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Determinants of Failure among Newly Created and Financed SMEs: Evidence from the COPA-PADMPME Programme in Kongo Central, Democratic Republic of Congo

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Abstract

This study examines the determinants of failure among newly created and financed small and medium-sized enterprises (SMEs) in Kongo Central, Democratic Republic of Congo. It focuses on firms supported through the Business Plan Competition (COPA) under the Support Project for the Development of Micro, Small and Medium Enterprises (PADMPME). These firms provide an important setting for examining business failure because they received non-repayable financial support at start-up. Despite this initial advantage, 57 of the 59 SMEs surveyed had ceased operations, corresponding to a failure rate of 96.61%. The study adopts a quantitative approach and uses primary data collected from the 59 beneficiary firms. Logit estimations are complemented by Probit models to assess the robustness

of the results. The findings show that business failure cannot be explained by the amount of financial support alone. Weak internal governance, poor financial management, shortcomings in programme implementation, limited commercial relational capital and sociocultural pressures significantly increase vulnerability to failure. In contrast, the amount of the grant does not provide significant protection against business failure. These findings suggest that financing is unlikely to sustain young enterprises when managerial capability, market access and post-financing support remain weak. SME support programmes should therefore move beyond capital provision and combine financing with managerial development, structured monitoring and stronger market linkages.

Keywords: SME Failure, Entrepreneurship, Business Grants, Managerial Capacity, Kongo Central, Democratic Republic of Congo, COPA-PADMPME

1. Introduction

Small and medium-sized enterprises play a central role in employment creation, income generation and economic development. Their importance is pronounced in developing economies where formal employment opportunities are limited and entrepreneurship provides an important source of livelihood. Yet business creation does not necessarily translate into business survival. Young firms operate under considerable uncertainty and often enter markets with limited experience, weak organisational routines and fragile commercial networks. These disadvantages expose them to a high risk of early failure.

The vulnerability of young firms has long attracted scholarly attention. Stinchcombe (2013) ^[23] conceptualises this problem through the “liability of newness.” Newly established organisations lack the routines, legitimacy and stable relationships accumulated by mature firms. Their survival therefore depends partly on how quickly they develop organisational capabilities and adapt to their environment. Brüderl *et al.* (1992) ^[7] similarly show that the survival of new businesses depends on founder characteristics, organisational resources and market conditions. From a resource perspective, the possession of financial capital is important but does not constitute the only foundation of firm survival. Managerial knowledge and the ability to deploy available resources also shape firm development (Penrose, 2009; Barney, 1991) ^[20, 3].

These issues are relevant in developing economies. Financial constraints are widely recognised as an obstacle to entrepreneurship. However, removing the initial financing constraint does not necessarily ensure enterprise survival. Evidence from enterprise support interventions shows that capital injections can improve business outcomes but that their effects vary across firms and entrepreneurs (De Mel *et al.*, 2008; Kelly *et al.*, 2026) ^[10, 16]. The design of the intervention also matters. Cho and Honorati (2014) ^[8] show that entrepreneurship programmes may produce stronger outcomes when financial assistance is

combined with skills development and other forms of business support. This suggests that the relationship between financing and enterprise survival must be considered alongside managerial, institutional and market conditions.

The Democratic Republic of Congo (DRC) provides a useful context for examining this relationship. SMEs constitute an important component of the Congolese entrepreneurial landscape. However, they operate within an environment characterised by several constraints. These include limited access to formal finance, infrastructure deficiencies, administrative burdens and macroeconomic uncertainty. Young entrepreneurs may also lack managerial experience and effective business networks. Such conditions can weaken the capacity of new firms to convert initial resources into sustainable operations. Research on youth entrepreneurship in the DRC and the Republic of Congo identifies weak entrepreneurial skills, regulatory barriers, credit constraints and inadequate business support among the obstacles faced by young entrepreneurs (Dzaka-Kikouta *et al.*, 2020; Li *et al.*, 2026) ^[11, 17].

The present study focuses on a distinctive group of enterprises supported by the Programme d'Appui au Développement des Micro, Petites et Moyennes Entreprises (PADMPME). The programme was implemented with support from the World Bank through the International Development Association. One of its mechanisms was the Concours de Plans d'Affaires (COPA), or Business Plan Competition. The initiative provided support to entrepreneurs with promising business projects. The firms examined in this study received non-repayable grants. Consequently, they did not face the repayment obligations and interest costs normally associated with commercial borrowing.

This feature creates an important empirical puzzle. Financial support should reduce one of the major constraints facing young businesses. Yet the enterprises studied experienced an exceptionally high level of failure. Among the 59 COPA-PADMPME beneficiaries included in the study, 57 had ceased operations. This represents 96.61% of the sample. The high failure rate raises an important question: why do newly established SMEs fail despite receiving non-repayable start-up financing?

The question is relevant because financial support programmes often assume that easing capital constraints will improve entrepreneurial outcomes. Such an assumption may overlook the mechanisms through which financial resources are converted into viable business operations. Agency problems can influence the allocation and use of resources within the firm (Jensen & Meckling, 2019; Chola Kazembe *et al.*, 2026) ^[14, 9]. Information asymmetries may affect decisions and relationships between entrepreneurs and external stakeholders (Akerlof, 1970; Stiglitz & Weiss, 1981) ^[1, 22]. Institutional conditions can also shape transaction costs and the incentives confronting firms (North, 2019; Rutazihana & Kelly, 2026) ^[19, 21]. These perspectives imply that financing operates within a broader organisational and institutional system. A grant can provide resources but cannot substitute automatically for managerial competence, effective governance or access to customers.

This study therefore investigates the determinants of failure among newly created and financed SMEs in Kongo Central. Accordingly, the study addresses two related questions. First, which internal factors associated with governance, managerial capability and financial management explain

SME failure? Second, which external, institutional and sociocultural factors increase the vulnerability of these enterprises?

The study makes three contributions. First, it shifts attention from access to finance itself to what happens after young enterprises receive financial support. This distinction is important because the beneficiary firms entered the programme with a significant financial constraint partly alleviated. Their subsequent failure therefore provides an opportunity to investigate determinants that may remain hidden when lack of finance is treated as the dominant explanation for SME mortality. Second, the study provides evidence from Kongo Central, an empirical setting that remains less represented in the international literature on SME survival. The province combines substantial economic potential with institutional, infrastructural and market constraints. Examining firms within this setting extends the literature on the survival of young enterprises beyond contexts where financial and institutional systems are more developed. Third, the analysis considers internal, programme-related, market and sociocultural factors within the same empirical framework. This broader approach is important because business failure is rarely the result of a single constraint. The study consequently treats SME failure as a multidimensional outcome and tests the relationships using binary-response models. The Logit estimates are complemented by Probit estimations as a robustness assessment. The empirical analysis is based on primary data from all 59 SMEs included in the study.

The results provide a clear basis for reconsidering finance-centred approaches to SME support. The amount of grant received does not significantly reduce the probability of failure. Instead, the evidence points towards a combination of weaknesses in internal governance and financial management, programme implementation, commercial relationships and sociocultural pressures. The findings therefore highlight the need to consider the quality of post-financing support and the entrepreneur's capacity to transform financial assistance into sustainable business activity.

The remainder of the article is organised as follows. Section 2 develops the theoretical framework and reviews the relevant empirical literature. Section 3 presents the data, variables and econometric strategy. Section 4 reports and discusses the empirical results. Section 5 concludes and develops implications for SME support programmes and public policy in the DRC.

2. Literature Review and Theoretical Framework

2.1 Understanding SME Failure

Business failure is a multidimensional phenomenon. Financial distress is often its most visible manifestation, but the underlying process may involve managerial weaknesses, poor resource allocation, market constraints and adverse institutional conditions. This distinction is important for small and young firms because their limited organisational experience can amplify the effects of relatively minor managerial or market shocks.

Classical approaches to business failure largely emphasise financial deterioration. Beaver (1966) ^[4] demonstrated that financial ratios can provide early signals of corporate failure, while Altman (1968) ^[2] developed a multivariate framework for predicting bankruptcy from accounting indicators. These approaches established the importance of

financial health but provide only a partial explanation for the failure of young SMEs in environments where reliable accounting information is limited. For newly created enterprises, organisational capabilities and the characteristics of the entrepreneur may be as important as conventional financial ratios.

The age of the firm provides another explanation. Stinchcombe's (1965) liability-of-newness argument suggests that young organisations face disadvantages because they have not yet developed stable routines, established legitimacy or durable relationships with customers and suppliers. Brüderl *et al.* (1992) [7] extend this reasoning by showing that survival prospects depend on the human capital of the founder as well as organisational and strategic characteristics. These arguments are particularly relevant to COPA-PADMPME beneficiaries because the firms were newly established and therefore simultaneously confronted the challenges of business creation, organisational learning and market entry.

In this study, failure is understood more broadly than formal judicial bankruptcy. Many SMEs permanently cease operations without undergoing formal insolvency proceedings. The dependent variable therefore captures permanent business cessation or failure irrespective of whether a judicial bankruptcy procedure occurred.

2.2 Internal Resources, Governance and Financial Management

The resource-based perspective provides a useful starting point for explaining why enterprises receiving similar financial support may experience different outcomes. Penrose (1959) argues that firm growth depends not simply on the possession of resources but on the productive services that firms can derive from them. Barney (1991) [3] later emphasises the strategic role of firm-specific resources and capabilities. Applied to young SMEs, these arguments imply that a financial grant becomes economically useful only when entrepreneurs possess the managerial and organisational capabilities needed to deploy it effectively.

Human capital reinforces this reasoning. Entrepreneurial knowledge and experience influence the capacity to recognise opportunities and organise resources. Becker's (1964) [5] human capital perspective suggests that education, skills and experience can improve productive decision-making. In young enterprises, where the owner often performs several managerial functions simultaneously, weaknesses in these capabilities can have direct consequences for business survival.

Agency theory provides a complementary explanation. Jensen and Meckling (1976) show that agency problems arise when decision-makers have incentives that do not fully coincide with those of resource providers. In grant-supported entrepreneurship programmes, the conventional owner-manager agency relationship takes a different form because beneficiaries control resources provided by an external programme. Weak monitoring or poor internal governance can create room for resources to be diverted from their intended productive use.

The distinction between business and household finances is particularly important in small owner-managed enterprises. The absence of regular accounting, weak monitoring of revenue and expenditure, and personal withdrawals from business funds can reduce the entrepreneur's ability to assess financial performance. Such practices can also erode

working capital. Financial assistance may therefore have little lasting effect where basic financial discipline is absent. These arguments support the expectation that internal governance and financial management influence business failure. The study specifically tests whether the gender of the business owner is associated with failure and whether weaknesses in internal financial management increase the probability of business cessation.

H1: The gender of the entrepreneur has a negative and significant effect on SME failure.

H2: Poor internal financial management has a positive and significant effect on the failure of newly created SMEs.

2.3 Information Asymmetry and Programme Implementation

Financial support programmes introduce relationships between funding institutions and beneficiaries in which information is rarely complete. Akerlof (1970) [1] demonstrates how information asymmetry can distort market outcomes when parties possess different levels of information. Stiglitz and Weiss (1981) [22] similarly show how imperfect information affects financial allocation. Although their analysis focuses on credit markets, the underlying principle is relevant to publicly supported entrepreneurship programmes. Programme administrators cannot continuously observe the quality of every investment decision or the actual conditions faced by every beneficiary. The effectiveness of financial support consequently depends on programme implementation as well as the amount transferred. Delays in delivering productive assets can prevent firms from entering the market at the intended time. Equipment that does not correspond to the approved business activity may also reduce productive capacity. These problems are particularly consequential for young firms because they often begin with limited reserves and have little capacity to absorb implementation shocks.

Evidence from developing economies supports the broader argument that capital alone does not guarantee enterprise development. De Mel *et al.* (2008) [10] find positive returns to additional capital among microenterprises, but these returns vary substantially across businesses. Fafchamps *et al.* (2014) [12] further show that the form in which support is delivered can influence business outcomes. Entrepreneurship programmes must therefore be considered not only in terms of the resources committed but also in terms of how those resources reach firms and are converted into productive assets.

This reasoning leads to the third hypothesis:

H3: Operational shortcomings in the implementation of COPA-PADMPME grants have a positive and significant effect on SME failure.

2.4 Market Relationships and the External Business Environment

Young firms must build a customer base while simultaneously developing their internal structures. This creates a critical dependence on commercial relationships. Financial resources can finance equipment, inventory and other inputs, but they cannot guarantee demand. An enterprise without sufficient customers may experience declining cash flows even when its initial capital is adequate.

This problem is closely connected to the liability of newness. Established firms have had time to build

reputations and commercial networks. New firms must create these relationships while competing against both formal and informal businesses. The ability to access customers therefore represents a form of relational capital that can determine whether productive resources generate sustainable revenue.

Institutional theory broadens this explanation. North (1990) argues that institutions structure economic interactions by shaping incentives, uncertainty and transaction costs. SME performance can therefore be influenced by administrative procedures, infrastructure and the wider business environment. In developing economies these external constraints may interact with internal weaknesses. A poorly managed enterprise may be particularly vulnerable to an adverse institutional environment, while even a capable entrepreneur may struggle when access to markets is severely constrained.

Research on entrepreneurship in the Congolese context supports the importance of these conditions. Dzaka-Kikouta *et al.* (2020) ^[11] identify regulatory constraints, weak entrepreneurial skills, limited access to credit and inadequate support services among the obstacles facing young entrepreneurs in the DRC and the Republic of Congo. These factors indicate that business survival cannot be understood solely through firm-level financial variables.

The study consequently treats commercial relational capital as a distinct determinant of failure:

H4: Weak commercial relational capital has a positive and significant effect on the failure of newly created SMEs.

2.5 Sociocultural Pressures and the Use of Business Resources

The interaction between the enterprise and the entrepreneur's household adds another dimension to SME vulnerability. In owner-managed businesses, the boundary between household resources and business resources can be weak. Entrepreneurs may face demands to use business income for family obligations or personal consumption. Such pressures can reduce the funds available for inventory, maintenance and reinvestment.

This mechanism is especially important when the enterprise receives a grant. Non-repayable financing removes debt-service obligations but may also reduce the external financial discipline normally imposed by lenders. If grant resources or subsequent business revenues are diverted towards non-business purposes, the initial financing advantage can gradually disappear.

The study therefore incorporates family responsibilities and personal withdrawals as indicators of sociocultural pressure. This produces the fifth hypothesis:

H5: Sociocultural pressures on the entrepreneur have a positive and significant effect on the failure of newly created and financed SMEs.

2.6 Is More Start-Up Capital Sufficient for Survival?

Access to finance remains one of the most widely discussed constraints on SME development. Yet the relationship between capital and survival is not necessarily linear. De Mel *et al.* (2008) ^[10] show that additional capital can generate returns, but those returns depend on firm and entrepreneur characteristics. McKenzie and Woodruff (2014) ^[18] likewise highlight the importance of managerial practices for small-firm performance. Cho and Honorati (2014) ^[8] find that entrepreneurship interventions differ

substantially in effectiveness and suggest that combinations of support can matter.

These findings challenge a purely finance-centred model of entrepreneurship development. If entrepreneurs lack the capabilities required to manage resources, if productive equipment is inappropriate or delayed, or if firms cannot attract customers, increasing the amount of finance may not address the binding constraint. The COPA-PADMPME setting is particularly suitable for examining this issue because the beneficiary firms received non-repayable grants, which substantially reduced the immediate financing constraint.

The study nevertheless tests the conventional expectation that larger start-up financing should reduce failure:

H6: The amount of the grant received as start-up capital has a negative and significant effect on SME failure.

3. Methodology

3.1 Research Design and Study Population

The study adopted a quantitative and explanatory research design to identify factors associated with the failure of newly created SMEs financed through COPA-PADMPME in Kongo Central. The empirical analysis used cross-sectional primary data collected directly from SME owners and promoters. This design was appropriate because the outcome of interest was binary and the study sought to estimate the relationship between enterprise failure and a set of observable characteristics.

The study population comprised 59 SMEs that had benefited from COPA-PADMPME financing in Kongo Central. The focus on programme beneficiaries created a relatively specific analytical setting because the firms received support within the same programme framework. The sampling process combined purposive identification with a snowball approach to locate eligible entrepreneurs. The latter was particularly useful for reaching owners of businesses that had ceased operating and were therefore more difficult to identify through conventional business registers.

Primary data were collected using a structured questionnaire administered electronically and in paper form. The questionnaire covered seven areas: characteristics of the entrepreneur, characteristics of the enterprise, conditions surrounding the COPA-PADMPME grant, internal management practices, external business constraints, sociocultural factors and post-financing support. The resulting dataset contained one binary dependent variable and 26 explanatory variables. Most explanatory variables were measured using dichotomous or ordinal scales.

3.2 Measurement of Variables

The dependent variable is SME failure. It takes the value 1 when the enterprise had permanently ceased operations or was considered failed and 0 when it remained operational, including firms operating under difficulty. This broader operational definition reflects the Congolese context, where cessation of business activity does not necessarily result in a formal judicial bankruptcy procedure.

The explanatory variables were organised around the dimensions developed in the theoretical framework. Entrepreneur characteristics included gender and indicators of human capital. Internal factors captured financial and organisational practices such as regular accounting, separation of personal and business finances, monitoring of revenues and expenditures, and whether the owner received

a fixed salary. Programme-related factors included the amount of grant received, compliance of supplied equipment with business needs and respect for delivery schedules. External factors captured commercial and environmental constraints, with particular attention to customer

availability. Sociocultural factors included family obligations and personal withdrawals from business resources. Table 1 presents the principal variables used to test the six research hypotheses.

Table 1: Main variables and expected relationships with SME failure

Dimension	Main indicator(s)	Measurement	Expected relationship
SME failure	Current enterprise status	1 = failed/permanently closed; 0 = operating	Dependent variable
Entrepreneur profile	Gender of entrepreneur	Categorical/binary	H1: Negative
Financial management	Regular accounting; separation of business and personal finances; revenue/expenditure monitoring; fixed owner salary	Mainly binary	H2: Positive when management is weak
Programme implementation	Equipment non-conformity; delivery delays	Binary/ordinal	H3: Positive
Commercial relational capital	Insufficient customer base	Binary/ordinal	H4: Positive
Sociocultural pressure	Family obligations; personal withdrawals	Binary/ordinal	H5: Positive
Start-up financing	Amount of COPA-PADMPME grant received	Monetary value	H6: Negative

Source: Adapted from the study questionnaire and variable operationalisation

3.3 Econometric Strategy

Because SME failure is a dichotomous outcome, the analysis relied primarily on binary logistic regression. Let Y_i denote the status of SME i , where $Y_i=1$ represents failure and $Y_i=0$ represents continued operation. The probability of failure was modelled as:

$$P(Y_i = 1|X_i) = \frac{\exp(\beta_0 + \beta X_i)}{1 + \exp(\beta_0 + \beta X_i)}$$

Where X_i represents the vector of explanatory variables and β the corresponding parameters.

The Logit model was estimated by maximum likelihood. Results were interpreted using coefficients and odds ratios. An odds ratio above one indicates higher odds of failure as the explanatory variable increases or when the relevant condition is present. An odds ratio below one indicates lower odds of failure.

A Probit specification was also estimated as a robustness check:

$$P(Y_i = 1|X_i) = \Phi(\beta_0 + \beta X_i)$$

Where Φ represents the cumulative standard normal distribution. Agreement in the signs and statistical significance of the main determinants across the Logit and Probit specifications was used to assess the stability of the empirical relationships. The Logit and Probit models were estimated by maximum likelihood in STATA 16, with robust standard errors.

Potential multicollinearity among the explanatory variables was examined before interpreting the regression results. The reported mean variance inflation factor was 3.196, below the conventional threshold of 10. This diagnostic did not indicate severe multicollinearity in the estimated specifications.

Given the small sample and the highly unbalanced outcome—57 of the 59 firms had failed—the estimates should be interpreted cautiously as evidence from this specific group of COPA-PADMPME beneficiaries rather than as population-wide causal effects for all SMEs in the DRC. The cross-sectional design also identifies statistical associations rather than temporal causal relationships. These limitations do not eliminate the value of the analysis, but

they are important when interpreting the magnitude of the estimated odds ratios.

4. Results and Discussion

4.1 Descriptive Characteristics of the SMEs

The descriptive results reveal a strikingly high level of business failure among COPA-PADMPME beneficiaries in Kongo Central. Of the 59 SMEs surveyed, 57 had permanently ceased operations, representing 96.61% of the sample. Only two enterprises remained operational. The sample was relatively balanced by gender, with men managing 55.93% of the businesses and women 44.07%. Most beneficiaries received the higher grant amount of USD 22,000, while the remaining firms received USD 17,000. The high incidence of failure despite substantial start-up support immediately raises questions about the sufficiency of financing as a mechanism for sustaining young enterprises. The descriptive evidence also points to difficulties extending beyond capital availability. Insufficient clientele was widespread among the surveyed firms, while post-financing support was absent. These conditions suggest that the transition from receiving financial assistance to establishing a viable enterprise was affected by managerial, operational and market-related constraints.

Table 2: Selected characteristics of the SMEs

Indicator	Category/Value	Result
Enterprise status	Permanently closed	57 (96.61%)
	Operating	2 (3.39%)
Entrepreneur gender	Male	33 (55.93%)
	Female	26 (44.07%)
Grant received	USD 17,000	18 (30.51%)
	USD 22,000	41 (69.49%)
Mean grant	USD	18,896.55
Insufficient clientele	Reported	77.97%
Post-financing support	Received	0%

Source: Survey data

The very small number of surviving firms should be considered when interpreting the econometric results. The estimates provide useful evidence on the factors associated with failure within the surveyed beneficiaries. However, the magnitude of some relationships should be interpreted cautiously because the dependent variable is highly

concentrated in the failure category.

4.2 Internal and Programme-Related Determinants of SME Failure

The Logit results identify entrepreneur gender and the operational implementation of the programme as important factors associated with SME failure. Female-managed enterprises show lower odds of failure than male-managed enterprises. The relationship remains consistent under the alternative specification, providing support for H1.

This finding suggests that entrepreneur-level characteristics remain relevant even when firms receive support through the same financing programme. However, the result should not be interpreted as evidence that gender inherently determines business survival. Gender may capture differences in business practices, financial discipline, resource allocation or other behavioural and organisational characteristics that are not fully represented by the variables included in the model.

Table 3: Selected Logit estimates of internal and programme-related determinants

Variable	Coefficient	Marginal effect	Odds ratio
Grant amount	0.000	0.000	1.000
Female entrepreneur	-2.561**	-0.035**	0.077**
Insufficient grant	-1.271	-0.018	0.280
Difficulties using grant	-1.139	-0.016	0.320
Delivery delays	2.067*	0.029*	7.898*
Non-compliant equipment	3.392***	0.047***	29.734***
Absence of regular accounting	1.064	0.015	2.899
Failure to separate finances	0.912	0.013	2.490

Observations = 59; LR $\chi^2 = 15.497$; Prob > $\chi^2 = 0.050$; Pseudo R² = 0.887.

*, ** and *** indicate significance at the 10%, 5% and 1% levels respectively.

Source: Survey data and econometric estimates.

Programme implementation emerges as another important dimension of enterprise vulnerability. SMEs affected by non-compliant equipment were considerably more exposed to failure. Delivery delays also increased vulnerability. The consistency of these relationships across the Logit and Probit specifications provides support for H3.

These findings indicate that the effectiveness of enterprise financing depends partly on the quality of programme execution. For a newly created firm, productive equipment is not simply an asset acquired with grant resources. It determines whether the enterprise can undertake the activity for which it was established. Equipment that does not correspond to operational requirements can therefore weaken the productive capacity of the firm from the outset.

Timing is equally important. Delays in receiving equipment can postpone production and market entry. A young enterprise may consequently incur expenses before generating the revenues anticipated in its business plan. Such delays can also weaken relationships with prospective customers and suppliers. Programme effectiveness should therefore be assessed not only through the amount disbursed but also through the suitability and timely availability of the productive resources financed.

Financial management provides another important explanation for failure. The Logit specification does not establish individual statistical significance for all financial-management indicators. The Probit results, however,

identify regular accounting, separation of business and personal finances, monitoring of revenues and expenditures, and the payment of a fixed salary to the owner as relevant dimensions of financial discipline. Taken together, the evidence supports H2, although the strength of individual relationships varies across the two specifications.

This finding is consistent with the resource-based perspective. Financial resources acquire productive value through the capabilities and routines used to manage them (Penrose, 1959; Kelly, 2024^[15]). A business may receive adequate start-up financing and still experience financial difficulties when the entrepreneur cannot determine whether the firm is profitable, distinguish business resources from household funds or monitor cash movements effectively. Basic financial practices therefore appear to complement capital rather than merely follow from its availability.

The result also supports the broader evidence on management practices among small firms. McKenzie and Woodruff (2014)^[18] emphasise that business practices can influence enterprise performance in developing economies. Within the present context, weak financial controls may have reduced the capacity of beneficiaries to preserve working capital and make informed operating decisions after receiving the grant.

4.3 Commercial Constraints and SME Failure

The external-factor estimates show that insufficient clientele is the most pronounced commercial constraint associated with SME failure. The relationship is statistically significant and considerably stronger than those observed for several other external variables. H4 is therefore supported.

Table 4: Logit estimates of external and sociocultural determinants

Variable	Coefficient	Marginal effect	Odds ratio
Insufficient clientele	5.277***	0.037***	195.836***
Competition intensity	0.000	0.000	1.000
Low purchasing power	0.000	0.000	1.000
Administrative constraints	-0.846	-0.006*	0.429
Infrastructure difficulties	0.000	0.000	1.000
Family obligations	3.231**	0.023***	25.310**
Personal withdrawals	3.890***	0.027***	48.921***
Family recruitment	-1.355	-0.009*	0.258

Observations = 59; LR $\chi^2 = 16.571$; Prob > $\chi^2 = 0.005$; Pseudo R² = 0.949.

*, ** and *** indicate significance at the 10%, 5% and 1% levels respectively.

Source: Survey data and econometric estimates.

The importance of clientele highlights a fundamental distinction between financing business creation and creating a commercially viable enterprise. Start-up capital can finance equipment and other inputs, but these investments generate sustainable returns only when firms have sufficient demand for their products or services. Market access therefore emerges as an essential component of enterprise survival.

This finding is particularly relevant to newly established firms. Unlike mature businesses, young enterprises often enter the market without established reputations or stable customer relationships. Stinchcombe's (1965) liability-of-newness perspective helps explain this vulnerability. New firms must simultaneously establish organisational routines and build relationships with customers and suppliers. Financial support may ease the initial resource constraint without resolving this commercial disadvantage.

The result consequently expands the interpretation of entrepreneurial support. Beneficiaries may require assistance in market identification, customer acquisition, commercial networking and business-to-business linkages. Financing productive capacity without sufficient attention to market access can create firms that are technically equipped to produce but commercially unable to sustain their activities.

4.4 Sociocultural Pressures and the Use of Business Resources

Family obligations and personal withdrawals from business resources are significantly associated with enterprise failure. Their effects remain consistent across the main and robustness specifications, providing support for H5.

These results illustrate the close relationship between household finances and enterprise resources in owner-managed SMEs. Where the financial boundary between the household and the business is weak, enterprise resources may progressively be redirected towards immediate personal and family needs. Such withdrawals reduce the resources available for inventory replacement, operating expenses and reinvestment.

The mechanism is particularly important for grant-supported enterprises. A non-repayable grant provides the entrepreneur with initial capital without the repayment discipline associated with conventional credit. Its long-term contribution to business survival therefore depends heavily on the entrepreneur's capacity to preserve the productive purpose of the resources and subsequent business income.

Sociocultural obligations should consequently be considered alongside conventional financial-management practices. They are not merely background characteristics of the entrepreneur. When they influence the allocation of enterprise resources, they become part of the financial process through which business vulnerability develops.

4.5 Grant Size and SME Survival

The amount of financial support does not provide evidence of the expected protective relationship with enterprise survival. The Logit specification shows no significant association between grant size and failure. The Probit specification also fails to establish the hypothesised negative relationship. H6 is therefore not supported.

This result is important when considered alongside the descriptive evidence. Most beneficiaries received the higher grant amount, yet business failure remained widespread. The finding does not imply that finance is unimportant for SME development. Instead, it indicates that within this group of already financed enterprises, differences in the amount received did not translate into the expected differences in survival.

This interpretation is consistent with De Mel *et al.* (2008) ^[10], who show that the returns to additional capital vary considerably across enterprises. It also complements McKenzie and Woodruff (2014) ^[18], who emphasise the importance of business practices, and Cho and Honorati (2014) ^[8], whose evidence indicates that entrepreneurship interventions can benefit from combining financial assistance with skills development and complementary support.

The finding therefore shifts attention from the amount of capital provided towards the conditions under which capital is transformed into sustainable economic activity. Financial

resources can facilitate business entry and investment. They cannot independently generate managerial discipline, appropriate equipment, stable customers or effective control over business resources.

4.6 Robustness and Overall Interpretation

The Probit estimates broadly reinforce the principal relationships identified by the Logit analysis. The negative association between female management and failure remains evident. Operational problems related to equipment and delivery retain their relevance. Financial-management weaknesses become more apparent, while commercial and sociocultural factors remain important. The consistency of these relationships strengthens the overall interpretation of SME failure as a multidimensional phenomenon.

Table 5: Summary of hypothesis testing

Hypothesis	Relationship tested	Main empirical conclusion	Decision
H1	Entrepreneur gender and SME failure	Female-managed SMEs show lower failure vulnerability	Supported
H2	Poor financial management and SME failure	Weak financial practices increase vulnerability, particularly in the Probit specification	Supported
H3	Operational shortcomings and SME failure	Equipment problems and delivery delays increase vulnerability	Supported
H4	Weak commercial relational capital and SME failure	Insufficient clientele strongly increases vulnerability	Supported
H5	Sociocultural pressures and SME failure	Family obligations and personal withdrawals increase vulnerability	Supported
H6	Larger grant and lower SME failure	No consistent protective relationship is established	Not supported

Source: Econometric estimates.

Overall, the results show that access to start-up finance did not eliminate the conditions that make young firms vulnerable. The enterprises still required effective financial management, appropriate productive assets and timely programme execution. They also needed access to customers and sufficient protection of business resources from competing personal demands.

The findings consequently support a multidimensional explanation of SME failure. The resource-based perspective explains why financial capital alone is insufficient when managerial capabilities and organisational routines remain weak. The liability-of-newness perspective highlights the commercial disadvantages faced by firms that have not yet developed stable customer relationships. Agency and information-asymmetry perspectives draw attention to the management and implementation of externally financed resources.

The evidence therefore points to an important distinction between financing enterprise creation and supporting enterprise survival. The former provides the resources required to start a business. The latter requires the capacity to manage those resources, transform them into productive activity and establish a sustainable position in the market. For the COPA-PADMPME beneficiaries in Kongo Central, weaknesses across these interconnected dimensions provide

a more comprehensive explanation of failure than the amount of start-up capital alone.

5. Conclusion and Policy Implications

This study examined the factors associated with the failure of newly created SMEs financed through COPA-PADMPME in Kongo Central, Democratic Republic of Congo. The evidence reveals a particularly high level of business cessation, with 57 of the 59 surveyed enterprises no longer operating. More importantly, the findings show that receiving start-up finance did not by itself provide sufficient conditions for enterprise survival.

Five of the six hypotheses are supported. Entrepreneur characteristics are associated with business outcomes, with female-managed enterprises showing lower vulnerability to failure. Weak financial management also emerges as an important concern, particularly through inadequate accounting practices, poor separation of personal and business finances, limited monitoring of cash flows and the absence of clear remuneration arrangements for owners. At the programme level, inappropriate equipment and delivery delays weakened the operational foundations of newly established firms. Commercial vulnerability was equally important, with insufficient clientele emerging as a major constraint. Family obligations and personal withdrawals further reduced the capacity of firms to preserve resources for productive purposes. In contrast, the expected protective relationship between larger grants and enterprise survival is not supported.

These findings have important implications for SME support policy in the DRC. Financial assistance should be embedded within a broader support mechanism that accompanies enterprises beyond their initial establishment. Post-financing support should include practical financial-management assistance, periodic monitoring and early identification of operational difficulties. Beneficiaries also need support in separating household and business finances and establishing basic accounting and cash-management routines.

Programme implementation requires similar attention. Equipment financed through enterprise-support schemes should correspond to the technical requirements of approved business plans and should be delivered within schedules that allow firms to begin operations as planned. Monitoring should therefore extend beyond verification of grant disbursement to the effective conversion of financed resources into productive activity.

Market development should also become a central component of SME support. Assistance with customer acquisition, market information, commercial networking and business partnerships could help young enterprises build the relationships required to generate sustainable revenue. This is particularly relevant for firms created through competitive entrepreneurship programmes, since successful selection and financing do not automatically guarantee market demand.

The analysis covers 59 COPA-PADMPME beneficiaries in Kongo Central and is based on cross-sectional data. The very high concentration of failed firms also limits the precision with which some estimated relationships can be interpreted. Future research could follow supported enterprises over time and compare beneficiaries across provinces or entrepreneurship programmes. Such designs would provide stronger evidence on how managerial

capabilities, programme support and market conditions influence enterprise survival after financing.

The central implication is that SME financing and SME sustainability are related but distinct policy challenges. Capital can enable business creation, but survival depends on what occurs after financing. For entrepreneurship programmes in the DRC, stronger managerial capacity, effective programme execution, market access and sustained post-financing support are therefore essential complements to financial assistance.

6. References

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