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ASSESSING THE EFFECTIVENESS OF STANDARD BANK PHUKA INCUBATOR HUB IN SUPPORTING SMES IN SCALING THEIR BUSINESSES: A CASE STUDY OF AREA 25B, LILONGWE

***Grace Thompson, Frezar Jefutala (Head of Social work)**

Bachelors in Social Work (PME) DM1 St John The Baptist.

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***Corresponding Author: Grace Thompson**

Bachelors in Social Work (PME) DM1 St John The Baptist.

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ABSTRACT

Small and Medium Enterprises are crucial in promoting economic growth, employment creation and poverty reduction in Malawi. However, many SMEs face challenges such as limited access to finance, inadequate business skills, poor market linkages and weak managerial capacity which potentially hinder their growth. The Standard Bank Phuka Incubator Hub was established to address the challenges these SMEs are facing by providing business training, mentorship, networking opportunities, access to markets and business advisory services aimed at enhancing the growth potential of SMEs.

This study was aimed at assessing the effectiveness of the Standard Bank Phuka Incubator Hub in supporting SMEs in scaling their businesses in Area 25B, Lilongwe. This was a quantitative and cross-sectional study which employed a mixed research approach supported by descriptive survey design. A sample of 40 respondents was recruited using purposive sampling and the study collected data from SME owners through questionnaires. Using SPSS, data was analyzed quantitatively using descriptive analysis. The study found that there was a significant impact of the incubation towards the business growth as the SMEs revealed increases in sales, customer base and business expansion among others. Further, the study made recommendations of to the policy makers, the SMEs and the bank sustainability of the SMEs and maximum utilization of the incubation. Finally, the study made recommendations on areas of further study.

KEYWORDS: Incubation Hub, Sustainability.

INTRODUCTION

Small and medium enterprises (SMEs) play a crucial role in driving economic growth, employment creation and continuous business in developing countries including Malawi. Practically, SMEs have been crucial in creating employment, production/manufacturing of goods and services as well as boosting exports in some cases. In addition, Majanga 2015 argued that small scale businesses are crucial and contribute to at least 80% of all businesses in Malawi.

Despite their importance, many SMEs face challenges in growing their business operations due to limited access to financial resources, business development services and technical support. In response various organizations and financial institutions have introduced business incubator programs to enhance SME capacity and competitiveness. The Standard Bank Phuka Incubator Hub is one such initiative aimed at supporting entrepreneurs to grow and sustain their businesses. This study seeks to assess the role of the Standard Bank Phuka Incubator Hub in helping SMEs scale their operations in Lilongwe Area 25B. The idea of incubations was borrowed from physical chickens' incubation, a process whereby a bird keeps warm its eggs till the time the young one comes out, or as a process by which an egg develops until the stage at which the young one comes out (Alhowaish, 2016)

Background of the Study

The development of SMEs has become a major focus in Malawi's economic growth agenda as they contribute significantly to job creation and poverty reduction. However, most SMEs struggle to expand beyond the start-up stage due to financial issues, inadequate managerial skills, and limited access to markets. Recognizing these challenges, Standard Bank established the Phuka Incubator Hub to provide mentorship, training, access to finance, and networking opportunities for emerging entrepreneurs. The hub aims to foster innovation and sustainable business growth among SMEs, understanding how this initiative supports SME development particularly in Lilongwe Area 25B will help determine its effectiveness and identify areas of improvement.

Problem Statement

Although the Standard Bank Phuka Incubator Hub was established to support small and medium enterprises, many SMEs in Lilongwe Area 25B still face challenges in scaling up their businesses. Issues such as inadequate mentorship, limited access to financial capital, and insufficient business management knowledge continue to hinder their growth. This raises the question of whether the Phuka Hub is effectively achieving its intended objectives. Therefore, this study seeks to examine the extent to which the Standard Bank Phuka Incubator Hub supports SMEs in scaling their operations in Lilongwe Area 25B. (World Bank Group, 2022). Some of the theories used for the research are the business theory which states that the business incubators improve the survival; growth and continuity of SMEs by providing a supportive environment during early stages and also the human capital theory by Gary Becker which states that investments in education; training; skills and knowledge improve productivity and organizational performance.

Research Objectives

Main objective

- To assess the effectiveness of Standard Bank Phuka Incubator Hub in supporting small and medium enterprises in scaling their businesses in Lilongwe Area 25B.

Specific Objectives

a) To compare the SMEs performance indicators before and after Standard Bank Phuka Incubation

b) To assess the relevance and quality of training offered by the Standard Bank Phuka Incubator Hub in Area 25B

c) To identify challenges faced by SMEs in accessing incubator services

Literature Review

Empirical Review

Studies in South Africa and Kenya have shown that business incubators operated by banks tend to have better financial inclusion outcomes, as they integrate both mentorship and funding opportunities (Moyo, 2020; Njeri & Wanjiku, 2021). Despite this, access to finance remains uneven across regions, with most SMEs in urban areas such as Lilongwe Area 25B still reporting inadequate funding sources. Therefore, this highlights the need to assess how effectively the Phuka Hub delivers financial support to its beneficiaries and the challenges entrepreneurs face in accessing and utilizing these funds.

These qualitative insights help measures the personal and professional growth of SME founders. The hub tracks participation rates, module completion, and engagement levels in mentorship sessions and high engagement is correlated with better outcomes this means the higher the participation or engagement in trainings, the higher the results. Blantyre District Council (2019) These systems help track financial transactions and credit worthiness of participating SMEs, they also bring monitoring and evaluation frameworks among partners especially for agribusiness and climate smart initiatives which are actions taken to combat climate change and its impacts. Phuka's approach is holistic which means it does not just train it tracks transformation through awards recognition which is based on performance metrics, innovation and impact and later on serving as a public evaluation of growth. W. & Creswell, John, D. (2018).

According to Banda (2023), SMEs that undergo continuous mentorship are 40% more likely to survive beyond their third year of operation. However, some studies also reveal that mentorship programs may lack consistency or long-term follow-up, which limits their effectiveness (Kapito, 2021). Therefore, understanding how mentorship from Phuka Hub influences SME sustainability is crucial.

Research from Uganda and Zambia found that incubated firms with better market access achieved higher sales growth and employment creation (Mutambi, 2019; Moyo, 2020). Nevertheless, challenges such as limited digital marketing exposure and logistical constraints often hinder SMEs from maximizing these networks. This study, therefore, explores how Phuka Hub's networking programs contribute to market expansion in Lilongwe.

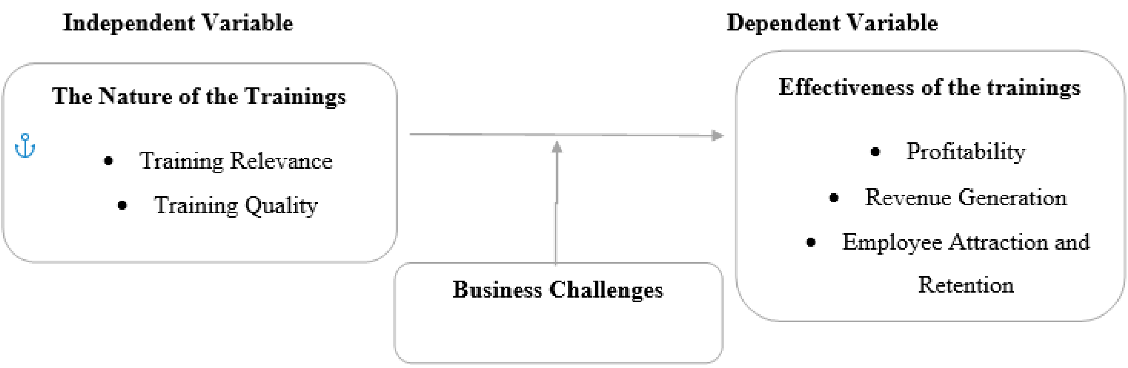
Although incubators provide valuable support, several challenges limit their impact. Common issues include limited outreach, inadequate funding, poor follow-up, and lack of awareness among potential beneficiaries (Njeri & Wanjiku, 2021). In Malawi, most entrepreneurs lack formal registration and business documentation, which restricts their eligibility for financial or training programs (Chirwa & Matita, 2022). The Phuka Hub, while impactful, may face challenges related to participant selection, gender inclusivity, and scalability of services.

According to Banda (2023), many SMEs in urban areas remain unaware of the existence of incubator initiatives. Identifying these barriers is vital for improving the efficiency and inclusiveness of Phuka Hub's support programs.

In addition, the adoption of digital platforms can improve communication between incubator managers and entrepreneurs, providing real-time support and monitoring (UNDP, 2022). Continuous evaluation and feedback mechanisms are also essential to measure outcomes and refine service delivery.

For the Phuka Hub, strategies such as expanding partnerships with local business associations, improving follow-up mechanisms, and establishing satellite training centers in underserved areas can significantly improve SME growth in Lilongwe.

Conceptual Framework



Moderating Variable

Source: Literature Review

Research Methodology

Research Design and Methodology

A mixed-methods research design was used in conducting this research whereby both quantitative which is number based approach and qualitative which is explosive in nature approaches will be used. Qualitative method helped to deeply understand the reason why and how beyond human behaviors, experiences and social issues through interviews and observations and Quantitative which helped in understanding the relationship in a population between an independent variable and one or more dependent variables.

Mixed method of research design helped to get a richer and more complete understanding of complicated issues of SME owners and incubator hubs by combining the strength of qualitative and quantitative approaches.

Descriptive research method was used so that the researcher was able to describe the population and situation among SMEs. This methodology helped the research answer the question of what, where, when and how the business is being conducted.

Research Setting, population and sampling

The study was conducted in Lilongwe Area 25B where a great number of SMEs operate and where participants of the Phuka Incubator Hub reside and conduct business.

The incubator's main programs are carried out in Lilongwe City, but the targeted SMEs were located in Area 25B.

The target population is 40 SMEs including all SME owners in Area 25B who have participated in the Standard Bank Phuka Incubator Hub, as well as facilitators and mentors working with the hub. This population of the study was selected because they possess direct experience with the incubator's programs.

A purposive sampling technique was used to select SME participants who have undergone training or mentorship at the hub so that researchers pick participants with specific experiences in connection with the study goals. Additionally, convenience sampling will be applied for selecting hub staff who were readily available for interviews so that the exercise should be conducted without difficulties and services should be run to suit customers. The sample size consisted of 40 SME owners from Area 25B who would benefit from the incubator hub where 35 SME owners and 5 are the facilitators which are leading in the program.

Research Instrument and Data Analysis

Data collection instruments which were used are structured questionnaires with closed ended questions which answers the question of yes or no for SME owners and Semi structured interview guides which mixes open ended and closed ended questions for hub facilitators. These instruments enabled collection of both quantitative and qualitative data relevant to the study objectives.

A pilot study was conducted with 5 SME owners outside Area 25B to test the clarity, reliability and validity of the questionnaires. Necessary adjustments were made before the main data collection.

The quantitative data was analyzed using statistical package for the social sciences (SPSS) which helped in interpreting complicated numerical data with the use of descriptive statistics such as frequencies, percentages and tables. Qualitative data from interviews wa analyzed using thematic analysis interview transcript or open ended survey responses were used to identify recurring themes and insights.

RESULTS AND DISCUSSION

Response Rate

The study administered 40 questionnaires and it happened that all the 45 questionnaires were returned completed. This gave a respondent rate of 100%. Response rate of above 90% is reasonable according to Saunders et al (2016).

Respondent Category	Target Sample	Responses Received	Response Rate (%)
SME Owners	35	35	100
Facilitators	5	5	100
Total	**40**	**40**	**100**

Source: Field Data (2026)

Therefore, the response rate was considered adequate for analysis and interpretation as it met the acceptable threshold for descriptive research studies.

Perceived Effectiveness of the Phuka Incubator Hub (SMEs Only, n = 35)

The study also examined the effectiveness of the Phuka Incubator Hub and the figure below presented the findings from the respondents.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean Score
Business training improved management skills	18	15	0	2	0	4.31
Mentorship improved business decision-making	19	14	0	2	0	4.2
Access to finance opportunities increased	15	15	0	4	1	3.83
Networking opportunities expanded markets	16	16	0	2	1	4.09
Overall, the hub has helped scale my business	20	13	0	2	0	4.29

It was found that there were 18 SME owners who strongly agreed that business training improved management skills while 15 people agree and there were 2 people who disagreed and no SME members who strongly disagree. 19 SME Members strongly agreed that mentorship improved business decision while 14 people agree and 4 people were neutral and 2 people disagreed and none disagreed. 15 SME owners strongly agree that access to finance opportunities expanded markets while 15 SME owners agree to the idea and 4 people disagreed and 1 person strongly disagree. 16 SME Owners strongly agree that networking opportunities expanded markets while 16 people agree and 2 SME members disagreed and 1 person strongly disagree. 20 SME owners strongly agree that overall the hub has helped scale businesses while 13 people agree to the idea and 3 people are neutral and 2 SME owners disagree and none strongly disagree.

Business Growth Outcomes Reported by SMEs (n = 35)

Indicator	Yes	No	Percentage Yes (%)
Increased sales	27	8	77.1
Increased customer base	29	6	82.9
Created additional jobs	18	17	51.4
Expanded business operations	22	13	62.9
Introduced new products/services	20	15	57.1

Reports on business growth shows that 27 SMEs had increased sales while 8 did not; 29 SMEs had increase customer base while 6 did not. On additional job creation 18 SMEs made it possible while 17 did not; 22 SMEs were able to expand business operations while 13 were not able to expand business operations. 20 SMEs introduced new products and services while 15 did not.

Facilitators' Views on the Effectiveness of the Incubator. (n = 5)

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
SMEs demonstrate improved business skills after training	3	2	0	0	0
Mentorship contributes to business growth	4	1	0	0	0
Access to finance remains a challenge	2	3	0	0	0
The incubation programme supports business sustainability	4	1	0	0	1

3 SMEs strongly agree that SMEs demonstrated improved business skills after training; 2 SMEs agree to the improvement while none was neutral and none disagreed and strongly disagreed. In number, 4 SMEs strongly agree that mentorship contributes to business growth while 1 person agree to it and none was neutral nor disagreed and strongly agreed. 2 SMEs strongly agree that access to finance remains a challenge and 3 people agree to the idea and none of the entrepreneurs were neutral or disagreed and strongly disagreed. 4 SME owners strongly agreed that the incubation program supports business sustainability while 1 respondent agreed to the idea and none was neutral or disagree and strongly disagreed.

Overall Assessment of Programme Effectiveness (Combined Responses)

Rating	SME Owners (n = 35)	Facilitators (n = 5)	Total	Percentage (%)
Very Effective	15	3	18	45.0
Effective	14	2	16	40.0
Moderately Effective	4	0	4	10.0
Ineffective	2	0	2	5.0
Very Ineffective	0	0	0	0.0
Total	**35**	**5**	**40**	**100**

The study found that 15 SME owners were very effective and 3 Facilitators making a total of 18 and 14 SME owners were very effective and 2 Facilitators making a total of 16. There were 14 SME owners were moderate effective and none of the facilitators and 2 SME owners were ineffective and there were none very ineffective.

FINDINGS

The findings reveal that the presence of business trainings improved management skills with a mean score of 4.31 percent as a major contributor of the outcome. It was also found that Mentorship improved business decision making with a mean percentage of 4.20 percent as another contributor to outcome. Further, the findings indicated that networking opportunities expanded markets which made a percentage of 4.09. This is another major contributor to successful outcome of SMEs.

The results suggest that most SME owners noticed the Standard Bank Phuka Incubator Hub as effective in supporting business growth. Approximately 85% of respondents rated the programme as either effective or very effective. The strongest areas of support were business training, mentorship, and networking opportunities. However, access to finance shows as a relatively weaker area indicating a need for stronger financial support.

Most SMEs reported improvements in sales (77.1%), customer growth (82.9%), and business expansion (62.9%), while just over half indicated they had created new jobs. Facilitators agreed that the incubator had provided entrepreneurial skills and contributed positively to business growth though they also recognized that access to finance remains a significant challenge for many SMEs.

These findings would support the conclusion that the Phuka Incubator Hub plays a positive role in helping SMEs scale their businesses, while recognizing areas for further improvement mainly in financing support.

Recommendations

Recommendations to Management

The findings indicate that SMEs experienced improvements in key performance indicators after participating in Phuka Hub program.

The management of the Standard Bank Phuka Incubator Hub should strengthen mentorship programmes by providing continuous business coaching even after entrepreneurs complete the incubation programme.

Policy Recommendations

The findings indicate that there is poor or less financial support from phuka incubation therefore it lowers business growth

The Government of Malawi, in collaboration with financial institutions and private-sector partners, should develop policies that improve SMEs' access to affordable credit and business development services.

Recommendations on Areas for Further Study

The study also found that the training offered by Phuka Hub was generally relevant to the needs of SMEs and was of high quality.

SME owners should actively participate in all training, mentorship, and networking activities offered by the incubator to maximize the benefits of the programme.

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