2 Payment delays among SME that have Businesses with Zambia government departments

It was discovered that 38 percent of all the SMEs in the sample had experience late payments at least one in the past 1 year. On average, the payments were delayed 163 days which is way more than the contractual agreements. The majority of late payments where the late payments where experienced in the service sector which recorded 48% of all the late payments, these finding are in line with the results which were obtained by Hopkins, et al. (2017) in their study which looked at the economic impact of late payments.Hopkins, et al. (2017) Indicated that the major problem of late payments was in the service sector.

The Trading sector was second in terms of the total number of late payments experienced. 38 % of the late payments where experienced in the service sector. The manufacturing industry recorded the least number of late payments representing only 14% of all the total late payments. Furthermore, it is also entailing that among the SME that experience delay payments, those with a tertiary education and are male supersedes the demography.

The Majority 71 % of the late payments were experienced by male respondents while only 29% of the late payments where experienced by females, this due to the fact the majority of the individuals running SMEs in Zambia are male as iterated by Mwila & Ngoyi (2019).

However, when the number of late payments which experienced by males and females are relatively expressed with respect to the total number of males and females who were in the sample. It was discovered, when a chi square test was conducted, that the proportion of males and females who had experienced late payments was statistically the same. The results of the

Chi-Square test are displayed in the appendix 1.0. Data gave a P-value of exactly 1 on both the continuity correction and fisher's exact Test. According Welhelm (2017) a p-value of 1 is obtained when the data is perfectly described by the restricted model.

5.3 To determine the effects exerted on SMEs following payments delays.

The results indicated that Late payments greatly affected the SMEs access to finance and ability to pay salaries. All the SME that indicated that they had experienced late payments also indicated that they were in distress in terms of access to finance from financial institutions and the respective SMEs where unable to pay the organisation Salaries regularly.

Late payments lead to a drying up of cash flow meaning owner of this SMEs can't access the funds they need to invest and expand their business. According to the credit protection association (2019)Cash is the lifeblood of every small business. When that supply of life blood is blocked by late payments it can cause a figurative heart attack to your business. For the small business it can be at the least, frustrating and distracting. Often it can cause major disturbances. In serious cases, it is lethal to the business (The credit protection association, 2019).

Similarly, the majority of the SMEs who had recorded that they had experienced late payments also indicated that they Distress in terms of their ability to pay their expenses, conduct research and development and access to trade credit. This entails that most SMEs that experienced late are experiencing difficulties to pay for there basic expenses such as rentals. Edmundo, et al (2017) state that one of the factors that lead to the mortality of SMEs is the failure by them to pay their expenses. This entails that the majority of this SMEs that recorded late payments are at the risk of failure. This failure of SMEs negatively affects the economy and for economy like Zambia which largely depends on SMEs, SME mortality would be detrimental. (Hambayi, 2019).

5.4 To investigate the coping behaviours following payment delays.

The majority 82% of the SMEs who had experienced late payments were not aware of any means to cope with late payments. Only 18% of the respondents were aware of the coping measure of: Turn-around plan, Amend and Extend, New Money and Debt for Equity Swap, which were developed by the Civil Contingency Secretariat (2019).

Most of the SMEs which indicated that they had experienced late payments were not aware of any single measure that they could use to cope with late payments. This lives most of the SMEs that experience late payments at high risk of failure. SMEs need to adopt survival strategies and strategic methods to succeed in confronting the various global challenges faced by the SME sector. (Sisira, 2020).

The majority of the SMEs indicated that they had a business plan which included a risk assessment and a management segment. However, these enterprises still found themselves in distress. This could partially be attributed to the COVID 19 pandemic which according to United Nations Zambia (2020) has negatively affected both small scale and large-scale enterprises both in Zambia and world at large.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The aim of the study was to explore the business effects created by delayed payment SMEs in Lusaka. This chapter attempted to answer the research questions based on the findings, and drew conclusions based on the main findings of the study generated in chapter four.

6.2 Conclusions

The study sort to assess the effects of late payments on SME's. It was discovered that 38% of the sample respondents had experienced late payments. This has put a lot of distress on these SMEs and the people who own and work for this enterprise. The livelihood of the individuals who run these SMEs and their respective families largely depends on these institutions.

Most SME's that have experience late payments have found themselves in distress in terms of their access finance, ability to pay salaries, ability to pay expenses, research and development and access to trade credit. This has left most SMEs in a position that makes their work environment inhospitable for survival of the enterprise. The poor performance of SMEs due late payments if left uncheck is bound to affect Zambian economy.

The majority of SMEs are not aware of the various coping measures that are available to assist them in terms of survival when they are faced with the problem of late payments. This is has made it very difficult for these SMEs to survive the crisis of late payments.

6.3 Recommendations

6.3.1 Recommendation 1: Strengthening Monitoring Processes and Better Enforcement of Current Policies.

The findings of the research point to delays and/or non-payments being a result of the failure of the payment system to function according to set regulations and procedures. A systems approach should be applied to existing monitoring and enforcement processes to identify bottlenecks in the implementation of current policies. There should be accountability for the lack of implementation of the payment policy.

6.3.2 Recommendation 2: Development of a System Value Chain

Based on data which was collected in our research SMEs found that there are differing requirements for the submission of invoices which could be a result of the lack of cohesion between finance and supply chain units within Government Departments. The findings of this research study supports this recommendation. The system must identify the role players and the timelines assigned to each party in the payment process to improve efficiency and accountability. The System should consider an invoice tracking system to lessen the burden on SMEs following up on payments.

6.3.3 Recommendation 3: Contracts by Government Departments Should be Validated and Approved based on the Availability of Funds to Pay Contractors.

15% of SMEs interviewed did not realise that they could invoice for services provided because Department, would tell them when to invoice. The SME only invoiced when the Government Department confirmed there was funds available to process payment.

Just in south Africa the Government owed SMEs at a total of R4.3 billion in unpaid invoices to SMEs (Fin24, 2019).As such Contracts should only be awarded based on the available budget for a given financial year.

6.3.4 Recommendation 4: Support Strategies for Micro, Small and Medium Enterprises

Although the research has shown that all categories of enterprises namely Small, Micro and Medium Enterprises are equally affected by late payments, the research also shows that Micro Enterprises have the least resources to pursue payment. National policy treats Small, Micro and Medium Enterprises equally yet the tolerance thresholds to buffer the impacts of delayed and non-payment is very different for each size of enterprise. Current polices should be reviewed to take cognisance of the risk and tolerance threshold that each size of enterprise can withstand.

6.3.5 Recommendation 5: Support Strategy for SMEs that have been in Operation for less than 5 years

According to report by World Bank, (2014) SMEs are most likely to fail in the first 5 years of operation. Current policies place emphasis on the size of an enterprise however the age of the enterprise also influences the success of the enterprise. Current SMME policies and strategies should be reviewed to facilitate additional support for settling delayed payments to enterprises in operation for less than 5 years.

6.3.6 Recommendation 6: Decrease the Cost for Recovering Late Payment

SMEs spend valuable time, human resources and financial resources in recovering money not paid on time. Therefore a proposed establishment of a national Small Enterprise Tribunal, whose mandate and function will be to assist small enterprises across the country to deal with disputes including those arising out of late payments and unfair contract terms and practices. This mechanism should lower the cost burden for SMEs chasing unpaid invoices and to recover costs and interest on late payments.

6.3.7 Recommendation 7: Interest and Cost Recovery Policy for Delayed Payments

Government contracts should be reviewed to consider claiming interest, at a fixed rate, on delayed payments as well a fixed amount for compensation for recovery of costs, for unpaid invoices, by SMMEs.

SME owners can take steps to minimise the impact of late payments on their business. These include invoicing promptly, negotiating shorter payment terms with clients and longer terms with suppliers, and using invoice finance to unlock value tied up in unpaid invoices. Small businesses should consider claiming interest and debt recovery costs if clients pay late.

SMEs should also be sensitized about the different measures that can be taken to ensure that they cope with the problem of late payments.

6.4 Area of feather Research

The study recommended for similar research to be conducted in other district and provinces of Zambia in order to find a lasting solution to the problem of delayed payments to SMEs in Zambia.

The study also recommended for other researchers to investigate the consequences of delayed payments to SMEs.

Delayed payments among SMES, can be detrimental to the success and well-functioning of the schools and nation at large, therefore, there is need for agent attention to address the matter and minimise the negative impact that might come with Delayed payments. The current study indicated that most SMEs working the various government institutions in Lusaka district were actually delayed in been payed. This is dangerous because this delayment in payments could cause a reduction in the quality of products or services offered by the SMEs. It is a well-known fact that, SMEs are one of the important driving forces of economical growth and development in a country. With this in mind it is therefore an inevitable fact that the economical growth and development of a country is also influenced by SMEs at a very strong level and as such there is need to pay more attention to the well fair of SMEs which in this case is the late delayment of payments.

6.5 limitation of the study

The research was limited by the financial constraint as the researcher met all the research expenses. In as much as the researcher could have wanted to conduct this research at larg scale, however, due to the financial constraint the research only covered a small area with Lusaka.

The study was also limited due to the failure by the researcher to generalise the findings of the study was conducted only in Lusaka district. Therefore, the findings o f the study could not be generalised across the entire country, due to the small sample size the study employed.

Furthermore, the research suffered a limitation in that, it was conducted under a short period of time and this limited the issues to be covered in the research.

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APPENDICES

Appendix 1: Budget plan

No	Category	Details	Qty	Cost	Total Cost
1	**Stationary**	**Reams of paper**	**2**	**65.00**	**130.00**
		Pens	**10**	**15.00**	**15.00**
		Box file		**20.00**	**20.00**
		Printing	**457 pages**	**1**	**457.50**
2	**Equipment**	**Tape Recorder**	**1**	**250.00**	**250.00**
		Vehicle	**1**	**1500.00**	**1500.00**
					1,750.00
3	**Transport**	**Lusaka**		**300.00**	**300.00**
				450.00	**450.00**
					1207.5
4	**Allowances**	**Lunch during data collection and analysis**		**2500.00**	**2500.00**
					4,000.00
5	**Printing**	**Printing and Binding**	**4**	**100.00**	**260.00**
6	**Miscellaneous**			**500.00**	**500.00**
	Grand Total				**6675.00**

Appendix 2: Letter Of Approval

THE UNIVERSITY OF ZAMBIA

DIRECTORATE OF RESEARCH AND GRADUATE STUDIES

RESEARCH DEPARTMENT

APPROVAL OF STUDY

5th October, 2020

REF. NO. HSSREC: 2019-DEC-023

Mr. Wesley Chilwana

UNZA

P. O. Box 32379

LUSAKA

Dear Mr. Chilwana,

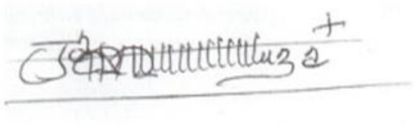
RE: "CREDIT DELAY AND BUSINESS DISTRESS AMONG SMEs: A CASE STUDY OF UNZA"

The University of Zambia Humanities and Social Sciences Research Ethics Committee IRB has approved the study noting that there are no ethical concerns.

On behalf of The University of Zambia Humanities and Social Sciences Research Ethics Committee IRB, we would like to wish you all the success as you carry out your study.

In future ensure that you submit an application for ethical approval early enough.

Yours faithfully,



Dr. J. Mwanza

Dip. Clin. Med. Sc., BA.M.Soc., PhD

CHAIRPERSON

THE UNIVERSITY OF ZAMBIA HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE IRB

cc: Director Directorate of Research and Graduate Studies

Assistant Director (Research), Directorate of Research and Graduate Studies

Assistant Registrar (Research), Directorate of Research and Graduate Studies

Senior Administrative Officer (Research), Directorate of Research and Graduate Studies

Appendix 3: Questionnaire

Questionnaire ID: ....

Date of Response: ....

Location: ....

THE UNIVERSITY OF ZAMBIA

GRADUATE SCHOOL OF BUSINESS

QUESTIONAIRE FOR LUSAKA SMEs

Dear respondent,

I am a postgraduate student at the University of Zambia conducting this research as a partial fulfilment for the award of Master's Degree in Business Administration General. The questionnaire is anonymous and none of the answers will be considered correct or wrong. The findings of the research will be useful for making general assumptions about other business communities away from Lusaka that has similar characteristics. It is relevant that this study is conducted because it will generate new knowledge on the subject. This is with regards to the effects exerted on SMEs due to delayed payments. The information that will be gathered is strictly for academic purposes and will be treated with maximum confidentiality.

You are requested to be open and honest when responding to the questions.

Thank you in anticipation

Wesley Chilwana

SECTION A: **RESPONDENT BACKGROUND INFORMATION**

Instructions: Put an **X** in the box against the applicable response for close ended questions

1. What is your Sex?

☐ Male

☐ Female

Other (Specify) ....

2. How old were you at your last birthday? ....
3. What is your marital status?

☐ Single

☐ Married

☐ Divorced

Other (Specify)..

4. Do you have a family residing with you? (if no skip to question 6)

☐ Yes

☐ No

5. Is the economic status of your family dependent on you?

☐ Yes

☐ No

Other (Specify)..

6. What is your family size?

☐ Less than 3 people

☐ Between 3 and 5 people

☐ More than 5 people

7. What is the highest level of education

☐ Primary School Level

☐ Secondary School level

☐ Tertiary Level

Other (Specify)…………………………………………………………………………………

SECTION B: ENTERPRISE INFORMATION

Instructions: Put an **X** in the box against your applicable response for close ended questions. Write the shortest possible notes as questions requiring you to annotate (open ended questions)

1. What is the name of your organization? … ………………… …..…………… …………

…………………………………………………………………………………………………

2. Are you in the management team of your organization?

☐ Yes

☐ No

Other (Specify)………………………………………………………………………………

3. How would you best describe the ownership of your enterprise?

☐ Sole Proprietorship

☐ Partnership

☐ Family Business

☐ Cooperative Society

Other (Specify)…………………………………………………………………………………

4. What government department(s) has/does your business organization do business with?

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

5. What industry does your business enterprise belong to? ....

....

6. Amongst the sectors within the Micro, Small and Medium-sized Enterprises sector, which one best suits your organization?

☐ Manufacturing (e.g Livestock farming, Diary production, etc)

☐ Services (e.g Construction, Restaurants, Transportation etc)

☐ Trading

☐ Mining

Other (Specify)..

7. What products/services do you sale to the earlier listed government department(s)?

....

....

....

8. Is your business entity registered with a legal Zambian recognized agency/authority or statutory body? (If No skip to question 10)

☐ Yes

☐ No

9. What legal Zambian recognized agency(s)/authority(s) or statutory body(s) is your organization registered to? ....

....

....

10. How many full time workers does your business enterprise have?

☐ Less than 5

☐ Between 5 and 20

☐ Between 20 and 100

☐ More than 100

11. From the table below indicate the means of your business finance (capital, working capital, shareholder investment. This depicts the access your business has to finance. You may do so by putting an **X** in **ANY** of the spaces applicable.

	Trade Credit (supplies)	Banks (Loan)	Government Grants	Family Sponsored	External Investors	Other (Specify)
Startup Capital						
Working Capital						

12. How long has your business organization been in operation?

☐ Less than a year

☐ Between 1 to 5 Years

☐ Between 5 to 20 years

☐ More than 20 Years

13. Does your enterprise have a department/database responsible for record keeping where information regarding the performance of your business could be tracked? (If No skip to **SECTION C)**

☐ Yes

☐ No

Other

(Specify)…………………………………………………………………………………

14. Indicate the growth of your business enterprise or its performance in the respective tables provided. Choose only **ONE** table suiting the duration of operation since the enterprise begun to run by putting an **X** in the spaces provided. Only put the **X** where applicable

Table 1 DURATION OF LESS THAN ONE YEAR

ID	Less than 25%	25% - 50%	50% - 75%	75% - 100%
Sales (Turnover/Revenue)				
Profit before Tax				
Profit After Tax				
Capital Acclamation				
Employee Numbers				

Table 2 FOR DURATION BETWEEN 1 TO 5 YEARS

ID	Less than 25%	25% - 50%	50% - 75%	75% - 100%
Sales (Turnover/Revenue)				
Profit before Tax				
Profit After Tax				
Capital Acclamation				
Employee Numbers				

Table 3 FOR DURATION BETWEEN 5 AND 20 YEARS

ID	Less than 25%	25% - 50%	50% - 75%	75% - 100%
Sales (Turnover/Revenue)				
Profit before Tax				
Profit After Tax				
Capital Acclamation				
Employee Numbers				

Table 4 FOR DURATION 20 YEARS AND ABOVE

ID	Less than 25%	25% - 50%	50% - 75%	75% - 100%

Sales (Turnover/Revenue)				
Profit before Tax				
Profit After Tax				
Capital Acclamation				
Employee Numbers				

15. Illustrate how your business enterprise has invested in either Equipment/Instruments or operating from own premises, by putting an **X** in the spaces provided.

ID	Up to K20,0000	K20,000 – K100,000	K100,000 – K1,000,000	Above K1,000,000
Plant/Machinery				
Equipment/Instruments				
Property Owned				

SECTION C: **BUSINESSES WITH GOVERNMENT DEPARTMENT**

Instructions: Respond to the following questions by putting an **X** in the boxes provided for close ended questions and adding notes to open ended questions.

1. When was the last contract/tender or/and business you had with a government department(s)? (If Non skip to **question 6**)

☐ More than 10 years ago

☐ In the last 10 years

☐ Between 10 to 1 year ago

2. What government department did you do business with? ....

....

3. What was the time period (in days) that was agreed upon according to the rule/terms of engagement between the time of product/service delivery and payment? ....

....

4. Were you paid for the stated last contract/tender or/and business deal you had with a government department(s)?

☐ Yes
☐ No
Other (Specify)..

5. How long (in days) had it been since the time of product/service delivery and payment by the engaged government department(s)? ....

....

6. Indicate by putting an **X** in the spaces provided in the table below to show how much you disagree, agree to the statement written.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Our SME's payment for the sale of product(s)/service(s) refereeing to response in **question1** to the response in **question 2** was delayed					

SECTION D: **EFFECTS OF DELAYED PAYMENTS**

1. Indicate the effects of delayed payments on your SME. You may follow the instructions (refer to the variables to understand items in the roster below)

Instructions: By putting an **X** in the spaces provided in the roster below indicate the level business distress, being the effects caused by delayed payments following a business arrangement you earlier made with a named government depart in **SECTION C question 1.**

Variables:

i. Banks (refers to the access your business has for finance via overdrafts and Loans).
ii. Staff (refers to the ability to regular pay your organization's employees for continued operation).
iii. Rent/Electricity/Bills-general (refers to all costs that your origination spends on for continued operation).
iv. Reach and Development (reefs to all the investment your organization puts in the research and development for your business in order to expand).
v. Trade Credit (refers to the supplies you get on credit from your suppliers).

Table 5EFFECTS OF DELAYED PAYMENTS ON SMEs

	Banks	Staff	Rent/Electricity/Bills	Research & Development	Trade Credit
Highly Distressed					
Distressed					
No Distress					

2. Indicate how regular (in time) your business enterprise pays you the salaries by putting an **X** in the boxes provided below. Regular means (on time), highly irregular means (late by 6 months and more), Irregular means (late by less than 3 months). **(If** You choose **'Regular'** skip to **SECTION E)**

☐ Highly Irregular
☐ Irregular
☐ Regular
Other (Specify)……………………………………………………………………………..

3. As an employee (If NOT skip to **SECTION E**), by putting an **X** in the boxes provided below, indicate how demotivated or motivated you are to carry out tasks you have been given considering the level of irregularities in terms of receiving your salaries.

	Highly Unlikely	Unlikely	Likely	Highly Likely
Carry out Tasks				

4. In the shortest way possible explain how your family's economic status was affected by the irregularities in the way you receive your salaries ………………………………..

…………………………………………………………………………………………………

…………………………………………………………………………………………………

5. Were you given reasons for the irregularities in you have been receiving of the salaries? (If No skip to **SECTION E**).

☐ Yes

☐ No

6. Were the irregularities in **question 5** as a result of delayed payments by government departments?

☐ Yes

☐ No

Other
(Specify)………………………………………………………………………………….

SECTION E: **SMEs DISTRESS COPING MEASURES**

Instructions: Answer the following questions by putting an **X** in the boxes to the close ended questions provided and adding notes to the open ended questions.

1. How long has your business enterprise been operating since the time your payments were delayed?

☐ Less than a year

☐ Between 1 to 5 years

☐ More than 5 years

2. In an instance where the delayed payments persist for a period of time twice the one your entity has already experienced, what is the likelihood of your business to profitably continue operating?

☐ Very unlikely

☐ Unlikely

☐ Likely

☐ Very Likely

3. Does your enterprise have a business plan? (If No skip to question 5).
   - [ ] Yes
   - [ ] No
4. Does your business plan include a risk assessment/management segment?
   - [ ] Yes
   - [ ] No
5. From the listed known coping measures, choose the one(s) you are aware of as an enterprise. Pick any and/or all that qualify by putting an **X** where applicable.
   - [ ] Turn-around plan
   - [ ] Amend and Extend
   - [ ] New Money
   - [ ] Debt for Equity Swap
6. From the coping measures chosen in **question 5**, list the ones adopted and excuted by your entreprise, starting from the most effective and ending with the least effective in terms of sustaining the flow of cash within the organization.

   ....

   ....

   ....
7. Apart from the coping measures listed in question 5, do you have other alternatives for coping with business distress caused by payment delays?
   - [ ] Yes
   - [ ] No
8. If Yes to **question 8,** list the coping measures your enterprise would put in place in order to ensure continued operation of entity

   ....

   ....

   ....

End of Questionnaire