

Title

**ASSESSING THE ROLE OF E-COMMERCE IN SMALL AND MEDIUM BUSINESSES
IN LILONGWE: A CASE STUDY OF AREA 25 MARKET**

Author

BENSON NKHOMA

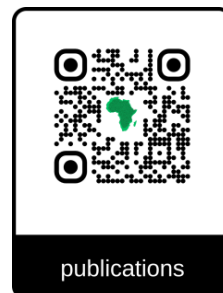
Co-Author

MRS JOSOPHINE JEFTER



Issued March 2026 Certificate

AR202631Y0SH2



ABSTRACT

This study assessed the role of e-commerce in enhancing the performance and growth of small and medium businesses (SMBs) operating in Area 25 Market, Lilongwe, Malawi. The rapid advancement of information and communication technologies has created new opportunities for SMBs to expand market reach, improve operational efficiency, increase sales, reduce transaction costs, strengthen customer relationships, and achieve better inventory management through online platforms such as social media marketplaces, mobile money (Airtel Money and TNM Mpamba), and digital shops. Despite these potential benefits, the adoption of e-commerce among SMBs in Area 25 remains relatively low due to several persistent barriers.

The study adopted a quantitative descriptive cross-sectional design. Structured questionnaires were administered to 36 owners and managers of SMBs selected using stratified random sampling, achieving a 100% response rate. Data were analysed using descriptive statistics (frequencies and percentages).

Key findings revealed that e-commerce plays a significant positive role: the majority of respondents reported that e-commerce has increased their business sales, expanded market reach beyond the local area to other parts of Lilongwe and beyond, reduced transaction costs related to physical marketing, travel, and communication, and improved inventory management and overall operational efficiency. However, major challenges hindering effective adoption include limited and unreliable internet connectivity, lack of digital skills and training among owners and staff, and inadequate supportive infrastructure. Resistance to change and customer distrust

in online payments were ranked as less significant barriers.

Respondents strongly recommended the following practical strategies to boost adoption: provision of affordable and reliable internet services, organised digital skills training programmes for owners and staff, financial support and subsidies for equipment and setup, partnerships with established e-commerce platforms and mobile money providers, and regular community-based awareness campaigns highlighting the benefits and safe use of online business.

The study concludes that e-commerce has strong potential to transform and grow SMBs in Area 25 Market, making them more competitive, profitable, and sustainable, but infrastructural and human-capacity challenges must be urgently addressed through targeted interventions. The findings provide valuable, practical insights and actionable recommendations for SMB owners, policymakers, regulators, Lilongwe City Council, financial institutions, and development partners working to promote digital business transformation and inclusive economic growth in Malawi.

KEYWORDS: E-commerce adoption, small and medium businesses, SMBs, Area 25 Market, sales growth, market reach, operational efficiency, digital skills, internet connectivity, financial support, awareness campaigns, Malawi

INTRODUCTION

Small and medium businesses (SMBs) are widely recognised as the backbone and engine of the Malawian economy, playing a

crucial role in job creation, income generation, innovation, poverty reduction, and overall economic development. In today's fast-evolving digital era, e-commerce — defined as the buying, selling, transferring, or exchanging of products, services, or information through computer networks and the internet — has emerged as one of the most powerful tools that allows even small businesses to operate far beyond their physical shop boundaries, reach national and international customers, drastically reduce operational costs, improve efficiency, and build stronger customer relationships.

This study specifically examined the role, benefits, challenges, and practical improvement strategies of e-commerce among SMBs actively trading in Area 25 Market, one of the busiest, most vibrant, and densely populated informal and semi-formal trading centres in Lilongwe city.

BACKGROUND

Area 25 Market features a dynamic mix of residential, commercial, and informal business activities, with numerous SMBs engaged in retail trading, agriculture produce, services, and small-scale manufacturing. Traditionally, these businesses have depended almost entirely on face-to-face physical transactions. However, the rapid evolution of information and communication technology (ICT), widespread use of smartphones, mobile money platforms (such as Airtel Money and TNM Mpamba), social media marketplaces, and online payment systems have opened unprecedented opportunities for growth. Although the Government of Malawi has initiated several programmes to develop the ICT sector and promote digital inclusion, many SMBs in Area 25 continue to face

significant practical barriers that limit full engagement with e-commerce.

PROBLEM STATEMENT

Although e-commerce offers clear and well-documented advantages — wider market access, lower transaction costs, faster customer reach, and improved competitiveness — its adoption rate among SMBs in Area 25 Market remains disappointingly low. The main contributing factors identified include unreliable and expensive internet connectivity, lack of digital skills and training among owners and staff, high initial setup costs for websites and equipment, limited awareness of available platforms, and inadequate policy and infrastructural support. Consequently, many businesses remain confined to local markets, miss valuable growth opportunities, struggle to compete with larger players, and contribute less than their full potential to local and national economic development. This study therefore thoroughly investigated the actual role played by e-commerce, carefully documented the real benefits and challenges experienced by SMBs, and proposed practical, context-specific strategies to promote wider, faster, and more effective adoption in Area 25 Market.

RESEARCH OBJECTIVES

Main objective

- To comprehensively assess the role of e-commerce in small and medium businesses operating in Area 25 Market, Lilongwe.

Specific objectives

- To examine in detail how e-commerce enhances operational performance, sales growth, market reach, inventory management, and overall efficiency of SMBs in Area 25.
- To identify and analyse the major benefits that SMBs in Area 25 actually gain from using e-commerce platforms.
- To determine and rank the key challenges faced by SMBs when adopting and implementing e-commerce in the Area 25 context.
- To recommend practical, feasible, and actionable strategies that can effectively enhance e-commerce adoption, utilisation, and success among SMBs in Area 25 Market.
- E-commerce is the online interaction between a business and its customers or suppliers for the placement and execution of orders using the internet and ICT tools (*Botha et al., 2004; Fletcher et al., 2004; Turban et al., 2008; Chaffey, 2020*).
- Small and Medium Businesses (SMBs) in Malawi are enterprises employing between 5 and 100 people (small enterprises: 5–20 employees; medium enterprises: 21–100 employees).
- Technology adoption is the process by which individuals or businesses begin using new digital innovations to run and grow their operations (*Rogers, 2003; Vrontis & Chaudhuri, 2022*).

RESEARCH QUESTIONS

- How exactly does e-commerce enhance operational performance, sales, market reach, and efficiency for SMBs in Area 25?
- What specific benefits do SMBs in Area 25 gain from actively using e-commerce platforms?
- What are the main challenges preventing SMBs in Area 25 from fully adopting and benefiting from e-commerce?
- What practical and realistic strategies can be implemented to significantly increase e-commerce adoption and long-term success among SMBs in Area 25?

LITERATURE REVIEW

Definition of Key Terms

Empirical Evidence

Multiple studies confirm that successful e-commerce adoption leads to measurable improvements: up to 30% increase in sales, 25% reduction in transaction costs, real-time inventory tracking, and expanded market reach (*Makoza & Chigona, 2020*). Additional benefits include faster and cheaper communication, stronger customer and supplier relationships, more effective marketing, better product development, and improved access to training and information (*OECD, 2004; Grandon & Pearson, 2004; Lauder & Westall, 1997*).

In developing countries like Malawi, the most common challenges are poor telecommunications infrastructure, shortage of qualified staff, low digital literacy, low bank account and credit card penetration, high initial investment costs, security and privacy concerns, cultural resistance, and weak legal/regulatory frameworks (*Tyler &*

Manica, 2007; Chimphamba & Mphande, 2020).

Theoretical Framework

The study is firmly anchored on the Technology Acceptance Model (TAM) and Diffusion of Innovations theory. These frameworks clearly show that perceived usefulness, perceived ease of use, owner/manager characteristics (innovation and digital literacy), organisational readiness, cost versus return considerations, and external support factors (training, infrastructure, and policy) are the primary determinants of successful e-commerce adoption among SMBs.

RESEARCH METHODOLOGY

The study employed a quantitative descriptive cross-sectional design to capture a clear and accurate snapshot of the current situation regarding e-commerce use in Area 25. The research was conducted directly in Area 25 Market, Lilongwe. The target population included owners and managers of SMBs in retail, agriculture, and services sectors (estimated at approximately 150 businesses according to local registries and market surveys).

Stratified random sampling was carefully applied to ensure fair and balanced representation across different business sectors and varying levels of e-commerce adoption (adopters and non-adopters). Slovin's formula was used to determine the final sample size of 36 respondents. The primary research instrument was a well-structured Likert-scale questionnaire that was adapted from validated instruments used in similar studies in developing countries.

A pilot study was conducted with 20 SMBs to test the clarity, relevance, and reliability of the questions; valuable feedback received was used to refine and improve the questionnaire. Quantitative data were analysed using simple but effective descriptive statistics (frequencies and percentages) with the help of Microsoft Excel.

All ethical considerations were strictly observed: informed consent was obtained from every participant, participation was completely voluntary, anonymity and confidentiality were guaranteed, cultural sensitivity was maintained (Chichewa was used where necessary), and the study fully adhered to institutional and national research ethics guidelines.

RESULTS

A perfect 100% response rate was achieved, with all 36 distributed questionnaires fully completed and returned.

Demographic Information

- **Gender:** 69% female (25 respondents) and 31% male (11 respondents). This clearly indicates that women constitute the majority of business owners and managers in Area 25 Market.
- **Age Distribution:** 39% were aged 36–45 years (14 respondents — the largest group), 30% aged 46–55 years (11 respondents), 11% aged 20–25 years (4 respondents), 11% aged 55 years and above (4 respondents), and 8% aged 26–35 years (3 respondents). The respondents are predominantly experienced and economically active.

- **Level of Education:** 58% hold diplomas, 27% hold degrees, and 13% have MSCE only. Importantly, over 86% have post-secondary education, which suggests that most respondents possess sufficient literacy to understand and potentially adopt digital business tools.

Key Findings on the Role and Benefits of E-Commerce

- The majority of respondents strongly agreed that e-commerce has increased their business sales and enabled them to successfully expand their market reach far beyond Area 25.
- E-commerce was reported to significantly reduce transaction costs associated with physical marketing, travel, and communication.
- Notable improvements were observed in inventory management (through real-time tracking) and overall operational efficiency.
- Results on customer engagement, feedback collection, and gaining competitive advantage were mixed, indicating that many businesses still face difficulties fully integrating these aspects.

Challenges Identified

- The most serious and frequently cited barrier was limited and unreliable internet connectivity.
- Lack of digital skills and proper training was ranked as the second major challenge affecting effective use of platforms.
- High setup costs, resistance to change, and customer distrust in

online payments were noted but considered relatively less significant by most respondents.

Strategies Recommended by Respondents

Respondents overwhelmingly supported the following practical and realistic strategies:

- Immediate and widespread provision of affordable and reliable internet services.
- Well-organised digital skills training programmes specifically designed for business owners and their staff.
- Availability of financial support, grants, or subsidies to cover equipment and setup costs.
- Formation of strategic partnerships with established e-commerce platforms and mobile money providers.
- Regular, community-focused awareness campaigns that clearly highlight the benefits and safe practices of online business.

DISCUSSION

The results provide strong evidence that e-commerce positively drives sales growth, market expansion, cost reduction, and operational improvements, which is highly consistent with both international best practices and recent studies conducted in Malawi (*Makoza & Chigona, 2020; Chaffey, 2020*). The high proportion of female and relatively educated respondents further indicates that SMB owners in Area 25 possess the foundational capacity to adopt digital tools successfully once the main barriers are removed. The prominence of internet connectivity and digital skills as the top obstacles aligns closely with findings

from other developing countries and clearly highlights the urgent need for simultaneous investment in reliable infrastructure and targeted capacity-building programmes.

CONCLUSION

This study has clearly and comprehensively demonstrated that e-commerce plays a vital, positive, and transformative role in the growth and daily performance of small and medium businesses in Area 25 Market. It effectively increases sales, expands market reach, reduces operational costs, and improves inventory management and efficiency. However, the full benefits are currently being limited primarily by unreliable internet services and insufficient digital skills among business owners and staff.

If the recommended interventions are implemented — affordable and reliable internet access, comprehensive digital training programmes, financial assistance mechanisms, strong partnerships with platforms, and sustained awareness campaigns — SMBs in Area 25 will be able to fully embrace e-commerce, become significantly more competitive and profitable, operate more sustainably, and make a much greater contribution to Malawi's broader economic development goals.

The detailed findings and practical recommendations contained in this study offer clear, evidence-based guidance for SMB owners, the Government of Malawi, Lilongwe City Council, financial institutions, development partners, and all stakeholders committed to accelerating digital transformation and inclusive growth in local markets across the country.

REFERENCES

1. Awa, H. O., Baridam, D. M., & Nwibere, B. M. (2015). Demographic determinants of electronic commerce adoption.
2. Beckinsale, M., & Ram, M. (2006). Delivering ICT to ethnic minority businesses.
3. Chaffey, D. (2020). Digital business and e-commerce management. Pearson.
4. Chaffey, D., & Ellis-Chadwick, F. (2019). Digital marketing. Pearson.
5. Chimphamba, D., & Mphande, C. (2020). Factors affecting e-commerce adoption among SMEs in Malawi.
6. Grandon, E. E., & Pearson, J. M. (2004). Electronic commerce adoption.
7. Makoza, F., & Chigona, W. (2020). Digital transformation in Malawian SMBs.
8. OECD (2004). The impact of ICT and e-commerce on SMEs.
9. Turban, E. et al. (2008). Electronic commerce: A managerial perspective.
10. Tyler, K., & Manica, A. (2007). E-commerce challenges in developing countries.