

THE IMPACT OF SMALL AND MEDIUM SCALE ENTERPRISES IN ACHIEVING SUSTAINABLE DEVELOPMENT GOALS IN ZAMBIA

(Conference ID: CFP/216/2017)

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Abstract:

Sustainable development has become an important subject of discussion in the recent years, especially after it was raised in the UN report on sustainability, published in 2012. Thus, connection between sustainable development and entrepreneurship has received a lot of attention in scientific circles, resulting in a number of publications on the matter. Zambia as a nation is tackled with many challenges in which unemployment, poverty levels, food insecurity, and climate change are paramount. Many graduate youths ramble in the streets without employment. The ones that are self-employed do not have training, skills, capital that could sustain their businesses. This paper attempts to look at supporting innovation and creativity for entrepreneurs for sustainable development in the country. Entrepreneurship has a critical role to play in sustainable development and poverty eradication. It has the potential to stimulate economic growth through job creation; help formalize businesses; create opportunities for and thereby empower disadvantaged groups such as youth and women; and strengthen local productive capacity by developing linkages with transnational corporations and thereby indirectly maximize the impact of foreign investment. It also has the potential to contribute to social development by promoting social and environmental entrepreneurship and gender equality. However, 120 SMEs were picked at random from Kasama town and it was reviewed that many are facing numerous challenges such a source of capital, economic environment, Government policies, climate change, and access to raw materials and many more. However, the entrepreneurial spirit must be promoted to achieve sustainable development Goals. Sustainable development on the other hand implies systems approach to growth and development and to manage natural resources, produce, and provide social capital for the welfare of their own and future generations. The question is how will the entrepreneurial spirit help the country become a Green Economy (sustainably developed)? Small, Micro and Medium Enterprises (SMEs) that pursue a Triple Bottom Line (TBL) approach offer one concrete means of achieving this shift to a Green Economy. Triple bottom Line include the impacts on Social, Economic and Environmental. Small and Medium Enterprises (SMEs) contribute at a wide range in fostering economic and social development in the country. The findings show that SMEs helps in economic development of a country, it contributes to employment opportunities, it contributes to Gross Domestic Product (GDP), and it is the source of government revenue. SMEs help Government on policy review, increase fund level, advice government on financial economic and administration, SMEs contribute the under stable program, acceptance and commitment from government institutions The purpose of the paper is to examine how entrepreneurship could be sustained in Zambia to achieve Sustainable Development Goals (SDGs)

Keywords: *Entrepreneurship, Triple Bottom Line, Financing, Sustainable Development, Economy Growth*

1. INTRODUCTION

1.1 Background

Zambia has articulated its long-term development objectives in the National Vision 2030. The Vision is to become a prosperous middle-income country by the year 2030. Vision 2030 identifies a number of development goals, which include (a) reaching middle-income status, (b) significantly reducing hunger and poverty; and (c) fostering a competitive and outward-oriented economy. Together, these goals call for policies that accelerate and sustain economic growth, and which enable the poor to participate in, and benefit from, the growth process. The Government has also developed the sixth National Development Plan (SNDP) to provide a more holistic perspective to sector development policies under the general thrust of economic growth and poverty reduction. The objectives of the SNDP are to: accelerate infrastructure development; economic growth and diversification; promote rural investment and accelerate poverty reduction and enhance human development. While recognizing the importance of balanced growth in all sectors of the economy, the SNDP priority growth sectors are Agriculture, Livestock and Fisheries, Mining, Tourism, Manufacturing and Commerce and Trade. However, to achieve these objectives, there is need to promote the entrepreneurial spirit among Zambian via the creation of Small and Medium Enterprises (SMEs). It is an internationally recognized fact that Micro Small and Medium Enterprises (SMEs) play an important role in the economic development of many countries. The aggregate contribution of SMEs to national development cannot be over looked. According to UNDP (2013), SME have the highest capital: employment ratio and are a source of income for a broader layer of the population. The development of SMEs is viewed as one sustainable way of reducing the levels of poverty and improving the quality of life of households through wealth and job creation.

The contribution of SMEs to employment, growth, and sustainable development is a widely acknowledged fact. Despite all these benefits. Existing SMEs most of them are performing below its expected potential of reducing poverty, economic growth due to financial constraints and un enabling economic environment.

1.2 Statements of the problem

Zambia is endowed with natural resources which could provide an impetus to the development of agriculture, tourism, manufacturing, mining and energy sectors. Unfortunately, these resources are not fully utilized. The survey conducted Ministry of Commerce Trade and Industry (2007) indicates that at independence in 1964, the Zambian economy was broadly stable but characterized by slow growth. Using the World Bank Atlas method of ranking world economies, Zambia's Gross National Income (GNI) per capita stood then at US\$200 (current US\$). Zambia's per capita GNI remained higher than those of Botswana, Egypt and Thailand, until the late 1970s or early 1980s. Zambia's GDP was also larger than that of Botswana, Gabon and Panama during this period. It continues to say, During the period 1965 and 2001, the economy grew at an average annual rate of 1.7 percent, compared to 10.3 percent for Botswana, 6.9 percent for Malaysia, and 5.4 percent and 4.8 percent for Egypt and Gabon respectively. The main growth sector in Zambia, while at much slower rates than in Botswana, Egypt, Malaysia, Panama and South Africa, was industry, which accounted for 0.8 percentage points of the 1.7 percent real GDP growth. The rest of Zambia's economic growth was accounted for by the services sector, (0.6 percentage points) and agriculture (0.3 percentage points). What could have been the problem in recording low growth rate compared to other countries? What miracles did Botswana, Malaysia, Egypt and Gabon perform to record that huge economic growth?

Where did we go wrong as a nation? However, the Small and Medium Enterprises (SMEs) has become very popular entity in Zambia due to their important role they play in terms of reducing unemployment rate among people. The government of Zambia has undertaken various measures and programmes to establish and sustain the SMEs in order to contribute towards countries economic development. This action has caused many people to formulate and engage in SMEs. These SMEs seem to be not economically and financially expanding hence contributing very little in achieving sustainable development Goals in Zambian. Whereas the micro financing is meant for the less privileged in society, it seems like the would be qualifying applicant i.e. the poor people seem not to be enjoying the facility as probably they are not meeting the requirements of the micro finance institutions for example they may be lacking security for the micro loans, the loans could be expensive in terms of interest rates, lack of credit history by applicants, poor enabling SMEs legislation, etc. Lyman, 2011; Kendall, 2010).

1.3 Objectives of the project

The main objective of the study is to identify and understand more about the impact of Small and Medium Enterprises (SMEs) on achieving sustainable development goals in Zambia. Specific objectives are:-

- i. To assess the contribution of SMEs to the country's achieving sustainable development goals.
- i. To identify the constraints for SME growth in Zambia
- ii. To identify the mechanism by which SMEs access financial support.
- iii. To find out the way by which government support SMEs

1.4 Theoretical Framework / Model

Triple Bottom Line approach

The 2005 World Summit on Social Development identified the following

sustainable development goals: economic development, social development and environmental protection (United Nations General Assembly, 2005). It can be seen that sustainability implies the dynamic balance between its three main components: environment, human social welfare, and economic activities. Additionally, At the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, in June 2012, world leaders reaffirmed their commitment to sustainable development in three interconnected dimensions: Economic, Social and Environmental. They agreed to build on the achievements of the Millennium Development Goals by developing a set of sustainable development goals that would be global in nature and universally applicable, but adapted to national circumstances. These components form three pillars of sustainability (see Fig. 1), which are interdependent and reinforcing. The three pillars approach is known as Triple Bottom Line (TBL). This term was first introduced by Freer Spreckley in 1981 (Spreckley, 1981) and articulated more fully by John Elkington in 1997. According to Elkington, when corporations introduce TBL agenda they start to focus not only on the economic value that they add, but also on the environmental and social value that they either add or destroy (Elkington, 1997). The idea of TBL approach to business gained wide recognition and support during the 1990s. Many companies adopted the principles of TBL for their operations. According to Elkington (1997) the aim of the TBL approach is to advance the goal of sustainability in business practices. The author also calls TBL the three P's approach, because it includes people, planet and profit. "People account" is the measurement of company's degree of social responsibility (this includes fair and favourable business practices for the community in which the company operates). "Planet account" is the measurement of company's degree of environmental responsibility (this includes the use of sustainable environmental practices and the

reduction of the environmental impact). “Profit account” is the measurement of company’s economic value (the economic value created by the company, or the economic benefit for the community and society). When a company applies TBL agenda correctly it means that it pays equal amount of attention to all three bottom lines – social, economic and environmental, maintaining all of them in a reasonable balance. (Collier P. 2007.)

1.5 Literature Review

Development of sub-Saharan economies depend on the investment in developing SMEs and this can be made possible with committed funding from traditional commercial banks and micro finance institutions. The financial education given to investors in small start-ups is very crucial (Oluremi, H.A. & Gbenga, M.A. (2011); Areola, 2007). This was confirmed in their study in Nigeria where about 57.5 percent of the aged 47 had some sort of secondary education and this helped them to utilize well the funds received from micro finance institutions. Micro financing is affordable for small holds and it is what can make families and small institutions make ends meet as for instance this was manifested in a study in Ghana on funding of SMEs, though it is asserted that education must be a key factor to the beneficiaries of micro financing by (Gabriel Brafu-Insaidoo and Ahiakpor, 2011; Bank of Ghana, 2007). Zambia is experiencing rapid economic transformation and for this to be sustained the micro financing needs to reach the small investors in all parts of the country and it seems to be getting there as per the policy of the sitting government where it has seen a number of Micro Financial Institutions (MFIs) set up by the public and private sectors for this effect (Bank of Zambia, 2014). According to BOZ, 2014, there are currently 40 MFIs all

engaged in Micro financing and they are all registered in Lusaka and their main purpose is financing of SMEs. It is clear research has been done by quite a number of researchers and its virtue has been identified. However, it is vital to research on how micro financing has really impacted on the economies like Zambia and hence the justification for this research. Geographical distribution of MFIs for the purpose of accessibility by the majority rural cannot be underestimated as this will make them economically active and thus contribute to national building of the economy. Micro financing of SMEs needs to be made attractive and appealing to the beneficiaries.

Importance of Small and Medium Enterprises

Small and medium enterprises (SMEs) are a tested tool in improving economic development of a country. Economies like Pakistan have done well because of SMEs totalling to more than 3.2 million and are a source of employment for more than 78 percent of the population and their contribution to GDP is 30 percent (Hussain, Farook & Akhtar, 2012). For the case of Nepal, 98 percent of the enterprises are SMEs contributing significantly to country’s GDP, in Bangladesh, SMEs employ up to 82 percent of the population and generally Asia is developing quite steadily due to the contribution of SMEs (Hussain, Farook & Akhtar, 2012). Countries continue to realize the pace of development will largely be dependent of the development of SMEs; however, they continue to face a lot of funding challenges and in some cases governments have not done enough to address the challenge leading to some SMEs not surviving in the market (Asian SME summit, 2009; Economic Survey of Pakistan, 2008-2009). Quite a

number of studies by different scholars have revealed that shortage of financing of SMEs in developing countries is a major obstacle in the success of SMEs and thus a potential for the SMEs in economic development have not been fully realized and what this mean is that credit flow is a problem to over 98 percent SMEs (Ayyagari et al., 2006; Tambunan, 2008; Zia, 2008). African Blocs should strive hard to ensure that development of SMEs in Africa becomes a top agenda item for all its gatherings and to ensure that all the problems faced by SMEs are addressed as this is a sure way to accelerate economic development thus proving employment for the people, increase revenue generation, increased effective demand among other advantages for the states and the people.

Additionally, SMEs have played a big role in the social and economic transformation of the country since its transition from a command economy to a market economy and they contribute about 60 percent to the gross national product (Ngesa, F.U., Ombati, J.M., Mutuku, M. (2003). In the Tanzanian consideration, an SME is viewed as one that employs at least 4 persons and with a capital of TZ Shillings 5 million and the majority of the SMEs fall in the informal sector. It is however possible that you find some SMEs with capital of between 200-800 million employing above 49 employees (Hamisi, 2011). From such examples, Zambia as a country would look for ways of improving the SMEs market since it is evident from these studies, that they are can be a good source of jobs creation, taxes for the government among other benefits. According to UNIDO (2006), there is a strong relationship between existence of SMEs and contribution to a country's GDP and in the case of Zambia they contribute

about 13% percent and this would have be better if the SMEs are operating efficiently and a full friendly business environment (Acs, Z.J. & Storey, D.J. 2004)

Challenges Facing SME's In Zambia

According to 22. Creech H, Huppé GA, Paas L, Voora V. (2012.) The major obstacles all to business expansion faced Small and Medium Enterprises (SMEs) all over the world were the competitive environment, regulations and availability of a skilled workforce, the cost of finance, international expansion, lack of knowledge about markets, bureaucracy, political and social instability.

Despite the immense opportunities for developing Micro, Small and Medium Enterprises, almost all have remained informal or semi-formal, serving the low-income segment of the population for which there is very stiff business competition. Their access to formal market and incidence of upward mobility is quite limited. There are many reasons for this state of affairs. This include limited awareness and capacity of operators, limited access to financial and other support services and absence of enabling business environment in terms of legal and regulatory frameworks (Zambia Economic Bulletin 2009). The Zambian SME development policy (2008) explains that, SMES face unique problems including heavy cost of compliance resulting from their size. Insufficient working premises and limited access to finance. Business training, marketing, technology development and information. Institutions and Associations supporting SMEs are weak, fragmented partly due to lack of clear guidance and policy for the development of the sector.

Micro-Finance Institutions (MFIs) in Zambia

Microfinance refers to the practice of providing financial services, such as micro-credit, micro-savings or micro-insurance to poor people, to help them to accumulate larger sums of money, thus expanding their choices and reducing their risks and poverty rate. Institutions providing these services are referred to as micro-finance institutions (MFIs). Linkages with MFIs are the main avenue through which the SMEs access financial services. Services to the SMEs include the provision of savings and loans through groups, cheque clearance services, client training on business management and insurance services. SMEs interact with the MFIs mainly through loans operations that are provided mostly through groups. (Anyadike, N. Emeh, I. E.J. & Ukah F.O. 2012)

Zambia overtime has seen an increase in the number of registered micro finance institutions since the 1990s. As of 2015, there are over 40 MFIs licensed by the Bank of Zambia, the majority of them, estimated to be about 30 are only providing salary based loans. This means the majority are not providing pure micro finance services meant to reach financially underprivileged communities to help them improve their social and economic livelihoods. Only 10 do provide pure micro finance services that targets SMEs. Christian enterprise trust of Zambia (CETZAM) was set up with funding from the British Government through the Department for International Development (DFID). Following microfinance regulations that came into force in 2008, CETZAM restructured its ownership structure with the result that 14 Zambians became shareholders of the institution. The company is a public limited company (Plc) and it

transformed into a deposit taking microfinance institution in the year 2001 (BOZ, 2015). Christian enterprise trust of Zambia (CETZAM) provides credit and savings services and products i.e Credit or loans in form of; Group loans which are categorized as follows; Trust bank group loans trust bank loans given as small loans targeting people with little or no asset base. Solidarity group loans which are dissected into two types i.e. there are those who graduate from trust bank loans to solidarity group loans and those who join solidarity groups directly. The institution also provides Individual loans which are usually targeted to graduates from lower ranks. However, there are also those who join directly as individual clients as they have assets that would qualify for collateral to be able to access the credit facility. Individual loan clients over time are segregated further with some being categorized as small and medium enterprise (SME) loan clients and such businesses may be required by the Christian enterprise trust of Zambia (CETZAM) to produce management accounts before they can access loan funding for their businesses. The company provides a lot of micro finance loans and as at June 2015, CETZAM's latest portfolio data was as follows: Microfinance loans amounting USD 1,918,414.965 representing a total of 6,847 loans, and SME loans of USD 161,417.3499 representing a total of 26 loans. This is just 8.4141 percent. This is a small portion of micro loans meant for the SMEs sector.

SME's businesses in Zambia

The 2010 Zambia baseline survey on SMEs showed that the Zambian SMEs employ less than 10 employees and that 52 percent of all SME business activities are in urban areas of the country. In SMEs sector, trading majorly

account for 49 percent, manufacturing account for 41 percent while Services accounted for only 10 percent. These SMEs do help people to afford a decent livelihood. Most of the manufactured products in the SME sector include wood products, textile products, metal fabrication, food processing, light engineering leather products, handicrafts and ceramics etc. The service sector includes passenger and goods transport restaurants, cleaning services, hair salons and barbershops, telecommunication services, services and business center. The trading sector is concentrated in agricultural inputs and produce, industrial products and consumable products. The majority of SMEs in Zambia accounting over 90 percent operate in the informal sector (Government of the Republic of Zambia, 2011) and this seriously affects the economy in for example missing revenues in taxes.

1.6 Establishment of the gap and Personal critique summary

Researchers and scholars with varying background, orientation and motivation have examined the role of SMEs in Social and Economic Development and the problem they are facing over the years. Among such authors are the IMF (2013), CUT International (2012), the World Bank, among others. They agree that SMEs play an important role in social and economic development. They also agree that SMEs reduce poverty among people, reduce unemployment, increase the Gross Domestic Product in the country. Despite these benefits, there is a gap between the survival of SMEs and their contribution to Economic and Social Developments. Many researchers have not gone beyond to suggest to the relevant authority on how SMEs can be supported economically and socially. Another gap is seen where many researchers are

focusing on the Social and economic benefit leaving the other important part of development which is Environmental.

The triple Bottom line includes the Social, Economic and Environmental to complete the benefit to the country on achieving the sustainable development goals

2. METHODOLOGY/RESEARCH DESIGN

2.1 Project Design / Approach

The basic research design employed in this study will be descriptive design. The choice of this design is chosen due to the fact that it enriches the data collection. The research design adopted on this study will be carefully planned, so as to be able to obtain accurate and complete information about the research project being used

2.2 Sampling procedure

In determining those that will make up the sample size, the researcher used Simple Random Sampling (SRS) using the consulting technique. This is to ensure that all the member of the population had equal opportunity of being selected into the sampled unit.

2.3 Target populations and Sample size

Population is basically the universe of unit from which the sample is to be selected. According to Babbie (1992) a study population is the aggregation of element from which the sample elements actually selected. The population of interest in this study consists of two hundred (130) Small and Medium businesses selected randomly from Kasama Town. A detailed description of population of these Small Scale enterprises of Kasama District will be those registered by PACRA office and Kasama Local Government. , whereas one Hundred Twenty (120) are from the owners of the small business enterprises (SME's), Three (10) from the Banking and financial institutions. The sample size of One Hundred thirty (130) in number will be used.

However, The Taro Yameni technique was adopted for this research work

$$\text{Thus } n = N/(1+N(e^2))$$

Where:

N= Population of the study (200)

n = sample size

(e) = level of significance

I= unit (a constant)

Note (e) = 0.05 (95% confidence level)

$$n = 200/(1+200([0.05]^2))$$

$$n = 200/1.5$$

Sample size = 133.

2.4 Instruments of data collection

The research study will employ the combination of different data collection methods. This includes primary data (Interviews and 130 questionnaires) and secondary data collection method. This enhanced the validity and reliability of data. Both Interview and questionnaire methods will be used to collect data

2.5 Data analysis techniques

The data to be collected will be both qualitative and quantitative in nature, however, data processing and analysis will include computation, classification and tabulation to enable the analysis to be done well using STATA. Quantitative data was presented using descriptive statistic methods including table and charts. Qualitative techniques will be used to analyze qualitative data from the views of respondents. This will increase the validity and reliability of information.

2.6 Ethical Considerations

Before approaching a businessman, permission to meet with him or her will be sought from the town Clark and the mayor. Consensus will be sought for ethnographic research and interviews before data collection.

3. RESULTS AND DISCUSSION

3.1. Results / Research findings

Ownership structure of SME's

In Kasama now there are many companies in operations and which provide large number of

employments to the residents and non-residents. But due to confidentiality issues and other reasons, it was very difficult to access this data. Findings show that Sole proprietors, groups and family has high number of enterprises compared to company and partnership owned which entered into SME sector as shown in table 1 below: -

Ownership	No. of SME (N)	Percentage (%)
Company	18	15
Partnership	30	25
Sole proprietor	68	56.67
Family	04	3.33
Total	120	100%

Source of Capital to SME's

The issue of source of funds to many SMEs in Kasama is still difficult due to many reasons including apathy as stated earlier. The table 2 below show that 81.67% of enterprises prefer to use their own sources of fund to finance their business activities. This is followed 8.33% of respondents who provide capital to their relatives, sons and daughters on starting business. The other groups are those that obtain capital from banks (3.33%), Financial Institutions (5.83%), or government agency (CEEC) (0.83%).

Source	Frequency (N)	Percentage (%)
Commercial Banks	04	3.33
Financial institutions	07	5.83
Government Agency (CEEC)	01	0.833
Family	10	8.33
Contribution and savings	98	81.67
Total	120	100%

This shows that the government, commercial Banks and financial institutions are doing very little on funding the SME's in Kasama District.

Capital invested on start-up the business

The findings show that there is an increase of small enterprises in Kasama especially in the form of whole seller and retailer shops and high-class saloons and multi business activities in urban areas while medium and large-scale enterprises are very poor in its prescience. Because the main objective based on small and medium enterprises, the researcher was not deeply relay on large enterprises even though now there is an existence of it in Kasama as shown in the table below where Micro enterprises cover the large amount of enterprises in the study area

Capital	Category	No of SME (N)	Percentage (%)
Up to K80 000.00	Micro Enterprises	80	66.67
K81 000.00 – K200 000.00	Small Enterprises	28	23.33
K 201 000.00 – K 500 000.00	Medium enterprises	8	6.67
Above K500 000.00	Large enterprises	4	3.33
Total		120	100.00

Number of employee

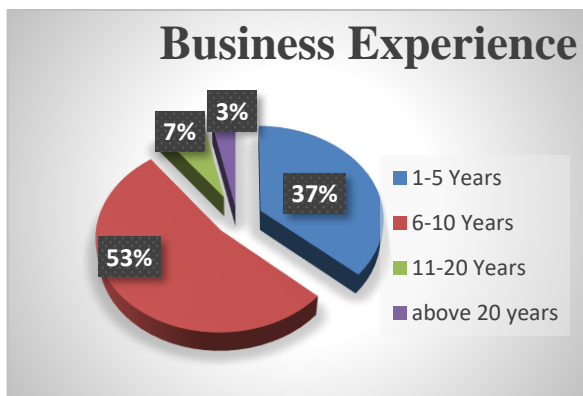
The respondents were asked for the number of employees they have employed for the current year. Table 4 below presents the findings which show that out of 30 responses, the majority (66.67%) of participants in SMEs can be considered to be micro enterprises as they employ fewer than 5 employees with capital investment up to 80 Thousand Kwacha. 28.89% employees between 5 and 19 employees with capital investment above 80 Thousand Kwacha to two Hundred Thousand Kwacha and thus can be considered as small businesses, whereas only two (2) responds

equivalent to 4.44% of the participants are medium-sized enterprises employing between 20 - 99 employees as show in the table below:-

Employee	Description	Respondent (N)	Percentage
1 – 10	Micro enterprises	80	66.67
11 – 50	Small enterprises	28	23.33
51 – 100	Medium enterprises	8	6.67
Above 100	Large Enterprises	4	3.33
Total		120	100.00%

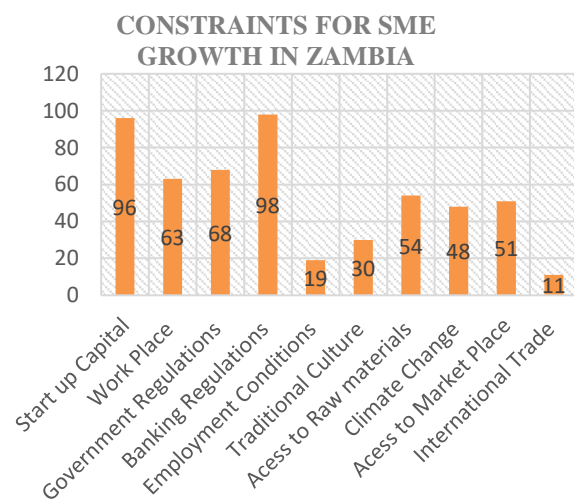
Business Experience

The experience of SME's in Kasama mainly depends on the nature of business they performed. The SME's owners were asked about their experience in the business activities and the answer was obtained. These were very important aspect for researcher in the research findings because it helps to predict the SMEs who are most active in the entrepreneurship activities. Basing on this study, the result show that most of the respondents were those with experience from 5 – 10 years in business which takes 53% in total compared to those with experience from 1 – 5 years which takes 37%. From the findings only Four (04) respondents were obtained who has an experience of above twenty (20) years in operations and also who make very big contribution in economic and social development in Kasama and takes only 3% from the whole number of interviewed questionnaires.



Challenges facing SME's in Kasama

SMEs in Kasama facing major obstacles like other countries in the world as explained by Sony (2005). These include competitive environment, regulations and availability of a skilled workforce, the cost of finance, international expansion, and lack of knowledge about markets, bureaucracy, political and social instability



Financial Institutions Contribution to SMEs in Zambia

There are Eight Commercial Banks in Kasama, but due to time limitation the researcher was not able to interview many staff from different banks. This makes the researcher to interview only member staff from the Finance, Indo Zambia, Zambia National Saving and Credit Bank and Barclays banks. Apart from low entrepreneurship levels, the sector experienced critical shortage of start-up capital as less than 1 percent and 9 percent of the micro scale and small-scale

enterprises, respectively, had access to loans from financial institutions in the case study geographical arear. This is a huge hindrance to the growth of small scale and medium scale enterprises sector whose establishments require considerable financial resources to commence a business activity. This is reflected in the less than 1 percent annual growth rate in SMEs number of establishments compared to 8 percent for micro enterprises.

When business enterprises are established, the entrepreneurs are faced with a choice of whether to remain informal or register with Patents and Companies Registration Agency (PACRA). Survey results show very low levels of formality as only 2 percent of SMEs were registered with PACRA. This could explain why only a few SMEs have had to access the incentives that government provided to the sector through the SED Act of 1996 as the precondition was that they have to be registered with the PACRA. Additionally, unregistered SMEs with PACRA cannot have access to financial loan and other banking facilities. However, this explains why the sector, especially that of micro enterprises, has failed to record noticeable growth qualitatively. Among the reasons for the low levels of formality include regulatory and administrative barriers, fees and financial requirements, corruption and criminality. However, Financial Institutions contribute at a wide range in fostering economic and social development in the country. The findings show that commercial banks provide different types of loans to SMEs owners such as personal loans, overdraft and letter of credit facilities. Also, a bank corresponds with other government agencies in contributing to SMEs on economic development by providing special type of loan such as SMEs smart loan

3.2. Discussion and Interpretation of Findings

Small and Medium Enterprises (SMEs) contribute at a wide range of services and products in fostering economic and social

development in the country. The findings show that SMEs helps in economic development of a country, it contributes to employment opportunities, it contributes to Gross Domestic Product (GDP), and it is the source of government revenue. SMEs help Government on policy review, increase fund level, advice government on financial economic and administration, SMEs contribute the under stable program, acceptance and commitment from government institutions (Researcher findings 2017). SMEs help in achieving sustainable development goals in many ways such as Mitigating climate change by reducing emissions, Undertaking waste management through recycling, Promoting biodiversity and conservation, Reducing community costs and increasing purchasing power, Encouraging local business development, Increasing income and job creation for side-lined individuals, they encourage and support Education and Training, they support Gender Equality, they Address issues of food insecurity and malnutrition through sustainable farming and post-harvest processing. However, there are many under exploited opportunities in Zambia which could be exploited to generate wealth and creating jobs for the poor currently engaged in the informal sectors. These include markets, agriculture including new system called horticulture, natural endowments including tourism attractions, sea (deep sea fishing) shops, and human resource. The growth in population, investments changing tastes and the access to regional and other foreign markets, represent significant opportunities for SMEs. Unfortunately, the SMEs operators have not been able to respond competitively by providing goods and services to meet the growing demand. Basing on this paper it can be seen that most of SMEs are suffered in start-up capital, business knowhow and cultural liabilities including religious factors. Access to finance plays a central role in development of enterprises, but this is only possible if it is accessible in reasonable conditions. SMEs are suffered from liquidity

problems. They usually experience difficulties in accessing loans from the banking sector and other financial intermediaries to finance working capital and to provide credit for smooth business activities. Those difficulties Long Procedures, limited management, technical skills, lack of collateral, poor technology, and lack of credible financial accounts. In addition to that there are reasons that are external to SMEs these reasons include poor physical infrastructure and limited market (local and international). These reasons cause those SMEs to find difficulties in accessing finance based on internal and external factors. In Zambia, SMES are not highly supported compared to other countries like Malaysia, China and South Korea this is evidenced by the following statistics Using the World Bank Atlas method of ranking world economies, Zambia's Gross National Income (GNI) per capita stood then at US\$200 (current US\$). Zambia's per capita GNI remained higher than those of Botswana, Egypt and Thailand, until the late 1970s or early 1980s. Zambia's GDP was also larger than that of Botswana, Gabon and Panama during this period. It continues to say, During the period 1965 and 2001, the economy grew at an average annual rate of 1.7 percent, compared to 10.3 percent for Botswana, 6.9 percent for Malaysia, and 5.4 percent and 4.8 percent for Egypt and Gabon respectively. The main growth sector in Zambia, while at much slower rates than in Botswana, Egypt, Malaysia, Panama and South Africa, was industry, which accounted for 0.8 percentage points of the 1.7 percent real GDP growth. The rest of Zambia's economic growth was accounted for by the services sector, (0.6 percentage points) and agriculture (0.3 percentage points).

CONCLUSIONS

There are many under exploited opportunities in Zambia which could be exploited to generate wealth and creating jobs for the poor currently engaged in the informal sectors. These include markets, agriculture including

new system called horticulture, natural endowments including tourism attractions, sea (deep sea fishing) shops, and human resource. The survey reveals that the business environment is not enabling. In order of intensity, the financial constraints, market constraints, human capital and infrastructure constitute the greatest challenges faced by the sector. Financial constraints in the form of inaccessible start-up capital, working capital, and investment capital, high interest rates, unstable foreign exchange rates, and poor customer repayments, were cited as major constraints. These were followed by market constraints by way of unfair competition from imports selling at below cost arising from subsidies and smuggling, inaccessible government tenders, having too few customers and having too many competitors. Low educational levels and skills among most of the workers with the resultant low productivity and poor product quality was quite evident. Other constraints included lack of appropriate production tools and machinery, high cost of spares. High cost and lack of availability of production inputs, lack of affordable business premises and land, and health problems related to HIV/AIDS constituted other constraints for SMEs in Zambia. On the other hand, Small, Micro and Medium Enterprises (SMEs) are often called 'the backbone of the economy'; these dynamic enterprises contribute to economic development in several ways: they have the ability to create economic opportunities through innovation, enhance productivity and social and productive networks; indeed, research has shown that countries which have high start-up rates of such enterprises benefit from higher economic growth. Globally, the SME sector generates substantial employment and economic output. Entrepreneurship has a critical role to play in sustainable development and poverty eradication. It has the potential to stimulate economic growth through job creation; help formalize businesses; create opportunities for and thereby empower disadvantaged groups such as youth and women; and strengthen

local productive capacity by developing linkages with transnational corporations and thereby indirectly maximize the impact of foreign investment. It also has the potential to contribute to social development by promoting social and environmental entrepreneurship and gender equality. SMEs need support to overcome barriers to growth and entry, and at the same time the right incentives structures to encourage them to approach their business with a Triple Bottom Line (TBL) in mind. This involves mechanisms to stimulate and facilitate the emergence of enterprises that integrate social, economic and environmental benefits into their business model as part of the transition to the Green Economy.

Recommendations

The outlook for the sector is bleak as long as the conditions remain the same. The paper therefore recommends that government recognizes the sector as an integral part of the national economy and as such be captured in national accounts. Further, it is recommended that a cross cutting but stand-alone National Policy on SMEs be established as a matter of urgency. Considering the continuously low levels of entrepreneurship, skills and technology and labour productivity in the SMEs sector especially among the micro enterprises, coupled with their inability to compete on quality and scale with large-scale enterprises and with imports, passive government support and sheer exclusion of sector activities in the national economic accounts, the papers recommends that the SMEs Policy vision be focused on international competitiveness, entrepreneurial culture and sustainable growth while the mission should be to 'Facilitate and proactively support the development, growth and international competitiveness of the SMEs sector as an integral part of the national economy.'

ACKNOWLEDGMENTS

This journey was stimulating and interesting, but tedious, long, and challenging. Without support and encouragement, I have received, I would not have been able to complete the journey successfully and happily. I express my sincere gratitude to my supervisor Dr Phiri W who provided me with instructions and inspirational and spared his time shared his talent and ideas. It was an indispensable and unique opportunity for my professional and personal development. Thank you very Much. I am particularly grateful to people of Kasama who helped me in my field study; Town Clerk of Kasama; Mr Mulenga, The Permanent Secretary Northern Dr Kalumba Jobbicks, Fellow teachers. I was not only received warmly but also given opportunities to share insights and experiences. I learnt a lot and had a wonderful time. The Kasama Branch Bank Managers, Finance bank, NATSAVE, ZANACO, Finca Zambia.

I would like to say thank you to all of my colleagues. Their listening to me and sharing joys and difficulties was a real encouragement. I thank my family, particularly my brother Kambone Joseph, who raised me in such a way that I am able to be here. Indeed, I express my gratitude to my wife Grace and my daughter Mwale, and to all people for all their help, support and encouragement that came along and for being there for me.

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APPENDIX

APPENDIX 1: INTERVIEW GUIDE FOR SMES REPRESENTATIVES

Dear Respondent,

This questionnaire is aimed at gathering primary data concerned the roles of Small and Medium Enterprises (SMEs) on fostering social and economic growth in Zambia. You are kindly requested to fill in the questions depending on the instructions given. The information you provide will be treated with high level of confidentiality and will be used for the purpose of accomplishing an academic purpose only.

Part 1: Background information

1. Name: Enterprises/firm/stores/shop:

2. Physical Address:

3. District or Region: _____

5. Is your company /business/ enterprise registered

Yes: NO

6.If yes what is your registration body?

PACRA Local Council

7. What type is your business?

Retail Wholesale Manufacturing Service

Mining Both Retail and Wholesale

8. What is your ownership structure of your business?

Company Sole Trader Partnership

Family

9. What is source of Capital?

Loan from commercial bank

Loan from Financial institution

Loan from government agency (CEEC)

Contribution and savings

Family

10. How much capital invested on start-up the business?

Below K80 000.00, K81 000 – K200 000, K201 000 – K500 000

11. Do you have a bank Account? Yes No:

12. How many employees do you have? 1 – 10

11 – 50 51 – 100

13. What motivated you to start this type of business?

Family tradition

School fees for children

Economical independency

Family dependency

No other alternative of earning income

14. What social and economic support is available to enable you improve your business?

Government Polices

Easy access to credit

Financial support from relatives/ friends

Material Support from relatives/ friends

Both Financial and material Support from relatives

Access to training opportunities

Technical support

Access to market information

Managerial support

Business contacts

Non

Objective to identify the constraints for SME growth in Zambia

15.What challenges have you experiences in running your business?

Work Place working capital

Skilled Labour Government regulations

Access of Raw Materials Access to market Place

Climate Change Other

If Other Specify

16. How to you overcome those challenges?

17 Do you pay tax to government? Yes No:

18. What role do your business play Environmental, Economic and Social development in Zambia Environmental, Social, and Economic