



**INFORMATION AND COMMUNICATIONS UNIVERSITY**

**SCHOOL OF BUSINESS**

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

**CASE STUDY KASAMA DISTRICT: NORTHERN PROVINCE.**

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**BY**

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## DECLARATION

I, **Stephen Musonda Kambone**, do hereby declare that this is my own, and that all the work of other people used in this dissertation had been dully acknowledged. I further declare that this work, to the best of my knowledge, has not been previously presented at this or any other University for a similar purpose.

Signature: ..... Date: .....

**S M Kambone**

Signature: ..... Date: .....

**Supervisor: Dr Serah Mbetwa**

## DEDICATION

In loving memory of my late mother **Regina Mwale** who made it all worthwhile

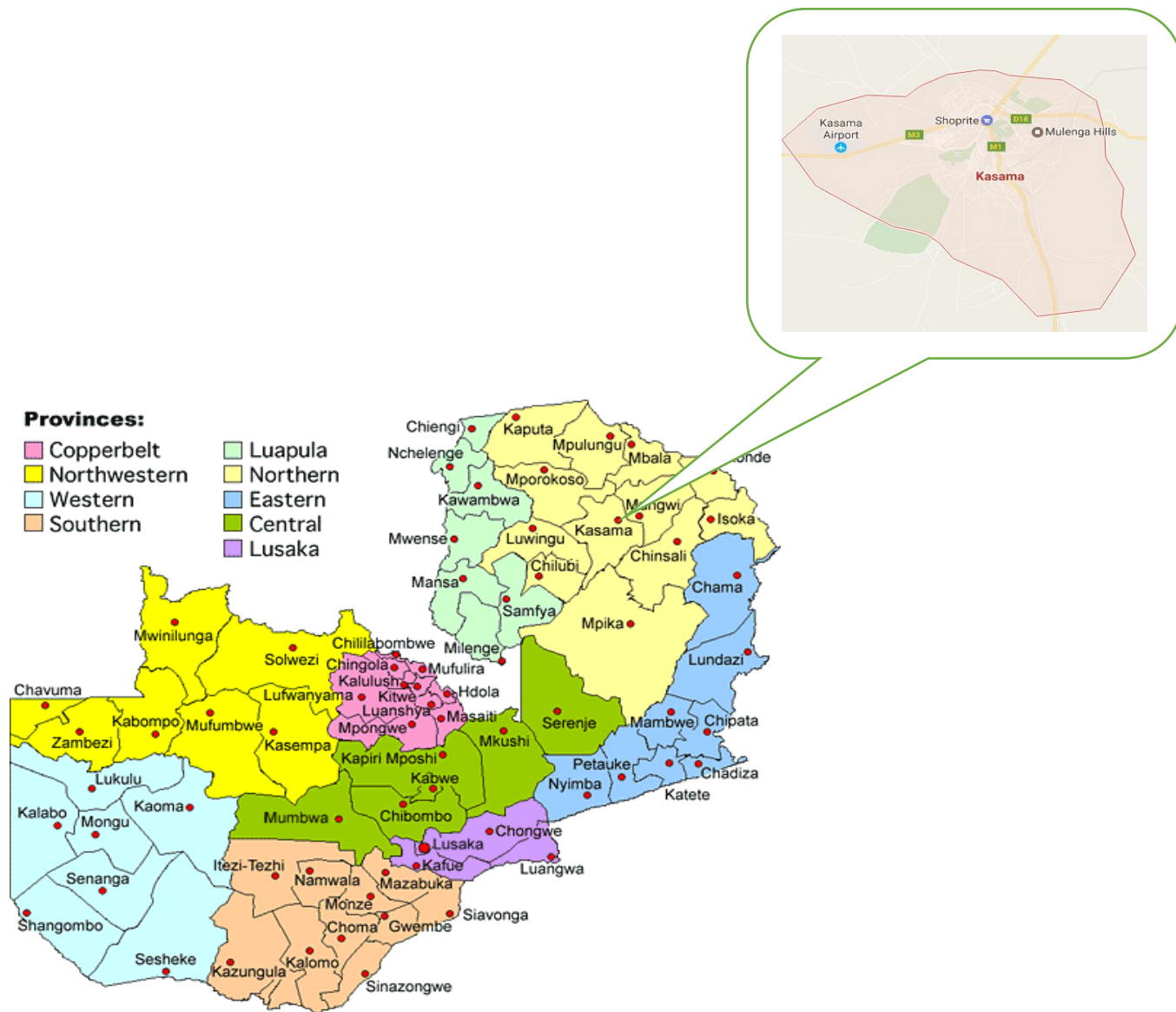
To my beloved wife **Grace Malama**, my beloved children **Mwale and Lubuto Kambone**, and my brother **Kambone Joseph**

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## Map of Zambia (Kasama)



Following the change of the administration in September 2011, the Northern Province has been divided into the Northern Province and Muchinga Province

## CONTENTS

DECLARATION .....	ii
DEDICATION .....	iii
ACKNOWLEDGEMENT .....	iv
Map of Zambia (Kasama) .....	v
TABLE OF FIGURES .....	ix
TABLES .....	ix
LIST OF ACRONYMS .....	x
Abstract .....	xii
Background .....	1
Statement of the problem .....	2
Significance of the study .....	3
Objectives of the Study .....	4
Definition of Micro Small and Medium Enterprises (MSMEs).....	5
Micro Enterprises .....	5
Small Enterprises .....	6
Medium Enterprises .....	6
CHAPTER 2 .....	9
LITERATURE REVIEW .....	9
Introduction.....	9
Theoretical Literature Review .....	9
Sustainable Development Goals (SDG).....	10
Does Entrepreneurship Contribute to Sustainable Development? .....	11
The Concept of Entrepreneurship .....	11
The role of entrepreneurship in addressing sustainable development challenges.....	13
Social Entrepreneurship .....	14
Women’s Entrepreneurship.....	15
Youth Entrepreneurship .....	16
Enhancing entrepreneurship education and skills development .....	17
Promoting entrepreneurial awareness and networking .....	19
Sustainable Entrepreneurship.....	20

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Importance of Small and Medium Enterprises.....	21
Role of Small and Medium Enterprises (SMEs) in addressing sustainable development challenges	22
Challenges Facing SME's In Zambia .....	23
Micro-Finance Institutions (MFIs) in Zambia .....	24
Bank Finance for SMEs .....	25
Commercial Banks.....	26
SME's businesses in Zambia .....	26
Government SMEs Policy.....	28
Zambia's Sixth national development plan.....	28
Micro, Small and Medium Enterprises Policy .....	28
Investment Policy.....	29
The Zambia Development Agency (ZDA 2016 - 2020 Strategic Plan .....	30
Zambia Vision 2030.....	31
Entrepreneurship in the post-2015 development agenda .....	32
Moving towards a Green Economy .....	33
RESEARCH METHODOLOGY.....	35
Research Design.....	35
Sampling Technique .....	35
Target populations .....	35
Sample Size Determination.....	36
Sources of Data .....	36
Location of Study.....	37
Methods of data analysis.....	37
Data collection methods.....	37
Interview method .....	37
Questionnaires method.....	38
Secondary data collection .....	38
Ethical Considerations .....	38
CHAPTER FOUR.....	39
Research Findings and Analysis .....	39
Introduction.....	39

Ownership structure of SME's.....	39
Source of Capital to SME's .....	40
Capital invested on start-up the business .....	41
Number of employee.....	41
Business Experience .....	42
Challenges facing SME's in Kasama.....	43
To identify the constraints for SME growth in Zambia .....	43
Start-up Capital .....	43
Working Place.....	44
Government Regulations.....	44
Banking Regulations .....	44
Employment Condition.....	45
Financial Institutions Contribution to SMEs in Zambia .....	45
SMEs contribution on Environment, Social and Economic Development .....	49
CHAPTER FIVE .....	54
Conclusion and Recommendations .....	54
Conclusion .....	54
Appendix 1: Interview Guide For Smes Representatives .....	64
APPENDIX 2: Contribution of Financial Institutions on social and economic growth to SMEs Support in Zambia.....	67



## TABLE OF FIGURES

Figure 1 Three Pillars of Sustainable Development. Adapted from <a href="http://www.sustainability-ed.org.uk">http://www.sustainability-ed.org.uk</a> ...	8
Figure 2 17 sustainable development goals (Source (IRF, 2014.) .....	10
<b>Figure 3 Business Experience</b> .....	42
<b>Figure 4 Business Experience</b> .....	43
<b>Figure 5 Constraints for SMEs growth in Zambia</b> .....	45

## TABLES

Table 1 Trend in GDP Growth Rate .....	33
Table 2 Ownership structure of SME's.....	39
Table 3 Source of Capital to SME's .....	40
Table 4 Capital invested on start-up the business .....	41
Table 5 Number of employees .....	42

## LIST OF ACRONYMS

AEDC	American Economic Development Council
B01	Board of Investment
CETZAM	Christian Enterprise Trust of Zambia
COMESA	Common Market for East and Southern Africa
CPI	Consumer Price Index
CSO	Central Statistical Office
CTI	Commerce, Trade and Industry
DBZ	Development Bank of Zambia
EDI	Entrepreneurship Development Institute of India
FDI	Foreign Direct Investment
FNDP	Fifth National Development Plan
GDP	Domestic Gross Product
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GNI	Gross National Income
GRZ	Government of the Republic of Zambia
HIPC	Highly Indebted Poor Countries
ILO	International Labour Organisation
INDECO	Industrial Development Corporation
MBA	Masters of Business Administration
MCTI	Ministry of Commerce, Trade and Industry
MGDs	Millennium Development Goals
MMD	Movement for Multiparty Democracy
NAPSA	National Pensions Scheme Authority
NELMP	National Employment and Labour Market Policy
NIEC	National Import and Export Corporation
OECD	Organization for Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Paper

SDG	Sustainable Development Goals
SEDB	Small Enterprise Development Board
SEDB	Small Enterprises Development Board
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
SNDP	Sixth National Development Plan
SOEs	State Owned Enterprises
TBL	Triple Bottom Line
TEVETA	Technical Education, Vocational and Entrepreneurship Training Authority
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
ZABS	Zambia Bureau of Standards
ZACSMBA	Zambia Chambers of Small and Medium Business Association
ZDA	Zambia Development Agency
ZIMCO	Zambia Industrial Mining Corporation
ZPA	Zambia Privatization Agency
ZRA	Zambia Revenue Authority

## **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. 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 sources 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)

## CHAPTER ONE

### 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 developed the Seventh National Development Plan (7NDP) to provide a more holistic perspective to sector development policies under the general thrust of economic growth and poverty reduction. The Goal of the 7NDP is to create a diversified and resilient economy for sustained growth and socio-economic transformation driven, among others, by agriculture. Furthermore, this Plan responds to the Smart Zambia transformation agenda 2064 and embeds in it the economic recovery necessary for the actualization of a Smart Zambia. This is in support of the UN 2030 Agenda for Sustainable Development and the African Union Agenda 2063. 7NDP (2017 p.5.) this is in addition to the revised Sixth National Development Plan whose objectives were 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 recognised 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 benefit. 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. Statement 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. *Despite a rapid increase to the establishment of SMEs in Zambia, most of them are performing below its expected potential of reducing poverty, economic growth due to many reasons (Zambia Development Policy 2006).* Therefore, it is not clear whether the undertaken measures to strengthen SMEs have significant contributions in reducing poverty, sustainable development, economics growth or not. This research is about how SMEs would help in advancing the growth of development in Zambia both socially and economically and ultimately the advancement of the wellbeing of the poor or less income privileged. These SMEs seem to be not economically and financially expanding hence contributing very little in achieving sustainable development Goals in Zambia. 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. These are issues that cannot be ignored especially that micro financing provides engine capital for SMEs to start and such start-ups ignite the economic development of an economy as they contribute to a country's gross domestic product, employment etc. (Lyman, 2011; Kendall, 2010).

### 1.3. Significance of the study

It is imperative to understand the state of SMEs in Zambia and how they have been beneficial in the economic development of the country. This drive is what has justified this research on SMEs role in achieving sustainable development in the country that is classed as middle income economy. This is because, even in the developed economies, SMEs play a bigger role in contributing to social, economic and environment development. In the



European Union for example, SMEs account for 99.9 percent of the 11.6 million businesses created in the bloc (World Bank, 2006). In the United States of America, SMEs create over 75 percent of the new jobs contributing 40 percent of GDP and 80 percent of the population get their first employment in the SMEs according to World Bank (2000). The unemployed youths will find this study useful because it will expose them to different entrepreneurs in Zambia and make them give more attentions to opportunities that exist in Zambia. The entrepreneurs in Zambia will find this study a valuable asset that will make them to go for more opportunities via creativity and innovation. The study will also give the central government of Zambia an impetus to give more support and assistance to entrepreneurship to foster sustainable social and economic growth in the country. Additionally, Findings of this study will provide awareness among SME members on the strength and weaknesses which limit their ability to run successful business and opportunities available to them

## **1.4. Objectives of the Study**

### **1.4.1. Main Objective**

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.

### **1.4.2. Specific Objectives**

The study was guided by the following specific objectives:-

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

## **1.5. Research question**

General research question

1.5.1. What is the impact of SMEs in the country's achievement on sustainable development goal?

1.5.2. Specific research questions

- i. What are the steps taken by members of SME's in fostering social, economic growth and sustainable Development in the country?
- ii. What are the constraints facing SMEs in country in nurturing economic growth and sustainable Development?
- iii. How is the accesses of fund contribute to the growth of SMEs?
- iv. What is the government's support towards SMEs in fostering sustainable Development and its social and economic growth in the country?

## 1.6. Definition of Micro Small and Medium Enterprises (MSMEs)

The topology of Zambian SMEs has changed over time thereby creating the need for redefinition of the different categories of enterprises in the sector. Proper classification of enterprises is a prerequisite for successful targeting of support programmes and incentives provision. In this regard, SMEs in Zambia are defined based on the following business variables:-<sup>1</sup>

1. Total fixed Investments
2. Sales Turnover
3. Number of employees.
4. Legal status

Below are the official Zambian definitions of Enterprises in the MSME sector.

### 1.6.1. Micro Enterprises

A micro enterprise shall be any business enterprise registered with the Registrar of Companies; (i) Whose total investment excluding land and buildings shall be up to Eighty Thousand Kwacha (K80, 000.00). (ii) Whose annual turnover shall be up to One hundred and Fifty Thousand Kwacha (K150,000.00). (iii) Employing up to ten (10) persons. <sup>2</sup>

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<sup>1</sup> GRZ (2008) The Micro, Small and Medium Enterprise Development Policy

<sup>2</sup> GRZ (2008) The Micro, Small and Medium Enterprise Development Policy

## 1.6.2. Small Enterprises

A small enterprise shall be any business enterprise registered with the Registrar of Companies; (i) Whose total investment, excluding land and building - In the case of manufacturing and processing enterprises, shall be between Eighty Thousand and Two Hundred Thousand Kwacha (K80, 000.00 – K200, 000.00) in plant and machinery; - In the case of trading and service providing enterprises shall be up to One Hundred and Thousand (K150, 000, 000) Kwacha. (ii) Whose annual turnover shall be between One Hundred and fifty Million and Two Hundred and Fifty Million (K151, 000- K300,000,000) Kwacha. (iii) Employing between eleven and forty nine (11- 50) persons.<sup>3</sup>

## 1.6.3. Medium Enterprises

A medium enterprise shall be any business enterprise larger than a small enterprise registered with the Registrar of companies; (i) Whose total investment, excluding land and building; - In the case of manufacturing and processing enterprises, shall be between Two Hundred Thousand and Five Hundred Thousand (K201,000.00 –K500, 000.00) Kwacha in plant and machinery, - In the case of trading and service providing shall be between One Hundred and Fifty One Thousand and Three Hundred Thousand (K151, 000.00 – K300,000.00) Kwacha. (ii) Whose annual turnover shall be between Three Hundred Thousand and Eight Hundred Thousand) (K300,000.00 - K800,000.00). (iii) Employing between Fifty One and One Hundred (51 -100) persons.<sup>4</sup>

## 1.7. Conceptual Framework

### **Triple Bottom Line approach**

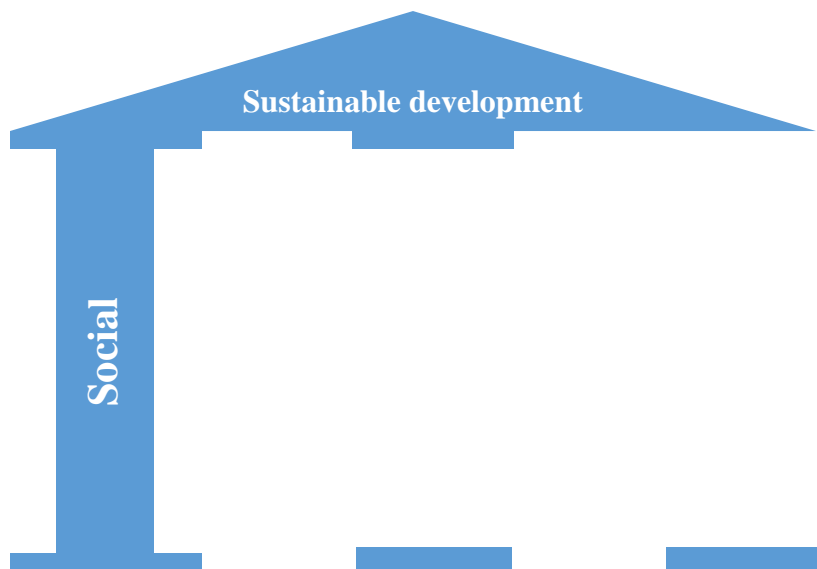
The 2005 World Summit on Social Development identified the following sustainable development goals: economic development, social development and environmental protection (United Nations General Assembly, 2005). It can be seen that sustainability

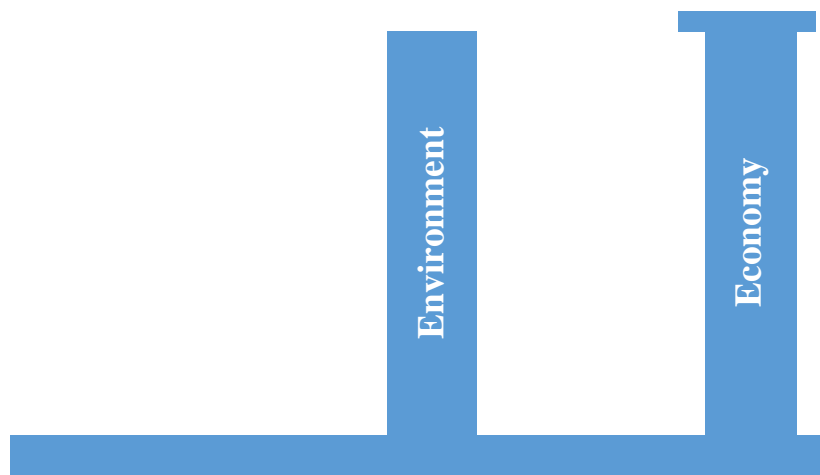
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<sup>3</sup> GRZ (2008) The Micro, Small and Medium Enterprise Development Policy

<sup>4</sup> GRZ (2008) The Micro, Small and Medium Enterprise Development Policy

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. Nonetheless, unfortunately, production and consumption patterns in the world in general remain unsustainable (United Nations, 2002) and the scale and nature of human and economic activities exceed what the planet can physically sustain (World Resources Institute, 2005).





*Figure 1 Three Pillars of Sustainable Development. Adapted from <http://www.sustainability-ed.org.uk>*

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.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0. Introduction

This chapter discusses the key concept which was used in this study as well as looking at a number of theories that have been given by different authors concerning their views relating to the role of Small Business Enterprises on economic and social development in the country, government supports to SMEs, constraints and those factors concerning the research topic.

#### 2.1 Theoretical 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 (Olalekan and, Oluwaseun, 2010; 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.

## 2.2 Sustainable Development Goals (SDG)

One of the main outcomes from the UN Conference on Sustainable Development (Rio+20) in 2012 was international agreement to negotiate a new set of global Sustainable Development Goals (SDGs) to guide the path of sustainable development in the world after 2015. The Rio+20 Outcome Document (June 2012, Para 247.) Indicates that the goals are intended to be “action-oriented, concise and easy to communicate, limited in number, aspirational, global in nature and universally applicable to all countries, while taking into account different national realities, capacities and levels of development and respecting national policies and priorities.” They should be “focused on priority areas for the achievement of sustainable development.” Below is a picture showing 17 sustainable development goals



Figure 2 17 sustainable development goals (Source (IRF, 2014).)

## 2.2.1. Does Entrepreneurship Contribute to Sustainable Development?

There are a lot of entrepreneurial activities that pursue only one objective – generating profit (Economic pillar of TBL), while ignoring social and environmental pillars (conventional entrepreneurship). There are also enterprises that are linked to two pillars of sustainable development (social and economic or environmental and economic). These enterprises are partly concerned about the issues of sustainability, but cannot be considered 100% contributors to sustainable development as they only include two aspects of TBL. Lastly, there are enterprises that pursue all three goals of sustainability (economic, social and environmental) and maintain them in balance. These are sustainable enterprises. Sustainable enterprises seem to provide a clear link between entrepreneurship and sustainable development. Studying sustainable enterprises turned out to be the main focus of the current research, as most of the studied literature demonstrates the existence of sustainable entrepreneurship and proves that this form of entrepreneurship contributes to sustainable development (Dean and McMullen (2007); Cohen and Winn (2007); Parrish (2010); Shepherd and Patzelt (2011)).

## 2.2.2 The Concept of Entrepreneurship

Entrepreneurship is more than simply “opening a shop or starting the business.” It is a process through which individuals identify opportunities from where there is chores, allocate resources, take calculated risks and create value. This creation of value is often through the identification of unmet needs or through the identification of opportunities for change. It is the act of being an entrepreneur which is seen as "one who undertakes innovations and creativeness with finance and business insight in an effort to transform innovations into economic goods hence Entrepreneurs see “problems” as “opportunities,” and then take action to identify the solutions to those problems and the customers who will pay to have those problems solved. Entrepreneurial success is simply a function of the ability of an entrepreneur to see opportunities in the marketplace, initiate change (or take advantage of change) and creates value through solutions. Entrepreneurship is known as the capacity and attitude of a person or group of persons to undertake ventures with the



probability of success or failures. It demands that the individual should be prepared to assume a reasonable degree of risks, be a good leader in addition to being highly innovative. In business management, Entrepreneurship is regarded as the “prime mover” of a successful enterprise just as a leader in any organization must be the environmental change agents. Binks and Vale (1990) defined entrepreneurship as ‘an unrehearsed combination of economic resources instigated by the uncertain prospect of temporary monopoly profit’. Hence Kanothi (2009) defined Entrepreneur as the ‘instigator of entrepreneurial events for so long as they occur’. Tijani-Alawiye (2004) defines entrepreneurship as the process of increasing the supply of entrepreneurs or adding to the stock of existing small, medium and big enterprises available to a country by creating and promoting many capable entrepreneurs, who can successfully run innovative enterprises, nurture them to growth and sustain them, with a view to achieving broad socio-economic developmental goals. One of these goals is sustaining employment. Furthermore, Acs and Szerb (2007) noted that entrepreneurship revolves around the realization of existence of opportunities in combination with decision to commercialize them by starting a new firm. This reasoning is what Thornton (1999) called demand and supply perspectives of entrepreneurship discourse. However, Shepherd and Douglas (1997) observed that the essence of entrepreneurship development is the ability to envision and chart a course for a new business venture by combining information from the functional disciplines and from the external environment in the context of the extraordinary uncertainty and ambiguity which faces a new business venture. It then manifests itself in creative strategies, innovative tactics, uncanny perception of trends and market mood changes and courageous leadership. To the duo, ‘entrepreneurship’, when treated as ‘enterprise-creation’ helps develop new skills and experiences that can be applied to many other challenging areas in life. More importantly, Schnurr and Newing (1997) justified the need for promoting entrepreneurship culture on the ground that youth in all societies have sterling qualities such as resourcefulness, initiative, drive, imagination, enthusiasm, zest, dash, ambition, energy, boldness, audacity and courage which are all valuable traits for entrepreneurship development. Supporting this assertion, Bennell (2000) maintained that governments,

NGOs and international bodies seeking to improve youth livelihoods could best pursue their empowerment objective by tapping into the dynamism of young people and build on their strong spirit of risk-taking through entrepreneurship development. Shane (2003) described entrepreneurship as the act of being an entrepreneur. The word entrepreneur which is a French word means “one who undertakes innovations, finance and business acumen in an effort to transform innovations in economic goods”. He continued that the result of entrepreneurship may be a new organization or a part of revitalizing mature organization in response to a perceived opportunity. The most obvious form of entrepreneurship to him is that of starting a new business.

### **2.2.3 The role of entrepreneurship in addressing sustainable development challenges**

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.

Entrepreneurship can also have a significant impact on job creation. According to International Labour Organization (ILO) projections, 500 million new jobs will need to be created by 2020 in order to provide full employment. Developing countries will require more than 90 per cent of these jobs, presenting an unprecedented challenge for countries. (ILO, 2014)

Small and medium-sized enterprises play an important role in job creation. These enterprises create two thirds of all formal jobs in developing countries. (German Federal Ministry for Economic Cooperation and Development and ILO, 2013) In low-income countries, the share of jobs created by small and medium-sized enterprises is even higher (80 per cent). Developing countries, however, lack high-growth, medium-sized enterprises

—“gazelles”—which outperform other firms both in productivity and in creating employment. Technology hubs, incubators and science parks have been established in many countries as a way to boost the creation of high-growth firms.

Informal enterprises can be a way out of poverty. However, they may have negative implications for sustainable development. Not only do they pose challenges for tax collection, thereby severely limiting the potential for economic growth, but informal enterprises also have wider social implications as informal entrepreneurs lack property ownership rights and safety nets such as labour rights, health and safety rules and insurance. (ILO, 2014)

The potential of a business to create jobs is determined by the type of entrepreneurs that predominate in the economy, i.e., whether they are “necessity-driven” (are drawn to entrepreneurship to escape unemployment) or “opportunity-driven” (become entrepreneurs to meet existing needs in the economy). Opportunity-driven firms generate more sales per worker and have the potential to create stable, sustainable jobs compared with necessity-driven businesses. Opportunity-driven entrepreneurship can improve young people’s career prospects and financial independence. There is a large untapped potential for the creation of formal and decent jobs by transforming necessity-driven entrepreneurs into opportunity-driven entrepreneurs.

#### **2.2.4 Social Entrepreneurship**

According to Tan et al. (2005) in modern society social entrepreneurship is “an altruistic form of entrepreneurship that focuses on the benefits that society may reap.” In other words, entrepreneurship becomes a social endeavour when it transforms social capital in a way that affects society positively” (Alvord et al., 2004). In social entrepreneurship entrepreneurs “play the role of change agents in the social sector, by: adopting a mission to create and sustain social value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources currently in hand; and exhibiting heightened accountability to the constituencies served and for the outcomes created” (Dees, 1998). In this type of entrepreneurship it is not the

economic gain, but the social mission what becomes the focus of the entrepreneurial activities. As it was described above, all three forms of entrepreneurship lie at the heart of sustainable entrepreneurship. Therefore, understanding the concepts of conventional, environmental and social entrepreneurship is important for understanding the concept of sustainable entrepreneurship - how the field emerged and how it became possible to combine the three disconnected (or partly connected) lines (economical, environmental, and social) into one.

Social enterprises and cooperatives pursue economic viability and social goals and have the potential to address sustainable development objectives by reducing inequality, enhancing social cohesion and tackling environmental challenges while remaining financially sustainable. Governments have taken steps to facilitate social and environmental entrepreneurship. Policy measures taken in response to this trend.

## **2.2.5 Women's Entrepreneurship**

Growing attention is being given to women's entrepreneurship as part of the empowerment agenda and as a means to expand opportunities and benefit from their engagement in productive (self-) employment. According to available estimates, approximately one fourth to one third of the world's formal sector enterprises are owned and operated by women. However, studies also suggest that in some countries, women entrepreneurs experience more difficulties than men in starting and expanding their businesses, particularly due to cultural norms and social attitudes. Statistics also show that women are less likely than men to start businesses and grow their small firms into larger enterprises. (World Bank, 2007)

In light of this, governments have introduced policies and programmes to develop women entrepreneurs. For example, Tunisia has established entrepreneurship policies featuring women's entrepreneurship, including lifelong learning programmes. In the United States, the Small Business Administration partners with the National Women's Business Council and others to provide bold programmes to support women entrepreneurs and improve opportunities for their 7.8 million enterprises. Organization for Economic Cooperation and Development (OECD), (2014,) some governments have promoted women's access to new markets and Information and Communications Technologies (ICTs) by, for example,

increasing access to the Internet. In addition, programmes for women's empowerment that increase cultural acceptance, highlighting female entrepreneurs as role models and raising public awareness, have proved successful. In Zambia, the presidential marketer empowerment is meant for the women.

**Gender equality** is central to sustainable development. Governments are increasingly mainstreaming women's entrepreneurship into sustainable development strategies as a way to ensure social equity and because it makes good economic sense. (Linda M, 2012). According to the World Bank, addressing barriers that women entrepreneurs face could yield significant economic benefits, possibly adding as much as 1-2 percentage points to annual gross domestic product (GDP) growth in many countries.

## 2.2.6 Youth Entrepreneurship

Youth Entrepreneurship has become a priority for the development agenda of many countries that are faced with the challenge of a youth bulge and unemployment. According to the 2013 report of the Global Entrepreneurship Monitor (GEM), (JE Amorós, N Bosma and Global Entrepreneurship Research Association, 2014.) Young people are more likely to have fresh ideas and to be "born digital"; in some societies they have received more education than their parents. They are also less likely to have responsibilities such as mortgages and families, factors that generally make individuals risk averse. To tap into this potential, several countries have recently introduced policies and programmes to foster young entrepreneurs. African countries, for example, have spearheaded the introduction of entrepreneurship curricula in the secondary school systems. In Angola, 139 teachers have been trained and certified to teach entrepreneurship, and 9,800 students have taken the entrepreneurship course to date. (United Nations Industrial Development Organization, 2014) In Europe, the Entrepreneurship 2020 Action Plan has identified entrepreneurship as one of the eight key competencies that every young person should have. For youth entrepreneurship to have a broader impact on job creation and in promoting sustainable development, policymakers can enhance the regulatory environment by addressing regulatory barriers that hinder young entrepreneurs from starting up, introducing online registration and simplified regulations, minimizing the stigma surrounding business failure

and facilitating restarts. Orienting business development services to provide services to young entrepreneurs is essential to ensure that they obtain adequate support. The public and private sectors, as well as other relevant partners, can come together to improve education and skills development, and better align the skills acquired by young people with labour market demands. Building the capacity of teachers to inculcate entrepreneurship skills among students is critical. In addition, there is a need to strengthen the capacity of vocational training and apprenticeship.

Policymakers can take a leadership role in supporting technology and innovation by providing incentives that will encourage private sector investment. They could also promote the establishment of favourable regulatory frameworks and innovation policies, and investment in higher education and training, and R&D. Investments need to be made in technological infrastructure to set the foundation for a thriving digital economy, provide the impetus for the spread of innovation and ensure that young people have access to, knowledge of, and the competencies and skills to exploit technology and create commercial products and services

Entrepreneurship and the development of small and medium-sized enterprises provide much-needed absorptive capacity for investment and are critical to achieving sustainable development. Mobilizing investment for sustainable development remains a major challenge for many developing countries, particularly least developed countries. Given the consistent gaps in development financing in these countries, foreign investment can complement domestic investment. The UNCTAD Investment Policy Framework for Sustainable Development provides guidance to policy makers on how to tailor investment policies to achieve outcomes that foster sustainable development and inclusive growth.

## **2.2.7 Enhancing entrepreneurship education and skills development**

Entrepreneurship education covers a broad spectrum of learning activities aimed at instilling and shaping an entrepreneurial spirit and providing the right tools to start, grow and sustain a business. The importance of high-quality education for entrepreneurship was

discussed at the high-level thematic debate on entrepreneurship for development convened by the President of the sixty-seventh session of the General Assembly on 26 June 2013. Entrepreneurial skills centre around attitudes (soft skills), such as persistence, networking and self-confidence, on the one hand, and enabling skills (hard skills), which include basic start-up knowledge, business planning, financial literacy and managerial skills, on the other. Effective entrepreneurship education, policies and programmes focus on developing these entrepreneurial competencies and skills which are transferable to and beneficial in many work contexts. The aim is not only to strengthen the capacity and desire of more individuals to start their own enterprises, but also to develop an entrepreneurial culture. According to the UNCTAD Entrepreneurship Policy Framework, in order to achieve these goals, the following policy objectives are key: (a) embedding entrepreneurship in formal and informal education; (b) developing effective entrepreneurship curricula; (c) training teachers; and (d) partnering with the private sector. In most countries, entrepreneurship education is usually not a core component of the curriculum of institutions at any level. Entrepreneurship education is more effective if it is embedded in the formal educational system rather than offered through community, rural or apprentice-training programmes. A major obstacle to successful entrepreneurship education is the lack of linkages between financial and non-financial services. Experience has shown that technical training alone does not achieve optimal results unless it is combined with adequate financial services. A key factor in the success of entrepreneurship education is the effective engagement with and participation of the private sector. This will expand access to entrepreneurship education through technology and the media, thereby helping to reach larger audiences. For example, UNIDO has established partnerships with Hewlett-Packard and Microsoft. Microsoft, Cisco and Intel, three major players in the information and communications technologies sector, have designed a downloadable educational programme on entrepreneurship. Numerous global competitions on projects related to information and communications technologies are aimed at students and educational institutions. The Disney Entrepreneur Center, in collaboration with the Kauffman Foundation and Google for Entrepreneurs, provides online tools. The multinational beverage company SABMiller

promotes Kick Start, a programme that supports young people in Botswana to start new, or expand existing, businesses. Encouraging farming as a business is the focus of several initiatives promoted by the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organization of the United Nations (FAO), UNCTAD and UNIDO. Technical and vocational education and training and “second chance” education can spur employment for marginalized groups; it can also help young people find employment in “green jobs”. The UNESCO International Centre for Technical and Vocational Education and Training responds to the need to develop and strengthen such training worldwide. It also manages the Technical and Vocational Education and Training (UNEVOC) Network.

## **2.2.8 Promoting entrepreneurial awareness and networking**

Closely connected with entrepreneurship education is the need to raise awareness about entrepreneurial opportunities and the value entrepreneurship brings to society, at the same time addressing and removing the stigma around failure. Negative sociocultural perceptions about entrepreneurship can act as significant barriers to enterprise creation and undermine the benefits of entrepreneurship. In many countries promotion of a spirit of entrepreneurship, entrepreneurial competencies and role models can play a strategic role in unleashing entrepreneurial talents. In many cases cultural bias considers self-employment a necessity for those who do not manage to find a job. Campaigns to promote entrepreneurship that celebrate local entrepreneurs—who can be role models—are very effective. Awards, fairs and business competitions for targeted groups, such as young people, women, vulnerable groups and migrants, can be equally useful. In the United Arab Emirates, for instance, the Abu Dhabi Council for Economic Development has since 2009 inspired and educated students to become successful entrepreneurs through an annual Entrepreneurship Awareness Campaign, featuring workshops, forums and a business ideas competition. The initiative, which attracted more than 2,000 participants in 2013, is organized in collaboration with universities and educational institutions. National, regional and global networks of entrepreneurship and enterprise educators should be developed. Engaging trainers, local communities and social organizations to join networks at the subnational, national and global levels is crucial in order to share experiences and



knowledge among entrepreneurial schools, colleges, universities and communities. If so requested, the United Nations could offer its expertise and work together with relevant stakeholders to develop online resources and curricula relevant for start-ups and small and medium-sized enterprises.

## 2.2.9 Sustainable Entrepreneurship

If we look at the traditional definition of entrepreneurship in the Oxford dictionary (Entrepreneurship - the activity of setting up a business or businesses, taking on financial risks in the hope of profit) we can see that it does not mention anything about sustainability. They claimed that “innovators and entrepreneurs will view sustainable development as one of the biggest business opportunities in the history of commerce” (Hart and Milstein, 1999) and by no means they considered sustainable development as a cost factor, impeding competition. Sustainability as a source of entrepreneurial opportunity that has an overall positive impact on the environmental, social and economic development. According to Cohen and Winn, (2007) and Dean and McMullen (2007) entrepreneurial activities can preserve ecosystems, counteract climate change, reduce environmental degradation and deforestation, improve agricultural practices and freshwater supply, and maintain biodiversity. Wheeler et al. (2005) claim that such activities, particularly when taking place in developing countries, can enhance education, productivity, socioeconomic status, physical health, and self-reliance of individuals and societies. Based on all the above mentioned studies it can be concluded that under the influence of the current economic, social and environmental realities some part of the entrepreneurial activities moved from being focused solely on gaining profits towards focusing on sustainability, in addition to wealth generating. In many cases traditional entrepreneurship shifted towards sustainable entrepreneurship. Furthermore, in many areas sustainable development became a source of entrepreneurial opportunity. The phenomenon of sustainable entrepreneurship is directly related to the main topic of the current research, which aims to answer the question: “Does entrepreneurship contribute to sustainable development?”

According to Patzelt and Shepherd (2011) sustainable entrepreneurship is the “discovery, creation, and exploitation of opportunities to create future goods and services that sustain

the natural and/or communal environment and provide development gain for others”. Sustainable entrepreneurship is based on and related to conventional entrepreneurship, environmental entrepreneurship and social entrepreneurship (Binder and Belz, 2015). Since these three types of entrepreneurship form the basis for sustainable entrepreneurship and are closely related to it, it makes sense to study them in more detail. Such study would provide a better understanding of how the field of sustainable entrepreneurship emerged in the end of the 1990s. As it was described above, sustainable entrepreneurship focuses on the TBL approach and, therefore, has three dimensions – economic, social and ecological. Its related concepts are not so versatile. Conventional form of entrepreneurship is one-dimensional (it pursues mainly economic goals) and environmental and social forms are two-dimensional. Environmental entrepreneurship aims at economic and ecological achievements, while social entrepreneurship pursues social and financial goals.

**Entrepreneurship is the back born of Small and Medium Enterprises (SMEs). However, without the entrepreneurial spirit we cannot have new board business to foster economic development in the country**

### 2.3 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; Beck 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 (Echengreen and Tong, 2005; Pyke et al., 2000). 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 (Calcopietro and Massawe, 1999).

## **2.4 Role of Small and Medium Enterprises (SMEs) in addressing sustainable development challenges**

Small and Medium Enterprises (SMEs) play crucial roles in employment creation and income generations. All over the world and Zambia in particular it is easy to establish SME's since their requirements in terms of capital and managements are not as demanding as it is in the case for large enterprises (Zambia Economic Bulletin 2009). Small and Medium Enterprises both urban and rural have been one of the major areas of concern to many policy makers in an attempt to accelerate the rate of growth in low income countries. These enterprises have

been recognized as the engines through which the growth objectives of developing countries can be archived. They are potential sources of employment and income in many developing countries. It is estimated that Small and Medium Enterprises (SMEs) employ 22% of the adult population in developing countries (Daniels & Ngwira, 1993, Fisseha, 1991, Gallagher & Robson, 1993).

Due to flexible nature, SMEs are able to withstand adverse economic conditions. They are more labour intensive than larger firms and therefore, have lower capital cost associated with job creation (Anheir & Seibel, 1987, Liedholm & Mead 1987).

Therefore, SMEs perform useful roles in ensuring income stability, growth and employment. Since SMEs are labour intensives, they are more likely to succeed in smaller urban and rural areas, where they can contribute to the more even distribution of economic activity in a region and can help to slow the flow of migration to large cities. Because of their regional and labour intensity, the argument goes, small scale production can promote a more equitable distribution of income than large firms. They also improve the efficiency of domestic markets and make productive use of resources, thus facilitating long term economic growth (Rosemary Atieno 2001)

## **2.4 Challenges Facing SME's In Zambia**

According to Sanjay Sony (2005). 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.

## **2.5. 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. The groups, the main channel through which loans are extended, are formed according to the specifications of each respective MFI. In most cases, groups need to accumulate certain level of savings before they are eligible for MFI loans. The savings mobilized by the group is the security for loans taken by members. (Rosemary Aliono 2009)

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. The sector may not easily grow if the micro finance institutions do not increase the amounts lent to SMEs and then MFIs can intensify their collection efforts to ensure other borrowers benefit from the loan schemes.

## **2.6. Bank Finance for SMEs**

Bank lending (debt) is one of the key aspects of business finance. The banking and finance industry provides a range of products and services to all types of businesses from the smallest micro to the largest corporate. The common finance option across all business is bank overdrafts (for working capital needs) and term loans (for capital expenditure needs). In addition, there are a number of specialist finance products such as invoice discounting, factoring, trade finance, wholesaler finance and group finance. Banks (Commercial banks) provides funds to allow businesses to purchase inventory, and collect those funds back with interest when the goods are sold. For centuries, the banking industry dealt only with businesses, not consumers. Commercial lending today is a very intense activity, with banks

carefully analysing the financial condition of their business clients to determine the level of risk in each loan transaction. Banking services have expanded to include services directed at individuals, and risk in these much smaller transactions is pooled.

## **2.7. Commercial Banks**

Commercial banks can be defined as the financial institutions authorized to provide a variety of financial services, including consumer and business loans (generally short-term), checking services, credit cards and savings accounts. In several countries where the financial intermediaries were in the early stages of establishment (before the independence and liberalization the discussions of 1960s and 1990s respectively) and still not functioning properly, the central banks were in these cases responsible for the total or by for the greatest proportion of the short and medium term credits advanced to the private sector. Only in Morocco and Tunisia where the contributions of commercial banks are smaller due to the large number of state and public institutions that were established to direct credit into new fields, which needed stimulating (Newlyn & Roman, 1985). The Zambia's financial sector is characterized by the interaction of both the Bank of Zambia and commercial banks. In 2011 BARCLAYS Bank provided over K400 billion to Small and Medium Enterprises (SMEs) to promote growth of local businesses this year. Barclays managing director Saviour Chibiya said the support to SMEs was the bank's strategy of enhancing local enterprises to facilitate job creation.

## **2.8. 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 descent 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 include passenger and goods transport restaurants, cleaning services, hair salons and barbershops, telecommunication

services, services and business centre. 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.

However, for SMEs to have a more positive impact on any nation's economy, entrepreneurship in SMEs must be seen on the enterprise start-ups, as well as on the enterprise growth. This growth may be the source for more entrepreneurship through spill-overs to the firm, and because it can originate some spill-offs, that will contribute to economic development. However, SMEs require special attention for them to graduate to larger firms. Most SMEs in Zambia have been at a micro level since inception some decade years ago. This stagnation is not only caused by the lack of effective public policy to support SMEs but also the entrepreneur's characteristics such as poor educational backgrounds. Mazumdar and Mazaheri (2003) found that only 13.4% of micro entrepreneurs in Zambia have at least completed vocational training which is regarded as an important tool for the growth of their firms. Therefore, the impact of poor education is envisaged to be minimal in the coming years as most entrepreneurs are engaging their children who have been schooled enough to run their businesses. Furthermore, some entrepreneurs in Zambia would rather not want to grow because they try to evade tax which becomes difficult once they are formalized. As a consequence, most of them prefer opening other micro companies instead of expanding the existing ones hence missing out on advantages of scale economies. Formality is primarily associated with business registration, getting premises and opening bank accounts. Other reasons that discourage SMEs to formalize include: administrative barriers, corruption in public places, socio-cultural attitudes and criminality as some of them are involved in some illegal activities such as selling of smuggled goods, dealing in stolen goods, employing under age workers or engaged in illegal activities such as brothel prostitution business or pornographic movies which are prohibited under the Zambian law (Mbuta, 2007). This explains why 55% of micro enterprises in Zambia are unregistered (MCTI Survey, 2007). Nevertheless, there have been very few companies that started as micro and are now operating



as medium mainly not because of good public policies but their successes are more attributed to the private sector dynamism and external circumstances. The entrepreneur's characteristics such as education and innovation skills do play a vital role in as far as entrepreneurship is concerned. If one happens to ask these enterprises how they have managed to grow, they will hardly mention government as its partner in their success. Therefore, there is need for government to pull up its socks and create a more favourable business environment so that more SMEs are graduated to larger enterprises which in turn will create more wealth for Zambians and contribute to the nation's economic development.

## 2.9. Government SMEs Policy

### 2.9.1. Zambia's Sixth national development plan.

In the development plan it is clearly indicated that poverty reduction and economic growth are the priorities, as its themes states **"Sustained economic growth and poverty reduction"**. This will be achieved through accelerated infrastructure and human development, enhanced economic growth and diversification, and promotion of rural development. 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. (MoFNP, 2006)

### 2.9.2. Micro, Small and Medium Enterprises Policy

The goal of the policy is to create a vibrant, dynamic SMES sector contributing about 20 % of GDP and 30 % of jobs by 2015 through value-addition to local raw materials, forward and backward linkages between SMEs and large companies.

The Agency's contribution will be through building capacity of SMEs to supply high value goods and services; linking them to markets at home and abroad; and support their efforts to lobby Government for business-friendly economic policies and measures.

(Zambia development agency, 2015)

## 2.9.3 Investment Policy

The policy of Government is to accelerate private sector investment so as to achieve increased and diversified growth. Government will, therefore, continue with the strategy of attracting investment through facilitation by Zambia Development Agency and improving the overall business and investment climate. Deliberate efforts will be made to linking FDI to the domestic economy in order to broker linkages with SMEs with the view of increasing their productivity, capacity and ability to penetrate into larger markets. The overall effect intended is the creation of decent employment in the various areas of investment. The SNDP (2011-2015) also looks at how to increase the growth of SMEs and the following strategies were put in place

1. Increase participation of indigenous Zambians in the manufacturing sector;
2. Promote entrepreneurship training and development at all levels of the education system;
3. Encourage innovation and technological skills development and on-farm agro-processing training;
4. Facilitate access to market opportunities and business development services;
5. Facilitate the establishment of business incubation centres and linking them to industrial parks;
6. Facilitate the establishment of business industrial clusters;
7. Facilitate business linkages between SMEs and multinational corporations;
8. Create the Trade and Investment Fund targeted at SMEs;
9. Facilitate the establishment of Small Aggregation Initiative joint ventures among SMEs;
10. Strengthen the testing, calibration, inspection, certification, and accreditation systems and procedures;
11. Promote and facilitate the participation of women and youths;
12. Mainstream cross-cutting issues.

## 2.9.4 The Zambia Development Agency (ZDA 2016 - 2020 Strategic Plan)

The Zambia Development Agency (ZDA) was established by the ZDA Act No. 11 of 2006. It became Operational in 2007 as a quasi-Government institution under the Ministry of Commerce, Trade and Industry (MCTI). The mandate of the Agency is to foster economic development through promoting and facilitating investments, trade, and competitiveness of businesses. The Agency also facilitates public private partnerships and privatization.

The 2016 - 2020 Strategic Plan is the third Strategic Plan the Agency has developed to direct its operations since it was established in 2007. As a build-up on the 2013-2015 Strategic Plan, the 2016- 2020 plan refocuses the direction to match the changing business environment domestically and internationally. The plan puts forward an overarching ambitious programme for the Agency to transform business for the benefit of Zambians.

The Agency's aspiration is derived from the Government's long term vision of creating a prosperous middle income nation by 2030 that feeds into the Agency's goal of contributing to the creation of wealth and one million jobs by 2020.

The plan has specific strategic objectives (ends) and actions (means) to deliver outcomes on the five high level goals or result areas of the Agency's mandate, namely: job creation; enhanced local participation; Micro, Small and Medium Enterprise (SME) capacity building; Non-Traditional Export Development (NTEs); infrastructure development, and promotion of local and foreign direct investment. The Agency's programmes and activities address Government policy objectives and goals as expressed in some of the following documents: The revised Sixth National Development Plan (r-SNDP, 2013 – 2016) whose strategic focus is on economic growth and development with a bias to rural development and job creation. Vision 2030 whose ultimate goal is to ensure Zambia becomes a prosperous middle income country by 2030. SME Policy of 2009 whose overall goal is to create a vibrant dynamic SME sector capable of contributing 20 percent of GDP and 30 percent of decent jobs by 2018. Industrialization and Job Creation Strategy Paper (2013 – 2016) that spelt out strategies for creating one million jobs in four priority sectors as follows: Agriculture (550,000 jobs), Tourism (300,000 jobs), Construction (85,000 jobs), and Manufacturing (89,000 jobs).

## 9.9.5 Zambia Vision 2030

The National Long Term Vision 2030 (Vision 2030) is Zambia's first ever written long-term plan, expressing Zambians' aspirations by the year 2030. It articulates possible long-term alternative development policy scenarios at different points which would contribute to the attainment of the desirable social economic indicators by the year 2030. The Vision will be operationalised through the five year development plans starting with the Fifth National Development Plan (2006-2010) and annual budgets. This marks a departure from past practice of preparing and implementing medium-term plans that were not anchored on a national vision.

The Zambian people's vision is to become "A Prosperous Middle Income Nation by 2030". By 2030, Zambians, aspire to live in a strong and dynamic middle-income industrial nation that provides opportunities for improving the wellbeing of all, embodying values of socioeconomic justice, underpinned by the principles of: (i) gender responsive sustainable development; (ii) democracy; (iii) respect for human rights; (iv) good traditional and family values; (v) positive attitude towards work; (vi) peaceful coexistence and; (vii) private-public partnerships.

The Vision highlights three scenarios outlining development options, namely the baseline, the preferred and the optimistic. The socio-economic development objectives enshrined in the Preferred Scenario are: to attain and sustain annual real growth of 6 percent (2006-2010), 8 percent (2011-2015), 9 percent (2016-2020), and 10 percent between 2021 and 2030; to attain and maintain a moderate inflation rate of 5 percent; to reduce national poverty head count to less than 20 percent of the population; to provide secure access to safe potable water sources and improved sanitation facilities to 100 percent of the population in both urban and rural areas; to attain education for all; and, to provide equitable access to quality health care to all by 2030.

## 2.10. Entrepreneurship in the post-2015 development agenda

In its resolution **67/202**<sup>5</sup> the General Assembly, recognizing the important contribution that entrepreneurship can make to sustainable development by creating jobs, driving economic growth and innovation, improving social conditions and addressing environmental challenges, and stressing the importance of giving appropriate consideration to the promotion of entrepreneurship in the post-2015 development agenda, emphasized the need for improved regulatory environments and policy initiatives that promoted entrepreneurship and fostered small and medium-sized enterprises; encouraged Governments to take a coordinated and inclusive approach to promoting entrepreneurship; emphasized the need for partnership with the private sector; and invited Member States to strengthen entrepreneurship-promotion initiatives in six priority areas. It further encouraged countries to consider establishing or strengthening national centres of excellence in entrepreneurship, and called upon the United Nations system to recognize entrepreneurship and integrate its various forms into their policies, programmes and reports and to support national efforts in that regard, as appropriate.

Entrepreneurship formed an integral part of the discussions at the Open Working Group on Sustainable Development Goals established in 2013 further to General Assembly decision **67/555**<sup>6</sup>. It was explicitly reflected in the proposals that the Open Working Group agreed on by acclamation at its thirteenth session in July 2014, to be forwarded to the General Assembly for consideration and appropriate action. Under goal 4 on education, target 4.4 calls for an increase in the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship, by 2030. Under goal 8 on promoting economic growth, target 8.3 calls for promoting development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage formalization and growth of micro, small and medium-sized enterprises, including through access to financial services Different

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<sup>5</sup> <http://undocs.org/A/Res/67/202>

<sup>6</sup> <http://undocs.org/A/Res/67/555>

elements of entrepreneurship can also be found in a variety of other targets proposed by the Open Working Group.<sup>7</sup>

## 2.11 Moving towards a Green Economy

GDP Growth Rate in Zambia

Zambia's GDP grew by 6.0 percent in 2014 (down from 6.5 percent in 2013). This compares favourably with 4.8 percent (down from 5.2 percent in 2013) average growth rate attained by Sub Sahara African countries. The domestic economy continued to exhibit impressive performance, with average GDP growth rate of 6.4 percent over the last decade. This under performance was attributable to a decline in copper production and the ripple effect that had been in the rest of the economy. The lower international commodity prices also contributed through the less-than expected export earnings. (Zambia Development Agency, 2014)

*Table 1 Trend in GDP Growth Rate*

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP growth rate	5.3	6.2	6.2	5.7	6.4	7.6	6.8	7.3	6.5	6.0

The “Green Economy, in the context of sustainable development and poverty eradication, is considered as one of the important tools available for achieving sustainable development. It should contribute to eradicating poverty as well as sustained economic growth, enhancing social inclusion, improving human welfare and creating opportunities for employment and decent work for all, while maintaining the healthy functioning of the Earth’s ecosystems” (UN; A/RES/66/288, article .56); that is, manage natural resources sustainably, increase resource efficiency and reduce waste. Green economy policies should drive “sustained, inclusive and equitable economic growth and job creation, particularly for women, youth and the poor” (UN; A/RES/66/288, article .62).

“It is important to take into account the opportunities and challenges, as well as the costs and benefits, of green economy policies”. (UN; A/RES/66/288, article .63) This also includes the evaluation of policies on a range of social, environmental and economic

<sup>7</sup> <http://sustainabledevelopment.un.org/owg.html>

indicators. [Based on: A/RES/66/288 – Green economy in the context of sustainable development and poverty eradication.

Economic growth is widely viewed as the most important driver for development and poverty alleviation. Collier P. (2007) indicates that the remarkable rise of the ‘Asian Tiger’ economies in South East Asia in the 1990’s, and the continued strong growth and development in China are commonly cited examples of growth driving poverty reduction. Recent evidence, however, suggests that not all growth is the same, and that some growth which exacerbates inequality can act as a drag on the economy, leaving poverty as a persistent problem. (Fosu AK. 2010, OECD. 2015). Most economic development and growth strategies encourage rapid accumulation of capital. Gross Domestic Product (GDP) is often used as a proxy for societal welfare or human wellbeing, although it was never intended to be used as such. One major shortcoming as a welfare measure is that the GDP fails to account for non-marketed values related to environmental goods and services or social goals that improve the quality of human life. (UNEP. 2011: p. 14). Economic growth often results in environmental externalities – the extraction and depletion of natural resources can have both local and global environmental impacts which are rarely factored into bottom lines.

An obvious example is the threat posed by climate change. Should today’s developing countries take the same route to development as developed countries have done, the additional pressure on our already stretched biosphere would be a serious risk to the wellbeing of current and future society not to mention the economic and social costs of environmental degradation and climate change. The link between ecological scarcity, climate change, and poverty has been well established. The world’s poor are generally more vulnerable to the effects of ecological risks as they depend on natural resources for their livelihoods, more often live in marginal areas (such as semi-arid, or low lying coastal areas), and have the least means to cope. (UNEP, 2009.)

## CHAPTER THREE

### RESEARCH METHODOLOGY

Data is not just mere information, it is information gathered by investigation with the aid of their instruments, techniques and means. However, research method has to do with methods adopted by the researcher to collect data, which are relevant to the problem under consideration, the researcher of this project made use of personal interviews and data questionnaire.

#### 3.1 Research Design

The basic research design employed in this study was 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.

#### 3.2 Sampling Technique

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 members of the population had equal opportunity of being selected into the sampled unit.

#### 3.3 Target populations

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 One Hundred Twenty (120) 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), (03) from the Banking and financial institutions.



### 3.4 Sample Size Determination

Sample size refers to the number of items to be selected from the universe to constitute the sample, and this answer how many sampling unites should be surveyed and interviewed, (Kothari 1990). Large sample give more reliable results then small samples. The sample size of One Hundred thirty (130) in number will be used. However, The Taro Yameni technique was adopted for this research work

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

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)

$$n = \frac{200}{1+200(0.05^2)}$$

$$n = \frac{200}{1.5}$$

**Sample size = 133.**

### 3.5 Sources of Data

The major source of data used in this work will be mainly through primary and secondary sources of data collection. The primary sources are data collected at first hand from original sources for the users express purpose. Such data are usually collected from oral interview, questionnaires and face to face observation of the respondents. The secondary data are simple data collected on a second hand base. This type of data will be obtained through the use of textbooks, seminar papers, journals, newspapers, internet and magazines collected mostly from university, public and specialized libraries

### **3.6 Location of Study**

The policy of SMEs affects Zambia as a whole but because of the vast nature of Zambia. The study will be conducted in Kasama District which is located in Northern Province. The reason for this location was the presence of good number of SME's. Also this region is purposely selected as representative sample of small scale enterprises due to accessibility, convenience to the researcher. This will help in minimizing time and other financial demand in terms of expenses.

### **3.7 Methods of data analysis**

The data to be collected were 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. Quantitative data was presented using descriptive statistic methods including table and charts. Qualitative techniques will be used to analyse qualitative data from the views of respondents. This will increase the validity and reliability of information.

### **3.8 Data collection methods**

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

#### **3.8.1 Interview method**

The interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms oral-verbal responses. This method was used through personal and telephone interviews. Both structured and unstructured question was administered to the respondents. The question will be open and flexible so as to allow the greater opportunity for an individual. A set of predetermined questions will be used to guides the respondent in order to provide the necessary information to meet the research objectives. The questions will be distributed to all the owners of the small business enterprises (SME's)

### **3.8.2 Questionnaires method**

This method of data collection is quite popular, particularly in case of enquires. It is being adopted by private individual's research workers, private and public organizations and even by governments. In this method a questionnaire will be sent to the person's concerned with a request to answer the questions and turn to the questionnaires. A questionnaire consist of number of questions printed or typed in a definite order on a form or set of forms. The respondents have to answer the questions on their own.

### **3.8.3 Secondary data collection**

Secondary data may either be published or unpublished data. Usually published data are available in various publications of the central state or local government or various publications of foreign governments or international bodies and their subsidiaries organizations, technical and trade journals, books magazines and newspapers, reports and publications of various associations connected with business and industries, banks, stock exchanges etc. Report prepared by research scholars, universities, economists etc. In this work the researcher will use many books, SME policy, trade policy and other important articles to collect data which include Zambia Small and Medium Enterprises policy, Zambia Trade policy and Zambia economic bulletin to collect secondary data.

### **3.9 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.

## CHAPTER FOUR

### RESEARCH FINDINGS AND ANALYSIS

#### 4.0 Introduction

This chapter presents data based on major results of both statistical and descriptive information derived from questionnaires gathered from various business people. An interview guide was used to collect data from the officials of government institutions who provide support to SMEs, loan and credit officers from banking institutions, and various SME's owners who conducts different business within the coverage area of the study. The data was analysed and interpreted based on the study objectives and the research questions. In this chapter the results and outcome of research are disclosed wisely. Furthermore, it is a chapter that tries to answer the research objectives and questions from various interviewed areas of study as started below:-

1. To identify the constraints for SME growth in Zambia
2. To assess the contribution of SMEs to the country's social, economic growth and sustainable development
3. To identify the mechanism by which SMEs access financial support.
4. To find out the way by which government support SMEs

#### 4.1. 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:-

*Table 2 Ownership structure of SME's*

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

## 4.2 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.

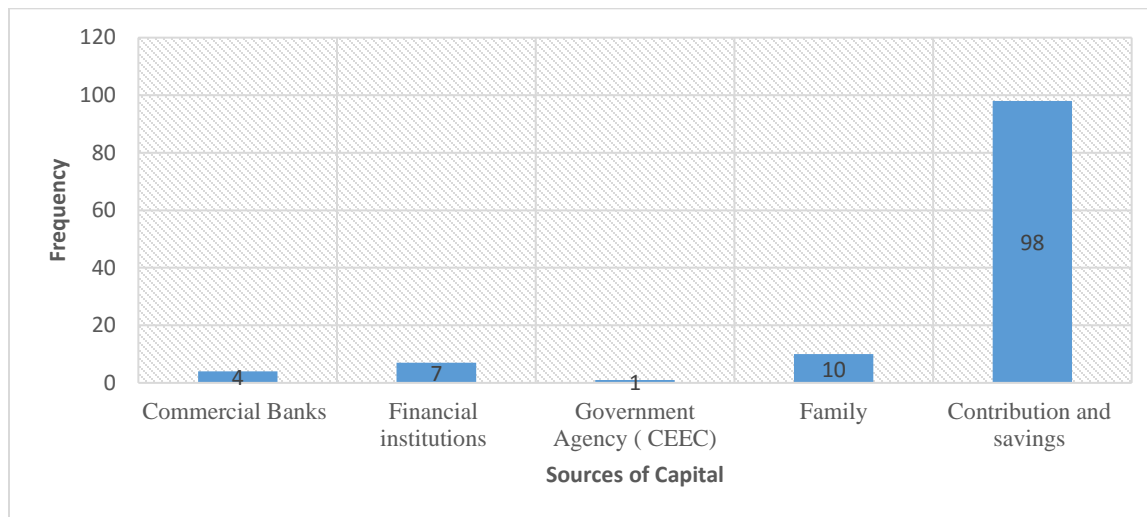
The table 2 below show that 81.67% of enterprises prefer to use their own sources of fund to finance their business activities. This is followed 8.33% of respondents who provide capital to their relatives, sons and daughters on starting business. The other groups are those that obtain capital from banks (3.33%), Financial Institutions (5.83%), or government agency (CEEC) (0.83%).

*Table 3 Source of Capital to SME's*

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
<b>Total</b>	<b>120</b>	<b>100%</b>

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

*Chart 1 sources of capital*



### 4.3 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.

*Table 4 Capital invested on start-up the business*

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
<b>Total</b>		<b>120</b>	<b>100.00</b>

### 4.1.5 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:-

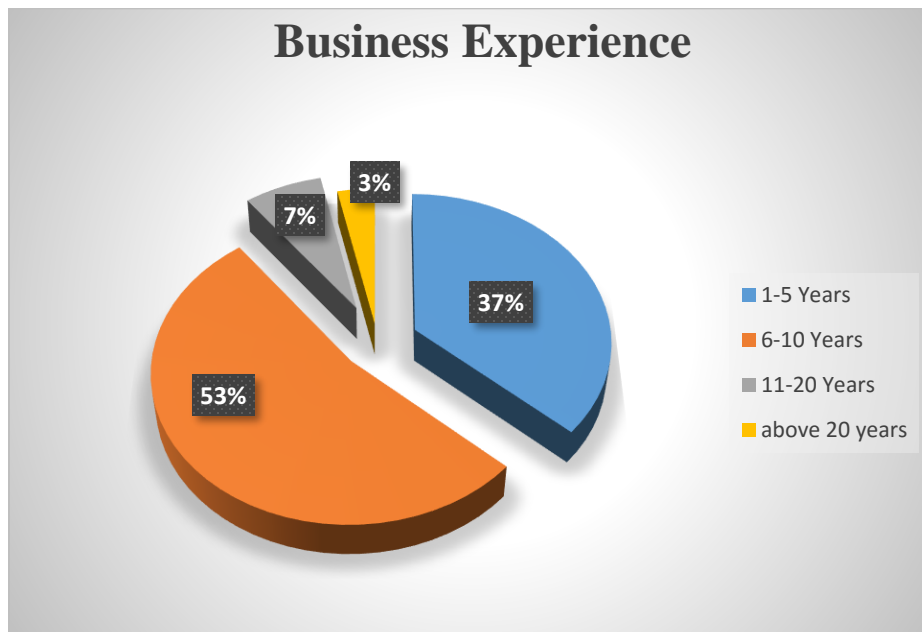
*Table 5 Number of employees*

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		<b>120</b>	<b>100.00%</b>

## 4.6 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.

### Figure 3 Business Experience



*Figure 4 Business Experience*

#### **4.7 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.

#### **To identify the constraints for SME growth in Zambia**

What challenges have you experienced in running this business? The answer was very clear from SME's owners. Start-up capital is the first problem facing them, followed by working place.

#### **Start-up Capital**

Most of residence of Kasama hesitates to request loans from financial institutions due to the high interest rates and collateral securities required by financial institution. All loans from financial institutions must be returned in both principal and interest amount. This helps the institutions to operate well its business activities. But it is different to other side. By this reason many SMEs in Kasama failed to operate well as a result they collapse.



## **Working Place**

**Work place** is another problem. Amount of rent is very high compared to expected sales turn over against expected expenditures. Most of town areas are rented by high amount, which cause loss in doing business to many people. Government regulations, apathy and dishonest are among the challenges facing many SMEs in Kasama and hinders the effort to increase social and economic development in Kasama.

Another crucial challenge facing SMEs in Kasama is the increasing number of shops especially used items from overseas and classic saloons in urban area. The increase of the said activities cause big competition among sellers and make people to diverge from one business to another. This lead to failure in economic and social development (SME owners 2017).

## **Government Regulations.**

There are many challenges facing SMEs derived from Government regulations in Kasama. These include business registration, business licensing, corruption and bureaucracy. In Kasama, all businesses are required to register their business with the office of Registrar of society or PACRA. Businesses are also required to report any changes in their business, such as changes in their names and registrations (SME Policy 2006). Many enterprises in Kasama are informal and semi-formal due to their size in terms of start-up capital, serving the low income segment of the population for which there is very inflexible business competition. 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

## **Banking Regulations**

Whenever asked about loan services from financial institutions basically banks, many SME owners argued that the interest rate charged is very high compared to amount of loan requested from the

bank. Since most of them in Kasama use the Finance Bank and Zambian National Commercial Bank (ZANACO). They said that when they make summation of the amount of loan acquired plus amount of rate of interest deducted, there is no need to request for loan service. (Researcher findings 2017).

## Employment Condition

The findings indicated that significantly a proportion of SME's employees are working on temporary basis and thus their employment is unstable and that workers are highly helpless to socio-economic shock and therefore they are highly exposed to poverty.

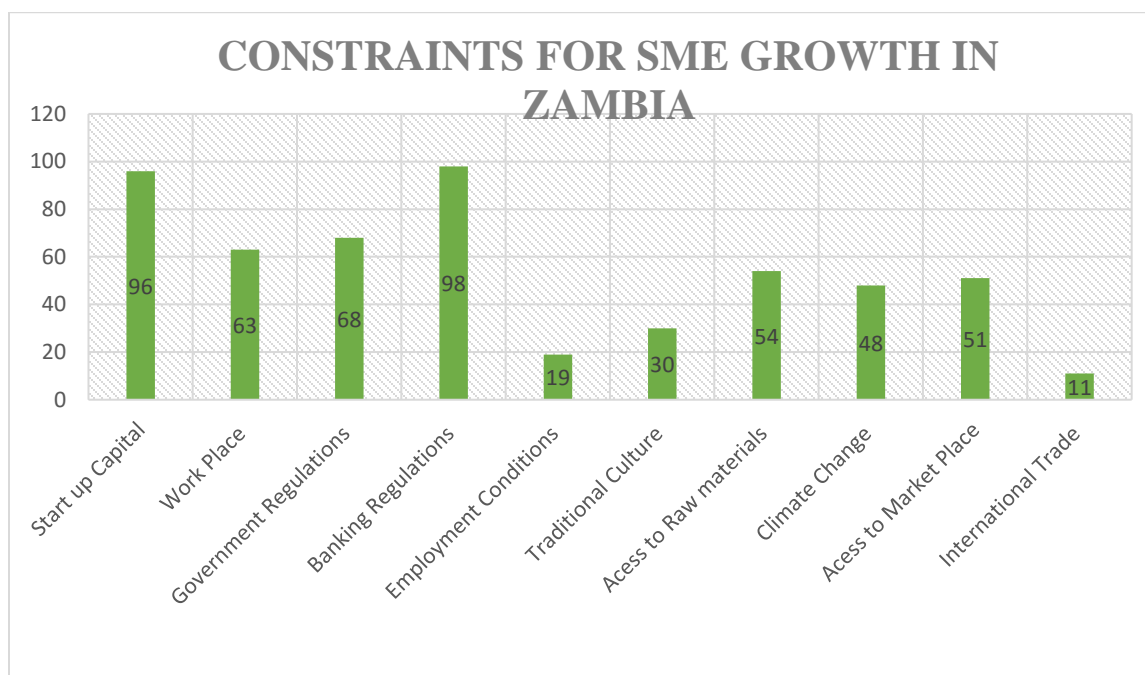


Figure 5 Constraints for SMEs growth in Zambia

## 4.8 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 area. 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. According to credit and loan departments staff from Barclays and Finance, both types of loans provided have highly contributed to SMEs sectors in economic and social development in the country and hence increase personal life position among member staff. SME sectors by using over draft and letter of credit services from banks are able to imports their goods from abroad easily. Letter of credit services gives business people security since bank itself act as guarantor to its customers. By making those business people able to reduce level of poverty rate among people (Barclays staff 2017). The Branch manager Barclays Banks also added that the banks launched the 'Tonse' account which recently enabled Zambians SMEs to open a bank account with lower minimum balance and so far, the SMEs as well as individual retail customers have benefited from the facility. Four Financial Institutions were visited and each provided the packages for SMEs.

## **FINCA**

### **Finca Small Enterprise Loan**

Quick loans to boost businesses are provided to SMEs. According to them this Small Enterprise Loan is easily accessible, with very competitive interest rates and minimum documentation required such as Need to own a business, Aged 21 years and above, Must a Zambian Resident, Term and Conditions (At least 1 year of operating a business, At least 1 year in current business location, At least 1 year in current residential location). Loan amount ranges from K100, 000 to K1,000,000. Additionally, Flexibility on security pledged (Business assets, Motor vehicles, Moveable property). The information given also shows that very few SMEs access these loans and those who manage it main fail to repay in time.

## **ZAMBIA NATIONAL COMMERCIAL BANK (ZANACO)**

At ZANACO, a small or medium-sized enterprise (SME) is a business registered at the Patents and Companies Registration Agency (PACRA) with an annual turnover of not more than ten million Kwacha (K10 000 000) This SME Banking Unit was set up so that business owners can enjoy a modern, efficient banking service with a personal touch. The personnel in charge of this unit explain that many fail to access these loan. At Kasama branch very few apply for these loans and unfortunately at times not even one manage to access one due to the requirements needed.

Requirements for the said loans include; business plan, Application letter clearly stating: ( Amount sought, Duration, Purpose.), Repayment arrangement, Company profile, Audited accounts and/or management accounts for the previous three financial years, Projected cash flow for the period of the loan with supporting assumptions, Board resolution to borrow (in case of limited companies), Full details of security offered as collateral, Latest valuation report of property to be pledged as security addressed to the Bank, Insurance of the property offered as security.

These conditions have made the SMEs not to have access to financial support from ZANACO because very few in Kasama need these requirements.

## ZAMBIA NATIONAL SAVING AND CREDIT BANK (NATSAVE)

### Micro / Medium Enterprise Loan

There SMEs loans are more attractive compared to other banks visited. This Bank (Kasama Branch) recorded Ten (10) clients accessing these loans. Customers borrowing will have to comply with requirements under normal commercial lending. Features include: Applicant must have an active account which has operated for at list 6 months, Maximum amount is K 50,000, Term of loan not to exceed 36 months, and Security required.

## FINANCE BANK

### SME Twikatane

Finance Bank offer Loans to SMEs under the *SME Twikatane*, It is designed for Small and Medium Enterprises (SMEs), to help them have access to Credit Facilities in a form of an Overdraft or a Loan. According to Finance Bank a small or medium-sized enterprise (SME) is a registered business whose annual turnover is no more than K500,000. The SMEs are divided in categories as follows;

Type of Enterprise	Number of Employees	Thresholds
Micro Enterprise	10 or less	>K50,000
Small Enterprise	50 or less	>K100,000
Medium Enterprise	50 to 100	>K500,000

However, for any SME to have access to a Loan, the following conditions must be fulfilled. These include; a bankable business proposal, Full company profile, Latest management accounts (Balance sheet & income statement), Ageing list of debtors & creditors, if any. Cash flow projection for the next 12 months. Company/business registration documentation. Bank statements for the past 12 months if customer does not have an account with us. Tangible security on Title and good value adequate to cover the borrowing sought. As of 2016 only 1 had access to this loan facility at Kasama Branch.

## **Challenges faced government Institutions (CEEC)**

### **Loan repayment**

Most of the member and groups are not returning the amount of loan they borrow from the government institutions especially the CEEC loan. When the researcher asked some of the owners of the SMEs, the only and simple answer was the same where the members claim that, the money borrowed from these financial institutions and government institutions are their own money in which government holds in one way or another. So there is no need for them to return it. These reasons cause the amount of loan returned to the government institutions to be less as a result failed to be granted another loan facility. Due to this reason it causes this loan service to be tighten y putting strict measures for one to access it.

## **SMEs contribution on Environment, Social and Economic Development**

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).

### **(a) Environmental impacts**

#### **1. Mitigating climate change by reducing emissions**

Some SMEs are involved in producing solar products, especially after the electricity Load shedding. Additionally, other firms introduced the use of gas for cooking, however, through the use of solar products, Gas Products and agricultural waste, these enterprises in the case study aim to mitigate climate change. For instance, many companies have come up with solutions to reduce emissions by addressing people's dependence on, like petrol, diesel, kerosene, paraffin and charcoal other than use of solar and gas. Many companies and organisation are using solar energy.

These products pose much less danger to customers than traditional fuels. Fire wood and charcoal produce smoke that may cause respiratory problems, particularly when cooking is done inside poorly ventilated homes. These products are also likely to cause house fires. Reducing emissions does not have to increase costs – customers spend less on energy than they used to before shifting to solar-powered products and efficient cook stoves.

## **2. Undertaking waste management through recycling**

Recycling also contributes to reducing emissions temporarily, especially when waste is transformed into goods that may be used for decades. This is the case with Clean Zambia Enterprises. These they collect all used and abandoned car batteries and scrap metals. This not only reduces the amount of batteries and scarp metals on the streets and in landfills, but also reduces the problems batteries and abandoned metals can bring on land and in homes.

## **3. Promoting biodiversity and conservation**

Many enterprises engage in conservation efforts to promote biodiversity. For example, Mulondolwa Farmers in Kasama promote biodiversity by providing an alternative source of income generation through the cultivation of medicinal plants (Jatrofa) and providing alternative sources of Income by making soap form the same plant in the communities. This company has built its business around the cultivation of threatened medicinal plant species in Kasama and it provides capacity building and train members of the local community on how to grow this plant. Community environmental education is part and parcel of what many this enterprise do. Currently many firms indicted that there are chicken and animal feed production from soya beans and maize. Others also indicated that they in cooling oil production using soya beans.

### **(b) Economic impacts**

Supporting innovative value chains that are green and inclusive, Adding value to local raw materials. (The use of Soya beans to make Cooking oil and Animal feeds: producing Soap from a Jatrofa Plant) The case study data shows that the enterprises usually source their raw materials locally, often materials that would normally have gone to waste, (like Clean Zambia enterprises-

it takes the abandoned car batteries refurbish them and produce new ones, they also take all the scrap metals) and in doing so provide new opportunities for local producers to turn their surplus into added value. In some cases the creation of an innovative product has led to significant increase in the price for the raw materials.

## **Reducing community costs and increasing purchasing power**

Many SMEs produce (semi) public goods or service, (waste management) which result in a reduction of costs for the local communities. The intention here is to highlight that SMEs can equally achieve economic impact with the provision of goods and services that regular enterprise may not otherwise address without some form of payment for this semi-public good. While this service would normally have been the responsibility of the local government (municipality or council), lack of infrastructure or resources impeded its efficient implementation. They offer an alternative and complementary model and can also inspire regular enterprises to reshape their business models to be more inclusive and environmentally sound. Other SMEs develop products that reduce household costs thus increasing the household purchasing power. Typical examples are the solar-powered products reducing household expenditures on kerosene, Electricity, Gasses.

## **Encouraging local business development**

Some SMEs not only seek to grow their own business, but also assist their workers to set up their individual businesses. The beneficiaries often receive training in transferable business skills, and combined with the extra income, this allows them to set up their own independent businesses. The beneficiaries often receive training in transferable business skills, and combined with the extra income, this allows them to set up their own independent businesses. For example, women group in Kasama started a business of a hummer mill plant. They had to invest in additional income generating activities of farming, making use of the business management trainings and additional income obtained through the president empowerment initiative to empower other women who never has capital to start their business. They started giving soft loans their fellow women as the way of empowering them.



## **(c) Social impacts**

### **Increasing income and job creation for side-lined individuals.**

The creation of jobs and income generation are frequently cited by the SMEs as important direct impacts. Case study data shows that all SMEs have created both full-time and part-time jobs. What is quite prominent from our case studies is that most jobs are on a part-time or casual basis (94%). Maybe even more importantly to consider is not only the number of jobs created by those SMEs but to whom they provide income opportunities. All focus on providing job opportunities in the community, more often than not targeting specifically marginalised individuals who otherwise lack access to employment and income generating activities.

### **Encourage and support Education and Training**

The creation of new jobs by SMEs involves necessary skills training of employees and other workers. Such capacity building and training is often extended to the wider community. Some enterprises also offer training on conservation and biodiversity. Here, there is a cross-over between social and environmental impacts. Additionally, In collaboration with other partners, such as universities, schools, colleges they organise skill training programmes that help to improve the capability and the performance of the enterprise's farming team but also raise awareness amongst the communities about the (economic) value of conservation, how to start and manage their business. Many of these skills are transferable and contribute to better harvests in subsistence cultivation and increase in profit to those in business.

### **Support of Gender Equality**

The study shows that a third of all formal SMEs in emerging markets are under female leadership. But women's entrepreneurship is largely skewed towards smaller enterprises. Female entrepreneurship thus represents a vast untapped source of innovation, job creation and economic growth in the developing world. Women's ability to participate in SME development should be enhanced at all levels, as women account for an important share of private sector activity and contribute most to poverty reduction.

## **Addressing food insecurity and malnutrition through sustainable farming and post-harvest processing**

Agriculture remains the priority sector in achieving sustainable economic growth and reducing poverty in Zambia. This is because the country has immense natural resources such as land, water and fertile soils to support agricultural activities. In addition, over 80 percent of the rural population depends on agriculture-related activities for their livelihood. The growth of this sector is, therefore, important for the attainment of the long-term vision for Zambia which is to become “a prosperous middle income nation by 2030”.

SMEs play an important role in fostering sustainable farming practices. The SMEs that are active in the agricultural sector employ friendly practices, farm organically and manage their land sustainably. Sustainable farming practices are thought to promote food security as local food systems become more resilient to seasonal fluctuations and external shocks.

Low investment in the sector and low production and productivity especially among small-holder farmers are some of the serious challenges currently affecting the agricultural sector. Climate Change is exacerbating this challenge due to its threats which include droughts, water logging, seasonal floods, increased temperatures, shortening of the rain season (crop growing period) and long dry spells coupled with poor rainfall distribution.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.0 Conclusion

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.

Operational stability and expansion in business requires external sources of finance by way of working capital to attend to intermittent cash flow deficits and investment capital to purchase fixed production assets to facilitate expansion. The survey observes that albeit the number of beneficiary SMEs being small, such financial assistance was more readily available as the results show that 7.2 percent of the micro enterprises accessed loans at one point while the was 25 percent for small scale enterprises. Medium sized enterprises had a much higher access at 86 percent. Stagnation in qualitative growth among micro enterprises against significant growth trends in population among the SMEs was as much a result of non-availability of such loans to this category.

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.

## **5.2 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. However, detailed recommendation are explained below;

### **5.2.1 The importance of entrepreneurship should be recognised and promoted**

To transition to a Green Economy it is of paramount importance that the focus shifts from only creating value for shareholders to creating value for stakeholders. The first step is for governments, donors and investors to give proper recognition to the importance of SMEs in emerging markets. The best way to get the process moving is by supporting the innovativeness and creativeness in the country. Policy makers and other stakeholders should give increased attention to developing policy conducive to the success of these SMEs as they help to drive local economic development, address local social and environmental challenges and can inspire other SMEs to make steps in this direction. The government should provide the enabling environments for SMEs to survive in terms of marketing, taxation, exchanges rates and interest rates.

### **5.2.2. Support business development for stability and growth of SMEs**

Related to the issue of access to finance, SMEs need business development support to be efficient contributors to the sustainable development in the country and to become financially sustainable. They need to be able to access skills development programmes to give business managers the tools

they need to maintain and scale a sustainable business. SMEs that achieve environmental and social impacts must also keep a sharp focus on commercial aspects of the business. A financially unsustainable enterprise cannot survive in unsparing competitive environment, and hence social and environmental benefits and opportunities may be lost if the enterprise is not viable.

SMEs themselves highlight the need for support to develop their business plans to submit to institutional investors when seeking financing. SMEs also need support to develop their marketing strategies, so that they can promote their products and services, while educating consumers and gaining traction for the idea of a greener economy. Policies should give attention to women entrepreneurs who are an under-represented but essential driver for growth and TBL impact, especially in rural and agricultural economies.

### **5.2.3. Providing finance solutions for the staggering SMEs**

Access to start-up finance is one of the biggest obstacles to sustainable, economic and social and inclusive SMEs. Policy makers need to work with financial institutions to develop products and approaches that are responsive to the situations of those particular SMEs. Finance is a difficult issue for lenders too, as SMEs and particularly start-ups are generally regarded to have a higher risk profile than more established and larger businesses. However, policy makers need to invest in an ongoing dialogue with and between financial institutions and SMEs as to the details of this challenge. We need to move beyond discussing financing challenges in generalised ways and investigate deeper to understand the details of issues such as what banks would consider to be acceptable risk, what the costs are to financial institutions in managing SME portfolios, and what banks are looking for in due diligence reports. There is more at stake here than just the failure of a few SMEs to attract financing. Where a lack of access to finance is systematic for SMEs, in-depth investigation is required to identify causes and remedies, else enterprises will be stuck in low growth cycles with little transformation and in turn little impact

### **5.2.4 Partnerships of different stakeholders make a real difference to SMEs**

Partnerships make a real difference to SMEs in various ways, such as knowledge sharing and learning, pooling resources, navigating bureaucracy, accessing finance and marketing. Policy

makers should consider how they might play a role in facilitating networks where SMEs can share and learn from each other. This might include promoting and supporting online platforms (which may be private sector developed), or encouraging business expos and symposia. Perhaps most importantly, policy makers should see themselves as indirect stakeholders and really seek out the views of SMEs to understand the specific barriers they face in each sector, and address first the low hanging fruit.

## **5.2.5 SMES need to be given a voice**

SMEs need to have a voice – cumulatively, they are major players in innovation and job creation, and should be invited to participate more fully in policy development discussions. Multi-stakeholder platforms are ideal fora for policy dialogue, to express the constraints they feel and their ideas of how government better provide an enabling environment. Creating platforms for dialogue also present opportunities for enterprises to connect and build partnerships – crucial for innovation, productivity enhancements, and unlocking market opportunities.

## **5.2.6. SMEs need a sound and encouraging regulatory environment**

The government has a vital role in preparing an attractive business environment for SMEs. In developing countries SMEs generally face higher barriers to entry than in developed countries. This is of particular concern because a feature of developed countries is a high percentage of strong SMEs driving employment and innovation. To unleash innovation, governments need to work on Streamlining bureaucratic processes, protect intellectual property, deploy resources at the local government level to implement policies efficiently and ensure courts have the capacity to efficiently enforce contracts and land tenure rights.

## **5.2.7. Government should encourage financial institutions to revisit their Loan regulations**

Government should encourage financial institutions to revisit their Loan regulations so as to provide services to small business enterprises. This can be done by for example meeting the cost by human resource development to prepare competent bank staff who can work with SMEs. Banks

have to establish SMEs windows within and encourage simplification of procedures. Promote innovative financial products for SMEs such as hire purchase scheme, leasing, financial venture and capital for SMEs with big growth potentials.

## **5.2.8. SMEs have to improve their operating efficiency and capabilities**

SMEs have to improve their operating efficiency and capabilities as this impact on their production costs and profits. Improve quality of goods and services in order to come up with global market changes as it is known that nowadays the globalization makes the world as a clan. Poor operating services make much material wastage and this make major source of high operating costs in many small businesses. SMEs need to invest in skills development and infrastructure to be able to benefit from electronic business international.

## **5.2.9. Zambia SMEs policy of 2006**

Zambia SMEs policy of 2006 are to be reviewed and updated so as to meet and satisfy the need to SMEs in current situations since there is high economic and technological changes around the world. This is because there are many changes recently such as SMEs position, number of medium and large firms, changes in credit facilities from banks etc. The Government through its responsible ministries which include Zambia chamber of commerce and industry, Ministry of Commerce Trade and Industry dealing with SMEs and other sectors are supposed to provide related courses for SMEs issues, seminars and workshops to enable SMEs sectors including women entrepreneurs to acquire business skills and to improve their profiles and confidence. This will help them to be more innovative. In doing this, more productivity will be obtained and make the successful profit which will make the employment opportunities to be the source of sustainable development.



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## 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: \_\_\_\_\_

4. For how long have you been in business? \_\_\_\_\_

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

12. How many employees do you have?

1 – 10		11 – 50		51 – 100	
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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?

S/N	Particulars	Tick appropriate
1.	Government Polices	
2.	Easy access to credit	
3.	Financial support from relatives/ friends	
4.	Material Support from relatives/ friends	
5.	Both Financial and material Support from relatives	
6.	Access to training opportunities	
7.	Technical support	
8.	Access to market information	
9.	Managerial support	
10.	Business contacts	
11.	Non	

Objective 1; 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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Economic

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**Thanks you for your cooperation**

## **APPENDIX 2: Contribution of Financial Institutions on social and economic growth to SMEs Support in Zambia**

Dear Respondent, This questionnaire is aimed at gathering primary data concerned the role of Small and Medium Enterprises (SME"s) on **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.

1. Name of institution \_\_\_\_\_
2. Please indicate some of the products and services that are specifically adapted to SMEs

Small scale business loans		Business management training	
Marketing services		Financial literacy skills	

Others (Please specify) \_\_\_\_\_

3. Do any of the above mentioned services have contributed growth of SMEs

Yes  No

4. Do you face any challenge from those SMEs whom you provide loan to?

Limited time for loan repayment	
Poor utilization of loan	
High interest rate if loan granted by banks	
Non-payment of the loan	

5. What is your recommendation on financing issues to support Small business enterprises on fostering Economic and Social development in Zambia?



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**Thank you for your cooperation**